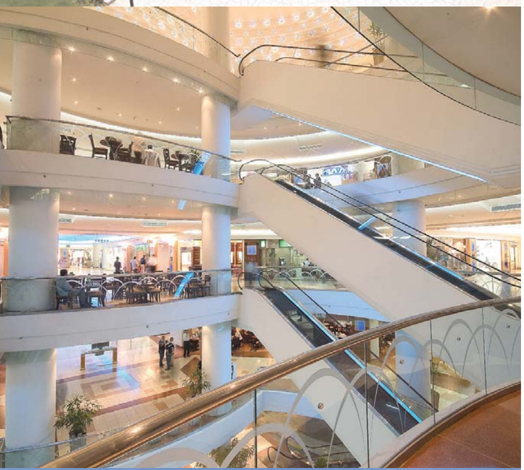

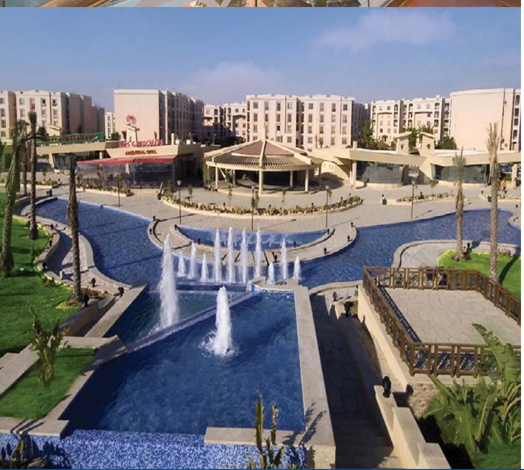

طلعت مصطفى

TMG Holding

Talaat Mostafa Group Holding Company

1. Landscape Shelter Belt
2. Golf Course
3. Golf Hotel
4. Grand Centre
5. Wadis
6. Western Entrance
7. Madinaty Sales Centre
8. Golf Retail
9. Golf Club House
10. Water Parks
11. Residential Villas
12. Recreational Area
13. Medical Complex
14. Conference Centre
15. Resid. Apartments
16. Mixed Use
17. Financial / Administrative
18. Downtown
19. Mega Mall
20. Civic Spine
21. Uptown
22. Central Park Spine
23. School Complex
24. University
25. Workshops
26. Social / Sporting Club
27. Eastern Entrance
28. Plant Nursery
29. Storage
30. District Centre
31. Sector Centre
32. Friday Mosque
33. Gas Station

Madinaty Master Plan

Talaat Mostafa Group Holding Company S.A.E.

Offering of up to 330,000,000 Ordinary Shares
Offer Price: LE 11.60 per Ordinary Share

This offering circular relates to the offering by Talaat Mostafa Group Holding Company S.A.E., a joint stock company incorporated under the laws of the Arab Republic of Egypt (the "Company", and, together with its consolidated subsidiaries, "TMG" or the "Group") of 215,000,000 of its ordinary shares, assuming the Over-allotment Option (as defined below) is exercised in full (the "Primary Shares"), and by certain shareholders of the Company (the "Selling Shareholders") of 115,000,000 ordinary shares of the Company (the "Secondary Shares"). In this offering circular, the term "Shares" refers to the Company's ordinary shares, each with a nominal value of LE 10.

The Company has granted the Lead Managers (as defined in "Plan of Distribution") the right to place (the "Over-allotment Option") up to 50,000,000 Shares at the Offer Price (as defined below) to purchasers procured by them solely to cover over-allotments in connection with the International Offering (as defined below).

There is currently no market for the Shares. Application will be made to the Egyptian Capital Market Authority (the "CMA") in its capacity as competent authority under the Capital Markets Law No. 95 of 1992 (the "Capital Markets Law") for the Shares to be admitted to trading on the Cairo and Alexandria Stock Exchange (the "CASE"). Unconditional dealings in the Shares are expected to commence, subject to the fulfillment of certain requirements, on the CASE on or about 28 November 2007 (the "Closing Date"). **All dealings before the commencement of unconditional dealings will be on a "when issued" basis and will be of no effect if the admission does not take place. Such dealings will be at the sole risk of the parties concerned.**

The offering of Shares to which this offering circular relates consists of (i) an offering of Shares to investors outside the United States in offshore transactions in a number of countries, including the Arab Republic of Egypt ("Egypt"), in reliance on Regulation S ("Regulation S") under the United States Securities Act of 1933, as amended (the "Securities Act") (the "Regulation S Offering") and (ii) an offering of Shares in the United States to certain qualified institutional buyers ("QIBs") as defined in, and in reliance on, Rule 144A ("Rule 144A") under the Securities Act or another exemption from the registration requirements thereof (the "Rule 144A Offering" and, together with the Regulation S Offering, the "International Offering"). The Regulation S Offering includes a private placement of Shares in Egypt to "qualified institutional buyers" and/or "professional high net worth individuals" in reliance on the Capital Markets Law, its Executive Regulations (the "Executive Regulations") and the regulations of the CMA pursuant to Egyptian law. In addition, up to 65,000,000 Shares are being offered by certain Selling Shareholders in a domestic offering to the public in Egypt (the "Egyptian Retail Offering" and, together with the International Offering, the "Combined Offering"). Egyptian retail investors will be purchasing Shares solely in reliance on the Public Offering Notice (as defined herein), and may not rely on this offering circular.

The Shares offered in the Combined Offering have not been nor will be registered under the Securities Act and may not be offered or sold in the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws. Prospective investors are hereby notified that sellers of the Shares may be relying on the exemption from the registration requirements of Section 5 of the Securities Act provided by Rule 144A or another exemption from the registration requirements of the Securities Act. The Shares are not transferable except in accordance with the restrictions described under "Selling and Transfer Restrictions".

INVESTMENT IN THE SHARES INVOLVES A HIGH DEGREE OF RISK. See "Risk Factors" beginning on page 11 for a discussion of certain matters that prospective investors should consider prior to making an investment in the Shares.

Joint Global Coordinators and Bookrunners

EFG HERMES — HSBC

Placement Managers

CI Capital — Prime Securities

Financial Advisor

Arab African International Bank

The date of this Offering Circular is 16 November 2007

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The Company accepts responsibility for the contents of this offering circular. The Company declares that, having taken all reasonable care to ensure that such is the case, the information contained in this offering circular is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import.

This offering circular is being furnished by the Company solely for the purpose of enabling a prospective investor to consider the purchase of the Shares. No representation or warranty, express or implied, is made, nor any responsibility assumed, by the Lead Managers or any of their affiliates or advisers as to the accuracy or completeness of any information contained in this offering circular, and nothing contained in this offering circular is, or shall be relied upon as, a promise or representation by the Lead Managers or any of their affiliates or advisers as to the past or the future. Any reproduction or distribution of this offering circular, in whole or in part, any disclosure of its contents or use of any information herein for any purpose other than considering an investment in the Shares is prohibited, except to the extent that such information is otherwise publicly available. Each prospective investor, by accepting delivery of this offering circular, agrees to the foregoing.

The Lead Managers are acting exclusively for the Company and no one else in connection with this International Offering and will not be responsible to any other person for providing the protections afforded to their respective clients or for providing advice in relation to the International Offering.

This offering circular is personal to each offeree and does not constitute an offer to any other person or to the public generally to purchase or otherwise acquire the Shares. In making an investment decision, prospective investors should rely on their own investigation and analysis of the Company, and their own determination of the suitability of any such investment, with particular reference to their own investment objectives and experience and any other factors that may be relevant to such prospective investors in connection with an investment in the Shares. Any decision to buy the Shares should be based solely on the information contained in this offering circular. No person has been authorised to give any information or to make any representations in connection with the International Offering other than those contained in this offering circular. If any such information is given or any such representations are made, such information or representations must not be relied upon as having been authorised by the Company or the Lead Managers, any of their respective affiliates, advisers or selling agents or any other person. At any time following the date of this offering circular, the information contained in this offering circular may no longer be correct and TMG's business, financial condition or results of operations may have changed.

No representation is made by the Company or the Lead Managers or any of its or their respective representatives to prospective investors as to the legality of an investment in the Shares. Prospective investors should not construe anything in this offering circular as legal, business, financial, investment, tax or related advice. Prospective investors should consult their own advisers as to the legal, business, financial, investment, tax and related aspects of an investment in the Shares.

This offering circular does not constitute or form part of an offer to sell, or a solicitation of an offer to buy, any security other than the Shares offered in the International Offering. The distribution of this offering circular and this offering of Shares may, in certain jurisdictions, be restricted by law and this offering circular may not be used for the purpose of, or in connection with, any offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorised, or to any person to whom it is unlawful to make such an offer or solicitation. Persons into whose possession this offering circular comes are required by the Company and the Lead Managers to inform themselves of and observe all such restrictions and obtain any consent, approval or permission required. None of the Company or the Lead Managers accepts any legal responsibility for any violation by any person, whether or not a prospective investor, of any such restrictions.

The company and the Lead Managers reserve the right to reject any offer to purchase the Shares in whole or in part and to sell to any prospective investor less than the full amount of Shares sought by such prospective investor.

No action has been or will be taken in any jurisdiction that would permit a public offering of the Shares or the possession, circulation or distribution of this offering circular or any other material relating to TMG, or the Shares in any jurisdiction where action for that purpose is required. Accordingly, the Shares may not be offered or sold, directly or indirectly, and neither this offering circular nor any other offering material or advertisements in connection with the Shares may be distributed or published in or from any country or jurisdiction except under circumstances that would result in compliance with any applicable rules and regulations of any such country or jurisdiction.

In connection with the International Offering, each of EFG-Hermes Promoting & Underwriting, which is known as EFG-Hermes Investment Banking, ("EFG Hermes") and HSBC Bank plc ("HSBC") and any affiliate acting as an investor for its own account may purchase the Shares and in that capacity may retain, purchase or sell for its own account such securities and any of the Company's securities or related investments and may offer or sell such securities or other investments otherwise than in connection with the International Offering. Accordingly, references in this offering circular to the Shares being offered or placed should be understood as including any offering or placement of securities to EFG-Hermes and HSBC and any of their affiliates acting in such capacity. None of EFG-Hermes or HSBC intends to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligation to do so.

NEITHER THE U.S. SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THE INTERNATIONAL OFFERING, THE SHARES OR DETERMINED IF THIS OFFERING CIRCULAR IS TRUTHFUL OR COMPLETE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE IN THE UNITED STATES.

STABILISATION

In connection with the International Offering, EFG-Hermes (on behalf of the Lead Managers), as stabilising manager, may, in agreement with HSBC and for a limited period of up to 30 days after the Closing Date, effect transactions in the Shares with a view to supporting or maintaining the market price of the Shares at a level higher than that which might have otherwise prevailed in the open market. However, EFG-Hermes has no obligation to do so. Such stabilisation, if commenced, may begin on the Closing Date, may be effected in the open market, in the over-the-counter market or otherwise and may be discontinued at any time, but in no event later than 30 days after the Closing Date (the "Stabilisation Period"). EFG-Hermes (on behalf of the Lead Managers) does not intend to disclose the extent of any such stabilisation transactions otherwise than in accordance with any legal or regulatory obligation to do so.

NOTICE TO INVESTORS IN THE EUROPEAN ECONOMIC AREA

This offering circular has been prepared on the basis that all offers of Shares will be made pursuant to an exemption under the Directive of the European Parliament and of the Council 2003/71/EC (the "Prospectus Directive"), as implemented in the member states of the European Economic Area, or EEA, from the requirement to produce a prospectus for offers of securities. Accordingly, any person making or intending to make any offer within the EEA of the Shares should only do so in circumstances under which no obligation arises for the Company or the Lead Managers to produce a prospectus for such offer. None of the Company or the Lead Managers have authorised, or will authorise, the making of any offer of the Shares through any financial intermediary, other than offers made by the Lead Managers which constitute the final placement of the Shares contemplated in this offering circular.

In relation to each Member State of the European Economic Area that has implemented the Prospectus Directive (each, a "Relevant Member State"), with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State, an offer of Shares to the public may not be made in that Relevant Member State except that an offer to the public in that Relevant Member State may be made at any time under the following exemptions under the Prospectus Directive, if they have been implemented in that Relevant Member State:

(i) to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities;

(ii) to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than €43.0 million and (3) an annual net turnover of more than €50.0 million, as shown in its last annual or consolidated accounts;

(iii) to fewer than 100 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the Lead Managers for any such offer; or

(iv) in any other circumstances that do not require the publication by the Company of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an "offer of Shares to the public" in relation to any Shares in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and any Shares to be offered so as to enable an investor to decide to purchase or subscribe for the Shares, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State and the term "Prospectus Directive" includes any relevant implementing measure in each Relevant Member State.

NOTICE TO PROSPECTIVE INVESTORS IN THE UNITED STATES

None of the Shares offered in the International Offering have been or will be registered under the Securities Act, or with any securities authority of any state of the United States, and the Shares may not be offered, sold, pledged or otherwise transferred except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and in compliance with any applicable state securities laws. The Shares are only being offered pursuant to exemptions from, or in transactions not subject to, registration under the Securities Act, including (i) in the United States only to qualified institutional buyers in reliance on the exemption from the registration requirements of the Securities Act provided by Rule 144A or another exemption from the registration requirements of the Securities Act, and (ii) outside the United States only in offshore transactions, as defined in, and in accordance with, Regulation S. Prospective investors are hereby notified that sellers may be relying on the exemption from the registration provisions of Section 5 of the Securities Act provided by Rule 144A or another exemption from the registration requirements of the Securities Act. For certain restrictions on sales and transfers of the shares, see "Selling and Transfer Restrictions".

NOTICE TO NEW HAMPSHIRE RESIDENTS ONLY

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES ("RSA") WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE OF NEW HAMPSHIRE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

AVAILABLE INFORMATION

So long as any Shares of the Company are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act, the Company will, during any period in which it is neither subject to Section 13 or 15(d) of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act"), nor exempt from reporting pursuant to Rule 1 2g3-2 (b) under the Exchange Act, furnish, upon request, to any holder or beneficial owner of such restricted securities, or any prospective purchaser designated by any such holder or beneficial owner, the information required to be delivered to such persons pursuant to Rule l44A(d)(4) under the Securities Act. In such cases, the Company will also furnish to each such holder or beneficial owner all notices of shareholders' meetings and other reports and communications that are generally available to the shareholders of the Company.

ENFORCEMENT OF ARBITRAL DECISIONS AND CIVIL LIABILITIES

Each of the United Kingdom, the United States and Egypt is a party to the United Nations (New York) Convention on the Recognition and Enforcement of Foreign Arbitral Awards 1958 (the "New York Convention"). Consequently, Egyptian courts should recognise and enforce in Egypt a valid arbitral award made in the United Kingdom or the United States, on the basis of the rules of the New York Convention, subject to qualifications provided for in the New York Convention and compliance with Egyptian procedural regulations and arbitration law. However, in practice, it may be difficult to enforce arbitral awards in Egypt due to:

(i) the relative limited experience of Egyptian courts in enforcing international commercial arbitral awards;

(ii) the Egyptian courts' inability or unwillingness to enforce such awards; or

(iii) legal grounds (for example, the concept of "public order") and/or technical grounds (for example, the lack of capacity of the parties or the invalidity of an arbitration clause).

In addition, the Company is, and TMG is comprised of, Egyptian joint stock companies and the shareholders' liability therein is limited to their capital contributions. All executive officers and a majority of the directors of the Company are residents of Egypt. All or substantially all of the assets of TMG are located outside the United States and the United Kingdom. It may not be possible for investors to effect service of process within the United States and the United Kingdom upon the Company or such persons or to enforce against any of them judgments obtained in the United States or the United Kingdom courts predicated upon the civil liability provisions of the federal securities laws of the United States and the United Kingdom, respectively.

Enforcement of foreign judgments in Egypt is subject to the following conditions:

(i) The foreign courts rendering the relevant judgment offer reciprocal treatment to judgments obtained in the courts of Egypt. If such reciprocal treatment is not offered by the court where judgment is obtained, then the Egyptian courts will re-examine the merits of the case in the same manner as that adopted by such courts;

(ii) The courts of Egypt are not exclusively competent to hear the dispute which constituted the object of the foreign judgment while the foreign courts are shown to have been competent to hear the dispute in accordance with their own respective laws;

(iii) The parties to the dispute were duly notified and properly represented in the proceedings;

(iv) The foreign judgment is final and conclusive in accordance with the relevant law; and

(v) The foreign judgment does not conflict with a prior Egyptian judgment in the same case and is not contrary to public order or morality in Egypt.

Judgments of courts of the United States or the United Kingdom may not be enforceable in Egypt because there are no bilateral treaties between Egypt and the United States or the United Kingdom on the enforcement of judgments and the courts of the United States and the United Kingdom may be deemed not to offer reciprocal treatment to judgments obtained in the courts of Egypt. See "Risk Factors — Risks Relating to the International Offering — The rights of investors as shareholders will be affected by the laws of Egypt and investors may have difficulty effecting service of process on TMG or enforcing judgments obtained outside Egypt".

FORWARD-LOOKING STATEMENTS

This offering circular contains certain forward-looking statements. A forward-looking statement is any statement that does not relate to historical facts and events, and can be identified by the use of such words and phrases as "according to estimates", "anticipates", "assumes", "believes", "could", "estimates", "expects", "intends", "is of the opinion", "may", "plans", "potential", "predicts", "projects", "should", "to the knowledge of", "will", "would" or, in each case their negatives or other similar expressions, which are intended to identify a statement as forward-looking. This applies, in particular, to statements containing information on future financial results, plans, or expectations regarding TMG's business and management, TMG's future growth or profitability and general economic and regulatory conditions and other matters affecting TMG.

Forward-looking statements reflect TMG's current views of future events, are based on TMG's assumptions and involve known and unknown risks, uncertainties and other factors that may cause TMG's actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by these forward-looking statements. The occurrence or non-occurrence of an assumption could cause TMG's actual financial condition and results of operations to differ materially from, or fail to meet expectations expressed or implied by, such forward-looking statements. TMG's business is subject to a number of risks and uncertainties that could also cause a forward-looking statement, estimate or prediction to become inaccurate. These risks include fluctuations in the prices of construction materials or employee costs required by TMG's operations, TMG's ability to compete successfully, changes in political, social, legal or economic conditions in Egypt, worldwide economic trends, global and regional trends in the real estate development industry, the economic environment for the hotel and resort industry, the impact of war and terrorist activity, inflation, interest rate and exchange rate fluctuations and TMG's ability to timely and accurately identify future risks to its business and manage the risks mentioned above.

Accordingly, investors should not rely on the forward-looking statements in this offering circular and investors are strongly advised to read the following sections of this offering circular: "Summary", "Risk Factors", "Use of Proceeds", "Management's Discussion and Analysis of Financial Condition and Results of Operations", "Description of TMG" and "Industry". These sections include more detailed descriptions of factors that might have an impact on TMG's business and the industry in which TMG operates. None of the Company, its management ("Management") or the Lead Managers can give any assurance regarding the future accuracy of the opinions set forth herein or as to the actual occurrence of any predicted developments. After the date of this offering circular, none of the Company or the Lead Managers assume, and each of the Company and the Lead Managers expressly disclaims, any obligation, except as required by law and the listing rules of the CASE, to update any forward-looking statements or to conform these forward-looking statements to the Company's actual results.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

Financial Information

The Company is a newly-formed joint stock company incorporated under the laws of Egypt and has no operating history of its own. The Company is a holding company under which, with effect from October 2007, the real estate development activities of three companies in which the Talaat Mostafa family owned significant interests, namely Arab Company for Projects and Urban Development S.A.E. ("Arab Company"), San Stefano for Real Estate Investment Company S.A.E. ("San Stefano Real Estate") and Alexandria for Real Estate Company S.A.E. ("Alexandria Real Estate" and together with Arab Company and San Stefano Real Estate the "Operating Companies" and each an "Operating Company") and their respective consolidated subsidiaries, have been combined as a consolidated group. In October 2007, the Company increased, through a series of transactions, its direct and indirect ownership in Arab Company, San Stefano Real Estate and Alexandria Real Estate, to 99.9 per cent., 98.4 per cent. and 98.6 per cent. of the issued and outstanding shares, respectively, and increased its ownership in Alexandria for Urban Development to 100 per cent. of the issued and outstanding shares, comprised of a 40.0 per cent. direct interest and a 60.0 per cent. interest held by Alexandria Real Estate (the "Restructuring"). See "Description of TMG — Corporate Structure". Accordingly, the financial statements included in this offering circular beginning on page F-2, together with the notes thereto are those of the Operating Companies.

No historical or pro forma consolidated financial information for TMG taking into account the effects of the Restructuring is included in this offering circular. The Financial Statements cannot simply be combined to establish or estimate the consolidated financial position or results of operations of the TMG consolidated group that was created through the Restructuring. The future presentation of consolidated financial information for TMG will involve the application of EAS 29 relating to business combinations. This will require, among other matters, determining which constituent company is to be treated as the accounting acquirer in the transactions comprising the Restructuring, establishing the fair values of the assets and liabilities of the constituent companies treated as having been acquired for accounting purposes in the Restructuring and making certain eliminations relating to intercompany transactions.

In addition, each of San Stefano Real Estate, Alexandria Real Estate and Alexandria for Urban Development owns a minority interest in Arab Company for Hotel and Touristic Investments S.A.E. ("ICON"), the company holding the Group's interests in its hotel and resort complexes. Each of San Stefano Real Estate and Alexandria Real Estate accounts for ICON as an investment in their respective financial statements included in this offering circular (Alexandria for Urban Development is consolidated with Alexandria Real Estate). As a result of the Restructuring, the Operating Companies will be combined as a consolidated group under the Company and ICON will be indirectly majority-owned by the Company. Accordingly, ICON will be fully consolidated with the Company in the future.

The financial statements included in this offering circular beginning on page F-2, together with the notes thereto, were prepared in accordance with Egyptian Accounting Standards ("EAS") in effect at the time of preparing these consolidated financial statements. EAS differs from International Financial Reporting Standards ("IFRS"). For a description of significant differences between IFRS and EAS as they relate to the financial statements presented herein, see "Summary of Significant Differences Between IFRS and EAS".

In addition, the financial statements included in this offering circular prepared in conformity with EAS have not been reconciled to U.S. generally accepted accounting policies ("U.S. GAAP") and the offering circular does not attempt to identify any differences between EAS and U.S. GAAP. It is possible that the net effect of differences between the application of EAS and IFRS or EAS and U.S. GAAP, respectively, may be, individually or in the aggregate, material. If any such reconciliation were performed or an attempt were made to quantify relevant differences between EAS and IFRS or EAS and U.S. GAAP as they apply to Arab Company, San Stefano Real Estate or Alexandria Real Estate (in the case of Arab Company and Alexandria Real Estate, on a consolidated basis), particular items could vary materially and adversely from the corresponding item as presented under EAS. In making an investment decision, prospective investors should consult their own professional advisers for an understanding of the differences between EAS and IFRS or EAS and U.S. GAAP and how these differences might affect the financial information in this offering circular.

The financial statements included in this offering circular beginning on page F-2 (the "Financial Statements") consist of:

- audited consolidated financial statements of Arab Company for the years ended 31 December 2004, 2005, and 2006 and unaudited interim consolidated financial statements of Arab Company for the six months ended

30 June 2007 and the six months ended 30 June 2006 (the "Arab Company Annual and Interim Financial Statements");

- audited financial statements of San Stefano Real Estate for the years ended 31 December 2004, 2005 and 2006 and unaudited interim consolidated financial statements of San Stefano Real Estate for the six months ended 30 June 2007 and the six months ended 30 June 2006 (the "San Stefano Real Estate Annual and Interim Financial Statements"); and
- audited consolidated financial statements of Alexandria Real Estate for the years ended 31 December 2004, 2005, and 2006 and unaudited interim consolidated financial statements of Alexandria Real Estate for the six months ended 30 June 2007 and the six months ended 30 June 2006 (the "Alexandria Real Estate Annual and Interim Financial Statements" and, together with the Arab Company Annual and Interim Financial Statements and the San Stefano Real Estate Annual and Interim Financial Statements, the "Financial Statements").

This offering circular contains translations of certain Egyptian pound amounts into U.S. dollars at specified rates solely for the convenience of the reader. These translations should not be construed as representations that the Egyptian pound amounts actually represent such equivalent U.S. dollar amounts or could be or could have been converted into U.S. dollars at the rate indicated as of the dates mentioned herein or at all. Unless otherwise indicated, such U.S. dollar amounts have been translated from Egyptian pounds at an exchange rate of LE 5.6925 = US$1.00, being the average of the period end rate as quoted by Bloomberg (the "Exchange Rate") for 28 June 2007, the last business day in Egypt in June 2007. The Exchange Rate at 15 November 2007 was LE 5.5245 = US$1.00. The Federal Reserve Bank of New York does not certify for customs purposes a noon buying rate for cable transfers in Egyptian pounds. See "Exchange Rate Information".

In this offering circular,

- "Egyptian pound" or "LE" refers to the lawful currency of Egypt;
- "U.S. dollar", "U.S. dollars" or "US$" refers to the lawful currency of the United States of America; and
- "euro" or "€" refers to the single currency of the participating Member States in the Third Stage of the European Economic and Monetary Union of the Treaty Establishing the European Community, as amended from time to time.

Rounding adjustments have been made in calculating some of the financial information and percentages included in this offering circular. As a result, numerical figures shown as totals in some tables may not be exact arithmetic aggregations of the figures that precede them.

Website

The contents of TMG's website (including any materials that are hyper-linked) do not form a part of this offering circular.

INFORMATION DERIVED FROM THIRD PARTIES

Certain information and statistics relating to the Egyptian economy, the Egyptian securities market and the international and Egyptian real estate development industry included in this offering circular have been extracted or derived from official and other public sources that the Company believes to be reliable, including the Central Bank of Egypt, the Ministry of Finance, the Central Agency for Public Mobilisation and Statistics ("CAPMAS"), the latest census conducted in 2006 (the "2006 Census"), the Economist Intelligence Unit ("EIU"), a report by Euromonitor International dated May 2005 entitled "The Market for Consumer Lifestyles in Egypt" ("Euromonitor"), the CASE and Bloomberg. Such information and statistics may be approximations or estimates or use rounded numbers. In addition, in some cases the Company has made rounding adjustments to some of this information and statistics for consistency of presentation. Similar statistics may be obtainable from other sources, but the underlying assumptions, methodology and, consequently, the resulting data may vary from source to source. The Company has not independently verified such information or statistics, and does not guarantee their accuracy and completeness.

In addition, statements are made in this offering circular regarding TMG's competitive position in its industry based on Management's experience and assessment of market conditions. While the Company believes these statements to be reasonable and fair approximations, to the extent that such statements are in part derived from Management's estimates of third party information, individually and on an aggregate, industry-wide basis, these statements cannot and have not been verified by the Company, and independent sources have not verified such statements.

The terms set forth below have the following meanings for the purposes of this offering circular:

- Gross domestic product, or "GDP", is a measure of the total value of final products and services produced in a country in a specific year. Real GDP measures the total value of final production in constant prices of a particular year, thus allowing historical GDP comparisons that exclude the effect of inflation. In this offering circular, GDP figures are real GDP figures based on constant 2001/02 prices, the year used by the State for purposes of maintaining real GDP statistics.

- For information related to Egypt, annual information is presented based on periods from 1 July through 30 June, the fiscal year maintained by the State for budgeting and official statistics.

CERTAIN DEFINITIONS

In this offering circular, the following terms have the following meanings:

"ADR" means the average daily rate, a hotel industry term referring to the average daily rate charged for hotel rooms at a given hotel property or across a company owning several hotel properties.

"Alexandria Real Estate" means Alexandria for Real Estate Company S.A.E. and its consolidated subsidiaries.

"Alexandria for Urban Development" means Alexandria Company for Urban Developments and Projects S.A.E.

"Arab Company" means Arab Company for Urban Development and Projects S.A.E. and its consolidated subsidiaries.

"CASE" means Cairo and Alexandria Stock Exchange.

"CBRE" means CB Richard Ellis.

"CMA" means the Egyptian Capital Market Authority.

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

"Group" or "TMG" means the Company, Arab Company, San Stefano Real Estate and Alexandria Real Estate.

"ICON" means Arab Company for Hotel and Touristic Investments S.A.E.

"MENA" means Middle East and North Africa.

"Nile Hotel Company" means the company that owns the Nile Hotel.

"Nova Park" means Nova Park Cairo S.A.E.

"Operating Companies" means Arab Company, San Stefano Real Estate and Alexandria Real Estate.

"Port Venice" means Puerto Venice for Tourism Development S.A.E.

"preliminary sales contract" means a contract by which the State grants TMG rights to develop and sell land for its city and community complexes.

"Restructuring" has the meaning set forth in "Presentation of Financial and Other Information" and as described in "Description of TMG — Corporate Structure".

"RevPar" means revenue per available room, a hotel industry term referring to revenue generated for a specified number of hotel rooms available for occupancy over a specified period of time.

"San Stefano Real Estate" means San Stefano for Real Estate Investment Company S.A.E.

"Shares" mean the ordinary shares of the Company.

"State" means the government of Egypt.

"TMG" or "Group" means the Company, Arab Company, San Stefano Real Estate and Alexandria Real Estate.

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SUMMARY

This summary should be read as an introduction to the offering circular and any decision to invest in the Shares offered in the International Offering should be based on consideration of the offering circular as a whole.

Business Overview

TMG is the leading Egyptian community real estate developer in terms of sales. TMG develops large-scale city and community complexes, which are mainly located on the outskirts of Cairo, to meet growing demand for quality housing within commuting distance from the central business district of Cairo. TMG also develops luxury hotel and resort complexes focused, to date, on the main tourist and business locations in Egypt.

TMG has completed the development of three city and community complexes, and has an additional seven city and community complexes either under construction or in the early stages of development. The latter group includes the largest of its projects to date, the 33.6 million square metre project known as "Madinaty".

Using its property development and sales and marketing experience, TMG has expanded its business into developing hotel and resort complexes. To date, TMG has developed three large-scale, luxury hotel and resort complexes in Egypt, which are operated by and branded Four Seasons. These complexes also include residential apartments and/or villas. The hotel complexes are located in Egypt's popular tourist and business destinations, Cairo, Sharm El Sheikh and Alexandria. TMG also has two hotel projects in development or under construction.

In CB Richard Ellis' ("CBRE") independent opinion, the market value of the properties under development by TMG as at 30 June 2007 is LE 19.9 billion (US$3.5 billion), excluding land held by its joint venture partner in Saudi Arabia, and assuming that each of these development properties is wholly owned by TMG (for the ownership structure of TMG's developments see "Description of TMG— Corporate Structure"). The CBRE valuation was an asset valuation and not an enterprise valuation of TMG as a whole. CBRE has prepared a valuation report of TMG as at 30 June 2007 (the "CBRE Report"). For a summary of the CBRE Report, see "Annex A: CBRE Report".

For the six months ended 30 June 2007, the revenues of Arab Company, San Stefano Real Estate and Alexandria Real Estate, the Company's primary operating subsidiaries, were LE 440.3 million (US$77.3 million), LE 92.4 million (US$16.2 million) and LE 310.8 million (US$54.6 million), respectively.

Strengths

Management believes that TMG's principal competitive strengths are:

Leading presence in a high growth market for city and community complexes

The primary geographic focus of TMG's current development projects is Egypt. Management believes that there is strong demand and growth potential in Egypt for TMG's city and community complexes due to the following factors:

- ***Changing Egyptian demographic creating high demand for quality and affordable housing***. TMG benefits from increasing income levels in Egypt, which have given rise to a growing middle, upper middle and upper class, the target demographic for TMG's residential properties. Egypt's population is young and growing, with 45 million people between the ages of 15 and 60 and 31.8 per cent. of the population under 15, according to the 2006 Census. Egypt also is experiencing rising education levels and rapid urbanisation, and the population of Cairo has increased dramatically in recent decades. These factors, together with the expansion of the Egyptian economy and the lack of quality residential accommodation in central Cairo, contribute to the increasing demand for quality housing in close proximity to Cairo.
- ***In-depth knowledge of the Egyptian real estate industry***. TMG has extensive experience in developing, marketing and managing real estate properties. Further, the Executive Chairman of TMG, Mr Hisham Talaat Mostafa, together with the senior management team, possess extensive knowledge of the property development industry in Egypt. TMG believes that its experience and knowledge of the industry assists it in evaluating and securing opportunities in Egypt's property market and provides it with advantages over foreign developers and other new entrants into the Egyptian property market.
- ***Well-recognised brand name associated with quality and reliability***. Management believes that TMG has developed a solid reputation and strong brand recognition amongst prospective purchasers in the Egyptian market and in the Middle East and North Africa ("MENA") region. Management believes that the strength of TMG's brand enables it to consistently pre-sell the residential units in each of its projects in advance of construction, attract major commercial and retail tenants, procure sites for further development projects and secure arrangements for financing with leading local banks.

Ownership rights to one of the largest land banks in Egypt

TMG currently holds rights to approximately 40 million square metres in Egypt, representing the largest land bank held by any developer in Egypt. As prices for comparable plots of land have risen significantly in recent years, TMG's large land bank, acquired in historic, fixed land prices, gives it an advantage over other real estate developers that must buy land at current market prices.

Largely self-financing business model

By leveraging both its reputation for quality and reliability and the strength of its brand name, TMG has been able to structure its business model so that it typically requires very little up-front capital to finance the development of its city and community complexes. It has acquired the land for development pursuant to preliminary sale contracts with the State, which do not require initial cash payment of the full purchase price. TMG's up-front costs are therefore generally limited to preparing the development plan and initial infrastructure costs, which it finances from equity and loan capital. Further, with limited exceptions, each cluster of buildings in any phase of TMG's city and community complexes is substantially sold before construction commences. In addition, once the units are sold, TMG arranges the payment schedules of its purchasers such that payments to TMG for the unit are timed to coincide with TMG's construction outlays so that TMG's cost of constructing the unit is usually recovered during the construction process. This policy has resulted in relatively low levels of indebtedness associated with its city and community complexes, which, to date, TMG has generally been able to repay with proceeds from sales of its residential units. Similar to its city and community complexes, but to a lesser degree, TMG's hotel and resort complexes are also self-financing, as TMG sells residential units off-plan before and during the construction phase, and the profits from sales of these residential components contribute to the construction costs of the hotel and resort complex.

Hotel complexes benefit from growing tourism

The tourism industry is expanding rapidly in Egypt, with an increase in both domestic and international travellers in recent years. According to the Central Bank of Egypt, international tourism arrivals in Egypt have increased in the period from fiscal year 2002/03 to fiscal year 2005/06 by approximately 65.9 per cent., which TMG believes has resulted primarily from the strong growth in disposable income in both the European and MENA regions, leading to increased demand for luxury travel accommodations. Travel to Egypt from residents of the MENA region is also increasing. Further, the average room rate and occupancy rate for hotels in both Cairo and Sharm El Sheikh has increased in recent years, which Management believes demonstrates increasing demand for luxury hotels.

Strategy

The key elements of TMG's strategy are to:

Maximise return on long-term pipeline projects through continued use of flexible "phasing" business model

TMG's business model is to construct its projects, including Madinaty, in phases and to sell clusters of buildings in any phase of a project's development plan before construction commences. This model allows TMG to construct units only when required to meet committed demand and, therefore, to avoid carrying an inventory of unsold units in the event of an unexpected market decline. This concept of phased sales and construction also enables TMG to adapt construction of each phase to meet changes in demand for different types, styles and sizes of units that may arise due to changes in income levels, average household size, lifestyle and consumer preferences. It also helps to ensure that development of large projects is manageable.

Maintain a rigorous selection process for development projects

TMG conducts an extensive market research process, which often includes engaging external specialist firms to conduct surveys and feasibility studies, prior to undertaking any development project. This research enables TMG to assess the future potential of the relevant market, with a particular focus on opportunities that present sound fundamentals for future growth, but have not yet achieved full market potential. Management believes TMG's market-leading position and its extensive land bank for both city and community and hotel and resort complexes allow it to be selective in relation to future opportunities.

International expansion

In the immediate future, TMG plans to expand its city and community complexes business to Saudi Arabia. Arab Company has entered into a joint venture with Al Oula for Real Estate S.A.E., a Saudi Company, Al Fawzan Holding, Al Mohidab Holding and Smow Real Estate Development (the "Saudi Joint Venture Partners"). The joint venture intends to develop projects in both Riyadh and Jeddah that are similar to TMG's Al Rehab complex. See "Material Contracts — Saudi Joint Venture Agreement". TMG believes that the real estate market in Saudi Arabia has many characteristics in common with the Egyptian market, including a stable legal environment and favourable demographics. Moreover, TMG is familiar with the Saudi Arabian market, having maintained a sales presence there since 1991.

TMG plans to continue to evaluate additional opportunities for expanding its development platform internationally, particularly in further locations where it believes it would have competitive advantages similar to those in its domestic market. In addition to its Saudi Arabian projects, TMG is currently evaluating potential projects in the MENA region in countries that, among other things, offer (i) stable political environments with government policies aligned with increasing housing and tourism, (ii) similar middle and upper class demographics to those seen in Egypt and (iii) a robust legal environment that recognises, among other things, land rights. As in Saudi Arabia, TMG will consider expansion through joint venture arrangements with a partner who has relevant experience in the local market. TMG intends to manage its international expansion such that its initial project in one country has moved beyond the master planning stage before it embarks upon the master planning stage in a new country.

Increase weighting of stable revenues from hotel and resort complexes

TMG intends to expand its hotel and resort business through investments in, or the acquisition of, hotel and resort complexes or increasing its investments in the Group subsidiaries through which it carries out this business. TMG has allocated LE 2.3 billion (US$404.0 million) for this expansion in the near term, which it expects to fund through a mixture of debt and equity financing. TMG intends to use its existing model of combining a luxury hotel with residential units to increase the proportion of stable revenues generated by its hotel operations.

Maintain and enhance reputation for quality and attention to detail

TMG endeavours to maintain full control over the management of each of its city and community complexes, from inception of the project, through development, construction and post-construction. This ensures the quality of its output and enables it to conform to precise construction specifications. Furthermore, TMG believes that retaining control over management of its properties following the completion of construction enables it to maintain the quality of its complexes on a long-term basis, thus helping to maintain the resale value of the residential units. This provides a strong selling point for additional phases in the same development and for other TMG city and community complexes, and helps to maintain the resale value of residential units. Once construction is completed, TMG retains control of maintenance, repairs, staffing, security and other services in the common areas of its city and community complexes on behalf of its residents, on a cost-neutral basis. TMG has also retained control of utilities such as water, electricity and sewers within its complexes up to the point at which they are connected to publicly-maintained infrastructure. By retaining control of these services, TMG ensures the quality of its developments on a long-term basis, thus enhancing its reputation.

Explore new financing techniques

TMG has developed an innovative financing technique whereby it has entered into arrangements with local and regional banks that enable it to provide financing facilities to the purchasers of its residential units, which in turn allow purchasers to pay for their residence over a longer period than is typical in Egypt. Management believes that these arrangements represent the most developed and broadest scope of residential financing available from or through any development company in Egypt, and permit TMG's city and community complexes to benefit from a larger pool of potential purchasers. To support the longer-term financing packages offered to its purchasers, under certain of its arrangements TMG intends to convert receivables from its sale of units, comprised of post-dated cheques from purchasers, to cash through the sale, or factoring, of these cheques to two of the largest banks in Egypt. In addition, TMG is actively pursuing the future use of securitisation transactions as a further means of converting post-dated cheques to cash. Furthermore, in connection with recent amendments to Egyptian mortgage legislation that permit companies to offer mortgage financing, TMG, together with its majority shareholder, has formed a new company for this purpose and has made application to the State for the required license. TMG intends to seek investment from financial institutions which will dilute TMG's holding to a minority position, and to retain either qualified staff or a third party management company to operate this mortgage company for the purpose of expanding and being in a position to control the availability of mortgage financing to TMG's customers. See "Description of TMG— Sales and Marketing — City and community complexes — Sales terms and financing arrangements".

Recent Developments

TMG has allocated LE 2.3 billion (US$404.0 million) for expansion in the near term of its hotel and resort complexes business through investments in, or acquisitions of, additional hotel and resort complexes and/or increasing its investments in the Group subsidiaries through which it carries out this business.

Mr Hisham Talaat Mostafa, Executive Chairman and a principal shareholder of the Company, is in negotiations with shareholders holding in excess of 5.0 per cent. of the Shares and with certain other Company shareholders pursuant to which the Shares of those shareholders with whom he reaches agreement will either be purchased by him or others in partnership with him or bought by or placed in a company controlled by him named TMG for Real Estate and Touristic Investments S.A.E. ("TMG Investments"). As at 9 November 2007, TMG Investments held 858,493,345 Shares representing 47.3 per cent. of the Shares outstanding prior to the Combined Offering, and will hold 42.3 per cent. of the Shares outstanding upon completion of the Combined Offering. See "The Selling Shareholders and Principal Shareholders". The shareholders participating in TMG Investments continue to retain their pro rata economic interests in the Company but Mr Talaat Mostafa has effective voting control of TMG Investments and through it all of the Shares held by the participating shareholders. TMG Investments intends to increase its holding in the Shares to at least a majority of the Shares in the Company.

On 29 January 2007, Arab Company entered into a joint venture agreement with the Saudi Joint Venture Partners to form a company that will be known as Thabat for the purpose of developing a city and community complex in each of Riyadh and Jeddah. Until Thabat is formed, Arab Company and the Saudi Joint Venture Partners are participating in an existing Saudi limited liability company named Areez Arabian Limited, with Arab Company holding a 50.0 per cent. interest and the Saudi Joint Venture Partners holding a 50.0 per cent. interest. The Saudi Joint Venture Partners have purchased 3.0 million square metres of land in Riyadh and are in the process of acquiring a land block in Jeddah, for their own account, for these developments. It is expected that the land will be sold to Thabat once it is established. Thabat is to have an issued capital of 300.0 million Saudi Riyals. Arab Company will contribute 50.0 per cent. of this amount following satisfactory completion of its due diligence and the establishment of Thabat.

THE COMBINED OFFERING

This offering circular relates to the International Offering only. Prospective Egyptian retail investors may not rely on this offering circular and should instead refer to the public offering notice issued in connection with the Egyptian Retail Offering (the "Public Offering Notice"). All information included in this offering circular relating to the Egyptian Retail Offering has been included only for informational purposes.

The Combined Offering.	The Combined Offering consists of the International Offering and the Egyptian Retail Offering, of which EFG-Hermes and HSBC are the joint global coordinators, joint bookrunners and lead managers.
International Offering	The International Offering consists of an offering by the Company of 215,000,000 Primary Shares (assuming the Over-allotment Option is exercised in full) and by the Selling Shareholders of 115,000,000 Secondary Shares to (i) investors outside the United States in offshore transactions in a number of countries, including Egypt, in reliance on Regulation S under the Securities Act and (ii) certain QIBs in the United States.
Egyptian Retail Offering	The Egyptian Retail Offering consists of a domestic offering by the Selling Shareholders of up to 65,000,000 Secondary Shares to the public in Egypt, subject to the Egyptian Capital Market Law no. 95 of 1992 and its Executive Regulations.
Capital Increase.	The increase in the Company's issued share capital (the "Capital Increase") has been approved by an extraordinary resolution of the shareholders of the Company passed at the Extraordinary General Meeting of shareholders of the Company and approved by the Company's directors at a board meeting, both of which were held on 28 October 2007. Pursuant to Egyptian corporate and securities law requirements, the Capital Increase is subject to issuance by the CMA of its non-objection to such Capital Increase and authorisation by the Egyptian General Authority for Investment in Free Zones (the "Investment Authority") and amendment to the Statutes of the Company (the "Statutes"). Completion of the Combined Offering is therefore conditional on the Company obtaining approval from, among others, the CMA and Investment Authority of the Capital Increase by the Closing Date.
Use of Proceeds	The net proceeds to the Company from the International Offering (assuming the Over-allotment Option is exercised in full), after deducting fees, commissions and offering expenses of approximately LE 113.2 million (US$19.9 million), are expected to be approximately LE 2,380.8 million (US$418.2 million). The Company intends to use the net proceeds to fund existing and future development projects (both in Egypt and the wider MENA region), acquisitions and investments. The Company will not receive any proceeds from the sale of the Secondary Shares by the Selling Shareholders. See "Use of Proceeds".
Over-Allotment Option	The Lead Managers have the right to place up to 50,000,000 additional Primary Shares for the account of the Company at the International Offer Price to cover over-allotments in connection with the International Offering. See "Plan of Distribution".
Primary Shares	215,000,000 Shares with a par value of LE 10 per share offered in connection with the International Offering (assuming the Over-allotment Option is exercised in full).
Secondary Shares.	115,000,000 Shares, with a par value of LE 10 per share offered in connection with the International Offering.
International Offering Price	LE 11.60 per Share (the "International Offer Price").
Egyptian Retail Offering Price	LE 11.00 per Share (the "Retail Offer Price"), representing a discount of 5.0% per share to the International Offer Price.

Joint Global Coordinators, Joint Bookrunners and Lead Managers . . .	EFG-Hermes and HSBC Bank plc.
Egyptian Taxation	Under current Egyptian legislation, dividends paid by the Company in respect of the Shares are not subject to any Egyptian tax. Capital gains on the sale or exchange of shares listed on CASE are exempted from tax. See "Taxation — Egypt".
Restrictions on Transfer of the Shares. .	All transfers of Shares must be transacted on the CASE through a CMA registered broker. For a more detailed discussion of certain other transfer restrictions, see "Selling and Transfer Restrictions".
Voting Rights and Ownership Limitations.	Holders of Shares are entitled to receive notice of and attend general meetings of the Company. Holders of Shares are entitled to one vote per Share.
Listing and Trading of Shares	Prior to the Combined Offering, there has been no market for the Shares and the Shares have not traded on the CASE. Trading in Shares is expected to commence, subject to the fulfillment of certain requirements, on or about 28 November 2007. In accordance with the regulations of the CMA and the CASE, the Shares will be quoted on the CASE in single units.
Lock-up Arrangements	The Company and certain shareholders, who together own 75.7 per cent. of the Shares, have agreed that, without the prior written consent of the Lead Managers, it and they will not issue, offer, pledge, sell, contract to sell or otherwise dispose of any shares or securities convertible into shares for a period of six months from the Closing Date, subject to certain exemptions. Mr Hisham Talaat Mostafa, the Company's Executive Chairman, Mr Ali Abdallah Ali, the Company's other executive director, and directors owning 1.0 per cent. or more of the outstanding Shares have also agreed to a lock-up for a period of six months from the Closing Date. See "Plan of Distribution" and "Management".
Settlement of Shares	It is expected that settlement of the Shares will be made on or about 28 November 2007. The issue of Shares from the Company to prospective purchasers of such Shares will be affected in accordance with the relevant transfer and settlement procedures prescribed by Misr for Clearing, Depositary and Central Registry S.A.E. ("MCDR") for the transfer of Shares on the CASE. See "Plan of Distribution" and "Settlement and Transfer". Delivery of Shares sold by the Selling Shareholders will be made in accordance with the clearance and settlement systems of the CASE. Payment for the Shares sold in the Combined Offering will be made in Egyptian pounds.
Risk Factors.	Prospective investors should read the information discussed under the heading "Risk Factors" and other information in this offering circular prior to making an investment decision with respect to the Shares.

Summary Financial and Operating Data

The Company is a newly-formed joint stock company incorporated under the laws of Egypt and has no operating history of its own. The Company is a holding company under which, with effect from October 2007, the real estate development activities conducted by companies in which the Talaat Mostafa family had significant interests have been combined as a consolidated group. In October 2007, the Company increased, through a series of transactions, its direct and indirect ownership in Arab Company, San Stefano Real Estate and Alexandria Real Estate to 99.9 per cent., 98.4 per cent. and 98.6 per cent. of the issued and outstanding shares, respectively, and increased its ownership in Alexandria for Urban Development to 100 per cent. of the issued and outstanding shares, comprised of a 40.0 per cent. direct interest and a 60.0 per cent. interest held by Alexandria Real Estate. See "Description of TMG — Corporate Structure". Accordingly, the financial statements included in this offering circular beginning on page F-2, together with the notes thereto are those of the Operating Companies.

No historical or pro forma consolidated financial information for TMG taking into account the effects of the Restructuring is included in this offering circular. The Financial Statements cannot simply be combined to establish or estimate the consolidated financial position or results of operations of the TMG consolidated group that was created through the Restructuring. The future presentation of consolidated financial information for TMG will involve the application of EAS 29 relating to business combinations. This will require, among other matters, determining which constituent company is to be treated as the accounting acquirer in the transactions comprising the Restructuring, establishing the fair values of the assets and liabilities of the constituent companies treated as having been acquired for accounting purposes in those transactions and making certain eliminations relating to intercompany transactions.

In addition, each of San Stefano Real Estate, Alexandria Real Estate and Alexandria for Urban Development owns a minority interest in ICON, the company holding the Group's interests in its hotel and resort complexes. Each of San Stefano Real Estate and Alexandria Real Estate accounts for ICON as an investment in their respective financial statements included in this offering circular (Alexandria for Urban Development is consolidated with Alexandria Real Estate). As a result of the Restructuring, the Operating Companies will be combined as a consolidated group under the Company and ICON will be indirectly majority owned by the Company. Accordingly, ICON will be fully consolidated with the Company in the future.

The following summary financial information should be read together with the other information contained in this offering circular, including "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the Financial Statements and related notes included elsewhere in this offering circular. This financial information is historical and not necessarily indicative of results to be expected in any future period.

The following summary income statement, cash flow and balance sheet data, and the Financial Statements included in this offering circular from which it is derived, was prepared in accordance with EAS in effect at the time of preparing the relevant financial statements. EAS differs in certain respects from IFRS. For a description of significant differences between IFRS and EAS, see "Summary of Significant Differences Between IFRS and EAS".

Summary Arab Company Consolidated Financial Information

	For the year ended 31 December				For the six months ended 30 June		
	2004	2005	2006		2006	2007	
	LE	LE	LE	US$(1)	LE	LE	US$(1)
					(unaudited)		
	(in millions, except per share amounts)						
Income Statement Data:							
Sales	605.3	379.0	379.1	66.6	170.6	440.3	77.4
Cost of sales	(485.8)	(274.4)	(275.5)	(48.4)	(120.2)	(287.5)	(50.5)
Gross profit	119.5	104.6	103.6	18.2	50.4	152.9	26.9
Selling, general and administrative expenses	(10.9)	(9.1)	(54.2)	(9.5)	(30.8)	(13.8)	(2.4)
Profit before tax	109.3	98.6	58.2	10.2	20.6	199.2	35.0
Profit for the period	109.3	98.5	56.9	10.0	20.6	199.2	35.0
Earnings per share	33.1	26.7	15.4	2.7	5.6	27.0	4.7
Cash Flow Data:							
Net cash used in operating activities	44.4	163.4	311.0	54.6	11.1	192.2	33.8
Net cash used in investing activities	(17.1)	(155.3)	(62.2)	(10.9)	25.8	(221.0)	(38.8)
Net cash from financing activities	(33.1)	(11.7)	120.0	21.1	54.3	1,305.3	229.3
Cash and cash equivalents	15.2	11.5	380.3	66.8	51.1	1,656.8	291.1

	As at 31 December				As at 30 June 2007	
	2004	2005	2006			
	LE	LE	LE	US$	LE	US$(1)
					(unaudited)	
	(in millions)					
Balance Sheet Data:						
Assets						
Non-current assets	1,115.9	1,387.1	4,882.6	857.7	7,585.7	1,332.6
Current assets	672.5	673.5	1,692.0	297.2	3,780.7	664.2
Total assets	1,788.4	2,060.6	6,574.5	1,154.9	11,366.5	1,996.8
Equity						
Share capital	330.0	369.6	369.6	64.9	738.0	129.6
Share premium	—	—	—	—	1,173.0	206.1
Retained earnings	317.2	370.1	375.9	66.0	521.0	91.5
Total equity	669.9	810.6	959.3	168.5	2,525.4	443.6
Liabilities						
Non-current liabilities	94.0	659.5	4,096.0	719.5	7,052.1	1,238.8
Current liabilities	1,024.5	590.5	1,519.2	266.9	1,788.9	314.3
Total liabilities	1,118.5	1,249.9	5,615.2	986.4	8,841.1	1,553.1

	For the year ended 31 December			For the six months ended 30 June	
	2004	2005	2006	2006	2007
Operating Data:					
Number of units delivered	2,464	1,358	1,303	548	852
Average selling price of delivered units (LE)	221,140	261,988	253,891	264,389	426,852
Average cost of units delivered (LE per m^2)	1,203	1,257	1,119	1,422	2,070

(1) Translated into U.S. dollars at an exchange rate of US$1 = LE 5.6925 for convenience.

Summary San Stefano Real Estate Financial Information

	For the year ended 31 December				For the six months ended 30 June		
	2004	2005	2006		2006	2007	
	LE	*LE*	*LE*	*US$(1)*	*LE*	*LE*	*US$(1)*
					(unaudited)		
	(in millions, except per share amounts)						
Income Statement Data:							
Sales	—	—	33.9	6.0	—	92.4	16.2
Cost of sales	—	—	(23.5)	(4.13)	—	(71.6)	(12.6)
Gross profit	—	—	10.4	1.8	—	20.9	3.7
Selling, general and administrative expenses	—	—	(6.9)	(0.9)	—	(4.7)	(0.8)
Profit before tax	—	—	26.1	4.6	—	18.3	3.2
Profit for the year	—	—	25.1	4.4	—	13.8	2.4
Earnings per share	—	—	5.3	1.0	—	2.9	0.5
Cash Flow Data:							
Net cash used in operating activities	(84.9)	(118.6)	(130.8)	(23.0)	(21.0)	(18.1)	3.2
Net cash used in investing activities	(30.9)	(7.0)	78.1	13.7	(1.4)	(105.3)	(18.5)
Net cash from financing activities	120.3	137.6	2.3	0.4	17.9	64.3	11.3
Cash and cash equivalents	27.0	39.0	(11.5)	(2.0)	(34.4)	(70.5)	(12.4)

	As at 31 December				As at 30 June 2007	
	2004	2005	2006			
	LE	*LE*	*LE*	*US$*	*LE*	*US$(1)*
					(unaudited)	
	(in millions)					
Balance Sheet Data:						
Assets						
Non-current assets	989.6	1,345.1	994.7	174.7	1,077.6	189.3
Current assets	324.9	395.0	1,149.2	201.9	1,147.5	201.6
Total assets	1,314.5	1,740.1	2,143.9	376.6	2,225.1	390.9
Equity						
Share capital	474.0	474.0	474.0	83.3	550.0	96.6
Retained earnings	—	—	1.3	0.2	13.6	2.4
Total equity	476.8	526.5	554.2	97.4	567.8	99.7
Liabilities						
Non-current liabilities	733.4	1,057.4	573.7	100.8	579	101.7
Current liabilities	104.3	156.2	1,016.0	178.5	1,078.3	189.4
Total liabilities	837.7	1,213.6	1,589.7	279.3	1,657.3	291.1

	For the year ended 31 December			For the six months ended 30 June	
	2004	2005	2006	2006	2007
Operating Data:					
Number of units delivered	—	—	22	—	61
Average selling price of delivered units (LE)	—	—	1,540,322	—	1,515,390
Average cost of units delivered (LE per m^2)	—	—	5,094	—	5,381

(1) Translated into U.S. dollars at an exchange rate of US$1 = LE 5.6925 for convenience.

Summary Alexandria Real Estate Consolidated Financial Information

	For the year ended 31 December				For the six months ended 30 June		
	2004	2005	2006		2006	2007	
	LE	*LE*	*LE*	*US$[(1)]*	*LE*	*LE*	*US$[(1)]*
					(unaudited)		
	(in millions, except per share amounts)						
Income Statement Data:							
Sales	183.7	121.1	225.1	39.5	75.2	310.8	54.6
Cost of sales	(152.3)	(69.6)	(142.2)	(25.0)	(59.4)	(219.1)	(38.5)
Gross profit	31.3	51.5	82.9	14.6	15.7	91.7	16.1
Selling, general and administrative expenses	(3.5)	(3.06)	(5.3)	(0.9)	(3.9)	(3.9)	(0.7)
Profit before tax	26.4	39.7	153.3	26.9	100.2	426.3	74.9
Profit for the period	26.4	34.8	148.2	26.0	100.2	409.7	72.0
Earnings per share	3.9	5.18	22.9	4.0	13.3	56.5	9.9
Cash Flow Data:							
Net cash used in operating activities	111.2	64.4	(20.5)	(3.6)	(2.5)	244.2	42.9
Net cash used in investing activities	(27.0)	(69.8)	10.0	1.8	(3.4)	(8.2)	(1.4)
Net cash from financing activities	(75.8)	(18.3)	(12.7)	(2.2)	33.2	(64.7)	(11.4)
Cash and cash equivalents	(66.1)	(89.8)	(113.0)	(19.9)	(62.5)	58.3	10.2

	As at 31 December				As at 30 June 2007	
	2004	2005	2006			
	LE	*LE*	*LE*	*US$*	*LE*	*US$[(1)]*
					(unaudited)	
	(in millions)					
Balance Sheet Data:						
Assets						
Non-current assets	837.5	999.7	1,137.0	199.8	1,548.3	272.0
Current assets	195.8	239.4	368.3	64.7	522.1	91.7
Total assets	1,033.3	1,239.1	1,505.3	264.4	2,070.4	363.7
Equity						
Share capital	269.1	322.9	340.0	59.7	374.0	65.7
Other Reserves	—	—	—	—	58.3	10.2
Retained earnings	103.9	96.8	209.6	36.8	554.7	97.4
Total equity	506.2	507.1	652.6	114.6	1,140.4	200.3
Liabilities						
Non-current liabilities	148.2	294.5	256.6	45.1	180.7	31.7
Current liabilities	378.9	437.5	596.2	104.7	749.3	131.6
Total liabilities	527.1	732.0	852.8	149.8	930.0	163.4

	For the year ended 31 December			For the six months ended 30 June	
	2004	2005	2006	2006	2007
Operating Data:					
Number of units delivered	24	14	22	8	23
Average selling price of delivered units (LE)	1,172	1,330	1,673	1,566	1,650
Average cost of units delivered (LE per m^2)	1,537	1,672	1,895	1,697	2,093

(1) Translated into U.S. dollars at an exchange rate of US$1 = LE 5.6925 for convenience.

RISK FACTORS

An investment in the Shares involves a high degree of risk. Potential investors should carefully consider the following information about these risks, together with the information contained in this offering circular, before deciding to purchase Shares. TMG's business, results of operations and financial condition could be adversely affected by any of the risks described below. In such case, the trading price of the Shares could decline and purchasers of the Shares could lose all or part of their investment.

Some of the risks and uncertainties that Management believes are material are described below. However, these risks and uncertainties may not be the only ones faced by TMG. Additional risks and uncertainties, including those currently unknown, or deemed by TMG to be immaterial, could have the effects set forth above.

Risks Relating to TMG's Real Estate Development Business

The real estate assets of TMG are subject to material risks relating to real property.

Factors that apply generally to the real estate development industry, many of which are beyond the control of TMG, may affect the economic performance and value of TMG's properties, some of which may include:

- changes in the national, regional and local economic climate (see "— Risks Relating to Egypt");
- general industry trends;
- the limited geographic diversity of TMG's city and community complexes and hotel complexes;
- local conditions, such as an oversupply of similar properties or a reduction in demand for the properties;
- the attractiveness of the properties to residential purchasers or tenants;
- constraints on growth in demand for new housing due to the limited availability of financing, including the immaturity of the mortgage lending market in Egypt;
- governmental actions against TMG's properties;
- covenants, conditions, restrictions and easements relating to the properties;
- governmental laws, rules and regulations, including in relation to financing, environmental usage, tax and insurance; and
- acts of nature that may damage the properties.

Any negative change in one or more of these general factors listed above, as well as in the factors described in further detail below, could adversely affect TMG's business, results of operations and financial condition.

The real estate assets under development are subject to additional construction and development risks.

TMG's development projects are also subject to the general risks associated with construction and development projects, including the following:

- TMG may incur construction costs for a project that exceed its original estimates due to increased material, labour or other costs, and such cost increases could make completion of the project uneconomical because TMG may not be able to increase sales prices of residential units or rental rates for pre-sold or pre-let units to compensate for the increase in construction costs;
- TMG may be unable to complete construction, sales or leasing of a property on schedule, which may result in breach or termination of existing preliminary sales contracts with the government, termination of TMG's ownership rights in respect of the land or claims by third parties for damages;
- TMG faces risks associated with construction activity at the properties, including delays, the imposition of liens and defects in workmanship;
- TMG may face shortages in raw materials or other construction inputs, such as, among others, cement, steel and energy and other utilities, or increases in their costs;
- TMG's contractors and other counter-parties may become bankrupt or insolvent;
- TMG may be unable to sell properties at budgeted prices; and
- occupancy rates and rents at newly completed properties may fluctuate depending on a number of factors, including market and economic conditions, and may result in TMG's investments not being profitable.

Any negative change in one or more of these factors listed above could adversely affect TMG's business, financial condition and results of operations.

TMG operates in a competitive environment.

TMG faces competition from other developers of residential properties, including city and community complexes, in Egypt. TMG's properties face competition from similar properties in Egypt. Such competition may affect TMG's ability to sell residential units or attract and retain tenants for commercial and retail space, and may reduce the sales prices for residential units or rental rates for commercial and retail space. These competing properties may have unsold residential units or vacancy rates higher than TMG's properties, which may result in their owners being willing to sell residential properties at lower prices, or make space available at lower rental rates than the space in TMG's properties. In addition, property developers from other countries in the MENA region have made recent, and, in some cases aggressive, attempts to enter the Egyptian real estate market, and may now or in the future be successful in acquiring prime land for development or compete with TMG in developing properties in Egypt. This combination of circumstances could adversely affect TMG's business, financial condition and results of operations. See "Description of TMG — Competition".

Economic conditions may limit TMG's ability to sell properties according to its planned sales schedule and the requirements of its preliminary sales contracts.

TMG's results of operations may be affected if it is not able to sell property promptly due to prevailing economic or other conditions. Rising inflation combined with slowing GDP growth may have an adverse effect on the demand for new housing in Egypt. While the rate of inflation was 7.7 per cent. in 2006, inflation rose to a rate of 12.8 per cent. in the first three months of 2007 and then dropped to 8.5 per cent. by June 2007, according to the International Monetary Fund. A high rate of inflation combined with slowing GDP growth could result in a reduction of the purchasing power of Egyptian consumers and may have an adverse effect on their willingness to incur long-term indebtedness to finance large scale purchases such as new houses or apartments. In addition, a high rate of inflation may result in the Central Bank of Egypt raising interest rates to control inflation, which would result in higher financing costs for many prospective purchasers of real estate. As a result, TMG may not be able to sell units in its city and community complexes as rapidly as planned or at anticipated prices. Since TMG does not typically begin construction of the units within its city and community complexes until they have been sold to purchasers, delays in selling units could lead to construction delays. This in turn may result in TMG's inability to develop its city and community complexes according to the construction schedule set out in its preliminary sales contracts with the State, which could lead to decreases in sales revenues and, in the worst case, the State reclaiming the land allocation from TMG. TMG's inability to respond promptly to changes in the Egyptian economy could adversely affect its business, financial condition and results of operations.

The right of TMG to obtain title to land is subject to legal complexities and uncertainties.

TMG's business involves the acquisition of ownership rights in land plots from the State for the purpose of development. The State does not transfer title for a phase of a development project to TMG until TMG has completed development of and paid the full purchase price for that phase. Prior to such time, TMG is allocated the land pursuant to a land allocation decree and preliminary sale contract with the State, whereby TMG agrees to develop the land in accordance with a development plan, project specifications and other conditions of the contract. TMG's failure to comply with the development conditions or other terms of the allocation decree and preliminary sales contract could adversely affect TMG's business, in that the State may in such circumstances scale back the size of the land allocated for the development or rescind the preliminary sale contract. If TMG fails to comply with the material terms of its preliminary sales contracts, including its payment obligations, the State could change its position in respect of TMG's existing allocation decrees and preliminary sales contracts and these changes could be arbitrary and require amendments to be made to the contracts or impose other conditions to TMG's rights to develop the property and to ultimately secure title to the land, which could have a material adverse effect on TMG's business, financial condition and results of operations.

Land and property legislation in Egypt is complicated and often ambiguous. Due to the complexity of recording historical changes to the legal status of land lots in the relevant Egyptian land registries, data in these registries are commonly not updated with that in other conformed registries. Although registration of title in Egypt is not presently required to confer ownership, personal rights or possession rights, it is essential to confer title to land. As a result of inconsistencies and inaccuracies in the land registration system, transferring title to either TMG or the purchasers of residential units in its city and community complexes may be delayed or suspended, which could materially adversely affect TMG's sales, and therefore its business, financial condition and results of operations.

Changes in laws or government policy could adversely affect TMG's business or properties.

The State has taken steps designed to liberalise the mortgage system and TMG has factored its expectations of the impact of this liberalisation into its business model. The manner in which the State implements the new mortgage laws may prove to be less favourable than that expected by TMG, which could result in the expected positive impact on TMG's business not being realised.

In addition, the State may attach further development conditions to preliminary sale contracts it may award in the future. For example, certain jurisdictions condition development authorisation on such things as the developer agreeing to allocate a certain portion of the land to be developed for low-income housing. The imposition of any such conditions may affect TMG's development model, which could impact the sales and marketing of its residential units and the number and types of units developed and sold, which in turn may impact its revenues and results of operations.

Various other laws and regulations, including those relating to fire and safety requirements, building codes, environmental regulations, land use restrictions and taxes affect TMG's properties. If TMG's properties do not comply with these requirements, it may incur governmental fines or private damage awards. New or amended laws, rules, regulations or ordinances could require significant unanticipated expenditures or impose restrictions on the development, construction, sale or lease of properties. Such laws, rules, regulations or ordinances may also adversely affect TMG's ability to operate, sell or lease properties.

TMG's international expansion strategy may present unforeseen challenges.

TMG has entered into a joint venture with partners in Saudi Arabia to develop new city and community complexes in Riyadh and Jeddah. See "Description of TMG — Description of Properties and Projects — City and Community Complexes — Current Projects — Saudi Joint Venture". Although TMG has had a sales presence in Saudi Arabia since 1991, TMG has no development or operating experience in the Saudi market or other markets outside of Egypt. Expansion into Saudi Arabia or other markets internationally may present operating or other challenges that are different from those TMG currently encounters in Egypt. TMG will attempt to minimise this risk by collaborating with local partners familiar with the risks in the non-Egyptian markets and the workings of property development in those markets, and intends to use local contractors and construction companies for its new non-Egyptian developments for the same reasons. However, TMG may not always exercise control over its international joint ventures and its local partners may have interests and objectives that differ from those of TMG. Moreover, there can be no assurance that TMG will be able to anticipate or respond to the challenges of developing large-scale complexes in unfamiliar markets outside of Egypt, which could have an adverse effect on TMG's projects in such markets and on TMG's business, financial condition and results of operations as a whole.

TMG's rental revenues will depend upon the financial stability of its tenants.

TMG develops large-scale city and community and hotel and resort complexes, most of which include commercial and/or retail space leased to tenants. The financial stability of these tenants may change over time, which may affect the financial performance of these properties. Tenant defaults could result in a reduction in rental revenues, which could require TMG to contribute additional capital or obtain alternative financing. In addition, TMG may incur costs in enforcing rights under the lease with a defaulting tenant, including eviction and re-leasing costs. Any downgrading of tenants' credit ratings or adverse change in their financial condition may negatively affect the value of property in which such tenants lease space and the cash flows generated by them. Further, if TMG's tenants decide not to renew their leases upon expiration, TMG may not be able to re-let their space on terms as favourable as those contained in the current leases, if at all. If tenants do not renew their leases, TMG may need to expend significant time and money to attract replacement tenants. In addition, in connection with any renewal or re-letting, TMG may incur costs to renovate or remodel the space. As a result of these factors, TMG's cash flow may be reduced.

The real estate book values and appraisals included in this offering circular may not accurately reflect the market value of TMG's properties.

The use of different valuation methodologies and assumptions would likely produce different valuation results. CBRE, an independent real estate appraiser, has valued certain of TMG's real estate properties and projects. Details of the valuation methodologies used and the assumptions made by CBRE are described in "Annex A: CBRE Report". A number of factors could result in the values that CBRE has ascribed to these properties and projects differing materially from the actual market value of such projects.

The real estate book values and appraisals referred to in this offering circular are made as at 30 June 2007, and there can be no assurances that these figures accurately reflect the market value of TMG's properties as at any other date. In particular, CBRE has assumed that TMG owns 100 per cent. of each project and made assumptions as at and prior to the date of the report as to project tenure and phasing, timing of payments for the cost of land and payments to be received from purchasers of units, rates of inflation and costs of borrowing over time, and infrastructure and construction costs based in part on information provided by TMG and which may have varied if made as at the date of this offering circular or may not be realised in practice. Furthermore, in determining the capital value of the properties, CBRE valued the properties on the basis of an arm's length transaction, taking no account of financing costs, taxation or other expenses associated with realising the value, and assumed values it deemed appropriate for assessing capital value but which may not be appropriate in other circumstances. Therefore, the book values and appraised market values included herein should not be taken as an indication of the proceeds that TMG could achieve in the sale of any of its properties.

Risks Relating to TMG's Hotel and Resort Complexes Business

The hotel industry is subject to certain general risks.

A number of factors, many of which are common to the hotel industry and are beyond the control of TMG, could affect its business, including the following:

- dependence on business, commercial and leisure travellers and tourism;
- dependence on group and meeting/conference business;
- the impact of acts of war or increased tensions between certain countries, increased terrorism threats, terrorist events, impediments to means of transportation (including airline strikes, road closures and border closures), extreme weather conditions, natural disasters, outbreaks of diseases and health concerns, rising fuel costs or other factors that may affect travel patterns and reduce the number of business and leisure travellers;
- adverse effects of international market conditions, which may diminish the demand for first class and luxury leisure travel or the need for business travel, as well as national, regional and local political, economic and market conditions where TMG's hotels operate and where its customers live;
- increases in operating costs due to inflation, labour costs, utility costs (including energy costs), increased taxes and insurance costs, as well as unanticipated costs such as acts of nature and their consequences and other factors that may not be offset by increased room rates;
- seasonality, in that hotels located in Egypt may operate at reduced levels of revenue during varying seasons;
- changes in interest rates and in the availability, cost and terms of debt financing; and
- changes in governmental laws and regulations (including trade restrictions), fiscal policies and zoning ordinances and the related costs of compliance.

These factors could have a material adverse effect on TMG's business and the financial condition and results of operations.

TMG's business, financial condition and results of operations depend in large part upon the performance of, reputation of, and developments affecting Four Seasons, the management company that manages its three operating hotels.

TMG's operating hotels are managed by Four Seasons pursuant to management and other related agreements. Therefore, TMG's business, financial condition and results of operations depend in large part upon Four Seasons' performance under the management agreements and other agreements, as well as the reputation of the Four Seasons brand, and developments affecting Four Seasons.

Under the terms of the management agreements with Four Seasons, Four Seasons controls the daily operations of TMG's operating hotels. For a summary discussion of the material terms of these management agreements, see "Material Contracts — Hotel Management Agreements". TMG does not have the direct authority to require its hotels to be operated in a particular manner or to govern aspects of the daily operations of any hotel (for instance, setting room rates or managing certain personnel). Thus, even if TMG believes its hotels are being operated inefficiently or in a manner that does not result in optimal or satisfactory operational measures such as occupancy rates, RevPAR, ADR or gross operating profit margins, TMG may not be able to force Four Seasons to change its method of operation of its hotels. In addition, in the event that TMG wishes to replace Four Seasons, it may be unable to do so under the terms of its management agreements or it may need to pay substantial termination fees and may experience disruptions at the affected hotels. The effectiveness of Four Seasons in managing TMG's hotels will, therefore, significantly affect the revenue, expenses and value of TMG's hotels. Further, TMG is particularly dependent on the reputation of the Four Seasons brand. Adverse publicity or other adverse developments that may affect Four Seasons or its brand generally may result in a material adverse effect on TMG's business and the financial condition and results of operations.

TMG's objectives may conflict from time to time with the objectives of the Four Seasons management company, which may adversely impact the operation and profitability of a hotel.

Four Seasons, the hotel management company that manages TMG's operational hotel properties, and its affiliates have non-exclusive arrangements with TMG and own and/or operate properties other than TMG's properties, currently including one other Four Seasons-branded hotel in Egypt not owned by TMG. Although at present Management does not believe that the management of this hotel being Four Seasons is competitively disadvantageous to the Four Seasons hotels owned by TMG, in the future Four Seasons may have different interests than TMG with respect to short-term or long-term goals and objectives, including interests relating to the Four Seasons brand. Such differences may be significant depending upon many factors, including the remaining term of its management agreements, trade area restrictions with respect to competition by the hotel management company or its affiliates or differing policies, procedures or practices. Any of these factors may adversely impact the operation and profitability of a hotel, which could harm TMG's business and the financial condition and results of operations.

The bankruptcy or insolvency of a hotel management company may adversely affect the operation of certain hotels and impact TMG's ability to obtain revenue generated by those hotels.

All revenue generated at TMG's hotels, including credit card receivables, is deposited by the payors directly into accounts maintained and controlled by the operating company that owns the hotel. However, in the event of a bankruptcy or insolvency involving a hotel management company, there is a risk that the payment of operating and other expenses for the relevant hotels and payment of revenue to these accounts may be delayed or otherwise impaired. In addition, many services such as international sales, maintenance of the centralised reservation system and other similar items are performed for TMG's hotel properties on a centralised basis by hotel management companies. The bankruptcy or insolvency of a hotel management company may significantly impair its ability to deliver such centralised services, which could significantly affect the occupancy rates at the hotels managed by the hotel management company, and, in turn, result in a material adverse effect on TMG's business and financial condition and results of operations.

Significant competition in Egypt and other markets in which TMG's hotels may operate in the future may have a material adverse effect on its business, financial condition and results of operations.

TMG's hotels compete on the basis of location, room rates, quality of property, service and amenities, reputation, recognition and reservations systems, among many other factors. While currently in Egypt there is limited competition in the first class and luxury hotel market segments in which TMG operates and proposes to operate, it is possible that in the future competitors in the first class and luxury hotel market segments will emerge. In addition, the State has recently enacted legislation targeted at increasing the number of hotel rooms in Egypt and Egypt's tourism revenues generally, and as a result new first class and luxury hotels may be constructed in areas in which TMG's properties are located, without corresponding increases in demand for hotel rooms in these locations. This competition and/or new supply could reduce occupancy rates and ADR at TMG's hotels, which would have a material adverse effect on TMG's hotel business and financial condition and results of operations related thereto. Over-building in the hotel industry and the possibility that governments may relax zoning and building ordinances may increase the number of rooms available and may decrease occupancy and room rates. TMG also faces competition from properties that are managed by internationally recognised hotel brands with which TMG is not associated. New or existing competitors could significantly lower rates or offer greater conveniences, services or amenities or significantly expand, improve or introduce new facilities in markets in which TMG's hotels compete. In addition, the Egyptian tourist industry also faces regional competition from Turkey, Greece, Cyprus and other similar destinations whose governments are aiming to increase levels of tourists visiting their countries. TMG's performance in part depends on the performance of the Egyptian tourism industry generally vis-à-vis these other countries. See "Description of TMG — Competition".

TMG's market position will depend on its ability to anticipate and respond to various competitive factors affecting the industry, including new hotels and resorts, the offering of new amenities and services in its markets, pricing strategies by competitors and changes in consumer demographics and preferences and economic, political and social conditions in Egypt or countries in which TMG may operate in the future. Any failure by TMG to compete effectively could have a material adverse effect on TMG's business and financial condition and results of operations.

Hotels in TMG's portfolio have certain fixed costs that TMG may not be able to adjust in a timely manner in response to a reduction in demand and revenues and rising expenses could materially adversely affect TMG's business, financial condition and results of operations.

The fixed costs associated with owning hotels, including committed maintenance costs and property taxes may be significant. TMG may be unable to reduce these fixed costs in a timely manner in response to changes in demand for services, and failure to adjust its fixed costs may adversely affect TMG's hotel business and financial condition and results of operations relating thereto.

Moreover, TMG's properties, and any properties in which it may acquire interests in the future, may be subject to increases in operating and other expenses due to adverse changes in hotel management contract terms and increases in property and other tax rates, utility costs, operating expenses, insurance costs, repairs and maintenance and administrative expenses, which could materially adversely affect TMG's business and financial condition and results of operations.

The lack of alternative uses of hotel properties could significantly limit TMG's ability to respond to adverse changes in the performance of its properties and harm its financial condition.

Hotel properties may not be readily converted to alternative uses if they were to become unprofitable due to competition, age of improvements, decreased demand or other factors. The conversion of a hotel to alternative uses would generally require substantial capital expenditures. In particular, TMG may be required to expend funds to correct defects or to make improvements before a property can be sold. Management cannot assure you that TMG will have funds available to correct defects or to make improvements. These factors and any others that would impede TMG's ability to respond to adverse changes in the performance of its properties could have a material adverse effect on TMG's business and financial condition and results of operations.

The hotel industry is regulated, including with respect to food and beverage sales, employee relations, construction and environmental concerns, and compliance with these laws could reduce revenue and profits of hotel and resort complexes owned by TMG.

TMG and its various hotel and resort complexes are subject to numerous laws, including those relating to the preparation and sale of food and beverages, such as health, casino and liquor license laws, antitrust practices and environmental concerns, such as conservation in national reserves. TMG's hotel and resort complexes are also subject to laws governing its relationship with its employees in such areas as minimum wage and maximum working hours, overtime, working conditions, hiring and making employees redundant, pension and employment termination benefits and work permits. Also, the success of TMG's hotel and resort developments may be dependent upon its obtaining necessary building permits or zoning variances from local authorities. The failure to obtain any of these permits or licences could adversely affect TMG's hotel and resort development projects or have an effect on TMG's day-to-day operations of its existing hotel and resort complexes.

Acts of terrorism have adversely affected the hotel industry generally, including TMG's results of operations, and these adverse effects may continue or, particularly if there are future terrorist events, worsen.

Terrorist activities and the heightened threat of terrorism have had a negative impact on hotel operations globally, resulting in worse than expected performance. The increase in acts of terrorism in general, and the targeting of popular destinations and hotels for their concentrations of foreigners in particular, have had an adverse impact on business and leisure travel, hotel occupancy rate and RevPAR. In addition, some of TMG's hotels have been adversely affected from time to time due to safety concerns and significant overall decrease in the amount of air travel, particular transient business and luxury leisure travel, which includes the corporate and premium segments that generally pay the highest average room rates. The uncertainty associated with the continuing "war on terrorism" and the possibility of future attacks, terrorism alerts or outbreaks of hostilities may continue to have a negative effect on business and leisure, travel patterns and, accordingly, the performance of TMG's business.

TMG has not been granted an allocation decree or entered into a preliminary sale contract with the State relating to the Marsa Alam resort complex, which may delay development and completion of the project.

As part of its business, TMG often enters into preliminary sale contracts with the State, whereby the State allocates land to TMG for purposes of developing the land as agreed with the State. Typically, construction may not begin on a particular tract of land until the State has issued an allocation decree and TMG and the State have entered into a preliminary sale contract. Currently, the State has not issued an allocation decree with respect to the land upon which the Marsa Alam resort complex is planned to be built, although the State has signed a letter regarding the allocation of the land to TMG, and TMG and the State have not entered into a preliminary sale contract for this land.

The allocation decree will not be issued to TMG until the drawings, plans and other submissions relating to the project, including in respect of the required paid-in capital of Port Venice, the subsidiary carrying out the development, are prepared by TMG and approved by the Egyptian Tourism Development Authority in accordance with its current regulations and practice; however, no assurance can be given that such approval will ultimately be obtained. TMG anticipates commencing construction of the Marsa Alam resort complex in the near future, but if the State has not issued an allocation decree and entered into a preliminary sale contract with TMG at that time, construction of the Marsa Alam resort complex would be delayed, which could adversely affect TMG's business and financial condition and results of operations.

Other Risks Relating to TMG

TMG relies on key personnel.

TMG's success depends to a significant degree upon the efforts and abilities of certain key persons, including its management. In addition, TMG benefits from the extensive contacts and relationships of TMG's management, who collectively possess an extensive knowledge of the workings of property development in Egypt and the internal procedures and functions of the Ministry of Housing and other governmental authorities. TMG does not maintain key man life insurance with respect to any of its employees. The loss of services of the executive chairman or other members of management could materially adversely affect TMG's business, financial condition and results of operations.

In addition, TMG's success will depend, in part, on its ability to continue to attract, retain and motivate qualified personnel, in particular in light of TMG's rapid growth. Moreover, the real estate development industry is characterised by high demand, and competition for personnel with relevant expertise in Egypt is increased due to the scarcity of qualified individuals, such as architects, engineers, surveyors and skilled construction workers. Other areas in the region also have high demand for such personnel and Egyptians with such skills often have employment opportunities in other countries in the region, particularly the Gulf states. TMG can give no assurance that it will be able to attract and retain the key personnel that it will need to achieve its business objectives, and its ability to retain or expand its workforce may depend on its ability to meet demands for higher wages. If TMG is unable to retain key personnel, or attract new qualified personnel to support the growth of its business, or if it is required to offer significantly higher compensation to attract and retain key personnel, TMG could experience a material adverse effect on its business, financial condition and results of operations.

TMG has engaged and may continue to engage in related party transactions.

TMG has engaged in transactions with other companies controlled by the Talaat Mostafa family or shareholders of Group companies, or in which they or the companies within TMG own an interest. There is a risk in any related-party transaction that it may include less favourable terms than those that could be agreed on an arm's length basis. While TMG believes that such transactions have been on arm's length terms, there has been no formal process for the independent assessment of the appropriateness of the terms of such transactions. The Executive Chairman of the Board of Directors of the Company has instructed the Audit Committee of the Board to adopt policies pursuant to this delegation specifying thresholds above which the approval of the Audit Committee will be required before the Company can enter into related party transactions. However, the Board has no experience in implementing any such policy. If any such related party transactions were to shift excessive benefits of such transactions from one or more of the Group companies to related parties that do not form part of the Group, they could have a material adverse effect on TMG's business, financial condition and results of operations. See "Related Party Transactions".

TMG may not have obtained or be able to obtain and maintain comprehensive insurance on its properties, and insurance may not cover all losses relating to its properties.

TMG's operations are conducted and most of its assets are located in Egypt, which may have higher political, social, economic and market risks as compared to countries in the European Union and other parts of the world. See "— Risks Relating to Egypt". Various types of catastrophic losses, such as losses due to political risk, civil unrest, acts of warfare, terrorist activities, certain natural disasters such as earthquakes, pollution, environmental matters or expropriation of assets, generally are either uninsurable or not economically insurable, or may be subject to limitations, such as large deductibles or co-payments. In addition, insurance for certain of TMG's projects under development is provided by the construction company in charge of the project pursuant to Egyptian law, which holds the contractor liable for its construction work. While these agreements may obligate the relevant construction company to provide insurance, Management cannot be certain that the construction companies will satisfy their contractual obligations or secure adequate insurance.

Other than any coverage provided by the construction companies, TMG does not currently have coverage for the leisure clubs, malls and other infrastructure at its city and community complexes. Moreover, in the event of a catastrophic loss, the insurance coverage TMG maintains may not be sufficient to cover the full current market value or replacement cost of TMG's lost investment. Should an uninsured loss or a loss in excess of insured limits occur, TMG could lose all or a portion of the capital it has invested in a property, as well as the anticipated future revenue from the property. In that event, TMG might nevertheless remain obligated for any financial obligations related to the property, including for the delivery of units sold by it in its city and community complexes. Inflation, changes in building codes and ordinances, environmental considerations and other factors might also keep TMG from using insurance proceeds to replace or renovate a property after it has been damaged or destroyed. Under those circumstances, the insurance proceeds TMG receives might be inadequate to compensate TMG fully for its economic losses in relation to the damaged or destroyed property.

Rapid growth and expansion may strain TMG's managerial, financial and operational control systems and TMG may find it difficult to obtain personnel and other resources to adequately develop these systems further.

The rapid development and establishment of TMG's city and community and hotel complexes in Egypt, which is an emerging market, may raise unanticipated operational or control risks. TMG has experienced substantial growth in a relatively short period of time and it believes that it will continue to grow its business at a relatively rapid rate for the foreseeable future.

TMG is in the early stages of developing Madinaty which is anticipated to be TMG's (and Egypt's) largest city and community complex, roughly three times the size of TMG's current projects taken together. Madinaty is expected to cover 33.6 million square metres and will be a fully-integrated, purpose-built city in Egypt, containing residential villas and apartments, hospitals, schools, mosques, churches, retail malls and commercial office space. Ultimately, it is expected that Madinaty will house approximately 600,000 residents. TMG has not yet developed a project on such a large scale. Although the project is to be undertaken in phases, Madinaty is expected to take up to 20 years to complete. In addition, TMG has other major projects either at the early stages of development or in the pipeline, including the second phases of the Al Rehab and Al Rabwa city and community complexes, and its Marsa Alam hotel and resort complex, which is a large scale complex that will contain approximately 750 hotel rooms and 2,250 bedrooms. TMG will have to react and adapt to changing market demands as well as to changes in the Egyptian economic climate during the periods over which these projects are developed.

Management of growth necessary to effectively execute these projects will require, among other things:

- continued development of financial and management controls and information technology systems and their implementation in newly established or acquired assets;
- continued development of best practices and policies;
- continued development of logistical operations and supply chain management;
- increased marketing activities; and
- identifying, hiring and training new qualified personnel.

The operating complexity of TMG's business and the responsibilities of its management have increased, and are expected to increase further, as a result of this growth, placing significant strain on TMG's managerial, financial and operational control systems. In view of TMG's growth strategy, it will need to continue to improve its operational and financial systems and managerial controls and procedures to keep pace with its growth, as well as hire additional qualified personnel. TMG will also have to maintain close co-ordination among its various operating entities and the personnel within its divisions. Furthermore, although one company within TMG has been publicly traded since 1994, the other companies in the Group have historically operated as privately-owned companies. TMG's management team will therefore need to develop controls, reporting systems and procedures adequate to enable the companies within the Group to operate as a fully-integrated public company, which could place further strain on TMG's management and personnel.

Should TMG be unable to successfully manage the impact of rapid growth on its managerial, financial and operational resources and control systems, this could have a material adverse effect on its business, financial condition and results of operations.

TMG's internal controls may not be sufficient to respond to its growing business.

As TMG expands its operations and seeks additional growth opportunities, its internal controls in particular need to adapt and respond to the growing demands of its business activities. In addition, as a public company, TMG will need to produce consolidated accounts for the first time. Management is continuing to evaluate the need for additional staff and other resources in the area of accounting and internal controls. TMG has begun to implement a number of systems and processes, including an integrated resource planning system known as SAP, which is expected to be complete by the end of 2007, but it does not currently have a fully integrated information system and the preparation of certain financial information is currently done manually. See "Description of TMG — Information Technology". However, there can be no assurance that the implementation of these systems and processes will be successfully completed or that any such efforts will result in an adequate and effective controls system required of a public company. Effective internal controls are necessary for TMG to produce reliable financial reports and are important to help prevent fraud. As a result, if TMG fails to achieve and maintain effective internal controls over financial reporting as its businesses grow, this could result in the loss of investor confidence in the reliability of its financial statements, which in turn could harm its business, financial condition and results of operations and negatively impact the trading price of the Shares.

TMG's holding company structure exposes it to certain risks.

The Company is the holding company for the other companies in TMG and was recently formed. It has no significant operations of its own. TMG's operations are conducted indirectly through the Company's subsidiaries. The Company's ability to pay dividends to shareholders depends on the earnings and cash flows of its subsidiaries and their ability to pay the Company dividends and to advance funds to it. Contractual and/or legal restrictions applicable to the Company's subsidiaries, including restrictions in preliminary sales contracts and charter provisions, may also restrict the Company's ability to obtain cash from them. See "Material Contracts", "Dividend Policy" and "Description of Share Capital and Applicable Egyptian Law". In addition, claims of creditors of the Company's subsidiaries, including trade creditors and banks and other lenders, will effectively have priority over it with respect to the assets of its subsidiaries.

The lack of consolidated financial information for TMG in this offering circular and uncertainties about the manner in which such information will be presented in the future under applicable Egyptian accounting standards presents certain risks.

No historical or pro forma consolidated financial information for TMG taking into account the effects of the Restructuring is included in this offering circular. The historical financial statements of the Operating Companies included in this offering circular cannot simply be combined to establish or estimate the consolidated financial position or results of operations of the TMG consolidated group that was created through the Restructuring. The future presentation of consolidated financial information for TMG will involve the application of Egyptian Accounting Standards 29 ("EAS 29") relating to business combinations. This will require, among other matters, determining which constituent company is to be treated as the accounting acquirer in the transactions comprising the Restructuring, establishing the fair values of the assets and liabilities of the constituent companies treated as having been acquired for accounting purposes in those transactions and making certain eliminations relating to intercompany transactions. Depending on which of the constituent companies is treated as the accounting acquirer, EAS 29 may require that the consolidated balance sheet of TMG reflect an immediate debit to the shareholders' equity account. Any such debit to TMG's consolidated balance sheet will not affect the capacity of the Company, any of the Operating Companies or any other member of the Group to pay dividends, because under Egyptian law that capacity will be determined on a stand-alone basis for each individual company in the consolidated group, rather than with reference to the financial position or results of operations of the group of companies on a consolidated basis. Notwithstanding the foregoing, TMG can give no assurance that the trading price of the Shares on the CASE will not be adversely affected by any such reduction in the shareholders' equity account of the Company's consolidated balance sheet.

In addition, each of San Stefano Real Estate, Alexandria Real Estate and Alexandria for Urban Development owns a minority interest in ICON, the company holding the Group's interests in its hotel and resort complexes. Each of San Stefano Real Estate and Alexandria Real Estate accounts for ICON as an investment in their respective financial statements included in this offering circular (Alexandria for Urban Development is consolidated with Alexandria Real Estate). The TMG consolidated group that was created through the Restructuring will include ICON as it is now indirectly majority owned by the Company. See "Description of TMG — Corporate Structure".

TMG's principal shareholders may take actions that are not in line with, or may conflict with, its public shareholders' best interests.

The aggregate direct and indirect shareholding in the Company of Mr Hisham Talaat Mostafa ("Mr Talaat Mostafa"), who is the Executive Chairman, together with members of his family, is 26.3 per cent prior to the Combined Offering. In addition, the aggregate direct and indirect shareholding of members of the Bin Laden family, Misr Insurance and the National Bank of Egypt (collectively, the "Principal Shareholders") is 31.0 per cent. prior to the Combined Offering.

Mr Talaat Mostafa is in negotiations with shareholders holding in excess of 5.0 per cent. of the Shares and with certain other Company shareholders pursuant to which the Shares of those shareholders with whom he reaches agreement will either be purchased by him or others in partnership with him or bought by or placed in a company controlled by him named TMG Investments. As at 9 November 2007, TMG Investments held 858,493,345 Shares representing 47.3 per cent. of the Shares outstanding prior to the Combined Offering, and will hold 42.3 per cent. of the Shares outstanding upon completion of the Combined Offering. See "The Selling Shareholders and Principal Shareholders". The shareholders participating in TMG Investments continue to retain their pro rata economic interests in the Company but Mr Talaat Mostafa has effective voting control of TMG Investments and through it all of the Shares held by the participating shareholders. TMG Investments intends to increase its holding in the Shares to at least a majority of the Shares in the Company.

Furthermore, as the Executive Chairman, Mr Talaat Mostafa will have influence over all matters decided by the Board of Directors, and as a significant shareholder following the Combined Offering, especially in conjunction with other shareholders, Mr Talaat Mostafa will have control over the outcome of all or substantially all matters to be decided by a vote of shareholders at an Ordinary General Meeting, including the power to replace all the existing directors and elect new directors. See "Description of Share Capital and Applicable Egyptian Law — Voting Rights and Shareholders' Meetings". Additionally, certain members of the Company's Board of Directors represent the interests of each of the Principal Shareholders in the Company. See "Management — Board of Directors". Also, Mr Talaat Mostafa exercises substantial influence over the day-to-day operations of TMG. The interests of Mr Talaat Mostafa, the Principal Shareholders and other holders of Shares may not always be aligned.

TMG, its shareholders, partners, affiliates and/or associates may have operations in, or render services to, countries that are currently subject to trade restrictions and may be affiliated with persons or countries as identified on the "Specially Designated Nationals and Blocked Persons List" of the Office of Foreign Asset Control ("OFAC").

TMG, its shareholders, partners, affiliates and/or associates may expand their operations into, or render services to, countries that are currently subject to trade restrictions and economic embargoes that prohibit U.S. incorporated entities, U.S. citizens and residents from engaging in commercial, financial or trade transactions with such countries ("Blocked Countries") unless authorised by OFAC or exempted by statute. Management cannot assure you that the Blocked Countries in which TMG may operate in the future, specifically Syria, and any Blocked Countries in which certain of TMG's partners, affiliates and associates currently operate will not be subject to further and more restrictive sanctions in the future. Management also cannot assure you that OFAC will not impose sanctions on other countries in which TMG operates or may in the future operate.

OFAC also maintains the Specially Designated Nationals and Blocked Persons List (the "SDN List"), which contains the names and descriptions of individuals, companies, associations and other entities identified by the United States to pose a threat to the interests and security of the United States. Management cannot assure you that the persons and entities with whom TMG engages in transactions now or in the future or employs now or in the future will not be implicated on the SDN List. Any imposition of OFAC sanctions may result in U.S. persons or affiliates associated with TMG being subject to a range of civil and criminal penalties. If TMG is not in compliance with OFAC sanctions, it may be subject to criminal and civil penalties, which may cause harm to its reputation and to its brand names and could have a material adverse effect on TMG's business, financial condition and results of operations.

TMG will make significant capital investments in connection with its business operations, and the failure to obtain the required funding for those investments may adversely affect its business, financial condition and results of operations.

TMG's growth strategy contemplates significant capital investments in a relatively short period of time and it expects to continue to grow its business, and make significant capital investments, at a relatively rapid rate for the foreseeable future. While TMG expects to be in a position to finance its capital investment requirements from operating cash flows or existing debt facilities, it may consider other means of financing its future plans, such as by accessing the capital markets or incurring additional indebtedness.

TMG may not be able to generate sufficient cash flows to fund capital investments for existing and future development projects. In addition, it may face difficulties in obtaining debt financing, refinancing existing debt or raising capital from the capital markets due to reasons beyond its control, such as general economic conditions of the capital markets, or due to covenants under existing or future financing agreements. To date, TMG has been exposed to relatively low amounts of debt in connection with the development of its properties. However, should TMG be able to obtain and use a higher amount of debt financing for future developments, the risks normally associated with debt financing, such as fluctuations in interest rates and increased interest expense, may affect TMG's business. TMG's failure to generate sufficient cash flows or to obtain the capitals required to finance investments in, or other liquidity requirements of, its existing development projects or its future growth plans could have an adverse effect on its business, financial condition and results of operations.

Environmental problems are possible and can be costly.

Environmental laws and regulations in Egypt have evolved over time, and are continuing to evolve. An owner or occupier of real estate must investigate and clean up hazardous or toxic substances or petroleum products released at or affecting the property. Even if more than one person may have been responsible for the contamination each person covered by the environmental laws may be held responsible for all of the clean-up costs incurred. In addition, third parties may sue the owner or occupier of a site for damages and costs resulting from environmental contamination emanating from that site. As TMG's real estate business grows and expands, and as environmental laws continue to evolve, TMG may face increased risks relating to environmental contamination and protection in the future.

Under Egyptian law, environmental liabilities that occurred while land was owned by the State, that is, prior to the execution of a preliminary sales contract, is the responsibility of the State. However, there can be no assurance that the law will not change or that it will prove possible to delineate and allocate responsibility for environmental contamination to the periods before and after the dates of land allocation contracts. If TMG were to be found liable for any environmental contamination that occurred prior to the land being allocated to it, its business and results of operation could be impacted.

Risks Relating to Egypt

TMG is exposed to political, economic and legal risks in Egypt.

Substantially all of TMG's property developments, assets and operations are located in Egypt. As a result, TMG's operating results are and will continue to be affected in general by economic, social and political developments in or affecting Egypt and, in particular, by the level of economic activity in Egypt.

The economy of Egypt, like those of many emerging markets, has been characterised by significant government involvement through direct ownership of enterprises and extensive regulation of market conditions, including foreign investment, foreign trade and financial services. Despite the ongoing programme of deregulation, trade liberalisation and privatisation, which began in the 1990s, the State continues to exercise a significant influence over many aspects of the Egyptian economy. There can be no assurance that capital inflows will remain at recent levels, or that the State will not have to increase interest rates or tighten the monetary supply in order to redress Egypt's trade imbalances. Egypt continues to experience a high level of unemployment, a problem compounded by the requirements of the State's economic reform programme, which requires staffing in the public sector to be reduced. Egypt's rapid population growth also remains a major problem for its economy. In addition, inflation rates in Egypt, which have increased recently, could continue to rise in the future as a result of deficit financing, capital outflows and/or other economic factors.

Some MENA countries have experienced in the recent past or are currently experiencing political, social and economic instability, extremism, terrorist acts and/or war. Within Egypt, extremists have engaged in a campaign, sometimes violent, against the State in recent years, and terrorists have struck civilian targets. On 26 March 2007, a referendum was held for voters to affirm certain constitutional amendments passed by Parliament, which were aimed at promoting democracy according to the State, but which certain opposition groups asserted would curb certain basic freedoms. Political, economic and military conditions in Egypt and the MENA region could affect the real estate market and the tourism industry in these regions, which could affect adversely TMG's business, results of operations and financial condition.

Any of the foregoing circumstances could have a material adverse effect on the political and economic stability of Egypt and consequently on TMG's business, results of operations and financial condition, and on the willingness of non-Egyptians to invest in Egyptian companies, including in the Company.

Certain recent economic developments in Egypt may have an adverse impact on the supply of materials.

In February 2007, the Ministry of Trade and Industry introduced export duties on cement and steel. Although the stated policy of the import duties was to stimulate local availability of cement in Egypt, such intervention could have an opposite effect. TMG's construction costs could increase as a result, and if such increases are not borne by contractors or TMG is not able to increase its prices in order to pass on the costs to its customers, it could adversely affect TMG's business, results of operations and financial condition.

Disclosure obligations, financial controls and corporate governance requirements and protections for minority shareholders or investors in publicly traded companies in Egypt may be less extensive than those of jurisdictions with major securities markets.

There is generally less information available about TMG and other Egyptian companies than is regularly published by or about listed companies in the United States, the United Kingdom, or certain other countries, in particular those with more established securities markets. Regulations concerning reporting requirements and auditing standards for Egyptian companies may not afford the same degree of investor protection as is available in the United States or European markets. See "Securities Market Information".

The corporate affairs of the Company are governed by the Egyptian Companies Law No. 159 of 1981 (the "Egyptian Companies Law"), the Capital Markets Law, its Statutes and other laws governing companies incorporated in Egypt. The rights of shareholders of the Company and the responsibilities of members of the board of directors of the Company under Egyptian law are different in certain respects from those applicable to corporations organised in the United States, the United Kingdom, and other jurisdictions. In particular, Egyptian law significantly limits the circumstances under which shareholders of an Egyptian company may bring shareholder derivative actions. Regulations governing the Egyptian securities market are not as extensive as those in the United States, the United Kingdom, and certain other major securities markets. In addition, although Egyptian law imposes restrictions and penalties on insider trading and price manipulation, the Egyptian securities market is not as highly regulated or supervised as more established securities markets such as those in the United States and certain Western European countries. Moreover, many provisions of Egypt's securities laws have not yet received judicial or regulatory interpretation or review and are therefore less developed than comparable provisions of laws of certain other countries. For a description of certain matters relating to ownership of shares in the Company. See "Description of Share Capital and Applicable Egyptian Law".

Economic and political events in other emerging markets could cause the securities market in Egypt to suffer.

Economic and political conditions in other emerging market countries may from time to time affect the securities markets in Egypt. There can be no assurance that economic and political conditions in other emerging market countries will not have a material adverse effect on the capital markets in Egypt generally, the business, results of operations and financial condition of TMG or the price of the Shares.

Official statistics and data published in Egypt may not be complete or reliable.

Although a number of ministries and agencies of the State, including the Ministry of Economic Development and CAPMAS, and other entities, including the Central Bank of Egypt, produce statistics on Egypt and other data on its economy, there can be no assurance that such information is as accurate or reliable as that compiled in more developed countries. The Company has not independently verified such official statistics or other data and any discussion of matters relating to Egypt in this offering circular is, therefore, subject to uncertainty due to questions regarding completeness of reliability of such information.

Risks Relating to the International Offering

TMG is required to make disclosures in accordance with Egyptian laws and regulations, which are different from United States or United Kingdom laws and regulations and which may not provide the same level of disclosure or investor protections.

Application has been made for listing and trading TMG's shares on the CASE. Upon admission of TMG's shares to the CASE, TMG will be subject to Egyptian disclosure requirements, including the requirement to submit annual and semi-annual financial statements on an unconsolidated basis prepared in accordance with EAS, to provide notices of any material developments to the CMA and to the CASE, to provide the CASE with minutes of its ordinary and extraordinary general meetings and to publish its annual and half yearly financial statements in local newspapers. However, these requirements generally result in less information being made publicly available than is regularly published by or about listed companies in the United States, the United Kingdom or certain other countries. In addition, regulations concerning reporting requirements for Egyptian companies may not afford the same degree of investor protection as is available in other countries. Although Egyptian law imposes blackout periods, restrictions and penalties on insider trading and price manipulation, the Egyptian securities markets are not as highly regulated and supervised as more established securities markets, such as the securities markets in the United States, the United Kingdom or certain other countries.

The rights of investors as shareholders will be affected by the laws of Egypt and investors may have difficulty effecting service of process on TMG or enforcing judgments obtained outside Egypt.

TMG is an Egyptian company and its corporate affairs and the rights of shareholders will be governed by Egyptian company law and its statutes. The rights of its shareholders and the responsibilities of members of its board of directors under Egyptian law are different from, and may be subject to certain requirements not generally applicable to, corporations organized in the United States, the United Kingdom and other countries. For a further description of shareholder rights under its statutes and Egyptian law, see "Description of Share Capital and Applicable Egyptian Law".

In addition, most of TMG's directors and executive officers are residents of Egypt and a substantial portion of TMG's assets are located in Egypt. As a result, it may not be possible for investors to effect service of process outside of Egypt upon TMG or for such persons to enforce judgments against TMG and its directors and officers, predicated on the civil liability provisions of the U.S. federal securities laws or otherwise, obtained outside Egypt, without a re-examination of the merits, unless certain conditions are met. For a brief description of these conditions, see "Enforcement of Arbitral Decisions and Civil Liabilities".

A public market for TMG's Shares may not develop and the market price for its Shares may be volatile.

Prior to the Combined Offering, there has been no active public trading market for the Shares, and TMG can provide no assurance that an active trading market for the Shares on the CASE will develop or be sustained after the Combined Offering. Furthermore, the Offer Price was determined by negotiations between the Lead Managers and TMG and may not be indicative of prices that will prevail in the later trading market. Therefore, investors may not be able to resell their Shares at or above the Offer Price.

The Egyptian securities market in general, and the CASE in particular, is substantially less liquid and more volatile than established markets such as those in the United States, Western Europe and in other countries and regions with highly developed securities markets. For the period between 1 January 2007 and 30 September 2007 the CASE had an average daily trading volume of approximately 41.3 million shares, with a value of US$189.9 million. The ten largest companies in terms of market capitalization represented approximately 49.7 per cent. of the CASE's aggregate market capitalisation. The relatively small market capitalisation and low liquidity of the CASE may impair the ability of shareholders to sell the Shares on the CASE, which could increase the volatility of the price of the Shares.

Although the CASE has a book-entry system for trading dematerialized shares, settlement procedures in Egypt remain relatively less developed and less reliable than those in more established securities markets. Accordingly, while the settlement period for trades affected on the CASE is up to three business days, settlement delays and administrative problems may occur.

Shareholders may not receive cash dividends in respect of their Shares.

The Company has not committed to pay annual dividends and its actual dividends may vary depending on the Company's gross profit and management's analysis of the Group's growth, expansion plans and capital needs. According to the Egyptian Companies Law, the Company may not be able to distribute dividends if such distribution would affect its ability to fulfil its future monetary obligations on their due dates. In addition, any distribution of dividends must be approved at an ordinary general meeting of shareholders by a majority of votes present or represented at the meeting. See "Dividend Policy".

Sales of substantial numbers of TMG's Shares in the public markets following the Combined Offering could have an adverse effect on the market for, and the prices of, the Shares.

The Company and certain other shareholders, who together own 75.7 per cent. of the Shares, have agreed that, without the prior written consent of the Lead Managers, it and they will not issue, offer, pledge, sell, contract to sell or otherwise dispose of any shares or securities convertible into shares for a period of six months from the Closing

Date, subject to certain exceptions. Despite these selling restrictions on these shareholders and the Company, sales of substantial numbers of shares in the public market following the Combined Offering, as well as the perception that such sales may occur, could have a material adverse effect on the market for and the prices of the Shares. See "Plan of Distribution".

Shareholders in the United States may be unable to participate in future rights offerings.

If TMG were to grant rights to participate in future equity offerings to its shareholders, U.S. holders may not be entitled to exercise these rights unless the rights and related securities are registered under the Securities Act or an exemption from the registration requirements of the Securities Act is available. TMG intends to evaluate, at the time of any rights offering, the costs and potential liabilities associated with registering the rights and related securities or qualifying for an exemption under the Securities Act, as well as the indirect benefits to TMG of enabling its U.S. holders to exercise such rights, and any other factors that TMG considers appropriate at the time, prior to making a decision whether to register such rights or qualify for an exemption. No assurance can be given that TMG will choose to register any such rights and related securities or that an exemption from the registration requirements of the Securities Act will be available to enable such U.S. holders to exercise such rights or, if available, that TMG will utilize any such exemption.

A description of pre-emptive rights relating to TMG's share capital is set forth under the heading "Description of Share Capital and Applicable Egyptian Law".

The Company may be a passive foreign investment company ("PFIC").

Based on TMG's existing operations and assets, the Company believes that it may currently be a PFIC and, depending upon the future operations and assets of TMG, there is a substantial risk that the Company and certain of its subsidiaries could be treated as a PFIC in subsequent years. If the Company were treated as a PFIC, a U.S. Holder (as defined below in "Taxation — United States Federal Income Tax Considerations") would be subject to adverse United States tax consequences discussed below.

In general, a corporation organised outside the United States will be treated as a PFIC in any taxable year in which either (i) at least 75.0 per cent. of its gross income is "passive income" or (ii) at least 50.0 per cent. of the average value of its assets (measured on a quarterly basis) is attributable to assets that produce passive income or are held for the production of passive income. Passive income for this purpose generally includes, among other things, dividends, interest, royalties, rents and gains from commodities and securities transactions and from the sale or exchange of property that gives rise to passive income. In determining whether a non-U.S. corporation is a PFIC, a proportionate share of the income and assets of each corporation in which it owns, directly or indirectly, at least a 25.0 per cent. interest (by value) is taken into account.

If the Company is a PFIC in any year during which a U.S. Holder owns the Shares, such U.S. Holder could be liable for additional taxes and interest charges upon certain distributions by the Company or upon a sale, exchange or other disposition of the Shares at a gain, whether or not the Company continues to be a PFIC and similar rules will apply to the Company's subsidiary PFICs. The tax will be determined by allocating such distributions or gain ratably to each day of such U.S. Holder's holding period. The amount allocated to the current taxable year and any holding period of such US Holder prior to the first taxable year for which the Company is a PFIC will be taxed as ordinary income (rather than capital gain) earned in the current taxable year. The amount allocated to other taxable years will be taxed at the highest marginal rates applicable to ordinary income for each such taxable year, and an interest charge will also be imposed on the amount of taxes for each such taxable year. In addition, if the Company is a PFIC, a person who acquires the Shares from a deceased U.S. Holder generally will be denied the step-up of the tax basis for U.S. federal income tax purposes to fair market value at the date of such deceased U.S. Holder's death, which would otherwise be available with respect to a decedent dying in any year prior to or after 2010. Instead, such person will have a tax basis equal to the lower of such fair market value or such U.S. Holder's tax basis.

The above results may be mitigated if a "mark-to-market" election is available and a U.S. Holder validly makes such an election as of the beginning of such U.S. Holder's holding period. However, there can be no certainty that a U.S. Holder will be able to make a valid mark-to-market election. In addition, a US Holder will not be able to make a qualified electing fund, or QEF election, since the Company does not currently expect to provide U.S. Holders with the information necessary to make such an election.

Prospective investors are strongly advised to consult their own tax advisers regarding the U.S. federal income tax consequences of an investment in an entity that potentially qualifies as a PFIC.

USE OF PROCEEDS

The proceeds to the Company from the sale of the Primary Shares in the International Offering (assuming the Over-allotment Option is exercised in full) are expected to amount to approximately LE 2,380.8 million (US$418.2 million), after deducting fees, commissions and estimated offering expenses of approximately LE 113.2 million (US$19.9 million) in relation to the International Offering. TMG intends to use the net proceeds received by it from the International Offering to fund existing and future development projects (both within Egypt and the wider MENA region), acquisitions and investments. See "Description of TMG — Strategy — International expansion" and "Description of TMG — Strategy — Increase weighting of stable revenues from hotel and resort complexes".

None of the proceeds from the sale of the Secondary Shares by the Selling Shareholders will accrue to the Company.

DIVIDEND POLICY

Dividend Policy

Each of the companies within TMG has a policy to pay dividends when permitted by law and subject to consideration of its investment requirements, financial condition, including its level of indebtedness and liquidity requirements, and its results of operations. See "— Payment of Dividends and Legal Reserve". As a holding Company, the Company's ability to pay dividends depends on the dividends it receives from its subsidiaries and affiliates. The Company was incorporated in April 2007 and is not due to pay any dividends as at the date of this offering circular, given that under Egyptian law a company cannot declare dividends except based on audited accounts. The chart below sets out the dividends declared in the periods presented and subsequently paid by the Operating Companies, except for San Stefano which was not operational until 2006.

	Dividends for the fiscal year ended 31 December			
	2004	**2005**	**2006**	
	(LE)	*(LE)*	*(LE)*	*(US$)*
		(in millions)		
Arab Company	39.9	46.0	49.1	8.6
Alexandria Real Estate	40.4(1)	28.7(2)	52.9(3)	9.3

(1) A share dividend, based on the par value of shares distributed.

(2) Consisting of a cash dividend in the amount of LE 11.6 million (US$2.0 million) and a share dividend in the amount of LE 17.1 million (US$3.0 million), based on the par value of shares distributed.

(3) Consisting of a cash dividend in the amount of LE 19.0 million (US$3.3 million) and a share dividend in the amount of LE 34.0 million (US$6.0 million), based on the par value of shares distributed.

There can be no assurance that any dividends will be paid in the future or as to the level of any such dividends. The declaration, amount and payment of dividends is determined, subject to the limitations set forth above, by majority vote of the Shareholders at an ordinary general meeting ("Ordinary General Meeting") of the Company, generally, but not necessarily, on the recommendation of the board of directors. Future dividends will depend on the Company's results of operations, financial position, dividends received from its subsidiaries and affiliates, cash requirements, legal reserve and minimum capital requirements, future prospects and other factors deemed relevant by the board of directors and the Shareholders.

Payment of Dividends and Legal Reserve

The after-tax earnings in each fiscal year for each of the Operating Companies, as increased or reduced, as the case may be, by any profit or loss of such company carried forward from prior years, is available for distribution in accordance with the requirements of Egyptian law and the applicable company's Statutes, as follows:

(1) An amount equal to 5.0 per cent. of the profits shall be deducted in order to form a legal reserve and the applicable company is legally required to establish and maintain a legal reserve (the "Legal Reserve") equal to a maximum of 50.0 per cent. of its issued capital. If at the end of a fiscal year the Legal Reserve is less than 50.0 per cent. of issued capital, an amount equal to at least 5.0 per cent. of after-tax earnings, if any, in respect of such fiscal year must be allocated to the Legal Reserve.

As at 30 June 2007, the Legal Reserves of each of the Operating Companies was as follows:

Company	**Legal reserve**		**Per cent. of issued capital**
	(LE)	*(US$)*	*(%)*
	(in millions)		
Arab Company	38.4	6.7	5.2
San Stefano Real Estate	4.2	0.7	0.8
Alexandria Real Estate	79.7	14.0	21.3

(2) After funding the Legal Reserve, if required as described above, the balance of after-tax earnings after deduction of the Legal Reserve ("Distributable Profits"), may be distributed pursuant to a shareholders' resolution in Ordinary General Meeting.

(3) TMG is legally required to allocate to its employees an amount (the "Employee Distribution") equal to a minimum of ten per cent. of the Distributable Profits but not exceeding the aggregate annual salaries of its employees. If the ten per cent. of the Distributable Profits is greater than the aggregate annual salaries, the remainder, if any, will be allocated to a special account to be used for the benefit of the employees and to provide

services for their benefit pursuant to the determination of the board of directors in accordance with Article 196 of the Executive Regulations of the Egyptian Companies Law.

(4) Distributable Profits shall be distributed in the following order of priority:

(a) An initial amount equal to a minimum of 5.0 per cent. of the Distributable Profits to be distributed to the shareholders, not exceeding the amount paid in by each shareholder for its shares, as dividends and to the employees as part of the Employee Distribution, not to exceed the employees' aggregate annual salaries. In the event the Distributable Profits of one year do not allow for such a distribution, then such a distribution may not be claimed in subsequent years.

(b) An amount equal to no more than ten per cent. of Distributable Profits may be allocated to members of the board of directors as remuneration.

(c) The balance of the Distributable Profits may be (i) paid to the shareholders as additional dividends and to the employees as an additional payment on account of the Employee Distribution, (ii) carried forward to the following year as retained earnings, or (iii) allocated to fund a special reserve to be used as determined by resolution of the shareholders at an Ordinary General Assembly, on the recommendation of the board of directors.

Payment of dividends is made to the shareholder, based on a statement of account from a registered bookkeeper, if the shares are deposited with the Egyptian Central Depository. Dividends not claimed within five years of the date of payment become barred by the statute of limitations and are paid to the State Treasury. Shareholders may decide at an Ordinary General Assembly to distribute all or part of the dividends included in such company's financial statements accompanied by a report from the company's independent auditor.

The Statutes provide that dividends are paid annually based on the generated net profits according to the Company's financial statements. Subject to Ordinary General Meeting approval, pursuant to Egyptian law requirements, the Company must convene an Ordinary General Meeting at no later than three months after the end of the fiscal year to review the audited financial statements and determine dividends, if any, to be distributed. Dividends declared by resolution of the shareholders at an Ordinary General Meeting must be distributed within one month from the date of the Ordinary General Meeting. Dividends are payable to shareholders of record on the date of such Ordinary General Meeting.

Certain Contractual Restrictions on the Company's Ability to Pay Dividends

Certain loan agreements to which the companies within the Group are party permit the applicable company to pay dividends only so long as such company is not in default in respect of payments under the loan agreements to which it is a party. No company within the Group that is party to any such agreement is in a payment default as of the date of this offering circular and Management is not aware of any existing or anticipated circumstances that are likely to result in any such default in the foreseeable future.

EXCHANGE RATE INFORMATION

The official currency of Egypt, where the majority of TMG's assets and operations are located, is the Egyptian pound, which is the functional currency of the Company, as well as of Arab Company, San Stefano Real Estate and Alexandria Real Estate. Part of TMG's indebtedness, as well as certain capital and operating expenditures, are U.S. dollar-denominated. As a result, fluctuations in the value of the Egyptian pound against the U.S. dollar may affect TMG's results. The table below sets forth for the periods and dates indicated certain information concerning the exchange rate for the Egyptian pound against the U.S. dollar. All references to "Exchange Rate" mean the average of the buying and selling daily rates as quoted by the National Bank of Egypt for any given day of the year during which banks were open for business in Egypt.

Year	Low(1)	High(2)	Average(3)	Period end(4)
2002	4.5700	4.6600	4.6279	4.6200
2003	4.5900	6.1850	5.8956	6.1750
2004	6.0875	6.2548	6.2053	6.0875
2005	5.7378	6.0000	5.7907	5.7388
2006	5.7105	5.7735	5.7416	5.7113
Monthly in 2007	**Low(1)**	**High(2)**	**Average(3)**	**Period end(4)**
April	5.6788	5.7031	5.6902	5.6788
May	5.6788	5.6988	5.6902	5.6975
June	5.6902	5.7035	5.6959	5.6925
July	5.6525	5.7000	5.6810	5.6525
August	5.6365	5.6775	5.6564	5.6545
September	5.5875	5.6675	5.6291	5.5875
October	5.5175	5.5875	5.5432	5.5175

Source: *Bloomberg*

(1) The lowest Exchange Rate during the year or month concerned.

(2) The highest Exchange Rate during the year or month concerned.

(3) The average of all daily Exchange Rates during the year or month concerned.

(4) The Exchange Rate in effect on the last day of business in Egypt for the year or month concerned.

The official rate of exchange between the Egyptian pound and the U.S. dollar has remained relatively stable since 1 January 2005. On 15 November 2007, the rate of exchange was LE 5.5245 = US$1.00. The Central Bank of Egypt does not usually intervene directly in the foreign exchange market, although it makes use of the four public sector banks to stabilise the exchange rate.

Pursuant to Egypt's Banking and Credits Law No. 88 of 2003 (the "Banking and Credits Law"), the Central Bank, registered banks, and other authorised entities are free to determine the applicable exchange rate. The Banking and Credits Law and its Executive Regulations also permit the free transfer of foreign currency inside and outside Egypt, provided such transfer is effected through a registered or authorised bank in Egypt.

SELECTED FINANCIAL INFORMATION

Selected Financial and Operating Data

The Company is a newly-formed joint stock company incorporated under the laws of Egypt and has no operating history of its own. The Company is a holding company under which, with effect from October 2007, the real estate development activities conducted by companies in which the Talaat Mostafa family had significant interests have been combined as a consolidated group. In October 2007, the Company increased, through a series of transactions, its direct and indirect ownership in Arab Company, San Stefano Real Estate and Alexandria Real Estate to 99.9 per cent., 98.4 per cent. and 98.6 per cent. of the issued and outstanding shares, respectively, and increased its ownership in Alexandria for Urban Development to 100 per cent. of the issued and outstanding shares, comprised of a 40.0 per cent. direct interest and a 60.0 per cent. interest held by Alexandria Real Estate. See "Description of TMG — Corporate Structure". Accordingly, the financial statements included in this offering circular beginning on page F-2, together with the notes thereto are those of the Operating Companies.

No historical or pro forma consolidated financial information for TMG taking into account the effects of the Restructuring is included in this offering circular. The Financial Statements cannot simply be combined to establish or estimate the consolidated financial position or results of operations of the TMG consolidated group that was created through the Restructuring. The future presentation of consolidated financial information for TMG will involve the application of EAS 29 relating to business combinations. This will require, among other matters, determining which constituent company is to be treated as the accounting acquirer in the transactions comprising the Restructuring, establishing the fair values of the assets and liabilities of the constituent companies treated as having been acquired for accounting purposes in those transactions and making certain eliminations relating to intercompany transactions.

In addition, each of San Stefano Real Estate, Alexandria Real Estate and Alexandria for Urban Development owns a minority interest in ICON, the company holding the Group's interests in its hotel and resort complexes. Each of San Stefano Real Estate and Alexandria Real Estate accounts for ICON as an investment in their respective financial statements included in this offering circular (Alexandria for Urban Development is consolidated with Alexandria Real Estate). As a result of the Restructuring, the Operating Companies will be combined as a consolidated group under the Company and ICON will be indirectly majority owned by the Company. Accordingly, ICON will be fully consolidated with the Company in the future.

The following selected financial information should be read together with the other information contained in this offering circular, including "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the Financial Statements and related notes included elsewhere in this offering circular. This financial information is historical and not necessarily indicative of results to be expected in any future period.

The following selected income statement, cash flow and balance sheet data, and the Financial Statements included in this offering circular from which it is derived, was prepared in accordance with EAS in effect at the time of preparing the relevant financial statements. EAS differs in certain respects from IFRS. For a description of significant differences between IFRS and EAS, see "Summary of Significant Differences Between IFRS and EAS".

Selected Arab Company Consolidated Financial Information

	For the year ended 31 December				For the six months ended 30 June		
	2004	2005	2006		2006	2007	
	LE	*LE*	*LE*	*US$(1)*	*LE*	*LE*	*US$(1)*
					(unaudited)		
	(in millions, except per share amounts)						
Income Statement Data:							
Sales	605.3	379.0	379.1	66.6	170.6	440.3	77.4
Cost of sales	(485.8)	(274.4)	(275.5)	(48.4)	(120.2)	(287.4)	(50.5)
Gross profit	119.5	104.6	103.6	18.2	50.4	152.9	26.9
Selling, general and administrative expenses	(10.9)	(9.1)	(54.2)	(9.5)	(30.8)	(13.8)	(2.4)
Interest income on fixed deposits with banks	0.7	0.5	8.2	1.4	0.5	26.8	4.7
Other income	0.06	0.1	0.1	0.01	0.6	2.3	0.4
Gain on sale of property, plant and equipment	—	0.2	0.4	0.08	—	—	—
Gain on sale of investments	0.5	0.5	—	—	—	29.6	5.2
Foreign exchange difference	(0.6)	(0.5)	0.1	0.02	(0.1)	1.4	—
Release of provision	—	2.3	—	—	—	—	—
Profit before tax	109.3	98.6	58.2	10.2	20.6	199.2	35.0
Income tax expense	—	(0.06)	(1.3)	(0.2)	—	—	—
Profit for the year	109.3	98.5	56.9	10.0	20.6	199.2	35.0
Earnings per share	33.1	26.7	15.4	2.7	5.6	27.0	4.7
Cash Flow Data:							
Net cash used in operating activities	44.4	163.4	311.0	54.6	11.1	192.2	33.8
Net cash used in investing activities	(17.1)	(155.3)	(62.2)	(10.9)	25.8	(221.0)	(38.8)
Net cash from financing activities	(33.1)	(11.7)	120.0	21.1	54.3	1,305.3	229.3
Cash and cash equivalents	15.2	11.5	380.3	66.8	51.1	1,656.8	291.1

	As at 31 December				As at 30 June 2007	
	2004	2005	2006			
	LE	*LE*	*LE*	*US$*	*LE*	*US$(1)*
					(unaudited)	
	(in millions)					
Balance Sheet Data:						
Assets						
Non-current assets	1,115.9	1,387.1	4,882.6	857.7	7,585.7	1,332.6
Current assets	672.5	673.5	1,692.0	297.2	3,780.7	664.2
Total assets	1,788.4	2,060.6	6,574.5	1,154.9	11,366.5	1,996.8
Equity						
Share capital	330.0	369.6	369.6	64.9	738.0	129.6
Capital increase in process	—	42.5	180.4	31.7	—	—
Share premium	—	—	—	—	1,173.0	206.1
Legal reserve	22.7	28.4	33.4	5.9	38.4	6.7
Cumulative changes in fair value	—	—	—	—	54.9	9.6
Retained earnings	317.2	370.1	375.9	66.0	521.0	91.5
Total equity	669.9	810.6	959.3	168.5	2,525.4	443.6
Liabilities						
Non-current liabilities	94.0	659.5	4,096.0	719.5	7,052.1	1,238.8
Current liabilities	1,024.5	590.5	1,519.2	266.9	1,788.9	314.3
Total liabilities	1,118.5	1,249.9	5,615.2	986.4	8,841.1	1,553.1

	For the year ended 31 December			For the six months ended 30 June	
	2004	2005	2006	2006	2007
Operating Data:					
Number of units delivered	2,464	1,358	1,303	548	852
Average selling price of delivered units (LE)	221,140	261,988	253,891	264,389	426,852
Average cost of units delivered (LE per m^2)	1,203	1,257	1,119	1,422	2,070

(1) Translated into U.S. dollars at an exchange rate of US$1 = LE 5.6925 for convenience.

Selected San Stefano Real Estate Financial Information

	For the year ended 31 December				For the six months ended 30 June		
	2004	2005	2006		2006	2007	
	LE	*LE*	*LE*	*US$*[(1)]	*LE*	*LE*	*US$*[(1)]
					(unaudited)		
	(in millions, except per share amounts)						
Income Statement:							
Sales	—	—	33.9	6.0	—	92.4	16.2
Cost of sales	—	—	(23.5)	(4.12)	—	(71.6)	(12.6)
Gross profit	—	—	10.4	1.8	—	20.9	3.7
Selling, general and administrative expenses	—	—	(6.9)	(1.2)	—	(4.7)	(0.8)
Interest income on fixed deposits with banks	—	—	1.4	0.2	—	0.07	0.01
Other income	—	—	0.04	0.01	—	1.8	0.3
Share of results from associates	—	—	0.03	0.01	—	0.2	0.03
Gain on disposal of interest in associates	—	—	21.0	3.7	—	—	—
Foreign exchange difference			0.2	0.03	—	0.03	0.01
Profit before tax	—	—	26.1	4.6	—	18.3	3.2
Income tax expense	—	—	(1.1)	(0.2)	—	(4.5)	(0.8)
Profit for the year	—	—	25.1	4.4	—	13.8	2.4
Earnings per share	—	—	5.3	1.0	—	2.9	0.5
Cash Flow Data:							
Net cash used in operating activities	(84.9)	(118.6)	(130.8)	(23.0)	(21.0)	(18.1)	(3.2)
Net cash from (used in) investing activities	(30.9)	(7.0)	78.1	13.7	(1.4)	(105.3)	(18.5)
Net cash from financing activities	120.3	137.6	2.3	0.4	17.9	64.3	11.3
Cash and cash equivalents	27.0	39.0	(11.5)	(2.0)	34.4	(70.5)	(12.4)

	As at 31 December				As at 30 June 2007	
	2004	2005	2006			
	LE	*LE*	*LE*	*US$*	*LE*	*US$*[(1)]
					(unaudited)	
	(in millions)					
Balance Sheet Data:						
Assets						
Non-current assets	989.6	1,345.1	994.7	174.7	1,077.6	189.3
Current assets	324.9	395.0	1,149.2	201.9	1,147.5	201.6
Total assets	1,314.5	1,740.1	2,143.9	376.6	2,225.1	390.9
Equity						
Share capital	474.0	474.0	474.0	83.3	550.0	96.6
Capital increase in process	—	49.7	76.0	13.3	—	—
Legal reserve	2.8	2.8	2.8	0.5	4.2	0.7
Retained earnings	—	—	1.3	0.2	13.6	2.4
Total equity	476.8	526.5	554.2	97.4	567.8	99.7
Liabilities						
Non-current liabilities	733.4	1,057.4	573.7	100.8	579.0	101.7
Current liabilities	104.3	156.2	1,016.0	178.5	1,078.3	189.4
Total liabilities	837.7	1,213.6	1,589.7	279.3	1,657.3	291.1

	For the year ended 31 December			For the six months ended 30 June	
	2004	2005	2006	2006	2007
Operating Data:					
Number of units delivered	—	—	22	—	61
Average selling price of delivered units (LE)	—	—	1,540,322	—	1,515,390
Average cost of units delivered (LE per m^2)	—	—	5,094	—	5,381

(1) Translated into U.S. dollars at an exchange rate of US$1 = LE 5.6925 for convenience.

Selected Alexandria Real Estate Consolidated Financial Information

	For the year ended 31 December				For the six months ended 30 June		
	2004	2005	2006		2006	2007	
	LE	*LE*	*LE*	*US$*(1)	*LE* (unaudited)	*LE*	*US$*(1)
	(in millions, except per share amounts)						
Income Statement:							
Sales	183.7	121.1	225.1	39.5	75.2	310.8	54.6
Cost of Sales	(152.3)	(69.6)	(142.2)	(25.0)	(59.4)	(219.1)	(38.5)
Gross profit	31.3	51.5	82.9	14.6	15.7	91.7	16.1
Selling general and administrative expenses	(3.5)	(3.06)	(5.3)	(0.9)	(3.9)	(3.9)	(0.7)
Finance costs	(3.2)	(24.8)	(21.4)	(3.8)	(15.6)	(8.1)	(1.4)
Interest income on fixed deposits with banks	0.2	0.04	0.1	0.02	0.03	0.1	0.02
Other income	0.2	0.4	0.5	0.1	0.3	7.9	1.4
Share of results from associates/investments	5.6	15.5	4.0	0.7	13.8	97.9	17.2
Foreign exchange difference	(1.4)	0.1	0.1	0.02	0.03	(0.01)	(0.002)
Gain on disposal of interest in associates/investments	1.2	—	92.3	16.22	92.3	13.5	2.4
Provision for claims	(4.0)	—	—	—	(2.5)	—	—
Excess of acquiree's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost						227.2	39.9
Profit before tax	26.4	39.7	153.3	26.9	100.2	426.3	74.9
Income tax expense	—	(4.9)	(5.1)	(0.9)	(0.01)	(16.6)	(2.9)
Profit for the year/period	26.4	34.8	148.2	26.0	100.2	409.7	72.0
Earnings per share	3.9	5.18	22.9	4.0	13.3	56.5	9.9
Cash Flow Data:							
Net cash from (used) in operating activities	111.2	64.4	(20.5)	(3.6)	(2.5)	244.2	42.9
Net cash (used) from in investing activities	(27.0)	(69.8)	10.0	1.8	(3.4)	(8.2)	(1.4)
Net cash (used in) from financing activities	(75.8)	(18.3)	(12.7)	(2.2)	33.2	(64.7)	(11.4)
Cash and cash equivalents	(66.1)	(89.8)	(113.0)	(19.9)	(62.5)	58.3	10.2

	As at 31 December				As at 30 June 2007	
	2004	2005	2006			
	LE	*LE*	*LE*	*US$*	*LE* (unaudited)	*US$*(1)
	(in millions)					
Balance Sheet Data:						
Assets						
Non-current assets	837.5	999.7	1,137.1	199.8	1,548.3	272.0
Current assets	195.8	239.4	368.3	64.7	522.1	91.7
Total assets	1,033.3	1,239.1	1,505.3	264.4	2,070.4	363.7
Equity						
Share capital	269.1	322.9	340.0	59.7	374.0	65.7
Capital increase in process	26.3	—	—	—	—	—
Legal reserve	71.7	73.1	74.4	13.1	79.7	14.0
Other Reserves	—	—	—	—	58.3	10.2
Retained earnings	103.9	96.8	209.6	36.8	554.7	97.4
Treasury shares	(19.7)	(38.7)	(38.8)	(6.8)	—	—
Minority interest	54.9	53.0	67.3	11.8	73.7	12.9
Total equity	506.2	507.1	652.6	114.6	1,140.4	200.3
Liabilities						
Non-current liabilities	148.2	294.5	256.7	45.1	180.7	31.7
Current liabilities	378.9	437.5	596.2	104.7	749.3	131.6
Total liabilities	527.1	732.0	852.8	149.8	930.0	163.4

(1) Translated into U.S. dollars at an exchange rate of US$1 = LE 5.6925 for convenience.

	For the year ended 31 December			For the six months ended 30 June	
	2004	2005	2006	2006	2007
Operating Data:					
Number of units delivered	24	14	22	8	23
Average selling price of delivered units (LE)	1,172	1,330	1,673	1,566	1,650
Average cost of units delivered (LE per m^2)	1,537	1,672	1,895	1,697	2,093

SUMMARY OF SIGNIFICANT DIFFERENCES BETWEEN IFRS AND EAS

The Financial Statements presented in this offering circular have been prepared in conformity with EAS, which differ in certain significant respects from IFRS.

None of Arab Company, San Stefano Real Estate or Alexandria Real Estate have prepared a reconciliation from EAS to IFRS of their respective financial statements and the related explanatory notes included in this offering circular and have made no attempt to identify all differences between EAS and IFRS. Therefore, this summary is not intended to provide a comprehensive list of all existing differences between EAS and IFRS as they pertain to the Operating Companies. Other significant differences between EAS and IFRS besides those described below could emerge from a further in-depth review of potential significant differences based on the relevant facts and circumstances. In addition, the International Accounting Standards Board ("IASB") has ongoing projects that may significantly change the scope and the impact of differences between EAS and IFRS with respect to the Operating Companies.

On 1 January 2007, certain amendments to EAS became effective. The discussion below refers to EAS as they were effective during the year 2006.

Property, plant and equipment

Under IFRS, the use of historical cost or revalued amounts is permitted. Frequent valuations of entire classes of assets are required when the revaluation model is chosen. Under EAS, revaluation is not permitted except in certain circumstances (e.g., a merger or a change to the legal structure).

Capitalisation of foreign exchange losses

Under IFRS, foreign exchange losses relating to acquisition of property, plant and equipment are not capitalised as part of property, plant and equipment cost. Under EAS, it was permitted until 31 December 2004 to capitalise foreign exchange losses if certain conditions were met.

Indebtedness under loans and debt securities

Under IFRS, indebtedness under loans and debt securities is recognised at amortised cost calculated using the effective interest rate method. Under EAS, indebtedness under loans and debt securities is recognised at funds received less transaction costs, which are amortised using the straight-line method.

Under IFRS, embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivatives are not closely related. Separated embedded derivatives are measured at fair value with all changes in fair value being recognised in the income statement. EAS does not address the issue of derivatives and embedded derivatives

Non-interest bearing, long-term liabilities

Under IFRS, non-interest bearing long-term liabilities are carried at amortised cost using the effective interest rate method.

Under EAS, non-interest bearing long-term liabilities are recognised at cost.

Acquisitions from entities under common control

Under IFRS, there is no specific guidance for transfers of net assets or exchanges of equity interests between entities under common control. In practice, the approaches followed by companies vary, and include both purchase accounting, using fair values, and approaches based on book values. EAS is silent regarding the accounting treatment for acquisitions between entities under common control.

Capital lease

Under IFRS, lease classification depends on whether substantially all of the risks and rewards incidental to ownership of a leased asset have been transferred from the lessor to the lessee. Under EAS, the leased asset is recognised in the lessor books and depreciated, and the lessee recognises lease payments in the income statement in the period in which it is paid.

Profit sharing to employees and board of directors

Under IFRS, profit sharing to employees and board of directors is recognised when incurred in the income statement (using the accrual basis of accounting). Under EAS, profit sharing to employees and board of directors is recognised as a dividend distribution through equity and as a liability when approved by the relevant company's shareholders meeting.

Provisions

Under IFRS, the amount of a provision shall be the present value of the expenditures expected to be required to settle the obligation. Provisions are presented either as a current or a non-current liability. Provisions are discounted at a pre-tax rate if the effect of discounting is material. This discount rate reflects the time value of money and the risks specific to the liability, unless the future cash flows are adjusted for these risks. The amount of provision shall be the present value of the expenditures expected to be required to settle the obligation. Provisions are presented either as a current or a non-current liability.

Under EAS, there is no specific standard dealing with provisions. According to EAS 1 provisions are classified as current liabilities regardless of the timing of settlement of related expenditures pursuant to the model financial statements included in EAS 1 "Financial Statements Presentation".

Investments

Under IFRS, investments are classified in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, and available-for-sale financial assets. Financial assets at fair value through profit or loss has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months of the balance sheet date. Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Realised and unrealised gains and losses arising from changes in the fair value of the "financial assets at fair value through profit or loss" category are included in the income statement in the period in which they arise. Unrealised gains and losses arising from changes in the fair value of non-monetary securities classified as available-for-sale are recognised in equity. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the income statement as gains and losses from investment securities.

Under EAS investments are classified under two main categories: (a) subsidiaries/associates and (b) other investments. Investment in subsidiaries/associates are accounted for using the equity method of accounting if the investment is classified as long term and is measured at cost if classified as short term. Other investments has two sub-categories: (a) long term investments which includes available for sale investments and investments held to maturity and (b) short term investments which are measured either at fair value or the lower of cost or market value. Available for sale investments are measured at fair value and changes therein are recognized either in the income statement or directly in equity. Under EAS available for sale investments may also be measured at cost or the lower of cost or market value. Investments held to maturity are measured at amortised cost. Effective 1 January 2007, there are no differences between EAS and IFRS with respect to investments.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis should be read in conjunction with the Financial Statements included elsewhere in this offering circular, including the notes thereto, the Selected Financial Information and the information relating to the Group's business in the sections titled "Description of TMG" and "Risk Factors", and other information about the Group included elsewhere in this offering circular. This discussion and analysis contains forward-looking statements that involve risks and uncertainties. The Group's actual results could differ materially from those anticipated in these forward-looking statements as a result of certain factors including, but not limited to, those discussed in "Risk Factors" and in "Forward Looking Statements".

Overview

TMG is the leading Egyptian community real estate developer in terms of sales. TMG develops large-scale city and community complexes, which are mainly located on the outskirts of Cairo, to meet growing demand for quality housing within commuting distance from the central business district of Cairo. TMG also develops luxury hotel and resort complexes focused, to date, on the main tourist and business locations in Egypt.

TMG has completed the development of three city and community complexes, and has an additional seven city and community complexes either under construction or in the early stages of development. The latter group includes the largest of its projects to date, the 33.6 million square metre project known as "Madinaty".

TMG has expanded its business into developing hotel and resort complexes. To date, TMG has developed three large-scale, luxury hotel and resort complexes in Egypt, which are operated by and branded Four Seasons. These complexes also include residential apartments and/or villas. The hotel complexes are located in Egypt's popular tourist and business destinations, Cairo, Sharm El Sheikh and Alexandria. TMG has two hotel projects in development or under construction.

For the six months ended 30 June 2007, the revenues of Arab Company, San Stefano Real Estate and Alexandria Real Estate, the Company's primary operating subsidiaries, were LE 440.3 million (US$77.3 million), LE 92.4 million (US$16.2 million) and LE 310.8 million (US$54.6 million), respectively.

Scope of Financial Information Discussed and Analysed

During the periods indicated below, the Operating Companies and their direct and indirect subsidiaries have conducted the real estate development activities of the Talaat Mostafa family. As a result of the Restructuring, with effect from October 2007, these real estate development activities were consolidated under the Company as the holding company. The structure resulting from the Restructuring formalises the unified management structure under which the Group had been operating, whereby the management functions for the Group are carried out, and corporate policies and strategies, objectives and operating parameters are set, on a centralised basis at the Group's head office, with day-to-day operations conducted at the operating subsidiary level. Upon completion of the Restructuring the Company became, and is currently, the parent company of the group of companies referred to herein as TMG. See "Description of TMG — Corporate Structure".

No historical or pro forma consolidated financial information for TMG taking into account the effects of the Restructuring is included in this offering circular. The Financial Statements cannot simply be combined to establish or estimate the consolidated financial position or results of operations of the TMG consolidated group that was created through the Restructuring. The future presentation of consolidated financial information for TMG will involve the application of EAS 29 relating to business combinations. This will require, among other matters, determining which constituent company is to be treated as the accounting acquirer in the transactions comprising the Restructuring, establishing the fair values of the assets and liabilities of the constituent companies treated as having been acquired for accounting purposes in those transactions and making certain eliminations relating to intercompany transactions. Depending on which of the constituent companies is treated as the accounting acquirer, EAS 29 may require that the consolidated balance sheet of TMG reflect an immediate debit to the shareholders' equity account. Any such debit to TMG's consolidated balance sheet will not affect the capacity of the Company, any of the Operating Companies or any other member of the Group to pay dividends, because under Egyptian law that capacity will be determined on a stand-alone basis for each individual company in the consolidated group, rather than with reference to the financial position or results of operations of the group of companies on a consolidated basis.

In addition, each of San Stefano Real Estate, Alexandria Real Estate and Alexandria for Urban Development owns a minority interest in ICON, the company holding the Group's interests in its hotel and resort complexes. Each of San

Stefano Real Estate and Alexandria Real Estate accounts for ICON as an investment in their respective financial statements included in this offering circular (Alexandria for Urban Development is consolidated with Alexandria Real Estate). As a result of the Restructuring, the Operating Companies will be combined as a consolidated group under the Company and ICON will be indirectly majority owned by the Company. Accordingly, ICON will be fully consolidated with the Company in the future. See the charts describing the structure and assets of the Company in "Description of TMG — Corporate Structure".

From time to time, each of the Operating Companies has entered into transactions with one another and with other companies within the Group. The effect of such intercompany transactions has not been eliminated in the Financial Statements of the Operating Companies, nor for purposes of the discussions herein of the financial condition and the results of operations for the Operating Companies for the periods presented. Going forward, however, these transactions are expected to be eliminated in the consolidated financial statements of the Company and investors should not view the Operating Companies' historical results in the Financial Statements as an indication of the future results of either the Operating Companies or the Company, whether on a consolidated basis or otherwise.

Historical financial information for each of the Operating Companies for the years ended 31 December 2004, 2005, and 2006 and for the six month periods ended 30 June 2006 and 30 June 2007 has been included in the Financial Statements included elsewhere in this offering circular, and the discussion and analysis below includes a discussion and analysis of their respective results of operations. Consequently, the following discussion and analysis covers the results of operations for the following:

- Arab Company Annual and Interim Financial Statements;
- San Stefano Real Estate Annual and Interim Financial Statements; and
- Alexandria Real Estate Annual and Interim Financial Statements.

Factors Affecting Results of Operations

Egyptian Economy and Economic Trends

All of the development properties currently owned by the Operating Companies are located in Egypt. As a result, macroeconomic and demographic trends relating to Egypt significantly influence the results of operations of the Operating Companies. The real estate industry is particularly sensitive to such trends, as demand for housing is closely related to GDP per capita levels, while housing development costs are affected by inflation and borrowing costs, as well as by exchange rates in relation to imported raw materials or fees paid to contractors other than in Egyptian pounds.

The following table sets forth certain macroeconomic and demographic data for Egypt for the periods indicated.

	For the year ended 31 December					
	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07(1)
GDP at Market Prices (LE billion)(2)	379	418	485	539	618	730
Real GDP (% Growth Rate)(2)	3.2	3.2	4.1	4.5	6.8	7.0
Real per capita GDP (% Growth Rate)(2)	1.1	1.2	2.1	2.5	2.9	3.1
Population (millions)(3)	67.9	69.2	70.5	71.9	73.6	N/A
Period Average Inflation (%)(2)	2.4	3.2	10.4	11.7	4.2	N/A

(1) Preliminary data.

(2) Ministry of Finance.

(3) Central Bank of Egypt.

Contract Sales and Delivery Schedules

The timing of recognition of sales revenue by each of the Operating Companies is directly linked to the delivery of real estate units. Therefore, the level of contract sales achieved in any given period affects sales recorded on the income statement during future periods, as historically substantially all contract sales have resulted in recognised sales revenue when the units are delivered, which generally occurs approximately four years after the date of the sales contract. See " — Revenue Recognition and Development Cost Recognition". During the periods presented, TMG has substantially met its construction schedules, enabling it to meet its contractual commitments for the delivery of units. As a result, Management believes that TMG's historical contract sales have been a fair indicator of sales revenues recognised in future periods.

The contract prices recognised as revenue in later periods are partially paid in the form of an initial deposit at the time of contracting and periodic instalment payments during the period of construction and prior to delivery of the units. See "Description of TMG — Sales and Marketing — City and community complexes — Sales terms and financing arrangements".

Development Costs

In line with other companies whose principal activity is the development and sale of real estate, development costs such as the price paid for purchased land, contractors' costs, and construction materials' costs, constitute a large percentage of the Operating Companies' operating costs. Development costs are sensitive to macro-economic factors such as the growth of the Egyptian economy and the inflation rate, and, in relation to contractors' costs and some construction materials, the exchange rate between the Egyptian pound and certain foreign currencies, principally the Euro and the U.S. dollar. Over the periods presented, as a result of the ongoing construction boom in Egypt, development costs in Egypt, including land prices, construction materials and services, have increased significantly. During the periods presented, the Operating Companies have experienced the effects of inflation. However, these effects on margins are mitigated because TMG's phasing of sales means that pricing is also constantly adjusted, usually on a monthly basis; TMG factors estimated rises in material and service costs into the pricing of units; and, although contractors are legally permitted to make some inflation-related adjustments to their contracted amounts in relation to materials, the greater part of these costs for a given unit are fixed when the contract for sale of the unit is entered into. To the extent that TMG experiences sharper increases in development costs in the future, Management expects that such cost increases will also be passed on to customers. Further, the recent increases in land prices are not expected to significantly affect TMG's results of operations in future periods because it currently holds a large land bank that it acquired prior to the recent price rises at a much lower price than the current price for land in Egypt.

Revenue Recognition and Development Cost Recognition

Revenue recognition and cost of sales recognition policies have a significant impact on each of the Operating Companies' results of operations. The key elements of the Operating Companies' revenue and cost recognition policies are summarised below.

Real estate units

Sales are recognised on the income statement when the completed units are delivered to customers. The amount of sales recognised in respect of a unit that is delivered is the contract selling price, which is generally fixed approximately four years prior to delivery. Therefore, the total sales figure recognised on the income statement for any given year does not reflect the contractual sales entered into during that year, but is rather related to the completion and delivery of units sold in prior periods.

Cost of sales includes the cost of land and development costs, which are allocated as direct and indirect costs. Direct costs are land and development costs related and allocable directly to a unit or group of units. Indirect costs are land and development costs relating to common areas, facilities, or services in respect of a development project or a phase thereof. Direct and indirect costs are recognised at the time a unit is delivered, which is also when sales are recognised.

Upon recognition of revenue when a unit is delivered, an allocable portion of indirect costs are recognised based on the following method: first, total indirect costs at the time the unit is delivered are calculated based on the percentage of completion for a development project or phase thereof, taking into account total estimated indirect costs for the development project or phase thereof and the state of completion at the time the unit is delivered; second, a portion of such total indirect costs is allocated to cost of sales based on the percentage of total sales that such unit represents for the development project or phase thereof. Total cost of sales for a given unit consists of the addition of these direct and indirect costs allocable to it.

For further details see Note 2.4 "Summary of Significant Accounting Policies" in the notes to each of the Operating Companies' Financial Statements.

Management fees

Alexandria Real Estate charges management fees to affiliated companies, including to Arab Company and San Stefano Real Estate, for a wide range of services it provides, including technical support and supervision in areas such as architectural design and planning, and also site procurement support and supervision, and consulting support in areas such as legal, financial, sales and marketing, human resource management and training, and IT support, among other services (collectively, the "Alexandria Management Services"). See "Material Contracts — City and Community Complex Management Agreements". These management fees are calculated as a percentage of the contract selling price for the units, which have historically been fixed at 6.0 per cent. for Arab Company and 7.0 per cent. for San Stefano Real Estate, and have been recognised on Alexandria Real Estate's income statement on the date of the contract for the sale of units by Arab Company and San Stefano Real Estate respectively, while for Arab Company and San Stefano Real Estate these are indirect development costs recognised when units are delivered (as described above under "— Real estate units").

Tax Holiday

Certain of the Group's development projects to be constructed on land acquired from the New Urban Community Authority benefit from ten year tax holidays offered to developers of new urban communities during that period. Five of the six phases of Arab Company's Al Rehab I development project are tax exempt for ten years from the date of commencement of development of the phase. Applications to the tax authorities have or will be made in respect of obtaining tax exempt status for the two remaining phases. Two subsidiaries of Arab Company also enjoys a tax holiday in connection with the provision of certain services in relation to Al Rehab I and II. Mayfair and Al Rabwa I complexes enjoyed ten year tax holidays, which expired in 2004 and 2005, respectively. The Group's newer projects, such as Madinaty, Arab Company's Al Rehab II and Alexandria Real Estate's Al Rabwa II, will not benefit from tax holidays due to a change in law. The taxable income from these projects will be taxable at the corporate tax rate of 20 per cent. on net profits.

Analysis of Results of Operations

Arab Company

The following table sets forth certain information in relation to Arab Company's sales, cost of sales, and gross profit during the periods presented:

	For the year ended 31 December				For the six months ended 30 June		
	2004	2005	2006	2006	2006	2007	2007
	LE	*LE*	*LE*	*US$* (unless otherwise stated)	*LE*	*LE*	*US$*
Arab Company							
Sales[1]	605,306,419	379,011,734	379,077,158	66,592,386	170,583,984	440,342,604	77,354,871
Cost of sales	(485,816,866)	(274,433,915)	(275,491,792)	(48,395,572)	(120,234,554)	(287,474,037)	(50,500,490)
Gross profit	119,489,553	104,577,819	103,585,366	18,196,814	50,349,430	152,868,567	26,854,382
Gross margin (%)[2]	19.7	27.6	27.3		29.5	34.7	
Number of units delivered	2,464	1,358	1,303		548	852	
Average Selling Price of Delivered Units	221,140	261,988	253,891	44,601	264,389	426,852	74,985
Average Cost of Units Delivered (per m^2)	1,203	1,257	1,119	197	1,422	2,070	364

(1) Sales as recognised on the income statement. See "— Factors Affecting Results of Operations — Revenue Recognition and Development Cost Recognition".

(2) Gross profit as a percentage of sales.

San Stefano Real Estate

San Stefano Real Estate began recognising operational revenues in 2006. The following table sets forth certain information in relation to San Stefano Real Estate's sales, cost of sales, and gross profit during the periods presented:

	For the year ended 31 December		For the six months ended 30 June	
	2006	2006	2007	2007
	LE	*US$*	*LE*	*US$*
San Stefano Real Estate				
Sales[1]	33,887,097	5,952,938	92,438,837	16,238,707
Cost of sales	(23,462,865)	(4,121,715)	(71,582,920)	(12,574,953)
Gross profit	10,424,232	1,831,222	20,855,917	3,663,754

	For the year ended 31 December		For the six months ended 30 June	
	2006	2006	2007	2007
	LE	*US$*	*LE*	*US$*
Gross margin (%)[(2)]	30.8		22.6	
Number of units delivered	22		61	
Average Selling Price of Delivered Units	1,540,322	270,588	1,515,390	266,208
Average Cost of Units Delivered (per m^2)	5,094	895	5,381	945

(1) Sales as recognised on the income statement. See "— Factors Affecting Results of Operations — Revenue Recognition and Development Cost Recognition".

(2) Gross profit as a percentage of sales.

Alexandria Real Estate

The following table sets forth certain information in relation to Alexandria Real Estate's sales, cost of sales, and gross profit during the periods presented:

	For the year ended 31 December				For the six months ended 30 June		
	2004	2005	2006	2006	2006	2007	2007
	LE	*LE*	*LE*	*US$*	*LE*	*LE*	*US$*
				(unless otherwise stated)			
Alexandria Real Estate							
Sales[(1)]	183,652,162	121,131,369	225,090,299	39,541,556	75,187,075	310,837,874	54,604,809
Cost of sales	(152,302,936)	(69,635,330)	(142,187,253)	(24,977,998)	(59,442,411)	(219,125,237)	(38,493,674)
Gross profit	31,349,226	51,496,039	82,903,046	14,563,557	15,744,664	91,712,637	16,111,135
Gross margin (%)[(2)]	17.0	42.5	36.9		20.9	29.5	
Number of units delivered	24	14	22		8	23	
Average selling price of units delivered	1,172	1,330	1,673	294	1,566	1,650	290
Average cost of units delivered (per m^2)	1,537	1,672	1,895	333	1,697	2,093	368

(1) Sales as recognised on the income statement. See "— Factors Affecting Results of Operations — Revenue Recognition and Development Cost Recognition".

(2) Gross profit as a percentage of sales.

Arab Company Results of Operations

The following discussion relates to Arab Company's historical consolidated results for the periods presented.

Explanation of Certain Income Statement Line Items

Sales. Arab Company generates the substantial majority of its revenues from sales of units in its Al Rehab I city and community complex, which is recognised upon delivery of the units to purchasers, and club initial membership fees, and to a significantly lesser extent from services such as and food and beverage services. Sales of units include residential units such as apartments and villas, commercial units which include space for retail and community support services, and land parcels for development by the purchaser. Sale of units also includes club initial membership fees to the private leisure club in Al Rehab I. Services revenue from food and beverage services are generated from food and beverage outlets in Al Rehab I.

Cost of sales. Arab Company's costs of sales consist of the direct and indirect costs of land and development costs and fees paid to Alexandria Real Estate for Alexandria Management Services. Development costs include construction costs, financing costs such as interest expense, fees and other charges paid to consultants and designers, building permits and other government fees, project management and supervision costs and the cost of management fees paid to Alexandria Real Estate in relation to units delivered in the period.

Selling, general and administrative expenses. Arab Company's selling, general and administrative expenses consist principally of advertising, depreciation of property and equipment used in overhead, administration, payroll and related expenses for administrative employees and other sundry expenses.

Interest income on fixed deposits. Arab Company's interest income on fixed deposits consists of interest on time deposits, treasury bills and current account balances.

Share of results from associates. Arab Company's share of results of associates relates to companies that are not classified as subsidiaries but in which it has interests giving it significant influence, which are accounted for using the equity method.

Gain on disposal of property, plant and equipment. Arab Company's gain on disposal of property, plant and equipment consists of gain recognized on the sale of fixed assets, mainly vehicles.

Gain on sale of investments. Arab Company's gain on sale of investments consists of the difference between the sale price and book value of securities sold by Arab Company other than investments in associates.

Other income. Arab Company's other income consists principally of capital gains on the sale of fixed assets.

Foreign exchange difference. Arab Company's foreign exchange difference consists principally of gains or losses arising from (i) revaluation of credit and debit balances denominated in currencies other than Egyptian pounds as at a balance sheet date relative to the balance sheet for the prior accounting period and/or (ii) transactions in foreign currencies recorded at the rate prevailing when incurred and retranslated upon payment.

Release of provision for available for sale investments. Arab Company's release of provision for available for sale investments relates principally to the release of a provision made in respect of a decrease in the market value of Electrical Cables Co. in periods prior to 2005. The provision released upon the sale of Arab Company's investment in 2005 reflects the increase in the market value of Electrical Cables Co. from the date upon which the provision was made.

Income tax expense. For the periods presented, Arab Company's income tax expense is comprised of deferred income tax expense in 2005 and 2006, which arose principally from the temporary difference in the depreciation rates used by Arab Company for reporting purposes and the rates set by the tax authority to calculate income tax liabilities. Arab Company began to recognise deferred income tax liability relating to accelerated depreciation as a result of the application of a new Egyptian Accounting Standard beginning in 2005. Arab Company did not incur current income tax charges for the periods presented as a result of the tax holiday granted to Al Rehab I.

Minority interest. Arab Company's minority interest consists principally of the share of minority shareholders in Arab Company's subsidiaries' net profits.

Six months ended 30 June 2007 compared to six months ended 30 June 2006

Sales. Sales revenue increased by 158.1 per cent., to LE 440.3 million (US$77.4 million) for the six months ended 30 June 2007 from LE 170.6 million (US$30.0 million) for the six months ended 30 June 2006. The increase was principally attributable to an increase of LE 273.3 million (US$48.0 million) in sales revenue of residential and commercial units in the first six months of 2007 relative to the same period in 2006. The increase in sales of units was principally the result of a 55.2 per cent. increase in the number of units delivered in Al Rehab I relative to the same period in 2006, largely consistent with delivery schedules for contract sales in prior years, driven by growing demand for real estate in Egypt in general and increased demand for units in Al Rehab I in particular as a result of the delivery of initial phases of that project at that time. The increase in sales revenue was also attributable to an increase of 61.4 per cent. in the average price per unit delivered (excluding the club membership fee component) relative to the same period in 2006, principally as a result of a change in the unit mix toward higher-value units and, to a lesser extent, the effects of inflation.

Cost of sales. Cost of sales increased by 139.1 per cent., to LE 287.5 million (US$50.5 million) for the six months ended June 2007 from LE 120.2 million (US$21.1 million) for the six months ended 30 June 2006. The increase was attributable to the increase in the number of units delivered but also due to an increase of 45.6 per cent. in the average cost per square metre of units delivered in the six months ended 30 June 2007 compared to the six months ended 30 June 2006, principally as a result of a change in the unit mix toward higher specification units and, to a lesser extent, the effects of inflation.

Gross profit. As a result of the factors discussed above, gross profit increased by 203.6 per cent., to LE 152.9 million (US$26.9 million) for the six months ended 30 June 2007 from LE 50.3 million (US$8.8 million) for the six months ended 30 June 2006. As a percentage of sales, cost of sales decreased to 65.3 per cent. for the six months ended 30 June 2007 from 70.5 per cent. for the same period in 2006, principally as a result of the greater percentage increase in the average price per unit compared to the average cost per square meter of units delivered, and also of the increased contribution to sales revenue of initial leisure club membership fees in the first six months of 2007 without a corresponding recognition of related costs of sales attributable to the construction of the leisure club. Therefore, gross margin increased to 34.7 per cent. in the first six months ended 30 June 2007 from 29.5 per cent. in the six months ended 30 June 2006.

Selling, general and administrative expenses. Selling, general and administrative expenses decreased by 55.0 per cent., to LE 13.8 million (US$2.4 million) for the six months ended 30 June 2007 from LE 30.8 million (US$5.4 million) for the six months ended 30 June 2006. The decrease was attributable to a decrease of LE 23.2 million (US$4.1 million) in advertising costs in relation to the upfront costs of the launch of a large scale advertising campaign for Madinaty in the first six months of 2006, partially offset by the effects of an increase of LE 5.0 million (US$0.9 million) in depreciation of property and equipment related to the increased asset base in relation to Madinaty and an increase of LE 1.7 million (US$0.3 million) in other expenses in conjunction with the development of the Madinaty project.

Interest income on fixed deposits with banks. Interest income on fixed deposits with banks increased to LE 26.8 million (US$4.7 million) for the six months ended 30 June 2007 from LE 0.543 million (US$0.1 million) for the six months ended 30 June 2006. The increase was attributable to an increase in interest on time deposits and treasury bills representing amounts deposited by purchasers of residential units in Madinaty and Al Rehab II for the first six months of June 2007 compared to the same period in 2006.

Gain on sale of investments. Gain on sale of investments increased to LE 29.6 million (US$5.2 million) for the six months ended 30 June 2007 from nil for the six months ended 30 June 2006, the result of a gain recognised in early 2007 from the net effect of transactions in Arab Company's holdings in Alexandria Real Estate.

Other income. Other income increased to LE 2.3 million (US$0.4 million) for the six months ended 30 June 2007 from LE 0.6 million (US$0.1 million) for the six months ended 30 June 2006. The increase was attributable to an increase of LE 1.6 million (US$0.3 million) in Arab Company's revenue from its available for sale investments and an increase of LE 0.3 million (US$0.05 million) in gain from the sale of fixed assets.

Foreign exchange difference. Foreign exchange gain was LE 1.4 million (US$0.2 million) for the six months ended 30 June 2007 as compared to a loss of LE 0.08 million (US$0.01 million) for the six months ended 30 June 2006.

Minority interest. Minority interest was LE 0.009 million for the six months ended 30 June 2007 and LE 0.04 million for the six months ended 30 June 2006.

Net profit after minority interest. As a result of the foregoing factors, net profit after minority interest increased by 866.0 per cent., to LE 199.2 million (US$35.0 million) for the six months ended 30 June 2007 from LE 20.6 million (US$3.6 million) for the six months ended 30 June 2006.

Year ended 31 December 2006 compared to year ended 31 December 2005

Sales. Sales revenue remained fairly constant, with LE 379.1 million (US$66.6 million) for the year ended 31 December 2006 and LE 379.0 million (US$66.6 million) for the year ended 31 December 2005. Although the overall sales revenue amounts were constant, the number of units delivered declined by 4.1 per cent. The average selling price per unit delivered (excluding the club membership fee component) decreased by 3.1 per cent., offset by increased revenue from club membership fees.

Cost of sales. Cost of sales increased by 0.4 per cent., to LE 275.5 million (US$48.4 million) for the year ended 31 December 2006 from LE 274.4 million (US$48.2 million) for the year ended 31 December 2005. The increase was attributable to an increase of 146.0 per cent. in the average cost per square metre of commercial units delivered in 2006 compared to 2005 partially offset by a decrease of 27.0 per cent. in the average cost per square metre of residential units, principally as a result of a change in the unit mix toward higher specification units.

Gross profit. As a result of the factors discussed above, gross profit decreased by 1.0 per cent., to LE 103.6 million (US$18.2 million) for the year ended 31 December 2006 from LE 104.6 million (US$18.4 million) for the year ended 31 December 2005. As a percentage of sales, cost of sales remained fairly steady at 72.7 per cent. for the year ended 31 December 2006 as compared to 72.4 per cent. for the same period in 2005.

Selling, general and administrative expenses. General and administrative expenses increased by 498.7 per cent., to LE 54.2 million (US$9.5 million) for the year ended 31 December 2006 from LE 9.1 million (US$1.6 million) for the year ended 31 December 2005. The increase was attributable principally to an increase of LE 41.3 million (US$7.3 million) in advertising costs in relation to the upfront costs of the launch of a large scale advertising campaign for Madinaty in the first six months of 2006 and an increase of LE 1.9 million (US$0.3 million) in depreciation of property and equipment in relation principally to the acquisition of motor vehicles and furniture and fixtures for use in Madinaty.

Interest income on fixed deposits with banks. Interest income on fixed deposits with banks increased to LE 8.2 million (US$1.4 million) for the year ended 31 December 2006 from LE 0.5 million (US$0.1 million) for the year ended 31 December 2005. The increase was attributable to an increase in interest on time deposits and treasury bills, the balances of which increased as a result of advance payments from purchasers of residential units in Madinaty and Al Rehab II during 2006.

Other income. Other income was LE 0.075 million (US$0.01 million) for the year ended 31 December 2006 and LE 0.076 million (US$0.01 million) for the year ended 31 December 2005.

Gain on disposal of property, plant and equipment. Gain on disposal of property, plant and equipment increased to LE 0.4 million (US$0.08 million) for the year ended 31 December 2006 from LE 0.2 million (US$0.03 million) for the year ended 31 December 2005.

Gain on sale of investments. Gain on sale of investments decreased to nil for the year ended 31 December 2006 from LE 0.5 million (US$0.1 million) for the year ended 31 December 2005, which was the result of a gain recognised in 2005 from the sale of available for sale investments while no such gains or losses were recognized in 2006.

Foreign exchange difference. Foreign exchange gain was LE 0.1 million (US$0.02 million) for the year ended 31 December 2006 as compared to a loss of LE 0.5 million (US$0.1 million) for the year ended 31 December 2005.

Release of provision for available for sale investments. Release of provision was LE 2.3 million (US$0.4 million) for the year ended 31 December 2005. The provision released was released in 2005 upon the sale of Arab Company's investment in Electrical Cables Co. in 2005 as described above.

Income tax expense. Income tax expense was LE 1.3 million (US$0.2 million) for the year ended 31 December 2006 compared to LE 0.06 million (US$0.01 million) for the year ended 31 December 2005. The increase in 2006 was the result of the addition to the depreciable asset base of the club at Al Rehab upon its completion in 2006, which, due to the differences between tax and statutory accounting, resulted in deferred income tax expense.

Minority interest. Minority interest was LE 0.04 million (US$0.01 million) for the year ended 31 December 2006 compared to LE 0.01 million (US$0.002 million) for the year ended 31 December 2005. The increase was attributable to an increase in net profit of minority shareholders in consolidated subsidiaries.

Net profit after minority interest. As a result of the foregoing factors, net profit after minority interest decreased by 42.3 per cent., to LE 56.9 million (US$10.0 million) for the year ended 31 December 2006 from LE 98.5 million (US$17.3 million) for the year ended 31 December 2005.

Year ended 31 December 2005 compared to year ended 31 December 2004

Sales. Sales revenue decreased by 37.4 per cent., to LE 379.0 million (US$66.6 million) for the year ended 31 December 2005 from LE 605.3 million (US$106.3 million) for the year ended 31 December 2004. The decrease was attributable principally to a 44.9 per cent. decrease in the total number of units delivered, from 2,464 in 2004 to 1,358 in 2005, partially offset by an 18.5 per cent. increase in the average selling price per unit delivered. The unusually large number of units delivered in 2004 relative to 2005 was due principally to the bulk sale of units to a number of Egyptian banks and corporations.

Cost of sales. Cost of sales decreased by 43.5 per cent., to LE 274.4 million (US$48.2 million) for the year ended 31 December 2005 from LE 485.8 million (US$85.3 million) for the year ended 31 December 2004. The decrease in costs was attributable principally to the decrease in the total number of units delivered in 2005 relative to 2004, partially offset by a 4.5 per cent. increase in the average cost per square metre of units delivered in 2005 compared to 2004.

Gross profit. As a result of the factors discussed above, gross profit decreased by 12.5 per cent., to LE 104.6 million (US$18.4 million) for the year ended 31 December 2005 from LE 119.5 million (US$21.0 million) for the year ended 31 December 2004. As a percentage of sales, cost of sales decreased to 72.4 per cent. for the year ended 31 December 2005 from 80.3 per cent. for the same period in 2004, principally as a result of an increase in the average selling price per residential unit.

Selling, general and administrative expenses. Selling, general and administrative expenses decreased by 17.0 per cent., to LE 9.1 million (US$1.6 million) for the year ended 31 December 2005 from LE 10.9 million (US$1.9 million) for the year ended 31 December 2004. The decrease was attributable principally to a decrease of LE 2.7 million (US$0.5 million) in transportation, maintenance, utilities, and other sundry expenses, partially offset by an increase of LE 0.6 million (US$0.1 million) in depreciation.

Interest income on fixed deposits with banks. Interest income on fixed deposits with banks decreased to LE 0.5 million (US$0.1 million) for the year ended 31 December 2005 from LE 0.7 million (US$0.1 million) for the year ended 31 December 2004. The decrease was attributable principally to a decrease in interest income as a result of a decrease in time deposit balances in 2005 relative to 2004.

Other income. Other income increased to LE 0.076 million (US$0.01 million) for the year ended 31 December 2005 from LE 0.054 million (US$0.01 million) for the year ended 31 December 2004.

Gain on disposal of property, plant and equipment. Gain on disposal of property, plant and equipment increased to LE 0.2 million (US$0.03 million) for the year ended 31 December 2005 from LE 0.004 million (US$0.001 million) for the year ended 31 December 2004.

Gain on sale of investments. Gain on sale of investments remained fairly constant at LE 0.5 million (US$0.1 million) for both periods.

Foreign exchange difference. Foreign exchange loss was LE 0.48 million (US$0.1 million) for the year ended 31 December 2005 compared to a loss of LE 0.55 million (US$0.1 million) for the year ended 31 December 2004.

Release of provision for available for sale investments. Release of provision for available for sale investments was LE 2.3 million (US$0.4 million) for the year ended 31 December 2005 as a result of the provision released upon the sale of Arab Company's investment in Electrical Cables Co. in 2005 as described above.

Income tax expense. Income tax expense was LE 0.06 million (US$0.01 million) for the year ended 31 December 2005 compared to nil for the year ended 31 December 2004.

Minority interest. Minority interest increased to LE 0.01 million (US$0.002 million) for the year ended 31 December 2005 from LE 0.003 million (US$0.001 million) for the year ended 31 December 2004. The increase was attributable principally to an increase in net profits of a minority shareholder in consolidated subsidiaries.

Net profit after minority interest. As a result of the foregoing factors, net profit after minority interest decreased by 9.8 per cent., to LE 98.5 million (US$17.3 million) for the year ended 31 December 2005 from LE 109.2 million (US$19.2 million) for the year ended 31 December 2004.

San Stefano Real Estate Results of Operations

San Stefano Real Estate began to recognise sales and expenses in 2006, as it only began delivery of residential units in the last quarter of 2006. Consequently, the following discussion does not include comparative data.

Explanation of Certain Income Statement Line Items and Results of Operations

Sales. San Stefano Real Estate generates revenues from the sale of commercial and residential units and leasing of commercial units in its San Stefano project. For the six months ended 30 June 2007, sales were LE 92.4 million (US$16.2 million). For the year ended 31 December 2006, sales were LE 33.9 million (US$6.0 million).

Cost of sales. San Stefano Real Estate's costs of sales consist of the direct and indirect cost of land and development costs and fees paid to Alexandria Real Estate for Alexandria Management Services. Development costs include construction cost, financing costs such as interest expense, fees and other charges paid to consultants and designers, building permits and other government fees, project management and supervision costs and the cost of management fees paid to Alexandria Real Estate in relation to units delivered in the period. For the six months ended 30 June 2007, cost of sales were LE 71.6 million (US$12.6 million). For the year ended 31 December 2006, cost of sales were LE 23.5 million (US$4.1 million).

Gross profit. For the six months ended 30 June 2007, gross profit was LE 20.9 million (US$3.7 million). For the year ended 31 December 2006, gross profit was LE 10.4 million (US$1.8 million).

Selling, general and administrative expenses. San Stefano Real Estate's selling, general and administrative expenses consist principally of advertising expenses, depreciation of property and equipment used in overhead administration, payroll and related expenses for administrative employees, and other sundry expenses. For the six months ended 30 June 2007, general and administrative expenses were LE 4.7 million (US$0.8 million). For the year ended 31 December 2006, general and administrative expenses were LE 6.9 million (US$1.2 million).

Finance income. San Stefano Real Estate's finance income consists principally of interest on time deposits. For the six months ended 30 June 2007, finance income was LE 0.07 million (US$0.01 million). For the year ended 31 December 2006, finance income was LE 1.4 million (US$0.2 million).

Other income. San Stefano Real Estate's other income consists principally of capital gains on the sale of fixed assets. For the six months ended 30 June 2007, other income was LE 1.8 million (US$0.3 million). For the year ended 31 December 2006, San Stefano Real Estate had a gain of disposal of property and equipment of LE 0.04 million (US$0.007 million).

Share of results from associates. San Stefano Real Estate's share of results from associates relates to companies which are not classified as subsidiaries but in which it has interests giving it significant influence, which are accounted for using the equity method. For the six months ended 30 June 2007, share of results from associates was LE 0.2 million (US$0.03 million). For the year ended 31 December 2006, share of results from associates was LE 0.03 million (US$0.01 million).

Gain on sale of investments. San Stefano Real Estate's gain on sale of investments consists of the difference between the sale price and the book value of investments sold by San Stefano Real Estate. For the year ended 31 December 2006, gain on sale of investments was LE 21.0 million (US$3.7 million) and relates principally to the sale of its shares in San Stefano Tourism to ICON.

Foreign exchange difference. San Stefano Real Estate's foreign exchange difference consists principally of gains or losses arising from (i) revaluation of foreign exchange denominated credit and debit balances as at a balance sheet date relative to the balance sheet for the prior accounting period and/or (ii) transactions in foreign currencies recorded at the rate prevailing when incurred and retranslated upon payment. For the six months ended 30 June 2007, foreign exchange gain was LE 0.03 million (US$0.01 million). For the year ended 31 December 2006, foreign exchange gain was LE 0.2 million (US$0.03 million).

Income tax expense. San Stefano Real Estate's income tax expense is comprised of (i) current income tax charges based on taxable income in a given period and (ii) deferred income tax expense, which arises principally from the temporary difference in the depreciation rates used by San Stefano Real Estate for reporting purposes and the rates set by the tax authority to calculate income tax liabilities. For the six months ended 30 June 2007, income tax expense was LE 4.3 million (US$0.8 million). For the year ended 31 December 2006, income tax expense was LE 1.1 million (US$0.2 million).

Net profit. For the six months ended 30 June 2007, net profit was LE 13.7 million (US$2.4 million). For the year ended 31 December 2006, net profit was LE 25.1 million (US$4.4 million).

Alexandria Real Estate Results of Operations

The following discussion relates to Alexandria Real Estate's historical consolidated results for the periods presented.

Explanation of Certain Income Statement Line Items

Revenue. Alexandria Real Estate charges management fees to affiliated companies, including to Arab Company and San Stefano Real Estate, for Alexandria Management Services. These management fees are calculated as a percentage of the contract selling price for the units, which have historically been fixed at 6.0 per cent. for Arab Company and 7.5 per cent. for San Stefano Real Estate, and have been recognised on Alexandria Real Estate's income statement on the contract sales date. Alexandria Real Estate has or will generate revenue from sales of villas in its Al Rabwa I, Al Rabwa II and Mayfair complexes. Sales of Al Rabwa II commenced in 2006, although recognition of sales revenue for Al Rabwa II will not begin until approximately 2010 when Alexandria Real Estate is expected to begin to deliver units in Al Rabwa II.

Cost of revenue. Alexandria Real Estate's costs of revenue consist of the operating cost of providing the Alexandria Management Services, including in connection with the Al Rabwa complex, and the cost of sales associated with Al Rabwa I and Mayfair complexes. The operating costs of providing the Alexandria Management Services are the costs incurred by Alexandria Real Estate to provide services to affiliated companies, which include architectural design and planning, site procurement support, legal, financial, sales and marketing, human resource management and training, and information technology support, among other services, as well as the salaries, transportation costs, rent and related expenses incurred by its personnel. Cost of sales associated with Al Rabwa I and Mayfair complexes consist of the direct and indirect cost of land and development costs. Development costs include construction cost, financing costs such as interest expense, fees and other charges paid to consultants and designers, building permits and other government fees, and project management and supervision costs.

Selling, general and administrative expenses. Alexandria Real Estate's general and administrative expenses consist of depreciation of property and equipment used in overhead, administration, payroll and related expenses for administrative employees, advertising and other sundry expenses.

Finance costs. Alexandria Real Estate's finance costs consist principally of interest on, and fees and other charges incurred in connection with, long term loans and bank facilities.

Interest income on fixed deposits with banks. Alexandria Real Estate's finance income consists principally of interest on time deposits with banks.

Other income. Alexandria Real Estate's other income consists principally of interest on treasury bills and capital gains on the sale of fixed assets.

Share of results from associates. Alexandria Real Estate's share of results from associates relates to companies which are not classified as subsidiaries but in which it has interests giving it significant influence, which are accounted for using the equity method.

Gain on disposal of interest in associates. Alexandria Real Estate's gain on disposal of interests in associates consists of the difference between the sale price and the book value of shares in associates sold by Alexandria Real Estate.

Foreign exchange difference. Alexandria Real Estate's foreign exchange difference consists principally of gains or losses arising from (i) revaluation of foreign exchange denominated credit and debit balances as at a balance sheet date relative to the balance sheet for the prior accounting period and/or (ii) transactions in foreign currencies recorded at the rate prevailing when incurred and retranslated upon payment.

Provision for claims. Alexandria Real Estate's provision for claims reported in the six months ended 30 June 2007 relates to claims by contractors. The provision for claims reported in 2004 related to claims by contractors and worker compensation claims.

Excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost. This item consists of a gain of LE 227.2 million (US$39.9 million) recognized in the six months ended 30 June 2007 due to the excess of the net fair value of ICON's identifiable assets, liabilities and contingent liabilities over the purchase price paid by Alexandria Real Estate for such equity interest (the "ICON Value Adjustment").

Income tax expense. Alexandria Real Estate's income tax expense is comprised of (i) current income tax charges based on taxable income in a given period and (ii) deferred income tax expense, which arises principally from the temporary difference in the depreciation rates used by Alexandria Real Estate for reporting purposes and the rates set by the tax authority to calculate income tax liabilities. See "— Factors Affecting Results of Operations — Tax Holiday" above.

Minority interest. Alexandria Real Estate's minority interest consists of the share of minority shareholders in Alexandria Real Estate's subsidiaries' net profits.

Six months ended 30 June 2007 compared to six months ended 30 June 2006

Revenue. Revenue increased by 313.4 per cent., to LE 310.8 million (US$54.6 million) for the six months ended 30 June 2007 from LE 75.2 million (US$13.2 million) for the six months ended 30 June 2006. The increase was principally attributable to 438.1 per cent. increase in management fees to LE 266.2 million for the six months ended 30 June 2007 from LE 49.5 million (US$8.7 million) for the six months ended 30 June 2006 paid by Arab Company due to commencement of sales in Madinaty and Al Rehab II in July 2006, and to a lesser extent an increase in fees paid by San Stefano Real Estate as a result of increased sales of units at the San Stefano complex. The increase was also attributable to a 92.6 per cent. increase in Alexandria Real Estate's sales of villas in Al Rabwa I to LE 38.3 million (US$6.7 million) for the six months ended 30 June 2007 from LE 19.9 million (US$3.5 million) for the six months ended 30 June 2006, principally as a result of an increase in the total number of units delivered by Al Rabwa I, as well as an increase of 4.0 per cent. in the average price per unit delivered.

Cost of revenue. Cost of revenue increased by 268.6 per cent., to LE 219.1 million (US$38.5 million) for the six months ended 30 June 2007 from LE 59.4 million (US$10.4 million) for the six months ended 30 June 2006. The increase was principally due to an increase of LE 142.2 million (US$25.0 million) in the operating costs of management fees, which is principally attributable to the increased sales volumes of Al Rehab II and Madinaty starting in July 2006, which resulted in increased staffing levels and use of outside consultants. The increase was also attributable to an increase of LE 17.8 million (US$3.1 million) in Alexandria Real Estate's cost of sales for units delivered by it, principally as a result of an increase of 187.5 per cent. in the number of units delivered and an increase of 23.3 per cent. in the average cost per square metre of units, mainly due to the recognition of most of the remaining indirect costs associated with the Al Rabwa I complex, which were disproportionately low as a result of allocations in prior periods.

Gross profit. As a result of the factors discussed above, gross profit increased by 482.5 per cent., to LE 91.7 million (US$16.1 million) for the six months ended 30 June 2007 from LE 15.7 million (US$27.6 million) for the six months ended 30 June 2006. As a percentage of revenue, cost of revenue decreased to 70.5 per cent. for the six months ended 30 June 2007 from 79.1 per cent. for the six months ended 30 June 2006, principally as a result of the greater contribution provided by management fees, which have lower associated costs than those associated with the sale of units in Al Rabwa I.

Selling, general and administrative expenses. Selling, general and administrative expenses remained constant at LE 3.9 million (US$0.7 million) for the six months ended 30 June 2007 and for the six months ended 30 June 2006. Whilst other expenses decreased by LE 0.4 million (US$0.1 million), the effect of this decrease was partially offset by an increase in depreciation of property and equipment of LE 0.3 million (US$0.05 million) and certain advertising expenses.

Finance costs. Finance costs decreased by 48.1 per cent., to LE 8.1 million (US$1.4 million) for the six months ended 30 June 2007 from LE 15.6 million (US$2.7 million) for the six months ended 30 June 2006. The decrease was attributable to a decrease of LE 7.5 million (US$1.3 million) in interest expense as a result of the repayment of certain loans and credit facilities.

Interest income on fixed deposits with banks. Interest income on fixed deposits with banks increased to LE 0.1 million (US$0.02 million) for the six months ended 30 June 2007 from LE 0.03 million (US$0.005 million) for the six months ended 30 June 2006.

Other income. Other income increased to LE 7.9 million (US$1.4 million) for the six months ended 30 June 2007 from LE 0.3 million (US$0.06 million) for the six months ended 30 June 2006. The increase was attributable principally to an increase in income from treasury bills held by a subsidiary of Alexandria Real Estate.

Share of results from associates. Share of results from associates increased by 609.6 per cent., to LE 97.9 million (US$17.2 million) for the six months ended 30 June 2007 from LE 13.8 million (US$2.4 million) for the six months ended 30 June 2006. The increase was attributable to an increase in Alexandria Real Estate's share of net profit of ICON, Arab Company, and San Stefano due to increases in these companies' net profits and to increases in Alexandria Real Estate's ownership interests in ICON and Arab Company.

Foreign exchange difference. There was a foreign exchange loss of LE 0.01 million (US$0.002 million) for the six months ended 30 June 2007 compared to a gain of LE 0.03 million (US$0.005 million) for the six months ended 30 June 2006.

Gain on disposal of interest in associates. Gain on disposal of interest in associates decreased by 85.4 per cent., to LE 13.5 million (US$2.4 million) for the six months ended 30 June 2007 from LE 92.3 million (US$16.2 million) for the six months ended 30 June 2006. Although in both periods Alexandria Real Estate recognised gain from the disposal of shares in Nova Park, a greater number of shares were sold in the first six months of 2006 relative to the first six months of 2007, resulting in greater gain recognised in the first half of 2006.

Provisions for claims. Provisions for claims decreased to nil for the six months ended 30 June 2007 from LE 2.5 million (US$0.4 million) for the six months ended 30 June 2006. The provision for claims in the six months ended 30 June 2006 relates principally to contractor claims.

Excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost. The LE 227.2 million (US$39.9 million) gain in the six months ended 30 June 2007 relates to the ICON Value Adjustment, as explained above.

Income tax expense. Income tax expense increased to LE 16.6 million (US$2.9 million) for the six months ended 30 June 2007 from LE 0.01 million (US$0.002 million) for the six months ended 30 June 2006. The increase was attributable to a greater share of income from non-tax exempt income, including fees from providing the Alexandria Management Services, in the later period relative to the earlier period.

Minority interest. Minority interest increased by 15.0 per cent., to LE 6.4 million (US$1.1 million) for the six months ended 30 June 2007 from LE 5.6 million (US$1.0 million) for the six months ended 30 June 2006. The increase was attributable to an increase of LE 0.8 million (US$0.1 million) in net profit of minority shareholders in consolidated subsidiaries, principally as a result of profit generated by Egyptian Company for Development and Real Estate as a result of the net effect of transactions in its holdings in Alexandria Real Estate.

Net profit after minority interest. As a result of the foregoing factors, net profit after minority interest increased by 326.2 per cent., to LE 403.3 million (US$70.8 million) for the six months ended 30 June 2007 from LE 94.6 million (US$16.6 million) for the six months ended 30 June 2006.

Year ended 31 December 2006 compared to year ended 31 December 2005

Revenue. Revenue increased by 85.8 per cent., to LE 225.1 million (US$39.5 million) for the year ended 31 December 2006 from LE 121.1 million (US$21.3 million) for the year ended 31 December 2005. The increase was principally attributable to a LE 80.4 million (US$14.1 million) increase in management fees and, to a lesser extent, a LE 23.5 million (US$4.1 million) increase in sales from units. The increase in management fees was principally the result of an increase in sales by Arab Company in 2006 relative to 2005, as a result of the commencement of sales in Madinaty and Al Rehab II in 2006. The increase in sales was principally as a result of a 57.0 per cent. increase in the total number of units delivered in Al Rabwa I, as well as an increase of 20.5 per cent. in the average price per unit delivered.

Cost of revenue. Cost of revenue increased by 104.2 per cent., to LE 142.2 million (US$25.0 million) for the year ended 31 December 2006 from LE 69.6 million (US$12.2 million) for the year ended 31 December 2005. The increase was principally due to an increase of LE 48.9 million (US$8.6 million) in the operating costs of management fees, which is principally attributable to the increased sales volumes of Al Rehab II and Madinaty starting in July 2006, which resulted in increased staffing levels and use of outside consultants. The increase was also attributable to an increase of LE 23.6 million in Alexandria Real Estate's cost of sales for units delivered by it, principally attributable to an increase in the number of units delivered and, to a lesser extent, an increase of 20.3 per cent. in the average cost per square metre of units delivered in the year ended 31 December 2006 compared to the year ended 31 December 2005.

Gross profit. As a result of the factors discussed above, gross profit increased by 61.0 per cent., to LE 82.9 million (US$14.6 million) for the year ended 31 December 2006 from LE 51.5 million (US$9.0 million) for the year ended 31 December 2005. As a percentage of revenue, cost of revenue increased to 63.2 per cent. for the year ended 31 December 2006 from 57.5 per cent. for the year ended 31 December 2005, principally as a result of the increased costs associated with the use of outside consultants to support the growth in Alexandria Management Services in connection with the commencement of development of Al Rehab II and Madinaty in early 2006, and the time lag between the incurrence of those costs and the generation of revenues from the Alexandria Management Services associated with those developments, as sales did not begin until the second half of 2006.

Selling, general and administrative expenses. Selling, general and administrative expenses increased by 73.9 per cent., to LE 5.3 million (US$0.9 million) for the year ended 31 December 2006 from LE 3.1 million (US$0.5 million) for the year ended 31 December 2005. The increase was primarily attributable to an increase of LE 1.0 million (US$0.2 million) in depreciation of property and equipment and an increase of LE 1.1 million (US$0.2 million) in other selling and administrative expenses.

Finance costs. Finance costs decreased by 13.8 per cent., to LE 21.4 million (US$3.8 million) for the year ended 31 December 2006 from LE 24.8 million (US$4.4 million) for the year ended 31 December 2005. The decrease was the result of a one-time payment of interest in 2005 on amounts received in 2004 in connection with a 2005 capital increase, which were deposited on account of the subscriber to the capital increase pending completion of the capital increase. Otherwise finance costs remained relatively constant from 2005 to 2006.

Interest income on fixed deposits with banks. Interest income on fixed deposits with banks increased by 186.0 per cent., to LE 0.1 million (US$0.02 million) for the year ended 31 December 2006 from LE 0.04 million (US$0.007 million) for the year ended 31 December 2005. The increase was attributable to an increase in time deposits as a result of an increase in amounts received by purchasers of residential units.

Other income. Other income increased to LE 0.5 million (US$0.1 million) for the year ended 31 December 2006 from LE 0.4 million (US$0.1 million) for the year ended 31 December 2005. The increase was principally attributable to an increase in capital gain from the sale of fixed assets.

Share of results from associates. Share of results from associates decreased by 74.2 per cent., to LE 4.0 million (US$0.7 million) for the year ended 31 December 2006 from LE 15.5 million (US$2.7 million) for the year ended 31 December 2005. The decrease was attributable to a decrease in Arab Company's net profit and its impact on Alexandria Real Estate's share thereof.

Gain on disposal of interest in associates. Gain on disposal of interest in associates was LE 92.3 million (US$16.2 million) for the year ended 31 December 2006 compared to nil for the year ended 31 December 2005. The increase was attributable to gain recognised in 2006 upon the sale of shares in Nova Park and Nile Hotel Company to ICON.

Foreign exchange difference. Foreign exchange gain was LE 0.125 million (US$0.02 million) for the year ended 31 December 2006 compared to a gain of LE 0.118 million (US$0.02 million) for the year ended 31 December 2005.

Income tax expense. Income tax expense increased by 3.8 per cent., to LE 5.1 million (US$0.9 million) for the year ended 31 December 2006 from LE 4.9 million (US$0.9 million) for the year ended 31 December 2005. The increase was attributable to a 117.2 per cent. increase in deferred income tax expense in 2006 relative to 2005 and a slight increase in income tax charge.

Minority interest. Minority interest increased to LE 5.4 million (US$0.9 million) for the year ended 31 December 2006 from LE 0.09 million (US$0.01 million) for the year ended 31 December 2005. The increase was attributable to an increase in the net profit of the subsidiary Alexandria for Urban Projects in 2006 relative to 2005. The increase in Alexandria for Urban Projects' net profit was the result of a gain of LE 29.1 million (US$5.1 million) recognised in 2006 from the sale of shares of Nova Park to ICON.

Net profit after minority interest. As a result of the foregoing factors, net profit after minority interest increased by 311.0 per cent., to LE 142.8 million (US$25.1 million) for the year ended 31 December 2006 from LE 34.7 million (US$6.1 million) for the year ended 31 December 2005.

Year ended 31 December 2005 compared to year ended 31 December 2004

Revenue. Revenue decreased by 34.0 per cent., to LE 121.1 million (US$21.3 million) for the year ended 31 December 2005 from LE 183.7 million (US$32.3 million) for the year ended 31 December 2004. The decrease was attributable to a decrease in sales of LE 95.1 million (US$16.7 million) in 2005, partially offset by an increase in management fees of LE 32.5 million (US$5.7 million). The decrease in sales was principally the result of a 41.6 per cent decrease in the total number of units due to the delivery of final units in Mayfair in 2004 and a decrease in the number of units delivered in Al Rabwa I in 2005 relative to 2004, partially offset by an increase of 13.5 per cent. in the average price per unit. The increase in management fees was principally the result of an increase in sales of commercial units in the San Stefano mall.

Cost of revenue. Cost of revenue decreased by 54.3 per cent., to LE 69.6 million (US$12.2 million) for the year ended 31 December 2005 from LE 152.3 million (US$26.7 million) for the year ended 31 December 2004. The decrease was attributable principally to a decrease of LE 93.5 million (US$16.4 million) in the cost of sales in 2005 as a result of a decrease in the total number of units delivered due to the delivery of final units in Mayfair in 2004, partially offset by an increase of 8.8 per cent. in the average cost per square metre of units delivered in the year ended 31 December 2005 compared to the year ended 31 December 2004. The decrease also was partially offset by an increase in operating cost of management fees of LE 10.8 million (US$1.9 million), attributable to the increased contract sales by the other Operating Companies in 2005 relative to 2004.

Gross profit. As a result of the factors discussed above, gross profit increased by 64.3 per cent., to LE 51.5 million (US$9.0 million) for the year ended 31 December 2005 from LE 31.3 million for the year ended 31 December 2004. As a percentage of revenue, cost of revenue decreased to 57.5 per cent. for the year ended 31 December 2005 from 82.9 per cent. for the year ended 31 December 2004, principally as a result of the greater contribution to overall revenues provided by fees in respect of Alexandria Management Services, which have lower associated costs than other revenue sources, in light of the greater sales of Al Rabwa and Mayfair units in 2004 relative to 2005.

Selling, general and administrative expenses. Selling, general and administrative expenses decreased by 13.0 per cent., to LE 3.0 million (US$0.5 million) for the year ended 31 December 2005 from LE 3.5 million (US$0.6 million) for the year ended 31 December 2004, due to decreases in all selling, general and administrative expenses principally as a result of three months of additional selling, general and administrative expenses in the year 2004 in relation to Mayfair, which was completed in early 2004

Finance costs. Finance costs increased to LE 24.8 million (US$4.3 million) for the year ended 31 December 2005 from LE 3.2 million (US$0.6 million) for the year ended 31 December 2004. The increase is principally due to an increase in the costs associated with increased borrowings in 2005.

Interest income on fixed deposits with banks. Interest income on fixed deposits with banks decreased by 83.6 per cent., to LE 0.04 million (US$0.007 million) for the year ended 31 December 2005 from LE 0.2 million (US$0.04 million) for the year ended 31 December 2004.

Other income. Other income increased to LE 0.4 million (US$0.1 million) for the year ended 31 December 2005 from LE 0.2 million (US$0.04 million) for the year ended 31 December 2004.

Share of results from associates. Share of results from associates increased by 177.7 per cent., to LE 15.5 million (US$2.7 million) for the year ended 31 December 2005 from LE 5.6 million (US$1.0 million) for the year ended 31 December 2004. The increase was attributable to an increase in the overall net profit of the associates of Alexandria for Urban Development, a consolidated subsidiary of Alexandria Real Estate.

Gain on disposal of interest in associates. Gain on disposal of interest in associates decreased to nil for the year ended 31 December 2005 from LE 1.2 million (US$0.2 million) for the year ended 31 December 2004. The gain recognised by Alexandria Real Estate during 2004 was the result of the disposal of shares in Nova Park during that period.

Foreign exchange difference. Foreign exchange gain was LE 0.1 million (US$0.02 million) for the year ended 31 December 2005 as compared to a loss of LE 1.4 million (US$0.3 million) for the year ended 31 December 2004.

Provision for claims. Provision for claims decreased to nil for the year ended 31 December 2005 from LE 4.0 million (US$0.7 million) for the year ended 31 December 2004. The provision for claims in 2004 related to potential claims by contractors.

Income tax expense. Income tax expense was LE 4.9 million (US$0.9 million) for the year ended 31 December 2005 as compared to nil in year ended 31 December 2004, principally as a result of taxable income generated beginning in 2005 from sales in Al Rabwa I following the end of Al Rabwa I's ten year tax holiday.

Minority interest. Minority interest increased by 23.5 per cent., to LE 0.09 million (US$0.02 million) for the year ended 31 December 2005 from LE 0.07 million (US$0.01 million) for the year ended 31 December 2004. The increase was principally attributable to an increase in the net profits of subsidiaries Alexandria for Urban Projects and Egyptian Company for Real Estate in 2005 relative to 2004, partially offset by a decrease in the percentage interest that minority shareholders had in Alexandria for Urban Projects.

Net profit after minority interest. As a result of the foregoing factors, net profit after minority interest increased by 31.8 per cent., to LE 34.8 million (US$6.1 million) for the year ended 31 December 2005 from LE 26.4 million (US$4.6 million) for the year ended 31 December 2004.

Liquidity and Capital Resources

Arab Company

Arab Company's principal sources of funds are advance payments from customers for residential units in Al Rehab I and II and Madinaty, bank loans and credit facilities, and capital contributions by shareholders. Arab Company's principal uses of funds are expenditures in connection with the development of real estate and debt servicing requirements. Management believes that Arab Company is currently able to finance its working capital and reasonably foreseeable debt service requirements as they become due with cash from its principal sources of liquidity.

The table below summarises Arab Company's net consolidated cash flows for the periods indicated.

	For the year ended				For the six months ended		
	2004	2005	2006	2006	2006	2007	2007
	LE	*LE*	*LE*	*US$*	*LE*	*LE*	*US$*
				(in millions)			
Cash flow statement data:							
Cash from (used in) operating activities	44.4	163.4	311.0	54.6	11.1	192.2	33.8
Cash from (used in) by investing activities	(17.1)	(155.3)	(62.2)	(10.9)	(25.8)	(221.0)	(38.8)
Cash from (used in) financing activities	(33.1)	(11.7)	120.0	21.1	54.3	1,305.3	229.3

Cash flows from operating activities

Six month period ended 30 June 2007

Net cash provided by operating activities was LE 192.2 million (US$33.8 million) for the six months ended 30 June 2007. The principal factors resulting in positive net cash from operations were cash from operations before working capital of LE 208.3 million (US$36.6 million), partially offset by the negative net effects of changes in working capital of LE 16.1 million (US$2.8 million), which consisted principally of:

- an increase in notes receivables of LE 2,654.3 million (US$466.3 million) principally attributable to advance payments from customers for residential units in Madinaty and Al Rehab II; and
- additions to development properties of LE 480.3 million (US$84.4 million) representing an amount of the LE 443.7 million (US$78.0 million) invested in the Madinaty development property, and LE 261.9 million (US$46.0 million) invested in the Al Rehab I development property, and, to a lesser extent, ongoing development investments in these projects, partially offset by an amount of LE 286.7 million (US$50.4 million) representing the cost of units sold during the year;

which were partially offset by:

- an increase in other long term liabilities of LE 2,454.1 million (US$431.1 million) relating principally to advance payments from customers; and
- an increase in trade payables of LE 787.4 million (US$138.3 million) principally due to an increase of LE 652.6 million (US$114.6 million) in cash advances from customers for units in Madinaty and Al Rehab II.

Six month period ended 30 June 2006

Net cash provided by operating activities was LE 11.1 million (US$1.9 million) in the six months ended 30 June 2006. The principal factors resulting in positive net cash from operations were LE 25.9 million (US$4.6 million) of cash from operations before working capital adjustments, partially offset by the net negative effects of changes in working capital of LE 14.8 million (US$2.6 million), which consisted principally of:

- net additions to development properties of LE 188.3 million (US$33.1 million) for the year ended 31 December 2005, representing ongoing development investments in the Al Rehab I development property; and
- an increase in accounts receivables and prepayments of LE 15.4 million (US$2.7 million) for units sold, principally at Madinaty

which were partially offset by:

- an increase in trade and other payables of LE 185.8 million (US$32.6 million) for the year ended 31 December 2005. The increase in trade and other payables in 2005 was principally the result of an increase in cash advances from customers for units in Al Rehab I;

Year ended 31 December 2006

Net cash from operating activities was LE 311.0 million (US$54.6 million) in the year ended 31 December 2006. The factors resulting in this positive net cash flow were the positive cash from operations before working capital changes of LE 68.6 million (US$12.1 million) and the positive net changes in working capital of LE 242.5 million (US$42.6 million). The positive cash from operations before working capital changes resulted from the net profit for the year of LE 56.9 million (US$10.0 million) plus depreciation adjustments of LE 12.1 million (US$2.1 million), partially offset by a negative adjustment of LE 0.4 million (US$0.08 million) in relation to a gain on disposal of property, plant and equipment. The principal charges in working capital consisted of:

- an increase in other long term liabilities of LE 3,253.8 million (US$571.6 million) relating principally to an increase of LE 1,163.3 million (US$204.4 million) in advances from customers for the Madinaty development property and an amount of LE 1,902.6 million (US$334.2 million) due to the New Urban Communities Authority in relation to purchased land; and
- an increase in accounts payable and accruals of LE 1,114.3 million (US$195.7 million) due to advance payments from customers;

which were partially offset by:

- an increase in notes receivables of LE 1,465.2 million (US$257.4 million) principally attributable to advance payments from customers for residential units in Madinaty and Al Rehab II; and
- additions to development properties of LE 2,630.6 million (US$462.1 million), principally representing LE 1,869.4 million (US$328.4 million) invested in the acquisition of the land for the Madinaty development property and LE 466.7 million (US$82.0 million) invested in the acquisition of land for the Al Rehab II development property, and, to a lesser extent, ongoing development investments in these projects, partially offset by an amount of LE 271.2 million (US$47.6 million) representing the cost of units sold during the year.

Year ended 31 December 2005

Net cash from operating activities was LE 163.4 million (US$28.7 million) in the year ended 31 December 2005. The factors resulting in positive net cash flow were the positive cash from operations before working capital changes of LE 107.8 million (US$18.9 million) and the positive net changes to working capital of LE 55.6 million (US$9.8 million). The positive cash from operations before working capital changes resulted from the net profit for the year of LE 98.5 million (US$17.3 million) plus depreciation adjustments of LE 10.0 million (US$1.8 million), partially offset by a negative adjustment of LE 0.5 million (US$0.09 million) in relation to gains on disposal of securities and a negative adjustment of LE 0.2 million (US$0.03 million) in relation to gain on disposal of property, plant and equipment. The principal changes in working capital consisted of:

- an increase in accounts payable and accruals of LE 243.2 million (US$42.7 million) due to an increase in advance payments from customers for units in Al Rehab I; and
- a decrease in notes receivables of LE 33.8 million (US$5.9 million) principally attributable to collection of cheques and repayment of loans and credit facilities;

which were partially offset by:

- additions to development properties of LE 124.6 million (US$70.1 million) for the year ended 31 December 2005, representing LE 395.4 million (US$69.5 million) in ongoing development investments in the Al Rehab I development property, partially offset by an amount of LE 270.8 million (US$47.6 million) representing the cost of units sold during the year;
- an increase in notes payable of LE 61.0 million (US$10.7 million) principally attributable to repayment to creditors; and
- a decrease in accounts receivable and prepayments of LE 38.3 million (US$6.7 million).

Year ended 31 December 2004

Net cash provided by operating activities was LE 44.4 million (US$7.8 million) for the year ended 31 December 2004. The factors resulting in positive net cash flow from operations were cash from operations before working capital of LE 113.2 million (US$19.9 million), partially offset by the negative net effects of changes in working capital of LE 68.7 million (US$12.1 million). The positive cash from operations before working capital changes resulted principally from the net profit for the year of LE 109.2 million (US$19.2 million) plus depreciation adjustments of LE 3.2 million (US$0.6 million). The principal changes in working capital consisted of:

- a decrease in accounts payable and accruals of LE 62.8 million (US$11.0 million) due principally to the release of payments due to contractors as a result of delivery of the work; and
- additions to development properties of LE 48.5 million (US$8.5 million) representing ongoing development investments in the Al Rehab I development property, which was offset by an amount of LE 478.8 million (US$84.1 million), representing the cost of units sold during the year.

Cash flows from investing activities

Six months ended 30 June 2007

Net cash used in investing activities was LE 221.0 million (US$38.8 million) in the six months ended 30 June 2007. The principal factor contributing to this negative net cash flow were an amount of LE 213.9 million (US$37.6 million) of funds used in the purchase of available for sale investments (mostly Egyptian treasury bills) and LE 8.1 million (US$1.4 million) of funds used for the purchase of property and equipment, primarily for purchasing vehicles and buses required to transport customers and staff to and from the Madinaty sales site to the development property and additional construction costs for the buildings.

Six months ended 30 June 2006

Net cash used in investing activities was LE 25.8 million (US$4.5 million) in the six months ended 30 June 2006 principally reflecting the purchase of property and equipment, primarily for buildings as a result of an increase in activities.

Year ended 31 December 2006

Net cash used in investing activities was LE 62.2 million (US$10.9 million) in the year ended 31 December 2006. The principal factors contributing were the purchase of property and equipment of LE 55.7 million (US$9.8 million), principally attributable to a building in the amount of LE 33.0 million (US$5.8 million), vehicles in the amount of LE 11.4 million (US$2.0 million) and office furniture and fixtures of LE 8.9 million (US$1.5 million), all of which were needed to meet the increasing demand resulting from an increase in activities surrounding the Madinaty and Al Rehab II development properties, and the purchase of additional securities for LE 13.9 million (US$2.4 million) in San Stefano Real Estate, which was offset by LE 7.4 million (US$1.3 million) in proceeds from the sale of certain property and equipment.

Year ended 31 December 2005

Net cash used in investing activities was LE 155.3 million (US$27.3 million) in the year ended 31 December 2005. The net cash used in investing activities for the period ended 31 December 2005 was principally due to the purchase of property and equipment of LE 149.1 million (US$26.2 million) for the year ended 31 December 2005, attributable to the reclassification of the Al Rehab I private leisure club from a project under construction to a fixed asset in 2005, and the purchase of additional securities for LE 7.4 million (US$1.3 million) in San Stefano Real Estate and in Alexandria Real Estate.

Year ended 31 December 2004

Net cash used in investing activities was LE 17.1 million (US$3.0 million) in the year ended 31 December 2004. The net cash used in investing activities for the period ended 31 December 2004 was principally due to the purchase of LE 12.2 million (US$2.1 million) securities in San Stefano Real Estate and the purchase of property and equipment of LE 5.0 million (US$0.9 million) for the year ended 31 December 2004, which primarily represents cars, furniture and fixtures.

Cash flows from financing activities

Six months ended 30 June 2007

Net cash provided by financing activities was LE 1,305.3 million (US$229.3 million) in the six months ended 30 June 2007. The principal factor contributing to this was cash received for an increase in share premium of LE 1,361.1 million (US$239.1 million), which consists of the proceeds received from a private placement of securities in early 2007. Arab Company also paid a dividends of LE 45.2 million (US$7.9 million) and repaid loans amounting to LE 10.6 million (US$1.9 million).

Six months ended 30 June 2006

Net cash provided by financing activities was LE 54.3 million (US$9.5 million) in the six months ended 30 June 2006 which primarily reflects LE 57.5 million (US$10.1 million) received for an increase in share capital associated with funding development costs for Madinaty and borrowings of LE 6.2 million (US$1.1 million). Arab Company also paid dividends of LE 9.3 million (US$1.6 million).

Year ended 31 December 2006

Net cash provided by financing activities was LE 120.0 million (US$21.1 million) in the year ended 31 December 2006. The principal factors were cash received from existing shareholders by way of a capital increase of LE 107.5 million (US$18.9 million) and net borrowings of LE 28.1 million (US$4.9 million), partially offset by dividends paid equal to LE 15.6 million (US$2.7 million).

Year ended 31 December 2005

Net cash used in financing activities was LE 11.7 million (US$2.1 million) in the year ended 31 December 2005. The principal factors were a repayment of interest bearing loans and borrowings of LE 53.9 million (US$9.5 million) offset by LE 42.5 million (US$7.5 million) from the issuance of ordinary shares.

Year ended 31 December 2004

Net cash used in financing activities was LE 33.1 million (US$5.8 million) in the year ended 31 December 2004, used as a repayment of interest bearing loans and borrowings.

Credit Facilities

As of 30 June 2007, Arab Company's total outstanding indebtedness was LE 202.4 million (US$35.6 million). The following table sets forth certain information relating to Arab Company's outstanding indebtedness under existing credit facilities (including loans, suppliers facilities, and outstanding securities but excluding finance leases and overdrafts).

	As of 30 June 2007	
Loan currency	**Effective interest rate**	**Outstanding principal amount**
		(in thousands of LE)
LE	12%	9,195.6(1)
LE	12%	5,187.0(2)
LE	12%	1,899.9(3)
LE	12%	67,235.4(4)
LE	13%	59,966.0(5)
LE	13%	1,325.8(6)
LE	13%	866.2(7)
LE	12%	1,770.6(8)
LE	LIBOR plus 1.5%	14,502.0(9)
LE	12.5%	17,625.8(10)
US$	LIBOR plus 2%	22,840.0(11)
TOTAL		202,414.2

(1) Secured over notes receivable and a commercial pledge over the tangible and intangible assets of Arab Company as well as personal cheques issued by Mr Talaat Mostafa

(2) Secured over notes receivable.

(3) Secured over notes receivable and commercial paper.

(4) Secured over notes receivable and a registered debenture over certain of Arab Company's tangible assets.

(5) Secured over shares of Arab Company's investment in San Stefano Real Estate and in Alexandria Real Estate, commercial paper and insurance coverage in favour of the bank.

(6) Secured over notes receivable and commercial paper.

(7) Secured over notes receivable and commercial paper.

(8) Secured over commercial paper.

(9) Secured over notes receivable and commercial paper.

(10) Secured over shares of Alexandria Real Estate and shares of Alexandria for Urban Development owned by Alexandria Real Estate.

(11) Secured over commercial paper, shares of Arab Company's investment in San Stefano Real Estate and shares of San Stefano Real Estate owned by Alexandria for Urban Development and promissory notes.

Arab Company's credit facilities and debt instruments entitle the lenders to terminate the loans and accelerate the debts in the events of default in payment, insolvency, bankruptcy or derogation of security. The U.S. dollar credit facility contains, in addition, a covenant restricting Arab Company's sale of a substantial part of its assets.

Commitments

The following table sets forth the Arab Company's material contractual commitments, excluding interest, as of 30 June 2007.

	Payments due by period			
	Total	**Less than 1 year**	**1-5 years**	**More than 5 years**
	(in thousands of LE)			
Credit facilities	202,414	143,749	58,665	—
Other liabilities(1)	7,155,776	165,817	5,591,969	1,397,990
Notes payable	61,549	59,411	2,138	—
Accounts payable and accruals	1,419,331	240,146	38,323	1,140,862
Bank overdrafts	632	632	—	—
Total	8,839,702	609,755	5,691,095	2,538,852

(1) Consists principally of advances from customers and amounts due in respect of land acquired.

The following table sets forth certain information provided by Management relating to unit delivery commitments of Arab Company in the five year period from 2007 to 2011 for contract sales, based on contracted sales prices for units to be delivered, in effect as of 31 August 2007.

	For the year ended 31 December				
	2007	2008	2009	2010	2011
	(LE millions, unaudited)				
Madinaty	—	—	—	5,812.2	3,209.2
Al Rehab	258.0	443.4	658.6	1,680.4	1,471.6
Total	258.0	443.4	658.7	6,470.8	4,608.8

Although Management believes that contract sales (and thus delivery schedules) have historically been a fair indicator of sales revenues recognised in future periods, there can be no assurance that historical contract sales will result in matching sales revenue being recognised on the scheduled delivery dates in the future.

Contingent Obligations and Contingent Liabilities

Arab Company is involved, from time to time, in lawsuits, claims, investigations and proceedings, including in relation to employee disputes taxes, social insurance, and other commercial matters that arise in the ordinary course of business. Management believes that there are no such matters pending for which adequate provision has not been made or that Management expects to be material in relation to Arab Company's business or consolidated financial position, results of operations, or cash flows.

San Stefano Real Estate

San Stefano Real Estate's principal sources of funds are advance payments from customers for units in its San Stefano residential project and in its retail mall, bank loans and credit facilities, and capital contributions from shareholders. San Stefano Real Estate's principal uses of funds are capital expenditures in connection with the development of real estate, and debt servicing requirements. Management believes that San Stefano Real Estate is currently able to finance its working capital and reasonably foreseeable debt service requirements as they become due with cash from its principal sources of liquidity.

The table below summarizes San Stefano Real Estate's net consolidated cash flows for the periods indicated.

	For the year ended				For the six months ended		
	2004	2005	2006	2006	2006	2007	2007
	LE	LE	LE	US$	LE	LE	US$
				(in millions)			
Cash flow statement data:							
Cash from (used in) operating activities	(84.9)	(118.6)	(130.8)	(23.0)	(21.0)	18.1	3.2
Cash from (used in) by investing activities	(30.9)	(7.0)	78.1	13.7	(1.4)	(105.3)	(18.5)
Cash from (used in) financing activities	120.3	137.6	2.3	0.4	17.9	64.3	11.3

Cash flows from operating activities

Six months ended 30 June 2007

Net cash used in operating activities was LE 18.1 million (US$3.2 million) in the six months ended 30 June 2006. The principal factors resulting in this negative net cash flow were negative changes to working capital of LE 32.7 million (US$5.8 million) which was partially offset by positive net cash from operations before working capital changes of LE 14.7 million (US$2.6 million). The positive cash from operations before working capital changes resulted from the net profit for the six months ended 30 June 2007 of LE 13.7 million (US$2.4 million) and an adjustment of LE 1.0 million (US$0.2 million) in relation to depreciation. The principal changes in working capital consisted of:

- an increase in accounts payable and accruals of LE 78.2 million (US$13.7 million) resulting principally to advances from customers; and
- a decrease in accounts receivables and prepayments of LE 65.9 million (US$11.6 million) principally in relation to the payment of shares in San Stefano Tourism sold by San Stefano Real Estate, which was partially offset by an increase in amounts due from related parties;

which were partially offset by:

- a decrease in advances from customers of LE 89.4 million (US$15.7 million) reflecting the reclassification of advances from non-current to current liabilities in connection with units delivered or to be delivered within a year;

- net additions to development properties of LE 59.2 million (US$10.4 million), representing principally ongoing development investments in the San Stefano residential and commercial development property;
- a decrease of LE 31.5 million (US$5.5 million) in notes payable.

Six months ended 30 June 2006

Net cash used in operating activities was LE 21.0 million (US$3.7 million) in the six months ended 30 June 2006. The principal factors resulting in this negative net cash flow were negative net changes to working capital of LE 21.0 million (US$3.7 million) consisting principally of:

- net additions to development properties of LE 130.7 million (US$23.0 million), representing amounts invested in ongoing development investments in the San Stefano residential and commercial development property; and
- an increase in trade receivables and prepayments of LE 129.0 million (US$22.7 million) principally due to the increase in amounts owed by San Stefano Tourism for its share of the development costs for the San Stefano complex;

which were partially offset by:

- an increase in accounts payable and accruals of LE 167.6 million (US$29.4 million) principally due to an increase of LE 103.2 million (US$18.1 million) in advances from customers and an increase of LE 16.9 million (US$3.0 million) in other payables and accruals; and
- a decrease in notes receivables of LE 64.5 million (US$11.3 million) due to the collection of amounts due.

Year ended 31 December 2006

Net cash used in operating activities was LE 130.8 million (US$23.0 million) in the year ended 31 December 2006. The factors resulting in negative net cash flow were the negative net changes to working capital of LE 136.4 million (US$24.0 million), partially offset by positive cash from operations before working capital changes of LE 5.5 million (US$1.0 million). The positive cash from operations before working capital changes resulted principally from the net profit for the year ended 31 December 2006 of LE 25.1 million (US$4.4 million), partially offset by an adjustment of LE 21.0 million (US$3.7 million) in gains on sale of investments. The principal changes in working capital consisted of:

- a decrease in advances from customers of LE 412.3 million (US$72.4 million) relating to the reclassification of advances from non-current to current liabilities in connection with units delivered or to be delivered within a year;
- net additions to development properties of LE 287.4 million (US$50.5 million) representing principally ongoing development investments in the San Stefano residential and commercial development property; and
- an increase in accounts receivables and prepayments of LE 269.3 million (US$47.3 million) principally attributable to amounts due from San Stefano Tourism;

which were partially offset by:

- an increase in accounts payable and accruals of LE 757.4 million (US$133.1 million) principally due to an increase in cash advances from customers for units in the San Stefano development property; and
- a decrease in notes receivables of LE 52.8 million (US$9.3 million) due to the collection of amounts due.

Year ended 31 December 2005

Net cash used in operating activities was LE 118.6 million (US$20.8 million) in the year ended 31 December 2005. The principal factor resulting in this negative net cash flow were net negative changes to working capital of LE 119.8 million (US$21.1 million) consisted principally of:

- net additions to development properties of LE 377.2 million (US$66.3 million) in connection with the ongoing development of the San Stefano residential and commercial development property, including completion of the retail mall; and
- an increase in notes receivables of LE 18.7 million (US$3.3 million) principally attributable to instalment payments received from purchasers of units in the San Stefano development property; and
- an increase in accounts receivable and prepayments of LE 8.2 million (US$1.4 million);

which were partially offset by:

- advances from customers of LE 235.4 million (US$41.4 million) principally representing amounts received from customers in connection with sales of residential and commercial units; and
- a decrease in accounts payable and accruals of LE 38.6 million (US$6.8 million) principally reflecting cash advances from customers for units in the San Stefano development property.

Year ended 31 December 2004

Net cash used in operating activities was LE 84.9 million (US$14.9 million) in the year ended 31 December 2004. The principal factor resulting in this negative net cash flow were negative net changes to working capital of LE 85.9 million (US$15.1 million). These working capital changes consisted principally of:

- net additions to development properties of LE 166.4 million (US$29.2 million) in connection with the ongoing development of the San Stefano residential and commercial development property;
- an increase in notes receivables of LE 60.3 million (US$10.6 million) principally attributable to instalment payments received from purchasers of units in the San Stefano development property; and
- an increase in accounts receivables and prepayments of LE 48.8 million (US$8.6 million) principally attributable to advances and letters of credit to contractors in connection with increased development activity;

which were partially offset by:

- advances from customers of LE 174.1 million (US$30.6 million) relating principally to amounts received from customers in connection with sales of residential and commercial units; and
- an increase in notes payable of LE 11.8 million (US$2.1 million) relating principally to post dated cheques to contractors.

Cash flows from investing activities

Six months ended 30 June 2007

Net cash used in investing activities was LE 105.3 million (US$18.5 million) in the six months ended 30 June 2007 primarily reflecting the use of LE 104.9 million (US$18.4 million) used to purchase available for sale investments relating to the purchase of shares in ICON.

Six months ended 30 June 2006

Net cash used in investing activities was LE 1.4 million (US$0.2 million) in the six months ended 30 June 2006 reflecting the use of LE 1.4 million (US$0.2 million) to purchase property and equipment.

Year ended 31 December 2006

Net cash from investing activities was LE 78.1 million (US$13.7 million) in the year ended 31 December 2006. The main factor for the positive cash flow was LE 84.0 million (US$14.8 million) provided by investments in associates in relation to the sale of an ownership interest in San Stefano Tourism, which was partially offset by LE 4.9 million (US$0.9 million) of funds used to purchase property, plant and equipment.

Year ended 31 December 2005

Net cash used in investing activities was LE 7.0 million (US$1.2 million) in the year ended 31 December 2005. This represents LE 5.2 million (US$0.9 million) of funds used for investments in associates and LE 1.9 million (US$0.3 million) used to purchase property and equipment.

Year ended 31 December 2004

Net cash used in investing activities was LE 30.9 million (US$5.4 million) in the year ended 31 December 2004. The main use of cash was LE 30.0 million (US$5.3 million) of funds used in investments in associates to purchase shares in San Stefano Tourism.

Cash flows from financing activities

Six months ended 30 June 2007

Net cash provided by financing activities was LE 64.3 million (US$11.3 million) in the six months ended 30 June 2007, principally reflecting funds drawn under credit facilities.

Six months ended 30 June 2006

Net cash provided by financing activities was LE 17.9 million (US$3.1 million) in the six months ended 30 June 2006, of which LE 14.1 million (US$2.5 million) was cash received from a capital increase and LE 3.8 million (US$0.7 million) was funds drawn under credit facilities.

Year ended 31 December 2006

Net cash from financing activities was LE 2.3 million (US$0.4 million) in the year ended 31 December 2006. In 2006, San Stefano Real Estate received LE 26.3 million (US$4.6 million) in connection with a capital increase, which was partially offset by LE 23.8 million (US$4.2 million) in adjustments to retained earnings, which relates to the write-off of previously capitalized sales and expenses.

Year ended 31 December 2005

Net cash from financing activities was LE 137.6 million (US$24.2 million) in the year ended 31 December 2005, which reflects net borrowings of LE 87.9 million (US$15.4 million) and LE 49.7 million (US$8.7 million) in connection with a capital increase in connection with funding the ongoing development of the San Stefano complex.

Year ended 31 December 2004

Net cash from financing activities was LE 120.3 million (US$21.1 million) in the year ended 31 December 2004, which reflects LE 106.0 million (US$18.6 million) of cash received in a capital increase and net borrowings of LE 14.3 million (US$2.5 million) in connection with funding the ongoing development of the San Stefano complex.

Credit Facilities

As of 30 June 2007, San Stefano Real Estate's total outstanding long-term indebtedness was LE 359.0 million (US$63.1 million). The following table sets forth certain information relating to San Stefano Real Estate's outstanding indebtedness under long-term facilities (including loans, suppliers facilities, and outstanding securities but excluding finance leases and overdrafts).

	As of 30 June 2007	
Loan currency	**Effective interest rate**	**Outstanding principal amount**
		(in thousands of LE)
LE	12.5%	330,857.2[(1)]
LE	11.0%	28,096.0[(1)]
TOTAL		358,953.2

(1) Issued by local banks and secured on the land for the San Stefano development project and any buildings that are erected, or will be erected, thereon.

Certain of San Stefano's credit facilities and debt instruments entitle the lenders to terminate the loans and accelerate the debt in the events of default in payment, insolvency, bankruptcy or derogation of security.

Commitments

The following table sets forth the San Stefano Real Estate's material contractual commitments (excluding interest) as of 30 June 2007.

	Payments due by period			
	Total	**Less than 1 year**	**1-5 years**	**More than 5 years**
		(in thousands of LE)		
Credit facilities	358,953	42,553	223,661	92,739
Other liabilities	251,857	—	—	251,857
Notes payable	21,667	11,032	10,635	—
Accounts payable and accruals	946,129	946,129	—	—
Bank overdrafts	78,599	78,599	—	—
Total	1,657,204	1,078,312	234,296	344,596

The following table sets forth certain information provided by Management relating to unit delivery commitments of San Stefano Real Estate in the five year period from 2007 to 2011 for contract sales, based on contracted sales prices for units to be delivered, in effect as of 31 August 2007.

	For the year ended 31 December				
	2007	2008	2009	2010	2011
	(LE millions, unaudited)				
San Stefano Residential	644.2	430.7	228.2	45.0	2.2
San Stefano Commercial	62.2	3.7	—	—	—
Total	706.4	434.4	228.2	45.0	2.2

Although Management believes that contract sales (and thus delivery schedules) have historically been a fair indicator of sales revenues recognised in future periods, there can be no assurance that historical contract sales will result in matching sales revenue being recognised on the scheduled delivery dates in the future.

Contingent Obligations and Contingent Liabilities

San Stefano Real Estate is involved, from time to time, in lawsuits, claims, investigations and proceedings, including in relation to employee disputes taxes, social insurance, and other commercial matters that arise in the ordinary course of business. Management believes that there are no such matters pending for which adequate provision has not been made or that Management expects to be material in relation to San Stefano Real Estate's business or consolidated financial position, results of operations, or cash flows.

Alexandria Real Estate

Alexandria Real Estate's principal sources of funds are proceeds from management fees, advance payments from purchasers of residential units in Al Rabwa II, bank loans and credit facilities and capital contributions by shareholders. Alexandria Real Estate's principal uses of funds are costs associated with carrying out its management duties, investments in connection with the development of real property and debt servicing requirements. Management believes that Alexandria Real Estate is currently able to finance its working capital and reasonably foreseeable debt service requirements as they become due with cash from its principal sources of liquidity.

The table below summarizes Alexandria Real Estate's net consolidated cash flows for the periods indicated.

	For the year ended				For the six months ended		
	2004	2005	2006	2006	2006	2007	2007
	LE	LE	LE	US$	LE	LE	US$
	(in millions)						
Cash flow statement data:							
Cash from (used in) operating activities	111.2	64.4	(20.5)	(3.6)	(2.5)	244.2	42.9
Cash from (used in) by investing activities	(27.0)	(69.8)	10.0	1.8	(3.4)	(8.2)	(1.4)
Cash from (used in) financing activities	(75.8)	(18.3)	(12.7)	(2.2)	33.2	(64.7)	(11.4)

Cash flows from operating activities

Six months ended 30 June 2007

Net cash from operating activities was LE 244.2 million (US$42.9 million) in the six months ended 30 June 2007. The factors resulting in this positive net cash flow were the positive cash from operations before working capital changes of LE 72.3 million (US$12.7 million) and the positive net changes in working capital of LE 171.9 million (US$30.2 million). The positive cash from operations before working capital changes resulted from the net profit for the year of LE 409.7 million (US$72.0 million) partially offset by a negative adjustment of LE 227.2 million (US$39.9 million) in relation to the ICON Value Adjustment, a negative adjustment of LE 97.9 million (US$17.2 million) in relation to a share of results of associates and a negative adjustment of LE 13.5 million (US$2.4 million) in relation to net gains or disposals of interest in associates. The principal changes in working capital consisted of:

- an increase in trade and other payables of LE 191.9 million (US$33.7 million) principally due to an increase in advances from customers from sales in Al Rabwa II and an increase in amounts due to related parties which principally relates to an increase in amounts due to ICON in connection with a capital increase that took place during the period;

which were partially offset by:

- an increase in notes receivable of LE 30.0 million (US$5.3 million) principally attributable to instalment payments received from purchasers of units in Al Rabwa II development property.

Six months ended 30 June 2006

Net cash used in operating activities was LE 2.5 million (US$0.4 million) in the six months ended 30 June 2006. The factors resulting in this negative net cash flow were the negative cash from operations before working capital changes of LE 2.5 million (US$0.4 million). Net working capital changes were LE 0.006 million. The negative cash from operations before working capital changes resulted from the net profit for the year of LE 100.2 million (US$17.6 million) less net gains on disposal of interest of associate of LE 92.3 million (US$16.2 million) and less share of results of associates of LE 13.8 million (US$2.4 million), partially offset by a positive adjustment for provision for claim of LE 2.5 million (US$0.4 million) and a positive depreciation adjustment of LE 0.9 million (US$0.2 million). The principal changes in working capital consisted of:

- an increase in trade receivables and prepayments of LE 96.1 million (US$16.9 million) principally due to the commencement of construction of the Al Rabwa II development property; and
- a decrease in other long term liabilities of LE 32.6 million (US$5.7 million) in relation to units to be delivered at Al Rabwa I within the year;

which were partially offset by:

- a decrease in notes receivables of LE 77.4 million (US$13.6 million) principally attributable to the delivery of units in the Al Rabwa I development property;
- an increase in notes payable of LE 27.7 million (US$4.9 million) which principally relates to amounts due to suppliers and contractors; and
- an increase in trade and other payables of LE 18.6 million (US$3.3 million) principally attributable to advance payments from purchasers of units in the Al Rabwa II development property.

Year ended 31 December 2006

Net cash used in operating activities was LE 20.5 million (US$3.6 million) in the year ended 31 December 2006. The factors resulting in this negative net cash flow were the positive cash from operations before working capital changes of LE 53.5 million (US$9.4 million), offset by net negative changes in working capital of LE 74.0 million (US$13.0 million). The positive cash from operations before working capital changes resulted principally from the net profit for the year of LE 148.2 million (US$26.0 million), partially offset by a negative adjustment of LE 92.3 million (US$16.2 million) in relation to a gain on disposal of property and equipment mainly upon the sale of shares in Nova Park, Nile Hotel Company and Alexandria Saudi Company for Tourism Projects. The principal changes in working capital consisted of:

- additions to development properties of LE 90.8 million (US$15.9 million) principally representing ongoing development investments in the Al Rabwa II development property, partially offset by the cost of units sold in the Al Rabwa I development property during the year;
- an increase in notes receivables of LE 82.0 million (US$14.4 million) principally attributable to instalment payments received from purchasers of units in the Al Rabwa II development property;
- a decrease in notes payable of LE 39.7 million (US$7.0 million) principally due to payments made to contractors; and
- an increase in accounts receivables and prepayments of LE 24.2 million (US$4.3 million) principally due to an increase in amounts due from debtors;

which were partially offset by:

- an increase in trade and other payables of LE 144.1 million (US$25.3 million). The increase in trade and other payables in 2006 was principally due to an increase of LE 97.2 million (US$17.1 million) in advances from customers from sales in Al Rabwa II.

Year ended 31 December 2005

Net cash provided by operating activities was LE 64.4 million (US$11.3 million) in the year ended 31 December 2005. The factors resulting in this positive net cash flow were the positive cash from operations before working capital changes of LE 20.1 million (US$3.5 million) and the net positive changes in working capital of LE 44.3 million (US$7.8 million). The positive cash from operations before working capital changes resulted from the net profit for the year of LE 34.8 million (US$6.1 million) and a positive adjustment: for depreciation of LE 1.1 million (US$0.2 million), partially offset by the negative adjustment of LE 15.5 million (US$2.7 million) in relation to share of results of associates and the negative adjustment of LE 0.3 million (US$0.05 million) in relation to gains on disposal of property and equipment. The principal changes in working capital consisted of:

- an increase in other long-term liabilities of LE 93.3 million (US$16.4 million) principally due to amounts due to the New Urban Communities Authority for the Al Rabwa II land; and
- an increase in trade and other payables of LE 67.4 million (US$11.8 million), including an increase of LE 55.4 million (US$9.7 million) in cash advances from customers for units in Al Rabwa II.

which were partially offset by:

- net additions to development properties of LE 111.7 million (US$19.6 million) representing investments in the acquisition of the land for the Al Rabwa II development property, and, to a lesser extent, ongoing development investments in Al Rabwa I and Al Rabwa II; and
- an increase in notes receivables of LE 13.3 million (US$2.3 million) principally attributable to post-dated cheques received from customers for residential units in Al Rabwa I and Al Rabwa II;

Year ended 31 December 2004

Net cash provided by operating activities was LE 111.2 million (US$19.5 million) in the year ended 31 December 2004. The factors resulting in this positive net cash flow were the positive cash from operations before working capital changes of LE 22.3 million (US$3.91 million) and the net positive changes in working capital of LE 89.0 million (US$15.6 million). The positive cash from operations before working capital changes resulted from the net profit for the year of LE 26.4 million (US$4.6 million) plus the following positive adjustments: impairment loss on investments in associates of LE 1.6 million (US$0.3 million) and depreciation of LE 1.1 million (US$0.2 million), partially offset by the negative adjustment of LE 5.6 million (US$1.0 million) in relation to share of results of associates and the negative adjustment of LE 1.2 million (US$0.2 million) in relation to gains on disposal of interest in associates. The principal changes in working capital consisted of:

- an increase in notes payable of LE 49.2 million (US$8.6 million) principally due to an increase in amounts due to contractors and suppliers;
- an increase in trade and other payables of LE 41.9 million (US$7.4 million) principally due to an increase in advances from customers from sales in Al Rabwa I;
- a decrease in accounts receivables and prepayments of LE 19.4 million (US$3.4 million) principally attributable to the receipt of final instalment payments upon delivery of the last units in May Fair in 2004; and
- a decrease of LE 15.9 million (US$2.8 million) in current inventory of units at Mayfair and Al Rabwa I.

which were partially offset by:

- additions to development properties of LE 36.5 million (US$6.4 million) principally representing investments in the May Fair development property.

Cash flows from investing activities

Six months ended 30 June 2007

Net cash used in investing activities was LE 8.2 million (US$1.4 million) in the six months ended 30 June 2007, which principally represents LE 102.4 million (US$18.0 million) for the purchase of investments in associates, principally ICON, partially offset by LE 97.0 million (US$17.0 million) in proceeds from the sale of treasury stock.

Six months ended 30 June 2006

Net cash used in investing activities was LE 3.4 million (US$0.6 million) in the six months ended 30 June 2006, which was the result of LE 5.6 million (US$1.0 million) used for the purchase of property and equipment offset by LE 2.2 million (US$0.4 million) in proceeds from the sale of investments.

Year ended 31 December 2006

Net cash provided by investing activities was LE 10.0 million (US$1.8 million) in the year ended 31 December 2006, resulting principally from the LE 44.4 million (US$7.8 million) positive effect of the reclassification of an investment in 2006 from an associate, partially offset by the LE 26.5 million (US$4.7 million) of cash to purchase investments in associates, principally investments in ICON, and cash of LE 8.4 million (US$1.5 million) used for the purchase of property and equipment.

Year ended 31 December 2005

Net cash used in investing activities was LE 69.8 million (US$12.3 million) in the year ended 31 December 2005. The principal factor contributing to the net use of cash was an investment in an unconsolidated associate of LE 44.4 million (US$7.8 million) for the year ended 31 December 2005, reflecting an investment by Alexandria for Urban Development in Port Venice in 2005, and investment in associates of LE 24.8 million (US$4.4 million) for the year ended 31 December 2005 representing investments in Nile Bosfour Company for Trade and Retail S.A.E., Nile Hotel Company and San Stefano Real Estate.

Year ended 31 December 2004

Net cash used in investing activities was LE 27.0 million (US$4.7 million) in the year ended 31 December 2004. The principal factor contributing to the net use of cash was an investment in associates of LE 25.9 million (US$4.6 million) for the year ended 31 December 2004 representing investments in Nile Hotel Company and San Stefano Real Estate.

Cash flows from financing activities

Six months ended 30 June 2007

Net cash used in financing activities was LE 64.7 million (US$11.4 million) in the six months ended 30 June 2007. The principal factor contributing to the net use of cash were the repayment of interest bearing loans and borrowings of LE 47.5 million (US$8.3 million) and the payment of a dividend of LE 17.2 million (US$3.0 million).

Six months ended 30 June 2006

Net cash provided by financing activities was LE 33.2 million (US$5.8 million) in the six months ended 30 June 2006. The principal factor contributing to the net positive cash flow were LE 43.9 million (US$7.7 million) of funds drawn under credit facilities partially offset by the payment of a dividend of LE 10.7 million (US$1.9 million).

Year ended 31 December 2006

Net cash used in financing activities was LE 12.7 million (US$2.2 million) in the year ended 31 December 2006. The principal factor contributing to the net use of cash was the payment of a cash dividend of LE 11.7 million (US$2.0 million) and the repayment under credit facilities of LE 9.9 million (US$1.7 million), partially offset by an increase of LE 8.9 million (US$1.6 million) in minority interests as a result of its share of results from certain of its subsidiaries.

Year ended 31 December 2005

Net cash used in financing activities was LE 18.3 million (US$3.2 million) in the year ended 31 December 2005. The principal factors contributing to the net use of cash were the purchase of Alexandria Real Estate's own shares of LE 19.1 million (US$3.4 million), the payment by Alexandria Real Estate of a dividend of LE 12.9 million (US$2.3 million), partially offset by LE 15.6 million (US$2.7 million) of funds drawn under credit facilities.

Year ended 31 December 2004

Net cash used in financing activities was LE 75.7 million (US$13.3 million) in the year ended 31 December 2004. The principal factors contributing to the net use of cash were the repayment of amounts outstanding under credit facilities of LE 64.3 million (US$11.3 million) and the payment of a dividend of LE 15.0 million (US$2.6 million).

Credit Facilities

As of 30 June 2007, Alexandria Real Estate's total outstanding long-term indebtedness was LE 95.0 million (US$16.7 million). The following table sets forth certain information relating to Alexandria Real Estate's outstanding indebtedness under long-term facilities (including loans, suppliers facilities, and outstanding securities but excluding finance leases and overdrafts).

	As of 30 June 2007	
Loan currency	**Effective interest rate**	**Outstanding principal amount**
	(in thousands of LE)	
LE	8.22%	618.4[(1)]
LE	12.50%	7,614.7[(2)]
LE	12.00%	23,354.6[(3)]
LE	13.50%	31,691.5[(4)]
LE	13.75%	1,001.6[(5)]
LE	13.50%	30,685.6[(6)]
TOTAL		94,966.4

(1) Secured over promissory notes.

(2) Secured over shares of Alexandria Real Estate's investments in Alexandria for Urban Development.

(3) Secured by an insurance policy for the Al Rabwa development project.

(4) Secured over shares of Nova Park held by ICON.

(5) Secured over promissory notes.

(6) Secured over shares of San Stefano Real Estate.

Alexandria Real Estate's credit facilities and debt instruments entitle the lenders to terminate the loans and accelerate the debts in the event of default in payment, insolvency, bankruptcy, derogation of security, non-payment of taxes or seizure of major assets.

Commitments

The following table sets forth the Alexandria Real Estate's material contractual commitments (excluding interest) as of 30 June 2007.

	Payments due by period			
	Total	**Less than 1 year**	**1-5 years**	**More than 5 years**
		(in thousands of LE)		
Credit facilities	94,967	9,819	85,148	—
Other liabilities	137,467	67,762	69,705	
Notes payable	81,251	55,655	25,596	—
Accounts payable and accruals	571,270	571,270	—	—
Bank overdrafts	44,844	44,844	—	—
Total	929,799	749,350	180,449	—

The following table sets forth certain information relating to unit delivery commitments of Alexandria Real Estate in the five year period from 2007 to 2011 for contract sales, based on contracted sales prices for units to be delivered, in effect as of 31 August 2007.

	For the year ended 31 December				
	2007	**2008**	**2009**	**2010**	**2011**
		(LE millions, unaudited)			
Al Rabwa	60.8	79.4	141.4	124.0	39.7
Virgenia	1.2	—	—	—	—
Total	62.0	79.4	141.4	124.0	39.7

Although Management believes that contract sales (and thus delivery schedules) have historically been a fair indicator of sales revenues recognised in future periods, there can be no assurance that historical contract sales will result in matching sales revenue being recognised on the scheduled delivery dates in the future.

Contingent Obligations and Contingent Liabilities

Alexandria Real Estate is involved, from time to time, in lawsuits, claims, investigations and proceedings, including in relation to employee disputes taxes, social insurance, and other commercial matters that arise in the ordinary course of business. Management believes that there are no such matters pending for which adequate provision has not been made or that Management expects to be material in relation to Alexandria Real Estate's business or consolidated financial position, results of operations, or cash flows.

Description of Certain Restrictions under the Group's Indebtedness

Certain of TMG's loan agreements are secured by share pledges. In accordance with Egyptian law, the pledgee has the option to collect dividends on the pledged shares, which amounts are applied to the outstanding loan amount. Under one of the loan agreements to which Arab Company is a party, the lender has elected to collect all the dividends on the pledged shares during the term of the loan.

Certain loan arrangements limit TMG's ability to enter into further loans or credit facilities in the event of default in payments, and others require TMG to obtain prior approval of the lending bank before entering into further loans or credit facilities.

Limitations on capital expenditures without the consent of the lenders, such consent not to be unreasonably withheld, have also been imposed on TMG, in the loan agreement of Nova Park. The loan agreement of Nova Park requires TMG and a third party shareholder not affiliated with it to maintain their shareholding of 51.0 per cent. of the capital of Nova Park.

Capital Expenditures

None of the Operating Companies have for the periods discussed incurred material capital expenditures because, in common with many real estate development companies, they account for development costs as work in process under the balance sheet line item "development properties".

Off-Balance Sheet Transactions and Contingent Obligations and Liabilities

The Group does not have any off-balance sheet liabilities or other arrangements, other than letters of credit drawn under the credit facilities.

Quantitative and Qualitative Disclosures about Market Risk

Currency risk

The Operating Companies have exposure to foreign currency exchange risks. The Operating Companies reporting currency is the Egyptian pound, and differences in foreign currency exchange consist principally of gains or losses arising from (i) revaluation of credit and debit balances denominated in currencies other than Egyptian pounds as at a balance sheet date relative to the balance sheet for the prior accounting period and/or (ii) transactions in foreign currencies recorded at the rate prevailing when incurred and retranslated upon payment. The Group's policy is not to enter into derivatives or other financial instruments for trading or speculative purposes in order to hedge against currency risk.

Interest rate risk

TMG's exposure to market risk for changes in interest rates relates primarily to obligations under certain credit facilities to which the Operating Companies are party that bear interest at a floating rate linked to LIBOR. The majority of the outstanding indebtedness of the Operating Companies bear interest at fixed rates.

Recent Developments

A cash dividend of LE 19.0 million (US$3.3 million) and stock dividends of LE 34.0 million (US$6.0 million) were approved by the shareholders of Alexandria Real Estate on 31 March 2007. Additionally, Alexandria Real Estate sold all of its holding in Arab Company for an amount of LE 701.8 million (US$123.3 million).

Critical Accounting Policies

The Annual and Interim Financial Statements have been prepared in accordance with EAS. The Operating Companies have identified the accounting policies discussed below as critical to its business and results of operations. The following accounting policies are both important to the portrayal of the reported performance and financial position and require Management's most subjective or complex judgments, often as a result of the need to estimate the effects of matters that are inherently uncertain. The impact and risks associated with these critical accounting policies on the business operations are discussed throughout this discussion and analysis where such policies affect the reported and expected financial results. For a detailed discussion of the application of these and other significant accounting policies, see Note 2 to the Annual and Interim Financial Statements included elsewhere in this offering circular.

The preparation of the Annual and Interim Financial Statements requires Management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent liabilities at the date of the Financial Statements and Financial Information, and the reported amounts of revenues and expenses during each reporting period. Management bases its estimates and assumptions on historical experience, where applicable and other factors believed to be reasonable under the circumstances. Management cannot offer any assurance that the actual results will be consistent with these estimates and assumptions.

Impairment of Investments

The Operating Companies follow the guidelines of the EAS to determine when an investment is impaired. This determination requires significant judgments. In making such judgments, the Operating Companies evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost, the financial health and the near term business outlook for the investee.

Estimation Uncertainty Regarding Income taxes

The Operating Companies are subject to income taxes. Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Operating Companies recognise liability for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

DESCRIPTION OF TMG

Overview

TMG is the leading Egyptian community real estate developer in terms of sales. TMG develops large-scale city and community complexes, which are mainly located on the outskirts of Cairo, to meet growing demand for quality housing within commuting distance from the central business district of Cairo. TMG also develops luxury hotel and resort complexes focused, to date, on the main tourist and business locations in Egypt.

TMG has completed the development of three city and community complexes, and has an additional seven city and community complexes either under construction or in the early stages of development. The latter group includes the largest of its projects to date, the 33.6 million square metre project known as "Madinaty", which means "my city" in Arabic. TMG's city and community complexes include residential villas and apartments together with the requisite supporting infrastructure, such as water and electrical utilities, landscaping, maintenance of common areas, waste and water treatment centres and security services. TMG's city and community complexes provide an "alternative living experience" from the crowded city centre of Cairo, and are enclosed, integrated compounds that include common gardens with trees and lawns, well-maintained streets and sidewalks with street lighting, security and other amenities. TMG's larger-scale city and community complexes also include amenities such as commercial office space, retail malls, schools, medical centres and public bus systems which transport their residents to central Cairo. TMG oversees the design, development and project management of its city and community complexes, handles sales and marketing of the properties and retains management of the day-to-day operations of common areas and infrastructure post-construction and delivery. TMG manages the construction of its city and community complexes by building in phases and, with limited exceptions, each cluster of buildings in any phase of TMG's city and community complexes is fully sold before construction commences.

Using its property development and sales and marketing experience, TMG has expanded its business into developing hotel and resort complexes. To date, TMG has developed three large-scale, luxury hotel and resort complexes in Egypt, which are operated by and branded Four Seasons. These complexes also include residential apartments and/or villas. The hotel complexes are located in Egypt's popular tourist and business destinations, Cairo, Sharm El Sheikh and Alexandria. TMG's hotel projects in development or under construction are the Marsa Alam resort complex in Marsa Alam, which is expected to comprise four hotels, with a total of 750 hotel rooms, and 2,250 residential rooms within 2 or 3 bedroom units, and the Nile Hotel in Cairo, an existing building on the Nile, which TMG is redeveloping and which will be Egypt's first luxury hotel specifically for the business traveller. TMG's operating hotels contain approximately 700 rooms, while its hotels under development are expected to contain approximately 1,000 additional hotel rooms. Through its holdings in ICON, TMG retains ownership of the hotel complexes, together with other investors who are sought at the commencement of each project, and handles the sales and marketing of the hotels' residential components.

In CBRE's independent opinion, the market value of the properties under development by TMG as at 30 June 2007 is LE 19.9 billion (US$3.5 billion), excluding land held by its joint venture partner in Saudi Arabia, and assuming that each of these development properties is wholly owned by TMG (for the ownership structure of TMG's developments see "— Corporate Structure"). The CBRE valuation was an asset valuation and not an enterprise valuation of TMG as a whole. CBRE has prepared a valuation report of TMG as at 30 June 2007. For a summary of the CBRE Report, see "Annex A: CBRE Report".

For the six months ended 30 June 2007, the revenues of Arab Company, San Stefano Real Estate and Alexandria Real Estate, the Company's primary operating subsidiaries, were LE 440.3 million (US$77.3 million), LE 92.4 million (US$16.2 million) and LE 310.8 million (US$54.6 million), respectively.

History

TMG has its origins in the early 1970s, when Eng. Talaat Mostafa and his three sons entered into the construction business in Egypt. Eng. Talaat Mostafa and his sons developed their business with a focus on quality, timely delivery and adherence to precise specifications. In the late 1980s, Mr Hisham Talaat Mostafa began to evaluate expanding his father's construction business into large scale real estate development, having identified an opportunity arising out of a government-sponsored development programme to counteract the housing shortage in Egypt.

During the 1970s the population of Cairo expanded significantly. In 1983 the State commenced a programme to solve the problem of overcrowding by increasing the level of housing and to improve the quality of life for its citizens, which included allowing development by the private sector. As part of this programme, the government authorities promoted the development of a series of nine new satellite cities in the undeveloped desert areas around Cairo, to be linked together by a ring road.

TMG was one of the early private sector developers of planned community compounds in Egypt with its Al Rawda Al Khadra Village and Virgenia Beach communities on the northwest coast of Egypt completed in 1987 and 1995, respectively. TMG saw an opportunity to expand this model by developing similar complexes as part of the satellite cities on the outskirts of Cairo. TMG submitted two successful proposals to develop portions of this land and in 1994 commenced sales for residential units in its May Fair and Al Rabwa I city and community complexes. Substantially all of the residential units in these complexes were fully delivered by 2004. Building upon its success, TMG bid to develop even larger areas of land on the outskirts of Cairo and in 1996 began to develop the first phase of the Al Rehab I complex, the first fully-integrated city and community complex in Egypt. As at 30 September 2007, almost 100 per cent. of the units in Al Rehab I have been sold and TMG estimates that the remaining units will be sold and construction complete by 2011. Due to the high demand for properties in the area of Al Rehab I, TMG entered into a preliminary sales contract with the State to acquire land on which to develop an extension of this community, known as Al Rehab II. Al Rehab II sales commenced in 2006 and construction is estimated to be completed in 2017.

In 2005, TMG entered into a preliminary sales contract with the State, whereby the State allocated land to TMG for the purpose of developing the 33.6 million square metre Madinaty city and community complex. Sales of residential units in Madinaty began in 2006 and management currently expects that the project will be completed in 2023.

In 1995 and 1996, TMG, wishing to build upon its development expertise and diversify its operations, identified, and confirmed through market research, a gap in the luxury hotel market in Egypt, and acquired land on which to construct Four Seasons Resort Sharm El Sheikh and Four Seasons Hotel Cairo at Nile Plaza, which opened in 2002 and 2004, respectively. In July 2007, TMG opened its third Four Seasons hotel, the Four Seasons Hotel Alexandria at San Stefano.

Corporate Structure

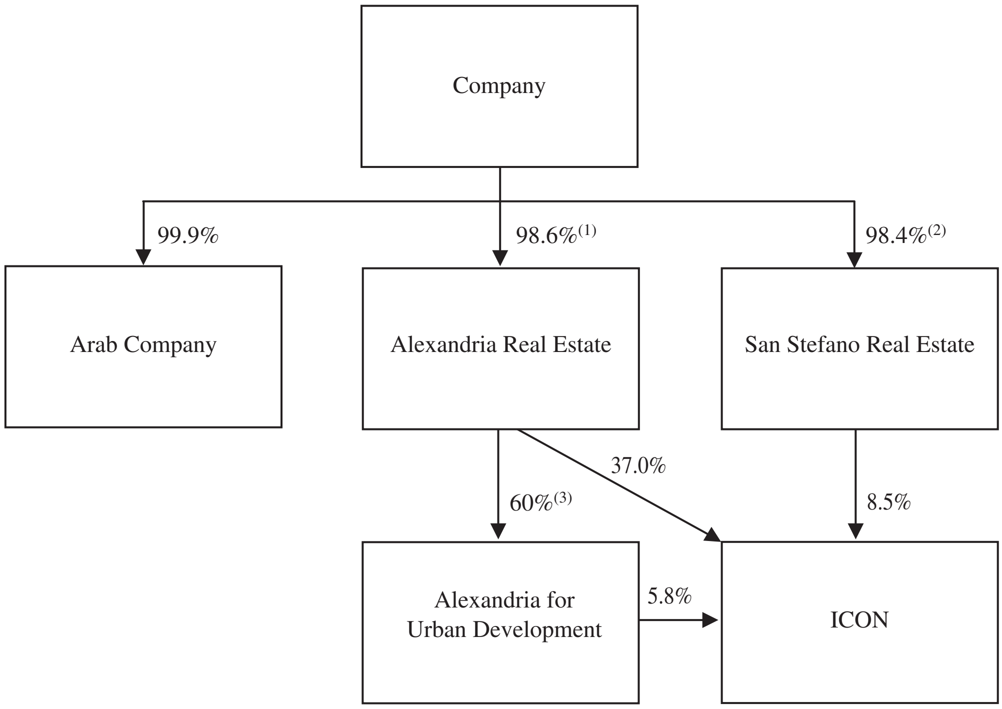
Following the Restructuring, the Company became the holding company for the Group.

In June 2007, TMG initiated a corporate restructuring using a share swap mechanism in order to consolidate the real estate and hotel development activities of the Talaat Mostafa group companies under the Company as the holding company. In order to carry out the Restructuring, TMG appointed an independent fair-value auditor to assess the fair market value of each of Arab Company, Alexandria Real Estate, San Stefano Real Estate and Alexandria for Urban Development as part of the swap process. The value of each of the companies was approved by their respective boards of directors and shareholders. For Alexandria Real Estate and San Stefano Real Estate, a tender offer was undertaken in August 2007 that offered minority shareholders the option to swap their shares in those companies for shares of the Company, to accept a cash offer at the same swap value or to remain as shareholders of those companies when they became subsidiaries of the Company. The Restructuring was completed in October 2007 and resulted in the Company's direct and indirect ownership in Arab Company, San Stefano Real Estate and Alexandria Real Estate being increased, through a series of transactions, to 99.9 per cent., 98.4 per cent. and 98.6 per cent. of the issued and outstanding shares, respectively, and its ownership in Alexandria for Urban Development being increased to 100 per cent. of the issued and outstanding shares, which is comprised of a 40.0 per cent. direct interest and a 60.0 per cent. interest held by Alexandria Real Estate.

The Restructuring formalises the unified management structure under which TMG has been operating, whereby functions including finance, accounting and audit, land acquisition and business development, design and project management, asset management and human resources are carried out, and corporate policies and strategy, objectives and operating parameters are set on a centralised basis for TMG.

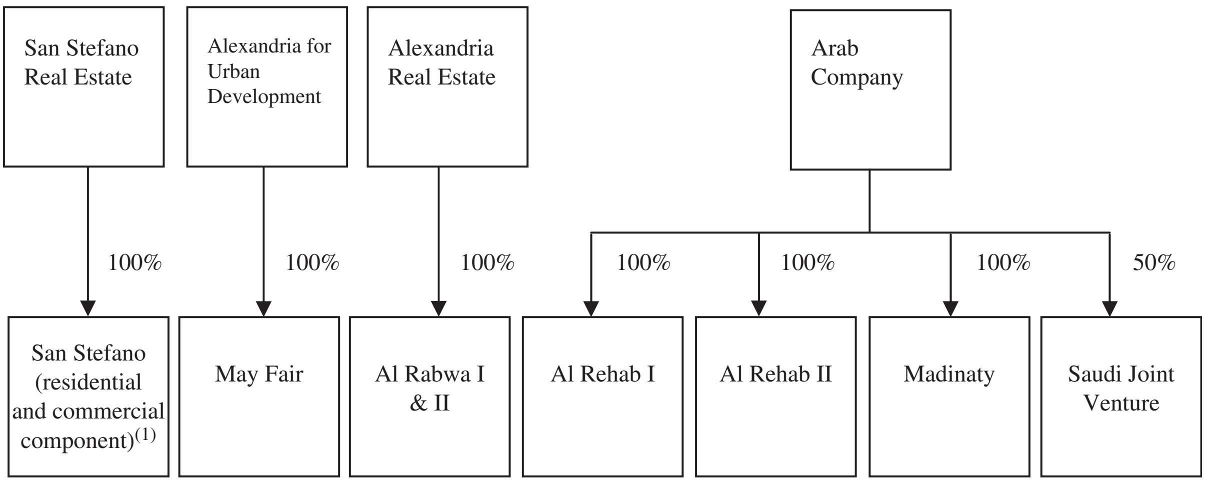
TMG's interests in and assets of its hotel and resort complexes are held through ICON. The Company holds its interest in ICON through various subsidiaries. Following the Restructuring, the Company's indirect holding in ICON is 51.3 per cent., which is held through the 37.0 per cent., 8.5 per cent. and 5.8 per cent. interests held by Alexandria Real Estate, San Stefano Real Estate and Alexandria for Urban Development, respectively.

Set forth below is a chart showing the structure of the Group following the Restructuring:



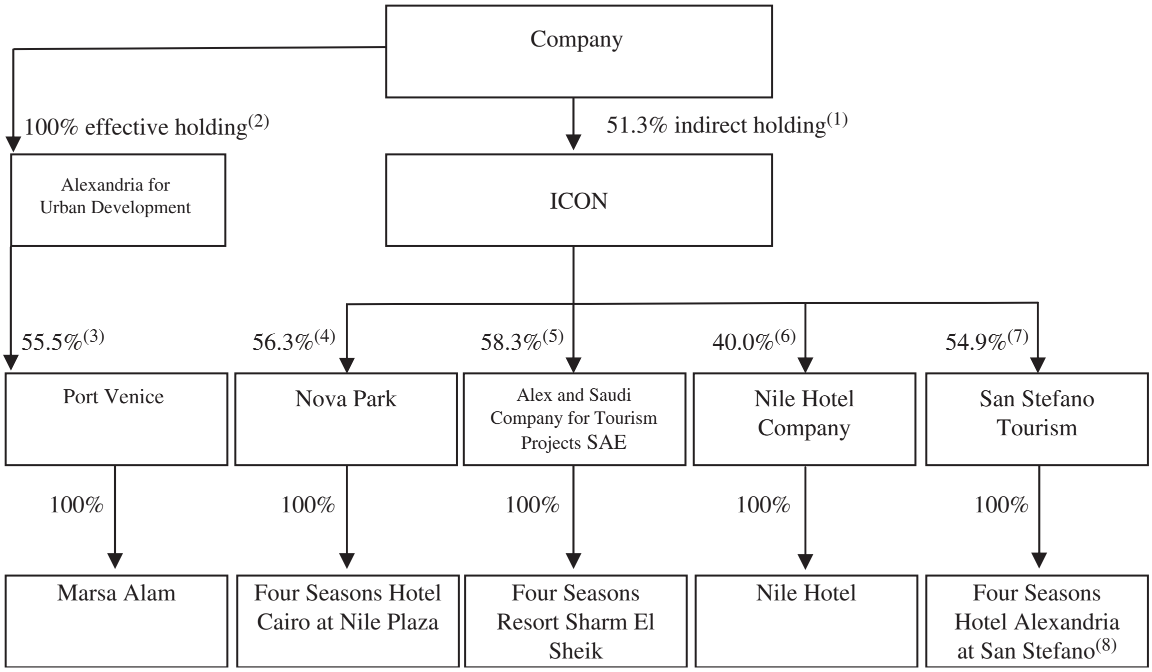
(1) Of which 97.0 per cent. is owned directly by the Company and 1.6 per cent. by Arab Company.
(2) Of which 72.0 per cent. is owned directly by the Company, 12.2 per cent. by Arab Company, 11.7 per cent. by Alex Real Estate and 2.5 per cent. by Alexandria for Urban Development.
(3) The remaining 40.0 per cent. interest in Alexandria for Urban Development is held by the Company.

Set forth below is a chart showing the asset ownership structure of TMG's city and community complexes:



(1) San Stefano Real Estate holds the residential units and commercial property but not the assets of the hotel, which are held by San Stefano Tourism.

Set forth below is a chart showing the asset ownership structure of TMG's hotel and resort complexes:



(1) Held through the 37.0 per cent., 8.5 per cent. and 5.8 per cent. interests held by Alexandria Real Estate, San Stefano Real Estate and Alexandria for Urban Development, respectively. See preceding chart reflecting the structure of the Group.

(2) Of which 40.0 per cent. is owned directly by the Company and 60.0 per cent. by Alexandria Real Estate.

(3) ICON is in the process of acquiring this 55.5 per cent. interest from Alexandria for Urban Development, as well as the remaining 44.5 per cent. interest.

(4) ICON is in the process of increasing its interest in Nova Park to 58.0 per cent.

(5) ICON is in the process of increasing its interest in Alex and Saudi Company for Tourism Projects S.A.E. to 61.0 per cent.

(6) ICON is in the process of increasing its interest in Nile Hotel Company to 100 per cent.

(7) ICON is in the process of increasing its interest in San Stefano Tourism to 75.0 per cent.

(8) San Stefano Tourism holds the assets of the hotel, which do not include the residential units or commercial property. These components of the complex are held by San Stefano Real Estate. See preceding chart reflecting the ownership structure of TMG's city and community complexes.

Competitive Strengths

Management believes that TMG's principal competitive strengths are:

Leading presence in a high growth market for city and community complexes

The primary geographic focus of TMG's current development projects is Egypt. Management believes that there is strong demand and growth potential in Egypt for TMG's city and community complexes due to the following factors:

- ***Changing Egyptian demographic creating high demand for quality and affordable housing***. TMG benefits from increasing income levels in Egypt, which have given rise to a growing middle, upper middle and upper class, the target demographic for TMG's residential properties. Egypt's population is young and growing, with 45 million people between the ages of 15 and 60 and 31.8 per cent. of the population under 15, according to the 2006 Census. Egypt also is experiencing rising education levels and rapid urbanisation, and the population of Cairo has increased dramatically in recent decades. These factors, together with the expansion of the Egyptian economy and the lack of quality residential accommodation in central Cairo, contribute to the increasing demand for quality housing in close proximity to Cairo.

- ***In-depth knowledge of the Egyptian real estate industry***. TMG has extensive experience in developing, marketing and managing real estate properties. Further, the Executive Chairman of TMG, Mr Hisham Talaat Mostafa, together with the senior management team, possess extensive knowledge of the property development industry in Egypt. TMG believes that its experience and knowledge of the industry assists it in evaluating and securing opportunities in Egypt's property market and provides it with advantages over foreign developers and other new entrants into the Egyptian property market.

- ***Well-recognised brand name associated with quality and reliability***. Management believes that TMG has developed a solid reputation and strong brand recognition amongst prospective purchasers in the Egyptian market and in the MENA region. Management believes that the strength of TMG's brand enables it to consistently pre-sell the residential units in each of its projects in advance of construction, attract major commercial and retail tenants, procure sites for further development projects and secure arrangements for financing with leading local banks.

Ownership rights to one of the largest land banks in Egypt

TMG currently holds rights to approximately 40 million square metres in Egypt, representing the largest land bank held by any developer in Egypt. As prices for comparable plots of land have risen significantly in recent years, TMG's large land bank, acquired at historic, fixed land prices, gives it an advantage over other real estate developers that must buy land at current market prices.

Largely self-financing business model

By leveraging both its reputation for quality and reliability and the strength of its brand name, TMG has been able to structure its business model so that it typically requires very little up-front capital to finance the development of its city and community complexes. It has acquired the land for development pursuant to preliminary sale contracts with the State, which do not require initial cash payment of the full purchase price. TMG's up-front costs are therefore generally limited to preparing the development plan and initial infrastructure costs, which it finances from equity and loan capital. Further, with limited exceptions, each cluster of buildings in any phase of TMG's city and community complexes is substantially sold before construction commences. In addition, once the units are sold, TMG arranges the payment schedules of its purchasers such that payments to TMG for the unit are timed to coincide with TMG's construction outlays so that TMG's cost of constructing the unit is usually recovered during the construction process. This policy has resulted in relatively low levels of indebtedness associated with its city and community complexes, which, to date, TMG has generally been able to repay with proceeds from sales of its residential units. Similar to its city and community complexes, but to a lesser degree, TMG's hotel and resort complexes are also self-financing, as TMG sells residential units off-plan before and during the construction phase, and the profits from sales of these residential components contribute to the construction costs of the hotel and resort complex.

Hotel complexes benefit from growing tourism

The tourism industry is expanding rapidly in Egypt, with an increase in both domestic and international travellers in recent years. According to the Central Bank of Egypt, international tourism arrivals in Egypt have increased in the period from fiscal year 2002/03 to fiscal year 2005/06 by approximately 65.9 per cent., which TMG believes has resulted primarily from the strong growth in disposable income in both the European and MENA regions, leading to increased demand for luxury travel accommodations. Travel to Egypt from residents of the MENA region is also increasing. Further, the average room rate and occupancy rate for hotels in both Cairo and Sharm El Sheikh has increased in recent years, which Management believes demonstrates increasing demand for luxury hotels.

Strategy

The key elements of TMG's strategy are to:

Maximise return on long-term pipeline projects through continued use of flexible "phasing" business model

TMG's business model is to construct its projects, including Madinaty, in phases and to sell clusters of buildings in any phase of a project's development plan before construction commences. This model allows TMG to construct units only when required to meet committed demand and, therefore, to avoid carrying an inventory of unsold units in the event of an unexpected market decline. This concept of phased sales and construction also enables TMG to adapt construction of each phase to meet changes in demand for different types, styles and sizes of units that may arise due to changes in income levels, average household size, lifestyle and consumer preferences. It also helps to ensure that development of large projects is manageable.

Maintain a rigorous selection process for development projects

TMG conducts an extensive market research process, which often includes engaging external specialist firms to conduct surveys and feasibility studies, prior to undertaking any development project. This research enables TMG to assess the future potential of the relevant market, with a particular focus on opportunities that present sound fundamentals for future growth, but have not yet achieved full market potential. Management believes TMG's market-leading position and its extensive land bank for both city and community and hotel and resort complexes allow it to be selective in relation to future opportunities.

International expansion

In the immediate future, TMG plans to expand its city and community complexes business to Saudi Arabia. Arab Company has entered into a joint venture with the Saudi Joint Venture Partners. The joint venture intends to develop projects in both Riyadh and Jeddah that are similar to TMG's Al Rehab complex. See "Material Contracts — Saudi Joint Venture Agreement". TMG believes that the real estate market in Saudi Arabia has many characteristics in common with the Egyptian market, including a stable legal environment and favourable demographics. Moreover, TMG is familiar with the Saudi Arabian market, having maintained a sales presence there since 1991.

TMG plans to continue to evaluate additional opportunities for expanding its development platform internationally, particularly in further locations where it believes it would have competitive advantages similar to those in its domestic market. In addition to its Saudi Arabian projects, TMG is currently evaluating potential projects in the MENA region in countries that, among other things, offer (i) stable political environments with government policies aligned with increasing housing and tourism, (ii) similar middle and upper class demographics to those seen in Egypt and (iii) a robust legal environment that recognises, among other things, land rights. As in Saudi Arabia, TMG will consider expansion through joint venture arrangements with a partner who has relevant experience in the local market. TMG intends to manage its international expansion such that its initial project in one country has moved beyond the master planning stage before it embarks upon the master planning stage in a new country.

Increase weighting of stable revenues from hotel and resort complexes

TMG intends to expand its hotel and resort business through investments in, or the acquisition of, hotel and resort complexes or increasing its investments in the Group subsidiaries through which it carries out this business. TMG has allocated LE 2.3 billion (US$404.0 million) for this expansion in the near term, which it expects to fund through a mixture of debt and equity financing. TMG intends to use its existing model of combining a luxury hotel with residential units to increase the proportion of stable revenues generated by its hotel operations.

Maintain and enhance reputation for quality and attention to detail

TMG endeavours to maintain full control over the management of each of its city and community complexes, from inception of the project, through development, construction and post-construction. This ensures the quality of its output and enables it to conform to precise construction specifications. Furthermore, TMG believes that retaining control over management of its properties following the completion of construction enables it to maintain the quality of its complexes on a long-term basis, thus helping to maintain the resale value of the residential units. This provides a strong selling point for additional phases in the same development and for other TMG city and community complexes, and helps to maintain the resale value of residential units. Once construction is completed, TMG retains control of maintenance, repairs, staffing, security and other services in the common areas of its city and community complexes on behalf of its residents, on a cost-neutral basis. TMG has also retained control of utilities such as water, electricity and sewers within its complexes up to the point at which they are connected to publicly-maintained infrastructure. By retaining control of these services, TMG ensures the quality of its developments on a long-term basis, thus enhancing its reputation.

Explore new financing techniques

TMG has developed an innovative financing technique whereby it has entered into arrangements with local and regional banks that enable it to provide financing facilities to the purchasers of its residential units, which in turn allow purchasers to pay for their residence over a longer period than is typical in Egypt. Management believes that these arrangements represent the most developed and broadest scope of residential financing available from or through any development company in Egypt, and permit TMG's city and community complexes to benefit from a larger pool of potential purchasers. To support the longer-term financing packages offered to its purchasers, under certain of its arrangements TMG intends to convert receivables from its sale of units, comprised of post-dated cheques from purchasers, to cash through the sale, or factoring, of these cheques to two of the largest banks in Egypt. In addition, TMG is actively pursuing the future use of securitisation transactions as a further means of converting post-dated cheques to cash. Furthermore, in connection with recent amendments to Egyptian mortgage legislation that permit companies to offer mortgage financing, TMG, together with its majority shareholder, has formed a new company for this purpose and has made application to the State for the required license. TMG intends to seek investment from financial institutions which will dilute TMG's holding to a minority position, and to retain either qualified staff or a third party management company to operate this mortgage company for the purpose of expanding and being in a position to control the availability of mortgage financing to TMG's customers. See "— Sales and Marketing — City and community complexes — Sales terms and financing arrangements".

TMG's Real Estate Development Business Model

TMG's business is to develop real estate in two segments: (i) city and community complexes and (ii) hotel and resort complexes.

City and Community Complexes

TMG's business model for the development of its city and community complexes is based on marketing and sales research and extensive knowledge of the real estate market in which it operates. TMG selectively identifies potential opportunities in the market using feedback from its sales teams and customers, market research from external firms and the experience and market knowledge of its management. Once TMG identifies a development opportunity it wishes to pursue, in most cases the first step is to engage external market research firms to conduct feasibility studies and analysis of available statistical information on the target market segments, which includes income levels, age, marital status and intention to purchase a home. Based on this market research, Management assesses whether it believes there will be demand for the development. If Management believes there will be suitable demand, it will then enter into negotiations with the State in relation to a preliminary sales contract for the land to be developed, including negotiating the general project specifications for the land. After agreeing on terms and entering into a preliminary sales contract, TMG creates a master plan for the development, including the number and types of residential units to be sold, the infrastructure, commercial and retail elements and the projected development period, in conjunction with third party designers. The State has recently employed an auction procedure for the allocation of land to replace its historical practise of negotiating bilateral contracts. See "— Land Acquisition and Development Process".

Upon completion of the market research stage and negotiation of the preliminary sales contract with the State, TMG markets and sells units within the relevant complex to its target market on a phased basis based on the project's development plans. The TMG sales teams conduct direct sales efforts, including telephone calls, door-to-door sales, and other campaigns based on lists of potential purchasers obtained through their own research, from market research firms and from other companies in industries, such as mobile telephony, selling to the target demographic identified during the market research stage. TMG's marketing department, together with outside marketing agencies, also launches advertising campaigns for each complex, developing a distinct logo and sales slogan for that complex to be used in the relevant advertising campaign together with the TMG logo. See "— Sales and Marketing".

A key component of TMG's business model is "phased" sales of its city and community complexes. TMG has structured its business so that it may adapt to changing market demands by developing the complexes in phases. Each phase is comprised of clusters of buildings and, with limited exceptions, each cluster is substantially sold before it is constructed and before TMG moves on to the next cluster. This model provides TMG with flexibility in that, based on feedback received from the sales teams and sales results for a particular phase, it may decide to adjust the next phase of construction to meet unexpected demand for a certain size or type of residential unit, or to include features that are most often requested or praised by purchasers of earlier phases. Furthermore, since TMG's city and community complexes take a number of years to complete, the phased sales structure allows it to modify its designs and offerings based on changing consumer trends and tastes, which are continuously monitored by TMG's sales teams. See "— Strategy — Maximise return on long-term pipeline projects through continued use of flexible 'phasing' business model" above. All of TMG's projects currently under development use this phased business model.

Hotel and Resort Complexes

TMG's business model for its hotel and resort complexes is similarly premised on market research. TMG identified, through its market research, a gap in Egypt for luxury hotels, including associated residential unit sales, due to the growth in travellers to Egypt for both tourism and business purposes and increasing wealth generally in the MENA region. Each hotel and resort complex that TMG has constructed includes a residential sales component and, for that reason, was seen by TMG as a logical extension of its business of developing city and community complexes. Similar to its city and community complexes, but to a lesser degree, TMG's hotel and resort complexes are also self-financing, as TMG sells residential units off-plan before and during the construction phase, and the profits from sales of these residential components contribute to the construction costs of the hotel and resort complex.

TMG's Nile Hotel project and the Marsa Alam resort complex represent differing models from that followed for its three existing Four Seasons hotel and resort complexes. TMG is planning to open the 277 room Nile Hotel in July 2008, which involves the extensive refurbishment of an existing structure rather than a purpose-built new structure. The Nile Hotel will feature a less formal atmosphere than the Four Seasons Hotel Cairo at Nile Plaza, which is located nearby. The Marsa Alam resort complex in Marsa Alam is expected to comprise four separate luxury hotels centred around man-made lagoons on the Red Sea, and will also include 2,250 residential rooms within two to three bedroom units. Marsa Alam has become one of the fastest growing holiday destinations on the Red Sea Riveria, known for snorkelling, scuba diving and surfing.

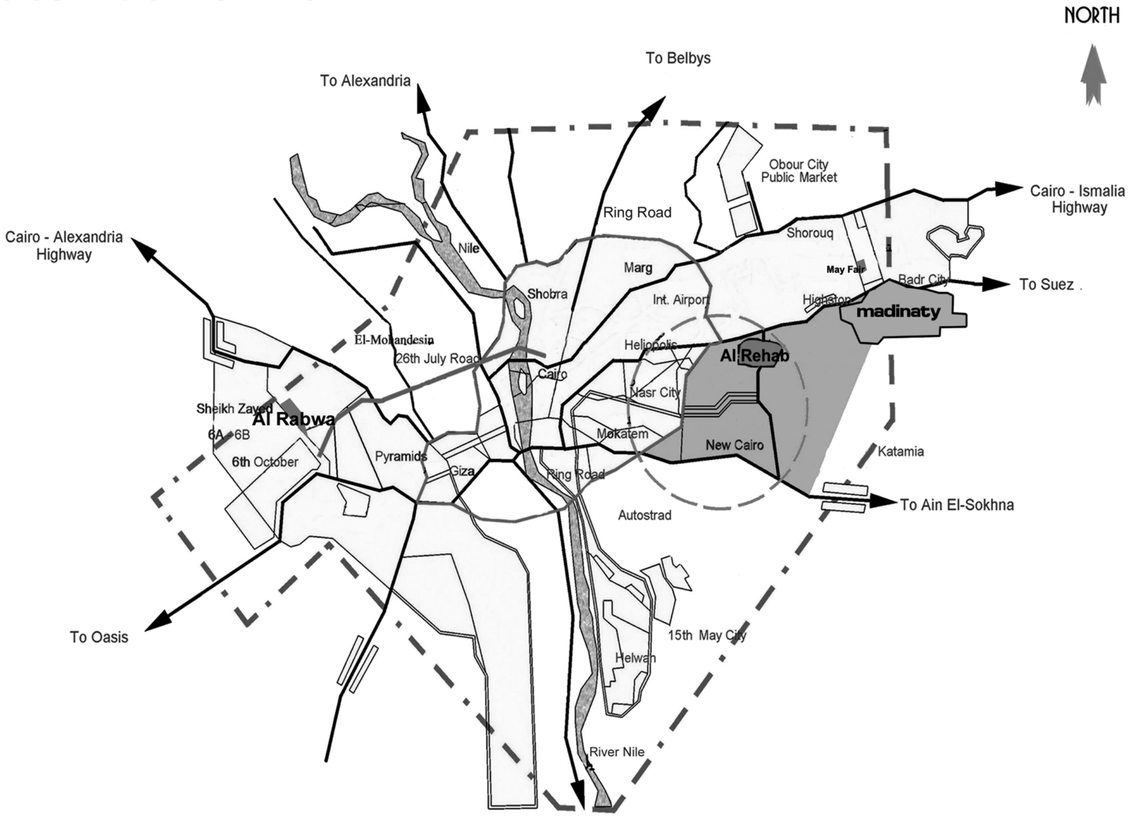
Once constructed, TMG retains ownership of the hotel components of the complexes, through its holding in ICON, together with investors who are sought at the commencement of each project, and handles the sales and marketing of the residential components of the complexes. TMG has engaged Four Seasons to manage its three completed hotels pursuant to hotel management and related agreements. See "Material Contracts — Hotel Management Agreements". Currently, TMG is in the process of identifying third party hotel management firms with which it will negotiate management contracts for the Marsa Alam resort and the Nile Hotel and the precise specifications for these hotels will be determined based on the criteria required by the respective management companies.

Description of Properties and Projects

City and Community Complexes

The following map shows the location of TMG's Cairo city and community complexes under development:

Greater Cairo Plan



The following table provides information relating to TMG's city and community complexes, each of which is described in further detail below:

Projects under Development

	Madinaty	Al Rehab I	Al Rehab II	Al Rabwa I	Al Rabwa II	Saudi JV
Total Land area[(1)](m^2)	33,600,000	6,140,400	3,760,000	1,318,800	819,028	5,800,000[(2)]
Expected population (approx.)	600,000	120,000	60,000	3,240	1,725	TBC
Launch of sales	July 2006	November 1996	July 2006	December 1994	January 2006	Q1 08 for Riyadh (planned)
% owned	99.9%	99.9%	99.9%	98.6%	98.6%	50%
Completion date[(3)]	2023	2011	2017	2006	2012	TBC
CBRE valuation[(4)]	LE 10,778m	LE 1,084m	LE 2,551m	LE 282.2m[(5)]		Not included
Amenities	Various including: golf course 10 schools 1 University 3 shopping malls 1 hospital 2 medical centres	4 schools 7 mosques 1 church 1 office park 2 shopping malls	3 mosques 3 schools 1 shopping mall 1 club house	1 shopping mall 1 Cinema 9 hole golf course 1 Sports pavilion	9 hole golf course, in addition to Al Rabwa I amenities	2 malls school leisure clubs medical centres

(1) Land area acquired

(2) Consists of 3.0 million square metres of land in Riyadh purchased by the Saudi Joint Venture Partners and a further 2.8 million square metres of land in Jeddah that the Saudi Joint Venture Partners are in the process of acquiring.

(3) Expected delivery of final units

(4) Undeveloped portions of projects only.

(5) Includes valuation for A1 Rabwa I and Al Rabwa II

Completed Projects

	May Fair	Virgenia Beach	Al Rawda Al Khadra Village
Total land area (m^2)	592,200	365,400	84,000
Approximate population	1,265	1,820	6,245
Completion date	2005	1995	1987

Key Features

Residential apartments and villas

The city and community complexes each contain residential villas and may also include residential apartments of varying size and price per square metre. Units are not built to customer specifications, except that a purchaser may choose from different architectural plans, fittings of varying quality and cost, and may separately arrange to customise the inside of the unit.

Retail malls

TMG's city and community complexes generally include at least one retail mall, while some, such as Al Rehab and Madinaty, due to their large size, will contain several malls when completed. Anchor tenants tend to be large local supermarket or department store chains. Other tenants include local retailers that sell a wide range of consumer goods and services. TMG leases the majority of the space in the retail malls. Lease terms are generally for periods of between three and seven years with an option to renew the lease for a similar period. Retail units are supplied to tenants in "core" condition and the final fit-out is undertaken either by the tenants or by TMG for an agreed fee. The rental fees are typically payable monthly in advance and a three month security deposit is usually required.

Commercial Centres

The Al Rehab and Madinaty complexes are planned to include larger general commercial centres containing medical and professional offices, banks and other facilities. Offices will be delivered in "core" condition and the final fit-out will be undertaken either by the tenants or by TMG for an agreed fee. These commercial centres are expected to be available for occupancy in 2008 for Al Rehab and 2011 for Madinaty.

Maintenance and Management

TMG has retained management of the maintenance of its city and community complexes on a day-to-day basis. The maintenance personnel retained by TMG provide gardening and maintenance for common areas, exterior building maintenance, miscellaneous minor repairs and security. Further, TMG provides the infrastructure for utilities such as water, electricity and sewers within the walls of the complex up to the point at which they connect with adjacent publicly-maintained infrastructure. These services are provided on behalf of the residents for an annual maintenance service charge. See "— Sales and Marketing — City and community complexes — Maintenance service charge". Although these management services are provided on a cost-neutral basis, TMG believes that retaining control over management of its properties enables it to maintain the quality of its developments on a long term basis, thus enhancing its reputation for creating quality housing communities. This provides a strong selling point for additional phases in the same development and for other TMG city and community complexes and helps to maintain the resale value of residential units. TMG also acts as landlord for the retail malls and commercial centres in its city and community complexes.

Current Projects

Madinaty

TMG is currently developing Madinaty, the largest purpose-built, fully-integrated residential community development in Egypt. Madinaty has a total area of 33.6 million square metres and its population is estimated to reach approximately 600,000 people once the development is complete. The Madinaty site is located approximately 35 kilometres east of Cairo, adjacent to New Cairo City on the Cairo-Suez Road. The Madinaty development is planned to consist of 68,575 apartments and 6,124 villas. Additionally, TMG is permitted to sell undeveloped land to third parties not to exceed 40.0 per cent. of the total area for residential projects and as per the regulations of the State. TMG contemplates that some of that land will be sold to individuals as separate housing plots, and some will be sold to developers for commercial projects, such as hotels, commercial centres, a hospital, a university and schools.

Sales were launched in late July 2006. As at 30 September 2007, 7,544 apartments and 2,066 villas in Madinaty had been sold, representing approximately 11.0 per cent. of the apartments and 33.7 per cent. of the villas planned to be constructed. Construction of Madinaty will take place in eight phases, each approximately three to four years in duration. Construction was originally expected to be completed in 2026, although Management now believes it will be completed in 2023 based on sales to date and assuming the Egyptian economy does not weaken. According to Management, the construction cost for the entire development is expected to be in the range of approximately LE 60.0 billion to 70.0 billion (US$10.5 billion to $12.3 billion).

The following table sets forth certain information about Phase I of Madinaty's residential villas and apartments as at 30 September 2007:

Madinaty Residential Villas and Apartments (Planned)

	Scheduled year of completion	Total area (m^2)	Number of units	Unit size range (m^2)	Average unit size (m^2)	Percentage sold (as at 30 September 2007)
Villas	2023	2.8 million	6,124	251 to 660	438	33.7%
Apartments	2023	10.2 million	68,575	58 to 324	144	11.0%

Al Rehab I and II

Al Rehab I was the first city and community complex in Egypt to be constructed as a stand-alone, integrated small city. It is located approximately 27 kilometres east of Cairo, adjacent to New Cairo City on the Cairo-Suez Road, and occupies approximately 6.1 million square metres of land. The development consists of apartments, villas and common garden areas. Al Rehab I includes four schools, medical offices, a private leisure club, a commercial centre, restaurants and two retail malls. It also contains a fire station, security services, a public bus system and other infrastructure. Al Rehab I was launched in November 1996. As at 30 September 2007, virtually 100 per cent. of the planned residential units have been sold and approximately 82.0 per cent. of the apartments and 85.0 per cent. of the villas have been built and delivered to purchasers. Approximately 0.9 million square metres of land that was originally designated to be sold as undeveloped land has now been designated for development by TMG into

608 luxury villas. Consistent with TMG's business model, the majority of the units in Al Rehab I were sold before TMG commenced construction on those units. According to Management, the development cost to date for Al Rehab I is approximately LE 4 billion (US$0.7 billion), and the total cost is expected to be approximately LE 8 billion (US$1.4 billion). The final delivery of the Al Rehab I units is expected in 2011.

The following table sets forth certain information about Al Rehab I's residential villas and apartments as at 30 September 2007:

Al Rehab I Residential Villas and Apartments

	Scheduled year of completion	Total area (m^2)	Number of units	Unit size range (m^2)	Average unit size (m^2)	Percentage sold (as at 30 September 2007)
Villas	2011	0.5 million	1,941	172 to 400	237	99.8%
Apartments	2011	2.9 million	20,817	50 to 306	138	99.3%

TMG is developing an extension of Al Rehab I, named Al Rehab II, which will connect to and ultimately be integrated with Al Rehab I. Al Rehab II will occupy 3.8 million square metres of land and will consist of both apartments and villas. The project will include an additional retail mall, a commercial centre, a private leisure club and similar infrastructure and amenities to Al Rehab I. According to Management, the development cost for Al Rehab II is expected to be approximately LE 8 billion (US$1.4 billion). The final delivery of the Al Rehab II units is expected in 2020.

The following table sets forth certain information about the Al Rehab II residential apartments and villas as at 30 September 2007:

Al Rehab II Residential Villas and Apartments (Planned)

	Scheduled year of completion	Total area (m^2)	Number of units	Unit size range (m^2)	Average unit size (m^2)	Percentage sold (as at 30 September 2007)
Villas	2017	0.4 million	1,241	256 to 514	354	42.0%
Apartments	2017	1.8 million	11,841	58 to 294	149	14.0%

Al Rabwa I and II

Al Rabwa I is a residential compound that was launched in 1994 and virtually fully sold by 2005. It is located west of Cairo in the Al Sheikh Zayed district, approximately 4 kilometres from 6th of October City, and occupies approximately 1.3 million square metres of land. The complex consists of residential villas, a retail mall and a private leisure club with a 9-hole golf course. According to Management, the development cost to date for Al Rabwa I is approximately LE 550 million (US$96.6 million), and the total cost is expected to be approximately LE 616 million (US$108 million). The final delivery of the Al Rabwa I units is expected in early 2008.

The following table sets forth certain information about the Al Rabwa I residential villas as at 30 September 2007:

Al Rabwa I Residential Villas

	Scheduled year of completion	Total area (m^2)	Number of units	Unit size range (m^2)	Average unit size (m^2)	Percentage sold (as at 30 September 2007)
Villas	2008	1.3 million	649	196 to 653	310	99.5%

TMG is developing an extension of Al Rabwa I, known as Al Rabwa II. Al Rabwa II will occupy 0.8 million square metres of land, which is in addition to the 1.3 million square metres of the existing development, and will also be comprised of villas. It will include restaurants, a second private leisure club and an additional 9-hole golf course that will connect to the existing golf course in Al Rabwa I. Construction of Al Rabwa II will take place in four phases, each phase to commence in consecutive years, with 86 villas to be constructed in each phase. As at 30 September 2007, 36.5 per cent. of the residential villas in Al Rabwa II had been sold. According to Management, the development cost for Al Rabwa II is expected to be approximately LE 890 million (US$156 million). The final delivery of the Al Rabwa II units is expected in 2012.

The following table sets forth certain information about Al Rabwa II's residential villas as at 30 September 2007:

Al Rabwa II Residential Villas (Planned)

	Scheduled year of completion	Total area (m^2)	Number of units	Unit size range (m^2)	Average unit size (m^2)	Percentage sold (as at 30 September 2007)
Villas	2012	0.8 million	340	220 to 637	348	36.5%

Saudi Joint Venture

TMG intends to replicate the success of its Egyptian city and community complexes in Saudi Arabia. On 29 January 2007, Arab Company entered into a joint venture agreement with the Saudi Joint Venture Partners to form a company that will be known as Thabat for developing a city and community complex in each of Riyadh and Jeddah. Until Thabat is formed, Arab Company and the Saudi Joint Venture Partners are participating in an existing Saudi limited liability company named Areez Arabian Limited, with Arab Company holding a 50.0 per cent. interest and the Saudi Joint Venture Partners holding a 50.0 per cent. interest. The Saudi Joint Venture Partners have purchased 3.0 million square metres of land in Riyadh and are in the process of acquiring a land block in Jeddah, for their own account, for these developments. It is expected that the land will be sold to Thabat once it is established. Thabat is to have an issued capital of 300.0 million Saudi Riyals. Arab Company will contribute 50.0 per cent. of this amount following satisfactory completion of its due diligence and the establishment of Thabat.

The city and community complex design for Riyadh is in an advanced stage of development and sales are expected to commence in the first quarter of 2008. The dates for commencement and completion of construction are yet to be determined. The Riyadh city and community complex is expected to include approximately 3,000 apartments, 2,000 villas, two malls and various amenities, including a school, leisure clubs and medical centres. Plans for the Jeddah city and community complex are in preliminary development and the dates for commencement of sales and construction are yet to be determined. See "— Future Developments in the MENA Region".

Completed Projects

May Fair

The May Fair complex, which is similar to Al Rabwa, is primarily a residential compound consisting of 253 residential villas, as well as a club, school, nursery, and retail mall. This complex was completed in 2005 and all of the residential units have been sold. It is located in El Sherouk City, 45 kilometres east of Cairo, and occupies approximately 0.6 million square metres of land.

Al Rawda Al Khadra Village

The Al Rawda Al Khadra Village complex is a residential resort consisting of 1,150 apartments, 35 villas and a shopping mall, swimming pools and a mosque. This complex was completed in 1987 and all of the residential units have been sold. It is located in Al Agami in Alexandria and occupies approximately 0.08 million square metres of land.

Virgenia Beach

The Virgenia Beach complex is a residential resort consisting of 368 villas and a small shopping area, swimming pools, leisure club and a mosque. This complex was completed in 1995 and all of the residential units have been sold. It is located on the northern coast of Egypt, 85 kilometres from Alexandria, and occupies approximately 0.4 million square metres of land.

Hotel and Resort Complexes

The following table sets forth certain information with respect to TMG's operating hotel and resort complexes as at the date of this offering circular:

Operating Hotel and Resort Complexes

Operating properties	Date opened	Number of rooms/keys	Residential units (built up area)	Indirect holding (%)[(1)]
Four Seasons Hotel Cairo at Nile Plaza . . .	2004	365	131 (44,646 m^2)	56.3
Four Seasons Resort Sharm El Sheikh	2002	200	146 (23,810 m^2)	58.3
Four Seasons Hotel Alexandria at San Stefano	2007	127	945 (250,425 m^2)	54.9

(1) Per cent. owned by ICON, which is indirectly 51.3% owned by the Company. See chart setting forth the asset ownership structure of TMG's hotel and resort complexes in "Description of TMG—Corporate Structure".

The following table sets forth certain information with respect to TMG's hotel and resort complexes under development as at the date of this offering circular:

Hotel and Resort Complexes Under Development

Properties under development	Expected year of completion	Expected number of rooms	Expected residential rooms	Indirect holding (%)
Nile Hotel	2008	277	0	40.0[(2)]
Marsa Alam	To be determined	750	2,250[(1)]	—[(3)]

(1) To be sold in two to three bedroom units.

(2) Per cent. owned by ICON, which is indirectly 51.3% owned by the Company. See chart setting forth the asset ownership structure of TMG's hotel and resort complexes in "Description of TMG—Corporate Structure".

(3) TMG does not yet have ownership rights to the Marsa Alam land. See "—Future Developments—Marsa Alam Resort" and "Risk Factors — Risks Relating to TMG's Hotel and Resort Complexes Business — TMG has not been granted an allocation decree or entered into a preliminary sale contract with the State relating to the Marsa Alam resort complex, which may delay development and completion of the project."

Operating Hotels

Four Seasons Hotel Cairo at Nile Plaza

The Four Seasons Hotel Cairo at Nile Plaza opened in August 2004 and contains 365 rooms in a high-rise landmark building. The hotel is located in the Garden City area of Cairo and has 145 square metres of frontage facing the Nile. Amenities and facilities of the hotel include nine restaurants, a spa and wellness centre, indoor and outdoor swimming pools, business centre, conference facilities and administrative offices. The Four Seasons Hotel Cairo at Nile Plaza attracts tourists, as a result of its location on the Nile and proximity to the cultural tourist destinations within Cairo, as well as business travellers.

In addition to the hotel, the property includes a residential component comprising 131 residential units. 72 of these units may, at the homeowner's option, be serviced and maintained by Four Seasons, and are sold to homeowners to use as residences. It is intended that these units may, at the homeowner's option, be added to the hotel rental program. Income from the units added to the hotel rental program is split equally between the owner of the unit and the entity that owns the hotel property. As at 30 September 2007, 93 of the 131 residential units had been sold, of which 10 had been added to the hotel rental program. 12 furnished units that can be serviced and maintained by Four Seasons are currently available for sale. In order to ensure that these remaining unsold furnished units are added to the hotel rental program, TMG is no longer selling these units to private individuals. Rather, there is a preliminary arrangement to transfer these units to an investment fund, with a condition of purchase being that the fund add the units to the hotel rental program. The other 26 apartments are being sold unfurnished and unserviced. These apartments are also rented to occupants on long term leases. Purchasers are required to pay for residential units with a single, up-front cash payment.

The property also features 4,700 square metres of saleable office space and 6,780 square metres of commercial space for lease, all of which, as at 30 September 2007, had been fully sold and leased, and a large underground parking area. The commercial space is located in a retail mall on the ground level and first floor of the hotel. See "Related Party Transactions".

The hotel is managed by Four Seasons pursuant to hotel management and related agreements. According to Management, as at 30 September 2007 the total amount of indebtedness associated with the Nile Plaza complex was approximately LE 109 million (US$19 million).

The following table sets out certain historical information regarding the operations of the Four Seasons Hotel Cairo at Nile Plaza.

	Year ended 31 December			Nine-month period ended 30 September
	2004(1)	2005	2006	2007
Number of rooms/keys	117	365	365	365
Occupancy rate (%)	35.3	65.1	70.0	67.0
ADR (US$)	223.9	218.7	292.7	342.9
RevPAR (US$)	78.9	142.3	204.4	233.9

(1) From 15 August to 31 December.

Four Seasons Resort Sharm El Sheikh

The Four Seasons Resort Sharm El Sheikh opened in May 2002 and contains 200 guest rooms/keys. In addition to the hotel, the property includes a residential component comprising 34 villas and 112 chalets. Up to 64 of these chalets may, at the homeowner's option, be added to the hotel rental program, and be furnished and serviced by Four Seasons. Income from the chalets included in the hotel rental program is split equally between the owner of the chalet and the entity that owns the resort property. As at 30 September 2007, 24 villas and 67 chalets had been sold, of which 64 chalets had been added to the hotel rental program. Purchasers are required to pay for residential units with a single, up-front cash payment.

The resort is located on the Red Sea, with access to world-class snorkelling and scuba diving. Amenities and facilities include eight restaurants, two lounge bars, conference facilities, a spa and wellness centre with private treatment rooms and outdoor massage areas, two pools, a diving centre, three tennis courts and a specialty boutique. A golf course is currently in the design stage with construction expected to commence in the near future. The Four Seasons Resort Sharm El Sheikh attracts visitors from throughout the world and is a favoured venue for corporate conferences and other business meetings, as well as weddings and other functions.

The resort is managed by Four Seasons pursuant to hotel management and related agreements. According to Management, as at 30 September 2007, the total amount of indebtedness associated with the Sharm El Sheikh complex was approximately LE 92 million (US$16 million).

The following table sets out certain historical information regarding the operations of the Four Seasons Resort Sharm El Sheikh:

	Year ended 31 December			Nine month period ended 30 September
	2004	2005	2006	2007
Number of rooms/keys	200	200	200	200
Occupancy rate (%)	64.1	63.8	57.6	64.0
ADR (US$)	191.0	254.4	283.2	332.0
RevPAR (US$)	122.5	162.2	163.2	222.7

Four Seasons Hotel Alexandria at San Stefano

The Four Seasons Hotel Alexandria at San Stefano opened in July 2007 and contains 127 guest rooms/keys. It is the first luxury hotel constructed in Alexandria, which is Egypt's second largest city, and is located on the Mediterranean Sea. Amenities and facilities include nine restaurants, a ballroom, conference facilities, a spa and wellness centre, a swimming pool overlooking the Mediterranean Sea, marina (which is expected to be completed in summer 2008) and casino. The Four Seasons Hotel Alexandria at San Stefano aims to attract visitors from throughout Egypt and the world both for tourism and business. It is also expected to be frequently used for corporate conferences and other business meetings, as well as weddings and other functions.

The complex also includes a residential component comprising 945 residential apartments, of which, as at 30 September 2007, 805 had been sold. Purchasers are required to pay for residential units with a single, up-front cash payment. The residential component occupies approximately 28,000 square metres of land and is expected to be completed in 2009. At the homeowner's option, these units may be furnished and serviced by the Four Seasons and included in the hotel rental program. Income from the units included in the hotel rental program is split equally between the owner of the unit and the entity that owns the hotel property. The complex also contains 10,000 square metres of office space and a retail mall occupying 43,000 square metres over four floors with 180 retail units, including internationally recognised retailers. The mall includes a parking garage with capacity for 2,200 cars.

The hotel is managed by Four Seasons pursuant to hotel management and related agreements. According to Management, as at 30 September 2007, the total amount of indebtedness associated with the San Stefano complex was approximately LE 250 million (US$43.9 million).

Future Developments

Nile Hotel

The Nile Hotel is expected to open in July 2008 and will contain 277 rooms. TMG is substantially reconstructing the Nile Hotel, located in the Garden City area of Cairo next to the British Embassy and near the Four Seasons Hotel Cairo at Nile Plaza. The Nile Hotel will be a luxury hotel that will specifically target the increasing number of business travellers. It has frontage overlooking the Nile, and its amenities and facilities will accommodate the needs of business travellers, including state of the art conference and meeting centres, a 24-hour business centre, computer availability and internet access for every room. The hotel will also include four restaurants and lounges, a spa and wellness centre, and a swimming pool. The Nile Hotel is expected to attract and cater to a different clientele from the Four Seasons Hotel Cairo at Nile Plaza.

TMG is in advanced negotiations with several hotel management firms for the operation of the Nile Hotel. It is seeking a management firm that will complement TMG's other operating hotels. According to Management, as at 30 September 2007, the total amount of indebtedness associated with the Nile Hotel was LE 59 million (US$10.4 million) and the total investment cost is expected to be approximately LE 350 million (US$61.5 million).

Marsa Alam Resort

The Marsa Alam resort is in the planning and design phase. The complex is expected to contain four four-star hotels with a total of 750 hotel rooms and 2,250 residential rooms to be sold in two to three bedroom units. TMG is in negotiations with several hotel management firms for the operation of the Marsa Alam resort. It is seeking a management firm with hotel brands that will complement TMG's other operating hotels. Once it has selected a management firm, TMG intends to enter into a preliminary sales contract with the State and commence development. See "Risk Factors — Risks Relating to TMG's Hotel and Resort Complexes Business — TMG has not been granted an allocation decree or entered into a preliminary sale contract with the State relating to the Marsa Alam resort complex, which may delay development and completion of the project."

The resort complex will be located in Marsa Alam in eastern Egypt on the Red Sea, five kilometres from the Marsa Alam international airport, which opened in 2001. Marsa Alam has become one of the fastest growing holiday destinations on the Red Sea Riviera, known for snorkelling, scuba diving and surfing.

The Marsa Alam resort is expected to have a total area of approximately 3.3 million square metres. Amenities and facilities are expected to include restaurants and bars, conference facilities, a spa and wellness centre, swimming pools, tennis courts and several specialty boutiques. The resort is currently designed so that the sea will flow into lagoons that will surround the hotels, and each hotel in the resort complex will have its own beach. The Marsa Alam resort will aim to attract visitors from throughout the world and is expected to be a favoured venue for corporate conferences and other business meetings, as well as weddings and other functions.

According to Management, as at 30 September 2007 no indebtedness associated with the Marsa Alam resort.

Land Acquisition and Development Process

City and Community Complexes

TMG has historically acquired the land for its city and community complexes from the State pursuant to a bilateral negotiation process, based upon proposals submitted by it to the Ministry of Housing (the "Ministry") to develop parcels of land set aside by the State for residential and urban development around Cairo. The proposals submitted by TMG have typically included the proposed purchase price to be paid by TMG for the land, together with TMG's proposed project specifications for the land, including the type of development and buildings to be constructed, the number and type of residential units, the total square metres designated for construction, the estimated total cost of construction, the estimated timetable for construction, and the proposed sale price for the residential units to buyers. The Ministry has then reviewed the proposals and negotiated the terms of the project specifications with TMG, at the conclusion of which it has entered into preliminary sales contracts granting TMG ownership rights to the land for its city and community complexes in accordance with the agreed proposal. The State has recently employed an auction procedure to replace its historical practise of negotiating bilateral contracts. This has resulted in bidding wars among prospective developers for the few remaining undeveloped plots of land designated to date by the Ministry for development around Cairo, which has contributed to the price of land rising significantly. TMG has not yet purchased land pursuant to this auction process.

TMG's project specification plans for developing its city and community complexes, as approved by and reflected in its contracts with the Ministry, include the subdivision of the land parcel into phases for sale and development. The project plans contemplate a certain number of residential units to be sold and then constructed in each phase. Any amendments to these plans are agreed with the Ministry. Sales of residential units are made to buyers off-plan based upon the project's specification and typically TMG does not commence construction of units until they are sold.

TMG's preliminary sales contracts with the Ministry provide that the purchase price for the land to be developed may be paid in instalments over a negotiated period, typically over a period of 7 to 10 years (in the case of Madinaty, over 20 years). TMG usually pays approximately 10.0 to 15.0 per cent. of the purchase price at the time it enters into the preliminary sale contract, with the remaining amount payable in instalments to the Ministry commencing after a grace period from the date of signing of the contract. Alternatively, for certain projects, TMG has agreed to make payment in kind to the Ministry in the form of completed residential units, which in relation to past projects the State has used for housing for its employees. Upon completion of construction for each phase of a development, payment of the purchase price for the land in that phase is due in full, and once paid the State is obliged to transfer registerable title for that phase to TMG. In order to preclude land speculation and to assure realisation of the State's goal of increasing available housing stock, the State's contractual obligation to convey title is conditional upon TMG completing the development in accordance with the agreed specification.

Hotel Complexes

Purchases of land for the construction of two of the existing hotel complexes were made from the State. The Four Seasons Nile Plaza was purchased from a private party. The Nile Hotel was, and Marsa Alam would be acquired from the State. In some cases, payments for TMG's hotels are made up-front, while in other cases payments are made on an instalment basis.

Sales and Marketing

TMG has its own sales and marketing department, with teams for each of its city and community complexes and its hotel and resort complexes.

City and community complexes

Sales and marketing team

TMG has a team of approximately 140 employees who work on a full-time basis in its sales and marketing department to sell units in TMG's city and community complexes. TMG has sales offices located in its headquarters, as well as onsite in its city and community complexes under development. It also has two sales offices in Saudi Arabia and sales offices in each of Dubai and Abu Dhabi. The sales and marketing teams conduct directed sales efforts, targeting customers based on lists obtained from market research firms as well as from companies in other industries, such as mobile phone operators, through direct mailings, telephone calls and door-to-door sales in selected neighbourhoods. The sales and marketing department also conducts general marketing for the city and community complexes through brochures, billboards, and print and television advertisements. The feedback provided to TMG from its sales force, known as the "Big Ear" of the Group, plays a key role in TMG's maintaining a flexible business model, allowing it to adjust and adapt its design and development of phases of its city and community complexes based on prior sales demand from its target market. For the year ended 31 December 2006, According to Management TMG spent approximately LE 48 million (US$8.4 million) on sales and marketing for its city and community complexes.

Sales terms and financing arrangements

Approximately 91.0 per cent. of TMG's sales of residential units in Madinaty are made using one of the long-term financing arrangements offered by TMG and backed by local and regional banks, under which customers are able to make payments in instalments. In almost all cases, these arrangements include the following features: at the time of entering into the purchase contract for a residential unit, the purchaser pays an initial down payment of 5.0 per cent. of the contract price to TMG; three months later, the purchaser pays an additional 5.0 per cent. to TMG, at which point a sales contract is executed and the purchaser delivers to TMG a series of post-dated cheques representing the monthly and larger annual instalments, as well as a final delivery payment, which together equal the entire remaining balance of the purchase price for the unit. The payments by means of post-dated cheques are structured so that the instalments during the initial four-year period prior to delivery of the unit generally cover all of TMG's construction outlays. The post-dated cheques relating to payments falling due after the scheduled date of delivery of the unit represent a combination of an embedded finance charge covering TMG's costs of providing the financing arrangement and TMG's profit on the sale. If TMG does not utilise the cheques in connection with these facilities, TMG retains the embedded finance cheque for its own account.

TMG has entered into arrangements with local and regional banks that allow it to provide financing to purchasers of its residential units for periods over 4 years and up to 10 and/or 15 years, which are longer periods than is typical in Egypt. TMG has entered into two types of financing facilities that support these financing arrangements. If these financing arrangements are used, the purchase price includes an embedded finance charge. TMG utilises these facilities so that it can receive all or a portion of the full purchase price for a unit from the financing bank prior to the dates the instalments are due, whilst cheques that are not used in connection with these facilities are only cashed by TMG when the instalments are due.

The first type of facility, which TMG has historically used, is a group of credit facilities and loan agreements with various banks for an aggregate amount of approximately LE 100 million (US$17.6 million). TMG uses post-dated cheques as security and collateral in connection with these agreements. Under this type of facility, TMG has discretion to determine which cheques to use as collateral and may utilise post-dated cheques in a series prior to delivery of the unit to the purchaser. The financing banks have recourse to TMG for the amount of their respective loans. See "Management Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources — Arab Company — Credit Facilities."

The newer type of facility enables TMG to sell, or factor, post-dated cheques to the financing banks at a discount approximating the amount of the embedded finance charge, which amount includes a charge for TMG's administrative costs relating to such financing arrangements. The financing banks are two of the largest banks in Egypt and the facilities have an aggregate availability of approximately LE 5 billion (US$878.3 million). To utilise the longer-term financing arrangements supported by these factoring facilities, credit checks are made and the results in relation to any potential purchaser must be acceptable to the bank before a sales contract for the unit can be executed.

Under these factoring facilities, which support sales in Madinaty and Al Rehab, TMG generally deposits into its own account all of the cheques in a series under these factoring facilities prior to the date of delivery of the unit (although TMG may use such cheques as collateral under the first type of facility). Under certain of these factoring facilities, amounts equal to 5.0 per cent. and 8.0 per cent. of the value of the cheques, after deduction of the discount, or factoring rate will be retained by the bank as security against collection of the value of the cheques. Under another facility, TMG has separately undertaken to pay the bank the value of any unpaid cheques. TMG may pay such amounts either by cash or by replacing the cheque(s) with other cheque(s) of the same value, or alternatively the bank may deduct such amount from accounts TMG maintains with the bank. As units at Madinaty and Al Rehab II have not yet been delivered, TMG has not yet drawn amounts under the factoring facilities. TMG is seeking to increase the aggregate amount available under this type of facility.

In addition to these two types of financing facilities, TMG is actively pursuing the future use of securitisation transactions as a further means of converting post-dated cheques to cash. Furthermore, in connection with recent amendments to Egyptian mortgage legislation, TMG and other development companies were permitted within a limited time period to obtain licenses to operate mortgage companies. A newly-formed company, Tayseer S.A.E., owned by TMG and its majority shareholder has applied for such a license. The owners of this company intend to seek investment from financial institutions diluting their ownership to a minority position and to retain either qualified staff or a third party management company to operate this mortgage company for the purpose of expanding the availability of mortgage financing to TMG's customers. See "— Strategy — Explore new financing techniques".

Although there have been few historical cases of default by purchasers of residential units from TMG, in these circumstances TMG has the contractual right to retain a percentage of the total purchase price for the unit to cover its administrative expenses. TMG has, in prior cases of default, found a new purchaser for the unit at the then-prevailing market price, which has to date exceeded the price agreed with the original purchaser. In accordance with its contractual obligations, TMG refunds all payments made by the original buyer in excess of the penalty fee over the same period of time as the payments were made by the original purchaser. In these cases, TMG has agreed with the relevant bank to substitute the post-dated cheques of the new buyer for those of the defaulting buyer. As property values have been consistently rising during the period for which these financing arrangements have been available, TMG has made the banks whole in order to promote the future availability of these arrangements, but has retained both the administrative expense amount and the amount of the increase in the purchase price paid by the new buyer.

Maintenance service charge

In addition to the purchase price for each unit, TMG collects an amount equal to 5.0 per cent. of the purchase price from each purchaser of a unit in its city and community complexes to fund, and as security for payment of, service charges. TMG deposits this amount and uses the interest to cover the costs of maintaining the infrastructure of and common areas in its city and community complexes, the provision of basic services such as garbage collection and security, and capital expenditures for improvements and other expenses. While in past years, including over the 18-year lives of the Al Rawda Al Khadra Village and Virgenia Beach complexes, the interest on the service charge has covered the majority of these costs, each homeowner is from time to time required to pay additional amounts to cover any maintenance expenses in excess of the amounts generated by the service charge deposit. In the event of non-payment of any such additional assessments, TMG or any other management company that may succeed it as the manager of a project has the contractual right to withhold the provision of essential services to which the service fee relates. In accordance with the preliminary sales contracts entered into with the State, by which the land for the city and community complexes is acquired, TMG is required to maintain the land allocated to it in accordance with certain standards. TMG, however, generally maintains the common areas at a level that goes beyond that required of it under its preliminary sales contracts and has chosen to do so in order to ensure the quality of its developments on a long-term basis and maintain its reputation.

Hotel complexes

Four Seasons is responsible for the marketing of the hotel components of TMG's three operating hotels pursuant to the terms of the management agreements. However, TMG conducts direct sales of the residential units comprising the residential components of these complexes. TMG has a team of 17 employees who work on a full-time basis in the sales and marketing department to sell residential units in these complexes.

Competition

Competition in the real estate development business in Egypt and the MENA region is highly fragmented. TMG's city and community complexes face competition from a number of new residential developments on the outskirts of Cairo built by various local developers. While none of these local developers are of the size or magnitude of TMG, TMG expects to face new competition from developers from Saudi Arabia and other countries in the MENA region who have entered or may enter the Egyptian property market. Some of these developers may have greater financial resources than TMG or be able or willing to accept more risk than TMG can prudently manage. Competition generally may increase the bargaining power of the State and others seeking to sell properties and reduce the number of suitable investment opportunities offered to TMG. Competition could also lead to an oversupply of residential properties and resulting price competition in relation to sales of TMG's residential units.

The hotel industry is highly competitive. TMG's hotels compete for guests with other hotels and visitor accommodations in Egypt. Competitive advantage is based on a number of factors, including level of service, quality of accommodation, location, brand affiliation, room rates, and a range of services and guest amenities. TMG's hotels may face competition in the future from new hotels opened in Egypt to be operated under various brands in the luxury and first class segment. Increased competition could have a material effect on the occupancy rate and average room rate at TMG's hotels or may require TMG to provide additional amenities or make capital improvements that it otherwise would not have to make, which may reduce TMG's profitability. Management believes that TMG's operating hotel properties enjoy competitive advantages associated with their locations and operation under the Four Seasons brand system, which should enable TMG's operating hotel properties to perform favourably in terms of occupancy rate and average room rate.

Future Developments in the MENA Region

TMG is seeking to replicate the success of its Egyptian city and community complexes in Saudi Arabia, having entered into a joint venture partnership with a local developer to develop a city and community complex in each of Riyadh and Jeddah. See "— Description of Properties and Projects — City and Community Complexes — Saudi Joint Venture" above. TMG has had a sales office in Saudi Arabia since 1991, has developed a number of contacts in, and knowledge of, the Saudi market, and has also conducted market research on the viability of city and community complexes there. Management believes that since the Saudi real estate market shares many characteristics with the Egyptian market, including a stable legal environment and favourable demographics, it is an attractive market for residential real estate developments. TMG intends to largely replicate its existing sales model in Saudi Arabia, by using the same selling techniques and requiring payment of the full construction cost of units in advance of delivery of the units. See "— Sales and Marketing".

When designing developments in other countries, TMG intends to tailor its plans to accommodate local requirements and customs that would make the development more attractive to the local population.

Employees

As at 30 September 2007, TMG had 2,025 full-time employees, as compared to 1,779, 1,580 and 1,146 as at 31 December 2006, 2005 and 2004, respectively. These numbers exclude the employees working in the hotel and resort complexes. Pursuant to the hotel management agreements with Four Seasons, hotel employees are employed on behalf of TMG's subsidiary companies and all liabilities for hotel employees are borne by TMG, and TMG approves the appointment of certain senior employees, including the general manager. All aspects of the employer-employee relationship, including the recruitment, engagement, training, negotiation of collective bargaining agreements, establishment of salaries and discharge, of these employees, are managed by Four Seasons.

TMG has recently adopted an incentive scheme for members of its management and senior employees, which is subject to approval of the CMA. The incentive scheme includes a one-time grant of fully-vested Shares to certain employees. The total value of Shares to be granted will not exceed an aggregate amount of LE 37.3 million (US$6.6 million) number of Shares to be granted and the number granted to each designated employee will be based on that employee's individual performance and length of employment with the Group. These one-time grants have not yet been made. The scheme also provides for long-term incentive compensation in the form of an annual award of Shares to certain employees (the "Annual Award Shares"). The Annual Award Shares will vest over a period of three years from the date of each grant. The number of Annual Award Shares to be granted to an employee is based on that employee's individual performance and the Company's performance. The Company will issue the Annual Award Shares to its employees from Shares authorised in future capital increases. The total number of shares to be allocated under the incentive scheme may not exceed 1.0 per cent. of the current issued capital of the Company.

Property and Facilities/Offices

As discussed above, TMG has a sizeable land bank in various stages of development. See "— TMG's Real Estate Development Business Model" above.

TMG's headquarters are located at 34-36, Mosadak St, Dokki, Cairo, Egypt. Certain of TMG's operating companies share ownership of its headquarters building and the associated land. Management believes that TMG's current facilities are adequate for its present and expected future operations.

Regulatory Matters

TMG's operations are subject to national and local laws, some of which require that TMG maintain certain governmental permits and licenses. Certain of these permits and licenses, including tourism permits used in the operation of the Four Seasons hotels, are scheduled to expire in December 2007 and the renewal process for these permits is underway.

Intellectual Property Rights

The trademarks for TMG's logo and relating to TMG's various city and community complexes are the property of TMG. Applications for registration for logos for the following names or projects have been submitted to the Egyptian Trademark Authority: TMG, Madinaty, San Stefano, Al Rabwa, Nile Plaza and Al Rehab. The Four Seasons® Hotels and Resorts trademark, trade name and related logos are the property of Four Seasons Holdings Inc., through its subsidiaries. The Four Seasons management and related agreements license the use of these trademarks, trade names and logos in connection with the operations of TMG's Four Seasons branded hotels.

Information Technology

TMG currently operates a corporate computer network. TMG is in the process of deploying across the Group an automated enterprise resource planning system known as "MySAP ERP", which is a unified corporate communication system that is expected to provide an integrated computer network and a unified accounting system to generate corporate level reports combining data from each subsidiary within TMG. It is also expected to include an internal controls function. For the year ended 31 December 2006, Management estimates that TMG spent approximately LE 3.4 million (US$0.6 million) on upgrading its information technology systems. Management expects that during 2007, TMG will spend approximately LE 8.0 million (US$1.4 million) on information technology.

Legal Proceedings

In 2006, Kingdom Holding Company ("Kingdom") brought proceedings in the Egyptian courts against the General Authority for Investments and Free Zones, the State body exercising regulatory oversight of companies organised under the Egyptian Companies Law, relating to the transfers by Mr Talaat Mostafa and other shareholders of their holdings in Alex and Saudi Company for Tourism Projects S.A.E. ("Alex Saudi") to ICON. Kingdom alleges that these transfers gave rise to a right of first refusal in its favour to purchase those shares which should have been extended to it before the transfers to ICON were concluded. Alex Saudi and Mr Talaat Mostafa have joined the case as further parties in interest. TMG believes that there are meritorious defenses to these claims.

TMG is party to a number of litigation proceedings arising in the ordinary course of its business. However, TMG has not been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which TMG is aware) during the last 12 months which have had, or which it expects in the future may have, a material adverse effect on its financial position or profitability.

Insurance

The Company believes that TMG's insurance coverage for all material aspects of its operations is comparable to or in excess of that of Egyptian companies operating in the same sectors in which TMG operates. Insurance for each portion of TMG's city and community complexes under development is provided by the construction companies contracted for the relevant portion of the project, as required by Egyptian law. Under Egyptian law, both the construction contractor and the architect are jointly liable for any harm or loss caused by any defect in the construction for ten years from the date the construction is completed. TMG does not maintain insurance coverage for the leisure clubs, malls and other infrastructure at its city and community complexes.

Pursuant to TMG's hotel management agreements with Four Seasons, Four Seasons is largely responsible for obtaining and maintaining insurance on TMG's hotel and resort complexes against property, liability, operational and business interruption risks at TMG's cost and on its behalf. In some cases, TMG may obtain and maintain certain types of insurance directly. Insurance policies on its hotel properties are purchased, whether by it or its management companies, from insurers that are internationally recognised and that meet established solvency criteria. The amount of insurance purchased varies according to an estimation of the maximum foreseeable loss, which is, in turn, based on the current market replacement cost and the potential loss of revenue due to a disruption in operations. TMG believes that its insurance programmes in force at present provide satisfactory coverage.

In addition to the types of insurance described above, the Four Seasons Resort Sharm El Sheikh, Four Seasons Hotel Cairo at Nile Plaza and Four Seasons Hotel Alexandria at San Stefano and all commercial and common areas surrounding these hotels and any unsold residential units that are part of these hotel and resort complexes are covered for a portion of any damage and business interruption that might be incurred as a result of terrorism activities. Based on the advice of insurance consultants engaged by it, TMG has not obtained terrorism insurance covering the full replacement value of the properties given the levels of security and other physical characteristics of the properties.

MATERIAL CONTRACTS

The following are contracts that have been entered into by the Company or members of the Group that contain provisions under which the Company and/or member of the Group have an obligation or entitlement that is material to the Group as at the date of this offering circular.

Preliminary Sales Contracts

Madinaty Preliminary Sales Contract

On 1 August 2005 Arab Company entered into a preliminary sales contract, as modified by a supplement entered into on 21 December 2005 (the "Madinaty Agreement"), with the New Urban Communities Authority, the Egyptian governmental entity responsible for constructing new urban communities in Egypt (the "Authority"). The Madinaty Agreement provides for the allocation to Arab Company of an area of land comprising 33.6 million square metres (the "Madinaty Land") and the right of Arab Company to develop the Madinaty Land. The Madinaty Land is to be developed in accordance with a master plan submitted by Arab Company to the Authority for its approval (the "Madinaty Master Plan"). The Madinaty Master Plan, which was subsequently approved by the Authority, provides for the development of a residential community (the "Madinaty Project") that will include not only residential units, but also commercial buildings, utilities, service areas and landscaped areas, and the Madinaty Project will be completed in eight phases. Any amendments to the Madinaty Master Plan must be approved by the Authority. Subject to certain conditions, Arab Company may sell up to 40.0 per cent. of the Madinaty Land as vacant land. The Madinaty Agreement is for a term of 20 years, and is renewable for an additional five years. The term may be extended for a further five years provided that Arab Company has delivered all residential units due as payment in kind during the original 25-year period, as discussed below.

Arab Company construes the terms of the contract as requiring it to make an in-kind payment consisting of an area of residential units equal to 7.0 per cent. of the maximum residential space that would be capable of development under applicable building codes and regulations (which relate to such matters of open space, height of buildings, density and the requirements for certain public amenities) on the land to be developed, regardless of whether such development will actually be for commercial or residential use. The final number of units to be delivered as payment is subject to negotiations and agreement between Arab Company and the Authority. Arab Company is able to select the units it uses to make the payment-in-kind for each phase.

If the Authority determines that Arab Company has not made satisfactory progress under the Madinaty Master Plan, or if the Authority determines that Arab Company does not have financial capability to complete the Madinaty Project, it is entitled to reduce the area of the Madinaty Land accordingly. However, the Authority has historically been flexible in enforcing this right and TMG believes that in practice any such reduction would take place only after negotiations with the Authority.

Title to the Madinaty Land will be registered to Arab Company on a phase-by-phase basis. Upon completion of a phase of the Madinaty Project, the land comprising that phase will be registered to Arab Company when delivery of the units corresponding to the in-kind payment for the completed phase has been made to the Authority. The Authority retains the right to reclaim any portion of the Madinaty Land not registered to Arab Company and the land and buildings thereon until the in-kind payments due under the Madinaty Agreement have been delivered to the Authority.

Al Rehab II Preliminary Sales Contract

On 22 March 2005 Arab Company entered into a preliminary sales contract (the "Al Rehab II Agreement") with the Authority. The Al Rehab II Agreement provides for the allocation to Arab Company an area of land comprising approximately 3.8 million square metres (the "Al Rehab II Land") and the right of Arab Company to develop the Al Rehab II Land. The Al Rehab II Land is to be developed in accordance with a master plan submitted by TMG to the Authority for its approval (the "Al Rehab II Master Plan"). The Al Rehab II Master Plan, which has subsequently been approved by the Authority, provides for the development of a residential community (the "Al Rehab II Project") that will include not only residential units, but also commercial buildings, utilities, service areas and landscaped areas. Any amendments to the Al Rehab II Master Plan must be approved by the Authority. The Al Rehab II Agreement is for a term of eight years.

The purchase price for the Al Rehab II Land is an in-kind payment comprising 12.0 per cent. of the total area allocated to residential buildings and the land they are built on, provided that any buildings on the land are deemed residential buildings for the purpose of calculating the in-kind payment.

Title to the Al Rehab II Land will be registered to Arab Company on a phase-by-phase basis when delivery of the apartments corresponding to the in-kind payment for the corresponding phase has been made to the Authority. The Authority retains the right to reclaim any portion of the Al Rehab II Land not registered to Arab Company and the land and buildings thereon until the in-kind payments due under the Al Rehab II Agreement have been delivered to the Authority, or in case of a material breach by Arab Company of the Al Rehab II Agreement or the Al Rehab II Master Plan.

Saudi Joint Venture Agreement

On 29 January 2007, Arab Company entered into a joint venture agreement with the Saudi Joint Venture Partners. The joint venture agreement provides that Arab Company and the Saudi Joint Venture Partners are to establish a new joint-stock company in Saudi Arabia that will be known as Thabat for the purpose of developing residential, commercial and administrative complexes in Saudi Arabia. Thabat is to have an issued capital of 300.0 million Saudi Riyals. For the time being and until Thabat is established, Arab Company and the Saudi Joint Venture Partners are participating in an existing Saudi limited liability company named Areez Arabian Limited, with Arab Company holding a 50.0 per cent. interest and the Saudi Joint Venture Partners holding a 50.0 per cent. interest. The Saudi Joint Venture Partners have purchased 3.0 million square metres of land in Riyadh, with the intention of selling the land to Thabat once it is established. The Saudi Joint Venture Partners are in the process of acquiring a land block in Jeddah, again with the intention of selling the land to Thabat once it is established. Design plans for the city and community complex in Riyadh are being developed.

Construction Contracts

Arab Company

On 29 December 2005, Arab Company entered into a contract with Alexandria for Construction Company, an entity in which certain shareholders of the Company have an interest, for the installation of utilities in certain buildings as part of Phase IV of the Al Rehab I project for consideration of LE 15.9 million (US$2.3 million) on an instalment basis over the course of the construction work. The scheduled completion date for the work is 30 November 2007. Arab Company retains the right to modify the scope of the project, provided the value of the contract does not vary from the original agreed value by more than 25 per cent. The contract provides for a delay penalty, calculated according to an agreed amount for each day of delay, but not exceeding 10 per cent. of the contract price.

In June 2007, Arab Company entered into two construction contracts with Alexandria for Construction Company, an entity in which members of the Talaat Mostafa family have a significant interest, for the construction of buildings in Madinaty and villas in Al Rehab II for LE 1,594.0 million (US$280.0 million) and LE 84.4 million (US$14.8 million), respectively. Arab Company retains the right to modify the scope of the project, provided the value of the contract does not vary from the original agreed value by more than 25 per cent. The contracts provide for delay penalties, calculated according to an agreed amount for each day of delay, but not exceeding 10 per cent. of the contract price.

Alexandria Real Estate

In 2006, Alexandria Real Estate entered into a contract with Alexandria for Construction Company, an entity in which certain shareholders of the Company have an interest, for the construction of 16 villas at Al Rabwa II for consideration of LE 11.2 million (US$2.0 million) on an instalment basis over the course of the construction work. The term of the contract is 24 months. Alexandria Real Estate retains the right to modify the scope of the project, provided the value of the contract does not vary from the original agreed value by more than 25 per cent. The contract provides for a delay penalty, calculated according to an agreed amount for each day of delay, but not exceeding 10 per cent. of the contract price.

On 28 June 2006, Alexandria Real Estate entered into a contract with Alexandria for Construction Company, an entity in which certain shareholders of the Company have an interest, for the construction of 105 villas at Al Rabwa II for consideration of LE 75.3 million (US$13.2 million) on an instalment basis over the course of the construction work. The term of the contract is 24 months. Alexandria Real Estate retains the right to modify the scope of the project, provided the value of the contract does not vary from the original agreed value by more than 25 per cent. The contract provides for a delay penalty, calculated according to an agreed amount for each day of delay, but not exceeding 10 per cent. of the contract price.

City and Community Complex Management Agreements

On 5 March 2004, Alexandria Real Estate entered into a management agreement with Arab Company, whereby Alexandria Real Estate manages Al Rehab I and II for five years ending on 1 January 2009 for consideration of 6 per cent. of the total sales value of units sold, to be paid on a quarterly basis. The agreement provides for extending the payment schedule if Arab Company lacks liquidity. The contract is renewable automatically unless notice of termination is given by one of the parties. On 18 February 2007, this arrangement was extended to the Madinaty project through a resolution of the board of Arab Company on the same terms and the same fees.

On 1 January 2006, Alexandria for Urban Development entered into a management agreement with Alexandria for Project Management S.A.E., an entity in which certain employees of TMG are shareholders, whereby it manages the Al Rabwa private leisure club for consideration of 15.0 per cent. of the net operating income, defined as the difference between total income and actual expenses, in addition to 4.0 per cent. of the rental value of the club for marketing activities. The term of the contract is 5 years, renewable automatically unless notice of termination is given by one of the parties.

On 1 January 2006, Alexandria for Urban Development entered into a management agreement with Alexandria for Project Management S.A.E., an entity in which certain employees of TMG are shareholders, whereby it manages the May Fair private leisure club for consideration of 15.0 per cent. of the net operating income defined as the difference between total income and actual expenses, in addition to 4.0 per cent. of the rental value of the club for marketing activities. The term of the contract is 5 years, renewable automatically unless notice of termination is given by one of the parties.

On 1 January 2005, Alexandria Company for Real Estate Investment S.A.E. entered into a management agreement with Al Rabwa Company for Entertainment, Cultural and Sports Services S.A.E. ("Al Rabwa Entertainment"), an entity in which certain shareholders of the Company have an interest, whereby Al Rabwa Entertainment operates, manages and maintains the Al Rabwa project, with the exception of the leisure club, using a service fee collected by it from owners, for which the manager is entitled to a fee equal to 5.0 per cent. of the value of contracts entered into by it in relation to the operation and maintenance of the project. The contract is for a term of two years, renewable automatically unless written notice of termination is given by one of the parties.

On 1 January 2005, Alexandria for Urban Development entered into a management agreement with May Fair for Entertainment, Cultural and Sports Services S.A.E. ("May Fair Entertainment"), an entity in which certain shareholders of the Company have an interest, whereby May Fair Entertainment operates, manages and maintains the May Fair compound, using a service fee collected by it from owners, for which the manager is entitled to a fee equal to 5.0 per cent. of the value of contracts entered into by it in relation to the operation and maintenance of the project. The contract is for a term of 2 years, renewable automatically unless written notice of termination is given by one of the parties.

On 1 January 2006, Arab Company entered into a management agreement with Al Rehab Management S.A.E. ("Al Rehab Management"), an entity in which certain shareholders of the Company have an interest, whereby Al Rehab Management operates, manages and maintains the Al Rehab compound using a service fee collected by it from owners, for which the manager is entitled to a fee equal to 5.0% of the value of contracts entered into by it in relation to the operation and maintenance of the project. The contract is for a term of two years, renewable automatically unless written notice of termination is given by one of the parties.

On 1 January 2006, San Stefano for Tourism Investments entered into a management agreement with Alexandria for Project Management S.A.E., an entity in which certain employees of TMG are shareholders, whereby Alexandria Company for Project Management supervises the operation, management and maintenance of the commercial centre at San Stefano. Alexandria for Project Management also markets vacant store units and is responsible for insurance coverage for third-party liability and for negligent acts by its employees. Under the terms of the agreement, Alexandria for Project Management receives a fee of up to LE 50,000 (US$8,783) per month, 60.0 per cent. of which is paid annually in advance, with the other 40.0 per cent. is an incentive component paid quarterly if certain targets are met. The monthly fee is increased annually by 5.0 per cent. In addition, Alexandria for Project Management receives 4.0 per cent. of the lease revenue for each store unit it leases during the term of the agreement. The agreement is for a term of five years and eight months, renewable automatically. San Stefano for Tourism Investments may terminate the agreement without notice if Alexandria for Project Management breaches the agreement, is declared bankrupt, or fails to achieve certain sales targets.

Other Management Agreements

On 18 January 2004, Alexandria Real Estate entered into a management agreement with San Stefano Real Estate, pursuant to which Alexandria Real Estate is responsible for the management of San Stefano Real Estate, including all technical, financial, administrative, legal and commercial functions. The fee consists of 5 per cent. of the sales achieved, calculated quarterly. An identical agreement was entered into between Alexandria Real Estate and San Stefano Tourism.

Hotel Management Agreements

The Group's hotel management relationships with Four Seasons are, each governed by a set of hotel management and related agreements, each pertaining to a distinct aspect of the management of the subject hotel property. The terms of the management agreements relating to the operation of the hotel are for an initial term of 15 years, with Four Seasons having the option in its sole discretion to extend the agreements for another three terms, each of 15 years. Pursuant to these agreements, Four Seasons receives fees that are either lump sum consulting fees, fees expressed as a percentage of gross hotel receipts (including a base fee of 2.25 per cent. of revenue) or incentive fees that range from 5.0 per cent. to 11.0 per cent. expressed as a percentage of adjusted hotel gross operating profit. The Four Seasons are entitled to a further 0.75 per cent. of the sale price of any residential units sold. TMG believes that the terms of these agreements are in line with market practice.

Under the agreements, Four Seasons is responsible for the payment on the Group's behalf of real estate and property taxes and repair and maintenance, utility, insurance and employee related expenses. Four Seasons is obliged to maintain the property in good repair and condition and to make or cause to be made routine repairs and minor alterations it determines to be necessary or required pursuant to the terms of the management agreements. Four Seasons may, with the Group's prior written approval, make more extensive improvements to the property. The management agreements require Four Seasons to furnish certain services that are generally made available to other hotels and resorts managed by Four Seasons, including the instalment and operation of computer systems and reservations services, management and administrative services, marketing and sales services, and such additional services as may from time to time be more efficiently performed on a national, regional or group level. During the term of the management agreements, the service marks, symbols and logos currently used by Four Seasons may be used in the operation of the hotel.

The management agreements may be terminated by either party upon the occurrence of, among other things, an event of default (such as the bankruptcy of the other party or a material breach by it of the management agreement) or by the Group in the event that the hotel suffers damage that is not insured and its repair exceeds 20.0 per cent. of the replacement cost of the hotel. If the damage is insured and its replacement cost exceeds 20.0 per cent. of the replacement cost of the hotel, then the Group may terminate in the final three years of the term, provided Four Seasons has not exercised its option of extending the term. If a hotel under management by Four Seasons does not meet its planned budget for two consecutive years, the Group may terminate the management agreement for that hotel. In addition, the management agreements provide Four Seasons with a consent right in the event that the Group wishes to assign or dispose of its interest to persons who are involved in the business of operating luxury hotels.

The management agreements generally do not allow Four Seasons to assign its interest in the management agreements without the Group's prior consent, other than to an affiliate or in the event of a change of control of Four Seasons resulting from sales of its publicly traded shares.

Indebtedness

City and Community Complexes

For information on the indebtedness of each of the Operating Companies, see "Management Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources — Arab Company — Credit Facilities", "Management's Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources — San Stefano Real Estate — Credit Facilities" and "Management's Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources — Alexandria Real Estate — Credit Facilities". See also "Description of TMG — Sales and Marketing — Sales terms and financing arrangements".

Hotel and Resort Complexes

From time to time, the Nile Hotel Company, Alex Saudi, Nova Park, San Stefano Real Estate and San Stefano Tourism have entered into financing arrangements with regional banks for hotel construction and refurbishment and general working capital purposes. The various loans bear interest at fixed rates ranging from 6.0 per cent. to 13.0 per cent., or at variable rates linked to LIBOR or the prevailing rate of the Central Bank of Egypt.

In relation to these financing arrangements, there are real estate mortgages over the land and building of the Nile Hotel, the hotel at the Four Seasons Resort at Sharm El Sheikh (but not the villas, chalets or underlying land), the

Four Seasons Cairo at Nile Plaza and the land for the San Stefano development projects and the buildings that are, or will be, erected thereon. Furthermore, there are commercial mortgages over the assets of the Nile Hotel Company, Alex Saudi and Nova Park.

The financing arrangements contain typical negative covenants in relation to asset disposals, incurrence of additional debt and maintenance of satisfactory insurance over the real estate assets.

MANAGEMENT

Board of Directors

The Company is governed by a Board of Directors. Directors are elected for a term of three years or until their successors are elected and qualified. The current directors, however, were elected for an initial term of five years. The following table sets forth the members of the Board of Directors of the Company.

Name	Age	Position
Hisham Talaat Mostafa	48	Executive Chairman(1)
Tarek Talaat Mostafa	55	Representative Director(2)
Hany Talaat Mostafa	52	Representative Director(2)
Ali Abdallah Ali	63	Representative Director(2)
Yehia Mohamed Awad Bin Laden	58	Representative Director(2)
Omar Mohamed Awad Bin Laden	57	Representative Director(2)
Maoud Hassanein El Habashi	65	Representative Director(2)
Mahmoud Mohamed Mahmoud	77	Non-Representative Director(3)
Mohamed Hashem El Sherief	55	Non-Representative Director(3)
Hany Sarie El Din	43	Non-Representative Director(3)
Hossam Abdallah Helal	49	Prospective Non-Representative Director(4)

(1) Mr Hisham Talaat Mostafa is also the Managing Director of the Company, with overall responsibility for executive management. Appointed on 28 October 2007 by resolution of an Extraordinary General Meeting.

(2) A representative director is nominated by a certain shareholder. With the exception of Ali Abdallah Ali, all representative directors are non-executive directors. Appointed on 28 October 2007 by resolution of an Extraordinary General Meeting.

(3) A non-representative director does not represent any particular shareholder. All non-representative directors are non-executive directors. Appointed on 28 October 2007 by resolution of an Extraordinary General Meeting.

(4) Mr Helal was appointed on 28 October 2007 to serve as a non-representative director by resolution of an Extraordinary General Meeting. His appointment, however, has been deferred pending completion of a consultancy arrangement between the Company and Grant Thornton Mohamed Hilal, the accounting firm of which he is a partner. The Executive Chairman has undertaken to recommend to the Board of Directors that Mr Helal be appointed to the Board after the consultancy arrangement has ended.

According to the Statutes and Egyptian Companies Law, the primary functions of the Board of Directors are to manage the Company and undertake all matters not reserved by the Egyptian Companies Law and the Statutes to the general meetings of the Shareholders. The authority of the Board of Directors includes the following:

- appoint the chairman from among its members;
- appoint one or more managing directors from among its members;
- appoint one or more committees to undertake specific tasks from among its members;
- delegate powers to the Executive Chairman, managing directors and/or committees;
- review and approve the Group's consolidated financial statements for submission to the Ordinary General Meeting of the Company; and
- ensure that the Board's composition, structure, policies and processes meet all relevant legal and regulatory requirements, including applicable corporate governance standards.

Egyptian Companies Law gives the Board of Directors broad powers to manage the Company, which powers include the following:

- review and approve the multi-year business plan and annual budget of the Group;
- review and approve major Group transactions and investment projects of the Group;
- ensure high standards of Group leadership and executive management succession planning;
- approve the remuneration policy for the Group and all stock-related compensation schemes based on recommendations of the Nomination and Remuneration Committee;
- ensure that the Group maintains an effective system of internal controls designed to insure the integrity of all financial and non-financial disclosures based on the recommendations of the Audit Committee; and
- ensure that the Board's composition, structure, policies and processes meet all relevant legal and regulatory requirements, including applicable corporate governance standards.

Board of Directors' Biographies

Hisham Talaat Mostafa was appointed a director of the Company in April 2007 and Executive Chairman in May 2007. He has been the Chairman of each of the Operating Companies since 2002 and of certain other companies operating in the real estate sector in which the Talaat Mostafa family has significant holdings. Prior to that time he acted as an accountant from 1980 to 1983, a board member from 1983 to 1984 and a Managing Director from 1984 to 2002 of each of the Operating Companies and other of these companies. He is also a director of various companies operating in the agricultural and construction sectors in which the Talaat Mostafa family has significant holdings. He received a Bachelor of Commerce degree from the University of Alexandria in 1980.

Tarek Talaat Mostafa was appointed a director of the Company in October 2007. He has been the Chairman of Alexandria for Construction Company and certain other companies operating in the construction sector in which the Talaat Mostafa family has significant holdings since the early 1970s. He is also a director of various companies operating in the agricultural and real estate sectors controlled by the Talaat Mostafa family. He is an elected member of the Egyptian Parliament. He received a Bachelor's degree in Civil Engineering from the University of Alexandria in 1975.

Hany Talaat Mostafa was appointed a director of the Company in April 2007. He is also Chairman of Alexandria Agricultural Company and certain other companies operating in the agricultural sector in which the Talaat Mostafa family has significant holdings since 2002. Prior to that time he acted as an engineer from 1978 to 1981, a board member from 1981 to 1982 and a Managing Director from 1982 to 2002 at Alexandria Agricultural Company and other of these companies. He is also a director of various companies operating in the real estate and construction sectors in which the Talaat Mostafa family has significant holdings. He received a Bachelor of Civil Engineering degree from the University of Alexandria in 1978.

Ali Abdallah Ali was appointed a director of the Company in October 2007. He has been a Vice President for Investments of one of the Operating Companies since 2000. Prior to that time he was a Vice President of Faisal Bank focusing on real estate financing. He received a Bachelor of Commerce degree from the University of Cairo in 1961.

Yehia Mohammed Awad Bin Laden was appointed a director of the Company in April 2007. He is also a director of Arab Cement Company Limited, Teba Company for Investment and Real Estate Developments, White Cement Company, Al-Azezeya for Investment and Real Estate Developments, Jeddah Holding Company for Developments and Orax Company, all of which are companies controlled by Bin Laden family. He received a Bachelor of Industrial Engineering degree from Northeastern University, Boston, Massachusetts.

Omar Mohamed Bin Laden was appointed a director of the Company in October 2007. He has also been the Chairman of the Real Estate Group since 2002 and prior to that time was a director and Chief Executive of Asia Pacific and a General Manager for the Contracting Division the Mohd Binladin Company, which is a company controlled by the Bin Laden family. He received a Bachelors Degree in Civil Engineering from the University of Miami in 1974.

Maoud Hassanein El Habashi was appointed a director of the Company in October 2007. He is the Chairman and Managing Director of Misr Insurance Company. He is also a board member of the Faculty of Commerce of Cairo University, the Central Egyptian Bank and Egyptian-Gulf Bank. He received a Bachelors degree in Commerce in 1964 a Masters degree in commerce in 1972 and a doctorate in Philosophy in 1977, all from Cairo University.

Mahmoud Mohamed Mahmoud was appointed a director of the Company in October 2007. He is also a consultant to TMG. He was a board member of The Egyptian Central Bank from 2000 to 2003, a board member of the Egyptian Highest Council of Exportation in 1999, Highest Council of Investment in 1998, Shura Council between 1992 and 1998, Holding Company for Tourism in 1992 and the Public Authority for Tourism Developments in 1992. He received both a Bachelors degree in Commerce and a post-graduate diploma in Tax Accounting from Cairo University in 1951.

Mohamed Hashem El Sherief was appointed a director of the Company in October 2007. He has been a professor of Management Administration at the American University in Cairo since 1985. He was also the Deputy President at The American University in Cairo from 1991 to 1994. He received a Bachelors degree in Military Science and Engineering from the Egyptian Military Technical College in 1975, a Masters degree in Computers and Automatic Control from Alexandria University in 1978 and a Doctorate in Administration and Engineering from Massachusetts Institute of Technology in 1982.

Hany Sarie El Din was appointed a director of the Company in October 2007. He has been a Professor of Law at Cairo University since 2001. He was Chairman of the Egyptian Capital Markets authority for two years ending in June 2007. Prior to that he was a practicing lawyer. He received a Bachelors degree in law from Cairo University in 1995 and a doctorate in law from Queen Mary College, London in 1999.

Hossam Abdallah Helal has been proposed to become a director of the Company. He is also the Managing and International Practice Partner for Grant Thornton Mohamed Hilal, an accounting firm. He has worked for this firm and its predecessors and related firms since 1975. He received his Bachelor of Commerce Degree from the University of Cairo in 1975.

Board Committees

The Board of Directors has an Audit Committee and a Nomination and Remuneration Committee, as set forth below.

Audit Committee

As required by CASE Listing Regulations, the Company has an Audit Committee composed of three non-executive directors. The Audit Committee is accountable to the Board of the Company and not to executive management of the Company. Mr Mahmoud and Mr El Sherief are the existing two members of the committee, having been appointed on 28 October 2007. The Executive Chairman has undertaken to recommend to the Board of Directors that Mr Helal be appointed as chair of the Audit Committee upon his appointment to the Board.

The primary functions delegated by the Board to the Audit Committee are to assist the Board of Directors in fulfilling its oversight responsibilities as regards:

- inspection and review of the internal audit procedures of the Company. The Company intends to include review of related party transactions in the internal audit process;
- inspection and review of the accounting standards applied in the Company and any changes resulting from the application of new accounting standards;
- inspection and review of the internal audit procedures, plans and results;
- inspection and review of the periodic administrative information that is presented to the different levels of management and the methods of such preparation and timing of submission;
- inspection of the procedures that are followed in the preparation and review of the following: (a) the periodic and annual financial statements; (b) the public or private placement circulars for offerings of securities; and (c) the estimated budgets, including the estimated cash flows and income statements;
- ensuring the implementation of appropriate audit procedures in order to protect the assets of the Company and undertaking periodic evaluations of these procedures to ensure conformity by the Company with applicable accounting and audit rules and preparing a report, on a periodical basis, on the adequacy of those procedures. The Audit Committee must ensure that the Company's management are following the recommendations of the Company's auditor and the CMA; and
- any other functions that the Board may deem necessary for the benefit of the Company.

The Executive Chairman of the Board has instructed the Audit Committee to adopt policies pursuant to this delegation which specify thresholds above which the approval of the Audit Committee will be required before the Company can enter into related party transactions.

The Board of Directors is required to adopt the Audit Committee's recommendations within 15 days of receiving notice of such recommendations. If the Board does not follow the recommendations, the chairman of the Audit Committee must notify both the CMA and CASE.

Nomination and Remuneration Committee

On 28 October 2007, the Board of Directors of the Company approved a set of principles in order to promote sound corporate governance (the "Corporate Governance Principles"). Pursuant to the Corporate Governance Principles, the Company has established, in addition to the required Audit Committee, a Nomination and Remuneration Committee, which is required to comprise no fewer than three members, at least two of whom must be non-executive directors of the Company. The Nomination and Remuneration Committee is accountable to the Board of the Company and not to executive management of the Company. Mr Sarie El Din chairs the Nomination and Remuneration Committee and Mr Helal and Mr Mahmoud are the other two members of the committee, all of whom were appointed on 28 October 2007 and are non-executive directors of the Company.

Under the Corporate Governance Principles, the primary functions of the Nomination and Remuneration Committee are to:

- make recommendations regarding board membership nominations by the Board of Directors to the shareholders' meeting;
- perform periodic and ongoing reviews of whether the Directors have the requisite skills for the performance of their functions;
- evaluate the composition of the Board of Directors and make recommendations to the Board of Directors regarding the same for the Board of Directors to consider in proposals to the shareholders' meeting;
- ensuring on regular basis, the independence of non-executive members and the absence of conflicts of interest in cases where the member is also a member of the board of another company;
- make recommendations of clear policies for the remuneration of Directors and executive management and referring to those standards regarding their performance in assessing such remuneration; and
- make recommendations regarding compensation for Directors and executive management.

Fiduciary Duties — Related Party Transactions

The following summarises principles of the Egyptian Companies Law 159 for 1981 concerning related party transactions:

- Any bilateral contract between a company and any founder shareholder or board member of that company during the first five years of the company's existence must be authorised by the ordinary general meeting before the contract is entered into, unless the general meeting has previously authorised the Board to enter into related party transactions; failing which the contract will be deemed to be null and void.
- No board member or manager may engage in the same business activities as those of the company or any branch thereof without the prior authorisation of the ordinary general meeting; failing which the company will be entitled to compensation or to treat such competitive transactions as having been carried out for the account of the company.
- Where any matter to be considered by the board of a company involves or creates a conflict of interest between that company and any of its board members or managers, each such board member or manager must disclose such conflict to the board and refrain from voting on such matter. All such matters must be reported to the ordinary general meeting before any resolution relating to such matter is voted on by the ordinary general meeting.
- No board member or manager may enter into any bilateral contract on behalf of a company with a second entity of which the board member or manager is also a director, or in which a shareholder or shareholders of the company own the majority of the shares if the consideration for such contract is 20.0 per cent. or more below that which could be secured in an arm's length agreement, failing which the company or any interested party will have a right to compensation.

Grant of First Refusal Right by Mr Talaat Mostafa

Mr Talaat Mostafa has acknowledged in an undertaking to the Company that he is subject to the applicable provisions of Egyptian law creating fiduciary duties for directors. See "— Fiduciary Duties — Related Party Transactions". In the same undertaking he has agreed that for so long as he retains direct or indirect control over or an economic interest of 5.0 per cent. or more in the share capital of the Company, he will offer the Company the right to take up any direct or indirect investment opportunity identified by or offered to him in relation to city and community, hotel and resort or similar real estate projects in the MENA region. This undertaking does not apply to any such opportunity which relates to a direct or indirect interest of 10 per cent. or less of the share capital of any company in the business of development of city and community complexes, hotel and resort complexes or other similar real estate projects in the MENA region.

Investor Relations Officer

On 28 October 2007, the Board of Directors of the Company approved the appointment of Mr Jihad Alsawaftah as the Investment Relations Officer, with the following responsibilities:

- liaise with CASE;

- respond to the queries of the shareholders and investors; and
- distribute press releases containing details and information about the Company as required by CASE.

Executive Officers of the Company

The following table sets forth the principal executive officers of the Company:

Name	Age	Position
Hisham Talaat Mostafa	48	Managing Director
Jihad M. Alsawaftah	36	Chief Financial Officer

Biographical Information

Hisham Talaat Mostafa. See "—Board of Directors' Biographies."

Jihad M. Alsawaftah was appointed Chief Financial Officer of the Company in October 2007. Prior to this appointment, Mr Alsawaftah was the Vice-President, Financial Control and Information Technology with responsibilities for each of the Operating Companies from 2004 to 2007. Before joining TMG, Mr Alsawaftah worked with HRH Prince Alwaleed Bin Talal Bin Abdulaziz Al Saud and served, among other positions, as Group Financial Controller of Kingdom Hotel Investment Group and as Chief Financial Officer of Kingdom Planet Hollywood. Mr Alsawaftah holds a B.Sc. in Finance, Banking and Accounting from Yarmouk University, Jordan.

Senior Management

The following table sets forth the senior management of TMG:

Name	Age	Position
Ali Abdallah	63	Vice President for Banking and Real Estate
Ahmed Afify	59	Vice President for Madinaty Project Management
Ayman Ali	50	Vice President for Human Resources
Mohamed Atef	42	Vice President for Technical Affairs
Mohamed Ashraf Al Banna	51	Vice President for Operations
Gamal El Gindy	51	Vice President for Administration of the Chairman's Office
Sherif Ghoneim	59	Vice President for Sales and Marketing
Zaki El Guiziri	50	Vice President for Hotels and Business Development
Sabry Kamal	57	Vice President for Quality and Systems
Sami Mokhtar	64	Vice President for San Stefano Project
Maher El Nashar	49	Vice President for Finance
Nagi El Touny	52	Vice President for Touristic Projects

Biographical Information

Ali Abdallah is Vice President for Banking and Real Estate and has been employed by TMG since 2000. Prior to joining TMG, he was the Investment Development Manager for Faisal Islamic Bank for 20 years. Mr Abdallah holds a B.Sc. in Accounting.

Ahmed Afify is Vice President for Madinaty Project Management and has been employed by TMG since 1995. Prior to joining TMG, he was manager of the Alexandria branch of AMBRIC for four years, and prior to that was the general executing manager of a construction company in Saudi Arabia. Mr Afify holds a B.Sc. in Engineering.

Ayman Ali is Vice President for Human Resources and has been employed by TMG since 2005. Prior to joining TMG, he was a human resources consultant in Cairo for two years, after serving as the Human Resources Director of Derry Technological Services from 1998 to 2003. Mr Aly holds a B.Sc. in Accounting, as well as a M.B.A. and Master of Science in Human Resources from an American university.

Mohamed Atef is Vice President for Technical Affairs and has been employed by TMG since 2005. Prior to joining TMG, he was a project manager for Kingdom Investment Hotels Co from 2004 to 2005 and was a project manager for Bectel International from 1997 to 2004. Mr Atef holds a B.Sc. in Engineering.

Mohamed Ashraf Al Banna is Vice President for Operations and has been employed by TMG since 2005. Prior to joining TMG, he was a manager in the hotels department of Intercontinental Dubai after serving as a consultant of the Minister of Commerce in Malaysia. Mr Al Banna holds a B.A. from the America University in Cairo.

Gamal El Gindy is Vice President for Administration of the Chairman's Office and has been employed by TMG since 1983. Mr Gindy holds a B.Sc. in Accounting.

Sherif Ghoneim is Vice President for Sales and Marketing and has been employed by TMG since 1993. Prior to joining TMG, he was a sales manager for an international development company. Mr Ghoneim holds a B.Sc. in Engineering.

Zaki El Guiziri is Vice President for Hotels and Business Development and has been employed by TMG since 2004. Prior to joining TMG, he worked for Chase National Bank from 1980 until 1984 and then joined Misr America International Bank (a subsidiary of Bank of America) as General Manager for the Alexandria and Delta Area. Mr El Guiziri holds a B.Sc. in Economics from Alexandria University.

Sabry Kamal is Vice President for Quality and Systems and has been employed by TMG since 1995. He previously served as Area Sales Manager of Al Futtaim Motors (Toyota) for 14 years. Mr Kamal holds a B.Sc. in Accounting.

Sami Mokhtar is Vice President for San Stefano Project and has been employed by TMG since 1992. He holds a B.Sc. in Engineering.

Maher El Nashar is Vice President for Finance and has been employed by TMG since 1984. He holds a B.Sc. in Accounting and a M.B.A.

Nagi El Touny is Vice President for Touristic Projects and has been employed by TMG since 1997. He holds a Diploma of Hospitality.

Compensation of Directors and Executive Officers

Since TMG was incorporated in April 2007, the first financial period to reflect director and executive management compensation at the Company level will be the year ending 31 December 2007. Any such compensation will be determined by the Board, on the advice of the Nomination and Remuneration Committee.

The compensation of all senior management and directors of Arab Company for services in all capacities was LE 14.8 million (US$2.6 million), LE 14.6 million (US$2.6 million) and LE 69.0 million (US$12.1 million) for the years ended 31 December 2004, 2005 and 2006, respectively and LE 36.7 million (US$6.4 million) for the six months ended 30 June 2007.

The compensation of all senior management and directors of San Stefano Real Estate for services in all capacities was LE 7.2 million (US$1.3 million), LE 11.9 million (US$2.1 million) and LE 5.7 million (US$1.0 million) for the years ended 31 December 2004, 2005 and 2006 and LE 4.3 million (US$0.8 million) for the six months ended 30 June 2007.

The compensation of all senior management and directors of Alexandria Real Estate for services in all capacities was LE 13.9 million (US$2.4 million), LE 8.9 million (US$1.6 million) and LE 23.7 million (US$4.2 million) for the years ended 31 December 2004, 2005 and 2006, respectively and LE 31.8 million (US$5.6 million) for the six months ended 30 June 2007.

Mr Talaat Mostafa has agreed with TMG to accept compensation for a seven year term commencing in October 2007, comprising (i) a guaranteed base amount equal to 0.5 per cent. of the sum of the sales, up to a maximum of LE 6.0 billion (US$1.1 billion), of the Operating Companies and Alexandria for Urban Development in any calendar year (pro rated for any partial year), which shall be paid monthly (the "Guaranteed Amount"); and (ii) an incentive bonus equal to 5.0 per cent. of the sum of the net profits of the Operating Companies and Alexandria for Urban Developments (the "Net Profit Sum"), which increases to 10.0 per cent. of the Net Profit Sum should such Net Profit Sum equal or exceed 20.0 per cent. of the sum of the paid in capital of each of the Operating Companies and Alexandria for Urban Development, in each case less the Guaranteed Amount, which will be paid on a quarterly basis.

There are no material outstanding loans granted by any member of the Group to any of its directors or executive officers and no member of the Group has issued any guarantees in respect of any indebtedness of any of its directors or executive officers.

THE SELLING SHAREHOLDERS AND PRINCIPAL SHAREHOLDERS

The table below sets forth certain information regarding the shareholders of the Company, including the identity and percentage ownership of each of the Selling Shareholders and shareholders with a beneficial interest exceeding 1.0 per cent. of the Company's share capital based on the records of MCDR as at 9 November 2007. Prior to the Combined Offering, these principal shareholders hold in the aggregate 85.1 per cent. ownership of the outstanding Shares in the Company. All shareholders, other than members of the Talaat Mostafa family, holding at least 1.0 per cent. of the Shares outstanding were given the opportunity to sell a portion of their Shares in the Combined Offering and the number of Shares held by those principal shareholders taking up this opportunity will be reduced from the numbers reflected in the table below. If the principal shareholders taking up this opportunity wish to sell more Shares than those comprising the Secondary Shares included in the Combined Offering, the number of Shares that each such principal shareholder will be allowed to sell will be pro rated down based on the number of Shares as a percentage of Shares offered for sale by a principal shareholder bears to the total number of Shares offered for sale by all principal shareholders. The Lead Managers have secured commitments from certain principal shareholders to provide the full number of Secondary Shares.

	Shares owned before the Combined Offering	
Beneficial owner	**Number**	**%**
Talaat Mostafa Family[(1)]	476,408,570	26.3
Bin Laden Family[(1)]	253,646,130	14.0
Misr Insurance	170,315,890	9.4
National Bank of Egypt	137,709,500	7.6
Carramar Development Company[(1)]	124,887,750	6.9
Arab Company for Real Estate Development Ltd.	92,430,000	5.1
Abdelmoneim Al Rashed	87,756,240	4.8
Financial Holdings International	58,504,095	3.2
Misr Bank	54,080,130	3.0
AHM Investments Co. Limited[(1)]	28,083,510	1.6
Abdelaziz Al Saghir	23,401,560	1.3
Delta Fund Europe	19,704,360	1.1
The Egyptian Kuwaiti Holding Company	18,330,000	1.0
Others	269,945,815	14.9
Total	1,815,203,550	100

(1) Held through TMG Investments, a company controlled by Mr Talaat Mostafa. As at 9 November 2007, TMG Investments held 858,493,345 Shares representing 47.3 per cent. of the Shares outstanding prior to the Combined Offering, and will hold 42.3 per cent. of the Shares outstanding upon completion of the Combined Offering, comprised of (i) 476,408,570 Shares held by the Talaat Mostafa family, consisting of 202,460,355 Shares held by Mr Talaat Mostafa, 100,243,120 Shares held by Hany Talaat Mostafa, 89,917,735 Shares held by Tarek Talaat Mostafa, 46,106,085 Shares held by Sahar Talaat Mostafa and 37,681,275 held by Aml Mokhtar, (ii) 253,646,130 Shares held by the Bin Laden family, consisting of 101,413,065 Shares each held by Kilbride Investments Ltd. and Trondheim Investments and 50,820,000 Shares held by Yehia Bin Laden, (iii) 89,887,750 Shares held by Carramar Development Company and (iv) 23,401 Shares held by AHM Investments Co. Limited. The shareholders participating in TMG Investments continue to retain their pro rata economic interests in the Company but Mr Talaat Mostafa has effective voting control of TMG Investments and through it all of the Shares held by the participating shareholders.

TMG Investments intends to increase its holding in the Shares to at least a majority of the Shares in the Company. Mr Talaat Mostafa is in negotiations with shareholders holding in excess of 5.0 per cent. of the Shares and with certain other Company shareholders pursuant to which the Shares of those shareholders with whom he reaches agreement will either be purchased by him or others in partnership with him or bought by or placed in TMG Investments.

RELATED PARTY TRANSACTIONS

The companies within TMG have historically and will continue to enter into transactions with certain shareholders, directors, subsidiaries and affiliated companies. While TMG believes that such transactions have been on arm's length terms, there has been no formal process for the independent assessment of the appropriateness of the terms of such transactions. See also notes 20 and 17 to the Arab Company Annual and Interim Financial Statements, notes 18 and 18 to the San Stefano Real Estate Annual and Interim Financial Statements and notes 22 and 21 to the Alexandria Real Estate Annual and Interim Financial Statements.

Construction and Landscaping

During the last three years, Arab Company, Alexandria Real Estate and Alexandria for Urban Projects have entered into contracts with Alexandria Construction S.A.E., a company controlled by the Talaat Mostafa family for the construction of residential units and other buildings for TMG's projects, including without limitation, Madinaty, Al Rabwa I and II, May Fair and Al Rehab I and II. TMG has also entered into agreements with Basateen, a company in which the Talaat Mostafa family has significant holdings, for landscaping work in TMG's developments. These contracts generally require a 10.0 per cent. down payment by TMG, with the balance due upon completion of the designated works. In the case of the construction contracts, the provider is subject to a penalty not to exceed 10.0 per cent. of the contract if there is a delay in completing the work. See "Material Contracts — Construction Contracts".

Management Agreements

Alexandria Real Estate has management and technical assistance agreements with other Group companies for management of their projects in return for compensation measured with reference to percentages of the revenues of Group companies or total sales of their projects. Alexandria Real Estate, Arab Company and other Group companies have also entered into agreements with other affiliates of the Group for the management of the residential compounds and leisure clubs. See "Material Contracts — City and Community Complex Management Agreements".

Head Office Building

Certain Group companies have entered into agreements for the division of space and related expenses of its head office building located at 34-36 Mosadak Street in Cairo.

Development Land

San Stefano Real Estate and San Stefano Tourism jointly purchased the land of the San Stefano project. San Stefano Real Estate holds a 60.0 per cent. interest in the land and San Stefano Tourism Investment holds the remaining interest.

Other

Nile Bosfour is 47.0 per cent. owned by Alexandria Real Estate 3.0 per cent. owned by Mr Talaat Mostafa and 50.0 per cent. owned by Beymen Company, in which Mr Talaat Mostafa holds an interest, and has a lease agreement with Nova Park for a retail store.

Port Venice is 24.3 per cent. owned by Alexandria Construction Company, a company in which the Talaat Mostafa family has significant holdings.

INDUSTRY

Certain of the information in this section has been sourced from publicly available third-party sources and has not been verified by the Company.

The real estate sector in the MENA region has experienced strong growth in the last three years, largely due to regional economic growth, growing populations and external events resulting in the repatriation of the wealth of citizens and institutions of countries in the Gulf Cooperation Council (the "Gulf") as a consequence of the 11 September 2001 attacks. In 2003, oil prices rose significantly, creating enormous wealth in the oil-producing countries of the Gulf, which helped fuel real estate growth. In 2005, the cash generated by continued high oil prices flowed beyond the real estate market in the Gulf and into adjacent markets in other Middle Eastern countries. MENA regional trends have been partly responsible for growth in the Egyptian real estate market over the last three years.

Egyptian Economic and Demographic Overview

The Egyptian real estate sector has experienced exceptional growth in recent years, which has been driven by, among others, the regional factors mentioned above, strong economic growth and favourable demographics in Egypt, and certain structural reforms in the Egyptian market. According to the EIU, companies in the construction and property sectors were among the strongest performers on the CASE in the first quarter of 2007.

During the past five fiscal years, the Egyptian economy has grown significantly. The annual real GDP growth rate increased from 3.2 per cent. in fiscal year 2002/03 to 6.8 per cent. in fiscal year 2005/06 and reached 7.0 per cent in fiscal year 2006/07, according to the Ministry of Finance. According to the Central Bank of Egypt, net foreign direct investment increased from US$700.6 million in fiscal year 2002/03 to $6.1 billion in fiscal year 2005/06 and reached US$11.1 billion in fiscal year 2006/07.

The following table sets forth certain macroeconomic data for the periods presented.

	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07[1]
GDP at Market Prices (LE billion)[2]	379	418	485	539	618	730
Real GDP (% Growth Rate)[2]	3.2	3.2	4.1	4.5	6.8	7.0
Real per capita GDP (% Growth Rate)[2]	1.1	1.2	2.1	2.5	2.9	3.1
Average income per capita[2]	5,742	6,202	7,069	7,693	8,657	10,042
Total net foreign direct investment (US$ millions)[3]	428	700	407	3,901	6,111	11,053

(1) Preliminary Data

(2) Ministry of Finance

(3) Central Bank of Egypt

Economic growth has also been stimulated by the State's continued sale of state-owned assets, including, recently, various land plots, the third mobile phone license and the Bank of Alexandria. These sales have brought significant investment into Egypt, which is expected to buttress further economic growth and increased confidence levels in the Egyptian economy, according to the EIU, in turn providing additional support for the real estate market.

The State has also recently cut income taxes and removed certain import restrictions. This has increased retail activity and lead to an influx of international retailers, which has helped drive demand for commercial real estate, particularly in Cairo.

Improved living standards, resulting from increased annual household income in the middle- and upper-income segments of the population, have increased demand for higher-quality housing.

Egypt is the most populous country in the Arab world and the second-most populous country on the African continent. The total population in Egypt is 72.6 million, according to the 2006 Census, as compared with 59.3 million in 1996. From 1996 to 2006, the population grew at a rate of 2.1 per cent. per year. According to the 2006 Census, the portion of the population between the ages of 15 and 60 was 45 million. 31.8 per cent. of the population was under the age of 15.

Recent Legal Developments

In addition to economic and demographic factors, two structural reforms relating to the Egyptian property regime are expected to further support the real estate market. The introduction of Mortgage Law 148 of 2001, in 2004, combined with improvements in the property registration process, is expected to encourage growth in mortgage financing and facilitate property acquisition by the middle income classes.

Mortgage lending is considerably less prevalent in Egypt than in many developed economies. TMG believes that this comparatively low penetration is due to relatively high interest rates ranging between about 12.0 per cent. to 14.0 per cent., and short financing terms, generally less than 15 years. However, with the introduction of Egypt's first credit rating bureau, "Estealam," in the second half of 2007, interest rates are expected to be correlated to the borrower's credit history, making home financing products more affordable and accessible to the mass market. Additionally, it is anticipated that mortgage companies will extend loans for a period of up to 20 years. According to information available to TMG, three mortgage companies are currently active: Al Tameer, Al Masreya and the newly introduced Egyptian Company for Mortgage Refinancing.

TMG believes that another factor that has contributed to low mortgage penetration in Egypt is the widespread practice of not registering real estate. Because of high registration fees, most real estate in Egypt is not registered; rather, Egyptian law treats the property user as the owner. The State has recognized that this is an impediment to mortgage lending and, to address this problem, in 2004 cut registration fees from 12.0 per cent. of the purchase price to a flat fee of LE 2,000 (approximately US$350).

Cairo Real Estate Market

Egypt is characterized by large, sparsely populated areas punctuated by cities of high population density, such as Cairo and, to a lesser extent, Alexandria. Although these cities are affected by the same macroeconomic and demographic trends as the country as a whole, their respective real estate markets are also affected by local population and infrastructure trends and have experienced rates of growth higher than the average in Egypt.

Cairo is Egypt's largest city and is home to over 20.0 per cent. of Egypt's overall population, according to Euromonitor. TMG believes that Cairo's residential market for mid- to high-end real estate properties is growing, and that there is an increasing trend for mid- and high-income Cairo residents to relocate to the outskirts of the city. As part of a long-term plan initiated in the early 1980s, the State established nine satellite cities around Cairo to accommodate the rapid population increase. These satellite cities were formed on the East and West Axis of Cairo, of which the most developed are now the New Cairo Area on the East Axis of Cairo and the 6th of October City on the West Axis of Cairo.

New Cairo is primarily a residential area, connected to the city centre through the Ring Road as well as the Cairo Suez Highway via Heliopolis (East of Cairo). Recent developments in New Cairo include city complexes such as Madinaty, Al Rehab, Al Sherouk City and Palm Hills, as well as new schools and university campuses.

The West Axis of Cairo consists of high-end residential compounds, office buildings and an industrial area, and is connected to the city centre by the Ring Road as well as the Pyramids Road. Successful residential ventures in the West Axis include Palm Hills and City View. TMG believes that demand for residential units is likely to continue to grow in the West Axis of Cairo.

The Egyptian real estate market has become more competitive in the last few years. Market participants face competition from a number of new residential developments on the outskirts of Cairo built by various local developers, such as Sixth of October Development Company, and by new entrants from developers from other countries in the MENA region, such as Damac and Emaar.

Tourism

Tourism is one of Egypt's principal sources of foreign exchange, generating approximately LE 18.8 billion for the fiscal year 2005/06 compared to LE 7.7 billion for fiscal year 2002/03. Tourism benefits from historic sites, which have been famous for centuries, including the Pyramids and Luxor, as well as Egypt's warm climate. The Red Sea is a popular tourist destination for diving, fishing and beach resorts, particularly in locations such as Ein-Sokhna, Hurgada, El-Gouna, Sharm El-Sheikh and Marsa Alam.

The State is encouraging private sector development on the Mediterranean coast, especially at Sidi-Abdel Raham and Al-Alamein. Emaar Properties, a Dubai-based developer, intends to invest up to U.S.$1.7 billion in developing a 1,544 acre tourist resort in Sidi-Abdel-Rahman, which is located 125 kilometers west of Alexandria on the Mediterranean coast.

In 2006, a Jordanian company announced that it intends to construct a tourist resort in Sahl-Hashish. The project is located 25 kilometers south of Hurghada and is expected to cost U.S.$2.7 billion.

The following table sets forth information regarding tourism activities for the periods indicated.

	2001/02	2002/03	2003/04	2004/05	2005/06	7 months ended 31 July 2007
Total Arrivals ('000)	4,341	5,239	7,512	8,651	8,693	6,003
Total Number of Tourist Nights ('000)	28,542	33,011	73,002	85,730	85,113	54,735
Average Number of Nights(1)	7.0	6.8	10.4	10.4	10.4	9.9

Source Central Bank of Egypt

(1) Total number of tourist nights divided by departures

Tourism in Egypt is affected by tensions in the Middle East. For example, tourism declined following an incident in Luxor in 1997, the attacks in Cairo in 2005 and in the Sinai resort city of Dahab in April 2006 in which 23 people were killed. The tourism sector recovered relatively quickly after the attacks. The Ministry of Interior is taking measures to prevent the recurrence of attacks of this kind.

SECURITIES MARKET INFORMATION

Egyptian Securities Market

The CMA was established by the State in 1979 pursuant to Presidential Decree No. 520 of 1979 to promote investment in the Egyptian securities market. The CMA is responsible for regulating the securities market in Egypt, issuing licences for financial intermediary businesses (including brokerage, venture capital, mutual fund management and portfolio management), monitoring the continuing obligations of listed companies, monitoring the central securities depositary and protecting investors. The President of the CASE and the Chairman of the CMA have the right under the Capital Markets Law to prohibit certain offers and bids for shares of listed companies which are considered to be manipulative, distorting or in violation of market rules. The development of the securities market in Egypt since 1992 has encouraged certain Egyptian banks and financial institutions to begin to provide such services as securities underwriting, brokerage and mutual funds. The CMA is currently under the supervision of the Ministry of Investment.

The most important factor in the growth of the Egyptian securities market since 1992 has been the State's privatisation programme. In June 1991, the State enacted Law No. 203, which provided for the restructuring of 314 public sector enterprises, then accounting for approximately 70.0 per cent. of the Egyptian public sector. During 1993, these enterprises were reorganised or regrouped under 27 (now nine) holding companies, which have authority to dispose of or liquidate their assets, in some cases after restructuring to make them more attractive to investors.

The pace of privatisation in the early years was slow, but the process was revitalised under the administration of Prime Minister El-Ganzouri from 4 January 1996 to 15 October 1999. As of 1 November 2006, the Ministry of Investment reported that the privatisation programme had resulted in 322 transactions generating revenue of LE 51.1 billion (US$9.0 billion) from total or partial asset sales. Other privatisation transactions are underway in various sectors of the Egyptian economy. Currently, there are plans for the privatisation of 172 companies.

The Capital Markets Law permitted the introduction of mutual funds to the Egyptian market, with 35 equity mutual funds launched as of 30 September 2007. Together, these mutual funds represented a total of approximately LE 16.0 billion at nominal value under management as at that date. Recently the State Minister of Investment has issued a decree amending the Executive Regulations of the Capital Markets Law, enhancing the mutual funds governing regulations.

Egyptian Companies Law permits companies to issue bonds and other tradable securities. The only corporate bond issue listed on the CASE prior to the enactment of the Capital Markets Law was the Credit Foncier Egyptian bonds, issued in 1951. Recently, Golden Pyramids Plaza Company and Egypt Arab Land Bank have issued bonds on the CASE.

In February 2007, the State Minister of Investment issued a decree adding a new chapter to the Executive Regulations of the Capital Markets Law. The new chapter regulated tender offers and obligatory tender offers by prohibiting acquisitions of securities through open market purchases of one third or more of the capital or voting rights of the target company. See "Description of Share Capital and Applicable Egyptian Law".

In March 2007, the CMA's Board of Directors issued its decision number No. 11 of 2007 with the executive rules of corporate governance pertaining to companies operating in the capital markets field (i.e., licensed by the CMA) and not listed on the CASE. The decree set certain corporate governance guidelines and rules which are obligatory to the above companies.

As at 31 December 2004, the CASE's market capitalisation was LE 234.0 billion (US$41.1 billion), which grew to LE 457.2 billion (US$80.3 billion) as at 31 December 2005, LE 533.9 billion (US$93.8 billion) as at 31 December 2006 and LE 594.4 billion (US$11.6 billion) as at 4 November 2007.

The EFG Index and the Hermes Financial Index currently cover the 16 and 39, respectively, most actively traded stocks on the CASE. From 31 December 2003 to 31 December 2004, there was approximately a 111.0 per cent. and a 105.0 per cent. increase in the EFG Index and the Hermes Financial Index, respectively, and from 31 December 2004 to 31 December 2005, there was approximately a 127.0 per cent. and a 132.0 per cent. increase in the EFG Index and the Hermes Financial Index, respectively. During 2004, overall turnover on the CASE rose by 76.0 per cent. and market capitalisation rose by 40.0 per cent. and, during 2005, overall turnover rose by 323.0 per cent. and market capitalisation by 96.0 per cent. As at 31 December 2006, the overall turnover on the CASE had increased by 77.0 per cent. and market capitalisation by 17.0 per cent. as compared to the year ended 31 December 2005. From 31 December 2005 to 31 December 2006, the EFG Index and the Hermes Financial Index each increased by 11.0 per cent. From 1 January 2007 to 1 November 2007 the EFG Index increased by 37.3 per cent.; and from 1 January 2007 to 7 October 2007 the Hermes Financial Index increased by 25.6 per cent.

The CASE is characterised by a relative lack of liquidity, as most of the approximately 515 listed companies are closed subscription companies and only approximately 90-100 listed companies trade on a regular basis. The average monthly trading value for the period from 1 January 2005 to 31 December 2005 was approximately LE 12.2 billion (US$2.1 billion) and from 1 January 2006 to 31 December 2006 was approximately LE 21.6 billion (US$3.8 billion). The ten largest companies in terms of market capitalisation represented, as at 31 December 2006, approximately 53.9 per cent. of the CASE's aggregate market capitalisation.

Stock Exchange Trading Mechanisms

Egypt's trading and settlement mechanisms have been significantly improved over the past few years. A computerised trading system at the CASE allows for automatic electronic matching of bids and offers. The electronic trading system links the CASE and allows brokers remote access to the trading floor. It also links all independent bookkeeping activities to the MCRD, which helps ensure greater speed and efficiency in the settlement process. Trading on the CASE takes place between 10:30 a.m. and 2:30 p.m., Sunday through Thursday.

During each trading session, the price of a stock is restricted to a 5.0 per cent. ceiling and floor from its previous closing price, except for stock of certain actively traded companies. The CASE removes the ceiling upon the request of a broker who is willing to effect a transaction above or below the ceiling provided the pricing committee at the CASE approves. The closing price of traded shares is determined by calculating a price-weighted average of the traded shares for the session. Cumulative transactions below 100 shares do not affect the closing price of the relevant underlying security.

Brokerage commissions for transactions over LE 10,000 (US$1,757) are not fixed by the CASE or other regulatory bodies, but instead vary depending on the size of the transaction and the brokerage house executing the trade. Brokerage commissions for transactions under LE 10,000 (US$1,757) are fixed by the CMA.

DESCRIPTION OF SHARE CAPITAL AND APPLICABLE EGYPTIAN LAW

Set out below is a summary of certain information relating to the Shares, certain provisions of the Statutes, the Capital Markets Law, Egyptian Companies Law and certain related laws and regulations, all in effect as at the date hereof. This summary does not purport to be complete.

General

The Company was established as an Egyptian joint stock company under the Egyptian Companies Law No. 159 of 1981 on 3 April 2007. As at the date of its incorporation, the Company's authorised share capital was LE 50.0 million (US$8.8 million) and the issued share capital was LE 6.0 million (US$1.1 million) consisting of 600,000 ordinary shares, each with a par value of LE 10. Following the Restructuring, and as at the date of this offering circular, the authorised share capital of the Company is LE 30.0 billion (US$5.3 billion). The Board is authorised to raise the issued capital of the Company following the Offering to the value of the authorised capital, provided the par value of each share is between LE 10 and LE 13.91.

The legal objectives of the Company, as stated in Article 3 of the Statutes, are to participate in the establishment of companies that issue securities and to subscribe in the capital increases of such companies in accordance with the Capital Markets Law and its Executive Regulations. The company may have an interest or share by any means an interest with companies that have similar objectives or that might contribute in the realisation of its objectives inside or outside Egypt. The Company may also merge, acquire or affiliate with the above mentioned companies in accordance with the provisions of the Capital Markets Law and its Executive Regulations.

Limitation of Liability

Pursuant to the Egyptian Companies Law, a shareholder's liability for an Egyptian joint stock company's losses is limited to the amount of his or her investment in the Shares, unless the shares are not fully paid, in which case the shareholder shall be liable for the rest of the unpaid portion of the par value of the partly-paid shares.

Voting Rights and Shareholders' Meetings

General

The Egyptian Companies Law provides for two types of shareholders' meetings: ordinary and extraordinary. According to the Statutes, the Company's Ordinary General Meetings may take place in Giza and upon the request of the board of directors, or the Executive Chairman of the board of directors, the Company's auditors or shareholders together holding or representing at least 10.0 per cent. of the Company's outstanding share capital. Shareholders wishing to attend an Ordinary General Meetings are required to deposit their shares with the book-keeping company holding their shares to be blocked in advance of the Ordinary General Meeting and to present evidence of such deposit in the form of a statement issued by the MCRD at least three days prior to the date of the Ordinary General Meeting. No transfer of ownership of such blocked shares may be recorded in the MCRD records until the date of the closing of the meeting. A quorum is constituted by the presence of shareholders (or their representatives) representing at least 51.0 per cent. of the outstanding share capital, although the Egyptian Companies Law has required a maximum threshold of 50.0 per cent. as a quorum for the validity of such meetings and accordingly, if 50.0 per cent. of the shareholders attend the meeting it shall be considered a valid meeting and a simple majority is necessary for a resolution to be effective. If a quorum is not present, the meeting is adjourned for a maximum of 30 days. Upon recommencement of the adjourned meeting, there is no quorum requirement. An Ordinary General Meeting must be convened once a year within three months of the end of each fiscal year. Matters that may be considered at these meetings include, but are not limited to, the election, re-election or dismissal of directors, the approval of annual financial statements, approval of the board of directors' report, the appointment of statutory auditors, the determination of the remuneration and allowance of the members of the board of directors and the approval of the distribution of net profits.

The Company's extraordinary general meetings ("Extraordinary General Meetings") are held at any time upon the request of the Executive Chairman or the board of directors or shareholders holding or representing at least 10.0 per cent. of the Company's outstanding share capital. A quorum is constituted by the presence of shareholders (or their representatives) representing at least 51.0 per cent. of the outstanding share capital and a majority of 66.6 per cent. of the shares represented at the meeting is necessary for a resolution to be effective, provided that resolutions pertaining to an increase or decrease in approved share capital, mergers of the Company and any other entity, and amendments to the Company's stated objectives or its dissolution require a super majority of 75.0 per cent. of the common shares represented at the meeting. If a quorum is not present, the meeting is adjourned for a maximum of 30 days. Upon recommencement of the adjourned meeting, a quorum is constituted by the presence of shareholders (or their representatives) representing at least 25.0 per cent. of the outstanding share capital. Certain matters are within the exclusive scope of the Extraordinary General Meeting, including, without limitation, amendments to the Statutes, modification of certain shareholders' rights, approval of mergers, increases or decreases in share capital and dissolution of the Company.

The board of directors must be represented at any shareholders' meeting by no less than the quorum of the board of directors. The shareholders' meeting will be valid if attended by at least three directors, including the Executive Chairman, provided that all other conditions regarding the validity of the shareholders' meeting are met.

A copy of any shareholders' meeting notification must be sent to the CMA and the Egyptian Corporate Companies' Department at the General Authority for Investment and Free Zones (the "Companies' Department") at the same time as notification to shareholders is effected in order for their representatives to attend the General Meeting. The auditors of the Company must be invited by registered mail or hand-delivery to attend the meeting and must confirm their attendance in writing.

A copy of the minutes of each shareholders' meeting is sent to the Companies' Department and the CMA within a maximum period of one month from the date of the meeting.

The manner of voting in all shareholders' meetings is by the means determined by the Executive Chairman. If the resolution to be passed relates to the appointment or removal of any director or the filing or any allegations against any director, or if the Executive Chairman or at least 10.0 per cent. of shareholders attending the meeting so request, a secret ballot must be held. In such secret ballot a shareholders' shares may only be voted one way as a block. No director may vote on any resolution relating to the determination of his remuneration, fees, discharge of liability or relating to his management conduct. Corporate shareholders represented on the Board must be represented at the shareholders level by a representative other than its director on the Board.

Any shareholder may attend shareholders' meetings in person or by proxy. The proxy must be in writing and must be given to a shareholder. Shareholders that are not represented by directors on the Board may not give a proxy to a director in a shareholders' meeting. A shareholder may not represent by proxy more than 10.0 per cent. of the Shares or 20.0 per cent. of the Shares represented at the meeting.

The minutes of the shareholders' meetings are recorded on a register held by the Company. Such minutes are ratified by the CMA and the Companies Department. These registers are available for review and inspection by the shareholders, the Company's independent auditor and the competent administrative authorities, but are not available to the public. However, after the Shares are listed on the CASE, the resolutions will be required to be reported to the CASE and material resolutions to be published on the CASE website as a reporting and transparency requirement.

The board of directors of the CMA, based upon a request by any shareholder owning at least 5.0 per cent. of the Shares, may suspend or nullify a resolution passed by any General Meeting if such resolution is found to favour or disfavour a certain group of shareholders or provides a special benefit to the board of directors.

Dividends

The Statutes provide that dividends are paid annually based on the generated profits according to the Company's audited financial statements prepared in accordance with EAS. Pursuant to the Egyptian Companies Law, the Company must convene an Ordinary General Meeting not later than three months after the end of the fiscal year to determine the dividends, if any, to be distributed. Dividends declared by resolution of the shareholders at an Ordinary General Meeting must be distributed within one month of the date of the Ordinary General Meeting. The Statutes provide that certain portions of the Company's profits be allocated for legal reserves, institutional reserves, distribution to employees, shareholders' dividends and remuneration of the board of directors. See "Dividend Policy".

Increases and Reductions in Capital

The Company's share capital may be decreased or increased only by a shareholders' resolution duly adopted at the Extraordinary General Meeting. The approval of the CMA and the Companies Department, and an amendment to the Statutes, is required for such resolutions to become effective. Any increase of the Company's capital must be registered with the Giza Commercial Registry Office, Giza Commercial Registration No. 187398, dated 3 April 2007.

Increases in the Company's share capital are regulated by the Statutes. An issuance of shares (within the authorised share capital) may be effected by resolution of the board of directors setting forth the number and price of the new shares to be issued having taken into consideration the extent to which existing shareholders are to have pre-emption rights in relation to the newly issued shares, as determined by an Extraordinary General Assembly. Notification to the Companies Department and the CMA is required for any increase. Pursuant to Article 7 of the Executive Regulations of the Capital Markets Law, unless the CMA objects within three weeks from such notification, the Company may proceed with the increase.

Certificates, Registry, and Transfer

The Shares, upon the Combined Offering, will be in registered, dematerialised form and cannot be held in certificated form.

The Shares are eligible for clearing and settlement through the MCRD. The Company is entitled to, after depositing its shares with the MCRD, request the MCRD at any time to issue a detailed statement of the registered owners of the Shares. Upon the listing of the Shares with the CASE, all transfers of Shares will be transacted on the CASE and are recorded on the electronic book-entry system of MCRD and reflected in the statements of account issued by the authorised bookkeeping companies.

Under Article 8 of the Capital Markets Law, if any transaction would result in an acquiror obtaining more than 10.0 per cent. (5.0 per cent. if the acquiror is a member of the target's board of directors or is an employee of the target) of the common shares of a company which is listed on the CASE or has previously offered its shares in a public offering, then such acquiror must notify the Company two weeks prior to concluding the transfer transaction by registered letter. The Company must notify its shareholders holding at least 1.0 per cent. of the Shares and the CASE within one week of receiving the prospective purchaser's notice. If these procedures are not complied with, the transaction will be nullified.

In February 2007, the State Minister of Investment issued a decree adding a new chapter to the Executive Regulations of the Capital Markets Law. The new chapter requires, without prejudice to Article 8 of the Capital Markets Law, any person who acquires 5.0 per cent. of the voting rights or ownership, or multiples thereof, but not exceeding one third of the voting rights or ownership of companies listed with CASE, through one or more transaction, to notify the CMA and CASE within two CASE working days from the conclusion of the transaction. The notification shall contain full disclosure of the acquirer and its shareholding of the company after the transaction, the number of shares subject to the transaction, the purchase price, disclosure of related parties and the name and address of the brokerage company that executed the transaction. In the event the percentage of acquired shares reaches 25.0 per cent. or more (but not exceeding one third) of the issued capital of the company or its voting rights, the disclosure shall include the future investments plan and directions in relation to the management of the company, if existent.

The new chapter contains provisions prohibiting acquisitions of securities through open market purchases of one third or more of the capital or voting rights of the target company. In the event that one-third or more of the capital or voting rights of a company are acquired on the open market, the offeror must present a compulsory tender offer to acquire all the shares and convertible bonds. If the offer price for the securities is less than the average trading price for the six months preceding the tender offer, the tender offer is a swap offer or a mixed offer (i.e., cash and swap), or other events listed in the new chapter, the board of directors has to opine on the tender offer as to its advantage to the company, employees and the shareholders of the company. The CMA may, in this event, require the board of directors of the company to appoint an independent financial consultant to opine on the tender offer. The rules also necessitate the engagement the above, if the tender offer is made by an existing shareholder holding 25.0 per cent or more of the capital, or in the context of a management buy-out. The new chapter also requires, in the event of an acquisition of more than 90.0 per cent of the capital or voting rights of a target company, that a mandatory tender offer be presented for the protection of minority rights. The new decree will apply to all companies listed on the CASE or Egyptian companies whose shares are offered for public subscription or via a public offer, even if not listed on CASE.

The decree that issued the new chapter includes an amendment to Article 17 of the Executive Regulations of the Capital Markets Law, concerning the valuation of shares resulting from capital increases allocated partially or in whole to new investors, to protect the rights of existing shareholders particularly in respect of actively traded shares. Valuation of shares issued in a capital increase must be undertaken by an independent expert engaged by the Company, and the Company's auditors may no longer perform the valuation exercise under applicable accounting rules.

Liquidation Rights and Other Distributions

In the event of the liquidation, dissolution or winding-up of the Company, the assets of the Company are to be applied to satisfy its liabilities. If any surplus remains, shareholders would participate equally and ratably in any such surplus, provided, however, that if the par value of the outstanding share capital of the Company is not fully paid, the surplus is distributed to shareholders in proportion to the percentage of the paid-in par value of the outstanding share capital represented by each holder's shares.

If, during the Company's financial year, the losses of the Company exceeds 50.0 per cent or more of its capital, an Extraordinary General Meeting must be convened upon an invitation of the board of directors to decide whether to dissolve the Company or to continue its activities.

Listing of Shares on the CASE

Upon the Combined Offering, the Shares will be listed on the official schedule 1 of the CASE at par value of LE 10 each.

Pre-emptive Rights

In the event of an increase in the share capital by the issuance of new shares for cash, Companies Law No. 159 of 1981 and the Statutes provide that the existing shareholders have pre-emptive rights in connection with the shares to be issued on a pro rata basis with respect to the percentage held by each existing shareholder of the share capital outstanding prior to the issuance of such new shares. Shareholders may waive preemptive rights on behalf of all shareholders by vote of at least 75.0 per cent of the voting shares present at an Extraordinary General Meeting only in the case of a public offering. This procedure has also been used in the context of private offerings, with CMA approval. However, in the case of private offerings, according to established practice in Egypt, if a shareholder objects to the decision to waive pre-emptive rights it will be permitted to acquire its pro rata portion of the shares issued in the capital increase. Since this Egyptian Retail Offering is a public offering, in the event the Company passes a resolution by a vote of at least 75.0 per cent of the voting shares present at the Extraordinary General Meeting, it may waive the pre-emptive rights on behalf of all shareholders of the Company. In the event of such a waiver, the existing shareholders would experience dilution.

Acquisition of its Own Shares

The Company may purchase its Shares in order to reduce its outstanding share capital, to make a distribution to its employees as a means of profit sharing, or to de-list. If the Company acquires its own Shares in any case, it must either resell those shares within a maximum of one year of the date of acquisition or cancel such shares with a corresponding reduction in share capital. Shares purchased by the Company will not have distribution or voting rights.

Corporate Governance Rules

In March 2007, the CMA's Board of Directors issued decision No. 11 of 2007 with the executive rules of corporate governance pertaining to companies operating in the capital market field (i.e., licensed by the CMA) and not listed on the CASE. The decree set certain corporate governance guidelines and rules that are obligatory to the above companies. The guidelines include certain requirements on board of directors' composition, forming of certain committees, supervision and internal control systems and audits, as well as broad disclosure requirements.

The Company is established under the provisions of the Capital Markets Law and is bound by the above regulations, unless listed on CASE. Therefore, upon listing of the Company on the CASE, the Company will not be bound by such decree. In the event the Company is de-listed from the CASE, these guidelines would apply.

TAXATION

The following summary of material U.S. federal income, United Kingdom and Egyptian tax consequences of the acquisition, ownership, and disposition of Shares is of a general nature and based upon laws, regulations, decrees, rulings, double taxation conventions, agreements and arrangements, administrative practice and judicial decisions in effect as at the date of this offering circular. Legislative, judicial or administrative changes or interpretations may, however, be forthcoming that could alter or modify the statements and conclusions set forth herein. Any such changes or interpretations may be retroactive and could affect the tax consequences to holders of the Shares. This summary does not purport to be a legal opinion or to address all tax aspects that may be relevant to a holder of Shares.

EACH PROSPECTIVE HOLDER IS URGED TO CONSULT HIS, HER OR ITS TAX ADVISER AS TO THE PARTICULAR TAX CONSEQUENCES TO SUCH HOLDER OF THE ACQUISITION, OWNERSHIP AND DISPOSITION OF SHARES, INCLUDING THE APPLICABILITY AND EFFECT OF ANY OTHER TAX LAWS OR TAX TREATIES, AND OF PENDING OR PROPOSED CHANGES IN APPLICABLE TAX LAWS AS OF THE DATE OF THIS OFFERING CIRCULAR AND OF ANY ACTUAL CHANGES IN APPLICABLE TAX LAWS AFTER SUCH DATE.

United States Federal Income Tax Considerations

TO ENSURE COMPLIANCE WITH U.S. TREASURY DEPARTMENT CIRCULAR 230, INVESTORS ARE HEREBY NOTIFIED THAT: (A) ANY DISCUSSION OF UNITED STATES FEDERAL TAX ISSUES IN THIS OFFERING CIRCULAR (INCLUDING ANY ATTACHMENTS) IS NOT INTENDED OR WRITTEN TO BE USED, AND CANNOT BE USED, BY INVESTORS FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED ON INVESTORS UNDER THE INTERNAL REVENUE CODE; (B) SUCH DISCUSSION IS WRITTEN IN CONNECTION WITH THE PROMOTION OR MARKETING OF THE TRANSACTIONS OR MATTERS ADDRESSED HEREIN; AND (C) INVESTORS SHOULD SEEK ADVICE BASED ON THEIR PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISER.

The following is a description of certain material U.S. federal income tax consequences that may be relevant with respect to the acquisition, ownership and disposition of Shares. This description addresses only the U.S. federal income tax considerations of U.S. Holders (as defined below) that are initial purchasers of Shares pursuant to the International Offering and that will hold such Shares as capital assets. This description does not purport to address all material tax consequences of the ownership of Shares and does not address aspects of U.S. federal income taxation that may be applicable to investors that are subject to special tax rules, including without limitation:

- banks, financial institutions or insurance companies;
- real estate investment trusts, regulated investment companies or grantor trusts;
- dealers or traders in securities, commodities or currencies;
- tax-exempt entities, including "Section 401" pension plans;
- individual retirement accounts and other tax deferred accounts;
- persons that receive Shares as compensation for the performance of services;
- persons that will hold Shares as part of a "hedging", "conversion" or constructive sale transaction or as a position in a "straddle" for U.S. federal income tax purposes;
- certain U.S. expatriates;
- "dual resident" corporations;
- persons that have a "functional currency" other than the U.S. dollar; or
- holders that own (directly, indirectly or constructively) 10 per cent. or more, by voting power or value, of the equity interests of the Company.

Further, this description does not address the alternative minimum tax or the U.S. federal gift and estate tax consequences of the acquisition, holding or disposition of Shares. This description, furthermore, does not address the tax consequences of owning options or warrants or similar instruments on Shares, or any tax consequences applicable to the holder of an equity interest in a holder of Shares.

This description is based on the U.S. Internal Revenue Code of 1986, as amended, its legislative history, existing and proposed regulations promulgated thereunder, published rulings and court decisions, as well as on the Income Tax

Convention Between the United States of America and Egypt (the "Treaty"), in each case as in effect on the date of this offering circular, all of which are subject to change (or to changes in interpretation), possibly with retroactive effect. The Company has not requested, and does not intend to request, a ruling from the U.S. Internal Revenue Service ("IRS") with respect to matters addressed herein.

Based on the Company's existing operations and assets, the Company believes that it (and certain of its subsidiaries) may currently be a "passive foreign investment company" or PFIC for its 2007 taxable year and, depending upon the future operations and assets of the Company, there is a substantial risk that the Company (and certain of its subsidiaries) could be a PFIC in subsequent years. This status has a number of adverse U.S. tax consequences for U.S. Holders (as defined below) that are not tax-exempt entities. These adverse tax consequences are discussed below in "Passive Foreign Investment Company Considerations" and the remainder of the disclosure under this section "— United States Federal Income Tax Considerations" is subject to that discussion. Prospective investors are urged to consult their own tax advisers concerning the U.S. federal, state, local and non-U.S. tax consequences of the purchase, ownership and disposition of the Shares.

U.S. Holders

For the purposes of this summary, a "U.S. Holder" is a beneficial owner of a Share that is:

- a citizen or individual resident of the United States;
- a corporation (or other entity treated as a corporation for U.S. federal income tax purposes) created or organised in or under the laws of the United States or any political subdivision thereof, including the District of Columbia;
- an estate, the income of which is subject to U.S. federal income tax regardless of its source; or
- a trust if (i) a court within the United States is able to exercise primary supervision over its administration, and one or more U.S. persons have the authority to control all of the substantial decisions of such trust, or (ii) such trust has a valid election in effect to be treated as a United States person for U.S. federal income tax purposes.

A "Non-U.S. Holder" is a beneficial owner of Shares that is not a U.S. Holder.

If a partnership (or any other entity treated as a partnership for U.S. federal income tax purposes) holds Shares, the tax treatment of the partnership and a partner in such partnership will generally depend on the status of the partner and the activities of the partnership. Such a partner or partnership should consult its tax adviser as to the U.S. federal income tax consequences of acquiring, holding, or disposing of Shares.

Taxation of Distributions

U.S. Holders

Subject to the discussion below "— Passive Foreign Investment Company Considerations", U.S. Holders of Shares will include in gross income as foreign-source dividend income, when actually or constructively received by the U.S. Holder, the gross amount of any cash or the fair market value of any property distributed by the Company in respect of Shares to the extent such distribution is paid out of the Company's current or accumulated earnings and profits (as determined for U.S. federal income tax purposes). The Company does not intend to compute (or to provide U.S. Holders with information necessary to compute) earnings and profits under U.S. federal income tax principles. Accordingly, U.S. Holders generally will be required to treat all distributions as taxable dividends.

Dividends will not be eligible for the dividends received deduction allowed to U.S. corporate shareholders in respect of dividends received from other U.S. corporations. Subject to applicable holding period and other limitations, the U.S. dollar amount of dividends received on the Shares prior to 1 January 2011 by certain non-corporate U.S. Holders will be subject to taxation at a maximum rate of 15.0 per cent. if the dividends are "qualified dividends". Dividends paid on the Shares would be treated as qualified dividends if (i) the Company is eligible for the benefits of a comprehensive income tax treaty with the United States that the IRS has approved for the purposes of the qualified dividend rules, and (ii) the Company was not, in the year prior to the year in which the dividend was paid, and is not, in the year in which the dividend is paid, a PFIC. The Treaty has been approved by the IRS for the purposes of the qualified dividend rules. However, as discussed below in "— Passive Foreign Investment Company Considerations", the Company believes that it may currently be a PFIC and, depending upon the future operations and assets of the Company, there is a substantial risk that the Company would be treated as a PFIC in subsequent years. Therefore, U.S. Holders should assume that distributions on the Shares that are treated as dividends for U.S. federal income tax purposes will not constitute qualified dividends.

If the Company pays a dividend in a currency other than the U.S. dollar, any such dividend will be included in the gross income of the U.S. Holder in an amount equal to the U.S. dollar value of the currency on the date of receipt, determined at the spot foreign currency/U.S. dollar exchange rate on the date such dividend distribution is includible in the income of the U.S. Holder, regardless of whether the payment is in fact converted into U.S. dollars at that time. U.S. Holders will have a tax basis in the currency received equal to its U.S. dollar value on the date of receipt. Generally, any gain or loss resulting from currency exchange fluctuations during the period from the date the dividend payment is includible to the date such payment is converted into U.S. dollars will be treated as ordinary income or loss from U.S. sources.

Under current Egyptian law (see "— Egypt — Dividend Withholding Tax"), no withholding tax will be imposed on distributions by the Company. If withholding tax is imposed on such distributions, U.S. Holders should consult their tax advisers as to the U.S. tax consequences of such tax, including the possible application of the Treaty.

Non-U.S. Holders

Except for the possible imposition of U.S. backup withholding tax (see "— Backup Withholding and Information Reporting"), dividends paid to a Non-U.S. Holder in respect of Shares will not be subject to U.S. federal income tax unless such dividends are effectively connected with the conduct of a trade or business within the United States by such Non-U.S. Holder (and are attributable to a permanent establishment maintained in the United States by such Non-U.S. Holder if an applicable income tax treaty so requires as a condition for such Non-U.S. Holder to be subject to U.S. taxation on a net income basis in respect of income from Shares), in which case the Non-U.S. Holder generally will be subject to tax in respect of such dividends in the same manner as a U.S. Holder. In addition, if such Non-U.S. Holder is a foreign corporation, it may be subject to a U.S. branch profits tax equal to 30 per cent. of its effectively connected earnings and profits for the taxable year, as adjusted for certain items, unless a lower rate applies under an applicable income tax treaty.

Sale or Exchange of Shares

U.S. Holders

Subject to the discussion below under "— Passive Foreign Investment Company Considerations", upon a sale or other disposition of Shares, a U.S. Holder will recognise gain or loss for U.S. federal income tax purposes in an amount equal to the difference between the U.S. dollar value of the amount realised and the U.S. Holder's adjusted tax basis (determined in U.S. dollars) in such Shares. Generally, such gain or loss will be capital gain or loss, will be long-term capital gain or loss if the U.S. Holder's holding period for such Shares exceeds one year, and will be income or loss from sources within the United States for foreign tax credit limitation purposes. For non-corporate U.S. Holders, the United States income tax rate applicable to net long-term capital gain currently will not exceed 15.0 per cent. The deductibility of capital losses is subject to significant limitations.

With respect to the sale or exchange of Shares, the amount realised generally will be the U.S. dollar value of the payment received determined on (i) the date of receipt of payment in the case of a cash basis U.S. Holder and (ii) the date of disposition in the case of an accrual basis U.S. Holder. If Shares are treated as traded on an "established securities market", a cash basis taxpayer or, if it so elects, an accrual basis taxpayer, will determine the U.S. dollar value of the amount realized by translating the amount received at the spot rate of exchange on the settlement date of the sale. A U.S. Holder will have a tax basis in the foreign currency received equal to the U.S. dollar amount realised. Any currency exchange gain or loss realised on a subsequent conversion of the foreign currency into U.S. dollars for a different amount generally will be treated as ordinary income or loss from sources within the United States. However, if such foreign currency is converted into U.S. dollars on the date received by the U.S. Holder, a cash basis or electing accrual basis U.S. Holder should not recognize any gain or loss on such conversion.

Under current Egyptian law (see "— Egypt — Taxation of Capital Gains"), no Egyptian tax will be imposed on gain from the sale or disposition of Shares. If Egyptian tax is imposed on sales or exchanges, U.S. Holders should consult their tax advisers as to the U.S. tax consequences of such tax, including the possible application of the Treaty.

Non-U.S. Holders

Except for the possible imposition of U.S. backup withholding tax (see "— Backup Withholding and Information Reporting"), a Non-U.S. Holder will not be subject to U.S. federal income tax in respect of gain recognised on a sale or other disposition of Shares unless (i) the gain is effectively connected with the conduct of a trade or business in the United States by such Non-U.S. Holder (and is attributable to a permanent establishment maintained in the United States by such Non-U.S. Holder if an applicable income tax treaty so requires as a condition for such

Non-U.S. Holder to be subject to U.S. taxation on a net income basis in respect of gain from a sale or other disposition of the Shares), or (ii) in the case of a Non-U.S. Holder who is an individual, such holder is present in the United States for 183 or more days in the taxable year of the sale and certain other conditions apply. In addition, if such Non-U.S. Holder is a foreign corporation, it may be subject to a U.S. branch profits tax equal to 30.0 per cent. of its effectively connected earnings and profits for the taxable year, as adjusted for certain items, unless a lower rate applies under an applicable income tax treaty.

Passive Foreign Investment Company Considerations

U.S. Holders

A Non-U.S. corporation will be classified as a "passive foreign investment company," or a PFIC, for U.S. federal income tax purposes in any taxable year in which, after applying certain look-through rules, either:

- at least 75.0 per cent. of its gross income is "passive income" (generally, dividends, interest, royalties, rents and gains from the sale of assets that give rise to such income); or
- at least 50.0 per cent. of the quarterly average value of its gross assets is attributable to assets that produce "passive income" or are held for the production of passive income.

Based on the Group's existing operations and assets, the Company believes that it (and certain of its subsidiaries) may currently be a PFIC and, depending upon the future operations and assets of the Group, there is a substantial risk that the Company (and certain of its subsidiaries) could be treated as a PFIC in subsequent years. If the Company were treated as a PFIC, a direct (and in certain cases, indirect) U.S. Holder would be subject to special rules with respect to (i) any gain realised on the sale or other disposition of the Shares and (ii) any "excess distribution" by the Company to the U.S. Holder in respect of the Shares (generally, any distributions to the U.S. Holder in respect of the Shares during a single taxable year that total more than 125.0 per cent. of the average annual distributions received by the U.S. Holder in respect of the Shares during the three preceding taxable years or, if shorter, the U.S. Holder's holding period for the Shares). Under these rules, (a) the gain or excess distribution would be allocated rateably over the U.S. Holder's holding period for the Shares, (b) the amount allocated to the taxable year in which the gain or excess distribution was realised or to any year before the Company became a PFIC would be taxable as ordinary income, (c) the amount allocated to each other taxable year would be subject to tax at the highest tax rate in effect for ordinary income for that year and (d) an interest charge generally applicable to underpayments of tax would be imposed in respect of the tax attributable to each such prior year. These rules effectively prevent a U.S. Holder from treating gain on the Shares as capital gain. For these purposes, gifts, exchanges pursuant to a corporate reorganization and use of the Shares as security for a loan may be treated as a disposition. Moreover, as noted above in "— Taxation of Distributions — U.S. Holders", if the Company is a PFIC, dividends received by individual U.S. Holders and certain other non-corporate U.S. Holders will not be treated as qualified dividend income taxable at reduced rates generally applicable to long term capital gains. If the Company were a PFIC in any year during a U.S. Holder's holding period, it would generally be treated as a PFIC for each subsequent year absent a "purging" election by the U.S. Holder. Finally, a person who acquires the Shares from a deceased U.S. Holder generally will be denied a step-up in tax basis for U.S. federal income tax purposes to fair market value at the date of such deceased U.S. Holder's death, which would otherwise be available with respect to a decedent dying prior to or after 2010. Instead such person will have a tax basis in the Shares equal to the lower of the fair market value of the Shares or the U.S. Holder's historical tax basis therein.

The above results may be mitigated with respect to the Company if a "mark-to-market" election is available and a U.S. Holder validly makes such an election as of the beginning of such U.S. Holder's holding period. If such election is made, such U.S. Holder generally will be required to take into account (whether or not Shares are actually sold) the difference, if any, between the fair market value of, and its adjusted tax basis in, the Shares at the end of each taxable year as ordinary income or, to the extent of any net mark-to-market gains previously included in income, ordinary loss, and to make corresponding adjustments to the tax basis of such Shares. In addition, any gain from a sale, exchange or other disposition of the Shares will be treated as ordinary income, and any loss will be treated first as ordinary loss (to the extent of any net mark-to-market gains previously included in income) and thereafter as capital loss.

A mark-to-market election is available to a U.S. Holder only if the Shares are considered "marketable stock". Generally, stock will be considered marketable stock if it is "regularly traded" on a "qualified exchange" within the meaning of applicable U.S. Treasury regulations. A class of stock is regularly traded during any calendar year during which such class of stock is traded, other than in *de minimis* quantities, on at least 15 days during each calendar quarter. A qualified exchange includes a non-U.S. securities exchange that is regulated or supervised by a governmental authority of the country in which the securities exchange is located and meets certain trading, listing, financial disclosure and other requirements set forth in U.S. Treasury regulations. It is unclear whether the CASE would be treated as a "qualified exchange" for these purposes. If the Company's stock qualifies as "marketable stock", a U.S. Holder who wishes to elect mark-to-market treatment will be forced to recognize in such year gain on the difference between the fair market value of the Shares and the U.S. Holder's adjusted basis in such Shares.

The above results may also be eliminated if a U.S. Holder is eligible for and timely makes a valid qualified electing fund, or QEF election. If a QEF election were made, such U.S. Holder generally would be required to include in income on a current basis its *pro rata* share of the Company's ordinary income and net capital gains. In order for a U.S. Holder to be able to make a QEF election, the Company would be required to provide such U.S. Holder with certain information. As the Company does not expect to provide U.S. Holders with the required information, prospective investors should assume that a QEF election will not be available.

Subsidiary PFICs

In addition, based on certain estimates of gross income and gross assets of the Company's subsidiaries and the nature of their businesses, the Company believes that there is a risk that certain of its direct and indirect subsidiaries or entities in which it owns a direct or indirect equity investment that are treated as corporations for U.S. federal income tax purposes may be classified as PFICs for their current taxable years and for future taxable years (the "Subsidiary PFICs"). A U.S. Holder will be treated as owning its *pro rata* share of the stock of each Subsidiary PFIC and will be subject to the PFIC rules with respect to each such Subsidiary PFIC. A U.S. Holder's holding period for the stock of a Subsidiary PFIC generally will begin on the first day that such holder is considered to own stock of the Subsidiary PFIC.

U.S. Holders will be treated as actually receiving their *pro rata* share of any distribution made by a Subsidiary PFIC (an "indirect distribution") and such holders will be subject to the rules generally applicable to shareholders of PFICs discussed above (even though such holders may not have received the proceeds of such distribution). Any disposition of an interest in a Subsidiary PFIC (an "indirect disposition") will result in the recognition of such holder's *pro rata* share of the gain, if any, and will be taxable under the PFIC regime as previously described. A U.S. Holder's adjusted basis in the Shares will be increased by the amount of the indirect distribution taxed to such holder or by any gain recognized by such holder as a result of an indirect disposition.

Even if a U.S. Holder should be eligible to make a mark-to-market election with respect to the Shares, no such election can be made with respect to the stock of any Subsidiary PFIC that such U.S. Holder is treated as owning because such stock is not marketable stock. Hence, the mark-to-market election will not be effective to eliminate the adverse U.S. tax consequences described above with respect to a distribution on, or disposition of, the stock of a Subsidiary PFIC.

The Company will not provide U.S. Holders with information necessary for U.S. Holders to report income they are required to report with respect to distributions on, and dispositions of, shares in any Subsidiary PFIC and, thus, U.S. Holders may not be able to fully comply with their U.S. federal income tax reporting obligations.

U.S. Holders should consult their tax advisers concerning the U.S. federal income tax consequences of holding the Shares and of making the mark-to-market election, if the Company were considered to be a PFIC. A U.S. Holder that owns the Shares during any year that the Company is a PFIC must file IRS Form 8621.

Backup Withholding and Information Reporting

U.S. Holders and Non-U.S. Holders

Payments of dividends and other proceeds made by a U.S. paying agent or other United States intermediary broker in respect of Shares may be subject to information reporting to the IRS and to 28.0 per cent. backup withholding. Backup withholding will not apply, however, (i) to a holder who furnishes a correct taxpayer identification number and makes any other required certification or (ii) to a holder who is otherwise exempt from backup withholding.

Any amounts withheld under the backup withholding rules from a payment to a holder will be allowed as a refund or a credit against such holder's U.S. federal income tax, provided that the required information is furnished to the IRS.

United Kingdom Taxation

The comments below are of a general nature and are based on current U.K. law and published HM Revenue and Customs practice at the date of this offering circular, both of which are subject to change, possibly with retrospective effect. The summary covers the principal U.K. tax consequences of holding ordinary shares for absolute beneficial holders who are resident (and, in the case of individuals only, ordinarily resident) in the United Kingdom for tax purposes ("U.K. Holders"). In addition, the summary: (i) only addresses the tax consequences for U.K. Holders who hold the ordinary shares as capital assets, and does not address the tax consequences which may be relevant to certain other categories of U.K. Holders, for example, dealers; (ii) does not address the tax consequences for U.K. Holders that are insurance companies, collective investment schemes or persons connected with the Company; (iii) only addresses the tax consequences of dividends for a U.K. Holder where the dividends paid are regarded for U.K. tax purposes as that U.K. Holder's own income (and not the income of some other person); (iv) assumes that the U.K. Holder is not interested in or deemed to be interested in, either alone or together with one or more associated or connected persons, directly or indirectly, 10.0 per cent. or more of the share capital or the voting power or the profits of the Company; (v) assumes that there will be no register in the United Kingdom in respect of the ordinary shares and (vi) assumes that the ordinary shares will not be paired with shares issued by a company incorporated in the United Kingdom.

The following is intended only as a general guide and is not intended to be, nor should it be considered to be, legal or tax advice to any particular U.K. Holder. Accordingly, potential investors should satisfy themselves as to the overall tax consequences, including the consequences under U.K. law and HM Revenue and Customs practice, of acquisition, ownership and disposition of ordinary shares in their own particular circumstances by consulting their own tax advisers.

Taxation of dividends

A U.K. Holder, or a holder of ordinary shares who carries on a trade, profession or vocation in the United Kingdom through a branch or agency or a permanent establishment and has used, held or acquired the ordinary shares for the purposes of such trade, profession or vocation or such branch, agency or permanent establishment, will generally, depending upon the holder's particular circumstances, be subject to U.K. income tax or corporation tax (as the case may be), in the gross amount of any dividends paid by the Company on the Shares.

Taxation of chargeable gains

U.K. residents

A disposal of ordinary shares by an individual U.K. Holder who is resident or ordinarily resident in the U.K. may give rise to a chargeable gain or to an allowable loss for the purposes of capital gains tax. An individual U.K. Holder who ceases to be resident or ordinarily resident in the U.K. for a period of less than five years and who disposes of the ordinary shares during that period of temporary non-residence may, under anti-avoidance legislation, be liable to capital gains tax on his or her return to the U.K. (subject to available exemptions or reliefs).

A disposal of ordinary shares by a corporate U.K. Holder which is resident in the U.K. may give rise to a chargeable gain or an allowable loss for the purposes of corporation tax.

Non-U.K. residents

An individual U.K. Holder who is not resident or ordinarily resident in the U.K. will not be liable for capital gains tax on capital gains realised on the disposal of his or her ordinary shares unless that U.K. Holder carries on a trade, profession or vocation in the UK through a branch or agency in the UK and the ordinary shares were acquired, used in or for the purposes of the branch or agency or used in or for the purposes of the trade, profession or vocation carried on by the U.K. Holder through the branch or agency.

A corporate U.K. Holder which is not resident in the U.K. will not be liable for corporation tax on capital gains realised on the disposal of its ordinary shares unless it carries on a trade in the U.K. through a permanent establishment in the U.K. and the ordinary shares were acquired, used in or for the purposes of the establishment or used in or for the purposes of the trade carried on by the corporate U.K. Holder through the permanent establishment.

Stamp Duty and Stamp Duty Reserve Tax

No U.K. stamp duty reserve tax will be payable on any agreement to transfer ordinary shares. No U.K. stamp duty will be payable on the issue of the ordinary shares; nor will stamp duty be payable on the acquisition or transfer of ordinary shares provided that the instrument of transfer is executed outside the United Kingdom and does not relate to any property situated in the United Kingdom or to any matter or thing done or to be done in the United Kingdom.

Inheritance Tax

United Kingdom inheritance tax may be chargeable on the death of, or in certain circumstances on a gift of the ordinary shares by, the owner of ordinary shares where the owner is an individual who is domiciled or is deemed to be domiciled in the U.K. for inheritance tax purposes.

Egypt

The following is a summary of the principal tax consequences for holders of ordinary shares who are not resident in Egypt ("Non-Residents"). From an Egyptian taxation point of view, the withdrawal of ordinary shares from the deposit facility is considered as a transfer of ordinary shares. This summary addresses only the tax consequences for Non-Resident Investors who hold the ordinary shares as capital assets and does not address the tax consequences which may be relevant to other classes of Non-Resident Investors, such as dealers in securities.

Dividend Withholding Tax

Dividends are not taxed under Egyptian tax law. Taxes are levied only on the corporation's net profit. Hence, there is currently no taxation, by withholding or otherwise imposed on the payment of dividends by corporations.

Taxation of Capital Gains

Under Law No. 89 of 1996, amending the Capital Markets Law and Tax Law No. 91 of 2005, there is no capital gains tax levied in Egypt on the sale or exchange of listed shares.

Stamp Duty

Under Law No. 11 of 1995, no stamp duty is to be levied on the sale or exchange of shares listed in Egypt.

Inheritance Tax

Under Law No. 227 of 1996, Egypt has abolished all inheritance taxes. Accordingly, no inheritance taxes in Egypt will be chargeable on the death of an owner of shares.

PLAN OF DISTRIBUTION

EFG-Hermes and HSBC are acting as joint global co-ordinators and bookrunners and lead managers (the "Lead Managers") of the International Offering. Subject to the terms and conditions stated in the underwriting agreement among the Company and the Lead Managers, dated the date of the offering circular, the Lead Managers have severally agreed to subscribe and pay for, or procure subscribers for the Shares offered by the Company in the International Offering at the offer price set forth on the front cover of this offering circular, and the Company has agreed to sell to such Lead Manager or subscribers procured by such Lead Manager, the number of Shares set forth opposite such Lead Manager's name.

Lead Managers	Number of Shares
EFG-Hermes	99,000,000
HSBC Bank plc	66,000,000
Total	**165,000,000**

The underwriting agreement provides that the obligations of the Lead Managers to purchase the Shares offered by the Company in the International Offering are subject to the approval of certain legal matters by their counsel and certain other conditions. In the event that any of these conditions are not satisfied, the underwriting agreement may be terminated, and the Lead Managers released from their obligations.

The Company has granted the Lead Managers the right to place up to 50,000,000 additional Shares (the "Over-allotment Shares") to purchasers procured by them solely to cover over-allotments in connection with the International Offering.

In addition, certain Selling Shareholders have granted to the Lead Managers the right to place 115,000,000 Shares with purchasers, if any, in the International Offering.

Certain Selling Shareholders have also granted to the Lead Managers the right to place a further 65,000 Shares in the Egyptian Retail Offering. The Egyptian Retail Offering Price is LE 11.00 per Share, representing a discount of 5.0 per cent. per Share to the International Offer Price.

The Company estimates that the total expenses of the Combined Offering, excluding the underwriting and other commissions, will be approximately LE 38.4 million (US$ 6.75 million).

The Shares have not been and will not be registered under the Securities Act or any state securities laws of the United States and may not be offered or sold within the United States except in transactions exempt from, or not subject to, the registration requirements of the Securities Act. In addition, until 40 days after the commencement of the International Offering, any offer or sale of Shares within the United States by a dealer, whether or not participating in the International Offering, may violate the registration requirements of the Securities Act if that offer or sale is made otherwise than in accordance with Rule 144A.

In connection with the International Offering, EFG-Hermes (on behalf of the Lead Managers), as stabilising manager may, after agreement with HSBC and for a period of up to 30 days after the Closing Date, effect transactions in the Shares with a view to supporting or maintaining the market price of the Shares at a level higher than that which might have otherwise prevailed in the open market. However, EFG-Hermes has no obligation to do so. Such stabilisation, if commenced, may begin on the Closing Date, may be effected in the open market or in the over-the-counter market or otherwise and may be discontinued at any time, but in no event later than 30 calendar days after the Closing Date (the "Stabilisation Period"). EFG-Hermes (on behalf of the Lead Managers) does not intend to disclose the extent of any such stabilisation transactions otherwise than in accordance with any legal or regulatory obligation to do so.

In connection with the International Offering, the Lead Managers may over-allot Shares as permitted by applicable law. Up to the entire amount of Over-allotment Shares may be placed by the Lead Managers with investors in the International Offering, and the proceeds thereof will be placed in a stabilisation account (the "Stabilisation Account"). EFG-Hermes (on behalf of the Lead Managers) will effect purchase and/or sale transactions of Shares after the Closing Date in the open market during the Stabilisation Period and all proceeds thereof will be placed in the Stabilisation Account. The Lead Managers have agreed to remit to the Company, at the end of the Stabilisation Period, any funds then remaining in the Stabilisation Account and any balance of Shares resulting from the purchase and/or sale of securities during the Stabilisation Period.

The Company has agreed that for a period of six months following the commencement of trading of the Shares on the CASE, it will not, directly or indirectly, issue, offer, sell, contract to sell, pledge, otherwise dispose of, enter into any transaction which is designed to, or might reasonably be expected to, result in the disposition of (whether by actual disposition or effective economic disposition due to cash settlement or otherwise), or publicly announce the offer of, any shares of capital stock of the Company or any securities convertible into, or exercisable or exchangeable for, shares of capital stock of the Company (other than the Shares offered hereby) or the intention to effect any such transaction.

Shareholders who together own 75.7 per cent. of the Shares have agreed to a contractual lock-up on similar terms to those agreed to by the Company for a period of six months following the commencement of trading of Shares on the CASE. Each of the principal shareholders of the Company, being those holding 1.0 per cent. or more of the Shares, have been offered the right to sell Secondary Shares in the Combined Offering and, in that connection have been requested to agree to this contractual lock-up. These principal shareholders own in the aggregate 85.1 per cent. of the Shares. See "The Selling Shareholders and Principal Shareholders". All of these principal shareholders, with the exception of Misr Insurance, the holder of 9.4 per cent. of the Shares, have agreed to this contractual lock-up. As a State-owned entity, Misr Insurance is required to comply with certain procedures before agreeing to any contractual limitation on its ownership rights, such as the lock-up, in relation to its assets, such as its holding of Shares. Misr Insurance has advised the Company that it is undergoing a reorganisation and as a result is not willing to initiate these internal procedures or enter into a contractual lock-up.

In addition, at the ordinary general meeting of 28 October 2007, at which the Capital Increase in connection with the Combined Offering was authorised, all shareholders in attendance, including Misr Insurance, voted in favour of a resolution including provision for a lock-up of all shareholders holding 1.0 per cent. or more of the Shares for six months following the commencement of trading of Shares on CASE. The ability to enforce the terms of the lock-up included in this resolution in the event a shareholder who voted in favour of it were to seek to sell Shares in violation of its terms is not settled as a matter of Egyptian law.

The Lead Managers have performed corporate and investment banking and advisory services for the Company and/or certain of the Selling Shareholders from time to time for which they have received customary fees and expenses, and may, in addition, from time to time, engage in transactions with and perform services for the Company and/or certain of the Selling Shareholders in the ordinary course of their businesses.

The Company and the Selling Shareholders have agreed to indemnify the Lead Managers against certain liabilities, including, in the case of the Company, liabilities under the Securities Act or to contribute to payments that the Lead Managers may be required to make because of any of those liabilities.

SELLING AND TRANSFER RESTRICTIONS

Selling Restrictions

No action has been or will be taken in any jurisdiction other than the retail offering in Egypt that would permit a public offering of the Shares offered in the Combined Offering, or possession or distribution of this offering circular or any other offering material in any country or jurisdiction where action for that purpose is required. Accordingly, neither the Shares may be offered or sold, directly or indirectly, and neither this offering circular nor any other offering material or advertisement in connection with the Shares may be distributed or published in or from any country or jurisdiction except under circumstances that will result in compliance with any and all applicable rules and regulations of any such country or jurisdiction. Persons into whose possession this offering circular comes should inform themselves about and observe any restrictions on the distribution of this offering circular and the offer, subscription and sale of Shares offered in the International Offering, including those in the paragraphs below. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction. This offering circular does not constitute an offer to subscribe for or buy any of the Shares offered in the International Offering to any person in any jurisdiction to whom it is unlawful to make such offer or solicitation in such jurisdiction.

Arab Republic of Egypt

The Shares may not be offered or sold in any form of general solicitation or general advertising or in a public offering in Egypt, unless the pre-approval of the CMA has been obtained. Shares offered and sold in the International Offering may only be offered or sold in Egypt through a private placement to Egyptian QIBs or Professional High Net Worth Investors (as defined below) whose ordinary activities involve them in acquiring, holding, managing or disposing of investments for the purposes of their business and only in accordance with applicable Egyptian law and regulations including the applicable provisions of the Capital Market Law, its Executive Regulations and the provisions of the CMA's Directives no. 31 for the year 2002 concerning private placements.

Each purchaser of the Shares offered in the private placement in Egypt will be deemed to have represented that it is either an Egyptian QIB or a Professional High Net Worth Investor within the meaning of the Capital Market Law 95 for 1992, its Executive Regulations and the CMA's Directives no. 31 of the year 2002 concerning private placements.

An "Egyptian QIB" is an institutional investor having (i) a minimum asset book value of LE 20.0 million; (ii) a minimum equity book value of LE 10.0 million; (iii) a minimum investment in securities (excluding securities related to the Combined Offering) of LE 5.0 million as of date of the placement; or (iv) a licence to operate in the field of securities and permitted to acquire securities within its objects. In addition, an Egyptian QIB should also have at least five years experience in capital markets and stock exchanges locally and internationally.

A "Professional High Net Worth Investor" is an individual investor: (i) who owns assets with a minimum value of LE 2.0 million; (ii) with a minimum annual income of LE 500,000; (iii) with a minimum bank savings account balance of LE 500,000; (iv) who, as of the placement date, holds securities in two joint stock companies (excluding the Combined Offering) with a minimum value of LE 2.0 million; or (v) who has at least five years experience in capital markets and stock exchanges locally or internationally.

United States

The Shares offered in the International Offering have not been and will not be registered under the Securities Act, and, subject to certain exceptions, may not be offered or sold within the United States except in certain transactions exempt from or not subject to the registration requirements of the Securities Act. The Managers propose (i) to offer the Shares to investors outside the United States in accordance with Regulation S under the Securities Act, and (ii) to offer the Shares to qualified institutional buyers, or QIBs, in the United States as defined under and in accordance with Rule l44A under the Securities Act or another exemption from the registration requirements thereof. Each of the Managers has agreed that, except as permitted in the underwriting agreement, it will not offer, sell or deliver Shares into or within the United States.

In addition, until 40 days after the commencement of the International Offering, an offer or sale of Shares offered in the International Offering into or within the United States by a dealer, whether or not such dealer is participating in the International Offering, may violate the registration and prospectus delivery requirements of the Securities Act if such offer or sale is not made in accordance with Rule l44A under the Securities Act.

Kingdom of Saudi Arabia

No action has been or will be taken in the Kingdom of Saudi Arabia that would permit a public offering or private placement of the Shares in the Kingdom of Saudi Arabia, or possession or distribution of any offering materials in relation thereto.

The Shares may only be offered and sold in the Kingdom of Saudi Arabia in accordance with Part 5 (Exempt Offers) of the Offers of Securities Regulations dated 20/8/1425 AH (corresponding to 4/10/2004) (the "Regulations") and, in accordance with Part 5 (Exempt Offers) Article 17(a)(3) of the Regulations, the Shares will be offered to no more than 60 offerees in the Kingdom W-45 of Saudi Arabia with each such offeree paying an amount not less than Saudi Riyals one million or its equivalent. Investors are informed that Article 20 of the Regulations places restrictions on secondary market activity with respect to the Shares. Any resale or other transfer, or attempted resale or other transfer, made other than in compliance with the above-stated restrictions shall not be recognized by us.

Dubai International Financial Centre

The Shares may not be, are not and will not be offered, distributed, sold, transferred or delivered, directly or indirectly, to any person in the Dubai International Financial Centre other than by way of an Exempt Offer in accordance with the Offered Securities Rules of the Dubai Financial Services Authority.

State of Kuwait

The Shares have not been authorized or licensed for offering, marketing or sale in the State of Kuwait. The distribution of this offering memorandum and the offering and sale of the Shares in the State of Kuwait is restricted by law unless a license is obtained from the Kuwaiti Ministry of Commerce and Industry in accordance with Law 31 of 1990. Persons into whose possession this offering memorandum comes are required by the Company and the Lead Managers to inform themselves about and to observe such restrictions. Investors in Kuwait who approach the Company or the Lead Managers to obtain copies of this offering memorandum are required by the Company and the Lead Managers to keep such offering memorandum confidential and not to make copies thereof or distribute the same to any other person and are also required to observe the restrictions provided for in all jurisdictions with respect to offering, marketing and the sale of the Shares.

Qatar

The Lead Managers have acknowledged and agreed that no general offering of the Shares will be made in Qatar, and any Shares may only be placed in Qatar with a limited number of targeted investors.

United Arab Emirates

This offering circular is not intended to constitute an offer, sale or delivery of Shares or other securities under the laws of the United Arab Emirates ("UAE"). The Shares have not been and will not be registered under Federal Law No. 4 of 2000 Concerning the Emirates Securities and Commodities Authority and the Emirates Security and Commodity Exchange, or with the UAE Central Bank, the Dubai Financial Market, the Abu Dhabi Securities Market or with any other UAE exchange.

In relation to its use in the UAE, this offering circular is strictly private and confidential and is being distributed to a limited number of investors and must not be provided to any person other than the original recipient, and may not be reproduced or used for any other purpose. The interests in the Shares may not be offered or sold directly or indirectly to the public in the UAE.

European Economic Area

In relation to each Member State of the European Economic Area that has implemented the Prospectus Directive (each, a "Relevant Member State"), with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State, an offer of Shares to the public may not be made in that Relevant Member State except that an offer to the public in that Relevant Member State may be made at any time under the following exemptions under the Prospectus Directive, if they have been implemented in that Relevant Member State:

(i) to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities;

(ii) to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than €43.0 million and (3) an annual net turnover of more than €50.0 million, as shown in its last annual or consolidated accounts;

(iii) to fewer than 100 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the Lead Managers for any such offer; or

(iv) in any other circumstances that do not require the publication by the Company of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an "offer of Shares to the public" in relation to any Shares in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and any Shares to be offered so as to enable an investor to decide to purchase or subscribe for the Shares, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State and the term "Prospectus Directive" includes any relevant implementing measure in each Relevant Member State.

Republic of France

The Shares have not been offered or sold and will not be offered or sold, directly or indirectly, to the public in France otherwise than (i) to qualified investors or to members of a restricted circle of investors (cercle restreint d'investisseurs) as defined in Articles L.411-2-11-4° and D.411-1 of the French Code Monétaire et Financier, provided they act for their own account, (ii) portfolio management services providers, provided they act on behalf of third parties, and/or (iii) in other circumstances defined in Article L.411-2 of French Code Monétaire et Financier and in Article 211-2 of the General Regulation of the Autorité des Marchés Financiers ("AMF").

If the offer of Shares is realised pursuant to Article L.411-2-11-4° of the French Code Monétaire et Financier, qualified investors and members of a restricted circle of investors are notified that they must act in that connection for their own account in accordance with the terms set out by Articles L.411-2-11-4°, D.411-1, D.411-2, D.734-1, D.744-1, D.754-1 and D.764-1 of the French Code Monétaire et Financier and may not re-transfer, directly or indirectly, the Shares other than in compliance with applicable laws and regulations, in particular those relating to public offers (which are in particular embodied in Articles L.411-1, L.411-2, L.412-1 and L.621-8 to L.621-8-3 of the French Code Monétaire et Financier).

This offering circular has not been prepared in the context of a public offering of securities in France within the meaning of Article L.411-1 of the French Code Monétaire et Financier and has therefore not been and will not be submitted to the AMF in order to obtain prior approval or to be passported in France following approval by the competent authority under the Prospectus Directive, or otherwise. Any delivery of this offering circular and/or of any other document relating to this offering shall not under any circumstances be deemed to constitute an offer to sell or a solicitation to buy securities within the meaning of the foregoing provisions of the French Code Monétaire et Financier.

Transfer Restrictions

Each purchaser of Shares in the United States pursuant to Rule l44A under the Securities Act or another exemption from the registration requirements thereof, by its acceptance of delivery of this offering circular, will be deemed to have represented, agreed and acknowledged as follows:

1. The purchaser (i) is a qualified institutional buyer, or QIB, as that term is defined by Rule l44A under the Securities Act, (ii) is aware that, and each beneficial owner of such Shares has been advised that, the sale to it is being made in reliance on Rule l44A under the Securities Act or another exemption from the registration requirements thereof (iii) is acquiring such Shares for its own account or for the account of a QIB and (iv) if it is acquiring such Shares for the account of one or more QIBs, it has sole investment discretion with respect to each such account and it has full power to make the acknowledgements, representations and agreements herein on behalf of each such account.

2. The purchaser is aware that the Shares purchased pursuant to Rule l44A under the Securities Act or another exemption from the registration requirements thereof have not been and will not be registered under the Securities Act and are being offered in the United States in reliance on Rule l44A or another exemption from the registration requirements thereof only in transactions not involving any public offering in the United States and are restricted securities within the meaning of the Securities Act.

3. In the future, if the purchaser decides to offer, resell, pledge or otherwise transfer the Shares purchased pursuant to Rule l44A under the Securities Act or another exemption from the registration requirements thereof, such

Shares may be offered, sold, pledged or otherwise transferred only (a)(i) pursuant to an effective registration statement under the Securities Act, (ii) to a person whom the holder and any person acting on its behalf reasonably believes is a QIB purchasing for its account or for the account of a QIB in a transaction meeting the requirement of Rule 144A, (iii) outside the United States in an "offshore transaction" in accordance with Rule 903 or Rule 904 of Regulation S (and not in a pre-arranged transaction resulting in the resale of such Shares into the United States or (iv) pursuant to an exemption from registration under the Securities Act pursuant to Rule 144 thereunder, if available, and (b) in accordance with any applicable securities law of any state or territory of the United States and any other jurisdiction. Such person understands that no representation can be made as to the availability of the exemption provided by Rule 144 under the Securities Act for the resale of the Shares.

4. The purchaser has received a copy of this offering circular and has had access to such financial and other information concerning TMG as it has deemed necessary in connection with making its own investment decision to purchase the Shares. It has made its own independent investigation and appraisal of, without limitation, the business, financial condition, prospects, creditworthiness, status and affairs of TMG and the Shares. It understands that there may be certain consequences under U.S. and other tax laws resulting from an investment in the Shares and it has made such investigation and has consulted such tax and other advisors with respect thereto as it deems appropriate. It acknowledges that neither TMG nor the Lead Managers named herein nor any person representing TMG or the Lead Managers has made any representation, express or implied, to it with respect to TMG or the offering or sale of the Shares other than as set forth in this offering circular, which has been delivered to it and upon which it is solely relying in making its investment decision with respect to the Shares. It has held and will hold any offering materials, including this offering circular, it receives directly or indirectly from TMG in confidence, and it understands that any such information received by it is solely for it and not be redistributed or duplicated by it. It acknowledges that it has read, understood and agreed to the matters stated in the section "Selling and Transfer Restrictions" in this offering circular.

5. The purchaser and each other QIB, if any, for whose account it is acquiring the Shares, in the normal course of business, invest in and purchase securities similar to the Shares, has such knowledge and experience in financial and business matters that it is capable of evaluating the risks and merits of purchasing Shares and is aware that it must bear the economic risk of an investment in the Shares for an indefinite period of time and is able to bear such a risk and to sustain complete loss of investment in the Shares.

6. The purchaser undertakes to promptly notify the Company and the Lead Managers if, at any time prior to the delivery to it of any Shares, any of the foregoing ceases to be true.

Each purchaser in the United States will also be deemed to have agreed to give any subsequent purchaser of the Shares notice of any restrictions of the transfer thereof.

Any resale or other transfer, or attempted resale or other transfer, made other than in compliance with the above-stated restrictions shall not be recognised by the Company or the Lead Managers.

The Company, the Lead Managers and their affiliates, and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements.

Prospective purchasers are hereby notified that the sellers of the Shares purchased pursuant to Rule l44A under the Securities Act may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule l44A or another exemption from the registration requirements thereof.

SETTLEMENT AND TRANSFER

Settlement and Clearance of the Shares on the CASE

The completion of the capital increase, issuance of the Shares and admission to unconditional trading will require the approval of a number of authorities, including the Egyptian General Authority for Investment, the CMA, the CASE, and MCDR. Funds allocated to the purchase of Primary Shares will be deposited in the Company's bank account and held in escrow until the capital increase is inscribed on the Commercial Register. Once the bank receives the funds, a certificate of acknowledgement will be issued by the bank in the name of each purchaser. Shares will be delivered to the custodian of the subscribers on the Closing Date.

Funds allocated to the purchase of Secondary Shares will be deposited with Financial Brokerage Group S.A.E. ("FBG") (a subsidiary of EFG-Hermes Holding), in the name of each purchaser. Shares will be delivered to each purchaser's share account with FBG on the Closing Date.

All transfers of ownership of the Shares must be effected on the CASE by a CMA-licensed broker. Non-Egyptian purchasers of Shares must arrange for their Shares to be delivered to a custodian authorised by the CMA (a "Local Custodian") to hold dematerialized Shares. The Local Custodian designated by the purchaser will hold the Shares in accordance with the purchaser's instructions.

None of the Company, the Selling Shareholders or the Lead Managers will have any responsibility for the performance by the Local Custodians or their agents of their respective obligations under the rules and procedures governing their operations.

LEGAL MATTERS

Certain legal matters in connection with the International Offering will be passed upon for with respect to United States laws and the laws of England and Wales by Baker & McKenzie LLP and with respect to Egyptian law by Baker & McKenzie (Helmy, Hamza & Partners). Certain legal matters in connection with the International Offering will be passed upon for the Managers with respect to United States laws and the laws of England and Wales by Dewey & LeBoeuf and with respect to Egyptian law by Zaki Hashem & Partners.

INDEPENDENT AUDITORS

The financial statements of Arab Company, San Stefano Real Estate and Alexandria Real Estate as at 31 December 2004, 2005 and 2006 and for the years then ended, included elsewhere in this offering circular have been prepared in accordance with EAS, and have been audited in accordance with Egyptian Standards on Auditing and applicable Egyptian laws by Allied for Accounting & Auditing, a member of Ernst & Young Global, independent accountants, as stated in their reports appearing elsewhere herein.

The financial statements of Arab Company, San Stefano Real Estate and Alexandria Real Estate as at and for the six months ended 30 June 2007 included elsewhere in this offering circular have been prepared in accordance with EAS, and have been reviewed by Allied for Accounting & Auditing, a member of Ernst & Young Global, independent accountants, as stated in their review reports appearing elsewhere herein.

Unaudited interim financial information for Arab Company, San Stefano Real Estate and Alexandria Real Estate included as comparative information in the respective interim financial statements has not been reviewed by the independent auditors.

INDEX TO FINANCIAL STATEMENTS

ARAB COMPANY FOR PROJECTS AND URBAN DEVELOPMENT S.A.E. AND SUBSIDIARIES

Consolidated Financial Statements
31 December 2006, 2005, 2004

AUDITOR'S REPORT TO THE SHAREHOLDERS OF ARAB COMPANY FOR PROJECTS AND URBAN DEVELOPMENT S.A.E.

We have audited the accompanying consolidated financial statements of Arab Company for Projects and Urban Development S.A.E. and its subsidiaries ("Arab Group") which comprise the consolidated balance sheet as of 31 December 2006, 2005 and 2004 and the related consolidated statements of income, consolidated cash flows and changes in shareholders' equity for the years then ended. These consolidated financial statements are the responsibility of Arab Company for Projects and Urban Development S.A.E.'s management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

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

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Arab Company for Projects and Urban Development S.A.E. and its subsidiaries as of 31 December 2006, 2005 and 2004 and their financial performance and its cash flows for the years then ended in accordance with the Egyptian Accounting Standards and the related applicable laws and regulations.

for Allied for Accounting & Auditing
(A member of Ernst & Young Global)

Emad H. Ragheb
FESAA-FEST
(RAA. 3678)

Cairo: 22 October 2007

ARAB COMPANY FOR PROJECTS AND URBAN DEVELOPMENT S.A.E. AND SUBSIDIARIES

CONSOLIDATED INCOME STATEMENT
YEARS ENDED 31 DECEMBER 2006, 2005 AND 2004

	Notes	2006 LE	2005 LE	2004 LE
Revenue	3	**379,077,158**	379,011,734	605,306,419
Cost of revenue	3	**(275,491,792)**	(274,433,915)	(485,816,866)
GROSS PROFIT		**103,585,366**	104,577,819	119,489,553
Selling, general and administrative expenses	4	**(54,192,421)**	(9,051,827)	(10,901,975)
Interest income on fixed deposits with banks		**8,158,837**	497,242	652,255
Other income		**75,000**	76,279	53,750
Gain on disposal of property, plant and equipment		**429,040**	167,158	3,732
Gain on sale of investments		—	523,727	503,213
Foreign exchange difference		**115,685**	(482,130)	(551,264)
Release of provision no longer required on available for sale securities		—	2,253,523	—
PROFIT BEFORE TAX		**58,171,507**	98,561,791	109,249,264
Income tax expense	5	**(1,289,925)**	(62,789)	—
PROFIT FOR THE YEAR		**56,881,582**	98,499,002	109,249,264
ATTRIBUTABLE TO:				
Shareholders of the parent		**56,841,348**	98,488,667	109,246,330
Minority interest		**40,234**	10,335	2,934
		56,881,582	98,499,002	109,249,264
Earnings per share attributable to the shareholders of the parent	19	**15.39**	26.66	33.10

The attached notes 1 to 25 form part of these consolidated financial statements.

ARAB COMPANY FOR PROJECTS AND URBAN DEVELOPMENT S.A.E. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET
AT 31 DECEMBER 2006, 2005 AND 2004

	Notes	31 December 2006 LE	31 December 2005 LE	31 December 2004 LE
ASSETS				
Non-current assets				
Property and equipment	6	**199,952,608**	163,373,453	24,254,477
Investments in associates and unconsolidated subsidiary	7	**—**	—	122,500
Available for sale investments	8	**1,995,000**	750,000	750,000
Notes receivable	9	**1,547,439,643**	210,603,026	199,622,194
Development properties	10	**3,133,165,664**	1,012,334,144	891,189,006
		4,882,552,915	1,387,060,623	1,115,938,177
Current assets				
Development properties	10	**777,860,289**	268,106,932	264,682,374
Notes receivable	9	**328,473,966**	200,079,943	244,889,598
Accounts receivable and prepayments	11	**126,132,237**	123,492,443	85,207,141
Available for sale investments	8	**79,118,615**	66,425,289	59,389,381
Bank balances and cash	12	**380,445,095**	15,385,821	18,344,843
		1,692,030,202	673,490,428	672,513,337
TOTAL ASSETS		**6,574,583,117**	2,060,551,051	1,788,451,514
EQUITY AND LIABILITIES				
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY				
Share capital	13	**369,600,000**	369,600,000	330,000,000
Capital increase in process		**180,400,000**	42,492,500	—
Legal reserve	14	**33,401,041**	28,353,809	22,732,047
Retained earnings		**375,878,179**	370,131,262	317,164,357
		959,279,220	810,577,571	669,896,404
Minority interest		**76,122**	38,269	25,434
TOTAL EQUITY		**959,355,342**	810,615,840	669,921,838
LIABILITIES				
Non-current liabilities				
Interest-bearing loans and borrowings	15	**96,159,943**	82,303,806	79,801,993
Other long term liabilities	16	**3,986,938,131**	572,348,318	—
Notes payable	17	**11,576,603**	4,743,089	14,261,126
Deferred income tax liability	5	**1,352,714**	62,789	—
		4,096,027,391	659,458,002	94,063,119
Current liabilities				
Accounts payable and accruals	18	**1,206,220,542**	413,984,040	743,197,233
Bank overdrafts	12	**126,038**	3,861,767	3,144,363
Current portion of interest-bearing loans and borrowings	15	**116,843,960**	102,585,153	159,010,052
Current portion of other long term liabilities	16	**167,518,448**	7,599,543	5,220,966
Notes payable	17	**28,491,396**	62,446,706	113,893,943
		1,519,200,384	590,477,209	1,024,466,557
TOTAL LIABILITIES		**5,615,227,775**	1,249,935,211	1,118,529,676
TOTAL EQUITY AND LIABILITIES		**6,574,583,117**	2,060,551,051	1,788,451,514

The consolidated financial statements were authorised for issue on 19 October 2007 by:

Allied for Accounting & Auditing (A member of Ernst & Young Global)	Ghaleb Ahmed Fayed Head of Finance	Hisham Talaat Mostafa Chairman & Managing Director

The attached notes 1 to 25 form part of these consolidated financial statements.
Auditor's report attached.

ARAB COMPANY FOR PROJECTS AND URBAN DEVELOPMENT S.A.E. AND SUBSIDIARIES

CONSOLIDATED CASH FLOW STATEMENT
YEAR ENDED 31 DECEMBER 2006, 2005 AND 2004

	Notes	2006 LE	2005 LE	2004 LE
OPERATING ACTIVITIES				
Profit for the year		**56,881,582**	98,499,002	109,249,264
Adjustments for:				
Depreciation		**12,135,882**	10,007,824	3,162,792
Provision not yet required		—	—	774,004
Gain on disposal of property and equipment		**(429,040)**	(167,158)	(3,732)
Gain on disposal of securities		—	(523,727)	—
Cash from operations before working capital changes:		**68,588,424**	107,815,941	113,182,328
Accounts receivable and prepayments		**(2,639,794)**	(38,285,302)	(7,969,676)
Notes receivable		**(1,465,230,640)**	33,828,823	—
Development properties		**(2,630,584,877)**	(124,569,696)	(48,535,901)
Accounts payable and accruals		**1,114,250,220**	243,200,414	(62,774,940)
Notes payable		**(27,121,796)**	(60,965,274)	50,555,285
Other term liabilities		**3,253,782,544**	2,378,577	—
Net cash from operating activities		**311,044,081**	163,403,483	44,457,096
INVESTING ACTIVITIES				
Purchase of securities		**(13,938,326)**	(7,376,573)	(12,156,200)
Proceeds from sale of property and equipment		**7,446,246**	183,110	130,054
Proceeds from disposal of securities		—	864,392	—
Purchase of property and equipment		**(55,732,243)**	(149,142,752)	(5,034,686)
Available for sale investments		—	122,500	—
Net cash used in investing activities		**(62,224,323)**	(155,349,323)	(17,060,832)
FINANCING ACTIVITIES				
Dividend paid		**(15,647,199)**	(300,000)	—
Interest bearing loans and borrowings		**28,114,944**	(53,923,086)	(33,129,214)
Cash received for capital increase in process		**107,507,500**	42,492,500	—
Net cash from (used in) financing activities		**119,975,245**	(11,730,586)	(33,129,214)
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**368,795,003**	(3,676,426)	(5,732,950)
Cash and cash equivalents at the beginning of the year		**11,524,054**	15,200,480	20,933,430
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	12	**380,319,057**	11,524,054	15,200,480

The attached notes 1 to 25 form part of these consolidated financial statements.

ARAB COMPANY FOR PROJECTS AND URBAN DEVELOPMENT S.A.E. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
YEARS ENDED 31 DECEMBER 2006, 2005 AND 2004

	Attributable to equity holders of the Parent						
	Share capital LE	Capital increase in process LE	Legal reserve LE	Retained earnings LE	Total LE	Minority interest LE	Total equity LE
Balance at 1 January 2006	369,600,000	42,492,500	28,353,809	370,131,262	810,577,571	38,269	810,615,840
Profit for the year	—	—	—	56,841,348	56,841,348	40,234	56,881,582
Transfer to legal reserve	—	—	5,047,232	(5,047,232)	—	—	—
Stock dividends (note 13)	—	30,400,000	—	(30,400,000)	—	—	—
Cash dividends	—	—	—	(15,647,199)	(15,647,199)	(2,381)	(15,649,580)
Issue for share capital	—	107,507,500	—	—	107,507,500	—	107,507,500
Balance at 31 December 2006	369,600,000	180,400,000	33,401,041	375,878,179	959,279,220	76,122	959,355,342

The attached notes 1 to 25 form part of these consolidated financial statements.

ARAB COMPANY FOR PROJECTS AND URBAN DEVELOPMENT S.A.E. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
YEAR ENDED 31 DECEMBER 2006, 2005 AND 2004

	Attributable to equity holders of the Parent						
	Share capital LE	Capital increase in process LE	Legal reserve LE	Retained earnings LE	Total LE	Minority interest LE	Total equity LE
Balance at 1 January 2005	330,000,000	—	22,732,047	317,164,357	669,896,404	25,434	669,921,838
Profit for the year	—	—	—	98,488,667	98,488,667	10,335	98,499,002
Transfer to legal reserve	—	—	5,621,762	(5,621,762)	—	—	—
Stock dividends	—	39,600,000	—	(39,600,000)	—	—	—
Cash dividends	—	—	—	(300,000)	(300,000)	—	(300,000)
Additional capital contribution by minority shareholders	—	—	—	—	—	2,500	2,500
Issue for share capital /capital increase in process	39,600,000	2,892,500	—	—	42,492,500	—	42,492,500
Balance at 31 December 2005	369,600,000	42,492,500	28,353,809	370,131,262	810,577,571	38,269	810,615,840

The attached notes 1 to 25 form part of these consolidated financial statements.

ARAB COMPANY FOR PROJECTS AND URBAN DEVELOPMENT S.A.E. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
YEAR ENDED 31 DECEMBER 2006, 2005 AND 2004

	Attributable to equity holders of the Parent						
	Share capital LE	Capital increase in process LE	Legal Reserve LE	Retained earnings LE	Total LE	Minority Interest LE	Total Equity LE
Balance at 1 January 2004	300,000,000	30,000,000	22,732,047	282,175,977	634,908,024	22,500	560,672,574
Profit for the year	—	—	—	109,246,330	109,246,330	2,934	109,249,264
Prior years adjustments	—	—	—	(74,257,950)	(74,257,950)	—	—
Transfer to legal reserve	—	—	—	—	—	—	—
Issue for share capital	30,000,000	(30,000,000)	—	—	—	—	—
Balance at 31 December 2004	330,000,000	—	22,732,047	317,164,357	669,896,404	25,434	669,921,838

The attached notes 1 to 25 form part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2006, 2005 AND 2004

1 Domicile and activities

Arab Company for Projects and Urban Development S.A.E. (the "Company" or the "Parent") registered in Egypt under Commercial Registration numbered 290952 under the provisions of law 159 of 1981 and its executive regulations. The Company was established on 14 August 1995. The Company and its subsidiaries together constitute the "Arab Group". The Company's registered office is at 36, Mossadak St., Dokki, Giza, Egypt.

The principal activities of the Arab Group entities are as follows:

- **Arab Company for Projects and Urban Development**

The main objective of the Company is to operate in real estate investments, urban development projects, purchasing land, fixing, providing the land with utilities, dividing, selling and investing land, and also constructing, managing, using and selling buildings, units and residential compounds.

- **Al Rehab for Management Company**

The main objective of the company is to manage, operate and provide maintenance services for the new urban projects.

- **Al Rehab for Entertainment Services Company**

The main objective of the company is to operate in tourism, entertainment, sports, and social activities for the owners of Al Rehab city and others.

- **Al Masria for Trade Services Company**

The main objective of the company is to operate in managing, operating and use of commercial units and supermarkets of Al Rehab city only.

2.1 Basis of preparation

These consolidated financial statements have been prepared in accordance with Egyptian Accounting Standards and applicable requirements of Egyptian laws.

The consolidated financial statements have been presented in Egyptian Pounds, which is the functional currency of the Arab Group.

The consolidated financial statements are prepared under the historical cost convention.

Basis of consolidation

Subsidiary Companies

The consolidated financial statements comprise the financial statements of Arab Company for Projects and Urban Development S.A.E. and its subsidiaries as of and for the year sended 31 December 2006, 2005 and 2004. The financial statements of the subsidiaries are prepared for the same reporting year as the Parent, using consistent accounting policies. Intra-group balances and any unrealized income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements. Subsidiaries are consolidated from the date on which control is transferred to the Arab Group and cease to be consolidated from the date on which control is transferred out of the Arab Group.

Minority interest represents the ownership interest in subsidiary companies that is not held by the Arab Group.

Associated Companies

Associated companies are companies in which the Arab Group has significant influence, but not control, over the financial and operating policies. In the consolidated financial statements, investments in associated companies are accounted for using the equity method of accounting, from the date that significant influence commences until the date that significant influence ceases. Investments in associated companies are carried on the balance sheet at cost, plus post acquisition changes in the Arab Group's share of net assets of the associate, less any impairment in value. The income statement reflects the Arab Group's share of the results of operations of its associates.

2.1 Basis of preparation — continued

When the Arab Group's share of losses exceeds its interest in an associate, the carrying amount is reduced to nil and the recognition of further losses is discontinued except to the extent that the group has an obligation or has made payments on behalf of the investee.

2.2 Changes in accounting policies

The accounting policies used in the preparation of the consolidated financial statements are consistent with those used in the preparation of the consolidated financial statements for the year ended 31 December 2005 and 2004.

2.3 Significant accounting judgments and estimates

Critical judgments in applying the entity's accounting policies

In the process of applying the Arab Group's accounting policies, management has made the following judgments apart from those involving estimations, which have the most significant impact on the amounts recognised in the financial statements.

Impairment of investments

The Arab Group follows the guidelines of the Egyptian Accounting Standards to determine when an investment is impaired. This determination requires significant judgments. In making such judgments, the Arab Group evaluates among other factors, the duration and extent to which the fair value of an investment is less than its cost, the financial health and the near term business outlook for the investee.

Estimation uncertainty

Income taxes

The Arab Group is subject to income taxes. Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Arab Group recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

2.4 Summary of significant accounting policies

Revenue recognition

Provided it is probable that the economic benefits will flow to the Arab Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in the consolidated income statement as follows: -

Sale of property

Revenue on sale of plots of property is recognised on the basis of the full accrual method as and when all of the following conditions are met:

- A sale is consummated and contracts are signed;
- The buyer's investment, to the date of the financial statements, is adequate to demonstrate a commitment to pay for the property;
- The Arab Group's receivable is not subject to future subordination;
- The Arab Group has transferred to the buyer the usual risks and rewards of ownership in a transaction that is in substance a sale and does not have a substantial continuing involvement with the property; and
- Work to be completed is both easily measurable and accrued or is not significant in relation to the overall value of the contract.

Interest income

Interest income is recognised as the interest accrues using the effective interest method, under which the rate used exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

2.4 Summary of significant accounting policies — continued

Services

Revenue from rendering of services is recognised when the outcome of the transaction can be estimated reliably, by reference to the stage of completion of the transaction at the balance sheet date.

Cost of revenue

Cost of revenue includes the cost of land and development costs. Development costs include the cost of infrastructure and construction. The cost of sales in respect of property is based on the actual proportion of the sold property to date to the estimated total revenues for each project. The cost of sales in respect of land sales is based on the total estimated cost of the land site over the total usable land area in a particular development.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

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.

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.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Income tax relating to items recognised directly in equity is recognised in equity and not in the income statement.

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.

Trade receivables

Trade receivables 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.

Notes receivable

Notes receivable are stated at cost net of provisions for impairment.

Financial assets

The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss, and available-for-sale financial investments. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at every reporting date.

2.4 Summary of significant accounting policies — continued

Financial assets at fair value through profit or loss

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months of the balance sheet date.

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 and subsequently measured at fair value, unless this cannot be reliably measured. Changes in fair value are reported as a separate component of equity. Upon impairment any loss, or upon derecognizing any gain or loss, previously reported as "cumulative changes in fair value" within equity is included in the income statement for the period.

Development properties

Properties acquired, constructed or in the course of construction for sale are classified as development properties. Unsold properties are stated at the lower of cost or net realisable 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 capitalised as and when activities that are necessary to get the properties ready for sale are in progress. Net realisable 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. At that stage, cost, attributable profit and progress billings are eliminated from development properties.

Property and equipment

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

Buildings	20 years
Motor Vehicles	5 years
Tools	8 years
Furniture and other assets	8-10 years
Al Rehab Club assets	8-10 years

Projects under construction are not depreciated.

The useful life and depreciation method are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from these assets.

Impairment

Property and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of these assets may not be recoverable. Whenever the carrying amount of these assets exceeds their recoverable amount, an impairment loss is recognised in the income statement. The recoverable amount is the higher of an asset's net selling price and the value in use. The net selling price is the amount obtainable from the sale of an asset in an arm's length transaction while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Reversal of impairment losses recognised in the prior years is recorded when there is an indication that the impairment losses recognised for the asset no longer exist or have reduced.

2.4 Summary of significant accounting policies — continued

Impairment and uncollectibility of financial assets

An assessment is made at each balance sheet date to determine whether there is objective evidence that a specific financial asset may be impaired. If such evidence exists, any impairment loss is recognised in the income statement. Impairment is determined as follows:

(a) For assets carried at cost, impairment is the difference between carrying value and the present value of future cash flows discounted at the current market rate of return for a similar financial asset;

(b) For assets carried at amortised cost, impairment is the difference between carrying amount and the present value of future cash flows discounted at the original effective interest rate.

Trade and other payables

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

End of service benefits

With respect to its employees, the Arab Group makes contributions to a pension fund established by the General Pension and Social Security Authority calculated as a percentage of the employees' salaries. The Arab Group's obligations are limited to these contributions, which are expensed when due.

Provisions

Provisions are recognised when the Arab Group has a present 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.

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.

Contingencies

Contingent liabilities are not recognised in the consolidated financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognised in the consolidated financial statements but disclosed when an inflow of economic benefits is probable.

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.

The fair value of forward foreign exchange contracts is calculated by reference to current forward exchange rates with the same maturity.

3 Revenue and cost of revenue

	2006 **LE**	2005 LE	2004 LE
Revenue:			
Sale of residential and commercials units	**371,274,887**	373,372,799	596,832,988
Services	**7,802,271**	5,638,935	8,473,431
	379,077,158	379,011,734	605,306,419
Cost of revenue:			
Cost of residential and commercials units	**271,170,591**	270,809,631	478,751,693
Cost of services	**4,321,201**	3,624,284	7,065,173
	275,491,792	274,433,915	485,816,866

4 Selling, general and administrative expenses

	2006 **LE**	2005 LE	2004 LE
Depreciation of property and equipment (Note 6)	**5,314,538**	3,442,609	2,818,919
Payroll and related expenses	**2,174,712**	1,057,857	868,663
Advertising	**44,733,436**	3,392,158	3,354,388
Others	**1,969,735**	1,159,203	3,860,005
	54,192,421	9,051,827	10,901,975

5 Income tax expense

	2006 **LE**	2005 LE	2004 LE
Income statement:			
Current income tax:			
Current income tax charge	—	—	—
Deferred income tax:			
Relating to the origination and reversal of temporary differences	**1,289,925**	62,789	—
	1,289,925	62,789	—

Tax situation

- **Arab Company for Projects and Urban Development**

a) Corporate tax

Tax inspections have taken place of the Company's records for 2002 and all tax due were paid.

Under the New Urban Societies Law, Al Rehab Project enjoys a ten years tax holiday for each of its phases I through VI. The tax holiday for each phase begins on the date of commencement of that phase, beginning 1 January 1997 for phase I.

b) Salary tax

Tax inspections have taken place of the Company's records for the years from 1996 to 2000 and all tax due were paid.

For the years from 2002 to 2003, tax inspection took place for the Company's records. The Company appealed against the tax assessment.

c) Stamp duty tax

Tax inspections have taken place of the Company's records for the years till 2005 and all tax due were paid.

- **Al Rehab for Management Company**

a) Corporate tax

The company enjoys tax holiday for the period from 1 January 2006 to 31 December 2015 in accordance with the New Urban Societies Law.

5 Income tax expense — continued

b) Salary tax

All tax due were paid through 31 December 2006.

c) Stamp duty tax

All tax due were paid through 31 December 2006.

- **Al Rehab for Entertainment Services Company**

a) Corporate tax

The company has submitted its tax returns by the statutory deadlines.

b) Salary tax

No tax inspection has taken place for the Company's records from inception to 31 December 2006.

c) Stamp duty tax

No tax inspection has taken place for the Company's records from inception to 31 December 2006.

- **Al Masria for Trade Services Company**

a) Corporate tax

The Company enjoyed tax holiday for the period up to 31 December 2013 in accordance with the New Urban Societies Law.

b) Salary tax

No tax inspection has taken place for the company's records from inception to 31 December 2006.

c) Stamp duty tax

No tax inspection has taken place for the company's records from inception to 31 December 2006.

d) Sales tax

No tax inspection has taken place for the company's records from inception to 31 December 2006.

6 Property and equipment

	Buildings LE	Tools LE	Motor Vehicles LE	Furniture and fixtures LE	Computers LE	Al Rehab Club LE	Projects under construction LE	Total LE
Cost								
At 1 January 2006	13,492,181	1,564,810	15,504,867	8,720,461	255,574	137,230,992	8,673,229	185,442,114
Additions	32,980,660	602,220	11,353,804	8,891,231	18,280	647,025	1,239,023	55,732,243
Disposals	—	—	(572,395)	—	—	—	(6,996,000)	(7,568,395)
At 31 December 2006	**46,472,841**	**2,167,030**	**26,286,276**	**17,611,692**	**273,854**	**137,878,017**	**2,916,252**	**233,605,962**
Accumulated depreciation								
At 1 January 2006	(3,615,716)	(579,721)	(6,941,731)	(3,574,515)	(28,209)	(7,328,769)	—	(22,068,661)
Depreciation charge	(728,599)	(203,148)	(3,082,324)	(1,267,928)	(32,539)	(6,821,344)	—	(12,135,882)
Disposals	—	—	551,189	—	—	—	—	551,189
At 31 December 2006	**(4,344,315)**	**(782,869)**	**(9,472,866)**	**(4,842,443)**	**(60,748)**	**(14,150,113)**	**—**	**(33,653,354)**
Net carrying amount								
At 31 December 2006	**42,128,526**	**1,384,161**	**16,813,410**	**12,769,249**	**213,106**	**123,727,904**	**2,916,252**	**199,952,608**

6 Property and equipment — continued

	Buildings LE	Tools LE	Motor Vehicles LE	Furniture and fixtures LE	Computers LE	Al Rehab Club LE	Projects under construction LE	Total LE
Cost								
At 1 January 2005	13,492,181	1,133,845	9,868,904	7,372,480	18,476	3,190,761	1,469,035	36,545,682
Additions	—	430,965	5,882,283	1,347,981	237,098	134,040,231	7,204,194	149,142,752
Disposals	—	—	(246,320)	—	—	—	—	(246,320)
At 31 December 2005	**13,492,181**	**1,564,810**	**15,504,867**	**8,720,461**	**255,574**	**137,230,992**	**8,673,229**	**185,442,114**
Accumulated depreciation								
At 1 January 2005	(2,941,108)	(404,379)	(5,473,483)	(2,706,415)	(2,266)	(763,554)	—	(12,291,205)
Depreciation charge	(674,608)	(175,342)	(1,698,616)	(868,100)	(25,943)	(6,565,215)	—	(10,007,824)
Disposals	—	—	230,368	—	—	—	—	230,368
At 31 December 2005	**(3,615,716)**	**(579,721)**	**(6,941,731)**	**(3,574,515)**	**(28,209)**	**(7,328,769)**	**—**	**(22,068,661)**
Net carrying amount								
At 31 December 2005	**9,876,465**	**985,089**	**8,563,136**	**5,145,946**	**227,365**	**129,902,223**	**8,673,229**	**163,373,453**

	Buildings LE	Tools LE	Motor Vehicles LE	Furniture and fixtures LE	Computers LE	Al Rehab Club LE	Projects under construction LE	Total LE
Cost								
At 1 January 2004	13,492,181	1,090,590	7,731,210	5,712,574	18,476	2,192,638	1,420,597	31,658,266
Additions	—	43,255	2,163,274	1,781,596	—	998,123	48,438	5,034,686
Disposals	—	—	(25,580)	(121,690)	—	—	—	(147,270)
At 31 December 2004	**13,492,181**	**1,133,845**	**9,868,904**	**7,372,480**	**18,476**	**3,190,761**	**1,469,035**	**36,545,682**
Accumulated depreciation								
At 1 January 2004	(2,266,499)	(231,473)	(4,243,445)	(1,988,263)	—	(419,681)	—	(9,149,361)
Depreciation charge	(674,609)	(172,906)	(1,245,850)	(723,288)	(2,266)	(343,873)	—	(3,162,792)
Disposals	—	—	15,812	5,136	—	—	—	20,948
At 31 December 2004	**(2,941,108)**	**(404,379)**	**(5,473,483)**	**(2,706,415)**	**(2,266)**	**(763,554)**	**—**	**(12,291,205)**
Net carrying amount								
At 31 December 2004	**10,551,073**	**729,466**	**4,395,421**	**4,666,065**	**16,210**	**2,427,207**	**1,469,035**	**24,254,477**

Depreciation is charged as follows:

	2006 LE	2005 LE	2004 LE
Cost of sales	**6,821,344**	6,565,215	343,873
General and administrative expenses (note 4)	**5,314,538**	3,442,609	2,818,919
	12,135,882	10,007,824	3,162,792

7 Investments in associates and unconsolidated subsidiary

a) Investments in associate

	2006 LE	2005 LE	2004 LE
Carrying value of:			
Investment in Arab Egyptian Company for Entertainment Projects	—	—	122,500
	—	—	122,500

The carrying amount of investments in Arab Egyptian Company for Entertainment Projects at 31 December 2004 has been subsequently reduced to nil as the Group's share of losses exceeded its interest in that associate. The recognition of further losses is discontinued in 2005 and 2006.

b) Unconsolidated subsidiary

The LE 122,500 shown on the balance sheet represents the Arab Group's investment in Al Rehab Company for Management. This investment was not consolidated in 2004 as the first financial statements for the company was for the period ended 31 December 2005 (note 23).

7 Investments in associates and unconsolidated subsidiary — continued

The Arab Group has the following investments in associate:

	Country of incorporation	Ownership 2006 %	2005 %	2004 %
Investment in Arab Egyptian Company for Entertainment Projects	Egypt	**50**	50	50

8 Available for sale investments

	2006 LE	2005 LE	2004 LE
Egyptian Financing and Investment Company (under liquidation)	**11,730**	11,730	11,730
Egyptian Electrical Cables Company	**6,091**	6,091	8,981,032
Mediterranean Investment Company	—	—	1,404,400
Egyptian Company for Marketing and Distribution	**100,000**	100,000	100,000
El Tameer for Real Estate Finance Company	**1,995,000**	750,000	750,000
Alexandria for Real Estate Investments Company	**12,018,361**	11,585,576	9,895,490
San Stefano for Real Estate Investment Company	**66,982,433**	54,723,633	47,176,833
	81,113,615	67,177,030	68,319,485
Provision for impairment	—	(1,741)	(8,180,104)
	81,113,615	67,175,289	60,139,381
Less non-current portion	**(1,995,000)**	(750,000)	(750,000)
Current portion	**79,118,615**	66,425,289	59,389,381

- All available for sale investments except for Egyptian Electrical Cables Company and Alexandria for Real Estate Investments Company are not quoted securities.
- At 31 December 2006 available for sale securities with a carrying amount of LE 22,996,372 (2005: LE 19,326,470, 2004: LE 10,873,699) are subject to a registered debenture to secure bank loans (note 15).

9 Notes receivable

	2006 LE	2005 LE	2004 LE
Non-current portion	**1,547,439,643**	210,603,026	199,622,194
Current portion	**328,473,966**	200,079,943	244,889,598
Balance end of year	**1,875,913,609**	410,682,969	444,511,792

- At December 2006 notes receivable with a carrying value of LE 147,401,816 (2005: LE 226,007,567, 2004: LE 113,398,388) are subject to a registered debenture to secure bank loans (note 15).
- Included in notes receivable, notes due from related parties amounting to LE nil (2005: LE 25,485,467, 2004: LE 34,451,293) (note 20).

10 Development properties

	2006 LE	2005 LE	2004 LE
At 1 January	**1,280,441,076**	1,155,871,380	1,211,116,057
Additions during the year	**2,901,755,468**	395,379,327	423,507,016
Less cost of units sold during the year	**(271,170,591)**	(270,809,631)	(478,751,693)
Total development properties	**3,911,025,953**	1,280,441,076	1,155,871,380
Less non-current portion	**(3,133,165,664)**	(1,012,334,144)	(891,189,006)
Current portion	**777,860,289**	268,106,932	264,682,374

10 Development properties — continued

Development properties are analysed as follows:

	2006 LE	2005 LE	2004 LE
Al Rehab Project I	**1,574,908,337**	1,280,441,076	1,155,871,380
Al Rehab Project II	**466,700,344**	—	—
Madinaty Project	**1,869,417,272**	—	—
	3,911,025,953	1,280,441,076	1,155,871,380

	2006 LE	2005 LE	2004 LE
Land	**2,193,049,533**	139,165,383	150,245,549
Consultations and designs	**79,188,832**	33,014,532	7,693,017
Construction work	**1,420,574,432**	929,599,558	822,470,721
Financing costs	**132,615,275**	124,859,200	125,563,828
Technical management and supervision costs	**26,767,322**	19,924,849	23,684,194
Licenses and other governments fees	**58,830,559**	33,877,554	26,214,071
	3,911,025,953	1,280,441,076	1,155,871,380

11 Accounts receivable and prepayments

	2006 LE	2005 LE	2004 LE
Trade accounts receivable	**8,607,769**	513,032	3,012,391
Advances to suppliers	**9,312,118**	13,927,530	1,218,207
Advances to contractors	**92,236,496**	105,059,696	70,481,084
Deposit with others	**101,233**	50,992	46,742
Loans to employees	**271,619**	133,135	190,959
Tax authority	**1,102,118**	1,643,600	1,032,956
Other debit balances	**14,500,884**	2,164,458	9,224,802
	126,132,237	123,492,443	85,207,141

12 Cash and cash equivalents

	2006 LE	2005 LE	2004 LE
Cash on hand	**3,824,115**	2,034,792	4,288,982
Treasury bills maturing within three months	**262,892,135**	—	353,500
Fixed deposits maturing within three months	**105,037,537**	8,018,619	10,659,894
Current accounts	**8,664,853**	5,332,410	3,042,467
Cheques under collection	**26,455**	—	—
Bank balances and cash	**380,445,095**	15,385,821	18,344,843
Less bank overdrafts	**(126,038)**	(3,861,767)	(3,144,363)
Cash and cash equivalents in the statement of cash flows	**380,319,057**	11,524,054	15,200,480

Cash at banks earns interest at floating rates based on prevailing bank deposit rates. Short term fixed deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Arab Group, and earn interest at the respective short-term deposit rates.

13 Share capital

	2006 LE	2005 LE	2004 LE
Authorized capital — 5,000,000 shares at LE 100 per share	**500,000,000**	500,000,000	500,000,000
Issued and fully paid-up at LE 100 per share	**369,600,000**	369,600,000	330,000,000

13 Share capital — continued

At the extra ordinary general meeting held on 29 November 2005, the shareholders of the company have approved the increase of the company's authorized capital to LE 1 Billion and the increase of issued and paid up capital to LE 600 million through the issuance of stock dividends of 304,000 shares amounting to LE 30.4 million and LE 200 million cash contribution. As of the balance sheet date legal formalities have not been completed to affect the changes.

14 Legal reserve

According the Articles of Association of the Company and the Egyptian Commercial Companies Law, 5% of annual net profits are allocated to the legal reserve. The transfers to legal reserve may be suspended when the reserve reaches 50% of the issued capital.

15 Interest-bearing loans and borrowings

	2006 **LE**	2005 LE	2004 LE
Balance, beginning of year	**184,888,959**	238,812,045	271,941,259
Borrowings drawn down during the year	**31,223,198**	—	8,310,775
Borrowings repaid during the year	**(3,108,254)**	(53,923,086)	(41,439,989)
Balance, end of year	**213,003,903**	184,888,959	238,812,045
Less non-current portion	**(96,159,943)**	(82,303,806)	(79,801,993)
Current portion	**116,843,960**	102,585,153	159,010,052

Interest bearing loans and borrowings are repayable as of 31 December 2006:

	Loan currency	**Effective interest rate**	**12 months or less LE**	**1-3 years LE**	**4-5 Years LE**	**Total LE**
Loan 1	LE	12%	9,648,497	—	—	9,648,497
Loan 2	LE	12%	7,253,258	1,576,390	—	8,829,648
Loan 3	LE	12%	6,969,888	—	—	6,969,888
Loan 4	LE	12%	13,920,918	49,149,000	11,557,557	74,627,475
Loan 5	LE	13%	37,732,788	1,601,839	—	39,334,627
Loan 6	LE	13%	9,525,899	—	—	9,525,899
Loan 7	LE	13%	3,925,447	—	—	3,925,447
Loan 8	LE	12%	589,194	697,933	—	1,287,127
Loan 9	LE	LIBOR+1.5%	6,542,291	—	—	6,542,291
Loan 10	LE	12.5%	3,575,780	20,137,224	—	23,713,004
Loan 11	US$	LIBOR+2%	17,160,000	11,440,000	—	28,600,000
Total loans			116,843,960	84,602,386	11,557,557	213,003,903

Security:

Interest bearing loans and borrowings are secured as follows:

Loan 1 is secured by notes receivable at 140% of the loan facility.

Loan 2 is secured by notes receivable of LE 8,829,648.

Loan 3 is secured by notes receivable at 250% of the loan facility and commercial paper of LE 7,000,000.

Loan 4 is secured by notes receivable at 180% of the loan facility in addition to a registered debenture over the Parent's tangible assets to the extent of LE 100,000.

Loan 5 is secured by 200,000 shares of the Parent's investments in San Stefano for Real Estate Investment Company with a carrying value of LE 20,000,000, and 63,173 shares of the Parent's investment in Alexandria for Real Estate Investment Company with a carrying value of LE 2,996,372 and a commercial paper of LE 30,000,000.

Loan 6 is secured by notes receivable at 222% of the loan facility in addition to commercial paper of LE 20,000,000.

Loan 7 is secured by notes receivable at 125% of the loan facility in addition to commercial paper of LE 6,400,000.

Loan 8 is secured by commercial paper of LE 3,900,000.

15 Interest-bearing loans and borrowings — continued

Loan 9 is secured by notes receivable at 133% of the loan facility in addition to commercial paper of LE 20,000,000.

Loan 10 is secured by 240,000 shares of Alexandria for Real Estate Investment Company owned by the Egyptian Company for Development and Real Estate Projects with a value of LE 12,000,000 and 223,500 shares of Alexandria for Urban Development and Projects Company with a value of LE 22,350,000 owned by Alexandria For Real Estate Investments Company.

Loan 11 is secured over commercial paper of US$ 5,000,000 and 370,000 shares of the Group's investment in San Stefano for Real Estate Investment Company with a carrying value of LE 37,000,000 and 60,000 shares of San Stefano for Real Estate Investment Company owned by Alexandria for Urban Development Company with a carrying value of LE 6,000,000.

All Interest bearing loans and borrowings are from Egyptian banks except for loan 11 above which is from a Gulf Bank.

16 Other long term liabilities

	2006 LE	2005 LE	2004 LE
Advance from customers — Madinaty	**1,163,311,767**	—	—
Advance from customers — El Rehab	**921,026,364**	572,348,318	—
New Urban Authority	**1,902,600,000**	—	—
	3,986,938,131	572,348,318	—
Current portion	167,518,448	7,599,543	5,220,966
	4,154,456,579	579,947,861	5,220,966

17 Notes payable

	2006 LE	2005 LE	2004 LE
Maturity after 12 months	**11,576,603**	4,743,089	14,261,126
Maturity within 12 months	**28,491,396**	62,446,706	113,893,943
	40,067,999	67,189,795	128,155,069

Included in notes payable, notes due to related parties amounting to LE 15,145,940 (2005: LE nil, 2004: LE nil) (note 20).

18 Accounts payable and accruals

	2006 LE	2005 LE	2004 LE
Dividends payable	**1,231,537**	1,730,850	5,400,000
Retentions payable	**25,050,749**	10,524,862	35,680,490
Tax authority	**3,238,549**	3,505,450	2,560,178
Accrued salaries and expenses	**373,461**	860,012	973,570
Customers' deposits	**75,816,751**	69,341,967	70,236,121
Other credit balances	**32,510,086**	7,300,057	41,063,945
Suppliers	**3,054,202**	6,831,313	3,714,838
Contractors	**14,070,473**	3,428,862	3,886,059
Contractors — related parties (note 19)	**13,727,682**	7,605,938	1,046,856
Al Rehab club	—	5,328,429	—
Advances from customers	**1,037,147,052**	297,526,300	578,635,176
	1,206,220,542	413,984,040	743,197,233

19 Earnings per share

Earnings per share are calculated by dividing net profit for the year attributable to equity holders of the Parent by the weighted average number of ordinary shares outstanding during the year. The weighted average numbers of shares

19 Earnings per share — continued

outstanding during the year and the previous year have been adjusted for events that have changed the number of shares outstanding without a corresponding change in resources.

The information necessary to calculate earnings per share is as follows:

	2006 LE	2005 LE	2004 LE
Earnings:			
Net profit for the year attributable to equity holders of the Parent	**56,881,582**	98,499,002	109,249,264
Shares:			
Weighted average number of shares outstanding for calculating EPS	**3,696,000**	3,696,000	3,300,000
Earnings per share	**15.39**	26.66	33.10

20 Transactions with related parties

For the purpose of these financial statements, parties are considered to be related to the Arab Group, if the Arab Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Arab Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Related party transactions

During the financial year, there were the following significant related party transactions, which were carried out in the normal course of business on terms agreed between the parties:

Affiliates	**Nature of Transaction**	**2006 LE**	2005 LE	2004 LE
Alexandria Construction Company	*Purchase of services*	**268,117,552**	204,193,660	139,570,239
Alexandria for Real Estate Investment Company	*Purchase of services*	**153,210,849**	52,011,914	45,036,414
El Basateen Company	*Purchase of services*	**15,878,864**	23,903,356	—

The members of the board of directors received attendance fees totalling LE 160,450 (2005: LE 260,164, 2004: LE 298,599).

Related party balances

Significant related party balances (and the balance sheet captions within which these are included) are as follows:

	2006 LE Notes receivable (payable)	2005 LE Notes receivable (payable)	2004 LE Notes receivable (payable)
Alexandria for Real Estate Investment Company	**(15,145,940)**	25,485,467	34,451,293
	Accounts receivable & prepayments (payable)	**Accounts receivable & prepayments (payable))**	**Accounts receivable & prepayments (payable))**
Alexandria Construction Company	**13,202,287**	7,410,697	877,462
El Basateen Company	**525,395**	195,241	169,394
	13,727,682	7,605,938	1,046,856

Compensation for key management personnel

The remuneration of directors and other members of key management during the year aside from the attendance fees noted above was LE 68,997,590(2005: LE 14,630,843, 2004: LE 14,754,636)

21 Financial risk management objectives and policies

The Arab Group is exposed to interest rate, foreign currency and credit risks arising from its diversified portfolio business. The Arab Group's risk management approach seeks to minimise the potential material adverse effects from these exposures. As a whole, the Arab Group has implemented risk management policies and guidelines that set out its tolerance of risk and its general risk management philosophy.

Interest rate risk

Interest on financial instruments having floating rates is repriced at intervals of less than one year and interest on financial instruments having fixed rate is fixed until the maturity of the instrument. Other than commercial and overall business conditions, the Arab Group's exposure to market risk for changes in interest rate environment relates mainly to its investment in financial products and fixed deposits.

The investments in financial products are not for trading or speculative purposes but placed in securities or fixed deposits, with the objective of achieving better returns than cash at bank. Interest rates on loans from financial institutions are disclosed in note 15.

Credit risk

Credit risk, or the risk of counterparties defaulting, is controlled by the application of credit approvals, limits and monitoring procedures. In addition, investments and financial transactions are restricted to counterparties that meet appropriate credit criteria and have a high credit standing.

Foreign currency risk

The Arab Group enters into various foreign exchange transactions. However, most of such transactions are denominated in US Dollars or currencies linked to the US Dollar. The currency conversion rate between the US Dollar and the Egyptian Pound has remained stable over the past several years.

22 Fair values of financial instruments

Financial instruments comprise financial assets and financial liabilities.

Financial assets of the Arab Group include bank balances and cash, trade receivables, securities, notes receivables, other receivables, investments in associates and due from related parties. Financial liabilities of the Arab Group include customer advances, notes payable, loans from financial institutions, accounts payable and retentions payable.

The fair values of the financial assets and liabilities are not materially different from their carrying values unless stated otherwise.

23 Arab Group entities

	Country of incorporation	2006 %	2005 %	2004 %
Al Rehab Company for Management	Egypt	**98**	98	98
Al Rehab Company for Entertainments Services	Egypt	**96**	96	96
Al Masria for Trade Services	Egypt	**99**	99	99

Al Rehab Company for Management was not consolidated in 2004 as the first financial statement for this company was for the period ended 31 December 2005 (note 7).

24 Events after the balance sheet date

Dividends

A cash dividend of LE 49,087,200 for the year 2006 was approved by the shareholders of the company at the annual General meeting of the company held on 20 March 2007.

Restructuring

Talaat Mostafa group has under taken a restructuring to bring together the company together with Alexandria for Real Estate Investment Company, San Stefano for Real Estate Investments Company, and Alexandria for Urban

24 Events after the balance sheet date — continued

Development Company under TMG Holding Company (a newly established company) via a share swap mechanism. To implement the restructuring process, Talaat Mostafa group undertook the following steps:

1. TMG group appointed an Independent Fair Auditor (the "IFA"), to value all 4 subsidiaries for the sake of the swap process
2. After obtaining the fair value, a board of directors meeting and extraordinary general assembly were held in July and August, 2007 for each of the subsidiaries to approve the fair value of each subsidiary
3. Fair value were approved during the extraordinary general assembly and the shareholders approved the swap of their shares into TMG Holding at discount to fair value
4. For Alexandria Real Estate and San Stefano real estate, a tender offer was under taken in September 2007, offering the minority shareholders to swap their shares into TMG Holding or to accept a cash offer at the same swap value
5. Restructuring process is expected to be finished in 28 October 2007

25 Comparative figures

Certain comparative figures for year 2004 and 2005 have been reclassified to conform to the current year's presentation.

ARAB COMPANY FOR PROJECTS AND URBAN DEVELOPMENT S.A.E. AND SUBSIDIARIES

Interim Consolidated Financial Statements
30 June 2007

REPORT ON REVIEW OF INTERIM FINANCIAL STATEMENTS TO THE SHAREHOLDERS OF ARAB COMPANY FOR PROJECTS AND URBAN DEVELOPMENT S.A.E.

We have reviewed the accompanying interim consolidated balance sheet of Arab Company for Projects and Urban Development Alexandria S.A.E. and its subsidiaries ("Arab Group") as at 30 June 2007, the related interim consolidated statement of income for the three-month and six-month periods then ended, the related consolidated statements of changes in equity and cash flows for the six-month period then ended and explanatory notes. Management is responsible for the preparation and presentation of these interim financial statements in accordance with Egyptian Accounting Standard 30 Interim Financial Reporting ("EAS 30"). Our responsibility is to express a conclusion on these interim financial statements based on our review.

We conducted our review in accordance with Egyptian Standard on Review Engagements 240. 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 and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial statements are not prepared, in all material respects, in accordance with EAS 30.

for Allied for Accounting & Auditing
(A member of Ernst & Young Global)

Emad H. Ragheb
FESAA-FEST
(RAA. 3678)

Cairo: 22 October 2007

ARAB COMPANY FOR PROJECTS AND URBAN DEVELOPMENT S.A.E. AND SUBSIDIARIES

INTERIM CONSOLIDATED INCOME STATEMENT
30 JUNE 2007

		Three months ended 30 June		Six months ended 30 June	
	Notes	2007 LE	2006 LE	2007 LE	2006 LE
Revenue	3	**330,516,685**	86,063,526	**440,342,604**	170,583,984
Cost of revenue	3	**(208,276,832)**	(66,339,159)	**(287,474,037)**	(120,234,554)
GROSS PROFIT		**122,239,853**	19,724,367	**152,868,567**	50,349,430
Selling, general and administrative expenses	4	**(4,643,722)**	(9,940,748)	**(13,838,258)**	(30,772,510)
Interest income on fixed deposits with banks		**17,465,714**	397,001	**26,840,891**	543,066
Gain on disposal of available for sale investments		**29,577,096**	—	**29,577,096**	—
Other income		**428,199**	179,269	**2,340,630**	580,583
Foreign exchange difference		**1,372,624**	(112,298)	**1,392,543**	(83,009)
PROFIT FOR THE PERIOD		**166,439,764**	10,247,591	199,181,469	20,617,560
Attributable to:					
Shareholders of the parent		**166,434,908**	10,234,399	**199,172,641**	20,572,874
Minority interest		**4,856**	13,192	**8,828**	44,686
		166,439,764	10,247,591	**199,181,469**	20,617,560
Earnings per share attributable to the shareholders of the parent	16	**22.55**	2.77	**26.98**	5.57

The attached notes 1 to 22 form part of these financial statements.
Review report attached.

ARAB COMPANY FOR PROJECTS AND URBAN DEVELOPMENT S.A.E. AND SUBSIDIARIES

INTERIM CONSOLIDATED BALANCE SHEET
30 JUNE 2007

	Notes	30 June 2007 LE	31 December 2006 LE
Assets			
Non-current assets			
Property and equipment	6	**198,671,691**	199,952,608
Available for sale investments	8	**1,995,000**	1,995,000
Notes receivable		**3,849,400,112**	1,547,439,643
Development properties	9	**3,535,669,072**	3,133,165,664
		7,585,735,875	4,882,552,915
Current assets			
Development properties	9	**855,646,318**	777,860,289
Notes receivables		**680,833,137**	328,473,966
Accounts receivables and prepayments	10	**239,617,170**	126,132,237
Available for sale investments	8	**133,260,174**	79,118,615
Financial assets at fair value through profit or loss (mutual fund)		**213,928,068**	—
Bank balances and cash	11	**1,657,450,861**	380,445,095
		3,780,735,728	1,692,030,202
Total assets		**11,366,471,603**	6,574,583,117
Equity and Liabilities			
Equity attributable to equity holders of the parent company			
Share capital	12	**738,009,600**	369,600,000
Capital increase in process		**—**	180,400,000
Share premium		**1,173,081,600**	—
Legal reserve	13	**38,417,548**	33,401,041
Cumulative changes in fair values		**54,874,911**	—
Retained earnings		**520,947,113**	375,878,179
		2,525,330,772	959,279,220
Minority interest		**83,450**	76,122
Total equity		**2,525,414,222**	959,355,342
Liabilities			
Non-current liabilities			
Interest-bearing loans and borrowings	14	**58,665,361**	96,159,943
Other long term liabilities		**6,989,961,665**	3,986,938,131
Notes payables		**2,138,052**	11,576,603
Deferred income tax liability		**1,352,714**	1,352,714
		7,052,117,792	4,096,027,391
Current liabilities			
Accounts payable and accruals	15	**1,419,330,677**	1,206,220,542
Bank overdrafts	11	**632,113**	126,038
Current portion of interest-bearing loans and borrowings	14	**143,748,816**	116,843,960
Current portion of other long term liabilities		**165,816,676**	167,518,448
Notes payables		**59,411,307**	28,491,396
		1,788,939,589	1,519,200,384
Total liabilities		**8,841,057,381**	5,615,227,775
Total equity and liabilities		**11,366,471,603**	6,574,583,117

The consolidated financial statements were authorised for issue on 19 October 2007 by:

Allied for Accounting & Auditing (A member of Ernst & Young Global)	Ghaleb Ahmed Fayed Head of Finance	Hisham Talaat Mostafa Chairman & Managing Director

The attached notes 1 to 22 form part of these financial statements.
Auditor's report attached.

ARAB COMPANY FOR PROJECTS AND URBAN DEVELOPMENT S.A.E. AND SUBSIDIARIES

INTERIM CONSOLIDATED CASH FLOW STATEMENT
30 JUNE 2007

	Notes	30 June 2007 LE	30 June 2006 LE
Operating activities			
Net profit		**199,181,469**	20,617,560
Adjustments for:			
Depreciation		**9,069,799**	5,286,538
Cash from operations before working capital changes:		**208,251,268**	25,904,098
Notes receivables		**(2,654,319,641)**	3,168,827
Accounts receivable and prepayments		**(113,484,933)**	(15,447,174)
Development properties		**(480,289,437)**	(188,337,357)
Accounts payable and accruals		**787,387,457**	185,810,911
Notes payable		**(9,438,551)**	—
Other long term liabilities		**2,454,052,466**	—
Net cash from operating activities		**192,158,629**	11,099,305
Investing activities			
Proceeds of investments		**733,352**	(38,128)
Purchase of available for sale investments		**(213,928,068)**	—
Purchase of property and equipment		**(8,137,882)**	(25,794,582)
Proceeds from disposal of property and equipment		**349,000**	—
Net cash used in investing activities		**(220,983,598)**	(25,832,710)
Financing activities			
Dividends paid		**(45,175,314)**	(9,345,072)
Minority interest		**(1,500)**	—
Repayment of interest bearing loans and borrowings		**(10,589,726)**	—
Proceeds from issue of share capital		**1,361,091,200**	57,507,500
Proceeds from interest bearing loans and borrowings		**—**	6,159,500
Net cash from financing activities		**1,305,324,660**	54,321,928
Increase in cash and cash equivalents		**1,276,499,691**	39,588,523
Cash and cash equivalents at the beginning of the period		**380,319,057**	11,524,054
Cash and cash equivalents at the end of the period	11	**1,656,818,748**	51,112,577

The attached notes 1 to 22 form part of these financial statements.
Review report attached

ARAB COMPANY FOR PROJECTS AND URBAN DEVELOPMENT S.A.E. AND SUBSIDIARIES

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
30 JUNE 2007

	Attributable to equity holders of the parent								
	Share capital LE	**Capital increase in process LE**	**Share premium LE**	**Legal reserve LE**	**Cumulative changes in fair values LE**	**Retained earnings LE**	**Total LE**	**Minority Interest LE**	**Total Equity LE**
At 1 January 2007	369,600,000	180,400,000	—	33,401,041	—	375,878,179	959,279,220	76,122	959,355,342
Net profit for the period	—	—	—	—	—	199,172,641	199,172,641	8,828	199,181,469
Transfer to legal reserve	—	—	—	5,016,507	—	(5,016,507)	—	—	—
Cash dividends	—	—	—	—	—	(49,087,200)	(49,087,200)	(1,500)	(49,088,700)
Net movement in fair value of available for sale investment during the period	—	—	—	—	54,874,911	—	54,874,911	—	54,874,911
Issue of share capital	368,409,600	(180,400,000)	1,173,081,600	—	—	—	1,361,091,200	—	1,361,091,200
At 30 June 2007	**738,009,600**	**—**	**1,173,081,600**	**38,417,548**	**54,874,911**	**520,947,113**	**2,525,330,772**	**83,450**	**2,525,414,222**

The attached notes 1 to 22 form part of these financial statements.
Review report attached.

ARAB COMPANY FOR PROJECTS AND URBAN DEVELOPMENT S.A.E. AND SUBSIDIARIES

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
30 JUNE 2007

	Attributable to equity holders of the Parent						
	Share capital LE	Capital increase in process LE	Legal reserve LE	Retained earnings LE	Total LE	Minority Interest LE	Total Equity LE
At 1 January 2006	369,600,000	42,492,500	28,353,809	444,392,146	884,838,455	38,269	884,876,724
Net profit for the period	—	—	—	20,572,874	20,572,874	44,686	20,617,560
Transfer to legal reserve	—	—	5,047,232	(5,047,232)	—	—	—
Cash dividends	—	—	—	(15,647,199)	(15,647,199)	—	(15,647,199)
Paid for increase in capital	—	57,507,500	—	—	57,507,500	—	57,507,500
Stock dividends	—	30,400,000	—	(30,400,000)	—	—	—
At 30 June 2006	369,600,000	130,400,000	33,401,041	413,870,589	947,271,630	82,955	947,354,585

The attached notes 1 to 22 form part of these financial statements.
Review report attached

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
30 JUNE 2007

1 Domicile and activities

Arab Company for Projects and Urban Development S.A.E. (the "Company" or the "Parent") is registered in Egypt under Commercial Registration numbered 290952 under the provisions of law 159 of 1981 and its executive regulations. The Company was established on 14 August 1995. The Company and its subsidiaries together constitute the "Arab Group". The Company's registered office is at 36, Mossadak St., Dokki, Giza, Egypt.

The principal activities of the Arab Group entities are as follows:

- **Arab Company for Projects and Urban Development**

The main objective of the Company is to operate in real estate investments, urban development projects, purchasing land, fixing, providing the land with utilities, dividing, selling and investing land, and also constructing, managing, using and selling buildings, units and residential compounds.

- **Al Rehab for Management Company**

The main objective of the company is to manage, operate and provide maintenance services for the new urban projects.

- **Al Rehab for Entertainment Services Company**

The main objective of the company is to operate in tourism, entertainment, sports, and social activities for the owners of Al Rehab city and others.

- **Al Masria for Trade Services Company**

The main objective of the company is to operate in managing, operating and use of commercial units and supermarkets of Al Rehab city only.

2.1 Basis of preparation

These consolidated financial statements have been prepared in accordance with Egyptian Accounting Standards and applicable requirements of Egyptian laws.

The consolidated financial statements have been presented in Egyptian Pounds, which is the functional currency of the Arab Group.

The consolidated financial statements are prepared under the historical cost convention.

Basis of consolidation

Subsidiary companies

The consolidated financial statements comprise the financial statements of Arab Company for Projects and Urban Development S.A.E. and its subsidiaries as of and for the three months and six months period The financial statements of the subsidiaries are prepared for the same reporting period as the Parent, using consistent accounting policies. Intra-group balances, and any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Subsidiaries are consolidated from the date on which control is transferred to the Arab Group and cease to be consolidated from the date on which control is transferred out of the Arab Group.

Minority interest represents the ownership interest in subsidiary companies that is not held by the Arab Group.

Associated companies

Associated companies are companies in which the Arab Group has significant influence, but not control, over the financial and operating policies. In the consolidated financial statements, investments in associated companies are accounted for using the equity method of accounting, from the date that significant influence commences until the date that significant influence ceases. Investments in associated companies are carried on the balance sheet at cost, plus post acquisition changes in the Arab Group's share of net assets of the associate, less any impairment in value. The income statement reflects the Arab Group's share of the results of operations of its associates.

2.1 Basis of preparation — continued

When the Arab Group's share of losses exceeds its interest in an associate, the carrying amount is reduced to nil and the recognition of further losses is discounted except to the extent that the group has an obligation or has made payments on behalf of the investee.

2.2 Changes in accounting policies

The Arab Group investments in equity securities are classified as available for sale securities. Subsequent to initial recognition, they are measured at fair value, unless this cannot be reliably measured, and changes therein, other than impairment losses are recognized directly in equity. When the investment is derecognized, the cumulative gain or loss in equity is transferred to profit or loss. In its financial statement for periods beginning before 1 January 2007 the Group applied the cost less impairment method in measuring investments classified as available for sale.

The change in accounting policy was recognized retrospectively and comparatives have been restated.

2.3 Significant accounting judgments and estimates

Critical judgments in applying the entity's accounting policies

In the process of applying the Arab Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant impact on the amounts recognized in the financial statements.

Impairment of investments:

The Arab Group follows the guidelines of the Egyptian Accounting Standards to determine when an investment is impaired. This determination requires significant judgments. In making such judgements, the Arab Group evaluates among other factors, the duration and extent to which the fair value of an investment is less than its cost, the financial health and the near term business outlook for the investee.

Estimation uncertainty

Income taxes

The Arab Group is subject to income taxes. Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Arab Group recognized liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

2.4 Summary of significant accounting policies

Revenue recognition

Provided it is probable that the economic benefits will flow to the Arab Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in the consolidated income statement as follows:-

Sale of property

Revenue on sale of plots of property is recognised on the basis of the full accrual method as and when all of the following conditions are met:

- A sale is consummated and contracts are signed;
- The buyer's investment, to the date of the financial statements, is adequate to demonstrate a commitment to pay for the property;
- The Arab Group's receivable is not subject to future subordination;
- The Arab Group has transferred to the buyer the usual risks and rewards of ownership in a transaction that is in substance a sale and does not have a substantial continuing involvement with the property; and
- Work to be completed is both easily measurable and accrued or is not significant in relation to the overall value of the contract.

2.4 Summary of significant accounting policies — continued

Interest income

Interest Income is recognised as the interest accrues using the effective interest method, under which the rate used exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Services

Revenue from rendering of services is recognised when the outcome of the transaction can be estimated reliably, by reference to the stage of completion of the transaction at the balance sheet date.

Cost of revenue

Cost of revenue includes the cost of land and development costs. Development costs include the cost of infrastructure and construction. The cost of revenues in respect of property is based on the actual proportion of the sold property to date to the estimated total revenues for each project. The cost of sales in respect of land sales is based on the total estimated cost of the land site over the total usable land area in a particular development.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Against which the deductible temporary differences and the carry-forward of unused tax assets and unused tax losses can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Income tax relating to items recognised directly in equity is recognised in equity and not in the income statement.

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.

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

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.

Trade receivables

Trade receivables 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.

Notes receivable

Notes receivable are stated cost net of provisions for impairment.

2.4 Summary of significant accounting policies — continued

Financial assets

The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss, and available-for-sale financial investments. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at every reporting date.

Financial assets at fair value through profit or loss

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months of the balance sheet date.

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 and subsequently measured at fair value, unless this cannot be reliably measured. Changes in fair value are reported as a separate component of equity. Upon impairment any loss, or upon derecognizing any gain or loss, previously reported as "cumulative changes in fair value" within equity is included in the income statement for the period.

Development properties

Properties acquired, constructed or in the course of construction for sale are classified as development properties. Unsold properties are stated at the lower of cost or net recognized 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 recognized as and when activities that are necessary to get the properties ready for sale are in progress. Net recognized 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. At that stage, cost, attributable profit and progress billings are eliminated from development properties.

Property and equipment

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

Buildings	20 years
Motor Vehicles	5 years
Tools	8 years
Furniture and other assets	8-10 years
El Rehab Club assets	8-10 years

Projects under construction are not depreciated.

The useful life and depreciation method are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from these assets.

Impairment

Property and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of these assets may not be recoverable. Whenever the carrying amount of these assets exceeds their recoverable amount, an impairment loss is recognized in the income statement. The recoverable amount is the higher of an asset's net selling price and the value in use. The net selling price is the amount obtainable from the sale of an asset in an arm's length transaction while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life.

2.4 Summary of significant accounting policies — continued

Reversal of impairment losses recognised in the prior years is recorded when there is an indication that the impairment losses recognised for the asset no longer exist or have reduced.

Impairment and uncollectibility of financial assets

An assessment is made at each balance sheet date to determine whether there is objective evidence that a specific financial asset may be impaired. If such evidence exists, any impairment loss is recognised in the income statement. Impairment is determined as follows:

(a) For assets carried at cost, impairment is the difference between carrying value and the present value of future cash flows discounted at the current market rate of return for a similar financial asset;

(b) For assets carried at amortised cost, impairment is the difference between carrying amount and the present value of future cash flows discounted at the original effective interest rate.

Trade and other payables

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

End of service benefits

With respect to its employees, the Arab Group makes contributions to a pension fund established by the General Pension and Social Security Authority calculated as a percentage of the employees' salaries. The Arab Group's obligations are limited to these contributions, which are expensed when due.

Provisions

Provisions are recognised when the Arab Group has a present 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.

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.

Contingencies

Contingent liabilities are not recognized in the consolidated financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognized in the consolidated financial statements but disclosed when an inflow of economic benefits is probable.

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.

The fair value of forward foreign exchange contracts is calculated by reference to current forward exchange rates with the same maturity.

3 Revenue and cost of revenue

	Three months ended 30 June		Six months ended 30 June	
	2007 LE	**2006 LE**	**2007 LE**	**2006 LE**
Revenue:				
Sale of residential and commercial units	**329,206,421**	82,866,916	**438,091,211**	164,817,640
Services	**1,310,264**	3,196,610	**2,251,393**	5,766,344
	330,516,685	86,063,526	**440,342,604**	170,583,984
Cost of revenue:				
Cost of residential and commercial units	**207,775,574**	64,430,483	**286,701,649**	117,781,013
Cost of services	**501,258**	1,908,676	**772,388**	2,453,541
	208,276,832	66,339,159	**287,474,037**	120,234,554

4 Selling, general and administrative expenses

	Three months ended 30 June		Six months ended 30 June	
	2007 LE	**2006 LE**	**2007 LE**	**2006 LE**
Depreciation of property and equipment (Note 6)	**368,990**	(2,137,280)	**5,629,050**	597,019
Payroll and related expenses	**2,006,202**	254,163	**2,519,634**	2,910,213
Advertising	**1,350,020**	11,664,450	**2,698,372**	25,944,293
Others	**918,510**	159,415	**2,991,202**	1,320,985
	4,643,722	9,940,748	**13,838,258**	30,772,510

5 Tax situation

- **Arab Company for Projects and Urban Development**

a) Corporate tax

Tax inspections have taken place of the Company's records for 2002 and all tax due were paid.

Under the New Urban Societies Law, Al Rehab Project enjoys a ten years tax holiday for each of its phases I through VI. The tax holiday for each phase begins on the date of commencement of that phase, beginning 1 January 1997 for the phase I, for Phase II and phase III beginning 1 January 1998 .

b) Salary tax

Tax inspections have taken place of the Company's records for the years from 1996 to 2000 and all tax due were paid.

For the years from 2002 to 2003, tax inspections have taken place of the Company's records. The Company appealed against the tax assessment.

c) Stamp duty tax

Tax inspections have taken place of the Company's records for the years from 1996 to 2005 and all tax due were paid.

- **Al Rehab for Management Company**

a) Corporate tax

The company enjoys tax holiday for the period from 1 January 2006 to 31 December 2015 in accordance with the New Urban Societies Law.

b) Salary tax

All tax due were paid.

c) Stamp duty tax

All tax due were paid.

5 **Tax situation — continued**

- **Al Rehab for Entertainment Services Company**

a) Corporate tax

The company submitted it's tax returns by the statutory deadlines.

b) Salary tax

No tax inspections have taken place of the company's records from 2005 to 31 December 2006.

c) Stamp duty tax

No tax inspections have taken place of the company's records from 2005 to 31 December 2006.

- **Al Masria for Trade Services Company**

a) Corporate tax

The company enjoyed tax holiday for the period up to 2013 in accordance with the New Urban Societies Law.

b) Salary tax

No tax inspections have taken place of the Company's records from 2004 to 31 December 2006.

c) Stamp duty tax

No tax inspections have taken place of the Company's records from 2004 to 31 December 2006.

d) Sales tax

No tax inspections have taken place of the Company's records from 2004 till 31 December 2006.

6 Property and equipment

	Buildings LE	Tools LE	Motor Vehicles LE	Furniture and fixtures LE	Computers LE	Al Rehab Club LE	Projects under construction LE	Total LE
Cost								
At 1 January 2007	46,472,841	2,167,030	26,286,276	17,611,692	273,854	137,878,017	2,916,252	233,605,962
Additions	2,765,054	156,056	3,329,100	687,212	23,151	322,155	855,154	8,137,882
Disposals	—	—	(565,500)	—	—	—	—	(565,500)
At 30 June 2007	**49,237,895**	**2,323,086**	**29,049,876**	**18,298,904**	**297,005**	**138,200,172**	**3,771,406**	**241,178,344**
Accumulated depreciation								
At 1 January 2007	4,344,315	782,869	9,472,866	4,842,443	60,748	14,150,113	—	33,653,354
Depreciation charge	2,040,452	127,791	2,496,350	947,185	17,272	3,440,749	—	9,069,799
Disposals	—	—	(216,500)	—	—	—	—	(216,500)
At 30 June 2007	**6,384,767**	**910,660**	**11,752,716**	**5,789,628**	**78,020**	**17,590,862**	**—**	**42,506,653**
Net carrying amount								
At 30 June 2007	**42,853,128**	**1,412,426**	**17,297,160**	**12,509,276**	**218,985**	**120,609,310**	**3,771,406**	**198,671,691**
At 31 December 2006	42,128,526	1,384,161	16,813,410	12,769,249	213,106	123,727,904	2,916,252	199,952,608

	LE
Depreciation is charged as follows	
Cost of sales	3,440,749
Selling, general and administrative expenses	5,629,050
Total	**9,069,799**

7 Investments in associate

	Control of incorporation	Ownership % 30 June LE	% 31 December LE
Investment in Arab Egyptian Company for Entertainment projects	Egypt	**50**	50

The carrying amount of investment in Arab Egyptian Company for entertainment Projects at 31 December 2004 amounted to LE 125,000 which has been reduced to LE nil as the Group's share of losses exceeded its interest in the associates.

8 Available for sale investments

	30 June 2007 LE	31 December 2006 LE
Egyptian Financing and Investment Company (under liquidation)	**11,730**	11,730
Egyptian Electrical Cables Company (quoted)	**8,561**	6,091
Egyptian Company for Marketing and Distribution	**100,000**	100,000
El Tameer for Real Estate Finance Company	**1,995,000**	1,995,000
Alexandria for Real Estate Investments Company (quoted)	**66,257,483**	12,018,361
San Stefano for Real Estate Investment Company	**66,882,400**	66,982,433
	135,255,174	81,113,615
Less non-current portion	**(1,995,000)**	(1,995,000)
Current portion	**133,260,174**	79,118,615

	30 June 2007 LE	31 December 2006 LE
Quoted shares	**66,266,044**	12,024,452
Unquoted shares	**66,994,130**	67,094,163
	133,260,174	79,118,615

- At 30 June 2007 available for sale securities with a carrying amount of LE 50,855,588 (2006: LE 22,996,372) are subject to a registered debenture to secure bank loans (note 14).

9 Development properties

	30 June 2007 LE	31 December 2006 LE
At 1 January	**3,911,025,953**	1,280,441,076
Additions during the year	**766,991,086**	2,901,755,468
Less: cost of units sold during the year	**(286,701,649)**	(271,170,591)
Total development properties	**4,391,315,390**	3,911,025,953
Less non-current portion	(3,535,669,072)	(3,133,165,664)
Current portion	**855,646,318**	777,860,289

Development properties are analysed as follows:

	30 June 2007 LE	31 December 2006 LE
Al Rehab Project I	**1,550,062,574**	1,574,908,337
Al Rehab Project II	**528,062,221**	466,700,344
Madinaty Project	**2,313,190,595**	1,869,417,272
	4,391,315,390	3,911,025,953

9 Development properties — continued

	30 June 2007 LE	31 December 2006 LE
Land	**2,180,278,021**	2,193,049,533
Consultations and designs	**86,788,883**	79,188,832
Construction work	**1,727,363,701**	1,420,574,432
Financing costs	**290,971,325**	132,615,275
Technical management and supervision costs	**24,566,703**	26,767,322
Licenses and other governments fees	**81,346,757**	58,830,559
	4,391,315,390	3,911,025,953

10 Accounts receivable and prepayments

	30 June 2007 LE	31 December 2006 LE
Trade accounts receivable	**93,283,922**	8,607,769
Advances to suppliers	**24,264,496**	9,312,118
Advances to contractors	**11,224,018**	92,236,496
Advances to contractors — related parties (note 17)	**82,708,562**	—
Deposit with others	**136,016**	101,233
Loans to employees	**298,409**	271,619
Tax authority	**828,764**	1,102,118
Other debit balances	**26,872,983**	14,500,884
	239,617,170	126,132,237

11 Cash and cash equivalents

	30 June 2007 LE	31 December 2006 LE
Cash on hand	**12,023,262**	3,824,115
Treasury bills maturing within three months	**292,619,202**	262,892,135
Fixed deposits maturing within three months	**27,829,972**	105,037,537
Current accounts	**1,324,978,425**	8,664,853
Cheques under collection	**—**	26,455
Bank balances and cash	**1,657,450,861**	380,445,095
Less bank overdrafts	**(632,113)**	(126,038)
Cash and cash equivalents in the statement of cash flows	**1,656,818,748**	380,319,057

Cash at banks earns interest at floating rates based on prevailing bank deposit rates. Short term fixed deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Arab Group, and earn interest at the respective short-term deposit rates.

12 Share capital

	30 June 2007 LE	31 December 2006 LE
Authorized capital of 10,000,000 at LE 100 per share	**1,000,000,000**	500,000,000
Issued and fully paid-up of 7,380,096 at LE 100 per share	**738,009,600**	369,600,000

At the extra ordinary general meeting held on 29 November 2005, the shareholders of the company have approved the increase of the company's authorized capital to LE 1 Billion and the increase of issued and paid up capital to LE 600 million through the issuance of stock dividends of 304,000 shares for LE 30,400,000 and 2,000,000 share for LE 200,000,000 in cash. At the extra ordinary general meeting held on 29 April 2007, the shareholders of the company have approved the increase of the company's issued to LE 738,009,600 through cash contributions and the increase was registered in the commercial register and with the Capital Market Authority on 30 June 2007.

13 Legal reserve

According the Articles of Association of the Company and the Egyptian Commercial Companies Law, 5% of annual net profits are allocated to the legal reserve. The transfers to legal reserve may be suspended when the reserve reaches 50% of the issued capital.

14 Interest-bearing loans and borrowings

	30 June 2007 LE	31 December 2006 LE
Balance, beginning of year	**213,003,903**	184,888,959
Borrowings drawn down during the year	**11,664,148**	31,223,198
Borrowings repaid during the year	**(22,253,874)**	(3,108,254)
Balance, end of year	**202,414,177**	213,003,903
Less: non-current portion	**(58,665,361)**	(96,159,943)
Current portion	**143,748,816**	116,843,960

Interest bearing loans and borrowings are repayable as of 30 June 2007:

	Loan currency	**Effective interest rate**	**12 months or less LE**	**1-3 Years LE**	**4-5 Years LE**	**Total LE**
Loan 1	LE	12%	9,195,614	—	—	9,195,614
Loan 2	LE	12%	5,187,002	—	—	5,187,002
Loan 3	LE	12%	1,899,848	—	—	1,899,848
Loan 4	LE	12%	19,635,416	12,000,000	35,600,000	67,235,416
Loan 5	LE	13%	58,676,191	1,289,768	—	59,965,959
Loan 6	LE	13%	1,325,766	—	—	1,325,766
Loan 7	LE	13%	866,195	—	—	866,195
Loan 8	LE	12%	724,585	1,045,967	—	1,770,552
Loan 9	LE	LIBOR+1.5%	14,502,010	—	—	14,502,010
Loan 10	LE	12.5%	8,896,189	8,729,626	—	17,625,815
Loan 11	US$	LIBOR+2%	22,840,000	—	—	22,840,000
Total loans			143,748,816	23,065,361	35,600,000	202,414,177

Security

Interest bearing loans and borrowings are secured as follows:

Loan 1 is secured by notes receivable at 140% of the loan facility.

Loan 2 is secured by notes receivable of LE 8,829,648.

Loan 3 is secured by notes receivable at 250% of the loan facility and commercial paper of LE 7,000,000.

Loan 4 is secured by notes receivable at 180% of the loan facility in addition to a registered debenture over the parent's tangible assets to the extent of LE 100,000.

Loan 5 is secured by 200,000 shares of the parent's investments in San Stefano for Real Estate Investment Company with a carrying value of LE 20,000,000, and 63,173 shares of the parent's investment in Alexandria for Real Estate Investment Company with a carrying value of LE 2,996,372 and commercial paper of LE 30,000,000.

Loan 6 is secured by notes receivable at 222% of the loan facility in addition to commercial paper of LE 20,000,000.

Loan 7 is secured by notes receivable at 125% of the loan facility in addition to commercial paper of LE 6,400,000.

Loan 8 is secured by commercial paper of LE 3,900,000.

Loan 9 is secured by notes receivable at 133% of the loan facility in addition to commercial paper of LE 20,000,000.

Loan 10 is secured by 240,000 shares of Alexandria for Real Estate Investment Company owned by the Egyptian Company for Development and Real Estate Projects with a value of LE 15,504,000 and 223,500 shares of Alexandria for Urban Development and Projects with a value of LE 22,350,000 owned by Alexandria For Real Estate Investments Company.

14 Interest-bearing loans and borrowings — continued

Loan 11 is secured by commercial paper of US$ 5,000,000 and 370,000 shares of the Company's investment in San Stefano for Real Estate Investment Company with a carrying value of LE 37,000,000 and 60,000 shares of San Stefano for Real Estate Investment Company owned by Alexandria for Urban Development Company with a carrying value of LE 6,000,000.

All Interest bearing loans and borrowings are from Egyptian banks except for loan 11 above is from a Gulf bank.

15 Accounts payables and accruals

	30 June 2007 LE	31 December 2006 LE
Dividends payable	**5,143,423**	1,231,537
Retentions payable	**38,322,889**	25,050,749
Tax authority	**3,158,912**	3,238,549
Accrued salaries and expenses	**827,690**	373,461
Customers' deposits	**85,181,849**	75,816,751
Other credit balances	**120,845,838**	32,510,086
Suppliers	**1,961,044**	3,054,202
Contractors	**23,027,275**	14,070,473
Contractors — related parties (note 17)	**—**	13,727,682
Al-Rehab club	**—**	—
Advances from customers	**1,140,861,757**	1,037,147,052
	1,419,330,677	1,206,220,542

16 Earnings per share

Earnings per share are calculated by dividing net profit for the year attributable to equity holders of the parent by the weighted average number of ordinary shares outstanding during the year. The weighted average numbers of shares outstanding during the year and the previous year have been adjusted for events that have changed the number of shares outstanding without a corresponding change in resources.

The information necessary to calculate earnings per share is as follows:

	30 June 2007 LE	31 December 2006 LE
Earnings:		
Net profit for the period attributable to equity holders of the Parent	**199,181,469**	20,617,560
Shares:		
Weighted average number of shares outstanding for calculating EPS	**7,380,096**	3,696,000
Earnings per share	**26.98**	5.57

17 Transactions with related parties

For the purpose of these financial statements, parties are considered to be related to the Arab Group, if the Arab Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Arab Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

17 Transactions with related parties — continued

Related party transactions

During the six months, there were the following significant related party transactions, which were carried out in the normal course of business on terms agreed between the parties:

	Nature of Transaction	30 June 2007 LE	31 December 2006 LE
Alexandria Construction Company	Purchases of services	**174,630,407**	268,117,552
Alexandria for Real Estate Investment Company	Purchases of services	**256,448,465**	153,210,849
El Basateen Company	Purchases of services	**2,875,888**	15,878,864

The members of the board of directors received attendance fees totalling LE 88,200 (2006: LE 160,450,).

Related party balances

Significant related party balances (and the balance sheet captions within which these are included) are as follows:

	30 June 2007 LE	31 December 2006 LE
	Accounts receivable and prepayments	Accounts payables and accruals
Alexandria Construction Company	**81,608,055**	13,202,287
El Basateen Company	**1,100,507**	525,395
	82,708,562	13,727,682

	30 June 2007 LE	31 December 2006 LE
	Notes receivable (payable)	Notes receivable (payable)
Alexandria for Real Estate	**(42,498,447)**	—
Investment Company	**28,761,166**	15,145,940

Compensation of key management personnel

The remuneration of directors an other members of key management during the year aside from the attendance fees noted above was LE 36,720,566 (2005: LE 68,997,590).

18 Financial risk management objectives and policies

The Arab Group is exposed to interest rate, foreign currency and credit risks arising from its diversified portfolio business. The Arab Group's risk management approach seeks to minimise the potential material adverse effects from these exposures. As a whole, the Arab Group has implemented risk management policies and guidelines that set out its tolerance of risk and its general risk management philosophy.

Interest rate risk

Interest on financial instruments having floating rates is repriced at intervals of less than one year and interest on financial instruments having fixed rate is fixed until the maturity of the instrument. Other than commercial and overall business conditions, the Arab Group's exposure to market risk for changes in interest rate environment relates mainly to its investment in financial products and fixed deposits.

The investments in financial products are not for trading or speculative purposes but placed in securities or fixed deposits, with the objective of achieving better returns than cash at bank. Interest rates on loans from financial institutions are disclosed in note 14.

18 Financial risk management objectives and policies — continued

Credit risk

Credit risk, or the risk of counter parties defaulting, is controlled by the application of credit approvals, limits and monitoring procedures. In addition, investments and financial transactions are restricted to counterparties that meet appropriate credit criteria and have a high credit standing.

Foreign currency risk

The Arab Group enters into various foreign exchange transactions. However, most of such transactions are denominated in US Dollars or currencies linked to the US Dollar. The currency conversion rate between the US Dollar and the Egyptian Pound has remained stable over the past several years.

19 Fair values of financial instruments

Financial instruments comprise financial assets and financial liabilities.

Financial assets of the Arab Group include bank balances and cash, trade receivables, securities, notes receivables, other receivables, investments in associate and due from related parties. Financial liabilities of the Arab Group include customer advances, notes payable, loans from financial institutions, accounts payable and retentions payable.

The fair values of the financial assets and liabilities are not materially different from their carrying values unless stated otherwise.

20 Arab group entities

	Country of incorporation	**30 June 2007 %**	31 December 2006 %
Al Rehab Company for Management	Egypt	**98**	98
Al Rehab Company for Entertainments Services	Egypt	**96**	96
Al Masria for Trade Services	Egypt	**99**	99

21 Events after the balance sheet date

Restructuring

Talaat Mostafa group has under taken a restructuring to bring together the company together with Alexandria for Real Estate Investment Company, San Stefano for Real Estate Investments Company, and Alexandria for Urban Development Company under TMG Holding Company (a newly established company) via a share swap mechanism. To implement the restructuring process, Talaat Mostafa group undertook the following steps:

1. TMG group appointed an Independent Fair Auditor (the "IFA"), to value all 4 subsidiaries for the sake of the swap process.

2. After obtaining the fair value, a board of directors meeting and extraordinary general assembly were held in July and August, 2007 for each of the subsidiaries to approve the fair value of each subsidiary.

3. Fair value were approved during the extraordinary general assembly and the shareholders approved the swap of their shares into TMG Holding at discount to fair value.

4. For Alexandria Real Estate and San Stefano real estate, a tender offer was under taken in September 2007, offering the minority shareholders to swap their shares into TMG Holding or to accept a cash offer at the same swap value.

5. Restructuring process is expected to be finished in 28 October 2007.

22 Comparative figures

Certain comparative figures for year 2006 have been reclassified to conform to the current period's presentation.

SAN STEFANO FOR REAL ESTATE INVESTMENT COMPANY S.A.E.

Financial Statements
31 December 2006, 2005, 2004

AUDITORS' REPORT TO THE SHAREHOLDERS OF SAN STEFANO FOR REAL ESTATE INVESTMENT COMPANY S.A.E.

We have audited the accompanying financial statements of San Stefano for Real Estate Investment Company S.A.E. which comprise the balance sheet as of 31 December 2006, 2005 and 2004 and the related statements of income, cash flows and changes in shareholders' equity for the years then ended. These financial statements are the responsibility of San Stefano for Real Estate Investment Company S.A.E.'s management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements present fairly, in all material respects, the financial position of San Stefano for Real Estate Investment Company S.A.E. as of 31 December 2006, 2005 and 2004 and its financial performance and its cash flows for the years then ended in accordance with the Egyptian Accounting Standards and the related applicable laws and regulations.

for Allied for Accounting & Auditing
(A member of Ernst & Young Global)

Emad H. Ragheb
FESAA-FEST
(RAA. 3678)

Cairo: 22 October 2007

SAN STEFANO FOR REAL ESTATE INVESTMENT COMPANY S.A.E.

INCOME STATEMENT
YEARS ENDED 31 DECEMBER 2006, 2005 AND 2004

	Notes	2006 LE	2005 LE	2004 LE
Revenue	3	**33,887,097**	—	—
Cost of Revenue	3	**(23,462,865)**	—	—
GROSS PROFIT		**10,424,232**	—	—
Selling, general and administrative expenses	4	**(6,852,081)**	—	—
Interest income on fixed deposits with banks		**1,365,454**	—	—
Gain of disposal of property and equipment		**42,885**	—	—
Share of results from associates		**28,069**	—	—
Gain on sale of investment	7	**20,975,000**	—	—
Foreign exchange difference		**156,238**	—	—
PROFIT BEFORE TAX		**26,139,797**	—	—
Income tax expense	5	**(1,059,298)**	—	—
PROFIT FOR THE YEAR		**25,080,499**	—	—
Earnings per share	17	5.29	—	—

The attached notes 1 to 22 form part of these financial statements.

SAN STEFANO FOR REAL ESTATE INVESTMENT COMPANY S.A.E.

BALANCE SHEET
AT 31 DECEMBER 2006, 2005 AND 2004

	Notes	31 December 2006 LE	31 December 2005 LE	31 December 2004 LE
ASSETS				
Non-current assets				
Property and equipment	6	**20,041,003**	16,557,216	15,961,189
Investments in associates	7	**162,500**	84,162,500	79,000,000
Available-for-sale investments	8	**31,430,000**	9,500,000	9,500,000
Notes receivable	9	**80,108,920**	101,937,698	102,319,301
Development properties	10	**862,977,868**	1,132,983,465	782,838,708
		994,720,291	1,345,140,879	989,619,198
Current assets				
Development properties	10	**584,511,039**	27,102,899	—
Notes receivable	9	**67,073,852**	98,085,595	78,996,046
Accounts receivable and prepayments	11	**477,266,689**	207,962,501	199,758,025
Bank balances and cash	12	**20,346,424**	61,824,481	46,132,874
		1,149,198,004	394,975,476	324,886,945
TOTAL ASSETS		**2,143,918,295**	1,740,116,355	1,314,506,143
EQUITY AND LIABILITIES				
Equity				
Share capital	13	**474,000,000**	474,000,000	474,000,000
Capital increase in process		**76,000,000**	49,688,000	—
Legal reserve	14	**2,848,750**	2,848,750	2,848,750
Retained earnings		**1,323,318**	—	—
TOTAL EQUITY		**554,172,068**	526,536,750	476,848,750
LIABILITIES				
Non-current liabilities				
Interest-bearing loans and borrowings	15	**216,699,800**	289,069,499	205,986,479
Notes payable		**14,752,068**	14,752,068	9,283,196
Advance from customers		**341,211,723**	753,558,070	518,135,072
Deferred income tax liabilities	5	**1,059,298**	—	—
		573,722,889	1,057,379,637	733,404,747
Current liabilities				
Accounts payable and accruals	16	**867,889,405**	111,508,688	72,911,542
Bank overdrafts	12	**31,811,079**	22,867,061	19,160,152
Current portion of interest bearing loans and borrowings	15	**77,907,072**	5,816,706	1,000,000
Notes payable		**38,415,782**	16,007,513	11,180,952
		1,016,023,338	156,199,968	104,252,646
TOTAL LIABILITIES		**1,589,746,227**	1,213,579,605	837,657,393
TOTAL EQUITY AND LIABILITIES		**2,143,918,295**	1,740,116,355	1,314,506,143

The financial statements were authorised for issue on 19 October 2007 by:

Allied for Accounting & Auditing (A member of Ernst & Young Global)	Ghaleb Ahmed Fayed Head of Finance	Hisham Talaat Mostafa Chairman & Managing Director

The attached notes 1 to 22 form part of these financial statements.
Auditor's report attached.

SAN STEFANO FOR REAL ESTATE INVESTMENT COMPANY S.A.E.

CASH FLOW STATEMENT
YEARS ENDED 31 DECEMBER 2006, 2005 AND 2004

	Notes	2006 LE	2005 LE	2004 LE
OPERATING ACTIVITIES				
Profit for the year		**25,080,499**	—	—
Adjustments for:				
Gain on sale of investment		**(20,975,000)**	—	—
Depreciation		**1,459,057**	1,259,625	967,726
Gain on disposal of property and equipment		**(42,885)**	(21,119)	—
Cash from operations before working capital change		**5,521,671**	1,238,506	967,726
Accounts receivable and prepayments		**(269,304,188)**	(8,204,476)	(48,823,997)
Notes receivables		**52,840,521**	(18,707,946)	(60,316,111)
Development properties		**(287,402,543)**	(377,247,656)	(166,394,755)
Accounts payable and accruals		**757,440,015**	38,597,146	3,810,155
Notes payable		**22,408,269**	10,295,433	11,752,201
Advance from customers		**(412,346,347)**	235,422,998	174,091,155
Net cash (used in) from operating activities		**(130,842,602)**	(118,605,995)	(84,913,626)
INVESTING ACTIVITIES				
Available for sale investment		**(955,000)**	—	(500,000)
Investments in associates		**84,000,000**	(5,162,500)	(30,000,000)
Purchase of property and equipment		**(4,944,959)**	(1,861,533)	(444,853)
Proceeds from sale of property and equipment		**45,000**	27,000	—
Net cash from (used in) investing activities		**78,145,041**	(6,997,033)	(30,944,853)
FINANCING ACTIVITIES				
Issuance of capital		**—**	—	106,000,000
Cash received for capital increase in process		**26,312,000**	49,688,000	—
Adjustments on retained earnings		**(23,757,181)**	—	—
Interest bearing loans and borrowings		**(279,333)**	87,899,726	14,345,483
Net cash from (used in) financing activities		**2,275,486**	137,587,726	120,345,483
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		**(50,422,075)**	11,984,698	4,487,004
Cash and cash equivalents at the beginning of the year		**38,957,420**	26,972,722	22,485,718
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	12	**(11,464,655)**	38,957,420	26,972,722

The attached notes 1 to 22 form part of these financial statements.

SAN STEFANO FOR REAL ESTATE INVESTMENT COMPANY S.A.E.

STATEMENT OF CHANGES IN EQUITY
YEARS ENDED 31 DECEMBER 2006, 2005 AND 2004

	Share capital LE	Share premium LE	Capital increase in process LE	Legal reserve LE	Retained earnings LE	Total LE
Balance at 1 January 2006	474,000,000	—	49,688,000	2,848,750	—	526,536,750
Profit for the year	—	—	—	—	25,080,499	25,080,499
Adjustments on retained earnings	—	—	—	—	(23,757,181)	(23,757,181)
Capital increase in process	—	—	26,312,000	—	—	26,312,000
Balance at 31 December 2006	474,000,000	—	76,000,000	2,848,750	1,323,318	554,172,068

	Share capital LE	Share premium LE	Capital increase in process LE	Legal reserve LE	Retained earnings LE	Total LE
Balance at 1 January 2005	474,000,000	—	—	2,848,750	—	476,848,750
Capital increase in process	—	—	49,688,000	—	—	49,688,000
Balance at 31 December 2005	474,000,000	—	49,688,000	2,848,750	—	526,536,750

	Share capital LE	Share premium LE	Capital increase in process LE	Legal reserve LE	Retained earnings LE	Total LE
Balance at 1 January 2004	368,000,000	—	—	—	—	368,000,000
Share Premium	—	2,848,750	—	—	—	2,848,750
Transfer to legal reserve	—	(2,848,750)	—	2,848,750	—	—
Issue of share capital	106,000,000	—	—	—	—	106,000,000
Balance at 31 December 2004	474,000,000	—	—	2,848,750	—	476,848,750

The attached notes 1 to 22 form part of these financial statements.

SAN STEFANO FOR REAL ESTATE INVESTMENT COMPANY S.A.E.

NOTES TO THE FINANCIAL STATEMENTS
AT 31 DECEMBER 2006, 2005, 2004

1 Domicile and activities

San Stefano for Real Estate Investment Company S.A.E. was established according to the provisions of law 159 of 1981 and its executive regulations. The company was established on 21 June 2000. The Company's registered office is at 388, El-Gueish St., Zizinia, Alexandria, Egypt. The company was registered in the commercial registration under number 5411 Alexandria.

The main objective of the Company is to operate in real estate investments, purchasing land, fixing, providing with utilities, dividing, selling and investing it, and also constructing, managing, using and selling buildings, units and residential compounds.

2.1 Basis of preparation

These financial statements have been prepared in accordance with Egyptian accounting standards and applicable requirements of Egyptian laws.

The financial statements have been presented in Egyptian Pounds, which is the functional currency of the Company.

The financial statements are prepared under the historical cost convention.

2.2 Changes in accounting policies

The accounting policies used in the preparation of the financial statements are consistent with those used in the preparation of the financial statements for the years ended 2005 and 2004.

2.3 Significant accounting judgments and estimates

Critical judgements in applying the entity's accounting policies

In the process of applying the Company's accounting policies, management has made the following judgments apart from those involving estimations, which have the most significant impact on the amounts recognised in the financial statements.

Impairment of investments

The Company follows the guidelines of the Egyptian Accounting Standards to determine when an investment is impaired. This determination requires significant judgments. In making such judgments, the Company evaluates among other factors, the duration and extent to which the fair value of an investment is less than its cost, the financial health and the near term business outlook for the investee.

Estimation uncertainty

Income taxes:

The Company is subject to income taxes. Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

2.4 Summary of significant accounting policies

Revenue recognition

Revenue is recognized when all ownership risks transferred to the customer by delivering the units to them

Cost of revenue

Cost of revenue includes the cost of land and development costs. Development costs include the cost of infrastructure and construction. The cost of sales in respect of property is based on the actual proportion of the sold property to date to the estimated total revenues for each project.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to be ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

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.

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.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Income tax relating to items recognised directly in equity is recognised in equity and not in the income statement.

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.

Trade Receivables

Trade receivables 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.

Notes Receivable

Notes receivable are stated at cost net of provisions for impairment.

Available-for-Sale Investments

Investments designated as available-for-sale investments are initially recorded at cost. Upon any impairment loss, loss is included in the income statement for the period. They are included in non current assets unless management intends to dispose off the investments within 12 months of the balance sheet date.

2.4 Summary of significant accounting policies — continued

Development Properties

Properties acquired, constructed or in the course of construction for sale are classified as development properties. 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 capitalised as and when activities that are necessary to get the properties ready for sale are in progress.

The property is considered to be completed when all related activities, including the infrastructure and facilities for the entire project, have been completed. At that stage, cost, attributable profit and progress billings are eliminated from development properties.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and any impairment in value. Depreciation is calculated on a straight-line basis over the estimated useful lives as follows:

Buildings	20 years
Motor vehicles	5 years
Furniture and fixtures	8–10 years
Computers	3 years

Projects under construction are not depreciated.

The useful lives and depreciation method are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from these assets.

Impairment

Property and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of these assets may not be recoverable. Whenever the carrying amount of these assets exceeds their recoverable amount, an impairment loss is recognised in the income statement. The recoverable amount is the higher of an asset's net selling price and the value in use. The net selling price is the amount obtainable from the sale of an asset in an arm's length transaction while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life.

Reversal of impairment losses recognised in the prior years is recorded when there is an indication that the impairment losses recognised for the asset no longer exist or have reduced.

Impairment and Uncollectibility of Financial Assets

An assessment is made at each balance sheet date to determine whether there is objective evidence that a specific financial asset may be impaired. If such evidence exists, any impairment loss is recognised in the income statement. Impairment is determined as follows:

(a) For assets carried at cost, impairment is the difference between carrying value and the present value of future cash flows discounted at the current market rate of return for a similar financial asset;

(b) For assets carried at amortised cost, impairment is the difference between carrying amount and the present value of future cash flows discounted at the original effective interest rate.

Trade and Other Payables

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

End of Service Benefits

With respect to its employees, the Company makes contributions to a pension fund established by the General Pension and Social Security Authority calculated as a percentage of the employees' salaries. The Company's obligations are limited to these contributions, which are expensed when due.

Provisions

Provisions are recognised when the Company has a present 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.

2.4 Summary of significant accounting policies — continued

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.

Contingencies

Contingent liabilities are not recognized in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognized in the financial statements but disclosed when an inflow of economic benefits is probable.

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.

The fair value of forward foreign exchange contracts is calculated by reference to current forward exchange rates with the same maturity

3 Revenue and cost of revenue

	2006 LE	2005 LE	2004 LE
Sale of residential units	**33,887,097**	—	—
Cost of residential units	**23,462,865**	—	—

4 Selling, general and administrative expenses

	2006 LE	2005 LE	2004 LE
Depreciation of property and equipment (Note 6)	**1,459,057**	—	—
Selling Expenses	**3,640,034**	—	—
Administration expenses	**1,752,990**	—	—
	6,852,081	—	—

5 Income tax expense

	2006 LE	2005 LE	2004 LE
Income statement:			
Current income tax:			
Current income tax charge	**997,121**	—	—
Deferred income tax:			
Relating to the origination and reversal of temporary differences	**62,177**	—	—
	1,059,298	—	—

	2006 LE	2005 LE	2004 LE
The relationship between the tax expense and the accounting profit can be explained as follows:			
Accounting profit	**27,588,898**	—	—
Net adjustments	**(22,603,293)**	—	—
Taxable profit	**4,985,605**	—	—
Egyptian statutory income tax rate	**20%**	20%	20%
Tax expense	**997,121**	—	—

5 Income tax expense — continued

Tax situation

a) Corporate tax

No tax inspections have taken place of the Company's records. No tax assessment has been received by the Company yet.

b) Salary tax

The company has settled salary taxes to the Department of Income Tax.

c) Stamp duty tax

Tax inspection took place of the Company's records from inception to 31 December 2005 and all tax due were paid.

6 Property and equipment

	Buildings LE	Motor vehicles LE	Furniture and fixtures LE	Computers LE	Projects under construction LE	Total LE
Cost						
At 1 January 2006	10,830,874	759,191	3,304,978	764,325	5,437,942	21,097,310
Additions	—	614,800	1,055,109	312,784	2,962,266	4,944,959
Disposals	—	(66,500)	—	—	—	(66,500)
At 31 December 2006	**10,830,874**	**1,307,491**	**4,360,087**	**1,077,109**	**8,400,208**	**25,975,769**
Depreciation						
At 1 January 2006	2,392,631	130,547	1,405,636	611,280	—	4,540,094
Depreciation charge	541,543	220,850	565,707	130,957	—	1,459,057
Relating to disposals	—	(64,385)	—	—	—	(64,385)
At 31 December 2006	**2,934,174**	**287,012**	**1,971,343**	**742,237**	**—**	**5,934,766**
Net carrying amount						
At 31 December 2006	**7,896,700**	**1,020,479**	**2,388,744**	**334,872**	**8,400,208**	**20,041,003**

	Buildings LE	Motor vehicles LE	Furniture and fixtures LE	Computers LE	Projects under construction LE	Total LE
Cost						
At 1 January 2005	10,830,874	189,677	2,142,463	651,226	5,431,073	19,245,313
Additions	—	579,050	1,162,515	113,099	6,869	1,861,533
Disposals	—	(9,536)	—	—	—	(9,536)
At 31 December 2005	**10,830,874**	**759,191**	**3,304,978**	**764,325**	**5,437,942**	**21,097,310**
Depreciation						
At 1 January 2005	1,851,088	54,604	917,686	460,746	—	3,284,124
Depreciation charge	541,543	79,598	487,950	150,534	—	1,259,625
Relating to disposals	—	(3,655)	—	—	—	(3,655)
At 31 December 2005	**2,392,631**	**130,547**	**1,405,636**	**611,280**	**—**	**4,540,094**
Net carrying amount						
At 31 December 2005	**8,438,243**	**628,644**	**1,899,342**	**153,045**	**5,437,942**	**16,557,216**

6 Property and equipment — continued

	Buildings LE	Motor vehicles LE	Furniture and fixtures LE	Computers LE	Projects under construction LE	Total LE
Cost						
At 1 January 2004	10,830,874	77,171	1,984,713	578,403	5,329,299	18,800,460
Additions	—	112,506	157,750	72,823	101,774	444,853
At 31 December 2004	**10,830,874**	**189,677**	**2,142,463**	**651,226**	**5,431,073**	**19,245,313**
Depreciation						
At 1 January 2004	1,309,545	39,170	683,166	284,517	—	2,316,398
Depreciation charge	541,543	15,434	234,520	176,229	—	967,726
At 31 December 2004	**1,851,088**	**54,604**	**917,686**	**460,746**	**—**	**3,284,124**
Net carrying amount						
At 31 December 2004	**8,979,786**	**135,073**	**1,224,777**	**190,480**	**5,431,073**	**15,961,189**

Depreciation is changes as follows:

	2006 LE	2005 LE	2004 LE
General and administrative expenses	**959,504**	—	—
Cost of residential unites	**499,553**	—	—
Cost of residential units Development properties	**—**	1,259,625	967,726
	1,459,057	1,259,625	967,726

7 Investments in associates

	2006 LE	2005 LE	2004 LE
Carrying value of:			
San Stefano For Tourism Investment	**—**	84,000,000	79,000,000
Alexandria for Projects Managements	**162,500**	162,500	—
	162,500	84,162,500	79,000,000

Disposal of interest in associates

During the year 2006 the company has disposed off part of its investment in its associate San Stefano for Tourism Investment. The company is deemed to have lost significant influence from that date.

The profit on disposal of the associates is as follows:

	2006 LE	2005 LE	2004 LE
Receivable from sale of interest in associates (note 11)	**104,875,000**	—	—
Less net book value at the date of disposal	**(83,900,000)**	—	—
Gain on disposal of interests in associates	**20,975,000**	—	—

The Company has the following investments in associates:

	Country of incorporation	Ownership 2006 %	2005 %	2004 %
San Stefano for Tourism Investment	Egypt	**—**	42.00	39.50
Alexandria for Projects Management	Egypt	**32.50**	32.50	—

8 Available-for-sale investments

	2006 LE	2005 LE	2004 LE
San Stefano for Tourism Investments	**21,100,000**	—	—
El Tameer for Real Estate Financing Company	**1,330,000**	500,000	500,000
Other investments	**9,000,000**	9,000,000	9,000,000
	31,430,000	9,500,000	9,500,000

Other investments balance represents the amount paid by the company in exchange of future cash flows from the shopping mall activities of the San Stefano project.

9 Notes receivable

	2006 LE	2005 LE	2004 LE
Non Current portion	**80,108,920**	101,937,698	102,319,301
Current portion	**67,073,852**	98,085,595	78,996,046
	147,182,772	200,023,293	181,315,347

10 Development properties

	2006 LE	2005 LE	2004 LE
At 1 January	**1,160,086,364**	782,838,708	616,443,953
Additions during the year	**314,505,442**	377,247,656	166,394,755
Less: cost of units sold during the year	**(27,102,899)**	—	—
Total development properties	**1,447,488,907**	1,160,086,364	782,838,708
Less: non-current portion	**(862,977,868)**	(1,132,983,465)	(782,838,708)
Current portion	**584,511,039**	27,102,899	—

All development properties relate to San Stefano project and are analysed as follows:

	2006 LE	2005 LE	2004 LE
Land	**139,430,939**	184,312,984	171,813,244
Consultations and designs	**75,049,738**	67,718,357	50,189,222
Construction work	**1,044,669,039**	757,598,896	454,272,625
Financing costs	**207,594,534**	141,139,031	98,379,799
Licences and governmental fees	**7,847,556**	9,317,096	8,183,818
Less: cost of units sold during the year	**(27,102,899)**	—	—
	1,447,488,907	1,160,086,364	782,838,708

At 31 December 2006 the land of the San Stefano project is subject to a registered debenture to secure bank loans (note 15).

11 Accounts receivable and prepayments

	2006 **LE**	2005 LE	2004 LE
Advance to contractors	**112,111,840**	112,698,617	105,551,600
Letters of credits — cash margin	**2,980,838**	10,783,778	251,441
Advances to suppliers	**890,733**	333,724	141,069
Deposits with others	**2,596,330**	2,829,462	2,566,439
Other receivables	**6,551,708**	6,167,864	293,545
Due from related parties (note 18)	**247,146,087**	75,149,056	90,953,931
Trade accounts receivable	**114,153**	—	—
Receivable from sale of interest in associates* (note 7 & note 18)	**104,875,000**	—	—
	477,266,689	207,962,501	199,758,025

Receivable from Arab Company for Hotels & Tourism represent value of shares of Arab Company for Hotels & Tourism Investments still to be received by the company in exchange for the company's interest in San Stefano for Tourism Investments Company. The legal formalities for the transfer of these shares in the name of the Company were not completed as of the balance sheet date.

12 Cash and cash equivalent

	2006 **LE**	2005 LE	2004 LE
Cash on hand	**—**	**—**	1,988,838
Fixed deposits maturing within three months	**194,267**	55,306,997	38,326,450
Current accounts	**11,162,765**	240,513	—
Cheques under collection	**8,989,392**	6,276,971	5,817,586
Bank balances and cash	**20,346,424**	61,824,481	46,132,874
Less: bank overdrafts	**(31,811,079)**	(22,867,061)	(19,160,152)
Cash and cash equivalent in the statement of cash flows	**(11,464,655)**	38,957,420	26,972,722

Cash at banks earns interest at floating rates based on prevailing bank deposit rates. Short term fixed deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

The company obtained banks overdraft facilities in LE guaranteed by checks and notes receivables with a floating interest rate amounted to 12.5% as of 31 December 2006.

13 Share capital

	2006 **LE**	2005 LE	2004 LE
Authorized capital — 6,000,000 shares of LE 100 per share	**600,000,000**	600,000,000	600,000,000
Issued and fully paid-up — 4,740,000 shares at LE 100 per share	**474,000,000**	474,000,000	474,000,000

14 Legal reserve

According to the Articles of Association of the Company and the Egyptian Commercial Companies Law, 5% of annual net profits are allocated to the legal reserve. The transfers to legal reserve may be suspended when the reserve reaches 50% of the issued capital.

During the year 2004, and according to the provisions of article 94 of law 159 of 1981,the Company has transferred shares premium amounting to LE 2,848,750 to legal reserve.

15 Interest-bearing loans and borrowings

	2006 LE	2005 LE	2004 LE
Balance, beginning of year	**294,886,205**	206,986,479	192,640,996
Borrowings drawn down during the year	**5,537,373**	87,899,726	14,345,483
Borrowings repaid during the year	**(5,816,706)**	—	—
Balance, end of year	**294,606,872**	294,886,205	206,986,479
Less: Non-current portion	**(216,699,800)**	(289,069,499)	(205,986,479)
Current portion	**77,907,072**	5,816,706	1,000,000

The company allocated National bank of Egypt loan and charged San Stefano for Tourism Investment with its related share from the loan and its related interest based on the percentage of allocation approved by the Projects Management with an amount of LE 176,404,582, as the loan contract was signed by the two companies San Stefano for Tourism Investment and San Stefano for Real Estate Investment.

Interest-bearing loans and borrowings are from local banks and are secured on the land of San Stefano residential project, and is repayable as follows:

	Loan currency	**Effective interest**	**12 months or less LE**	**2-3 Years LE**	**4-5 Years LE**	**Total LE**
Loan 1	LE	12.5%	67,907,072	131,133,600	65,566,200	264,606,872
Loan 2	LE	11.0%	10,000,000	20,000,000	—	30,000,000
Total loans			**77,907,072**	151,133,600	65,566,200	294,606,872

16 Accounts payable and accruals

	2006 LE	2005 LE	2004 LE
Advances from customers	**730,638,799**	33,887,097	
Trade payables	**1,501,712**	1,165,200	2,863,902
Contractors	**66,264,838**	30,134,570	30,996,967
Other payables and accruals	**69,484,056**	27,955,712	22,795,925
Deferred income	**—**	18,366,109	16,254,748
	867,889,405	111,508,688	72,911,542

17 Earnings per share

Earnings per share are calculated by dividing net profit for the year of the Company by the weighted average number of ordinary shares outstanding during the year.

The information necessary to calculate earnings per share is as follows:

	2006 LE	2005 LE	2004 LE
Earnings:			
Net profit for the year	**25,080,499**	—	—
Shares:			
Weighted average number of shares outstanding for calculating EPS	**4,740,000**	4,740,000	4,740,000
Earnings per share	**5.29**	—	—

18 Related party transactions

For the purpose of these financial statements, parties are considered to be related to the Company if the Company has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Company and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Related party transactions

During the financial year, there were the following significant related party transactions, which were carried out in the normal course of business on terms agreed between the parties:

Affiliate	Nature of transaction	**2006 LE**	2005 LE	2004 LE
Alexandria for Construction Company . . .	Constructions Services	**83,595,986**	84,406,663	73,514,679
Alexandria for Real Estate Investments . .	Management fees	**16,889,000**	31,207,000	17,101,000

The members of the board of directors received attendance fees totalling LE 119,000 (2005: LE 90,160, 2004: LE 68,144).

During the year ended 31 December 2006, the Company has disposed part of its investments in San Stefano for Tourism Investments in exchange for shares in Arab Company for Hotels and Tourism Investments. The exchange has resulted in LE 20,975,000 that was recognised in the income statement (note 7).

Related party balances

Significant related party balances (and the balance sheet captions within which these are included) are as follows:

	2006 LE Accounts receivable (payable)	2005 LE Accounts/Notes receivable (payable)	2004 LE Accounts/Notes receivable (payable)
San Stefano for Tourism Investment Company	**247,146,087**	75,149,056	90,953,931
Alexandria for Real Estate Investment Company.	**(5,512,199)**	21,060,233	20,294,542
Alexandria for Construction Company	**21,100,291**	30,144,117	33,396,387

Compensation of key management personnel

The remuneration of directors and other members of key management during the year aside from the attendance fees noted above was LE 5,714,108 (2005: LE 11,910,041, 2004: LE 7,196,654)

19 Financial risk management objectives and policies

The Company is exposed to interest rate, foreign currency and credit risks arising from its diversified portfolio business. The Company's risk management approach seeks to minimize the potential material adverse effects from these exposures. As a whole, the Company has implemented risk management policies and guidelines that set out its tolerance of risk and its general risk management philosophy.

Interest rate risk

Interest on financial instruments having floating rates is reprised at intervals of less than one year and interest on financial instruments having fixed rate is fixed until the maturity of the instrument. Other than commercial and overall business conditions, the Company's exposure to market risk for changes in interest rate environment relates mainly to its investment in financial products and fixed deposits.

The investments in financial products are not for trading or speculative purposes but placed in securities or fixed deposits, with the objective of achieving better returns than cash at bank. Interest rates on loans from financial institutions are disclosed in note 16.

Credit risk

Credit risk, or the risk of counter parties defaulting, is controlled by the application of credit approvals, limits and monitoring procedures. In addition, investments and financial transactions are restricted to counterparties that meet appropriate credit criteria and have a high credit standing.

19 Financial risk management objectives and policies — continued

Foreign currency risk

The Company enters into various foreign exchange transactions. However, most of such transactions are denominated in US Dollars or currencies linked to the US Dollar. The currency conversion rate between the US Dollar and the Egyptian Pound has remained stable over the past several years.

20 Fair values of financial instruments

Financial instruments comprise financial assets and financial liabilities.

Financial assets of the Company include bank balances and cash, trade receivables, securities, notes receivables, other receivables, investments in associates and due from related parties. Financial liabilities of the Company include customer advances, notes payable, loans from financial institutions, accounts payable and retentions payable.

The fair values of the financial assets and liabilities are not materially different from their carrying values unless stated otherwise.

21 Events after the balance sheet date

Talaat Mostafa group has under taken a restructuring to bring together the company together with Arab Company for Projects and urban Development, San Stefano for Real Estate Investments Company, and Alexandria for Urban Development Company under TMG Holding Company (a newly established company) via a share swap mechanism. To implement the restructuring process, Talaat Mostafa group undertook the following steps:

1. TMG group appointed an Independent Fair Auditor (the "IFA"), to value all 4 subsidiaries for the sake of the swap process.
2. After obtaining the fair value, a board of directors meeting and extraordinary general assembly were held in July and August, 2007 for each of the subsidiaries to approve the fair value of each subsidiary.

22 Comparative information

Certain comparative figures for year 2005 and 2004 have been reclassified to conform to the current year's presentation.

SAN STEFANO FOR REAL ESTATE INVESTMENT COMPANY S.A.E.

Interim Financial Statements
30 June 2007

REPORT ON REVIEW OF INTERIM FINANCIAL STATEMENTS TO THE SHAREHOLDERS OF SAN STEFANO FOR REAL ESTATE INVESTMENT COMPANY S.A.E.

We have reviewed the accompanying interim balance sheet of San Stefano for Real Estate Investment Company S.A.E. as at 30 June 2007, the related interim statement of income for the three-month and six-month periods then ended, the related interim statements of changes in equity and cash flows for the six-month period then ended and explanatory notes. Management is responsible for the preparation and presentation of these interim financial statements in accordance with Egyptian Accounting Standard 30 Interim Financial Reporting ("EAS 30"). Our responsibility is to express a conclusion on these interim financial statements based on our review.

We conducted our review in accordance with Egyptian Standard on Review Engagements 240. 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 and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial statements are not prepared, in all material respects, in accordance with EAS 30.

for Allied for Accounting & Auditing
(A member of Ernst & Young Global)

Emad H. Ragheb
FESAA-FEST
(RAA. 3678)

Cairo: 22 October 2007

SAN STEFANO FOR REAL ESTATE INVESTMENT COMPANY S.A.E.

INTERIM INCOME STATEMENT
30 JUNE 2007

	Notes	Three months ended 30 June 2007 LE	Three months ended 30 June 2006 LE	Six months ended 30 June 2007 LE	Six months ended 30 June 2006 LE
Revenue	3	**70,742,874**	—	**92,438,837**	—
Cost of Revenue	3	**(55,264,334)**	—	**(71,582,920)**	—
GROSS PROFIT		**15,478,540**	—	**20,855,917**	—
Selling, general and administrative expenses		**(916,930)**	—	**(4,735,780)**	—
Interest income on fixed deposits with banks		**68,771**	—	**71,987**	—
Other income		**1,529,898**	—	**1,829,898**	—
Share of results from associate		**170,625**		**170,625**	—
Foreign exchange difference		**30,517**	—	**30,517**	—
PROFIT BEFORE TAX		**16,361,421**	—	**18,223,164**	—
Income tax expense	4	**(3,240,069)**	—	**(4,522,679)**	—
PROFIT FOR THE PERIOD		**13,121,352**	—	**13,700,485**	—
Earnings per share	15	**2.74**	—	**2.86**	—

The attached notes 1 to 22 form part of these interim financial statements.
Review report attached.

SAN STEFANO FOR REAL ESTATE INVESTMENT COMPANY S.A.E.

INTERIM BALANCE SHEET
30 JUNE 2007

	Notes	30 June 2007 LE	31 December 2006 LE
ASSETS			
Non-current assets			
Property and equipment	5	**19,349,033**	20,041,003
Investments in associates	6	**325,000**	162,500
Available-for-sale investments	7	**136,305,000**	31,430,000
Notes Receivable	9	**65,367,227**	80,108,920
Development properties	8	**856,282,883**	862,977,868
		1,077,629,143	994,720,291
Current assets			
Development properties	8	**650,374,138**	584,511,039
Notes receivable	9	**77,663,574**	67,073,852
Trade receivable and prepayments	10	**411,378,993**	477,266,689
Bank balances and cash	11	**8,076,250**	20,346,424
		1,147,492,955	1,149,198,004
TOTAL ASSETS		**2,225,122,098**	2,143,918,295
EQUITY AND LIABILITIES			
Equity			
Share capital	12	**550,000,000**	474,000,000
Capital increase in process		—	76,000,000
Legal reserve	13	**4,228,195**	2,848,750
Retained earnings		**13,626,638**	1,323,318
TOTAL EQUITY		**567,854,833**	554,172,068
LIABILITIES			
Non-current liabilities			
Interest-bearing loans and borrowings	16	**316,399,800**	216,699,800
Advances from customers		**251,857,439**	341,211,723
Notes Payable		**10,634,593**	14,752,068
Deferred income tax liabilities		**62,177**	1,059,298
		578,954,009	573,722,889
Current liabilities			
Accounts payable and accruals	17	**946,129,221**	867,889,405
Bank overdraft	11	**78,598,607**	31,811,079
Current portion of interest bearing loans and borrowings	16	**42,553,372**	77,907,072
Notes payable		**11,032,056**	38,415,782
		1,078,313,256	1,016,023,338
TOTAL LIABILITIES		**1,657,267,265**	1,589,746,227
TOTAL EQUITY AND LIABILITIES		**2,225,122,098**	2,143,918,295

The interim financial statements were authorised for issue on 19 October 2007 by:

Allied for Accounting & Auditing (A member of Ernst & Young Global)	Ghaleb Ahmed Fayed Head of Finance	Hisham Talaat Mostafa Chairman & Managing Director

The attached notes 1 to 22 form part of these interim financial statements.
Review report attached.

SAN STEFANO FOR REAL ESTATE INVESTMENT COMPANY S.A.E.

INTERIM STATEMENT OF CASH FLOWS
30 JUNE 2007

	Notes	30 June 2007 LE	30 June 2006 LE
OPERATING ACTIVITIES			
Profit for the period		**13,700,485**	—
Adjustments for:			
Depreciation		**959,504**	—
Cash from operations before working capital changes:		**14,659,989**	—
Notes receivables		**4,151,971**	64,454,914
Trade receivables and prepayments		**65,887,696**	(129,009,110)
Development properties		**(59,168,114)**	(130,655,249)
Accounts payable and accruals		**78,239,816**	167,624,668
Notes payable		**(31,501,201)**	3,636,492
Advances from customers		**(89,354,284)**	2,898,548
Deferred income tax liabilities		**(997,121)**	—
Net cash (used in) operating activities		**(18,081,248)**	(21,049,737)
INVESTING ACTIVITIES			
Purchase of investment in associates		**(162,500)**	—
Purchase of property and equipment		**(267,534)**	(1,409,032)
Proceeds from disposal of property and equipment		—	45,000
Purchase of available for sale investments		**(104,875,000)**	—
Net cash (used in) investing activities		**(105,305,034)**	(1,364,032)
FINANCING ACTIVITIES			
Capital increase in process		—	14,053,200
Dividends paid		**(17,720)**	—
Interest bearing loans and borrowings		**64,346,300**	3,842,172
Net cash from financing activities		**64,328,580**	17,895,372
DECREASE IN CASH AND CASH EQUIVALENTS		**(59,057,702)**	(4,518,397)
Cash and cash equivalents the beginning of the period		**(11,464,655)**	38,957,420
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	11	**(70,522,357)**	34,439,023

The attached notes 1 to 22 form part of these interim financial statements.
Review report attached

SAN STEFANO FOR REAL ESTATE INVESTMENT COMPANY S.A.E.

INTERIM STATEMENT OF CHANGES IN EQUITY
30 JUNE 2007

	Share capital LE	Capital increase in process LE	Legal reserve LE	Retained earnings LE	Total LE
At 1 January 2007	474,000,000	76,000,000	2,848,750	1,323,318	554,172,068
Net Profit for the period	—	—	—	13,700,485	13,700,485
Transfer to Share capital	76,000,000	(76,000,000)	—	—	—
Transfer to legal reserve	—	—	1,379,445	(1,379,445)	—
Cash dividends	—	—	—	(17,720)	(17,720)
At 30 June 2007	**550,000,000**	**—**	**4,228,195**	**13,626,638**	**567,854,833**
At 1 January 2006	474,000,000	49,688,000	2,848,750	—	526,536,750
Capital increase in process	—	14,053,200	—	—	14,053,200
At 30 June 2006	474,000,000	63,741,200	2,848,750	—	540,589,950

The attached notes 1 to 22 form part of these interim financial statements.
Review report attached.

1 Domicile and activities

San Stefano for Real Estate Investment Company S.A.E. (the "Company") was established according to the provisions of law 159 of 1981 and its executive regulations. The Company was established on 21 June 2000. The Company's registered office is at 388, El-Gueish St., Zizinia, Alexandria, Egypt. The company was registered in the commercial registration under number 5411 Alexandria.

The main objective of the Company is to operate in real estate investments, purchasing land, fixing, providing with utilities, dividing, selling and investing it, and also constructing, managing, using and selling buildings, units and residential compounds.

2.1 Basis of preparation

The interim financial statements have been prepared in accordance with Egyptian accounting standards and applicable requirements of Egyptian laws.

The interim financial statements have been presented in Egyptian pounds, which is the functional currency of the Company.

The financial statements are prepared under the historical cost convention.

2.2 Changes in accounting policies

The Company's investments in equity securities are classified as available for sale securities. Subsequent to initial recognition, they are measured at fair value, unless this cannot be reliably measured, and changes there in, other than impairment losses are recognized directly in equity, when the investment is derecognized, the cumulative gain or loss in equity is transferred to profit or loss. In its interim financial statement for periods beginning before 1 January 2007 the company applied the cost less impairment method in measuring investments classified as available for sale. The change in accounting policy had no impact on the interim financial statements as of the balance sheet date.

2.3 Significant accounting judgments and estimates

Critical judgements in applying the entity's accounting policies

In the process of applying the Company's accounting policies, management has made the following judgments apart from those involving estimations, which have the most significant impact on the amounts recognized in the financial statements.

Impairment of investments:

The Company follows the guidelines of the Egyptian Accounting Standards to determine when an investment is impaired. This determination requires significant judgments. In making such judgments, the Company evaluates among other factors, the duration and extent to which the fair value of an investment is less than its cost, the financial health and the near term business outlook for the investee.

Estimation uncertainty

Income taxes:

The Company is subject to income taxes. Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

2.4 Summary of significant accounting policies

Revenue recognition

Revenue is recognized when all ownership risks transferred to the customer by delivering the units to them.

Cost of revenue

Cost of revenue includes the cost of land and development costs. Development costs include the cost of infrastructure and construction. The cost of revenue in respect of property is based on the actual proportion of the sold property to date to the estimated total revenues for each project.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

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.

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.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Income tax relating to items recognised directly in equity is recognised in equity and not in the income statement.

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.

Trade receivables

Trade receivables 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.

Notes receivable

Notes receivable are stated at cost net of provisions for impairment.

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 and subsequently measured at fair value, unless this cannot be reliably measured. Changes in fair value are reported as a separate component of equity. Upon impairment any loss, or upon derecognition any gain or loss, previously reported as “cumulative changes in fair value” within equity is included in the income statement for the period.

2.4 Summary of significant accounting policies — continued

Development properties

Properties acquired, constructed or in the course of construction for sale are classified as development properties.. 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 capitalised as and when activities that are necessary to get the properties ready for sale are in progress.

The property is considered to be completed when all related activities, including the infrastructure and facilities for the entire project, have been completed. At that stage, cost, attributable profit and progress billings are eliminated from development properties.

Property and equipment

Property and equipment are stated at cost less accumulated depreciation and any impairment in value. Depreciation is calculated on a straight-line basis over the estimated useful lives as follows:

Buildings	20 years
Computers	3 years
Motor vehicles	5 years
Furniture and fixtures	8–10 years

Projects under construction are not depreciated.

The useful lives and depreciation method are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from these assets.

Impairment

Property and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of these assets may not be recoverable. Whenever the carrying amount of these assets exceeds their recoverable amount, an impairment loss is recognised in the income statement. The recoverable amount is the higher of an asset's net selling price and the value in use. The net selling price is the amount obtainable from the sale of an asset in an arm's length transaction while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life.

Reversal of impairment losses recognised in the prior years is recorded when there is an indication that the impairment losses recognised for the asset no longer exist or have reduced.

Impairment and uncollectibility of financial assets

An assessment is made at each balance sheet date to determine whether there is objective evidence that a specific financial asset may be impaired. If such evidence exists, any impairment loss is recognised in the income statement. Impairment is determined as follows:

(a) For assets carried at cost, impairment is the difference between carrying value and the present value of future cash flows discounted at the current market rate of return for a similar financial asset;

(b) For assets carried at amortised cost, impairment is the difference between carrying amount and the present value of future cash flows discounted at the original effective interest rate.

Trade and other payables

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

End of service benefits

With respect to its employees, the Company makes contributions to a pension fund established by the General Pension and Social Security Authority calculated as a percentage of the employees' salaries. The Company's obligations are limited to these contributions, which are expensed when due.

2.4 Summary of significant accounting policies — continued

Provisions

Provisions are recognised when the Company has a present 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.

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.

Contingencies

Contingent liabilities are not recognized in the consolidated financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognized in the consolidated financial statements but disclosed when an inflow of economic benefits is probable.

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.

The fair value of forward foreign exchange contracts is calculated by reference to current forward exchange rates with the same maturity.

3 Revenue and cost of revenue

	Three months ended 30 June		**Six months ended 30 June**	
	2007 LE	2006 LE	**2007 LE**	2006 LE
Revenue:				
Sale of residential units	**70,742,874**	—	**92,438,837**	—
Cost of Revenue:				
Cost of residential units	**55,264,334**	—	**71,582,920**	—

4 Income tax expenses

	Three months ended 30 June		**Six months ended 30 June**	
	2007 LE	2006 LE	**2007 LE**	2006 LE
Current income tax charge	**(3,240,069)**	—	**(4,522,679)**	—
The relationship between the tax expense and the accounting profit can be explained as follows:				
Accounting profit	**16,361,421**	—	**18,223,164**	—
Net Adjustments	**(161,076)**	—	**4,390,231**	—
Taxable profit	**16,200,345**	—	**22,613,395**	—
Egyptian statutory income tax rate	**20%**	20%	**20%**	20%
Tax expense	**3,240,069**	—	**4,522,679**	—

5 Property and equipment

	Buildings LE	Motor vehicles LE	Furniture and fixtures LE	Computers LE	Project under construction	Total LE
Cost						
At 1 January 2007	10,830,874	1,307,491	4,360,087	1,077,109	8,400,138	25,975,699
Additions	—	132,900	92,034	42,600	—	267,534
Transfers	—	—	344,920	—	(344,920)	—
At 30 June 2007	**10,830,874**	**1,440,391**	**4,797,041**	**1,119,709**	**8,055,218**	**26,243,233**
Accumulated depreciation						
At 1 January 2007	2,934,176	287,012	1,971,341	742,167	—	5,934,696
Depreciation charge	270,772	130,749	476,401	81,582	—	959,504
At 30 June 2007	**3,204,948**	**417,761**	**2,447,742**	**823,749**	—	**6,894,200**
Net carrying amount						
At 30 June 2007	**7,625,926**	**1,022,630**	**2,349,299**	**295,960**	**8,055,218**	**19,349,033**
At 31 December 2006	7,896,698	1,020,479	2,388,746	334,942	8,400,138	20,041,003

6 Investments in associates

	Country of incorporation	Ownership %	**30 June 2007 LE**	31 December 2006 LE
Carrying value of:				
Alexandria for Projects Management Company	Egypt	32.5	**325,000**	162,500

7 Available-for-sale investments

	30 June 2007 LE	31 December 2006 LE
Arab Company for Hotels and Tourism Investments	**104,875,000**	—
San Stefano for Tourism Investment	**21,100,000**	21,100,000
El Tameer for Real Estate Financing Company	**1,330,000**	1,330,000
Other investment	**9,000,000**	9,000,000
	136,305,000	31,430,000

Other investments balance represents the amount paid by the company in exchange of future cash flows from the shopping mall activities of the San Stefano project.

Available for sale investments are in unquoted securities and are carried at cost as fair value can not be reliably determined due to unpredictable nature of future cash flows.

8 Development properties

	30 June 2007 LE	31 December 2006 LE
At 1 January	**1,447,488,907**	1,160,086,364
Additions during the period	**130,751,034**	314,505,442
Less cost of units sold during the period / year	**(71,582,920)**	(27,102,899)
Total development properties	**1,506,657,021**	1,447,488,907
Less: non current portion	**(856,282,883)**	(862,977,868)
Current portion	**650,374,138**	584,511,039

At 30 June 2007, the land of the San Stefano project is subject to a registered debenture to secure bank loans (note 11).

8 Development properties — continued

All development properties relates to San Stefano residential project and are analysed as follows:

	30 June 2007 LE	31 December 2006 LE
Land	**139,430,939**	139,430,939
Consultations and designs	**80,895,239**	75,049,738
Construction work	**1,141,960,543**	1,044,669,039
Financing costs	**235,178,386**	207,594,534
Licences and governmental fees	**7,877,733**	7,847,556
Less: Cost of units sold	**(98,685,819)**	(27,102,899)
	1,506,657,021	1,447,488,907

9 Notes receivables

	30 June 2007 LE	31 December 2006 LE
Non current portion	**65,367,227**	80,108,920
Current portion	**77,663,574**	67,073,852
	143,030,801	147,182,772

10 Accounts receivable and prepayments

	30 June 2007 LE	31 December 2006 LE
Advance to contractors	**82,412,325**	112,111,840
Letters of credits — cash margin	**2,980,838**	2,980,838
Advances to suppliers	**1,788,339**	890,733
Deposits with others	**2,384,030**	2,596,330
Other receivables	**5,490,755**	6,551,708
Due from related parties (note 17)	**315,684,648**	247,146,087
Trade accounts receivable	**638,058**	114,153
Receivable from sale of investment in associates	**—**	104,875,000
	411,378,993	477,266,689

11 Cash and cash equivalents

	30 June 2007 LE	31 December 2006 LE
Cash on hand	**862,525**	37,990
Fixed deposits maturing within three months	**176,419**	194,267
Current accounts	**7,037,306**	11,127,775
Cheques under collection	**—**	8,986,392
Bank balances and cash	**8,076,250**	20,346,424
Less bank over draft	**(78,598,607)**	(31,811,079)
Cash and cash equivalent in the statement of cash flows	**(70,522,357)**	(11,464,655)

Cash at banks earns interest at floating rates based on prevailing bank deposit rates. Short term fixed deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

12 Share capital

	30 June 2007 LE	31 December 2006 LE
Authorized capital — 6,000,000 shares of LE 100 per share	**600,000,000**	600,000,000
Issued and fully paid-up at LE 100 per share	**550,000,000**	474,000,000

13 Legal reserve

According the Articles of Association of the Company and the Egyptian Commercial Companies Law, 5% of annual net profits are allocated to the legal reserve. The transfers to legal reserve may be suspended when the reserve reaches 50% of the issued capital.

During the year 2004, and according to the provisions of article 94 of law 1981, the company has transferred shares premium amounting to LE 2,848,750 to legal reserve.

14 Tax situation

a) Corporate tax

No tax inspections have taken place of the Company's records. No tax assessment has been received by the Company.

b) Salary tax

The company has settled salary taxes to the department of Income Tax by the statutory deadline.

c) Stamp duty tax

Tax inspections have taken place of the Company's records from inception to 31 December 2005 and all tax due were paid.

15 Earnings per share

Earnings per share are calculated by dividing net profit for the year of the Company by the weighted average number of ordinary shares outstanding during the year. The weighted average numbers of shares outstanding during the year and the previous year have been adjusted for events that have changed the number of shares outstanding without a corresponding change in resources.

The information necessary to calculate earnings per share is as follows:

	Three months ended		Six months ended	
	30 June 2007 LE	30 June 2006 LE	30 June 2007 LE	30 June 2006 LE
Earnings:				
Net profit for the period	**13,121,352**	—	**13,700,485**	—
Shares:				
Weighted average number of shares outstanding for calculating EPS	**4,789,836**	—	**4,789,836**	—
Earnings per share	**2.74**	—	**2.86**	—

16 Interest-bearing loans and borrowings

	30 June 2007 LE	31 December 2006 LE
Balance, beginning of year	**294,606,872**	294,886,205
Borrowings drawn down during the year	**64,346,300**	5,537,373
Borrowings repaid during the year	**—**	(5,816,706)
Balance, end of year	**358,953,172**	294,606,872
Less non current portion	**(316,399,800)**	(216,699,800)
Current portion	**42,553,372**	77,907,072

Interest-bearing loans and borrowing are from local banks and are secured on land of San Stefano project (note 11), and are repayable as follows:

	Loan currency	**Effective interest rate**	**12 months or less LE**	**2-3 years LE**	**4-5 years LE**	**More than 5 years LE**	**Total LE**
Loan 1	LE	12.5%	24,457,372	120,922,856	92,738,400	92,738,544	330,857,172
Loan 2	LE	11.0%	18,096,000	10,000,000	—	—	28,096,000
		Total loans	42,553,372	130,922,856	92,738,400	92,738,544	358,953,172

17 Accounts payable and accruals

	30 June 2007 LE	31 December 2006 LE
Advances from customers	**833,812,997**	730,638,799
Trade payables	**700,461**	1,501,712
Contractors	**20,991,395**	66,264,838
Other payables and accruals	**86,360,262**	69,484,056
Income tax payable	**4,264,106**	—
	946,129,221	867,889,405

18 Related party transactions

For the purpose of these financial statements, parties are considered to be related to the Company if the Company has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Company and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Related party transactions

During the six months period, there were the following significant related party transactions, which were carried out in the normal course of business on terms agreed between the parties:

	Nature of transactions	**30 June 2007 LE**	31 December 2006 LE
Alexandria for Real Estate Investments	Management fees	**7,199,000**	16,889,000

The members of the board of directors received attendance fees totalling LE 69,000 (2006: 119,000).

Related party balances

Significant related party balances (and the balance sheet captions within which these are included) are as follows:

	30 June 2007		31 December 2006	
	LE Notes receivables	**LE Notes payables**	LE Notes receivables	LE Notes payables
Alexandria for Real Estate Investment	—	**12,612,693**	—	5,512,199

18 Related party transactions — continued

	30 June 2007		31 December 2006	
	LE	**LE**	LE	LE
	Debit balances	**Credit balances**	Debit balances	Credit balances
San Stefano for Tourism Investments	**315,684,648**	—	247,146,087	—
Alexandria for Construction Company	—	—	21,100,291	—

Compensation of key management personnel

The remuneration of directors and other members of key management aside from attendance fees noted above during the six months was LE 4,326,857 (2006:LE 5,714,108).

19 Financial risk management objectives and policies

The Company is exposed to interest rate, foreign currency and credit risks arising from its diversified portfolio business. The Company's risk management approach seeks to minimise the potential material adverse effects from these exposures. As a whole, the Company has implemented risk management policies and guidelines that set out its tolerance of risk and its general risk management philosophy.

Interest rate risk

Interest on financial instruments having floating rates is repriced at intervals of less than one year and interest on financial instruments having fixed rate is fixed until the maturity of the instrument. Other than commercial and overall business conditions, the Company's exposure to market risk for changes in interest rate environment relates mainly to its investment in financial products and fixed deposits.

The investments in financial products are not for trading or speculative purposes but placed in securities or fixed deposits, with the objective of achieving better returns than cash at bank. Interest rates on loans from financial institutions are disclosed in note 15.

Credit risk

Credit risk, or the risk of counter parties defaulting, is controlled by the application of credit approvals, limits and monitoring procedures. In addition, investments and financial transactions are restricted to counterparties that meet appropriate credit criteria and have a high credit standing.

Foreign currency risk

The Company enters into various foreign exchange transactions. However, most of such transactions are denominated in US Dollars or currencies linked to the US Dollar. The currency conversion rate between the US Dollar and the Egyptian Pound has remained stable over the past several year.

20 Fair values of financial instruments

Financial instruments comprise financial assets and financial liabilities.

Financial assets of the Company include bank balances and cash, trade receivables, securities, notes receivables, other receivables, investments in associates, available for sale and due from related parties. Financial liabilities of the Company include customer advances, notes payable, interest bearing loans and borrowings, accounts payable and retentions payable.

The fair values of the financial assets and liabilities are not materially different from their carrying values unless stated otherwise.

21 Events after the balance sheet date

Restructuring

Talaat Mostafa group has under taken a restructuring to bring together the company together with Alexandria for Real Estate Investment Company, Alexandria for Urban Development Company and Arab Company for Projects

21 Events after the balance sheet date — continued

and Urban Development under TMG Holding Company (a newly established company) via a share swap mechanism. To implement the restructuring process, Talaat Mostafa group undertook the following steps:

1. TMG group appointed an Independent Fair Auditor (the "IFA"), to value all 4 subsidiaries for the sake of the swap process
2. After obtaining the fair value, a board of directors meeting and extraordinary general assembly were held in July and August, 2007 for each of the subsidiaries to approve the fair value of each subsidiary
3. Fair value were approved during the extraordinary general assembly and the shareholders approved the swap of their shares into TMG Holding at discount to fair value
4. For Alexandria Real Estate and San Stefano real estate, a tender offer was under taken in September 2007, offering the minority shareholders to swap their shares into TMG Holding or to accept a cash offer at the same swap value
5. Restructuring process is expected to be finished in 28 October 2007

22 Comparative information

Certain comparative figures for year 2006 have been reclassified to conform to the current period's presentation.

ALEXANDRIA FOR REAL ESTATE INVESTMENT COMPANY S.A.E. AND SUBSIDIARIES

Consolidated Financial Statements
31 December 2006, 2005, 2004

AUDITORS' REPORT TO THE SHAREHOLDERS OF ALEXANDRIA FOR REAL ESTATE INVESTMENT COMPANY S.A.E

We have audited the accompanying consolidated financial statements of Alexandria for Real Estate Investment Company S.A.E. and its subsidiaries ("Alexandria Group") which comprise the consolidated balance sheet as of 31 December 2006, 2005 and 2004 and the related consolidated statements of income, consolidated cash flows and changes in shareholders' equity for the years then ended. These consolidated financial statements are the responsibility of Alexandria for Real Estate Investment Company S.A.E.'s management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

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

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidate financial position of Alexandria for Real Estate Investment Company S.A.E. and its subsidiaries as of 31 December 2006, 2005 and 2004 and their financial performance and their cash flows for the years then ended in accordance with the Egyptian Accounting Standards and the related applicable laws and regulations.

for Allied for Accounting & Auditing
(A member of Ernst & Young Global)

Emad H. Ragheb
FESAA-FEST
(RAA. 3678)

Cairo: 22 October 2007

ALEXANDRIA FOR REAL ESTATE INVESTMENT COMPANY S.A.E. AND SUBSIDIARIES

CONSOLIDATED INCOME STATEMENT
YEARS ENDED 31 DECEMBER 2006, 2005 and 2004

	Notes	2006 LE	2005 LE	2004 LE
Revenue	3	**225,090,299**	121,131,369	183,652,162
Cost of revenue	3	**(142,187,253)**	(69,635,330)	(152,302,936)
GROSS PROFIT		**82,903,046**	51,496,039	31,349,226
Selling, general and administrative expenses	4	**(5,327,930)**	(3,064,333)	(3,522,623)
Finance cost		**(21,384,235)**	(24,813,149)	(3,207,113)
Interest income on fixed deposits with banks		**112,720**	39,414	240,321
Other income		**526,275**	444,950	249,188
Share of results from associates		**4,000,807**	15,527,992	5,591,652
Gain on disposal of interest in associates	7	**92,333,781**	—	1,170,213
Foreign exchange difference		**125,809**	118,600	(1,434,258)
Provision for claims		—	—	(4,000,000)
PROFIT BEFORE TAX		**153,290,273**	39,749,513	26,436,606
Income tax expense	5	**(5,092,661)**	(4,904,139)	—
PROFIT FOR THE YEAR		**148,197,612**	34,845,374	26,436,606
ATTRIBUTABLE TO:				
Shareholders of the parent		**142,828,685**	34,754,194	26,362,764
Minority interest		**5,368,927**	91,180	73,842
		148,197,612	34,845,374	26,436,606
Earnings per share attributable to the shareholders of the parent	19	**22.89**	5.18	3.93

The attached notes 1 to 27 form part of these financial statements.

ALEXANDRIA FOR REAL ESTATE INVESTMENT COMPANY S.A.E. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET
AT 31 DECEMBER 2006, 2005 AND 2004

	Notes	**31 December 2006 LE**	31 December 2005 LE	31 December 2004 LE
ASSETS				
Non-current assets				
Property and equipment	6	**21,168,351**	14,905,803	14,999,597
Investments in associates	7	**198,650,885**	490,534,284	450,167,706
Due from a related parties	22-25	**395,168,000**	44,440,000	—
Available for sale investments	8	**20,234,706**	564,968	564,968
Notes receivable	9	**61,345,380**	53,687,939	64,241,764
Development properties	10	**440,514,723**	395,557,979	307,493,371
		1,137,082,045	999,690,973	837,467,406
Current assets				
Development properties	10	**92,883,019**	47,085,847	23,453,426
Units available for sale		**16,264,801**	34,814,009	36,470,622
Notes receivable	9	**153,943,668**	79,594,316	55,696,729
Accounts receivable and prepayments	11	**94,580,884**	70,359,627	68,010,161
Available for sale investments	8	—	100,000	288,100
Bank balances and cash	12	**10,580,682**	7,495,815	11,892,029
		368,253,054	239,449,614	195,811,067
TOTAL ASSETS		**1,505,335,099**	1,239,140,587	1,033,278,473
EQUITY AND LIABILITIES				
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY				
Share capital	13	**340,000,000**	322,920,000	269,100,000
Capital increase in process		—	—	26,305,450
Legal reserve	14	**74,392,697**	73,146,791	71,661,532
Retained earnings		**209,638,648**	96,790,889	103,886,954
Treasury shares	15	**(38,750,766)**	(38,750,766)	(19,680,081)
		585,280,579	454,106,914	451,273,855
Minority interest		**67,285,437**	53,026,510	54,904,013
TOTAL EQUITY		**652,566,016**	507,133,424	506,177,868
LIABILITIES				
Non-current liabilities				
Interest-bearing loans and borrowings	16	**113,137,796**	119,059,409	70,457,867
Other long term liabilities		**104,005,824**	139,160,734	30,297,420
Notes payable	17	**39,212,699**	36,204,517	47,484,810
Deferred income tax liabilities		**259,840**	81,915	—
		256,616,159	294,506,575	148,240,097
Current liabilities				
Accounts payable and accruals	18	**377,629,615**	233,538,654	166,127,698
Bank overdrafts		**123,592,300**	97,309,225	78,022,849
Current portion of interest-bearing loans and borrowings	16	**29,321,268**	33,327,872	66,330,757
Current portion of other long term liabilities		**35,036,220**	—	15,600,000
Notes payable	17	**30,573,521**	73,324,837	52,779,204
		596,152,924	437,500,588	378,860,508
TOTAL LIABILITIES		**852,769,083**	732,007,163	527,100,605
TOTAL EQUITY AND LIABILITIES		**1,505,335,099**	1,239,140,587	1,033,278,473

The consolidated financial statements were authorised for issue on 19 October 2007 by:

Allied for Accounting & Auditing (A member of Ernst & Young Global)	Ghaleb Ahmed Fayed Head of Finance	Hisham Talaat Mostafa Chairman & Managing Director

The attached notes 1 to 27 form part of these financial statements.
Auditor's report attached.

ALEXANDRIA FOR REAL ESTATE INVESTMENT COMPANY S.A.E. AND SUBSIDIARIES

CONSOLIDATED CASH FLOW STATEMENT
YEARS ENDED 31 DECEMBER 2006, 2005 AND 2004

	Notes	**2006** **LE**	2005 LE	2004 LE
OPERATING ACTIVITIES				
Profit for the year		**148,197,612**	34,845,374	26,436,606
Adjustments for:				
Gain on disposal of interest in associates		**(92,333,781)**	—	(1,170,213)
Share of results of associates		**(4,000,807)**	(15,527,992)	(5,591,652)
Depreciation		**2,087,879**	1,054,459	1,121,297
Impairment loss on investments in associates		—	—	1,648,151
Gain on disposal of property and equipment		**(454,629)**	(288,850)	(193,220)
Cash from operations before working capital changes:		**53,496,274**	20,082,991	22,250,969
Accounts receivable and prepayments		**(24,221,257)**	(2,349,466)	19,425,089
Notes receivables		**(82,006,793)**	(13,343,762)	2,105,622
Development properties		**(90,753,913)**	(111,697,029)	(36,537,585)
Units available for sale		**18,549,208**	1,656,613	15,923,955
Trade and other payable		**144,090,958**	67,410,956	41,899,674
Notes payable		**(39,743,134)**	9,265,340	49,224,327
Other term liabilities		**(118,690)**	93,263,314	(3,071,619)
Deferred tax liability		**177,925**	81,915	—
Net cash (used in) from operating activities		**(20,529,422)**	64,370,872	111,220,432
INVESTING ACTIVITIES				
Investments in un-consolidated associate		**44,440,000**	(44,440,000)	—
Available for sale investments		—	188,100	(567,218)
Investments in associates		**(26,519,751)**	(24,838,586)	(25,931,099)
Purchase of property and equipment		**(8,350,427)**	(973,165)	(704,723)
Proceeds from sale of property and equipment		**454,629**	301,350	197,570
Net cash from (used in) investing activities		**10,024,451**	(69,762,301)	(27,005,470)
FINANCING ACTIVITIES				
Dividend paid		**(11,655,020)**	(12,850,450)	(15,040,500)
Purchase of Treasury Shares		—	(19,070,685)	—
Minority interest		**8,890,000**	(1,968,683)	3,603,692
Interest bearing loans and borrowings		**(9,928,217)**	15,598,657	(64,317,654)
Net cash used in financing activities		**(12,693,237)**	(18,291,161)	(75,754,462)
DECREASE IN CASH AND CASH EQUIVALENTS		**(23,198,208)**	(23,682,590)	8,460,500
Cash and cash equivalents at the beginning of the year		**(89,813,410)**	(66,130,820)	(74,591,320)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	12	**(113,011,618)**	(89,813,410)	(66,130,820)

The attached notes 1 to 27 form part of these financial statements.

ALEXANDRIA FOR REAL ESTATE INVESTMENT COMPANY S.A.E. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
YEARS ENDED 31 DECEMBER 2006, 2005 AND 2004

	Attributable to equity holders of the Parent							
	Share capital LE	Capital increase in process LE	Legal reserve LE	Retained earnings LE	Treasury shares LE	Total LE	Minority interest LE	Total equity LE
Balance at 1 January 2006	322,920,000	—	73,146,791	96,790,889	(38,750,766)	454,106,914	53,026,510	507,133,424
Profit for the year	—	—	—	142,828,685	—	142,828,685	5,368,927	148,197,612
Transfer to legal reserve	—	—	1,245,906	(1,245,906)	—	—	—	—
Stock dividends — (note 21)	17,080,000	—	—	(17,080,000)	—	—	—	—
Cash dividends — (note 21)	—	—	—	(11,655,020)	—	(11,655,020)	—	(11,655,020)
Additional capital contribution by minority shareholders	—	—	—	—	—	—	8,890,000	8,890,000
Balance at 31 December 2006	340,000,000	—	74,392,697	209,638,648	(38,750,766)	585,280,579	67,285,437	652,566,016

The attached notes 1 to 27 form part of these financial statements.

ALEXANDRIA FOR REAL ESTATE INVESTMENT COMPANY S.A.E. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
YEARS ENDED 31 DECEMBER 2006, 2005 AND 2004

	Attributable to equity holders of the Parent							
	Share capital LE	Capital increase in process LE	Legal reserve LE	Retained earnings LE	Treasury shares LE	Total LE	Minority interest LE	Total LE
Balance at 1 January 2005	269,100,000	26,305,450	71,661,532	103,886,954	(19,680,081)	451,273,855	54,904,013	506,177,868
Profit for the year	—	—	—	34,754,194		34,754,194	91,180	34,845,374
Increase in capital	53,820,000	(53,820,000)	—	—	—	—	—	—
Transfer to legal reserve	—	—	1,485,259	(1,485,259)	—	—	—	—
Stock dividends	—	40,365,000	—	(40,365,000)	—	—	—	—
Partial repayment of proposed increase in capital	—	(12,850,450)	—	—	—	(12,850,450)	—	(12,850,450)
Purchase of treasury shares	—	—	—	—	(19,070,685)	(19,070,685)	—	(19,070,685)
Acquisition of minority interest (note 20)	—	—	—	—	—	—	(1,968,683)	(1,968,683)
Balance at 31 December 2005	322,920,000	—	73,146,791	96,790,889	(38,750,766)	454,106,914	53,026,510	507,133,424

The attached notes 1 to 27 form part of these financial statements.

ALEXANDRIA FOR REAL ESTATE INVESTMENT COMPANY S.A.E. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
YEARS ENDED 31 DECEMBER 2006, 2005 AND 2004

	Attributable to equity holders of the Parent							
	Share capital LE	Capital increase in process LE	Legal reserve LE	Retained earnings LE	Treasury shares LE	Total LE	Minority interest LE	Total LE
Balance at 1 January 2004	269,100,000	12,850,450	70,317,555	133,094,255	(19,680,081)	465,682,179	60,664,171	526,346,350
Prior year adjustments (note 27)	—	—	—	(25,730,588)	—	(25,730,588)	(5,834,000)	(31,564,588)
As restated at 1 January 2004	269,100,000	12,850,450	70,317,555	107,363,667	(19,680,081)	439,951,591	54,830,171	494,781,762
Profit for the year	—	—	—	26,362,764	—	26,362,764	73,842	26,436,606
Transfer to legal reserve	—	—	1,343,977	(1,343,977)	—	—	—	—
Stock dividends	—	13,455,000	—	(13,455,000)	—	—	—	—
Cash dividends	—	—	—	(15,040,500)	—	(15,040,500)	—	(15,040,500)
Balance at 31 December 2004	269,100,000	26,305,450	71,661,532	103,886,954	(19,680,081)	451,273,855	54,904,013	506,177,868

The attached notes 1 to 27 form part of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2006, 2005 AND 2004

1 Domicile and activities

Alexandria For Real Estate Investment Company S.A.E. (the "Company" or the "Parent") registered in Egypt under Commercial Registration numbered 122734 under the provisions of law 159 of 1981 and its executive regulations. The Company was established on 17 January 1988. The Company and its subsidiaries together constitute the "Alexandria Group". The Company's registered office is at 388, El-Gueish St., Zizinia, Alexandria, Egypt. The shares of the Company are traded on the Cairo and Alexandria Stock Exchanges.

The principal activities of the Alexandria Group entities are as follows:

- **Alexandria for Real Estate Investment Company**

The main objective of the company is to operate in all real estate investment fields, in particular purchasing, selling, dividing and reclaiming lands, constructing compounds and residential units, selling, leasing, and using those units. The Company also operates in studying, planning and constructing real estate projects and providing required technical assistance for it.

- **Alexandria for Urban Projects Company**

The main objective of the company is to operate in all real estate investment fields, in particular constructing compounds, residential units and tourism villages. The company also operates in tourism development fields, tourism villages, hotels, villas by handling, leasing, selling and using them. The company also operates in constructing, handling, selling and leasing of residential, services, commercial and industrial units. The company also operates in purchasing, selling, dividing and reclaiming lands, constructing compounds and residential units, selling, leasing, and using those units. The company also operates in studying, planning and constructing real estate projects and providing required technical assistance for it.

- **Egyptian Company for Development and Real Estate Projects**

The main objective of the company is to operate in all real estate investment and development fields, exporting high quality goods and dealing as agent.

- **Al Rabwa for Entertainment Services Company**

The main objective of the company is to operate in tourism, entertainment, sports, and social activities for the owners of Rabwa city and others.

- **May Fair for Entertainment Services Company**

The main Objective of the company is to operate in tourism, entertainment, sports, and social activities for the owners of May fair city and others.

- **Port Venice for Tourism Development Company**

The main object of the company is constructing and operating complete tourism village including four stars hotel. The village includes employees' residential units, restaurants and a commercial centre in addition to the sports fields, swimming pools and artificial lake.

2.1 Basis of preparation

These consolidated financial statements have been prepared in accordance with Egyptian Accounting Standards and applicable requirements of Egyptian laws.

The consolidated financial statements have been presented in Egyptian Pounds, which is the functional currency of the company.

The consolidated financial statements are prepared under the historical cost convention.

2.1 Basis of preparation — continued

Basis of consolidation

Subsidiary companies

The consolidated financial statements comprise the financial statements of Alexandria For Real Estate Investment Company S.A.E. and its subsidiaries as of and for the year ended 31 December 2006, 2005 and 2004. The financial statements of the subsidiaries are prepared for the same reporting year as the Parent, using consistent accounting policies. Intra-group balances and any unrealized income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements. Subsidiaries are consolidated from the date on which control is transferred to the Alexandria Group and cease to be consolidated from the date on which control is transferred out of the Group.

Minority interest represents the ownership interest in subsidiary companies that is not held by the Alexandria Group.

Associated companies

Associated companies are companies in which the Alexandria Group has significant influence, but not control, over the financial and operating policies. In the consolidated financial statements, investments in associated companies are accounted for using the equity method of accounting, from the date that significant influence commences until the date that significant influence ceases. Investments in associated companies are carried in the balance sheet at cost, plus post acquisition changes in the Alexandria Group's share of net assets of the associate, less any impairment in value. The income statement reflects the Alexandria Group's share of the results of operations of its associates.

When the Alexandria Group's share of losses exceeds its interest in an associate, the carrying amount is reduced to nil and the recognition of the further losses is discontinued except to the extent that the group has an obligation or has made payments on behalf of the investee.

2.2 Changes in accounting policies

The accounting policies used in the preparation of the consolidated financial statements are consistent with those used in the preparation of the consolidated financial statements for the year ended 31 December 2005 and 2004.

2.3 Significant accounting judgments and estimates

Critical judgments in applying the entity's accounting policies

In the process of applying the Alexandria Group's accounting policies, management has made the following judgments apart from those involving estimations, which have the most significant impact on the amounts recognised in the financial statements.

Impairment of investments

The Alexandria Group follows the guidelines of the Egyptian Accounting Standards to determine when an investment is impaired. This determination requires significant judgments. In making such judgments, the Alexandria Group evaluates among other factors, the duration and extent to which the fair value of an investment is less than its cost, the financial health and the near term business outlook for the investee.

Estimation uncertainty

Income taxes

The Alexandria Group is subject to income taxes. Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Alexandria Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

2.4 Summary of significant accounting policies

Revenue recognition

Provided it is probable that the economic benefits will flow to the Alexandria Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in the consolidated income statement as follows: -

Sale of property

Revenue on sale of plots of property is recognised on the basis of the full accrual method as and when all of the following conditions are met:

- A sale is consummated and contracts are signed;
- The buyer's investment, to the date of the financial statements, is adequate to demonstrate a commitment to pay for the property;
- The Group's receivable is not subject to future subordination;
- The Alexandria Group has transferred to the buyer the usual risks and rewards of ownership in a transaction that is in substance a sale and does not have a substantial continuing involvement with the property; and
- Work to be completed is both easily measurable and accrued or is not significant in relation to the overall value of the contract.

Interest income

Interest income is recognised as the interest accrues using the effective interest method, under which the rate used exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Management services

Revenue from rendering of management services is recognised as a percentage of the associate's sales when the outcome of the transaction can be estimated reliably, by reference to the stage of completion of the transaction at the balance sheet date.

Cost of revenues

Cost of revenues includes the cost of land and development costs. Development costs include the cost of infrastructure and construction. The cost of revenues in respect of property is based on the actual proportion of the sold property to date to the estimated total revenues for each project. The cost of revenues in respect of land sales is based on the total estimated cost of the land site over the total usable land area in a particular development.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

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.

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.

2.4 Summary of significant accounting policies — continued

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Income tax relating to items recognised directly in equity is recognised in equity and not in the income statement.

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.

Trade receivables

Trade receivables 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.

Notes receivable

Notes receivable are stated at cost net of provisions for impairment.

Available-for-sale investments

Investments designated as available-for-sale investments are initially recorded at cost. Upon any impairment loss, loss is included in the income statement for the period.They are included in non-current assets unless management intends to dispose off the investments within 12 months of the balance sheet date.

Development properties

Properties acquired, constructed or in the course of construction for sale are classified as development properties. Unsold properties are stated at the lower of cost or net realisable 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 capitalised as and when activities that are necessary to get the properties ready for sale are in progress. Net realisable 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. At that stage, cost, attributable profit and progress billings are eliminated from development properties.

Property and equipment

Property and equipment are stated at cost less accumulated depreciation and any impairment in value. Depreciation is calculated on a straight-line basis over the estimated useful lives as follows:

Equipment	2–5 years
Buildings	50 years
Motor vehicles	5 years
Furniture and other assets	5–10 years
Tools	5 years

Projects under construction are not depreciated.

The useful lives and depreciation method are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from these assets.

Impairment

Property and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of these assets may not be recoverable. Whenever the carrying amount of these assets exceeds their recoverable amount, an impairment loss is recognised in the income statement. The recoverable amount is the higher of an asset's net selling price and the value in use. The net selling price is the amount obtainable from the sale of an asset in an arm's length transaction while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life.

2.4 Summary of significant accounting policies — continued

Reversal of impairment losses recognised in the prior years is recorded when there is an indication that the impairment losses recognised for the asset no longer exist or have reduced.

Impairment and uncollectibility of financial assets

An assessment is made at each balance sheet date to determine whether there is objective evidence that a specific financial asset may be impaired. If such evidence exists, any impairment loss is recognised in the income statement. Impairment is determined as follows:

(a) For assets carried at cost, impairment is the difference between carrying value and the present value of future cash flows discounted at the current market rate of return for a similar financial asset;

(b) For assets carried at amortised cost, impairment is the difference between carrying amount and the present value of future cash flows discounted at the original effective interest rate.

Trade and other payables

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

End of service benefits

With respect to its employees, the Alexandria Group makes contributions to a pension fund established by the General Pension and Social Security Authority calculated as a percentage of the employees' salaries. The Alexandria Group's obligations are limited to these contributions, which are expensed when due.

Provisions

Provisions are recognised when the Alexandria Group has a present 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.

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.

Contingencies

Contingent liabilities are not recognised in the consolidated financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognised in the consolidated financial statements but disclosed when an inflow of economic benefits is probable.

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.

The fair value of forward foreign exchange contracts is calculated by reference to current forward exchange rates with the same maturity.

3 Revenue and cost of revenue

	2006 LE	2005 LE	2004 LE
Revenue:			
Management fees	**176,749,130**	96,297,457	63,760,405
Sale of residential and commercial units	**48,341,169**	24,833,912	119,891,757
	225,090,299	121,131,369	183,652,162
Cost of revenue:			
Cost of management fees	**95,101,406**	46,181,904	35,365,637
Cost of residential and commercial units	**47,085,847**	23,453,426	95,930,899
Cost of resold units	**—**	—	21,006,400
	142,187,253	69,635,330	152,302,936

4 Selling, general and administrative expenses

	2006 LE	2005 LE	2004 LE
Depreciation of property and equipment (Note 6)	**2,087,879**	1,054,459	1,121,297
Payroll and related expenses	**267,036**	96,584	138,594
Advertising	**333,921**	398,981	510,973
Others	**2,639,094**	1,514,309	1,751,759
	5,327,930	3,064,333	3,522,623

5 Income tax expense

	2006 LE	2005 LE	2004 LE
Income statement:			
Current income tax:			
Current income tax charge	**4,914,736**	4,822,224	—
Deferred income tax:			
Relating to the origination and reversal of temporary differences	**177,925**	81,915	—
	5,092,661	4,904,139	—

	2006 LE	2005 LE	2004 LE
The relationship between the tax expense and the accounting profit can be explained as follows:			
Accounting profit	**148,197,612**	34,845,374	26,436,606
Net adjustments	**(123,623,932)**	(10,734,254)	(26,436,606)
Taxable profit	**24,573,680**	24,111,120	—
Egyptian statutory income tax rate	**20%**	20%	20%
Tax expense	**4,914,736**	4,822,224	—

Tax situation

- **Alexandria For Real Estate Investment Company**

a) Corporate tax

Tax inspection has taken place of the Company's records from inception to 31 December 2001 and all tax due were paid.

No tax inspection has taken place of the Company's records for the period from 1 January 2002 to 31 December 2005.

The Al Rabwa project enjoyed a tax holiday for the period from 1995 to 2005 in accordance with the New Urban Society Law.

5 Income tax expense — continued

b) Salary tax

Tax inspection has taken place of the Company's records from inception from 1998 to 31 December 2002 and all tax due were paid.

Tax inspection has taken place of the Company's records for the period from 1 January 1998 to 31 December 2002. The tax assessment was not received by the Company.

No tax inspection has taken place of the Company's records for the period from 1 January 2003 to 31 December 2006.

c) Stamp duty tax

Tax inspection has taken place of the Company's records form inception to 31 August 2004 and all tax due were paid.

No tax inspection has taken place of the Company's records for the period from 1 September 2004 to 31 December 2006.

- **Egyptian Company For Development and Real Estate Projects**

No tax inspection has taken place of the company's records from inception to 31 December 2006.

- **Al Rabwa For Tourism and Hotel Projects**

a) Corporate tax

No tax inspection has taken place of the company's records from inception to 31 December 2005.

b) Salary tax

No tax inspection has taken place of the company's records from 2000 to 2005.

c) Stamp duty tax

No tax inspection has taken place of the company's records from 2000 to 2005.

d) Sales tax

No tax inspection has taken place of the company's records from 2000 to 2005.

- **Alexandria For Urban Projects Company**

a) Corporate tax

Tax inspection has taken place of the company's records from 1998 till 2002 and all tax due were paid.

No tax inspection has taken place of the company's records for the years 2003, 2004 , 2005 and 2006.

b) Salary tax

No tax inspection has taken place of the company's records from incorporation to 2005.

- **Port Venice (a direct subsidiary of Alexandria For Urban Projects Company)**

No tax inspection has taken place of the Company's records from incorporation to 2005.

- **May Fair For Entertainment Services (a direct subsidiary of Alexandria for Urban Projects Company)**

No tax inspection has taken place of the company's records from incorporation to 2005.

6 Property and equipment

	Equipment LE	Buildings LE	Motor vehicles LE	Furniture and other assets LE	Tools LE	Project under construction LE	Total LE
Cost							
At 1 January 2006	—	8,955,593	3,678,408	7,380,745	85,581	4,230,192	24,330,519
Additions	—	3,665,380	2,584,140	1,531,900	—	569,007	8,350,427
Transfer	4,799,199	—	—	—	—	(4,799,199)	—
Disposals	—	—	(864,913)	—	—	—	(864,913)
At 31 December 2006	**4,799,199**	**12,620,973**	**5,397,635**	**8,912,645**	**85,581**	**—**	**31,816,033**
Accumulated depreciation							
At 1 January 2006	—	1,351,532	2,821,891	5,165,796	85,497	—	9,424,716
Depreciation charge	537,912	204,528	601,459	743,896	84	—	2,087,879
Disposals	—	—	(864,913)	—	—	—	(864,913)
At 31 December 2006	**537,912**	**1,556,060**	**2,558,437**	**5,909,692**	**85,581**	**—**	**10,647,682**
Net carrying amount							
At 31 December 2006	**4,261,287**	**11,064,913**	**2,839,198**	**3,002,953**	**—**	**—**	**21,168,351**

	Buildings LE	Motor vehicles LE	Furniture and other assets LE	Tools LE	Project under construction LE	Total LE
Cost						
At 1 January 2005	8,955,593	3,681,383	7,021,051	85,581	4,162,621	23,906,229
Additions	—	545,900	359,694	—	67,571	973,165
Disposals	—	(548,875)	—	—	—	(548,875)
At 31 December 2005	**8,955,593**	**3,678,408**	**7,380,745**	**85,581**	**4,230,192**	**24,330,519**
Accumulated depreciation						
At 1 January 2005	1,172,420	3,134,636	4,516,639	82,937	—	8,906,632
Depreciation charge	179,112	223,630	649,157	2,560	—	1,054,459
Disposals	—	(536,375)	—	—	—	(536,375)
At 31 December 2005	**1,351,532**	**2,821,891**	**5,165,796**	**85,497**	**—**	**9,424,716**
Net carrying amount						
At 31 December 2005	**7,604,061**	**856,517**	**2,214,949**	**84**	**4,230,192**	**14,905,803**

	Buildings LE	Motor vehicles LE	Furniture and other assets LE	Tools LE	Project under construction LE	Total LE
Cost						
At 1 January 2004	8,955,593	3,713,953	6,530,237	85,581	4,118,212	23,403,576
Additions	—	169,500	490,814	—	44,409	704,723
Disposals	—	(202,070)	—	—	—	(202,070)
At 31 December 2004	**8,955,593**	**3,681,383**	**7,021,051**	**85,581**	**4,162,621**	**23,906,229**
Accumulated depreciation						
At 1 January 2004	993,308	3,084,954	3,825,579	79,214	—	7,983,055
Depreciation charge	179,112	247,402	691,060	3,723	—	1,121,297
Disposals	—	(197,720)	—	—	—	(197,720)
At 31 December 2004	**1,172,420**	**3,134,636**	**4,516,639**	**82,937**	**—**	**8,906,632**
Net carrying amount						
At 31 December 2004	**7,783,173**	**546,747**	**2,504,412**	**2,644**	**4,162,621**	**14,999,597**

7 Investments in Associates

	2006 LE	2005 LE	2004 LE
Carrying value of:			
Investment in Nova Park — Cairo	—	238,568,959	245,828,591
Investment in Arab Company for Projects and Urban Development	**96,978,480**	77,536,923	60,888,872
Investment in San Stefano for Real Estate Investments	**71,791,317**	70,669,559	61,161,676
Investment in Nile Amaranti Hotel	—	46,125,389	39,457,894
Investment in Alexandria for Tourism and Hotel Projects	**485,000**	485,000	485,000
Investment in Nile Besfour	**10,960,000**	13,142,781	—
Investment in Arab Company for Hotels & Tourism Investments	**18,436,088**	1,660,000	—
Investment in Alexandria Saudi Company for Tourism Projects	—	42,345,673	42,345,673
	198,650,885	490,534,284	450,167,706

Investments in associates include the following deposits for increase in share capital of associates. The legal formalities for the increase in capital were not completed as of the balance sheet dates.

	2006 LE	2005 LE	2004 LE
Arab Company for Hotels and Tourism Investments	**11,796,088**	—	—
Nova Park — Cairo	—	15,972,000	—
Arab Company for Projects and Urban Development	**15,000,000**	5,000,000	—
San Stefano for Real Estate Investments	**8,876,800**	8,876,800	—
Nile Besfour	**1,875,000**	4,682,781	—
	37,547,888	34,531,581	—

Disposal of interest in associates

During the year 2006 Alexandria Group disposed off a part of its investment in its associates Nova Park — Cairo and Nile Amaranti Hotel and Alexandria Saudi Company for Tourism Projects respectively (2004:Nova Park-Cairo). The Alexandria Group is deemed to have lost significant influence from that date.

The profit on disposal of associates is as follows:

	2006 LE	2005 LE	2004 LE
Received/receivable from sale of interest in associates (note 22)	**395,168,000**	—	19,200,000
Less net book value at the date of disposal	**(302,834,219)**	—	(18,029,787)
Gain on disposal of interests in associates	**92,333,781**	—	1,170,213

The Alexandria Group has the following investments in associates:

		Ownership		
	Country of incorporation	**2006 %**	2005 %	2004 %
Investment in Nova Park — Cairo	Egypt	—	25.30	31.80
Investment in Arab Company for Projects and Urban Development	Egypt	**10.00**	10.00	10.00
Investment in San Stefano for Real Estate Investments	Egypt	**15.18**	15.18	15.18
Investment in Nile Amaranti Hotel	Egypt	—	40.00	40.00
Investment in Alexandria for Tourism & Hotel Projects	Egypt	**24.25**	24.25	24.25
Investment in Nile Besfour	Egypt	**47.00**	47.00	—
Investment in Arab Company for Hotels & Tourism Investment	Egypt	**39.01**	33.20	—
Investment in Port Venice	Egypt	—	55.51	—
Investment in Alexandria Saudi Company for Tourism Projects	Egypt	—	15.20	15.20

7 Investments in Associates — continued

- Although the Alexandria Group owns less than 20% of the voting power of Arab Company for Projects and Urban Development and of San Stefano for Real Estate Investment Company, the Alexandria Group is able to exercise significant influence over these entities by virtue of the following:

  a) representation on the board of directors of investee companies,

  b) participation in policy making process including decisions about dividends or other distribution,

  c) material transactions between the Alexandria Group and certain investee companies, and

  d) provision of essential technical information.

Consequently, the Alexandria Group accounts for these investments under the equity method of accounting.

- At 31 December 2006 investments in associates with a carrying value of LE 168,769,797 (2005: LE 311,045,780 2004:LE 323,948,210) are subject to a registered debenture to secure bank loans (note 16).

8 Available for sale investments

	2006 LE	2005 LE	2004 LE
Taameer for Real Estate Finanace Company	**665,000**	250,000	250,000
Egyptian Investments and Finance Company	—	7,038	7,038
Housing and Development Bank	**57,930**	57,930	57,930
Egyptian International Medical Insurance	**250,000**	250,000	250,000
Egyptian for Electrical Cables Company	—	—	188,100
Investment in Nova Park — Cairo	**19,240,888**	—	—
Investment in Nile Amaranti Hotel	**14,363**	—	—
Investment in Alexlandria Saudi for Tourism Projects	**6,525**	—	—
Other	—	100,000	100,000
	20,234,706	664,968	853,068
Less non-current portion	**(20,234,706)**	(564,968)	(564,968)
Current portion	—	100,000	288,100

- Except for the Alexandria Group's investment in Egyptian for Electrical Cables Company, all other investments classified as available for sale are unquoted securities.

- At 31 December 2006 available for sale with a carrying value of LE 11,683,260 (2005: LE nil, 2004: LE nil) are subject to a registered debenture to secure bank loans (note 16).

9 Notes receivable

	2006 LE	2005 LE	2004 LE
Non-current portion	**61,345,380**	53,687,939	64,241,764
Current portion	**153,943,668**	79,594,316	55,696,729
Balance, end of year	**215,289,048**	133,282,255	119,938,493

Included in notes receivable notes due from related parties amounting to LE 20,787,193(2005:LE 395,747 2004:LE 404,277)(note 22).

10 Development properties

	2006 LE	2005 LE	2004 LE
At 1 January	**442,643,826**	330,946,797	294,409,212
Additions during the year	**137,839,763**	135,150,455	132,468,484
Less: cost of units sold during the year	**(47,085,847)**	(23,453,426)	(95,930,899)
Total development properties	**533,397,742**	442,643,826	330,946,797
Less non-current portion	**(440,514,723)**	(395,557,979)	(307,493,371)
Current portion	**92,883,019**	47,085,847	23,453,426

10 Development properties — continued

Development properties are analysed as follows:

	2006 LE	2005 LE	2004 LE
Al Rabwa Project (Al Rabwa I)	**158,993,319**	168,927,689	152,453,811
Al Rabwa New Project (Al RabwaII)	**188,564,386**	154,168,032	—
Al Rabwa Mall	**9,688,772**	—	—
Al Rabwa Sporting Club	**28,885,169**	26,598,437	25,532,502
Al Rabwa Golf	—	34,696,015	34,455,369
Al Rabwa Super Market	—	197,229	197,229
New Tehran Building	**1,446,782**	1,128,615	1,128,615
May Fair Project	**56,993,981**	56,927,809	56,609,442
Marsa Alam Project (Port Venice)	**88,788,333**	—	60,569,829
Other	**37,000**	—	—
	533,397,742	442,643,826	330,946,797

	2006 LE	2005 LE	2004 LE
Land	**314,854,714**	226,029,381	97,120,813
Consultations and designs	**4,199,758**	4,035,182	26,668,238
Construction work	**377,788,473**	309,118,875	284,741,214
Financing costs	**68,495,624**	68,495,625	73,637,765
Technical management and supervision costs	**18,468,078**	17,559,960	20,056,145
Licenses and other governmental fees	**82,565,925**	113,795,600	107,764,354
	866,372,572	739,034,623	609,988,529
Less accumulated cost of units sold	**(332,974,830)**	(296,390,797)	(279,041,732)
	533,397,742	442,643,826	330,946,797

11 Accounts receivable and prepayments

	2006 LE	2005 LE	2004 LE
Trade accounts receivable	**24,019,245**	21,145,220	27,880,324
Advances to vendors	**24,552,517**	18,970,738	32,481,234
Deposits with others	**256,842**	262,198	185,281
Tax authority	**959,010**	1,014,869	1,038,369
Loans to employees	**124,141**	118,985	152,299
Due from related parties (note 22)	**30,183,938**	21,478,006	—
Other debit balances	**14,485,191**	7,369,611	6,272,654
	94,580,884	70,359,627	68,010,161

12 Cash and cash equivalents

	2006 LE	2005 LE	2004 LE
Cash on hand	**1,026,447**	554,656	415,082
Current and call deposit accounts	**464,395**	2,153,809	437,961
Fixed deposits maturing within three months	**3,158,409**	—	5,889,653
Cheques under collections	**5,931,431**	4,787,350	5,149,333
Bank balances and cash	**10,580,682**	7,495,815	11,892,029
Less bank overdrafts	**(123,592,300)**	(97,309,225)	(78,022,849)
Cash and cash equivalents in the statement of cash flows	**(113,011,618)**	(89,813,410)	(66,130,820)

Cash at banks earns interest at floating rates based on prevailing bank deposit rates. Short term fixed deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

13 Share capital

	2006 LE	2005 LE	2004 LE
Authorised capital — 8,000,000 shares of LE 50 per share	**400,000,000**	400,000,000	400,000,000
Issued and fully paid-up at LE 50 per share	**340,000,000**	322,920,000	269,100,000

At the annual general meeting held on 25 March 2006, the shareholders of the Company approved stock dividends of 341,600 shares, thereby increasing the number of outstanding shares from 6,458,400 to 6,800,000.

14 Legal reserve

According the Articles of Association of the Company and the Egyptian Commercial Companies Law, 5% of annual net profits are allocated to the legal reserve. The transfers to legal reserve may be suspended when the reserve reaches 50% of the issued capital.

15 Treasury shares

Treasury shares are presented as follows:

	2006 LE	2005 LE	2004 LE
Acquisition cost of the Parent's shares by Egyptian Company for Development and Real Estate Projects	**38,750,766**	38,750,766	19,680,081

16 Interest-bearing loans and borrowings

	2006 LE	2005 LE	2004 LE
Balance, beginning of year	**152,387,281**	136,788,624	185,506,274
Borrowings drawn down during the year	**80,664,053**	60,244,927	63,596,513
Borrowings repaid during the year	**(90,592,270)**	(44,646,270)	(112,314,163)
Balance, end of year	**142,459,064**	152,387,281	136,788,624
Less non-current portion	**(113,137,796)**	(119,059,409)	(70,457,867)
Current portion	**29,321,268**	33,327,872	66,330,757

Loans are repayable as follows:

	Currency	Rate	12 months LE	1- 3 Years LE	4-5 Years LE	Balance LE
Loan 1	LE	8.22%	143,681	184,000	—	327,681
Loan 2	LE	12.50%	9,217,469	13,785,000	—	23,002,469
Loan 3	LE	12.00%	—	—	21,950,362	21,950,362
Loan 4	LE	12.50%	8,075,852	—	—	8,075,852
Loan 5	LE	13.50%	8,750,626	29,104,000	—	37,854,626
Loan 6	LE	13.75%	598,219	632,000	—	1,230,219
Loan 7	LE	13.50%	—	47,482,434	—	47,482,435
Loan 8	LE	12.50%	2,535,421	—	—	2,535,420
		Total	29,321,268	91,187,434	21,950,362	142,459,064

Security:

Interest bearing loans and borrowings are secured as follows:

Loan 1 is secured by a promissory note of LE 327,681.

Loan 2 is secured by 5,750 shares of the Parent's investments in Nova Park Cairo (note 8).

Loan 3 is secured by an insurance policy over Al Rabwa project for the favour of the bank.

Loan 4 is secured by 30,000 shares of the Parent's investments in Alexandria Saudi for Tourism Projects (note 8).

Loan 5 is secured by 48,000 shares of the Parent's investments in Nova Park Cairo (note 8).

16 Interest-bearing loans and borrowings — continued

Loan 6 is secured by a promissory note of LE 1,769,000.

Loan 7 is secured by 354,000 shares of the Parent's investments in Arab Company for Projects and Urban development and 263,000 shares of the Parent's investments in San Stefano for the Real Estate Investments (note 7).

Loan 8 is secured by 194,721 shares of the Egyptian Company for Development and Real Estate Project's investments in the parent.

17 Notes payable

	2006 **LE**	2005 LE	2004 LE
Maturing after 12 months	**39,212,699**	36,204,517	47,484,810
Maturing within 12 months	**30,573,521**	73,324,837	52,779,204
Balance, end of year	**69,786,220**	109,529,354	100,264,014

Included in notes payable notes due to related parties amounting to LE nil (2005: LE 46,545,700, 2004: LE 54,745,835) note 22.

18 Accounts payable and accruals

	2006 **LE**	2005 LE	2004 LE
Deposits with others	**4,623,589**	789,095	5,150,137
Dividends payable	**2,095,487**	1,313,456	2,534,867
Advances from customers	**236,761,218**	139,489,373	84,053,614
Other payables and accruals	**79,196,315**	44,603,849	34,086,149
Trade payables	**22,304,878**	20,578,939	21,778,809
Contractors	**9,918,902**	9,554,623	17,220,591
Retentions	**4,519,997**	—	—
Tax authority	**10,311,413**	5,111,495	1,303,531
Other liabilities	**7,897,816**	12,097,824	—
	377,629,615	233,538,654	166,127,698

19 Earnings per share

Earnings per share are calculated by dividing net profit for the year attributable to equity holders of the parent by the weighted average number of ordinary shares outstanding during the year. The weighted average numbers of shares outstanding during the year and the previous year have been adjusted for events that have changed the number of shares outstanding without a corresponding change in resources.

The information necessary to calculate earnings per share is as follows:

	2006 **LE**	2005 LE	2004 LE
Earnings:			
Net profit for the year attributable to equity holders of the parent	**142,828,685**	34,754,194	26,362,764
Shares:			
Weighted average number of shares outstanding for calculating EPS	**6,239,842**	6,714,600	6,714,600
Earnings per share	**22.89**	5.18	3.93

20 Acquisition of minority interests

On 1 August 2005 (the acquisition date), the Alexandria Group acquired an additional 7% interest in Alexandria for Urban Projects, in cash, increasing its ownership from 53% to 60%.

21 Dividends

A cash dividend of LE 11,655,020, and stock dividend of 341,600 shares amounting to LE 17,080,000 for 2005 was approved by the shareholders of the Company at the Annual General Meeting of the Company held on 25 March 2006 and was subsequently paid.

22 Transactions with related parties

For the purpose of these financial statements, parties are considered to be related to the Alexandria Group if the Alexandria Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Alexandria Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Related party transactions

During the financial year, there were the following significant related party transactions, which were carried out in the normal course of business on terms agreed between the parties:

The members of the board of directors received attendance fees totalling LE 36,000 (2005: LE 79,050, 2004: LE 49,200).

Affiliates	Nature of transaction	**2006 LE**	2005 LE	2004 LE
Arab Company for Projects and Urban Development	*sale of services*	**153,210,849**	52,011,914	45,036,414
San Stefano for Real Estate Investments Company	*sale of services*	**16,889,000**	31,207,000	17,101,000
Alexandria Saudi Company for Tourism Projects	*sale of services*	**157,665**	394,419	713,383
Alexandria for Construction Company	*purchase of services*	**29,773,586**	27,280,630	20,051,675

During the year ended 31 December 2006, the Alexandria Group has disposed part of its investments in Nova Park — Cairo, Nile Amaranti Hotels and Alexandria Saudi Company for Tourism Projects in exchange for shares in Arab Company For Hotels And Tourism Investments, The exchange has resulted in a gain of LE 92,333,781 that was recognised in the consolidated income statement. As the legal formalities for the transfer of these shares in the name of the Alexandria For Real Estate Investment Company were not completed as of the balance sheet date , the value of shares still to be received from Arab Company For Hotels &Tourism Investments amounting to LE 395,168,000 is classified as amounts due from a related party (note 7).

Related party balances

Significant related party balances (and the balance sheet captions within which these are included) are as follows:

	2006 LE Notes receivable (payable)	2005 LE Notes receivable (payable)	2004 LE Notes receivable (payable)
Arab Company for Projects and Urban Development	**15,145,940**	(25,485,467)	(34,451,293)
San Stefano for Real Estate Investments	**5,512,199**	(21,060,233)	(20,294,542)
Alexandria Saudi Company for Tourism Projects	**129,054**	395,747	404,277

	2006 LE Accounts receivable & prepayments (payable)	2005 LE Accounts receivable & prepayments (payable)	2004 LE Accounts receivable & prepayments (payable)
Arab Company For Hotels &Tourism Investments	**395,168,000**	—	—
Port Venice for Tourism Development Company	—	21,478,006	—
Alexandria for Construction Company	**55,045,735**	7,148,808	24,048,956
Alexandria for Construction Company	**(1,960,207)**	(390,399)	(18,616,083)

Compensation of key management personnel

The remuneration of directors and other members of key management during the year was LE 23,729,259 (2005: LE 8,912,912, 2004: LE 13,852,871)

23 Financial risk management objectives and policies

The Alexandria Group is exposed to interest rate, credit risks and foreign currency arising from its diversified portfolio business. The Group's risk management approach seeks to minimise the potential material adverse effects from these exposures. As a whole, the Alexandria Group has implemented risk management policies and guidelines that set out its tolerance of risk and its general risk management philosophy.

Interest rate risk

Interest on financial instruments having floating rates is repriced at intervals of less than one year and interest on financial instruments having fixed rate is fixed until the maturity of the instrument. Other than commercial and overall business conditions, the Group's exposure to market risk for changes in interest rate environment relates mainly to its investment in financial products and fixed deposits.

The investments in financial products are not for trading or speculative purposes but placed in securities or fixed deposits, with the objective of achieving better returns than cash at bank. Interest rates on loans from financial institutions are disclosed in note 16.

Credit risk

Credit risk, or the risk of counter parties defaulting, is controlled by the application of credit approvals, limits and monitoring procedures. In addition, investments and financial transactions are restricted to counterparties that meet appropriate credit criteria and have a high credit standing.

Foreign currency risk

The Alexandria Group enters into various foreign exchange transactions. However, most of such transactions are denominated in US Dollars or currencies linked to the US Dollar. The currency conversion rate between the US Dollar and the Egyptian Pound has remained stable over the past several years.

24 Fair values of financial instruments

Financial instruments comprise financial assets and financial liabilities.

Financial assets of the Alexandria Group include bank balances and cash, trade receivables, securities, notes receivables, other receivables, investments in associates and due from related parties. Financial liabilities of the Alexandria Group include customer advances, notes payable, loans from financial institutions, accounts payable and retentions payable.

The fair values of the financial assets and liabilities are not materially different from their carrying values unless stated otherwise.

25 Alexandria Group entities

Significant subsidiaries:	**Country of incorporation**	**2006** %	2005 %	2004 %
Al Rabwa for Entertainment Services Company	Egypt	**95.5**	95.5	95.5
Egyptian Company for Development and Real Estate Projects	Egypt	**90**	90	90
Alexandria for Urban Projects and its subsidiaries	Egypt	**60**	60	53
Alexandria for Urban Projects and its subsidiaries are as follows:				
May Fair for Entertainment Services	Egypt*	**95.5**	95.5	95.5
Port Venice for Tourism Development Company	Egypt*	**55.5**	—	—

* Represents Alexandria for Urban Projects direct holding in its subsidiaries.

- The Alexandria Group's initial payment towards its 55.5% interest in port Venice for Tourism Development Company amounting to LE 44, 440,000 was classified as amount due from a related party in 2005 as Port Venice Tourism Development Company did not prepare financial statements until 2006. Port Venice for Tourism Development Company was consolidated in 2006.

26 Events after the balance sheet date

Dividends

A cash dividend of LE 18,950,000 and stock dividends of LE 34,000,000 for the year 2006 was approved by the shareholders of the company at the Annual General Meeting of the company held on 31 March 2007.

Restructuring

Talaat Mostafa group has under taken a restructuring to bring together the company together with Arab Company for Projects and urban Development, San Stefano for Real Estate Investments Company, and Alexandria for Urban Development Company under TMG Holding Company (a newly established company) via a share swap mechanism. To implement the restructuring process, Talaat Mostafa group undertook the following steps:

1. TMG group appointed an Independent Fair Auditor (the "IFA"), to value all 4 subsidiaries for the sake of the swap process.
2. After obtaining the fair value, aboard of directors meeting and extraordinary general assembly were held in July and August, 2007 for each of the subsidiaries to approve the fair value of each subsidiary.
3. Fair value were approved during the extraordinary general assembly and the shareholders approved the swap of their shares into TMG Holding at discount to fair value.
4. For Alexandria Real Estate and San Stefano real estate, a tender offer was under taken in September 2007, offering the minority shareholders to swap their shares into TMG Holding or to accept a cash offer at the same swap value.

Restructuring process is expected to be finished on 28 October 2007

Disposal of interest in associate

During the 3rd quarter of 2007 the Company has decided to dispose all its investment in Arab Company for Projects and Urban Development for an amount of LE 701,826,868.

27 Comparative figures & restatement

- Certain comparative figures for year 2005 and 2004 have been reclassified to conform to the current year's presentation.
- The company has restated prior opening balance of retained earnings as follows:

Retained earnings attributable to equity holders of the parent

	2006 LE	2005 LE	2004 LE
Opening balance of retained earnings as previously reported	**96,790,889**	103,886,954	133,094,255
Interest expenses capitalized on investment in associates prior to year 2004 written off in year 2006	—	—	(25,730,588)
As restated	**96,790,889**	103,886,954	107,363,667

ALEXANDRIA FOR REAL ESTATE INVESTMENT COMPANY S.A.E. AND SUBSIDIARIES

Interim Consolidated Financial Statements
30 June 2007

REPORT ON REVIEW OF INTERIM FINANCIAL STATEMENTS TO THE SHAREHOLDERS OF ALEXANDRIA FOR REAL ESTATE INVESTMENT COMPANY S.A.E.

We have reviewed the accompanying interim consolidated balance sheet of Alexandria for Real Estate Investment Company S.A.E. and its subsidiaries ("Alexandria Group") as at 30 June 2007, the related interim consolidated statement of income for the three-month and six-month periods then ended, the related consolidated statements of changes in equity and cash flows for the six-month period then ended and explanatory notes. Management is responsible for the preparation and presentation of these interim financial statements in accordance with Egyptian Accounting Standard 30 Interim Financial Reporting ("EAS 30"). Our responsibility is to express a conclusion on these interim financial statements based on our review.

We conducted our review in accordance with Egyptian Standard on Review Engagements 240. 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 and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim consolidated financial statements are not prepared, in all material respects, in accordance with EAS 30.

for Allied for Accounting & Auditing
(A member of Ernst & Young Global)

Emad H. Ragheb
FESAA-FEST
(RAA. 3678)

Cairo: 22 October 2007

ALEXANDRIA FOR REAL ESTATE INVESTMENT COMPANY S.A.E. AND SUBSIDIARIES

INTERIM CONSOLIDATED INCOME STATEMENT
30 JUNE 2007

		Three months ended 30 June		Six months ended 30 June	
	Notes	**2007 LE**	2006 LE	**2007 LE**	2006 LE
Revenue	3	**163,080,494**	48,365,744	**310,837,874**	75,187,075
Cost of revenue	3	**(107,443,195)**	(41,473,126)	**(219,125,237)**	(59,442,411)
Gross profit		**55,637,299**	6,892,618	**91,712,637**	15,744,664
Selling, general and administrative expenses	4	**(1,865,685)**	(2,288,315)	**(3,892,622)**	(3,925,522)
Finance costs		**(1,827,546)**	(4,523,354)	**(8,104,580)**	(15,630,334)
Interest income on fixed deposits with banks		**93,467**	—	**113,633**	30,257
Other income		**7,667,102**	45,393	**7,863,619**	324,825
Share of results from associates		**78,944,071**	(13,358,494)	**97,906,233**	13,797,282
Foreign exchange difference		**58,330**	47,069	**(11,724)**	33,705
Gain on disposal of investments	7	**—**	92,333,781	**13,515,885**	92,333,781
Provisions for claims		**—**	(2,500,000)	**—**	(2,500,000)
Excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost	7	**227,239,798**	—	**227,239,798**	—
Profit before tax		**365,946,836**	76,648,698	**426,342,879**	100,208,658
Income tax expense	5	**(5,579,768)**	(5,255)	**(16,630,180)**	(10,755)
Profit for the period		**360,367,068**	76,643,443	**409,712,699**	100,197,903
Attributable to:					
Shareholders of the parent		**359,654,220**	70,835,226	**403,308,151**	94,625,135
Minority interest		**712,848**	5,808,217	**6,404,548**	5,572,768
		360,367,068	76,643,443	**409,712,699**	100,197,903
Earnings per share attributable to the shareholders of the parent	19	**50.47**	9.90	**56.48**	13.25

The attached notes 1 to 26 form part of these financial statements.
Review report attached.

ALEXANDRIA FOR REAL ESTATE INVESTMENT COMPANY S.A.E. AND SUBSIDIARIES

INTERIM CONSOLIDATED BALANCE SHEET
30 JUNE 2007

	Notes	30 June 2007 LE	31 December 2006 LE
Assets			
Non-current assets			
Property and equipment	6	**22,756,450**	21,168,351
Amount due from related parties		**—**	395,168,000
Investments in associates	7	**918,892,687**	198,650,885
Available for sale investments	8	**1,136,864**	20,234,706
Notes receivable	9	**78,729,551**	61,345,380
Development properties	10	**526,767,106**	440,514,723
		1,548,282,658	1,137,082,045
Current assets			
Development properties	10	**—**	92,883,019
Units available for sale		**15,998,161**	16,264,801
Assets held for sale		**135,055,367**	—
Notes receivable	9	**166,549,690**	153,943,668
Accounts receivable and prepayments	11	**101,414,700**	94,580,884
Bank balances and cash	12	**103,109,712**	10,580,682
		522,127,630	368,253,054
Total assets		**2,070,410,288**	1,505,335,099
Equity and liabilities			
Equity attributable to equity holders of the parent company			
Share capital	13	**374,000,000**	340,000,000
Legal reserve	14	**79,662,823**	74,392,697
Other reserves		**58,273,431**	—
Retained earnings		**554,726,673**	209,638,648
Treasury shares	15	**—**	(38,750,766)
		1,066,662,927	585,280,579
Minority interest in equity		**73,689,985**	67,285,437
Total equity		**1,140,352,912**	652,566,016
Liabilities			
Non-current liabilities			
Interest-bearing loans and borrowings	16	**85,147,747**	113,137,796
Other long term liabilities		**69,704,828**	104,005,824
Notes payable	17	**25,595,196**	39,212,699
Deferred income tax liabilities		**259,840**	259,840
		180,707,611	256,616,159
Current liabilities			
Accounts payable and accruals	18	**571,270,321**	377,629,615
Bank overdrafts		**44,843,692**	123,592,300
Current portion of interest-bearing loans and borrowings	16	**9,818,701**	29,321,268
Current portion of other long term liabilities		**67,761,736**	35,036,220
Notes payable	17	**55,655,315**	30,573,521
		749,349,765	596,152,924
Total liabilities		**930,057,376**	852,769,083
Total equity and liabilities		**2,070,410,288**	1,505,335,099

The consolidated financial statements were authorised for issue on 19 October 2007 by:

Allied for Accounting & Auditing (A member of Ernst & Young Global)	Ghaleb Ahmed Fayed Head of Finance	Hisham Talaat Mostafa Chairman & Managing Director

The attached notes 1 to 26 form part of these financial statements.
Auditor's report attached.

ALEXANDRIA FOR REAL ESTATE INVESTMENT COMPANY S.A.E. AND SUBSIDIARIES

INTERIM CONSOLIDATED CASH FLOW STATEMENT
30 JUNE 2007

	Notes	**30 June 2007** **LE**	30 June 2006 LE
Operating activities			
Net profit		**409,712,699**	100,197,903
Adjustments for:			
Provision for claims		**—**	2,500,000
Share of results of associates		**(97,906,233)**	(13,797,282)
Net (gains) on disposal of interest in associate		**(13,515,885)**	(92,333,781)
Excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost		**(227,239,798)**	—
Depreciation		**1,258,321**	933,627
		72,309,104	(2,499,533)
Working capital changes:			
Notes receivables		**(29,990,193)**	77,387,338
Trade receivables and prepayments		**(6,833,816)**	(96,055,583)
Development properties		**6,897,276**	5,020,013
Trade and other payables		**191,932,876**	18,558,135
Other term liabilities		**(1,575,480)**	(32,616,656)
Notes payable		**11,464,290**	27,712,433
Net cash from (used in) operating activities		**244,204,057**	(2,493,853)
Investing activities			
Purchase of investments in associates		(102,369,408)	—
Proceeds from sale of investments		**—**	2,236,316
Proceeds from selling treasury stock		**97,024,197**	—
Purchase of property and equipment		**(2,898,962)**	(5,616,370)
Proceeds from disposal of property and equipment		**52,540**	—
Net cash from investing activities		**(8,191,633)**	(3,380,054)
Financing activities			
Dividends paid		**(17,242,170)**	(10,727,489)
Interest bearing loans and borrowings		**(47,492,616)**	43,902,006
Net cash (used in) from financing activities		**(64,734,786)**	33,174,517
Increase in cash and cash equivalents		**171,277,638**	27,300,610
Cash and cash equivalents the beginning of the period		**(113,011,618)**	(89,813,410)
Cash and cash equivalents at the end of the period	12	**58,266,020**	(62,512,800)

The attached notes 1 to 26 form part of these financial statements.
Review report attached.

ALEXANDRIA FOR REAL ESTATE INVESTMENT COMPANY S.A.E. AND SUBSIDIARIES

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
30 JUNE 2007

	Attributable to equity holders of the Parent							
	Share capital LE	Legal reserve LE	Other reserves LE	Retained earnings LE	Treasury shares LE	Total LE	Minority interest LE	Total equity LE
At 1 January 2007	340,000,000	74,392,697	—	209,638,648	(38,750,766)	585,280,579	67,285,437	652,566,016
Net profit for the period	—	—	—	403,308,151	—	403,308,151	6,404,548	409,712,699
Transfer to legal reserve	—	5,270,126	—	(5,270,126)	—	—	—	—
Stock dividends — (note 13)	34,000,000	—	—	(34,000,000)	—	—	—	—
Cash dividends	—	—	—	(18,950,000)	—	(18,950,000)	—	(18,950,000)
Sale of treasury shares	—	—	58,273,431	—	38,750,766	97,024,197	—	97,024,197
At 30 June 2007	**374,000,000**	**79,662,823**	**58,273,431**	**554,726,673**	**—**	**1,066,662,927**	**73,689,985**	**1,140,352,912**

The attached notes 1 to 26 form part of these financial statements.
Review report attached.

ALEXANDRIA FOR REAL ESTATE INVESTMENT COMPANY S.A.E. AND SUBSIDIARIES

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
30 JUNE 2007

	Attributable to equity holders of the Parent						
	Share capital LE	Legal reserve LE	Retained earnings LE	Treasury shares LE	Total LE	Minority interest LE	Total LE
At 1 January 2006	322,920,000	73,146,791	99,707,889	(38,750,766)	457,023,914	50,109,510	507,133,424
Net profit for the period	—	—	94,625,135	—	94,625,135	5,572,768	100,197,903
Transfer to legal reserve	—	1,245,906	(1,245,906)	—	—	—	—
Stock dividends	17,080,000	—	(17,080,000)	—	—	—	—
Cash dividends	—	—	(11,655,020)	—	(11,655,020)	—	(11,655,020)
At 30 June 2006	340,000,000	74,392,697	164,352,098	(38,750,766)	539,994,029	55,682,278	595,676,307

The attached notes 1 to 26 form part of these financial statements
Review report attached.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
30 JUNE 2007

1 Domicile and activities

Alexandria For Real Estate Investment Company S.A.E (the "Company" or the "Parent") registered in Egypt under Commercial Registration numbered 122734 under the provisions of law 159 of 1981 and its executive regulations. The Company was established on 17 January 1988. The Company and its subsidiaries together constitute the Alexandria "Group". The Company's registered office is at 388, El-Gueish St., Zizinia, Alexandria, Egypt. The shares of the Company are traded on the Cairo and Alexandria Stock Exchanges.

The principal activities of the Group entities are as follows:

- **Alexandria for Real Estate Investment Company**

The main objective of the Company is to operate in all real estate investment fields, in particular purchasing, selling, dividing and reclaiming lands, constructing compounds and residential units, selling, leasing, and using those units. The Company also operates in studying, planning and constructing real estate projects and providing required technical assistance for it.

- **Alexandria for Urban Projects Company**

The main objective of the company is to operate in all real estate investment fields, in particular constructing compounds, residential units and tourism villages. The company also operates in tourism development fields, tourism villages, hotels, villas by handling, leasing, selling and using them. The company also operates in constructing, handling, selling and leasing of residential, services, commercial and industrial units. The company also operates in purchasing, selling, dividing and reclaiming lands, constructing compounds and residential units, selling, leasing, and using those units. The company also operates in studying, planning and constructing real estate projects and providing required technical assistance for it.

- **Egyptian Company for Development and Real Estate Projects**

The main objective of the company is to operate in all real estate investment and development fields, exporting high quality goods and dealing as agent for trade marks.

- **AL Rabwa for Entertainment Services Company**

The main objective of the company is to operate in tourism, entertainment, sports, and social activities for the owners of Rabwa city and others.

- **May Fair for Entertainment Services Company**

The main objective of the company is to operate in tourism, entertainment, sports, and social activities for the owners of May fair city and others.

- **Port Venice for Tourism Development Company**

The main object of the company is constructing and operating complete tourism village including four stars hotel. The village includes employees' residential units, restaurants and a commercial centre in addition to the sports fields, swimming pools and artificial lake.

2.1 Basis of preparation

These consolidated financial statements have been prepared in accordance with Egyptian Accounting Standards and applicable requirements of Egyptian laws.

The consolidated financial statements have been presented in Egyptian Pounds, which is the functional currency of the company.

The consolidated financial statements are prepared under the historical cost convention.

Basis of consolidation

Subsidiary companies

The consolidated financial statements comprise the financial statements of Alexandria For Real Estate Investment Company S.A.E and its subsidiaries as of and for the three month and six month periods. The financial statements of

2.1 Basis of preparation — continued

the subsidiaries are prepared for the same reporting year as the Parent, using consistent accounting policies. Intra-group balances, and any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Subsidiaries are consolidated from the date on which control is transferred to the Alexandria Group and cease to be consolidated from the date on which control is transferred out of the Group.

Minority interest represents the ownership interest in subsidiary companies that is not held by the Group.

Associated companies

Associated companies are companies in which the Alexandria Group has significant influence, but not control, over the financial and operating policies. In the consolidated financial statements, investments in associated companies are accounted for using the equity method of accounting, from the date that significant influence commences until the date that significant influence ceases. Investments in associated companies are carried in the balance sheet at cost, plus post acquisition changes in the Alexandria Group's share of net assets of the associate, less any impairment in value. The income statement reflects the Alexandria Group's share of the results of operations of its associates. If the cost of acquisition is less than the fair value of the net asset of the subsidiary acquired, the difference is recognized directly in the income statement.

2.2 Changes in accounting policies

The Alexandria Group investments in equity securities are classified as available for sale securities. Subsequent to initial recognition, they are measured at fair value, unless this cannot be reliably measured, and changes there in, other than impairment losses are recognized directly in equity, when the investment is derecognized, the cumulative gain or loss in equity is transferred to profit or loss. In its financial statement for periods beginning before 1 January 2007 the Group applied the cost less impairment method in measuring investments classified as available for sale. The change in accounting policy had no impact on the financial statements as of the balance sheet date.

2.3 Significant accounting judgments and estimates

Critical judgments in applying the entity's accounting policies

In the process of applying the Alexandria Group's accounting policies, management has made the following judgments apart from those involving estimations, which have the most significant impact on the amounts recognised in the financial statements.

Impairment of investments

The Alexandria Group follows the guidelines of the Egyptian Accounting Standards to determine when an investment is impaired. This determination requires significant judgments. In making such judgments, the Alexandria Group evaluates among other factors, the duration and extent to which the fair value of an investment is less than its cost, the financial health and the near term business outlook for the investee.

2.4 Summary of significant accounting policies

Estimation uncertainty

Income taxes

The Alexandria Group is subject to income taxes. Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Alexandria Group recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

2.4 Summary of significant accounting policies — continued

Revenue recognition

Provided it is probable that the economic benefits will flow to the Alexandria Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in the consolidated income statement as follows:

Sale of property

Revenue on sale of plots of property is recognised on the basis of the full accrual method as and when all of the following conditions are met:

- A sale is consummated and contracts are signed;
- The buyer's investment, to the date of the financial statements, is adequate to demonstrate a commitment to pay for the property;
- The Group's receivable is not subject to future subordination;
- The Alexandria Group has transferred to the buyer the usual risks and rewards of ownership in a transaction that is in substance a sale and does not have a substantial continuing involvement with the property; and
- Work to be completed is both easily measurable and accrued or is not significant in relation to the overall value of the contract.

Interest income

Interest income is recognised as the interest accrues using the effective interest method, under which the rate used exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Management services

Revenue from rendering of management services is recognised as a percentage of the associate's sales when the outcome of the transaction can be estimated reliably, by reference to the stage of completion of the transaction at the balance sheet date.

Cost of revenues

Cost of revenues includes the cost of land and development costs. Development costs include the cost of infrastructure and construction. The cost of revenues in respect of property is based on the actual proportion of the sold property to date to the estimated total revenues for each project. The cost of revenues in respect of land sales is based on the total estimated cost of the land site over the total usable land area in a particular development.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

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.

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.

2.4 Summary of significant accounting policies — continued

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Income tax relating to items recognised directly in equity is recognised in equity and not in the income statement.

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.

Trade receivables

Trade receivables 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.

Notes receivable

Notes receivable are stated at cost net of provisions for impairment.

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 and subsequently measured at fair value, unless this cannot be reliably measured. Changes in fair value are reported as a separate component of equity. Upon impairment any loss, or upon derecognition any gain or loss, previously reported as "cumulative changes in fair value" within equity is included in the income statement for the period.

Development properties

Properties acquired, constructed or in the course of construction for sale are classified as development properties. Unsold properties are stated at the lower of cost or net realisable 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 capitalised as and when activities that are necessary to get the properties ready for sale are in progress. Net realisable 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. At that stage, cost, attributable profit and progress billings are eliminated from development properties.

Property and equipment

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

Equipment	2 - 5 years
Buildings	50 years
Motor Vehicles	5 years
Furniture and other assets	5 - 10 years
Tools	5 years

Projects under construction are not depreciated.

The useful life and depreciation method are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from these assets.

Impairment

Property and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of these assets may not be recoverable. Whenever the carrying amount of these assets exceeds their recoverable amount, an impairment loss is recognised in the income statement. The recoverable amount is the higher of an asset's net selling price and the value in use. The net selling price is the amount obtainable from the sale of an asset in an arm's length transaction while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life.

Reversal of impairment losses recognised in the prior years is recorded when there is an indication that the impairment losses recognised for the asset no longer exist or have reduced.

Impairment and uncollectibility of financial assets

An assessment is made at each balance sheet date to determine whether there is objective evidence that a specific financial asset may be impaired. If such evidence exists, any impairment loss is recognised in the income statement. Impairment is determined as follows:

(a) For assets carried at cost, impairment is the difference between carrying value and the present value of future cash flows discounted at the current market rate of return for a similar financial asset;

(b) For assets carried at amortised cost, impairment is the difference between carrying amount and the present value of future cash flows discounted at the original effective interest rate.

Trade and other payables

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

End of service benefits

With respect to its employees, the Alexandria Group makes contributions to a pension fund established by the General Pension and Social Security Authority calculated as a percentage of the employees' salaries. The Alexandria Group's obligations are limited to these contributions, which are expensed when due.

Assets held for sale

Non current assets that are expected to be recovered primarily through sale rather than through continuing use are classified as held for sale. Immediately before classification as held for sale, the assets are remeasured in accordance with the Group's accounting policies. Thereafter generally the assets are measure at the lower of their carrying amount and fair value less cost to sell. Impairment losses on initial classification as held for sale and subsequent gains or losses on re-measurement are recognized in profit and loss. Gains are not recognized in excess of any cumulative impairment loss.

Provisions

Provisions are recognised when the Alexandria Group has a present 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.

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.

Contingencies

Contingent liabilities are not recognised in the consolidated financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognised in the consolidated financial statements until such time as an inflow of economic benefits is probable.

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.

2.4 Summary of significant accounting policies — continued

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.

The fair value of forward foreign exchange contracts is calculated by reference to current forward exchange rates with the same maturity.

3 Revenue and cost of revenue

	Three months ended 30 June		Six months ended 30 June	
	2007 LE	2006 LE	**2007 LE**	2006 LE
Revenue:				
Management fees	**133,744,268**	26,953,442	**266,227,265**	49,478,106
Sale of residential and commercial units	**27,192,224**	16,424,922	**38,254,794**	19,864,245
Others	**2,144,002**	4,987,380	**6,355,815**	5,844,724
	163,080,494	48,365,744	**310,837,874**	75,187,075
Cost of revenue:				
Cost of management fees	**79,230,914**	20,590,622	**176,229,312**	34,026,609
Cost of residential and commercial units	**26,902,781**	16,951,994	**37,847,598**	20,028,656
Others	**1,309,500**	3,930,510	**5,048,327**	5,387,146
	107,443,195	41,473,126	**219,125,237**	59,442,411

4 Selling, general and administration expenses

	Three months ended 30 June		Six months ended 30 June	
	2007 LE	2006 LE	**2007 LE**	2006 LE
Depreciation of property and equipment (Note 6)	**635,436**	542,924	**1,258,321**	933,627
Payroll and related expenses	**13,200**	1,200	**13,200**	1,200
Advertising	**388,002**	239,768	**624,132**	544,285
Others	**829,047**	1,504,423	**1,996,969**	2,446,410
	1,865,685	2,288,315	**3,892,622**	3,925,522

5 Income tax expense

	Three months ended 30 June		Six months ended 30 June	
	2007 LE	2006 LE	**2007 LE**	2006 LE
Current income tax charge	**5,579,768**	5,255	**16,630,180**	10,755

Tax situation

- **Alexandria For Real Estate Investment Company**

a) Corporate tax

Tax inspection took place for the Company's records from inception to 31 December 2001 and all tax due were paid.

No tax inspection took place for the Company's records for the period from 1 January 2002 to 31 December 2005.

Virginia and Rabwa projects are in tax holiday according to the New Urban societies Law.

The Alexandria Group Projects enjoyed tax holiday for the period from 1995 to 2005 for Al Rabwa projects in accordance with the New Urban Societies Law.

b) Salary tax

Tax inspection took place for the Company's records from inception to 31 December 1997 and all tax due were paid.

5 Income tax expense — continued

Tax inspection took place for the Company's records since the period from 1 January 1998 to 31 December 2002. The tax assessment was not received by the Company.

No tax inspection took place for the Company's records for the period from 1 January 2003 to 31 December 2006.

c) Stamp duty tax

Tax inspection has taken place of the company's records since inception till 31 August 2004 and all tax due were paid.

No tax inspection has taken place of the company's records for the period from 1 September 2004 to 31 December 2006.

- **Egyptian Company for Development and Real Estate Projects**

No tax inspection has taken of the company's records from inception to 31 December 2006.

- **El Rabwa For Tourism and Hotel Projects**

a) Corporate tax

No tax inspection has taken place of the company's records from 2000 to 31 December 2005.

b) Salary tax

No tax inspection has taken place of the company's records from 2000 to 31 December 2006.

c) Stamp duty tax

No tax inspection has taken place of the company's records from 2000 to 31 December 2006.

d) Sales tax

No tax inspection has taken place of the company's records from 2000 to 31 December 2006.

- **Alexandria For Urban Projects Company**

a) Corporate tax

Tax inspection has taken place of the company's records from 1998 to 2002 and all tax due were paid.

No tax inspection has taken place of the company's records for the years 2003, 2004 and 2005.

b) Salary tax

No tax inspection has taken place of the company's records from inception to 31 December 2006.

- **Port Venice (a direct subsidiary of Alexandria For Urban Projects Company)**

No tax inspection has taken place of the company's records from 2005 to 31 December 2006.

- **May Fair For Entertainment Services (a direct subsidiary of Alexandria For Urban Projects Company)**

No tax inspection has taken place of the company's records from 2000 to 31 December 2006.

6 Property and equipment

	Equipment LE	Buildings LE	Motor vehicles LE	Furniture and other assets LE	Tools LE	Project under construction LE	Total LE
Cost							
At 1 January 2007	4,799,199	12,620,973	5,397,635	8,912,645	85,581	—	31,816,033
Additions	161,000	1,000,000	898,231	614,731	—	225,000	2,898,962
Disposals	—	(66,091)	(162,903)	—	—	—	(228,994)
At 30 June 2007	**4,960,199**	**13,554,882**	**6,132,963**	**9,527,376**	**85,581**	**225,000**	**34,486,001**
Accumulated depreciation							
At 1 January 2007	537,912	1,556,060	2,558,437	5,909,692	85,581	—	10,647,682
Depreciation charge	296,337	132,546	417,020	412,418	—	—	1,258,321
Disposals	—	(13,549)	(162,903)	—	—	—	(176,452)
At 30 June 2007	**834,249**	**1,675,057**	**2,812,554**	**6,322,110**	**85,581**	**—**	**11,729,551**
Net carrying amount							
At 30 June 2007	**4,125,950**	**11,879,825**	**3,320,409**	**3,205,266**	**—**	**225,000**	**22,756,450**
At 31 December 2006	4,261,287	11,064,913	2,839,198	3,002,953	—	—	21,168,351

7 Investments in associates

	30 June 2007 LE	31 December 2006 LE
Carrying value of:		
Investment in Arab Company for Projects and Urban Development(note 25)	**—**	96,978,480
Investment in San Stefano for Real Estate Investments	**67,048,774**	71,791,317
Investment in Alexandria for Tourism and Hotel Projects	**481,091**	485,000
Investment in Nile Besfour	**10,960,000**	10,960,000
Investment in Arab Company for Hotels & Tourism Investment	**840,402,822**	18,436,088
	918,892,687	198,650,885

The provision for impairment in investment value relates to the Alexandria Group investment in San Stefano for Real Estate Investments.

Investments in associates include the following deposits for increase in share capital of associates. The legal formalities for the increase in capital were not completed as of the balance sheet dates.

	30 June 2007 LE	31 December 2006 LE
Arab Company for Hotels and Tourism Investments	**—**	11,796,088
Arab Company for Projects and Urban Development	**—**	15,000,000
San Stefano for Real Estate Investments	**—**	8,876,800
Nile Besfour	**—**	1,875,000
Total	**—**	37,547,888

Disposal of investments

During the year 2006, The Alexandria Group has disposed of a part of its investment in its associates Nova Park — Cairo and Nile Amaranti Hotel and Alexandria Saudi Company for Tourism Projects respectively (2004: Nova park). The Alexandria Group is deemed to have lost significant influence from that date.

The profit on disposal of the associates is as follows:

	Three months ended 30 June		Six months ended 30 June	
	2007 LE	2006 LE	**2007 LE**	2006 LE
Receivable from sale of investments	**—**	395,168,000	**32,613,727**	395,168,000
Less: net book value at the date of disposal	**—**	(302,834,219)	**(19,097,842)**	(302,834,219)
Gain on disposal of investments	**—**	92,333,781	**13,515,885**	92,333,781

7 Investments in associates — continued

Acquisition of interest in associate

The legal formalities to acquire 42.83% of the share capital of Arab Company for Hotels and Tourism Investment was completed in April 2007. Details of net assets acquired and excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost are as follows:

	LE
Purchase consideration:	
Cash	115,435,192
Equity securities	413,604,088
Total purchase consideration	529,039,280
Less: share of fair value of net assets	(756,279,078)
Excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost	227,239,798

The Alexandria Group has the following investments in associates:

		Ownership	
	Country of incorporation	**2007 %**	2006 %
Investment in Arab Company for Projects and Urban Development(note 25)	Egypt	**—**	10.00
Investment in San Stefano for Real Estate Investments	Egypt	**15.18**	15.18
Investment in Alexandria for Tourism and Hotel Projects	Egypt	**24.25**	24.25
Investment in Nile Besfour	Egypt	**47.00**	47.00
Investment in Arab Company for Hotels & Tourism Investment	Egypt	**42.83**	39.01

Although the Alexandria Group owns less than 20% of the voting power of San Stefano for Real Estate Investment Company, the Alexandria Group is able to exercise significant influence over this entity by virtue of the following:

a) representation on the board of directors of investee companies

b) participation in policy making process including decisions about dividends or other distribution.

c) material transactions between the Alexandria Group and certain investee companies.

d) provision of essential technical information.

Consequently, the Alexandria Group accounts for this investment under the equity method of accounting.

At 30 June 2007 investments in associates with a carrying value of LE 28,701,918 (31 December 2006: 168,769,797) are subject to a registered debenture to secure bank loans (note 16).

8 Available for sale investments

	30 June 2007 LE	31 December 2006 LE
Taameer for Real Estate Finanace Company	**665,000**	665,000
Housing and Development Bank	**57,930**	57,930
Egyptian International Medical Insurance	**250,000**	250,000
Investment in Nova Park — Cairo	**143,046**	19,240,888
Investment in Nile Amaranti Hotel	**14,363**	14,363
Investment in Alex Saudi for Tourism Projects	**6,525**	6,525
	1,136,864	20,234,706

All available for sale investments are not quoted securities, whose fair value can not be reliably determined due to unpredictable nature of cash flows.

At 30 June 2007 available for sale investments with a carrying value of LE nil (31 December 2006:LE11,683,260) are subject to registered debenture to secure bank loans (note 16).

9 Notes receivable

	30 June 2007 LE	31 December 2006 LE
Due from related parties (note 21)	**56,208,527**	54,827,359
Due from others	**189,070,714**	160,461,689
Balance, end of year	**245,279,241**	215,289,048
Less non- current portion	**(78,729,551)**	(61,345,380)
Current portion	**166,549,690**	153,943,668

10 Development properties

	30 June 2007 LE	31 December 2006 LE
At 1 January	**534,641,617**	442,643,826
Additions during the year	**29,973,087**	137,839,763
Less units sold during the year	**(37,847,598)**	(47,085,847)
Total development properties	**526,767,106**	533,397,742
Less non-current portion	**(526,767,106)**	(440,514,723)
Current portion	**—**	92,883,019

Development properties are analysed as follows:

	30 June 2007 LE	31 December 2006 LE
Al Rabwa Project (Al Rabwa I)	**148,661,183**	158,993,319
Al Rabwa New Project (Al Rabwa II)	**189,374,039**	188,564,386
Al Rabwa Mall	**9,688,772**	9,688,772
Al Rabwa Sporting Club	**28,607,910**	28,885,169
New Tehran Building	**1,452,668**	1,446,782
May Fair Project	**57,003,981**	56,993,981
Marsa Alam Project (Port Venice)	**91,941,553**	88,788,333
Other	**37,000**	37,000
	526,767,106	533,397,742

	30 June 2007 LE	31 December 2006 LE
Land	**314,854,714**	314,854,714
Consultations and designs	**4,199,758**	4,199,758
Construction work	**409,005,435**	377,788,473
Financing costs	**68,495,625**	68,495,624
Technical management and supervision costs	**18,478,078**	18,468,078
Licenses and other governmental fees	**82,565,924**	82,565,925
	897,599,534	866,372,572
Less: amounts charged to income statement	**(370,832,428)**	(332,974,830)
	526,767,106	533,397,742

11 Account receivable and prepayments

	30 June 2007 LE	31 December 2006 LE
Accounts receivables	**26,258,182**	24,019,245
Advances to vendors	**25,509,788**	24,552,517
Deposits with others	**278,549**	256,842
Tax authority	**5,675,629**	959,010
Loans to employees	**217,112**	124,141
Due from related parties (note 21)	**23,211,574**	30,183,938
Other debit balances	**20,263,866**	14,485,191
	101,414,700	94,580,884

12 Cash and cash equivalents

	30 June 2007 LE	31 December 2006 LE
Cash on hand	**1,292,236**	1,026,447
Current and call deposit accounts	**4,604,134**	464,395
Treasury bills	**81,627,374**	—
Fixed deposits maturing within three months	**3,120,995**	3,158,409
Cheques under collections	**12,464,973**	5,931,431
Bank balances and cash	**103,109,712**	10,580,682
Less bank overdrafts	**(44,843,692)**	(123,592,300)
Cash and cash equivalents	**58,266,020**	(113,011,618)

Cash at banks earns interest at floating rates based on prevailing bank deposit rates. Short term fixed deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

13 Share capital

	30 June 2007 LE	31 December 2006 LE
Authorised capital — 8,000,000 shares of LE 50 per share	**400,000,000**	400,000,000
Issued and fully paid-up at LE 50 per share	**374,000,000**	340,000,000

The shareholders during their extraordinary general meeting held on 31 March 2007 approved the increase of issued share capital to be LE 374,000,000 through the issuance of stock dividends of LE 34,000,000.

14 Legal reserve

According the Articles of Association of the Company and the Egyptian Commercial Companies Law, 5% of annual net profits are allocated to the legal reserve. The transfers to legal reserve may be suspended when the reserve reaches 50% of the issued capital.

15 Treasury shares

Treasury shares are presented as follows:

	30 June 2007 LE	31 December 2006 LE
Acquisition cost of the parent's shares by Egyptian Company for Development and Real Estate Projects	**—**	38,750,766
	—	38,750,766

During the period ended 30 June 2007 the Egyptian Company for Development and Real Estate Projects sold its investment in the Parent and realized a gain of LE 58,273,431 from the sale. This gain has been reclassified as other reserves in the equity holders of the Parent.

16 Interest-bearing loans and borrowings

	30 June 2007 LE	31 December 2006 LE
Balance, beginning of year	**142,459,064**	152,387,281
Borrowings drawn down during the year	**—**	80,664,053
Borrowings repaid during the year	**(47,492,616)**	(90,592,270)
Balance, end of year	**94,966,448**	142,459,064
Less non — current portion	**(9,818,701)**	(29,321,268)
	85,147,747	113,137,796

Interest bearing loans and borrowings are repayable as of 30 June 2007:

	Loan currency	Effective interest rate	12 months or less LE	1- 3 Years LE	4-5 Years LE	Balance LE
Loan 1	LE	8.22%	288,406	330,000	—	618,406
Loan 2	LE	12.50%	—	7,614,741	—	7,614,741
Loan 3	LE	12.00%	—	—	23,354,589	23,354,589
Loan 4	LE	13.50%	8,827,684	22,863,791	—	31,691,475
Loan 5	LE	13.75%	702,611	299,000	—	1,001,611
Loan 6	LE	13.50%	—	30,685,626	—	30,685,626
Total			9,818,701	61,793,158	23,354,589	94,966,448

Security

Interest bearing loans and borrowings are secured as follows:

Loan 1 is secured by promissory notes .

Loan 2 is secured by 151,000 shares of the parent's investments in Alexandria Company for Urban Projects company .

Loan 3 is secured by insurance policy over Al Rabwa project for the favour of the bank.

Loan 4 is secured by 48,000 shares of the investments in Nova Park Company owned by Arab company for hotels and tourism investments.

Loan 5 is secured by promissory notes of LE 1,403,000.

Loan 6 is secured by 263,000 shares of the parent's investment in San Stefano for Real Estate Investment.

17 Notes payable

	30 June 2007 LE	31 December 2006 LE
Due to related parties (note 21)	**28,761,166**	34,040,166
Due to others	**52,489,345**	35,746,054
	81,250,511	69,786,220
Less non — current portion	**(25,595,196)**	(39,212,699)
Current portion	**55,655,315**	30,573,521

18 Accounts payable and accruals

	30 June 2007 LE	31 December 2006 LE
Deposits with others	—	4,623,589
Dividends payable	**3,803,317**	2,095,487
Advances from customers	**317,302,324**	236,761,218
Other payables and accruals	**90,416,372**	79,196,315
Trade payables	**21,588,374**	22,304,878
Contractors	**7,347,150**	9,918,902
Retentions	**14,480,908**	4,519,997
Tax authority	**23,571,285**	10,311,413
Due to related parties (note 21)	**82,821,385**	—
Other liabilities	**9,939,206**	7,897,816
	571,270,321	377,629,615

19 Earnings per share

Earnings per share are calculated by dividing net profit for the year attributable to equity holders of the parent by the weighted average number of ordinary shares outstanding during the year. The weighted average numbers of shares outstanding during the year and the previous year have been adjusted for events that have changed the number of shares outstanding without a corresponding change in resources.

The information necessary to calculate earnings per share is as follows:

	Three months ended 30 June		**Six months ended 30 June**	
	2007 LE	2006 LE	**2007 LE**	2006 LE
Earnings:				
Net profit for the year attributable to equity holders of the Parent	**359,654,220**	70,835,226	**403,308,151**	94,625,135
Shares:				
Weighted average number of shares outstanding for calculating EPS	**7,140,000**	7,140,000	**7,140,000**	7,140,000
Earnings per share	**50.47**	9.90	**56.48**	13.25

20 Dividends

A cash dividend of LE 18,950,000 and stock dividends of LE 34,000,000 for year 2006 was approved by the shareholders of the Parent Company at the Annual General Meeting of the Company held on 31 March 2007.

21 Transactions with related parties

For the purpose of these financial statements, parties are considered to be related to the Alexandria Group if the Alexandria Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Alexandria Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Related party transactions

During the financial year, there were the following significant related party transactions, which were carried out in the normal course of business on terms agreed between the parties:

	Nature of transaction	**30 June 2007 LE**	31 December 2006 LE
Arab Company for Projects and Urban Development	Management fees	**256,448,465**	153,210,849
San Stefano for Real Estate Investments Company	Management fees	**7,199,000**	16,889,000
Alex Saudi Company for Tourism Projects	Management fees	**1,073,991**	157,665
Alexandria for Construction Company	Construction services	**24,541,523**	29,773,586

21 Transactions with related parties — continued

The members of the board of directors received attendance fees totalling LE 37,200 (2006: LE 36,000).

During the year ended 31 December 2006, the Alexandria Group has disposed off LE 302,834,219 part of its investments in Nova Park — Cairo, Nile Amaranti Hotels and Alex Saudi Company For Tourism Projects in exchange of shares in Arab Company For Hotels And Tourism Investments (note 7). The exchange has resulted in a gain of LE 92,333,781 that was recognised in the consolidated income statement .

Related party balances

Significant related party balances (and the balance sheet captions within which these are included) are as follows:

	30 June 2007		31 December 2006	
	LE Notes receivable	**LE Notes payable**	LE Notes receivable	LE Notes payables
Arab Company for Projects and Urban Development	**42,498,447**	**28,761,166**	15,145,940	—
San Stefano for Real Estate Investments	**12,612,693**	—	5,512,199	—
Alex Saudi Company for Tourism Projects	**1,097,387**	—	129,054	—

	30 June 2007		31 December 2006	
	LE Accounts receivable and prepayments	**LE Accounts payable and accruals**	LE Accounts receivables and prepayments	LE Accounts payable and accruals
Alexandria for Construction Company	**23,211,574**	—	55,045,735	1,960,207
Arab Company for Hotels and Tourism Investments	—	**82,821,385**	395,168,000	—

Compensation of key management personnel

The remuneration of directors and other members of key management during the period was LE 31,764,614 (2006: LE 23,729,259).

22 Financial risk management objectives and policies

The Alexandria Group is exposed to interest rate, credit risks and foreign currency arising from its diversified portfolio business. The Group's risk management approach seeks to minimise the potential material adverse effects from these exposures. As a whole, the Alexandria Group has implemented risk management policies and guidelines that set out its tolerance of risk and its general risk management philosophy.

Interest rate risk

Interest on financial instruments having floating rates is repriced at intervals of less than one year and interest on financial instruments having fixed rate is fixed until the maturity of the instrument. Other than commercial and overall business conditions, the Group's exposure to market risk for changes in interest rate environment relates mainly to its investment in financial products and fixed deposits.

The investments in financial products are not for trading or speculative purposes but placed in securities or fixed deposits, with the objective of achieving better returns than cash at bank. Interest rates on loans from financial institutions are disclosed in note 16.

Credit risk

Credit risk, or the risk of counter parties defaulting, is controlled by the application of credit approvals,limits and monitoring procedures. In addition, investments and financial transactions are restricted to counterparties that meet appropriate credit criteria and have a high credit standing.

Foreign currency risk

The Alexandria Group enters into various foreign exchange transactions. However, most of such transactions are denominated in US Dollars or currencies linked to the US Dollar. The currency conversion rate between the US Dollar and the Egyptian Pound has remained stable over the past several years.

23 Alexandria group entities

Significant subsidiaries:	Country of incorporation	2007 %	2006 %
Al Rabwa for Entertainment and Services company	Egypt	**95.5**	95.5
Egyptian Company for Development and Real Estate Projects	Egypt	**90**	90
Alexandria for Urban Projects and its subsidiaries	Egypt	**60**	60
Alexandria for Urban Projects and its subsidiaries are as follows:			
May Fair for Entertainment Services	Egypt*	**95.5**	95.5
Port Venice for tourism Development Company	Egypt*	**55.5**	55.5

* Represents Alexandria for Urban Projects direct holding in its subsidiaries.

24 Fair values of financial instruments

Financial instruments comprise financial assets and financial liabilities.

Financial assets of the Alexandria Group include bank balances and cash, trade receivables, securities, notes receivables, other receivables, investments in associates and due from related parties. Financial liabilities of the Alexandria Group include customer advances, notes payable, loans from financial institutions, accounts payable and retentions payable.

The fair values of the financial assets and liabilities are not materially different from their carrying values unless stated otherwise (note 25.c).

25 Events after the balance sheet date

a. Dividends

A cash dividend of LE 18,950,000 and stock dividends of LE 34,000,000 for the year 2006 was approved by the shareholders of the Company at the Annual General Meeting of the Company held on 31 March 2007.

b. Restructuring

Talaat Mostafa group has under taken a restructuring to bring together the company together with Arab Company for Projects and urban Development, San Stefano for Real Estate Investments Company, and Alexandria for Urban Development Company under TMG Holding Company (a newly established company) via a share swap mechanism. To implement the restructuring process, Talaat Mostafa group undertook the following steps:

1. TMG group appointed an Independent Fair Auditor (the "IFA"), to value all four subsidiaries for the sake of the swap process.

2. After obtaining the fair value, aboard of directors meeting and extraordinary general assembly were held in July and August, 2007 for each of the subsidiaries to approve the fair value of each subsidiary.

3. Fair value were approved during the extraordinary general assembly and the shareholders approved the swap of their shares into TMG Holding at discount to fair value.

4. For Alexandria Real Estate and San Stefano real estate, a tender offer was under taken in September 2007, offering the minority shareholders to swap their shares into TMG Holding or to accept a cash offer at the same swap value.

5. Restructuring process is expected to be finished on 28 October 2007.

c. Disposal of interest in associates

The Company has sold all of its investment in the Arab Company for Projects and Urban Development for an amount of LE 701,826,868.

26 Comparative figures

- Certain comparative figures have been reclassified to conform to the current period's presentation.

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ANNEX A: CBRE REPORT

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Ladies and Gentlemen,

VALUATION OF THE REAL ESTATE PORTFOLIO

1. Instructions

1.1 In accordance with instructions received from Talaat Mostafa Group in relation to our Proposal for Valuation Services dated 13 February 2007, we have inspected the properties in the course of development or held for development described in Schedule 1 (the "**Property Portfolio**") and made relevant enquiries in order to provide our opinion of Market Value of the freehold interests in the Properties as at 30 June 2007 (the "**Valuation Date**").

1.2 This "Valuation Report" has been prepared for the purpose of inclusion in the Offering Circular to be issued in respect of the admission to the Cairo and Alexandria Stock Exchange.

2. The Properties

2.1 The Properties we have valued are briefly described in Schedule 1, (the "**Schedule**") attached to this Valuation Report. Each property identified in the Schedules has been valued individually, and not as part of a portfolio, except some parts of larger development schemes.

2.2 The properties consist of (1) **properties held for investment** (complete and offered for sale), (2) **properties in the course of development** (sold and unsold).

3. Basis of Valuation

3.1 Where applicable our valuations have been carried out in accordance with The Royal Institution of Chartered Surveyors' (RICS) Appraisal and Valuation Standards (5th Edition), (the "Standards") and with the Valuation Standards adopted by The Egyptian Association of Real Estate Appraisers. They have been undertaken by External Valuers, as defined in the Standards. Valuers from CB Richard Ellis Middle East and CB Richard Ellis in London have been involved with the valuation.

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3.2 In accordance with the Standards, our valuations have been prepared on the basis of Market Value, which is defined in the Standards, as follows:

"The estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion".

3.3 The "Highest and Best Use" principle has been applied for valuation of each property. However, given certain restrictions imposed on considered developments by permissible use and planning, as well as other technical restrictions according to the information provided by Talaat Mostafa Group of Companies, we had to assume that Talaat Mostafa Group development programs are based on the "Highest and Best Use" principle.

"Highest and Best Use" is defined in the Standards, as follows:

"The most probable use of a property which is physically possible, appropriately justified, legally permissible, financially feasible, and which results in the highest value of the property being valued".

4. Valuation Methodology

4.1 We based our valuations of the development projects on the Residual Approach and used a discounted cash flow to arrive at a Net Present Value for the Property Portfolio. Included in the cash flow is a deduction for developers profit based on 20% of NDV (Net Development Value).

4.2 The residual valuation approach is the valuation method accepted by the RICS for valuing developments and opportunities which take time to come to fruition.

The term "Residual Valuation" relates to any valuation which consists of an estimate of the value of a property after allowing for various items of expenditure. In terms of valuing a development the "residual" refers to the value of the site after all costs have been spent.

4.3 The rates adopted were built on a cumulative basis over the portfolio and contain relevant risk elements, including the risk free rate plus market, planning/permission, encumbrance, and construction risks.

4.4 In assessing the Market Value of the Property Portfolio it has been assumed that no debt is used. The developer, as is standard market practice in Egypt, has a policy of not commencing construction until a particular unit is sold. This sales strategy greatly mitigates the risk associated with the development as revenue is generated prior to construction expenditure taking place. We have not taken into account the value of any financing assistance that the developer may provide to a purchaser but have taken the cash price for the units and assumed that purchaser financing is secured elsewhere.

4.5 We have verified our valuations by adopting the Income Approach and utilising a discounted cash flow model to arrive at a Net Present Value of the Property Portfolio by applying a discount rate encompassing an allowance for developers profit / project risks, inflation and so on.

4.6 We have further verified our valuations by evaluating recent large scale land plot sales in Egypt.

4.7 Where properties are held for development or are in the course of development, we have been provided with timescales and phasing for completion from Talaat Mostafa Group. We consider the timescales to be reasonable and have valued on this basis.

4.8 Construction and infrastructure costs have been provided by Talaat Mostafa Group. We consider these costs to be reasonable and in line with the present market and have valued on this basis.

4.9 Our opinion of Market Value is a valuation of real estate. We cannot comment on the profitability of the Developer's business operations, or corporation taxation liability. Therefore it is not part of our mandate or within our area of expertise to reflect any taxation payable by the Developer which is specific to its business. Within our valuation, we have taken into consideration where taxation is payable specifically in relation to the property asset (i.e. land registration fees).

4.10 For valuing the Property Portfolio we used sales comparisons to determine the potential income from sale of the premises. We have verified our results derived from application of the Income Approach by information on comparable sales where this last was available.

However, our access to information on comparable transactions was, in many cases, limited. In addition some of the assets, particularly retail malls, were in part disposed of therefore no direct comparisons were available. In these circumstances, the rate we capitalised the income was varied depending on the characteristics of the particular asset.

4.11 For the hotel valuations we have calculated the value on the basis of the blended average value between the investment valuation of the property and the discounted cash flow value of the scheme. This is a widely adopted methodology for the valuation of hotel assets.

5. Valuations

5.1 On the bases outlined in this Valuation Report, we are of the opinion that each individual Market Value as at 30 June 2007 of the freehold interests with vacant possession given to all premises, as summarised in the Schedule, is as stated against that property in the Schedule.

5.2 The estimations of construction cost as well as sale prices applied are inclusive of any taxes. The Market Value of the Property Portfolio is exclusive of taxes.

5.3 The aggregate of the said individual Market Values as at 30 June 2007 is **EGP 19,850,997,495 (NINETEEN BILLION EIGHT HUNDRED AND FIFTY MILLION NINE HUNDRED AND NITEY SEVEN MILLION FOUR HUNDRED AND NINETY FIVE EGYPTIAN POUNDS)** made up as follows:

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Market Value	Freehold EGP	Total EGP
(i) Communities/Lands		
Al Rabwa	282,193,389	282,193,389
Al Rehab City I – Investment	64,693,000	64,693,000
Al Rehab City I – Development	1,018,876,328	1,018,876,328
Al Rehab City II	2,551,389,923	2,551,389,923
Madinaty	10,778,099,043	10,778,099,043
Marsa Alam	138,098,199	138,098,199
Mayfair	20,058,000	20,058,000
(ii) Hotels		
Four Seasons Hotel (San Stefano, Alexandra)	1,654,995,163	1,654,995,163
Four Seasons Hotel (Sharm el Sheikh)	824,819,856	824,819,856
Four Seasons Hotel (Nile Plaza, Cairo)	2,220,023,208	2,220,023,208
Nile Hotel (Cairo)	297,751,386	297,751,386
Total	**19,850,997,495**	**19,850,997,495**

6. Transaction Costs

6.1 Seller's costs, such as advertising and agent's fees, have been included in our valuation, as have purchaser costs. No allowances have been made for any other extraordinary expenses of realisation nor any for taxation that might arise in the event of a disposal.

6.2 No account has been taken of any mortgages, debentures or other charges.

7. **Assumptions and Sources of Information**

We have been supplied with the following information from Talaat Mostafa Group:

- Information on construction costs and construction phases for the Property Portfolio
- Information on Government Land Sales Repayment terms (we have not been provided with copies of the legal agreements)
- Information on building areas
- Information on sales transactions made to date in respect of the properties under construction.

7.2 We have not provided independent verification of the information contained within the documents nor have we verified that it is complete and accurate.

8. **Floor Areas**

8.1 Gross Sellable Area

Given the fact that some of the project properties are at the development stage where final Gross Building Area (GBA) has not yet been fixed, we have relied on Talaat Mostafa Group's information on GBA. In case clear references to GBA have not been provided to us, the gross areas were calculated by adding 20% to the Net Selling Area of the Property and vice versa.

GBA is calculated for indicative purposes only, as all income and cost estimations are based on the Net Sellable Area only, as is appropriate for residential properties in Egypt. All measurements and areas quoted in this Valuation Statement are approximate.

8.2 Net Sellable Area

Net Selling Areas for the Properties are adopted in accordance with data provided by Talaat Mostafa Group.

It is important to note that upon construction of the residential properties the official apartment area is calculated by Talaat Mostafa Group. Often the measurements vary from the planned area stated in purchase agreements. For the purposes of this valuation we assumed that the areas are in accordance with Talaat Mostafa Group's stated areas used in this report.

9. **Plant and Machinery**

9.1 The plant and machinery such as lifts, escalators, air conditioning and other normal service installations have been treated as an integral part of each property and are included within our valuations.

9.2 No specialist tests have been carried out on any of the service systems and, for the purpose of our valuations, we have assumed that all are either in good working order or in compliance with any relevant statute, by-law or regulation or will be, upon completion of development of the Property concerned.

10 **Environmental Investigations and Ground Conditions**

10.1 We have not ourselves undertaken any environmental investigations, for contamination or otherwise.

10.2 We have therefore assumed in our valuations that Talaat Mostafa Group development programs take into consideration ground and any other environmental conditions, which might adversely affect the present or future development or value of any of the Portfolio Properties.

11. **Infrastructure and Services**

11.1 We have assumed in our calculations that water, electricity and sewerage are available at the periphery of the site unless otherwise advised and that there are sufficient services for the scale of the scheme.

11.2 We have assumed that internal reticulation of the services within the site is carried out by the developer.

12. **Inspections**

12.1 For the purpose of this valuation, we inspected the properties through the period commencing 8th March, 2007 and until 15th March, 2007.

13. **Building Structure**

13.1 We were not instructed to carry out structural surveys for the purpose of this Valuation and have assumed that there are not and will not be any structural or latent defects within the Properties. We have assumed that no known deleterious or hazardous materials have been or are being utilised in the construction of any of the Properties.

13.2 Our valuation of the income stream from sales of each Property when completed assumes that the building works have been completed on time and to a high quality standard in accordance with the plans and specifications provided to us by Talaat Mostafa Group of Companies.

13.3 We assume the Properties will be completed on time and the buildings will be commissioned in accordance with the local regulations upon completion.

14. **Town Planning and Statutory Requirements**

14.1 We have not made any planning enquiries but have relied upon the information provided by Talaat Mostafa Group. For the purposes of our valuation we assume that there is no adverse town planning, highway or other schemes or proposals that will have a detrimental effect on our valuations.

14.2 For all properties we have assumed that all relevant planning consents and building permits exist or will be granted without material cost or delay by the relevant authority in cases where all required planning permissions have not been obtained for the Properties and their respective present or proposed uses (as appropriate).

14.3 We have assumed that all buildings currently comply, or on completion will comply, with all statutory and local authority requirements including building, fire and health and safety regulations (where appropriate).

15 Tenure and Tenancies

15.1 In the absence of any information to the contrary we have assumed that:

i) Talaat Mostafa Group possess good marketable titles free from any unusual encumbrances, restrictions or obligations;

ii) nothing would be revealed by any local search or replies to usual enquiries of the seller which would materially adversely affect the respective values of the Properties;

16. Third Party Covenants

16.1 We have not conducted credit enquiries into the financial status of any of the building contractors or other parties with whom Talaat Mostafa Group has entered into contracts. We have assumed that each party is capable of meeting its obligations, and that there are no material undisclosed breaches of covenant.

17. Un-let Accommodation

17.1 According to information provided by Talaat Mostafa Group the Properties are unlet and either currently on sale or planned to be offered for sale. Therefore, we valued the Property Portfolio based on the assumption of Vacant Possession.

18 Independence

18.1 The total fees including the fee for this assignment, earned by CB Richard Ellis Limited (or other companies forming part of the same group of companies within the UK and the Middle East) from the addresses to this report (or other companies forming part of the same group of companies) is less than 5.0 per cent of the respective companies' total UK and Middle East revenues.

19. Responsibility

19.1 This Valuation Report is for the use only of the following parties:

(a) The addressees of this Report;

and may be relied upon by each of them in connection with the Offer and the admission of Talaat Mostafa Group of Companies to trading on Cairo and Alexandria Stock Exchange, and for no other purpose.

19.2 Neither the whole nor any part of this Valuation Report nor any reference thereto may be included in any other published document, circular or statement, nor published in any way without our written approval of the form and context in which it is to appear.

Yours faithfully	Yours faithfully
GRAHAM HUGHES MRICS	**IAIN S RITCHIE BLE (Hons) MRICS**
Senior Director	**Senior Surveyor**
Valuation Advisory	**Valuation Advisory – Middle East**
For and on behalf of CB Richard Ellis Limited	**For and on behalf of CB Richard Ellis Limited**

CBRE
CB RICHARD ELLIS

PROPERTY **Al Rabwa, 6th October City, Cairo, Egypt**

LOCATION

Al Rabwa is located within Al Sheikh Zayyed district to the west of Cairo, 4 km from 6th October City. It is 140m above sea level, and therefore benefits from a cleaner climate than the city. It is around 15 minutes drive from Lebanon Square.

DEVELOPMENT DESCRIPTION

Rabwa I has now completed and is fully sold. A total of 649 villas have been constructed along with a shopping centre and cinema, a 9 hole golf club and sports/leisure pavilion.

Rabwa II comprises a total site area of 819,028 sq m. At present, the site is bare land and infrastructure for the planned development has commenced although is at an early stage.

It is planned that 344 villas shall be constructed each being of two levels with an average built up area of 348 sq m. The development phases are detailed below:

2006/2007

Description	No of Units	Total BUA (sq m)
Villas	172	59,856

2007/2008

Description	No of Units	Total BUA (sq m)
Villas	84	29,232

2008/2009

Description	No of Units	Total BUA (sq m)
Villas	84	29,232

It is anticipated that the shopping mall (already constructed) will be leased over 3 years prior to sale in 2010.

At the centre of the development, a 9-hole golf course will be constructed to connect onto the existing 9-hole course developed as part of Rabwa I.

DEVELOPMENT TIMEFRAME 5 years from January 2007

MARKET VALUE (EGP) EGP 282,193,389

CBRE
CB RICHARD ELLIS

PROPERTY	**Al Rehab City (I), New Cairo, Egypt**
LOCATION	Rehab City is one of the most popular Cairo suburbs. It is an extension to New Cairo city on the Cairo-Suez arterial road to the east of Cairo City. Heliopolis and Cairo City are around 30 and 45 minutes away respectively. The site is in close proximity to Cairo International Airport and access to Cairo's planned new second ring road will be available nearby.
DEVELOPMENT DESCRIPTION	Al Rehab City (I) comprises a settlement of residential, educational, health, commercial, recreational, mosque and maintenance facilities, the majority of which have been developed and sold. The following have still to be developed: • City Walk, a local shopping centre extending to 24,225 sq m • Residential lands extending to a total of 900,000 sq m (9,687,510 sq ft). The net sellable area is 720,697 sq m (7,750,000 sq ft) and will be sold as 2,000 sq m individual plots. In addition, the following are retained for investment purposes: • British School leased at EGP 2,640,000 per annum • Shopping Mall, completed in 2001 with total rent roll of EGP 701,877 • Vacant shopping mall, completed March 2007, extending to 4,758 sq m
DEVELOPMENT TIMEFRAME	4 years to completion
MARKET VALUE (EGP)	Investment Appraisal (Shopping Mall 1 & 2 and School): EGP 64,693,000 Development Valuation (Phase 6 & and City Walk): EGP 1,018,876,328

PROPERTY **Al Rehab City (II), New Cairo, Egypt**

LOCATION

Rehab City is one of the most popular Cairo suburbs. It is an extension to New Cairo city on the Cairo-Suez arterial road to the east of Cairo City. Heliopolis and Cairo City are around 30 and 45 minutes away respectively. The site is in close proximity to Cairo International Airport and access to Cairo's planned new second ring road will be available nearby.

DEVELOPMENT DESCRIPTION

Rehab City is divided into two suburbs, Rehab I and Rehab II. Each section comprises residential, educational, health, commercial, recreational, mosque and maintenance facilities distributed around the various communities.

The residential buildings ion Rehab II will be grouped in clusters and consist of different models and ranges in size with a maximum of five floors, each with parking areas for the residents. The villas also vary in size.

The total Rehab City Phase II site extends to 3,760,000 sq m (4,124,716 sq ft). Below is a summary of the accommodation that it is planned to be developed. Sales commence a year prior to construction i.e in 2006 for phase 1.

Description	No. of units	Total BUA(sq m)
Villas	602	147,495
Apartments	17823	2,249,563
Technical	545	24,465
Admin	556	30,608
Mosque	3	15,000
Schools	3	60,000
Shopping Mall	1	27,000
Club House	1	10,000

Source: Talaat Mostafa Group

DEVELOPMENT TIMEFRAME 14 years to completion from July 2006

MARKET VALUE (EGP) EGP 2,551,389,923

CBRE
CB RICHARD ELLIS

PROPERTY	**Four Seasons, San Stefano, Alexandria, Egypt**
LOCATION	Alexandria, population of 3,700,000 (UN 2003 population statistics), is the second-largest city in Egypt, and its largest seaport. Alexandria extends about 32 km (20 miles) along the coast of the Mediterranean sea in north-central Egypt. It is home to the Bibliotheca Alexandrina, the New Library of Alexandria and is an important industrial centre due to its natural gas and oil pipelines from Suez. San Stefano is built on an area of 30,000 sq m, with a 170 metre frontage alongside the beach of which 45 metres faces the Corniche. Around 14 metres of Hammam El Sayyedat Street stretches along its eastern periphery. Casino Street bisects the west, and 45 meters of Abdel Salam Aref Street borders the south.
DESCRIPTION	San Stefano is a complex including a Four Seasons hotel, apartments, offices, shopping mall and a marina within Alexandria. It is one of the tallest buildings in the city at 35 storeys high. When competed, the Hotel will have 127 rooms and will benefit from views overlooking the Mediterranean sea. Also included will be a ballroom, swimming pool, health club, gym and beauty salon. As part of the Scheme, San Stefano Mall will cover 43,000 sq m over four floors accommodating 180 retail units. The mall will also include valet parking that can accommodate 2,200 cars. The Marina will include 750 meters of beach dedicated to sports and leisure. A daytime restaurant and Casino will be included as part of the project. There will also be private residences ranging from 131 sq m to 1,271 sq m the majority of which will benefit from sea views. The units will be of a modern design and, for a premium, buyers can include contemporary furniture. The complex will also include offices and conference suites with a total area of approximately 10,000 sq m
DEVELOPMENT TIMEFRAME	Due for final completion 2012
MARKET VALUE	EGP 1,654,995,163

PROPERTY	**Four Seasons, Sharm El Sheikh, Egypt**

LOCATION

Sharm el-Sheikh is the administrative hub of Egypt's Southern Sinai province which includes the smaller coastal towns of Dahab and Nuweiba as well as the mountainous interior, Saint Catherine's Monastery and Mount Sinai.

The property is located approximately 15 minutes from Na'ama where the first hotel opened in the early 1980's. The development of this area is now complete and the attractive seafront benefits from a paved walkway around Na'ama Bay. It is here where most of the shops, bars and restaurants are situated.

DESCRIPTION

The property comprises a hotel and chalets and will soon include a golf course and villas.

The hotel has 200 rooms that include 27 suites and as well 64 family bedroom suites. The rooms have been designed in Colonial and Mediterranean styles. There are a number of room categories available as follows:

- Superior Garden View Room
- Deluxe Sea View Room
- Premier Sea Front room
- Standard One-Bedrooms Suites
- Family Suites

The subject has five restaurants. The primary restaurant, the Arabesque, offers indoor and al fresco dining in the main building. The décor is Mediterranean/Middle Eastern, and the restaurant seats 90 indoors and 92 outdoors in partially covered seating. There are also four other restaurants and two lounge bars, which serve drinks, cocktails and light snacks.

The standard facilities offered at Four Seasons Sharm El Sheikh include, child care service, bar, Valet Service and 24 hour room service. Additional services including SPA (Daniela Steiner), steam room, sauna and swimming pool.

MARKET VALUE

EGP 824,819,856

MANAGEMENT FEE

A management fee is payable to Four Seasons at 2.80% of total revenue along with an incentive fee based on a share of incremental income.

CB RICHARD ELLIS

PROPERTY	**Four Seasons, Nile Plaza, Cairo, Egypt**

LOCATION

Situated directly adjacent to the River Nile at its widest point, the hotel offers views of Cairo's 12th century citadel and is surrounded by the Belle Époque and Art Deco mansions of the diplomatic enclave. The Hotel is approximately 45 minutes from Cairo International Airport.

DESCRIPTION

The property comprises a hotel, apartments and boutique shops. There are a total of 366 rooms, including 77 suites. The rooms are all modern in design. The various categories which are available are as follows:

- Standard Rooms
- Superior & Deluxe Rooms
- Nile View Rooms
- Premier and Conservatory Rooms
- Executive suites (and other suites)

All of the guestrooms come with cable TV, telephone (idd), compact disc player, ironing board and tea/coffee facilities.

The standard facilities offered include child care service, bar, Valet Service and 24 hour room service. Additional facilities include SPA (Daniela Steiner), steam room, sauna, whirlpool and swimming pool.

MARKET VALUE

EGP 2,220,023,208

MANAGEMENT FEE

A management fee is payable to Four Seasons at 2.80% of total revenue along with an incentive fee based on a share of incremental income.

PROPERTY **Madinaty, New Cairo, Egypt**

LOCATION

Madinaty is an extension to New Cairo city on the Cairo-Suez arterial road to the east of Cairo City. The boundary of the site begins around 2km before Shrouk City and ends 10km after. Heliopolis and Cairo City are around 30 and 45 minutes away respectively. The site is in close proximity to Cairo International Airport and access to Cairo's planned new second ring road will be available nearby.

DEVELOPMENT DESCRIPTION

The total Madinaty site extends to 33,600,000 sq m. The philosophy of the development is to create a new city of international standards providing superior living for its residents.

The development, over 8 phases will comprise the following:

Phase 1

Description	Land area (sq m)	Total BUA (sq m)
VGI Villas	1,939,560	390,522
VGII Villas	2,936,640	548,836
A1 Apartments	567,000	569,540
A2 Apartments	531,300	531,804
A6 Apartments	861,000	886,938
District Center x 2	44,100	7,938
Social/Sports Club	420,000	40,000
Central Park	147,000	4,410
Mosque	12,600	2,268
School x 2	84,000	45,360
Mall 1 West 1	126,000	32,130
British School	63,000	17,010
Boarding School	63,000	17,010
Medical Center P1	63,000	34,020
Golf Club House	12,600	3,000

Phase 2

Description	Land area (sq m)	Total BUA (sq m)
V IV Villas	2,050,944	553,755
A3 Apartments	529,200	571,536
District Center	21,000	3,780
School	84,000	45,360
Mall 1 West 2	126,000	32,130
Sector Center	100,800	36,288
Golf Retail Village	189,000	68,040
Medical Center P2	63,000	34,020

CBRE
CB RICHARD ELLIS

Phase 3

Description	Land area (sq m)	Total BUA (sq m)
VG111 Villas	2,684,136	528,439
A4 Apartments	932,400	1,006,992
A5 Apartments	609,000	657,720
District Center	42,000	7,560
School	84,000	45,360
Int'l School	126,000	34,020
Golf Club	168,000	16,800
Central Park	382,000	11,466
Hotels	126,000	45,360
Exhibition Center	294,000	52,920
Conf Center	302,000	54,432
Office Park	189,000	102,060

Phase 4

Description	Land area (sq m)	Total BUA (sq m)
City Center	869,400	938,952
Mega Mall	147,000	52,920
Spine Mixed Use	483,000	347,760
University P1	117,600	84,760
House Plots	375,000	

Phase 5

Description	Land area (sq m)	Total BUA (sq m)
A9 Apartments	483,000	521,640
A10 Apartments	676,200	730,296
District Center	42,000	7,560
Social/Sports Club	390,810	39,081
School x 2	84,000	45,360
University P2	117,600	84,672
Int'l School	126,000	34,020
Technology Park	323,400	174,636
Central Park	365,400	10,962

Phase 6

Description	Land area (sq m)	Total BUA (sq m)
VG 111 Villas	3,831,870	754,399
A9 Apartments	924,000	997,920
District Center	42,000	7,560
School	42,000	22,680
University P3	117,600	84,672
Hotels x 2	210,000	75,600

Phase 7

Description	Land area (sq m)	Total BUA (sq m)
Z All Apartments	1,512,000	1,632,960
District Center	25,200	4,536
School	42,000	22,680
Int'l School	126,000	34,020
Sector Center	100,800	18,144
University P4	117,600	84,672

Phase 8

Description	Land area (sq m)	Total BUA (sq m)
Z A7 Apartments	1,096,200	1,183,896
Z A12 Apartments	882,000	952,560
District Center	42,000	7,560
School	84,000	45,360
Central Park	336,000	10,080
Sector Center	100,800	18,144

In addition, a total of 1,500,000 sq m of land will be sold as 3,000 individual housing plots and 1,268,640 sq m of land will be allocated for "mega projects".

DEVELOPMENT TIMEFRAME

20 years from July 2006, comprising 8 interconnecting phases each of three years.

MARKET VALUE (EGP)

EGP 10,778,099,043

CBRE
CB RICHARD ELLIS

PROPERTY	**Marsa Alam Land , Puerto Venice**
LOCATION	Marsa Alam is situated on the west coast of the Red Sea near the Tropic of Cancer where the Arabian Desert meets the Red Sea. The land is situated approximately 5km north of Marsa Alam Airport in close proximity to the Port Ghalib Resort which is currently under development with investment and master planning being provided by the Kuwaiti based Kharafi Group.
DESCRIPTION	The site is split into two tranches with the coast road bisecting the plots. Area 1, which benefits from approximately 2.5km of frontage to the Red Sea, totals 1,807,006 sq m (19,450,431 sq ft). To the north the boundary is 947.59 m (1,112 ft) in length. To the west, running along the coast road, is a boundary which is 2,436.98 sq m (7,798 ft) and to the south the boundary to the adjacent site is 501.69 m (1,605 ft). Area 2 which lies to the west of the coast road mirrors Area 1 in terms of length but is slightly smaller in size. The total area of the site is 1,349,279 sq m (14,523,504 sq ft) while its boundary to the North is 680.01 m (2,179 ft) and to the south is 500m (1,600 ft). The site is currently undeveloped.
MARKET VALUE (EGP)	EGP 138,098,199

CB RICHARD ELLIS

PROPERTY	**MayFair, New Cairo, Egypt**
LOCATION	MayFair City is one of Cairo's suburbs. It is an extension to New Cairo City on the Cairo-Suez arterial road to the east of Cairo City. Heliopolis and Cairo City are around 30 and 45 minutes away respectively. The site is in close proximity to Cairo International Airport and access to Cairo's planned new second ring road will be available nearby.
DESCRIPTION	MayFair City was completed in 2005 and comprises villas, a retail centre, school and sports club. The whole development has been sold with the exceptions of the school and the retail outlets which are to be leased. There are 20 retail units, extending to a total of 2,075 sq m each ranging in size from 17 sq m to 287 sq m. The Estimated Retail Values (ERV's) range from EGP 720 to EGP 840 per sq m per annum. The school is presently vacant and requires refurbishment estimated at EGP 1,900,000. The ERV is EGP 2,430,000 per annum.
MARKET VALUE (EGP)	EGP 20,058,000

CB RICHARD ELLIS

PROPERTY	**Nile Hotel, Cairo, Egypt**
LOCATION	The Nile Hotel will be situated in the Garden City district of Central Cairo on the banks of the Nile River, 30 minutes from Cairo Airport. The site is in close proximity to major museums and cultural attractions.
DESCRIPTION	The Nile Hotel will have a total of 221 rooms including Executive Club Rooms, Junior Suites, Executive Suites and a Presidential Suite. The hotel will benefit from modern amenities including an outdoor pool and a fully equipped health spa with massage, steam rooms, sauna and beauty treatments. Dining options will include an all day restaurant as well as a speciality Italian restaurant. Snacks and drinks will also be available from the lobby bar, pool bar and tea lounge. For the business traveller, there will be 4 meeting rooms catering for groups of 10 to 40 delegates as well as a business centre and a dedicated bar, restaurant and lounge for Executive Club guests. The hotel is scheduled to open in 2008.
MARKET VALUE	EGP 297,751,386
MANAGEMENT FEE	The newly developed hotel is expected to be managed by a local management company. The management fees are assumed (international standards benchmark) to represent 2.8% of total revenue. The Inventive fee is estimated to be equal to 4.8% of Income after fixed charges.

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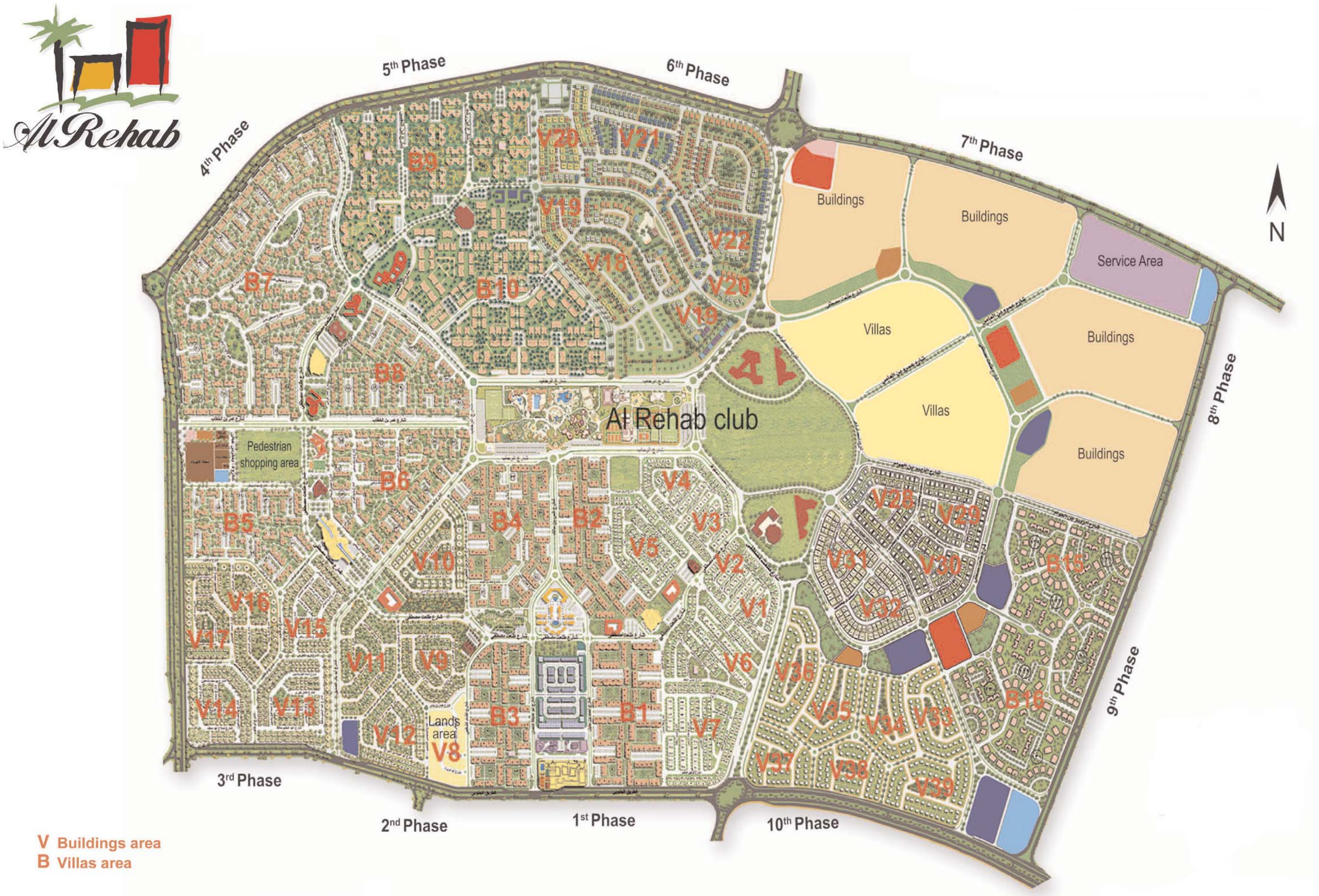

Central Park & Club	Project's Management	Services Area	Fully Integrated Schools	Shopping Centres		Buildings Area
District Gardens	Infrastructure Services	Fuel Station	Language Schools	District Commercial Centres		Villas Area
		Hospital	Religion Services	Open Food Court		Lands Area

Al Rehab Master Plan

TMG Holding