

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

**ARAB CHARTERED ACCOUNTANTS
(RSM INTERNATIONAL)**

**TALAAT MOSTAFA GROUP HOLDING COMPANY
"TMG HOLDING"**

(S.A.E)

**CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD FROM 1 JANUARY 2010 TO 31 MARCH 2010
TOGETHER WITH REVIEW REPORT**

Translation of Auditors' Report
originally issued in Arabic

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

Introduction

We have performed a review of the accompanying consolidated financial statements of **Talaat Mostafa Group Holding Company "TMG Holding" (S.A.E)** represented in the financial position as of 31 March 2010 and the related consolidated statements of income, changes in shareholders' equity and cash flows for the Period from 1 January 2010 to 31 March 2010. These financial statements are the responsibility of the Company's management. Our responsibility is to issue a report on these financial statements based on our review.

Scope of Review

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

Conclusion

Based on our review of the consolidated financial statements of **Talaat Mostafa Group Holding Company "TMG Holding" (S.A.E)** as of 31 March 2010, we did not note any material adjustments that should be made to the consolidated financial statements to conform to the Egyptian Accounting Standards.

Cairo: 11 May 2010

Auditors



Emad H. Ragheb
FESAA-FEST
(RAA. 3678)
(EFSA 42)



Magdy Hashish
Magdy Hashish & Co
(RAA. 1626)
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Talaat Mostafa Group Holding Company "TMG Holding" S.A.E

CONSOLIDATED BALANCE SHEET

As of 31 March 2010

	Notes	2010 LE	2009 LE
Non-Current Assets			
Property and Equipment	(4)	3,713,418,557	3,729,384,866
Projects Under Constructions	(5)	621,352,354	582,350,774
Goodwill	(6)	15,135,241,851	15,135,241,851
Available for Sale Investments	(7)	50,787,930	50,627,930
Investments in Associates	(8)	2,120,000	2,120,000
Bonds Held to Maturity	(10)	335,930,169	335,643,104
Total Non-Current Assets		19,858,850,861	19,835,368,525
Current Assets			
Work in Progress	(13)	11,824,662,423	11,718,189,283
Inventory	(14)	27,419,503	28,613,092
Accounts and Notes Receivable	(12)	17,136,446,467	17,061,160,470
Prepayments and Other Debit Balances	(15)	3,214,222,241	3,073,022,407
Available for Sale Investments	(7)	7,601,335	7,601,335
Investment Debtors	(9)	1,314,170,706	1,304,980,161
Financial assets at fair value through profit and loss	(11)	449,197,642	461,101,260
Cash on Hand and at Banks	(16)	388,178,542	398,783,476
Total current assets		34,361,898,859	34,053,451,484
Current Liabilities			
Provisions	(27)	786,805	555,590
Banks Overdraft	(16)	41,454,037	48,644,960
Creditors and Notes Payable	(17)	1,126,709,436	604,004,564
Current Portion of Loans and Facilities	(25)	646,705,797	752,207,123
Current Portion of Long Term Liabilities		32,725,516	65,451,032
Customers Advance Payment	(18)	19,728,706,006	20,446,576,316
Dividends Creditors		26,349,341	1,890,973
Accrued Expense and Other Credit Balances	(19)	1,805,939,606	1,702,120,027
Total Current Liabilities		23,409,376,544	23,621,450,585
WORKING CAPITAL		10,952,522,315	10,432,000,899
TOTAL INVESTMENTS		30,811,373,176	30,267,369,424
Financed as follows:			
Owner's Equity			
Authorized Capital	(20)	30,000,000,000	30,000,000,000
Issued and Paid up Capital	(20)	20,302,035,500	20,302,035,500
Legal Reserves	(21)	164,999,734	162,740,218
General Reserves	(22)	25,747,613	25,747,613
Net unrealized gains (losses) on available for sale	(23)	(440,000)	(600,000)
Treasury Stocks	(24)	(133,977,325)	(133,977,325)
Retained earning		2,785,894,319	1,682,046,129
Net profit for the year / period		324,076,894	1,106,174,370
TOTAL MOTHER COMPANY SHAREHOLDERS EQUITY		23,468,336,735	23,144,166,505
Minority Interest		1,704,270,875	1,684,636,138
TOTAL SHAREHOLDERS' EQUITY		25,172,607,610	24,828,802,643
Non-Current Liabilities			
Loans and Facilities – long term	(25)	1,441,057,810	1,240,163,530
Long Term Liabilities	(26)	4,177,619,742	4,177,619,742
Deferred Tax Liability		20,088,014	20,783,509
Total Non-Current Liabilities		5,638,765,566	5,438,566,781
Total Shareholders' Equity and Long Term liabilities		30,811,373,176	30,267,369,424

Chairman

Tarek Talaat Mostafa

Financial Director

Ghaleb Ahmed Fayed

Auditors

Emad H. Ragheb

Magdy Hashish

-The attached notes 1 to 38 are an integral part of these consolidated financial statements.
- Review report attached

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

CONSOLIDATED INCOME STATEMENT

For the period from 1 January 2010 to 31 March 2010

	Notes	From 1/1/2010 to 31/03/2010 LE	From 1/1/2009 to 31/03/2009 LE
Revenue	(29)	1,606,637,269	1,548,431,683
Cost of Revenue	(29)	(1,144,037,628)	(1,079,526,734)
GROSS PROFIT		462,599,641	468,904,949
General and Administrative Expenses, Marketing and Sales Expenses		(54,109,947)	(74,626,443)
Depreciation and Amortization		(23,107,868)	(24,407,643)
Provisions		(231,214)	-
Operating Profit		385,150,612	369,870,863
Credit Interest		8,990,384	21,200,246
Interest on Bonds		7,529,105	6,510,322
Income from Treasury Bills		751,607	2,419,184
Dividend Income	(31)	317,191	4,207,182
Revenue (Loss) on sale of financial investments	(30)	45,883	2,018,118
Revenue (Loss) of revalue financial assets at fair value through profit and loss	(11)	9,791,931	1,807,798
Board of Directors Allowances		(279,950)	(177,850)
Other Income	(32)	9,552,900	10,193,111
Capital Gain		457,205	296,033
Foreign Exchange Gain		(452,128)	3,683,989
PROFIT FOR THE YEAR BEFORE TAX		421,854,740	422,028,996
Income Tax	(28)	(77,390,047)	(78,334,100)
Deferred Tax Expense		693,428	(2,031,145)
PROFIT FOR THE YEAR AFTER TAX		345,158,121	341,663,751
Minority Interest		(21,081,227)	(27,649,052)
PROFIT FOR THE YEAR (MOTHER COMPANY SHAREHOLDERS)		324,076,894	314,014,699
Earnings Per Share	(33)	0.16	0.156

Chairman

Tarek Talaat Mostafa

 Financial Director
Ghaleb Ahmed Fayed

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the period from 1 January 2010 to 31 March 2010

	Issued and Paid up Capital LE	Legal Reserves LE	General Reserves LE	Net unrealized (losses) gains on available for sale		Treasury Stocks LE	Retained Earning LE	Net Profit for the period LE	Total LE	Minority Interest LE	Total LE
				LE	LE						
Balance at 1 January 2010	20,302,035,500	162,740,218	25,747,613	(600,000)	(133,977,325)		1,682,046,129	1,106,174,370	23,144,166,505	1,684,636,138	24,828,802,643
Transfer to retained earning	-	-	-	-	-	-	1,106,174,370	(1,106,174,370)	-	-	-
profit for the period	-	-	-	-	-	-	-	324,076,894	324,076,894	21,081,227	345,158,121
Reconciliation on retained earning	-	-	-	-	-	-	(66,664)	-	(66,664)	-	(66,664)
Reconciliation on minority interest	-	-	-	-	-	-	-	-	-	(1,446,490)	(1,446,490)
Legal Reserve	-	2,259,516	-	-	-	-	(2,259,516)	-	-	-	-
Net unrealized gains (losses) on available for sale	-	-	-	160,000	-	-	-	-	160,000	-	160,000
Balance at 31 March 2010	20,302,035,500	164,999,734	25,747,613	(440,000)	(133,977,325)		2,785,894,319	324,076,894	23,468,336,735	1,704,270,875	25,172,607,610
Balance at 1 January 2009	20,296,035,500	158,119,298	25,747,613	-	(169,899,138)		(1,638,479,702)	-	21,954,482,975	1,994,171,695	23,948,654,670
profit for the period	-	-	-	-	-	-	-	314,014,699	314,014,699	-	314,014,699
Reconciliation on retained earning	-	-	-	-	-	-	-	-	65,548,551	(45,695,590)	19,852,961
Legal Reserve	-	-	-	-	-	-	-	-	-	27,649,052	27,649,052
Minority Interest	-	-	-	-	-	-	-	-	-	1,976,125,157	1,976,125,157
Balance at 31 March 2009	20,302,035,500	158,119,298	25,747,613	-	(169,899,138)		(1,638,479,702)	314,014,699	22,334,046,225	1,976,125,157	24,310,171,382

- The attached notes 1 to 38 are an integral part of these consolidated financial statements,

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

CONSOLIDATED CASH FLOW STATEMENT

For the period from 1 January 2010 to 31 March 2010

	Note s	From 1/1/2010 to 31/03/2010 LE	From 1/1/2009 to 31/03/2009 LE
CASH FLOWS FROM OPERATING ACTIVITIES			
profit for the period before tax and minority interest		421,854,739	422,028,996
Depreciation & Amortization		24,436,155	24,407,643
Revenue from bonds amortization	(10)	(287,064)	-
Provisions		231,215	10,015,426
Revenue (Loss) of revalue financial assets at fair value through profit and loss	(11)	(9,791,931)	(1,807,798)
Credit Interests, bonds and treasury bills revenue		(17,271,096)	(30,129,752)
Reconciliation on retained earning and Minority Interest		(1,513,155)	19,852,961
Capital (Gain)		(457,205)	(296,034)
Foreign Exchange (Gain)		452,128	(3,683,989)
Operating profit before changes in working capital		417,653,787	440,387,454
Change in work in progress		(106,473,140)	(277,086,513)
Change in inventory		(134,698)	1,659,136
Change in Accounts and Notes Receivables		(75,285,997)	(204,796,007)
Change in Prepayments and Other Debit Balances		(133,575,265)	(623,946,660)
Change in Creditors and Notes Payable		522,704,872	275,511,263
Change in current portion of long term liabilities		(32,725,516)	4,970,035
Change in current portion of long term Loans and Facilities		(105,501,326)	113,120,657
Change in Customers Advance Payment		(717,870,310)	(60,902,337)
Change in long term liabilities		(2,067)	(298,591,737)
Change in Dividends Creditors		24,458,368	74,208,238
Change in financial assets at fair value through profit and loss		21,695,550	(19,658,181)
Change in Other Credit Balances		26,429,533	(119,752,192)
Net Cash flows (used in) Operating Activities		(158,626,211)	(694,876,844)
CASH FLOWS FROM INVESTING ACTIVITIES			
(Payment) on Purchasing of Property and Equipment and Projects Under Construction		(46,159,241)	(28,674,946)
Gain from sale fixed assets		473,307	300,799
proceeds on Purchasing of Bonds Held to Maturity		-	125,885
(Payment) from Available for Sale Investments		-	(23,129,812)
proceeds from Investments in Associates		-	957,775
(Payment) in Investment Debtors		(9,190,545)	(11,362,020)
Net Cash flows (used in) Investing Activities		(54,876,479)	(61,782,320)
CASH FLOWS FROM FINANCING ACTIVITIES			
Collected Interest		9,646,527	21,648,836
proceeds from Loans and Facilities		200,894,280	24,168,640
Net Cash flows (used in) Results from Financing Activities		210,540,807	45,817,475
Foreign Exchange Impact		(452,128)	3,683,989
NET CASH AND CASH EQUIVALENTS DURING THE PERIOD		(3,414,011)	(707,157,700)
Cash and Cash Equivalents at the beginning of the period		350,138,516	1,314,100,620
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	(16)	346,724,505	606,942,920

The following accrued revenues and expenses are eliminated:

- Accrued Revenues amounted LE 7,624,569 from other debit balances
- Due amounts to tax authority amounted LE 77,390,047 from other credit balances

- The attached notes 1 to 38 are an integral part of these consolidated financial statements,

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2010

1 BACKGROUND

Talaat Mostafa Group Holding TMG Holding S.A.E, was established on 13 February 2007 under the provisions of law 95 of 1992 and its executive regulations and registered in Egypt under Commercial Registration numbered 187398 by date 3 April 2007,

The main objective of the Company is participating in the incorporation of shareholding companies or participating in the capital increase of those companies,

2 Basis of preparing the financial statements and the significant accounting policies

- The financial statements of the holding company and the subsidiaries have been prepared according to the Egyptian Accounting Standards and the prevailing laws and local regulations,
- The financial statements have been presented in Egyptian Pound,
- The financial statements are prepared under the historical cost convention modified to include the measurement at of the fair value of financial investment, and financial assets valued at the fair value through the profit and losses

3 Basis of consolidating the financial statements

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

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

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

Arab company for projects and urban development (S,A,E)	99.99%
Alexandria company for real estate investment (S,A,E)*	96.93%
San Stefano company for real estate investment (S,A,E)**	71.37%
Alexandria for urban projects Company (S,A,E)***	40%

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2010

Significant Accounting Policies (continue)

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

** The company acquires with an indirect way 28,63% of San Stefano Company for real estate investment through its subsidiary (Arab company for projects and urban development, Alexandria Company for real estate investment, Alexandria for urban projects Company).

*** Alexandria company for real estate investment acquires 60% of Alexandria for urban projects Company

Foreign currency translation

The group's records are maintained in Egyptian pound, Transactions in foreign currencies during the year are recorded using the exchange rates prevailing on the transaction date, At the balance sheet date, monetary assets and liabilities denominated in foreign currencies are translated to Egyptian pound using the exchange rates prevailing on that date, Translation differences are recorded in the statement of income,

Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and any impairment in value, Depreciation is calculated on a straight line basis over the estimated useful lives of the assets as follows:

	Years
Buildings & constructions	20 -80
Motor Vehicles	5
Tools & equipments	8
Furniture and other assets	8-10
Computers	3-8

Projects under construction are depreciated when it is ready for use in the place and the condition of operating, then to be reclassified to the fixed assets category,

Other subsequent expenditure is capitalised only when it increases future economic benefits of the related item of property, plant and equipment, all other expenditure is recognised in the consolidated income statement as the expense is incurred,

Reclassify the real estate investments

Real estate's that built for future use is recorded as real estate investments under fixed assets class till it is finished, and then re-measure its fair value, recognising any profit or loss in the consolidated income statement,

The real estate that transferred from real estate occupied by the company to real estate investments to be re-measured with the fair value and reclassified as real estate investments,

The profit results from the re-measurement to be recognised in the equity and any loss to be recognised in the consolidated income statement,

Project under construction:

Projects under construction represent the amounts that are paid for the purpose of constructing or purchasing fixed assets until it is ready to be used in the operation, upon which it is transferred to fixed assets, Projects under construction are valued at cost,

Investments**Investments in associates**

Investments in associates are accounted for using the Equity method except for when investment are classified as available for sale according to the Egyptian accounting standards No, 32 None current assets held for sale and discontinued operations, these associates companies are those companies which the company has a major influence and which are not subsidiaries or joint venture, Investments in associates are recorded in the Balance sheet with cost,

in addition to company share of any changes in the net assets of associates company after deducting any impairment losses, the company's consolidated income statement reflect its share in the result of associates companies,

These investment include company's share in the profit of subsidiaries according to their financial statements which ratified by their auditors and these investments are diluted by company share form the dividends declared according to investee's General Assembly Meeting decisions,

The losses or revenues results from the transactions between the company and its affiliates are eliminated in the range of the company's share in the affiliated companies,

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2010

Significant Accounting Policies (continue)**Available-for-sale investments**

Available-for-sale investments are recognised and derecognised, on a trade date basis, when the Company becomes, or ceases to be, a party to the contractual provisions of the instrument. They are included in non current assets unless management intends to dispose of the investments within 12 months of the balance sheet date.

Investments designated as available-for-sale investments are initially recorded at cost (except for non listed investments in the capital exchange market) and subsequently measured at fair value. Changes in fair value are reported as a separate component of equity. Upon elimination of investments, the previously reported as "cumulative changes in fair value" within equity is to be included in the consolidated income statement for the period, except for impairments loss, and for non listed investments is to be recorded at cost less impairment loss.

Financial Assets at Fair Value through profit or loss

Financial Assets at Fair Value through profit or loss includes financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Trade investments is acquired mainly for sale or repurchased in short periods.

Management designate the investments as financial assets at fair value through profit or loss according to the Egyptian accounting standard No. 25 requirements and those requirements do not apply to the noncurrent financial investments which its fair value cannot be reliably measured.

After the initial recognition, those investments to be measured at fair value and any defences to be recorded in the consolidated income statement.

Investments in Bonds held to maturity

Investments in Bonds held to maturity with fixed or determinable payments that are not quoted in an active market, are carried at adjusted cost which represent the nominal value plus the bond premium or discount and the premium / discount to be amortized by using the effective rate method, the amortization amount to be added to the bonds revenue in the consolidated income statement.

Intangible assets - Goodwill

Goodwill represents the increase of the acquisition cost of the shares of the subsidiaries companies with the company share in the fair value of the net assets of those companies at the date of acquisition. Goodwill results from purchase subsidiaries is recorded as noncurrent assets and the goodwill results from purchase investments in associates recorded as investments in associates, at the end of each financial year the goodwill is tested for impairments and to be displayed at cost after deducting the impairment loss if exist.

Work in progress

Properties acquired, constructed or in the course of construction for sale are classified as work in progress. Unsold properties are stated at the lower of cost or net sales value. Properties in the course of development for sale are stated at cost. The cost of development properties includes the cost of land and other related expenditure which are capitalized as and when activities that are necessary to get the properties ready for sale are in progress. Net sales value represents the estimated selling price less costs to be incurred in selling the property. The property is considered to be completed when all related activities, including the infrastructure and facilities for the entire project, have been completed.

Management reviews the cost of the work in progress on yearly basis.

Finished units

Finished units are stated at the lower of cost or net realizable value, the consolidated income statement includes any decreases in the net realized value to the book value.

Inventories

Inventories are stated at the lower of cost or net realizable value.

The inventory of hotels suppleness since the opening of the hotel and required for the operation to be measured in the fair value and the decrease of the fair value to be recorded in the consolidated income statements

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2010

Significant Accounting Policies (continue)**Accounts receivable, Debtors and notes receivable**

Accounts receivable are stated at original invoice amount, all those amounts are reviewed annually to decide whether there is an indicator for impairment possibility in the assets value,

Credit Balances and accruals

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not,

Separation of assets and liabilities to short-and long-term

Assets which worth collected during the year after the date of financial statements be included within current assets either the assets that collectible date exceed the year date of financial statements be included within long-term assets,

Related party transactions

Related party transactions performed by the Company within its normal business transactions are recorded based on the conditions set by the board of directors,

Employees Pension Plan

The company participates in the social insurance system in accordance to the social insurance laws no, 79 for the year 1975 and its amended and the company share in the social insurance cost to be charged to the consolidated income statement according to the accrual basis,

Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made, Provisions are reviewed at the balance sheet date and adjusted to reflect the current best estimate, Where the effect of the time value of money is material, the amount of a provision should be the present value of the expected expenditures required to settle the obligation,

Legal reserve

According to the Company's article of association, 5% of the net profits of the year is to be transferred to the legal reserve until this reserve reaches 50 % of the issued capital, The reserve is used upon a decision from the general assembly meeting based on the proposal of the board of directors,

Revenue recognition

The company uses full contract methods in recognize revenue for the all sold units, which required to capitalize the costs under work in progress account till the salable units are completed and delivered to the customer, then revenue is recognized and match it with the related operation cost,

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

Recording the operational cost

Delivery minutes with the customers of the sellable units to the customers and revenue recognized of those units are the bases to record the operational cost related to those units which includes:

The direct and indirect costs

The construction cost of the sellable units according to the payment certificates of the contractors and suppliers that approved by the technical department of the company is recoded in work in progress account and the costs to be distributed to the sold units according to the following basis:

- Unit share of the land cost and units share of the land cost which was distributed as the land area of each units to the total area of the units in the project,
- The unit share from the actual and estimated costs that distributed based on the contracts and invoices of each sector from units , villas and retails in each phase
- The units share from the indirect actual and estimated costs are distributed based on the direct cost of each sector in each phase

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2010

Significant Accounting Policies (continue)

Impairment of financial assets

The Company regularly assesses whether there is an indication that an asset could be impaired,

The impairment loss of a financial assets that was measured with the amortized cost is to be measured as the different between the amortized cost of the book value and the present value of the projected cash flow by using the effective rate

The impairment loss related to financial assets available for sale to be calculated by using the present fair value, The remaining financial assets are estimated according to the groups level that have the same credit risk characterises,

Impairment loss is recognized in the consolidated income statement any subsequent reversal of an impairment loss is recognized in profit and loss, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date,

If the available for sale asset is impaired, an amount comprising the difference between its cost and its fair value, less any impairment loss previously recognised in the consolidated income statement, is transferred from equity to consolidated income statement, Reversal in respect of equity instruments classified as available for sale are recognised directly in the equity

A previously recognized impairment loss is reversed when there is a change in the recoverable amount of the asset to the extent of the previously recognized loss,

Impairment of non-financial assets

The company assesses at each reporting date wither there is an indication that an asset may be impaired,

An asset's recoverable amount is higher of an asset's or cash – generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount, In assessing value in use, the estimated future cash flows are discounted to their present value using a pre –tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset, Impairment losses of continuing operations are recognised in the consolidated income statement in those expenses categories consistent with the function of impairment asset except for the property previously revaluated where the revaluation was taken to equity, In this case the impairment is also recognised in equity up to the amount of any previous revaluated,

Treasury stocks

The treasury shares (Company shares) are recorded with the cost and deducted from the owners' equity in the balance sheet, Any profit or loss proceeds of disposing these treasury stocks are being recorded within the owners' equity,

Accounting estimates

The preparation of financial statements in accordance with Egyptian Accounting Standards requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses during the financial years, Actual results could differ from these estimates,

Those estimates are reviewed on regularly basis and any differences in the estimates in the date of examining those estimates will affect only the period under examination and if those differences will affect the current period and the coming periods those differences to be recorded in the current and future periods,

Income tax

Income tax is calculated in accordance with the Egyptian tax law,

Deferred income tax is recognized using the liability method on temporary differences between the amount attributed to an asset or liability for tax purposes (tax base) and its carrying amount in the balance sheet (accounting base) using the applicable tax rate,

Deferred tax asset is recognized when it is probable that the asset can be utilized to reduce future taxable profits and the asset is reduced by the portion that will not create future benefit.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2010

Significant Accounting Policies (continue)

Cash flow statement

The cash flow statement is prepared using the indirect method, for the purpose of preparing the cash flow statements, the cash and cash equivalent include cash on hand, cash at bank, short term deposits, treasury bills with maturity date three months or less deducting the bank over draft – if any,

Borrowing

Borrowings are initially recognized at the value of the consideration received, Amounts maturing within one year are classified as current liabilities, unless the Company has the right to postpone the settlement for a period exceeding twelve months after the balance sheet date, then the loan balance should be classified as long term liabilities,

Borrowing costs

Borrowing costs are recorded in the statement of income as financing expenses except the borrowing costs directly related to the acquisition, construction or production of a qualifying assets which is included as part of the cost of the asset,

Expenses

All expenses including operating expenses, general and administrative expenses and other expenses are recognized and charged to the statement of income in the financial year in which these expenses were incurred,

Dividends

Dividends recognized as liability in the period in which the company General Assembly meeting decided to distribute profits,

Earnings per share

Basic earnings per share amounts are calculated by dividing net profit for the period attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the period,

Fair values

For investments traded in an active market, fair value is determined by reference to quoted market bid prices, The fair value of interest-bearing items is estimated based on discounted cash flows using interest rates for items with similar terms and risk characteristics, For unquoted equity investments, fair value is determined by reference to the market value of a similar investment or is based on the expected discounted cash flows,

Segment information

Segment is a major part of the group that produce products, services(Operational segment) or produce products, services in special economical environment (Geographical segment) and its profit and loss are deferent from the profit and loss of the other segments ,

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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4 PROPERTY AND EQUIPMENT-Net

Cost	Lands LE	Buildings & Constructions LE	Motor Vehicles LE	Tools & Equipments LE	Furniture & Fixtures LE	Marine Equipment LE	Computers LE	Total LE
At 1 January 2010	450,257,272	2,999,385,701	58,199,764	217,011,090	354,591,684	5,412,713	13,360,744	4,098,218,968
Additions	39,800	510,173	644,000	2,159,852	3,441,140	289,336	73,360	7,157,661
Disposals	-	-	(589,879)	-	(36,533)	-	-	(626,412)
At 31 March 2010	450,257,272	2,999,895,874	58,253,885	219,170,942	354,617,416	5,412,713	13,360,744	4,098,218,970
Accumulated depreciation								
At 1 January 2010	-	(145,470,407)	(35,831,926)	(79,563,821)	(99,798,086)	(2,382,691)	(5,786,832)	(368,833,763)
Depreciation charge for the period	-	(9,780,277)	(2,350,534)	(4,206,040)	(6,108,744)	(172,072)	(490,201)	(23,107,868)
Disposals	-	-	589,876	-	20,092	-	-	609,971
At 31 March 2010	-	(155,250,684)	(37,592,581)	(83,769,861)	(105,886,738)	(2,554,763)	(6,277,033)	(391,331,660)
Net carrying amount At								
31 March 2010	450,297,072	2,844,645,190	20,661,304	135,401,081	252,109,553	3,147,286	7,157,071	3,713,418,557
31 December 2009	450,257,272	2,853,914,949	22,367,842	137,431,165	254,809,705	3,030,022	7,573,911	3,729,384,866

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2010

5 - PROJECTS UNDER CONSTRUCTIONS

	2010	2009
	LE	LE
Computers and Software	13,106,978	12,915,709
Villa (Al Rehab – Madinaty- Sednawy)	60,312,206	60,288,378
Fixtures	170,198	2,664,623
Mayfair Club	24,104,113	24,104,113
Hotel Assets	27,402,425	25,877,343
Administration Office In Dubai	7,891,767	7,891,767
Luxor Project	34,976,154	27,863,827
Al Nile Hotel	453,388,513	420,745,014
	<u>621,352,354</u>	<u>582,350,774</u>

6- GOODWILL

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

*Arab company for hotels and tourism investments (a subsidiary of Alexandria Company for Real Estate Investment) acquired the minority interest presents 39.31% of 82192 shares of the total shares 209088 in Alexandria Saudi company for touristic projects with total purchase price LE 325,999,479 and results in a goodwill amounted LE 217,126,153 represents the increase in the purchase cost to the book value of the acquired interest.

Goodwill is tested on yearly basis to ensure if there is any decrease in its book value and the management of the group hasn't found any decrease.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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7- AVAILABLE FOR SALE INVESTMENTS

	2010 LE	2009 LE
Available for sale investment – short term		
Dune groasses overseas	26,496	26,496
Tansy finance	26,496	26,496
Rockland	26,496	26,496
Housing Insurance Company	4,950,000	4,950,000
Egyptian For Real Estate refinance Company	2,055,560	2,055,560
Free Zone Industry Area East Port Saied	16,287	16,287
Egyptian Company for Marketing and Distribution	500,000	500,000
	<u>7,601,335</u>	<u>7,601,335</u>
Available for sale investment – long term		
Housing Development Bank Securities	57,930	57,930
Alexandria for Tourism Projects	-	-
Credentials investment fund Horus	43,920,000	43,920,000
El Tameer for Real Estate Finance Company	6,650,000	6,650,000
	<u>50,627,930</u>	<u>50,627,930</u>
	<u>58,229,265</u>	<u>58,229,265</u>

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

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

8- INVESTMENTS IN ASSOCIATES

	share	2010 LE	2009 LE
Hill / TMG for Projects and Construction Management *	49%	1,470,000	1,470,000
Alexandria for Projects Management	32.5%	650,000	650,000
		<u>2,120,000</u>	<u>2,120,000</u>

* In 2008 the company contributed in Hill /TMG for constructions and projects management with amount of LE 1,220,000 and, the company was established and the company contribution percentage is 49% of the issued in 2009

9- INVESTMENT DEBTORS

	2010 LE	2009 LE
Morsi El Sadid for Real Estate and Tourism Investment Company	807,050,302	807,050,302
Areez Arab Limited Company	413,145,392	403,954,847
Thabat for Real Estate Improvement	93,975,012	93,975,012
	<u>1,314,170,706</u>	<u>1,304,980,161</u>

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

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10- BONDS HELD TO MATURITY

Bonds held to maturity in governmental bonds are amounted to LE 335,930,169 in 340909 bonds with nominal value LE 1000 per bond and maturity date is 2013 includes 100209 bonds with 8, 55% interest rate and 240700 bonds with 9, 05% interest rate, the interests are due semi annually, the balance of bonds discounting issue amounted to 5,265,895 at 31 March 2010 and it's amortization due to the maturity date of the interest

	2010 LE	2009 LE
Historical cost	340,909,000	340,909,000
bonds discounting issue	(5,265,895)	(6,459,889)
Amortized value	335,643,104	334,449,111
Amortization of discounting bonds	287,065	1,193,993
Balance of bonds	335,930,169	335,643,104

11- FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS

	2010 LE	2009 LE
Certificate of Deposit and Investment Funds *	396,963,275	225,898,018
Financial Portfolio Managed by both of Hermes for Assets Management and Arab African international bank *	52,221,188	61,019,399
Egyptian Cables Company	13,179	12,738
Treasury Bills	-	174,171,105
	449,197,642	461,101,260
Market value	31/3/2010 LE	31/3/2009 LE
Book value of marketable securities before revaluation	(439,378,021)	(159,168,703)
Market value	449,197,642	160,976,501
	9,819,621	1,807,798

* The portfolio in 31 March 2010 has several stocks for companies listed in Egyptian capital market

12- ACCOUNTS AND NOTES RECEIVABLE

	2010 LE	2009 LE
Accounts Receivables	171,296,292	210,115,463
Notes Receivables	16,965,150,175	16,851,045,007
	17,136,446,467	17,061,160,470

13-WORK IN PROGRESS

	2010 LE	2009 LE
Land	3,445,685,168	3,539,476,360
Consultations and Designs	457,418,308	332,049,032
Construction Work	5,378,919,303	5,693,045,761
Indirect Expenses	2,542,639,644	2,153,618,130
	11,824,662,423	11,718,189,283

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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14- INVENTORY-Net

	2010 LE	2009 LE
Hotels Operating Equipments & Supplies	27,058,695	32,987,635
Goods Stock	1,689,095	1,652,570
(Less) Amortized Hotel Inventory	(1,328,287)	(6,027,113)
	<u>27,419,503</u>	<u>28,613,092</u>

15 - PREPAID EXPENSES AND OTHER DEBIT BALANCES

	2010 LE	2009 LE
Advance Payment and Storage - Contractors and Accounts Payable	1,327,521,331	1,047,886,758
Contractors – Tashwinat	1,014,602,968	987,571,352
Hotels Current Accounts	145,512,898	119,120,504
Deposit with Others	2,748,916	2,741,961
Tax Authority	16,986,159	14,587,044
Other Debit Balances	128,890,410	70,520,468
Loans to Employees	368,929	397,799
Received from Abroad	6,915,556	6,304,616
Accrued Revenue	5,140,036	4,534,914
Checks Transfer	12,159,483	
Other Debtors	93,884,683	81,327,941
Prepaid expenses	-	290,085
Amounts paid for investments in companies under incorporation	459,490,873	737,738,965
	<u>3,214,222,241</u>	<u>3,073,022,407</u>

16 - CASH AND CASH EQUIVALENTS

	Local Currency LE	Foreign Currency LE	Total 2010 LE	Total 2009 LE
*Time Deposits	139,155,648	24,330,218	163,485,866	267,817,634
Banks Current Accounts	47,182,807	1,217,268	48,400,075	38,305,128
Cash on Hand	18,516,399	-	18,516,399	11,197,513
**Treasury Bills	156,485,197	-	156,485,197	81,463,201
***Cheques Under Collection	1,291,005	-	1,291,005	-
	<u>362,631,056</u>	<u>25,547,486</u>	<u>388,178,542</u>	<u>398,783,476</u>

*Time deposits due within three months

**Treasury Bills due within three months

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

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

	31/3/2010 LE	31/3/2009 LE
Cash on Hand and at Banks	388,178,542	676,882,831
Banks Overdraft	(41,454,037)	(69,939,911)
Cash and Cash Equivalents	<u>346,724,505</u>	<u>606,942,920</u>

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2010

17- CREDITORS AND NOTES PAYABLE

	2010	2009
	LE	LE
Contractors and suppliers	180,263,555	213,627,271
Notes Payables	946,445,881	390,377,293
	<u>1,126,709,436</u>	<u>604,004,564</u>

18- CUSTOMERS ADVANCE PAYMENT

	2010	2009
	LE	LE
Customers down payment (Al Rehab Project)	893,981,651	863,028,395
Customers down payment (Al Rehab 2 Project)	3,390,252,699	3,446,585,759
Customers down payment (Madinaty Project)	14,903,181,655	15,627,673,370
Customers down payment (Al Rabwa Project)	348,118,759	315,373,255
Customers down payment (San Stefano Project)	193,171,242	193,915,537
	<u>19,728,706,006</u>	<u>20,446,576,316</u>

19- ACCRUED EXPENSES AND OTHER CREDIT BALANCES

	2010	2009
	LE	LE
Retention	458,238,765	435,808,669
Tax Authority	228,498,213	148,807,083
Other Credit Balances	72,585,101	64,185,517
Accrued Expenses and Creditors	278,806,667	313,892,814
Insurance for Other	108,335,890	109,721,704
Other Creditors	1,629,355	1,600,307
Due to Customers	7,799,244	12,701,883
Creditors Barriers	6,822,441	7,352,760
Accrued Wages and Expenses	2,038,015	-
Contribution to the establishment - renew the club	5,674,135	5,674,135
Club Subscriptions	371,867,065	361,403,395
Units Insurance	263,644,715	240,971,760
	<u>1,805,939,606</u>	<u>1,702,120,027</u>

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2010

20 – CAPITAL

The company's authorized capital amounted to LE 50,000,000 and the issued capital amounted to LE 6,000,000 divided over 600000 share of LE 10 par value each,

According to the Extra Ordinary General Assembly Meeting dated 6 October 2007, the company's authorized capital was amended to be LE 30,000,000,000 and the issued and paid up capital was amended to be LE 18,152,035,500 divided over 1815203550 share of LE 10 par value each through share swap with the subsidiaries companies,

According to the Extra Ordinary General Assembly Meeting dated 28 October 2007, the company's issued and paid up capital was increased to be LE 20,302,035,500 divided over 2030203550 shares,

The increase was paid and amounted to LE 2,150,000,000 and the premium share amounted to LE 1,6 per share by total amount LE 344,000,000.

21 – Legal Reserves

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

22- GENERAL RESERVES

According to the Extra Ordinary General Assembly Meeting dated 6 October 2007, the different results from shares swap of the company with the subsidiaries which amounted to LE 25,747,613 were transferred to the general reserve,

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

The revaluation of available for sale investments resulted to unrealized (losses) amounted to 440,000 LE which represented in the variation between the foreign exchange impact and the cost of the available for sale investments at the statement date.

24- TREASURY STOCKS

In accordance to the extra ordinary General Assembly resolution dated 28 October 2007, the company purchased during the month of February the number of 2,919,000 stocks of its stocks at amount of LE 36,188,826, to be used in the incentives system of employees.

According to the company's Board resolution dated 12 August 2008, the company purchased during the month of August and September the number of 20,460,016 stocks of its stocks at amount of LE 133,732,729, to be used for reselling, in the incentives system of employees or deducting the issued capital.

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

25- LOANS AND FACILITIES

	Short Term LE	Long Term LE	2010 LE	2009 LE
Banks Facilities	374,527,797	-	374,527,797	442,212,208
Loans *	272,178,000	1,441,057,810	1,713,235,810	1,550,158,445
	<u>646,705,797</u>	<u>1,441,057,810</u>	<u>2,087,763,607</u>	<u>1,992,370,653</u>

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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26- LONG TERM LIABILITIES

	2010 LE	2009 LE
New Urban Communities Authority*	4,177,619,742	4,177,619,742
	<u>4,177,619,742</u>	<u>4,177,619,742</u>

27- Provisions

The provision amounted LE 786,805 is created to face the general risks from the granted finance to the customers (Real Estate Finance) as a percentage 1% of the total finance given to the customer for the first portfolio related to El Rehab units.

28- INCOME TAX AND DEFERRED TAX LIABILITY

The income tax was calculated as follows:

	From 1 /1/ 2010 to 31/3/2010 LE	From 1 /1/ 2009 to 31/3/2009 LE
Net book profit before tax	413,860,572	422,028,996
Adjustments to the net book profit to reach the net tax profit	(26,910,341)	(30,358,496)
Net tax profit	<u>386,950,231</u>	<u>391,670,500</u>
Tax rate	20%	20%
Income tax	<u>77,390,047</u>	<u>78,334,100</u>

The balance of deferred tax liabilities in 31 March 2010 is LE 20,088,014 which represents the different between taxes depreciation and accounting depreciation to the fixed assets item and it's calculation as follow:

	2010 LE	2009 LE
Accounting depreciation for assets	12,851,734	50,770,249
Taxes depreciation	(9,374,259)	(94,348,493)
Taxes differs	<u>3,477,475</u>	<u>(43,578,244)</u>
Tax rate	20%	20%
Deferred tax liability – 31 March 2010	693,428	(8,715,649)
Adjustments	2,067	-
Deferred tax liability – 31 December 2009	<u>(20,783,509)</u>	<u>(12,067,860)</u>
Deferred tax liability – 31 March 2010	<u>(20,088,014)</u>	<u>(20,783,509)</u>

29- REVENUE AND COST OF REVENUE

	From 1 /1/ 2010 to 31/3/2010 LE	From 1 /1/ 2009 to 31/3/2009 LE
-Revenue from Sold Units	1,447,406,454	1,401,962,205
-Revenue from Hotels Operation	145,476,461	131,549,982
- Services Revenues	13,754,354	14,919,496
Total Revenues *	<u>1,606,637,269</u>	<u>1,548,431,683</u>
-Cost of Sold Units	1,058,320,948	1,007,603,368
-Cost of Hotels Operation	80,459,587	66,929,787
-Cost of Sold Services	5,257,093	4,993,579
Total Cost **	<u>1,144,037,628</u>	<u>1,079,526,734</u>

* The supervision revenue has been eliminated in amount LE 98,577,986

** The supervision cost has been eliminated in amount LE 88,465,506

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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and this is the analyses for all sectors to the consolidated TMG Holding according to the main projects

	Real Estate	Tourism	General	2010	2009
Revenue	1,461,160,808	145,476,461	-	1,606,637,269	4,822,123,471
Cost of good sold	1,063,578,041	80,459,587	-	1,144,037,628	3,280,476,169
Gross Profit	397,582,767	65,016,874	-	462,599,641	1,516,394,729
Depreciation	8,270,497	14,795,619	41,752	23,107,868	101,323,315
Credit Interest	-	-	8,990,384	8,990,384	37,900,444
Investments Revenue	-	-	18,463,407	18,463,407	79,173,573
Other Revenue	-	-	9,552,900	9,552,900	44,674,820
Income Tax	-	-	76,696,619	76,696,619	113,169,132
Profits	370,172,928	48,892,970	2,732,548	421,854,739	1,106,174,370
Total Profits	370,172,928	48,892,970	2,732,548	421,854,739	1,106,174,370
Assets	33,496,065,227	4,032,724,185	-	37,528,789,412	53,030,110,983
Financial Investment	-	-	845,637,067	845,637,076	857,093,630
Unallocated Assets	-	-	15,846,323,232	15,846,323,230	10,241,382
Total Assets	33,496,065,227	4,032,724,185	16,691,960,308	54,220,749,719	53,897,445,995
Liabilities	27,958,471,200	1,032,604,951	-	28,991,076,151	29,002,156,044
Unallocated Liabilities	-	-	57,065,959	57,065,959	66,487,309
Total Liabilities	27,958,471,200	1,032,64,951	57,065,959	29,048,142,110	29,068,643,353

30- REVENUE FROM SALE FINANCIAL INVESTMENTS

	From 1 /1/ 2010 to 31/3/2010 LE	From 1 /1/ 2009 to 31/3/2009 LE
Sale price of financial investments	113,739,041	300,063,042
Book value of sold financial investments	(113,693,158)	(298,044,924)
	<u>45,883</u>	<u>2,018,118</u>

31- Dividends from financial investment

	From 1 /1/ 2010 to 31/3/2010 LE	From 1 /1/ 2009 to 31/3/2009 LE
Dividends from Orascom Construction	130,036	-
Dividends from CIB	97,200	-
Dividends from Other Companies	89,955	4,207,182
	<u>317,191</u>	<u>4,207,182</u>

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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32- Other Revenue

	From 1 /1/ 2010 to 31/3/2010 LE	From 1 /1/ 2009 to 31/3/2009 LE
Net revenue from El Rehab Club operation	5,324,110	-
Rents from rental units and usufruct	1,658,475	-
Other	2,570,315	10,193,111
	<u>9,552,900</u>	<u>10,193,111</u>

33- EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the net profit of the period to the number of the ordinary outstanding shares during the period, without taking into consideration any future dividends for employees or the Board of directors related to the period ended in 31 December 2009, as there is no proposed dividends declared by the Board of directors. Earnings per share LE 0, 16 according to the following:

	From 1 /1/ 2010 to 31/3/2010 LE	From 1 /1/ 2009 to 31/3/2009 LE
Net profit	324,076,894	314,014,699
Weighted average number of shares	<u>2,013,231,498</u>	<u>2,013,231,498</u>
Earnings per share	<u>0.16</u>	<u>0.156</u>

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

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

34-TAX SITUATION

Talaat Mostafa group holding company

a. Corporate tax

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

b. Salary tax

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

c. Stamp tax

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

Arab company for projects and urban development

a. Corporate tax

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

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

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

b. Salary tax

The company pays the deducted income tax of the employees on regularly basis, The Company's records were inspected for the years 1996 till 2000 and settlement is done to that date
The Company's records were inspected for the years 2001 till 2003 and paid the amount due
For the years 2004 till 2008 the tax returns are presented and amounts due are paid within the legal dates,

c. Stamp tax

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

San Stefano Company for real estate investments

a. Corporate tax

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

b. Salary tax

Salary tax due are paid within the legal dates,

c. Stamp tax

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

Alexandria Company for real estate investments

a. Corporate tax

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

b. Salary tax

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

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

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c. Stamp tax

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

Arab company for hotels and tourism investments

a. Corporate tax

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

b. Salary tax

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

c. Stamp tax

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

Alexandria for Urban projects

a. Corporate tax

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

b. Salary tax

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

Al rabwa for entertainment services

a. Corporate tax

- The company submits the tax returns within the legal dates,
- No tax inspection took place till 2008 and the company enjoy a tax holiday under the new urban societies law,

b. Salary tax

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

c. Stamp tax

- No tax inspection took place till 2007,

d. Sales tax

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

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Al Masria for development and real estate projects

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

El Nile for hotels

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

San Stefano For tourism investment

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

Nova Park –Cairo Company

a. Corporate tax

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

b. Salary tax

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

c. Stamp tax

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

Alexandria Saudi company for tourism projects

a. Corporate tax

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

b. Salary tax

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

c. Stamp tax

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

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Mayfair Company for entertainment services

a. Corporate tax

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

b. Salary tax

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

c. Stamp tax

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

d. Sales tax

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

Port Venice for tourism development

a. Corporate tax

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

b. Salary tax

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

c. Stamp tax

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

d. Sales tax

- The company is not subject to sales tax law,

35- RELATED PARTY TRANSACTIONS

To accomplish the company's objectives, the company deals with some related companies with the same terms of the other parties, It delegates some assignments in El Rehab City's project to them, It may as well pay off or settle some balances on behalf of them, These transactions balances appeared in the Assets and Liabilities in the Balance Sheet

Alexandria Company for construction S,A,E is the main contractor for the companies' projects under the contracts signed by the companies,

TMG company for real estate and tourism investment - some of the board members participate in it – owns 49,80% of Talaat Mostafa Group Holding

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Total transactions

	2010		2009		Type of Transaction
	Construction Works	Management fees	Construction Works	Management fees	
	LE	LE	LE	LE	
Virginia Owners Union	-	300,000	-	1,040,500	Management Service
El basateen company	1,821,275	-	4,641,799	-	Contractor
Alexandria for Construction	1,207,189,360	-	3,316,554,909	-	

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

	2010		2009		Type of Transaction
	Construction Works	Management fees	Construction Works	Management fees	
	LE	LE	LE	LE	
Virginia Owners Union	-	300,000	-	1,040,500	Management Service
Alexandria for Construction	1,207,189,360	-	3,316,554,909	-	Contractor

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

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

	2010		2009	
	Debit Balances	Credit Balances	Debit Balances	Credit Balances
	LE	LE	LE	LE
Alexandria for Constructions Company	7,314,303	-	15,542,024	4,674,906

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

	2010	2009
	LE	LE
Advanced Payments	646,606	8,888,928
Material at site	6,667,697	6,653,096
	<u>7,314,303</u>	<u>15,542,024</u>

36- Contingent and other obligation contracted

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

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37-Financial instruments and risk management

The Company's financial instruments are represented in financial assets and financial liabilities, The financial assets include cash on hand and at banks, account receivable, debtors and other debit balances, The financial liabilities include banks overdrafts, accounts payable, creditors and other credit balances,

The significant accounting policies applied for the recognition and measurement of the above mentioned financial assets and liabilities and the related income and expenses

Herein under the significant risk related to the financial instruments as well as the significant policies and procedures that applied by the company to reduce those risks,

A, Credit Risk

Credit risk represents the risk of default of the customers from not paying the amounts due, this risk is limited due to the expand number of customers that the company deals with and having sufficient guarantees to reduce the risk of default a customer , also follow up the customers through specific departments,

B, Interest Rate Risk

The company mitigates the impact of the interest rate changes on its operational results and the value of its financial assets and liabilities,

C, Foreign currency risk

The foreign currency risk is the risk that the value of the financial assets and liabilities and the related cash inflows, and out flows in foreign currencies will fluctuate due to changes in foreign currency exchange rates, this risk is limited as most of the company's transactions are in local currency,

38- Comparison numbers

Some of The comparison numbers has been reclassified to the prior period that ended in 31/30/2009 to match the current period.