

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

**ARAB CHARTERED ACCOUNTANTS
(RSM INTERNATIONAL)**

**TALAAAT MOSTAFA GROUP HOLDING COMPANY
"TMG HOLDING"
(S.A.E)
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD FROM 1 JANUARY 2009 TO 31 MARCH 2009
TOGETHER WITH REVIEW REPORT**

Translation of Review Report

originally issued in Arabic

**REPORT ON REVIEW OF INTRIEM CONSOLIDATED FINANCIAL STATEMENTS
TO THE BOARD OF DIRECTORS OF TALAAT MOSTAFA GROUP HOLDING
COMPANY "TMG HOLDING" (S.A.E)**

Introduction

We have reviewed the accompanying interim consolidated balance sheet of **Talaat Mostafa Group Holding Company "TMG Holding" (S.A.E)** as at 31 March 2009 and the related consolidated statements of income, changes in equity and cash flows for the three months ended in that date, and summary of the main accounting policies and other explanatory notes. Management is responsible for the preparation and presentation of these interim consolidated financial statements in accordance with the Egyptian accounting standards, our responsibility is to express a conclusion on these interim consolidated financial statements based on our review.

Scope of review

We conducted our review in accordance with the Egyptian Standard on review engagement (2410) "Review of interim financial information performed by the independent Auditor of the entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Egyptian standards on auditing. Consequently, it does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Consequently; we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that accompanying interim consolidated financial statements are not prepared, in all material respects for the financial position of the company as at 31 March 2009, and its financial performance and cash flows for the three months ended in that date in accordance with Egyptian accounting standards.

Cairo: 29 April 2009

Auditors



CONSOLIDATED BALANCE SHEET

As of 31 March 2009

	Notes	31 March 2009 LE	31 December 2008 LE
Non-Current Assets			
Property and Equipment-Net	(4)	3,759,076,579	3,774,020,037
Projects Under Constructions	(5)	427,931,726	408,725,730
Goodwill	(6)	14,918,115,697	14,918,115,697
Available for Sale Investments	(7)	80,090,419	42,261,482
Investments in Associates	(8)	487,500	1,445,275
Bonds Held to Maturity	(11)	334,570,082	334,695,967
Notes Receivables – Long Term	(13)	15,171,611,262	14,855,602,408
Total Non-Current Assets		34,691,888,265	34,334,866,596
Current Assets			
Work in Progress	(14)	10,583,190,207	10,306,103,694
Finished Units	(15)	18,466,664	18,466,664
Inventory – Net	(16)	31,491,973	33,151,109
Accounts and Notes Receivable - Short Term	(13)	3,185,218,201	3,296,431,048
Prepayments and Other Debit Balances	(17)	3,260,647,798	2,636,054,227
Available for Sale Investments	(7)	8,701,335	23,400,460
Investment in companies under incorporation	(9)	1,220,000	1,220,000
Investment Debtors	(10)	1,331,041,307	1,319,679,286
Financial assets at fair value through profit and loss	(12)	427,357,497	405,891,519
Cash on Hand and at Banks	(18)	676,882,831	1,424,992,021
Total current assets		19,524,217,813	19,465,390,028
Current Liabilities			
Provisions	(29)	58,260,618	48,245,192
Banks Overdraft	(18)	69,939,911	110,891,401
Creditors and Notes Payable	(19)	477,674,756	457,589,456
Current Portion of Loans and Facilities	(26)	485,770,401	480,800,366
Current Portion of Long Term Liabilities	(27)	145,846,173	32,725,516
Customers Advance Payment	(20)	7,304,885,704	7,365,788,041
Dividends Creditors		76,186,334	1,978,096
Accrued Expense and Other Credit Balances	(21)	1,377,588,418	1,426,840,515
Total Current Liabilities		9,996,152,315	9,924,858,583
WORKING CAPITAL		9,528,065,498	9,540,531,445
TOTAL INVESTMENTS		44,219,948,763	43,875,398,041
Financed as follows:			
Owner's Equity			
Authorized Capital	(22)	30,000,000,000	30,000,000,000
Issued and Paid up Capital	(22)	20,302,035,500	20,302,035,500
Legal Reserves	(23)	162,740,218	158,119,298
General Reserves	(24)	25,747,613	25,747,613
Treasury Stocks	(25)	(169,899,138)	(169,899,138)
Retained earning		1,699,407,333	-
Net profit for the period		314,014,699	1,638,479,702
TOTAL MOTHER COMPANY SHAREHOLDERS EQUITY		22,334,046,225	21,954,482,975
Minority Interest		1,976,125,157	1,994,171,695
TOTAL SHAREHOLDERS' EQUITY		24,310,171,382	23,948,654,670
Long Term Liabilities			
Loans and Facilities	(26)	1,320,136,796	1,295,968,157
Long Term Liabilities	(27)	18,271,835,681	18,570,611,942
Notes Payable – Long Term		303,712,253	48,286,290
Deferred Tax Liability		14,092,651	11,876,982
Total Long Term Liabilities		19,909,777,381	19,926,743,371
Total Shareholders' Equity and Long Term liabilities		44,219,948,763	43,875,398,041


Chairman
Tarek Talaat Mostafa


Financial Director
Ghaleb Ahmed Fayed


Auditors
Emad H. Ragheb


Magdy Hashish

-The attached notes 1 to 36 are an integral part of these consolidated financial statements,
-Review report attached,

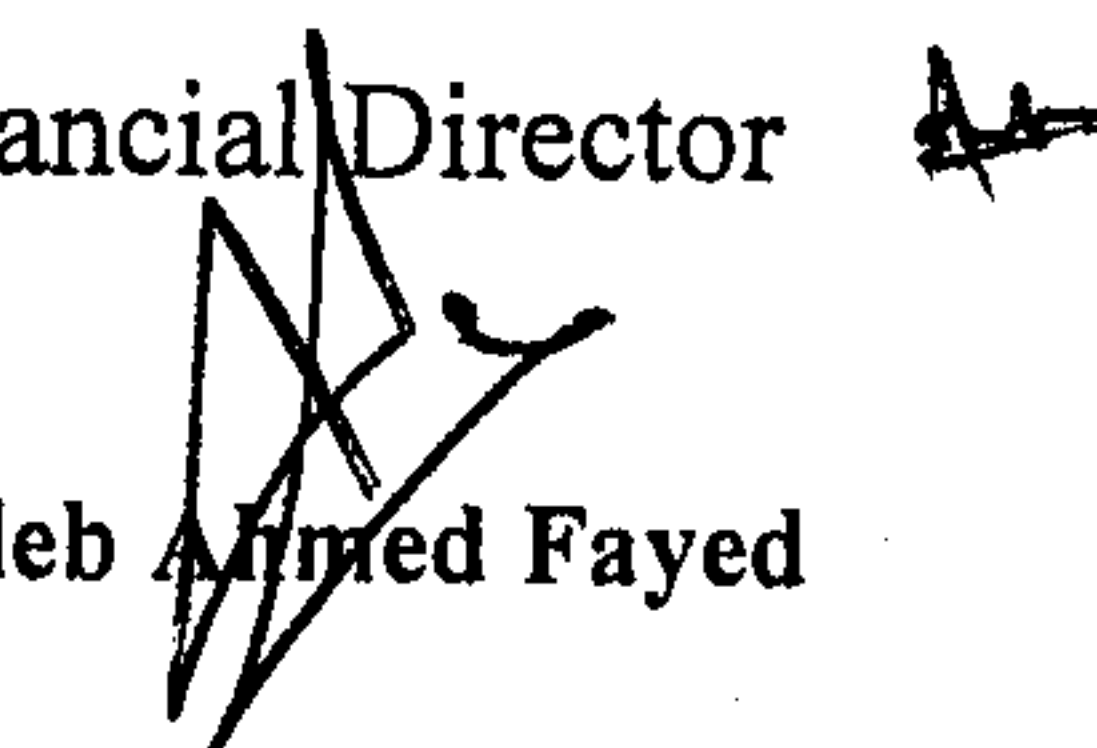
CONSOLIDATED INCOME STATEMENT

For the period from 1 January 2009 to 31 March 2009

	Notes	From 1/1/2009 to 31/3/2009 LE	From 1/1/2008 To 31/3/2008 LE
Revenue	(31)	1,548,431,683	1,599,959,698
Cost of Revenue	(31)	(1,079,526,734)	(1,156,492,295)
GROSS PROFIT		468,904,949	443,467,403
General and Administrative Expenses, Marketing and Sales Expenses		(74,626,443)	(37,138,371)
Depreciation		(24,407,643)	(17,067,724)
Other Income		10,193,111	10,728,807
Capital Gain		296,033	276,747
Board of Directors Allowances		(177,850)	(168,170)
Foreign Exchange Gain		3,683,989	1,563,489
Operating Profit		383,866,146	401,662,181
Dividends from financial investments	(32)	4,207,182	3,650,000
Credit Interest		21,200,246	28,938,330
Interest on Bonds		6,510,322	246,635
Income from Treasury Bills		2,419,184	9,135,738
Revenue on sale of financial investments		2,018,118	22,461,611
Revenue of revalue financial assets at fair value through profit and loss	(12)	1,807,798	33,119,985
NET PROFIT FOR THE PERIOD BEFORE TAX		422,028,996	499,214,480
Income Tax	(30)	(78,334,100)	(28,523,425)
Deferred Tax Expense		(2,031,145)	(19,976)
NET PROFIT FOR THE PERIOD AFTER TAX		341,663,751	470,671,079
Minority Interest		(27,649,052)	(45,425,822)
NET PROFIT FOR THE PERIOD(MOTHER COMPANY SHAREHOLDERS)		314,014,699	425,245,257
Earnings Per Share (LE/Share)	(34)	0.156	0.21

Chairman

Tarek Talaat Mostafa

Financial Director

Ghaleb Ahmed Fayed

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

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the period from 1 January 2009 to 31 March 2009

	Issued and Paid up Capital LE	Share Premium LE	General Reserves LE	Treasury Stocks LE	Net Profit for the Period LE	Retained earning LE	Total LE	Minority Interest LE	Total LE
Balance at 3 April 2007	6,000,000	-	-	-	-	-	6,000,000	-	6,000,000
Net profit for the period	-	-	-	-	425,425,257	-	425,425,257	-	425,425,257
General Reserves	-	-	25,747,613	-	-	-	25,747,613	-	25,747,613
Issue of Share Capital	20,296,035,500	-	-	-	-	-	20,296,035,500	-	20,296,035,500
Share Premium	-	158,119,298	-	-	-	-	158,119,298	-	158,119,298
Treasury Stocks	-	-	-	(36,188,826)	-	-	(36,188,826)	-	(36,188,826)
Minority Interest	-	-	-	-	-	-	-	2,597,781,287	2,597,781,287
Balance at 31 March 2008	20,302,035,500	158,119,298	25,747,613	(36,188,826)	425,425,257	-	20,875,138,842	2,597,781,287	23,472,920,129
Balance at 1 January 2009	20,302,035,500	158,119,298	25,747,613	(169,899,138)	1,638,479,702	-	21,954,482,975	1,994,171,695	23,948,654,670
Net profit for the period	-	-	-	-	314,014,699	-	314,014,699	-	314,014,699
Transfer to retained earning	-	-	-	-	(1,638,479,702)	1,638,479,702	-	-	-
Reconciliation on retained earning	-	-	-	-	-	65,548,551	65,548,551	(45,695,590)	19,852,961
Legal Reserves	-	4,620,920	-	-	-	(4,620,920)	-	-	-
Minority Interest	-	-	-	-	-	-	-	27,649,052	27,649,052
Balance at 31 March 2009	20,302,035,500	162,740,218	25,747,613	(169,899,138)	314,014,699	1,699,407,333	22,334,046,225	1,976,125,157	24,310,171,382

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

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

CONSOLIDATED CASH FLOW STATEMENT

For the period from 1 January 2009 to 31 March 2009

	Notes	From 1/1/2009 to 31/3/2009 LE	From 1/1/2008 to 31/3/2008 LE
CASH FLOWS FROM OPERATING ACTIVITIES			
Net profit for the period before tax and minority interest		422,028,996	499,214,480
Depreciation		24,407,643	17,067,724
(Revenue) of revalue financial assets at fair value through profit and loss	(12)	(1,807,798)	(33,119,985)
Accrued Interest		(7,834,005)	(3,816,692)
Capital (Gain)		(296,034)	(276,747)
Foreign Exchange (Gain)		(3,683,989)	(1,563,489)
Operating profit before changes in working capital		432,814,813	477,505,291
(Increase) Decrease in work in progress		(277,086,513)	1,310,744,165
Decrease (Increase) in inventory		1,659,136	(29,468,813)
Decrease (Increase) in Accounts and Notes Receivables - Short Term		111,212,847	(496,811,954)
(Increase) in Prepayments and Other Debit Balances		(624,593,571)	(1,153,100,892)
Increase in Provisions		10,015,426	60,117,137
(Increase) in Notes Receivable – Long Term		(316,008,854)	(866,020,980)
Increase (Decrease) in Creditors and Notes Payable- Short Term		20,085,300	(109,469,145)
Increase (Decrease) in current portion of loans and facilities		4,970,035	(39,680,372)
Increase in current portion of long term liabilities		113,120,657	35,036,220
Decrease in Customers Advance Payment		(60,902,337)	(568,354,280)
Increase in Dividends Creditors		74,208,238	-
(Decrease) in Accrued Expenses and Other Credit Balances		(119,752,192)	(63,882,871)
Increase in Creditors and Notes Payable - Long Term		255,425,963	26,607,307
(Payment) proceeds from long term liabilities		(298,591,738)	2,323,064,590
Net Cash flows (used in) Operating Activities		(673,422,790)	906,285,403
CASH FLOWS FROM INVESTING ACTIVITIES			
(Payment) on Purchasing of Property and Equipment and Projects Under Construction		(28,674,946)	(213,721,287)
(Increase) in Projects Under Construction		-	(1,061,218,844)
Gain from sale fixed assets		300,799	276,747
proceeds (Payment) on Purchasing of Bonds Held to Maturity		125,885	(48,898,280)
(Increase) Decrease in Available for Sale Investments		(23,129,812)	57,837,322
Decrease in Investments in Associates		957,775	223,160
(Increase) in Financial assets at fair value through profit and loss		(19,658,181)	(1,290,262,159)
(Increase) in Investment Debtors		(11,362,020)	-
Net Cash flows (used in) Investing Activities		(81,440,500)	(2,555,763,341)
CASH FLOWS FROM FINANCING ACTIVITIES			
(Increase) in Goodwill		-	(469,864,133)
Reconciliation on Retained earning		65,548,551	-
(Decrease) Increase in Minority Interest		(45,695,590)	718,158,842
(Payment) on Purchasing of Treasury Stocks		-	(33,179,529)
Cash proceeds (Payment) from Loans and Facilities		24,168,640	(29,166,720)
Foreign Exchange results from valuating cash and cash equivalents balances		3,683,989	1,563,489
Net Cash flows provided from Financing Activities		47,705,590	187,511,949
NET CASH AND CASH EQUIVALENTS DURING THE PERIOD		(707,157,700)	(1,461,965,989)
Cash and Cash Equivalents at the beginning of the period		1,314,100,620	3,438,150,190
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	(18)	606,942,920	1,976,184,201

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2009

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

- 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 SIGNIFICANT ACCOUNTING POLICIES

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 aquiree 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,

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2009

Significant Accounting Policies (continue)

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)*	98,57%
San Stefano company for real estate investment (S,A,E)**	100%
Alexandria for urban projects Company (S,A,E)***	100%

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

** The company acquires with an indirect way 25, 48% 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 -50
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,

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2009

Significant Accounting Policies (continue)**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,

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,

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2009

Significant Accounting Policies (continue)**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 realizable 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 realizable 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

Accounts receivable, Debtors and notes receivable

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

Credit Balances and accruals

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

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

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

Related party transactions

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

Employees Pension Plan

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

Provisions

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

Legal reserve

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2009

Significant Accounting Policies (continue)

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

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,

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2009

Significant Accounting Policies (continue)

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,

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,

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2009

Significant Accounting Policies (continue)

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
31 March 2008

4 PROPERTY AND EQUIPMENT-Net

	Buildings & Constructions LE	Motor Vehicles LE	Tools & Equipments LE	Furniture & Fixtures LE	Marine Equipment LE	Computers LE	Total LE
Cost							
At 1 January 2009	3,426,151,872	55,495,073	208,472,886	344,027,906	5,156,793	13,254,080	4,052,558,610
Additions	4,533,308	1,269,794	896,504	2,387,118	9,130	374,075	9,469,929
Disposals	-	(361,333)	-	(21,598)	-	(6,900)	(389,381)
At 31 March 2009	<u>3,430,685,180</u>	<u>56,403,534</u>	<u>209,369,390</u>	<u>346,393,426</u>	<u>5,165,923</u>	<u>13,621,255</u>	<u>4,061,638,708</u>
Accumulated depreciation							
At 1 Jan 2009	(106,725,754)	(27,258,951)	(61,945,948)	(76,627,468)	(1,763,510)	(4,216,942)	(278,538,573)
Depreciation charge	(11,285,855)	(2,340,675)	(4,467,194)	(5,730,112)	(150,155)	(433,652)	(24,407,643)
Disposals	-	361,332	-	17,962	-	4,793	384,087
At 31 March 2009	<u>(118,011,609)</u>	<u>(29,238,294)</u>	<u>(66,413,142)</u>	<u>(82,339,618)</u>	<u>(1,913,665)</u>	<u>(4,645,801)</u>	<u>(302,562,129)</u>
Net carrying amount At 31 March 2009	<u>3,312,673,571</u>	<u>27,165,240</u>	<u>142,956,248</u>	<u>264,053,808</u>	<u>3,252,258</u>	<u>8,975,454</u>	<u>3,759,076,579</u>
Net carrying amount At 31 December 2008	<u>3,319,426,118</u>	<u>28,236,122</u>	<u>146,526,938</u>	<u>267,400,438</u>	<u>3,393,283</u>	<u>9,037,138</u>	<u>3,774,020,037</u>

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 March 2009

5 - PROJECTS UNDER CONSTRUCTIONS

	31/3/2009	31/12/2008
	LE	LE
Tahran Building	17,095,059	15,760,507
Computers and Software	9,841,253	9,362,984
Villa (Al Rehab – Madinaty)	1,215,396	1,215,396
Fixtures	2,664,623	2,664,623
Mayfair Club	24,104,113	24,104,113
Musadek Building Elevator's	101,605	-
Hotel Assets	20,221,832	11,816,238
Administration Office In Dubai	7,891,767	7,891,767
Al Nile Hotel	344,796,078	335,910,102
	<u>427,931,726</u>	<u>408,725,730</u>

6- GOODWILL

	31/3/2009	31/12/2008
	LE	LE
Arab Company for Projects and Urban Development	12,235,313,553	12,235,313,553
Alexandria Company for Real Estate Investment	2,516,634,364	2,516,634,364
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>14,918,115,697</u>	<u>14,918,115,697</u>

Goodwill is tested on yearly basis to ensure if there is any decrease in its book value and the management of the group hasn't found any decrease, In 30 Sep 2008, the Goodwill was revaluated by independent valuator and according to the independent valuator the book value of the goodwill was less than its revocable amount, the recoverable amount was determined based on the net fair value which the amount will be received from the selling units after deducting the selling cost

7- AVAILABLE FOR SALE INVESTMENTS

	31/3/2009	31/12/2008
	LE	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
Timber Lack Business Company	-	14,699,125
Housing Insurance Company	4,950,000	4,950,000
Egyptian Building Integrated Systems	1,100,000	1,100,000
Egyptian For Real Estate Finance 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>8,701,335</u>	<u>23,400,460</u>
Available for sale investment – long term		
Housing Development Bank Securities	57,930	57,930
Mutual Funds	27,000,033	-
Alexandria for Tourism Projects	1,862,456	1,846,052
Credentials investment fund Horus	44,520,000	33,480,000
El Tameer for Real Estate Finance Company	6,650,000	6,650,000
Madinaty for Projects Management	-	227,500
	<u>80,090,419</u>	<u>42,261,482</u>
	<u>88,791,754</u>	<u>65,661,942</u>

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2009

8- INVESTMENTS IN ASSOCIATES

	31/3/2009	31/12/2008
	LE	LE
Alexandria for Projects Management	487,500	1,445,275
	<u>487,500</u>	<u>1,445,275</u>

9- INVESTMENTS IN COMPANIES UNDER INCORPORATION

	31/3/2009	31/12/2008
	LE	LE
Hill / TMG for Projects and Construction Management	1,220,000	1,220,000
	<u>1,220,000</u>	<u>1,220,000</u>

10- INVESTMENT DEBTORS

	31/3/2009	31/12/2008
	LE	LE
Morsi El Sadid for Real Estate and Tourism Investment Company	807,050,302	807,050,302
Areez Arab Limited Company	403,947,937	403,947,937
Thabat for Real Estate Improvement	93,981,922	93,981,922
Tara Bas Universal Company	26,061,146	14,699,125
	<u>1,331,041,307</u>	<u>1,319,679,286</u>

11- BONDS HELD TO MATURITY

The balance of this account is LE 334,570,082 as follow:

- LE 236,273,899 represents 240,209 governmental bonds, the nominal value LE 1000 per-bond with interest rate 8, 55 % matured in 2013,
- LE 98,296,183 represents 100,000 governmental bonds, the nominal value LE 1000 per-bond with interest rate 9, 05 % matured in 2013,

12- FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS

	31/3/2009	31/12/2008
	LE	LE
Certificate of Deposit*	266,380,996	237,821,357
Financial Portfolio Managed by both of Hermes for Assets Management and Arab African international bank *	35,542,915	45,264,527
Financial Portfolio managed by Hermes for assets management	-	25,252,500
Egyptian Cables Company	12,233	12,958
Investment Funds	125,421,353	97,540,177
	<u>427,357,497</u>	<u>405,891,519</u>

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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Market value	31/3/2009 LE	31/3/2008 LE
Egyptian Cables Co,	12,233	27,868
Investment Funds	125,421,353	2,190,638,403
Financial Portfolio Managed by both of Hermes for Assets Management and Arab African international bank *	35,542,915	42,300,184
	<u>160,976,501</u>	<u>2,232,966,455</u>
Book value before revaluation	159,168,703	2,199,846,470
Market value	<u>160,976,501</u>	<u>2,232,966,455</u>
	<u>1,807,798</u>	<u>33,119,985</u>

* The portfolio in 31 Dec 2008 has several stocks for companies listed in Egyptian capital market

13- ACCOUNTS AND NOTES RECEIVABLE

	31/3/2009 LE	31/12/2008 LE
Account and Notes Receivable – Short Term	3,185,218,201	3,296,431,048
Account and Notes Receivable – Long Term	<u>15,171,611,262</u>	<u>14,855,602,408</u>
	<u>18,356,829,463</u>	<u>18,152,033,456</u>

14-WORK IN PROGRESS

	31/3/2009	31/12/2008
Land	3,947,225,633	4,203,918,744
Consultations and Designs	373,683,355	365,566,911
Construction Work	4,276,243,106	3,521,458,266
Indirect Expenses	<u>1,986,038,113</u>	<u>2,215,159,773</u>
	<u>10,583,190,207</u>	<u>10,306,103,694</u>

15- FINISHED UNITS

The balance of finished units is LE 18,466,664, represents the value of finished units returned from clients and available for sale,

16- INVENTORY-Net

	31/3/2009 LE	31/12/2008 LE
Hotels Operating Equipments & Supplies	32,972,571	70,456,184
Hotels Furniture	-	7,958,763
Food and beverage stock	133,270	172,407
El Rabwa store	7,433	6,131
(Less) Amortized Hotel Inventory	<u>(1,621,301)</u>	<u>(45,442,376)</u>
	<u>31,491,973</u>	<u>33,151,109</u>

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2009

17 – PREPAID EXPENSES AND OTHER DEBIT BALANCES

	31/3/2009	31/12/2008
	LE	LE
Advance Payment and Storage - Contractors and Accounts Payable	1,082,256,042	555,245,573
Contractors - Tashwinat	1,061,984,786	1,078,416,684
Hotels Current Accounts	77,813,246	76,405,204
Deposit with Others	3,111,271	361,440
Tax Authority	11,718,614	2,495,096
Other Debit Balances	82,919,973	39,150,797
Loans to Employees	360,370	369,624
Received from Abroad	5,312,990	5,158,796
Transfers – Cheques	167,879	990,006
Accrued Revenue	8,480,916	39,608,221
Other Debtors	146,660,961	120,371,161
Amounts paid for investments in companies under incorporation	779,860,750	717,481,625
	<u>3,260,647,798</u>	<u>2,636,054,227</u>

18 - CASH AND CASH EQUIVALENTS

	Local Currency	Foreign Currency	Total	Total
	LE	LE	LE	LE
Time Deposits	482,496,442	7,957,853	490,454,295	331,608,221
Banks Current Accounts	29,203,437	3,768,523	32,971,960	166,228,978
Cash on Hand	13,585,469	-	13,585,469	9,379,806
Treasury Bills	137,003,603	-	137,003,603	901,934,373
Cheques Under Collection	2,867,504	-	2,867,504	15,840,643
	<u>665,156,455</u>	<u>11,726,376</u>	<u>676,882,831</u>	<u>1,424,992,021</u>

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

	31/3/2009	31/3/2008
	LE	LE
Cash on Hand and at Banks	676,882,831	2,665,815,846
Banks Overdraft	(69,939,911)	(689,631,645)
	<u>606,942,920</u>	<u>1,976,184,201</u>

19- CREDITORS AND NOTES PAYABLE

	31/3/2009	31/12/2008
	LE	LE
Contractors and suppliers	145,355,628	283,246,490
Notes Payables *	332,319,128	174,342,966
	<u>477,674,756</u>	<u>457,589,456</u>

* The due cheques were recorded after a year of the financial statements in the long term liabilities,

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2009

20- CUSTOMERS ADVANCE PAYMENT

	31/3/2009 LE	31/12/2008 LE
Customers down payment (Madinaty Project)	3,758,578,464	4,159,185,772
Customers down payment (Al Rehab Project)	1,114,462,312	887,073,118
Customers down payment (Al Rehab 2 Project)	1,671,693,467	1,535,904,486
Customers down payment (San Stefano Project)	326,862,626	351,865,506
Customers down payment (Al Rabwa Project)	433,288,835	431,759,159
	<u>7,304,885,704</u>	<u>7,365,788,041</u>

21- ACCRUED EXPENSES AND OTHER CREDIT BALANCES

	31/3/2009 LE	31/12/2008 LE
Retention	232,088,794	318,792,468
Tax Authority	214,586,982	137,323,305
Other Credit Balances	65,350,197	31,471,240
Accrued Salaries and Expenses	66,642,112	2,030,768
Accrued Expenses and Creditors	918,480	275,946,855
Insurance for Other	105,282,538	100,296,553
Other Creditors	13,245,951	2,975,052
Due to Customers	7,876,675	9,432,875
Creditors Barriers	10,096,920	6,894,206
Due to Employees - treasury shares	36,430,000	36,505,000
Contribution to the establishment - renew the club	13,016,542	13,016,542
Club Subscriptions	341,389,777	331,889,475
Tourist Development Public Authority	18,119,603	-
Units Insurance	252,543,847	160,266,176
	<u>1,377,588,418</u>	<u>1,426,840,515</u>

22 – CAPITAL

The company's authorized capital amounted to LE 50,000,000 and the issued capital amounted to LE 6,000,000 divided over 600,000 share of LE 10 par value each,

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

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

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

23 – Legal Reserves

Net balance transfer from Premium share balance amounted to LE 158,119,297, represents LE 1,6 per share by total amount LE 344,000,000 and an amount of LE 185,880,703 was used to cover the IPO expenses and the net balance of the share premium is LE 158,119,298 and it increased to be LE 162,740,218 after the addition of 5% from carry forward profits of year end 2008.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2009

24- 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,

25- 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, and the approval from the related governmental authorities is ongoing,

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 133,710,312, to be used for reselling, in the incentives system of employees or deducting the issued capital.

26- LOANS AND FACILITIES

	Short Term	Long Term	31/3/2009	31/12/2008
	LE	LE	LE	LE
Facilities	171,465,461	108,521,973	279,987,434	169,490,287
Loans *	314,304,940	1,211,614,823	1,525,919,763	1,607,278,236
	<u>485,770,401</u>	<u>1,320,136,796</u>	<u>1,805,907,197</u>	<u>1,776,768,523</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,

27- LONG TERM LIABILITIES

	31 /3/ 2009	31 /12/ 2008
	LE	LE
New Urban Communities Authority*	4,243,070,774	4,243,070,774
Customers advance payments – Rehab	653,031,604	892,138,742
Customers advance payments - Rehab 2	1,442,087,820	1,412,858,241
Customers advance payments – Madinty	11,999,096,515	12,055,269,701
Other Customers advance payments	80,395,141	-
	<u>18,417,681,854</u>	<u>18,603,337,458</u>
Current Portion of Long Term Liabilities	(145,846,173)	(32,725,516,)
Long Term Liabilities	<u>18,271,835,681</u>	<u>18,570,611,942</u>

28- CONTINGENT PROVISIONS

	31/12/2009	31/12/2008
	LE	LE
Expected loss from investments in the Egyptian international for medical insurance	-	250,000
Overdue of Accounts receivables of Alexandria for real estate investment	-	600,000
	<u>-</u>	<u>850,000</u>

29 – TAXES PROVISIONS

The tax provisions include the expected tax to be paid by Alexandria Company for real estate investment as follows:

	31/12/2009	31/12/2008
	LE	LE
Alexandria Company for real estate investment income tax	-	66,651,134
Deduct:		
Amounts paid under income tax	-	(19,005,942)
Add: Beginning balance	48,245,192	-
Additions through the period	10,015,426	600,000

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58,260,618 48,245,192

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30- INCOME TAX AND DEFERRED TAX LIABILITY

The income tax was calculated as follows:

	From 1 /1/ 2009 to 31 /3/2009 LE	From 1 /1/ 2008 to 31 /3/2008 LE
Net book profit before tax	422,028,996	499,214,480
Adjustments to the net book profit to reach the net tax profit	(30,358,496)	(356,597,355)
Net tax profit	391,670,500	142,617,125
Tax rate	20%	20%
Income tax	78,334,100	28,523,425

31- REVENUE AND COST OF REVENUE

	From 1 /1/ 2009 to 31 /3/2009 LE	From 1 /1/ 2008 to 31 /3/2008 LE
-Revenue from Sold Units	1,401,962,205	1,410,774,873
-Revenue from Hotels Operation	131,549,982	179,741,000
-Services Revenues	14,919,496	9,443,825
Total Revenues *	1,548,431,683	1,599,959,698
-Cost of Sold Units	1,007,603,368	1,041,376,198
-Cost of Hotels Operation	66,929,787	112,994,400
-Cost of Sold Services	4,993,579	2,121,697
Total Cost **	1,079,526,734	1,156,492,295

* The supervision revenue has been eliminated in amount LE 107,496,945

** The supervision cost has been eliminated in amount LE 70,140,509

Comparative figures were reclassified to record the total hotels revenues

32 - DIVIDENS FROM FINNACIAL INVESTMENTS

	From 1 /1/ 2009 to 31 /3/2009 LE	From 1 /1/ 2008 to 31 /3/2008 LE
Orascom Company for Construction and Industry	-	3,570,000
Other Companies	4,207,182	80,000
	4,207,182	3,650,000

33- EARNINGS PER SHARE

Earnings per share are LE 0.156 according to the following:

	From 1 /1/ 2009 to 31 /3/2009 LE	From 1 /1/ 2008 to 31 /3/2008 LE
Net profit	314,014,699	425,425,257
Weighted average number of shares	2,006,824,534	2,006,824,534
Earnings per share	0.156	0.21

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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 therefore no tax return is presented to the tax authority 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 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

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Salary tax due are paid within the legal dates,
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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,

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,

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

- 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,

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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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,

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

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

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

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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,

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

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

- 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 .

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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,

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

	Construction Works LE	Management fees LE	Type of Transaction
Alexandria for Construction	17,503,266	-	Contractor
Virginia Owners Union	-	250,000	Management
	<u>17,503,266</u>	<u>250,000</u>	

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

	Notes payable LE	Type of Transaction
Alexandria for Touristic Projects	333,247	
Alexandria for Constructions Company	<u>10,182,400</u>	
	<u>10,516,647</u>	

	Advance Payments (Debit) LE	Type of Transaction
Alexandria for Constructions Company	<u>12,904,625</u>	Contractor
	<u>12,904,625</u>	

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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36-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,