

**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 2011 TO 31 MARCH 2011
TOGETHER WITH REVIEW REPORT**

Translation of Review Report
originally issued in Arabic

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

Introduction

We have reviewed the accompanying interim consolidated balance sheet of **Talaat Mostafa Group Holding Company "TMG Holding" (S.A.E)** as at 31 March 2011 and the related statements of consolidated income, consolidated changes in equity and consolidated 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 no. (2410) "Review of interim financial information performed by the independent Auditor of the entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Egyptian standards on auditing. Consequently, it does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Consequently; we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that accompanying interim consolidated financial statements are not prepared, in all material respects for the financial position of the company as at 31 March 2011, and its financial performance and cash flows for the three months ended in that date in accordance with Egyptian accounting standards.

Without Qualifying our Opinion, a new primary contract was signed between Arab Company for Projects and Urban Development – subsidiary Company - and The New Urban Communities Authority on 8 November 2010 relating to Madinaty project and the in kind amount should not be less than LE 9.979 Billion.

Cairo: 17 May 2011



Auditors



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

CONSOLIDATED BALANCE SHEET

As of 31 March 2011

	Notes	31/3/2011 LE	31/12/2010 LE
Non-Current Assets			
Property and Equipment	(4)	4,304,315,822	4,341,247,115
Projects Under Constructions	(5)	196,566,102	189,920,850
Investment Property	(6)	424,444,983	418,952,399
Goodwill	(7)	15,393,653,117	15,393,653,117
Investments in Associates	(8)	3,572,881	53,254,920
Available for Sale Investments	(9)	54,534,920	4,496,462
Bonds Held to Maturity	(11)	527,151,529	483,837,951
Total Non-Current Assets		20,904,239,354	20,885,362,814
Current Assets			
Work in Progress	(14)	13,993,074,569	13,800,270,971
Inventory – Net	(15)	38,460,521	34,218,987
Accounts and Notes Receivable	(13)	15,039,151,924	15,522,416,435
Prepayments and Other Debit Balances	(16)	2,744,898,769	2,910,347,047
Available for Sale Investments	(9)	25,766,020	25,845,508
Investment Debtors	(10)	808,962,565	808,212,565
Financial assets at fair value through profit and loss	(12)	304,659,753	298,682,002
Cash on Hand and at Banks	(17)	332,370,705	577,482,301
Total current assets		33,287,344,826	33,977,475,816
Current Liabilities			
Provisions	(28)	481,478	481,478
Banks Overdraft		35,111,362	31,674,030
Creditors and Notes Payable	(18)	1,054,851,660	1,033,052,219
Current Portion of Loans and Facilities	(26)	807,827,608	752,264,645
Customers Advance Payment	(19)	18,179,023,787	19,040,221,267
Dividends Creditors		16,327,489	16,495,077
Tax Authorities		206,165,413	184,917,906
Accrued Expense and Other Credit Balances	(20)	1,731,731,643	1,893,272,888
Total Current Liabilities		22,031,520,440	22,952,379,510
WORKING CAPITAL		11,255,824,386	11,025,096,306
TOTAL INVESTMENTS		32,160,063,740	31,910,459,120
Financed as follows:			
Owner's Equity			
Authorized Capital	(21)	30,000,000,000	30,000,000,000
Issued and Paid up Capital	(21)	20,132,314,980	20,132,314,980
Legal Reserves	(22)	216,645,653	164,999,734
General Reserves	(23)	61,735,404	61,735,404
Net unrealized gains on available for sale investments	(24)	3,240,000	1,960,000
Accumulative translation adjustment		18,145,666	5,958,297
Treasury Stocks	(25)	(30,089,758)	(30,089,758)
Retained earning		4,127,939,328	3,080,207,081
Net profit for the period/year		169,436,683	940,008,374
TOTAL MOTHER COMPANY SHAREHOLDERS EQUITY		24,699,367,956	24,357,094,112
Non controlling interest		1,309,288,922	1,327,970,613
TOTAL SHAREHOLDERS' EQUITY		26,008,656,878	25,685,064,725
Nun-current Liabilities			
Loans and Facilities – nun-current	(26)	1,945,612,512	2,020,531,059
Nun-current Liabilities	(27)	4,178,448,263	4,178,432,531
Deferred Tax Liability	(29)	27,346,087	26,430,805
Total Nun- Current Liabilities		6,151,406,862	6,225,394,395
Total Shareholders' Equity and Nun- Current liabilities		32,160,063,740	31,910,459,120

Chairman
Tarek Talaat Mostafa

Financial Director
Ghaleb Ahmed Fayed

Auditors
Emad H. Ragheb

Auditors
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 2011 to 31 March 2011

	Notes	From 1 /3/ 2011 to 31 /3/ 2011 LE	From 1 /3/ 2010 to 31 /3/ 2010 LE
Revenue	(30)	1,377,279,418	1,606,637,269
Cost of revenue	(30)	(1,029,475,039)	(1,121,338,334)
GROSS PROFIT		347,804,379	485,298,935
General and administrative expenses, marketing and sales expenses		(93,533,678)	(54,109,947)
Depreciation		(31,543,633)	(23,107,868)
Provisions		-	(231,214)
Operating Profit		222,727,068	407,849,906
Credit interest		5,205,346	8,990,384
Interest on bonds		7,555,602	7,529,105
Income from treasury bills		-	751,607
Finance cost		(47,701,749)	(22,699,294)
Dividends revenue	(31)	1,014,926	317,191
Revenue on sale of financial investments	(32)	239,638	45,883
(Loss) Revenue of revalue financial assets at fair value through profit and loss	(12)	(12,392,262)	9,791,931
Share of profit of associates		884,081	-
Other income	(33)	10,416,651	9,552,900
Capital gain		4,743,005	457,205
Board of directors allowances		(174,750)	(279,950)
Foreign exchange (loss)		(21,541,604)	(452,128)
NET PROFIT FOR THE PERIOD BEFORE TAX		170,975,952	421,854,740
Income tax	(29)	(18,586,455)	(77,390,047)
Deferred tax expense/revenue		(915,282)	693,428
NET PROFIT FOR THE PERIOD AFTER TAX		151,474,215	345,158,121
Non controlling interest		17,962,468	(21,081,227)
NET PROFIT FOR THE PERIOD(MOTHER COMPANY SHAREHOLDERS)		169,436,683	324,076,894
Earnings per share (LE/Share)	(34)	0.084	0.16

Chairman

Tarek Talaat Mostafa

Financial Director

Ghaleb Ahmed Fayed

-The attached notes 1 to 38 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 2011 to 31 March 2011

	Issued and Paid up Capital	Legal Reserves	General Reserves	Net unrealized (losses) gains on available for sale	Accumulative translation adjustments	Treasury Stocks	Retained Earning	Net Profit for the period	Total	Non controlling interest	Total
	LE	LE	LE	LE		LE	LE	LE	LE	LE	LE
Balance at 1 January 2011	20,132,314,980	164,999,734	61,735,404	1,960,000	5,958,297	(30,089,758)	3,080,207,081	940,008,374	24,357,094,112	1,327,970,613	25,685,064,725
Transfer to retained earning	-	-	-	-	-	-	940,008,374	(940,008,374)	-	-	-
Net profit for the period	-	-	-	-	-	-	-	169,436,683	169,436,683	(17,962,468)	151,474,215
Reconciliation on retained earning	-	-	-	-	-	-	159,369,792	-	159,369,792	-	159,369,792
Reconciliation on non controlling interest	-	-	-	-	-	-	-	-	-	(719,223)	(719,223)
Legal Reserve	-	51,645,919	-	-	-	-	(51,645,919)	-	-	-	-
Accumulative translation adjustments*	-	-	-	-	12,187,369	-	-	-	12,187,369	-	12,187,369
Net unrealized gains on available for sale	-	-	-	1,280,000	-	-	-	-	1,280,000	-	1,280,000
Balance as of 31 March 2011	20,132,314,980	216,645,653	61,735,404	3,240,000	18,145,666	(30,089,758)	4,127,939,328	169,436,683	24,699,367,956	1,309,288,922	26,008,656,878
Balance at 1 January 2010	20,302,035,500	162,740,218	25,747,613	(600,000)	-	(133,977,325)	1,682,046,129	1,106,174,370	23,144,166,505	1,684,636,138	24,828,802,643
Transfer to retained earning	-	-	-	-	-	-	1,106,174,370	(1,106,174,370)	-	-	-
Net profit for the 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 non controlling interest	-	-	-	-	-	-	-	-	-	(1,446,490)	(1,446,490)
Legal Reserve	-	2,259,516	-	-	-	-	(2,259,516)	-	-	-	-
Net unrealized gains on available for sale	-	-	-	160,000	-	-	-	-	-	-	-
Balance as of 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	23,468,336,736	1,704,270,875	25,172,607,610

* Accumulative translation adjustments is due to translation of the financial statements of Thabat for real estate development as foreign operation

- 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 2011 to 31 March 2011

	Notes	From 1 /3/ 2011 to 31 /3/ 2011 LE	From 1 /3/ 2010 to 31 /3/ 2010 LE
CASH FLOWS FROM OPERATING ACTIVITIES			
Net profit for the period before tax and non controlling interest		170,975,952	421,854,739
ADJUSTMENTS TO RECONCILE THE NET PROFIT WITH THE CASH FLOW FROM OPERATION			
Depreciation & Amortization		31,543,633	24,436,155
Revenue from bonds amortization	(11)	(313,374)	(287,064)
Provisions		-	231,215
(Loss) revenue of revaluate financial assets at fair value through profit and loss	(12)	12,392,262	(9,791,931)
Share of profit of associates		(884,081)	-
Reconciliation on retained earning and Non controlling interest		158,650,568	(17,271,096)
Credit Interests, bonds and treasury bills revenue		(12,760,948)	(1,513,155)
Capital (Gain)		(4,743,005)	(457,205)
Foreign Exchange Differences		21,541,604	452,128
Operating profit before changes in working capital		376,402,611	417,653,786
Change in work in progress		(182,073,596)	(106,473,140)
Change in inventory		(5,392,365)	(134,698)
Change in Accounts and Notes Receivables		483,264,511	(75,285,997)
Change in Prepayments and Other Debit Balances		165,080,139	(133,575,265)
Change in Creditors and Notes Payable		20,046,391	522,704,872
Change in current portion of nun- current liabilities		-	(32,725,516)
Change in Customers Advance Payment		(861,197,480)	(717,870,310)
Change in Dividends Creditors		167,588	-
Change in financial assets at fair value through profit and loss		(18,370,013)	24,458,368
Change in Tax Authorities		21,247,507	21,695,550
Change in Other Credit Balances		(180,127,699)	26,429,532
Net Cash flows (used in) Operating Activities		(180,952,406)	(53,122,818)

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

CONSOLIDATED CASH FLOW STATEMENT - Continued
For the period ended 31 March 2011

CASH FLOWS FROM INVESTING ACTIVITIES

(Payment) on Purchasing of Property and Equipment and Projects Under Construction	(10,703,121)	(46,159,241)
Gain from sale fixed assets	5,450,819	473,307
proceeds (Payment) on Purchasing of Bonds Held to Maturity	(43,000,204)	-
(Payment) in Investment debetors	750,000	(9,190,545)
Net Cash flows (used in) Investing Activities	(47,502,506)	(54,876,479)

CASH FLOWS FROM FINANCING ACTIVITIES

Collected Interest	20,803,172	9,646,527
proceeds (Payment) from Loans and Facilities	(19,355,584)	95,392,954
Net Cash flows received from Financing Activities	1,447,588	105,039,481
Foreign Exchange Impact	(21,541,604)	(452,128)

NET CASH AND CASH EQUIVALENTS DURING THE PERIOD

Cash and Cash Equivalents at the beginning of the period	545,808,271	350,138,516
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	(17) 297,259,343	346,724,505

The following accrued revenues and expenses are eliminated:

- Accrued Revenues amounted LE 8,042,224 from other debit balances.
- Due amounts to tax authority amounted LE 18,586,455 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 2011

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 non controlling 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 aquired and the different between the book value and the net fair value of the assets acquired to be recorded in the equity.
- 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,

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2011

Significant Accounting Policies (continue)

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)**	72.18%
Alexandria for urban projects Company (S,A,E)***	40%
Thabat Company for real estate development****	50%

Significant Accounting Policies (continue)

*Arab company for projects and urban development acquires 1, 64% of Alexandria company for real estate investment, and contribute in the following companies:

	Contribution %
El masria for trading services(S.A.E)	99
El rehab for management(S.A.E)	98
Engineering for developed systems of building (S.A.E)	73.3
El rehab for securitization(S.A.E)	80
El Tayseer for real estate financing (S.A.E)	50
Arab Egyptian company for entertainment projects(S.A.E)	50
El rehab for entertainment and culture services(S.A.E)	96
Madinaty for electromechanical power(S.A.E)	60

** The company acquires with an indirect way 27,82% 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, and contribute in the following companies:

	Contribution %
El rabwa for entertainment services (S.A.E)	95.5
El masria for development and real estate projects(S.A.E)	90
Alexandria for urban development(S.A.E) and its subsidiaries as follows:	60.02
May fair for entertainment services (S.A.E)	95.5
Port Venice for tourism development(S.A.E)	90.27
Arab company for tourism and hotels investments (S.A.E) and its subsidiaries as follows:	71.93
Nova park - Cairo(S.A.E)	99.99
Alexandria Saudi for tourism projects(S.A.E)	97.59
San Stefano for tourism investment (S.A.E)	43.96
El Nile for hotels (S.A.E)	79.13

**** Thabat company for real estate development – Saudi Arabia and its issued capital is SR 125.000.000 and contributes in Aeez arab limited company with 98%

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.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2011

Significant Accounting Policies (continue)

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	3 - 8
Furniture and other assets	5- 10
Computers	3 - 8
Marina Equipments	2 - 10

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

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

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,

Investment Property

Investment properties are the real estate's (Buildings, Lands or both) that are kept for renting or increase in its value; they are measured initially at cost, including transaction costs.

Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the balance sheet date. Gains or losses arising from changes in the fair values of investment properties are included in the income statement in the year in which they arise.

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,

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 noncurrent 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.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2011

Significant Accounting Policies (continue)

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

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,

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2011

Significant Accounting Policies (continue)

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

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,

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Significant Accounting Policies (continue)

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 whether 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.

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,

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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Significant Accounting Policies (continue)

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, the borrowing cost amount that will be capitalized is determined based on the actual borrowing cost.

Suspend capitalisation of borrowing costs during extended periods in which it suspends active development of a qualifying asset.

Cease capitalizing of the borrowing costs when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

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
31 March 2011

4 PROPERTY AND EQUIPMENT

	Lands LE	Buildings & Constructions LE	Motor Vehicles LE	Tools & Equipments LE	Furniture & Fixtures LE	Marine Equipment LE	Computers LE	Total LE
Cost								
As of 1 January 2010	577,780,462	3,329,908,712	75,873,128	311,209,862	497,763,456	6,131,281	20,132,400	4,818,799,301
Additions	-	363,938	1,077,548	871,997	1,833,993	492,000	1,171,442	5,810,918
Foreign currency valuation	-	356,867	23,279	125,659	537,388	-	107,683	1,150,876
Disposals	(10,730,000)	-	(712,671)	-	(17,113)	-	-	(11,459,784)
As of 31 March 2011	567,050,462	3,330,629,517	76,261,285	312,207,519	500,117,723	6,623,281	21,411,524	4,814,301,311
Accumulated depreciation								
At 1 January 2010	-	(188,196,295)	(44,708,932)	(100,599,325)	(130,868,887)	(3,012,013)	(10,166,734)	(477,552,186)
Depreciation charge	-	(12,262,493)	(2,624,292)	(7,124,985)	(9,747,016)	(175,097)	(875,035)	(32,808,918)
Foreign currency valuation	-	(111,445)	(11,229)	(27,783)	(92,103)	-	(44,172)	(286,732)
Disposals	-	-	624,672	26,501	11,173	-	-	662,347
Net book value As of	-	(200,570,233)	(46,719,781)	(107,725,591)	(140,696,831)	(3,187,110)	(11,085,943)	(509,985,489)
31 March 2011	567,050,462	3,130,059,284	29,541,504	204,481,928	359,420,892	3,436,171	10,325,581	4,304,315,822
As of 31 December 2010	577,780,462	3,141,712,417	31,164,196	210,610,537	366,639,569	3,119,268	9,965,666	4,341,247,115

- First degree mortgage on the land of san Stefano project at 339 Gaish road- san Stefano - Alexandria and all the building on it that owned by san Stefano Co. for real estate investment and san Stefano company for tourism investments
- First degree mortgage on the land of el Nile hotel at 12 Ahmed Raghieb St, garden city - Cairo and all the building on it that to El Nile Co. also the garage and club land at 4 Ahmed Raghieb St, garden city - Cairo
- First degree mortgage on the land and the building of four season hotel sharm el sheik in shark bay - sharm el sheik owned by Alexandria Saudi Co. for tourism investment
- First degree mortgage on the land and the building of four season hotel Nile plaza - garden city - Cairo owned by Nova Park Co. , excluding the total sold or available for sale units and its share in the land

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2011

5 - PROJECTS UNDER CONSTRUCTIONS

	31/3/2011	31/12/2010
	LE	LE
Computers and Software	15,258,943	15,087,431
Villa (Al Rehab – Madinaty- Sednawy)	73,119,193	71,076,954
Hotel Assets	7,171,057	7,068,507
Sharm El sheik Extended project	101,016,909	96,687,958
	<u>196,566,102</u>	<u>189,920,850</u>

6- Investment Property

	31/3/2011	31/12/2010
	LE	LE
Balance at 1 January 2011	418,952,399	283,783,505
Revenue of revalue investment property	-	135,168,894
Accumulative translation adjustments	5,492,583	-
	<u>424,444,982</u>	<u>418,952,399</u>

7- GOODWILL

	31/3/2011	31/12/2010
	LE	LE
Arab Company for Projects and Urban Development	12,235,313,553	12,235,313,553
Alexandria Company for Real Estate Investment*	2,992,171,784	2,992,171,784
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>15,393,653,117</u>	<u>15,393,653,117</u>

*In 14 July 2010 Nova park Co. (One the subsidiaries' in Arab Company for hotels and tourism investments) Acquire the non controlling interest 43.68% (233720 shares from total company shares of 535000 shares with the amount of LE 826,671,570 and a good will results due to the increase of the purchase price from the book value of the acquired share

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.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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8- INVESTMENTS IN ASSOCIATES

	Percentage	31/3/2011 LE	31/12/2010 LE
Hill / TMG for Projects and Construction Management	49%	2,354,081	2,311,380
Alexandria for Projects Management	32.5%	1,218,800	2,185,082
		<u>3,572,881</u>	<u>4,496,462</u>

9- AVAILABLE FOR SALE INVESTMENTS

	31/3/2011 LE	31/12/2010 LE
Available for sale investment – short term		
Dune groasses overseas	-	26,496
Tansy finance	-	26,496
Rockland	-	26,496
Housing Insurance Company	4,950,000	4,950,000
Shara North Marine Company	18,244,173	18,244,173
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>25,766,020</u>	<u>25,845,508</u>
Available for sale investment – long term		
Housing Development Bank Securities	57,930	57,930
Credentials investment fund Horus	47,760,000	46,480,000
El Tameer for Real Estate Finance Company	6,716,990	6,716,990
	<u>54,534,920</u>	<u>53,254,920</u>
	<u>80,300,940</u>	<u>79,100,428</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.

10- INVESTMENT DEBTORS

	31/3/2011 LE	31/12/2010 LE
Morsi El Sadid for Real Estate and Tourism Investment Company	807,942,565	807,942,565
Luxor for Real Estate and Investment Company	1,000,000	250,000
TMG for Commercial and Service projects	5,000	5,000
TMG for Commercial and Administrative Projects	5,000	5,000
TMG for Medical Projects	5,000	5,000
TMG for Entertainment Projects	5,000	5,000
	<u>808,962,565</u>	<u>808,212,565</u>

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11- BONDS HELD TO MATURITY

Bonds held to maturity in governmental bonds are amounted to LE 527,151,529 in 340909 bonds with nominal value LE 1000 per bond and maturity date is 2013 with 8, 55% interest rate, the interests is due semi annually, and 190,000,000 bonds with nominal value LE 1000 per bond and maturity date is 2020 with 13% interest rate, the interests is due semi annually the balance of bonds discounting issue amounted to 3,757,671 at 31 March 2011 and it is amortized at the maturity date of the interest

	31/3/2011	31/12/2010
	LE	LE
Historical cost	530,909,000	487,909,000
bonds discounting issue	(4,071,049)	(5,265,896)
Amortized value	526,837,951	482,643,104
Amortization of discounting bonds	313,378	1,194,847
Balance of bonds	527,151,529	483,837,951

12- FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS

	31/3/2011	31/12/2010
	LE	LE
Certificate of Deposit and Investment Funds *	128,818,136	222,609,161
Financial Portfolio Managed by both of Hermes for Assets Management and Arab African international bank *	58,873,147	76,061,757
Egyptian Cables Company	9,210	11,084
Treasury Bills	116,959,260	-
	304,659,753	298,682,002
Market value	31/3/2011	31/3/2011
	LE	LE
Book value of marketable securities before revaluation	(317,296,610)	(439,133,426)
Market value	304,904,348	448,925,357
	(12,392,262)	9,791,931

* The portfolio in 31 March 2011 has several stocks for companies listed in Egyptian capital market

13- ACCOUNTS AND NOTES RECEIVABLE

	31/3/2011	31/12/2010
	LE	LE
Accounts Receivables	192,849,374	169,674,015
Notes Receivables	14,846,302,550	15,352,742,420
	15,039,151,924	15,522,416,435

14-WORK IN PROGRESS

	31/3/2011	31/12/2010
	LE	LE
Land	4,033,683,450	3,869,236,725
Consultations and Designs	496,080,090	579,842,226
Construction Work	7,219,187,939	7,035,959,648
Indirect Expenses	2,244,123,090	2,315,232,372
	13,993,074,569	13,800,270,971

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- According to the contract with the new urban communities' authority, Arab company for projects and urban development received 8,000 Fadden to build Madinaty project on several phases against 7% of the total built up area of the apartments' buildings of the land project.
- The company recognizes the cost of the land as an asset against the obligations due to the new urban communities' authority in accordance to the estimated cost calculated according to the expected delivered units related to the phase that work started in it.
- During the period a verdict was issued for the case raised against the new urban communities' authority to cancel the contract of selling the land of Madinaty
- A committee was formed by a resolution from the prime minster to adjust the legal situation of the land of Madinaty , the committee reached to a decision to resell the land of Madinaty to Arab company for projects and urban development with a new contract dated 8 November 2010 and the in kind amount should not be less than LE 9.9 milliard, based on that the value of the land of Madinaty recorded above , will be considered up on signing the final contract of the land and in accordance to the actual cost that will be bearded due to the execution of the contract.
- As stated in the company's legal consultant letter, the raised issued in relation to Madinaty land contract dated 8 November 2010 do not form a real threats to the legal position of the company or its beneficiaries or customers

15- INVENTORY

	31/3/2011	31/12/2010
	LE	LE
Hotels Operating Equipments & Supplies	23,002,761	27,982,045
Goods Stock	16,592,826	11,216,226
(Less) Amortized Hotel Inventory	(6,114,350)	(4,979,284)
	<u>38,460,521</u>	<u>34,218,987</u>

16 – PREPAID EXPENSES AND OTHER DEBIT BALANCES

	31/3/2011	31/12/2010
	LE	LE
Advance Payment and Storage - Contractors and Accounts Payable	1,302,020,202	1,345,896,830
Contractors – Tashwinat	742,258,794	857,653,881
Hotels Current Accounts	184,886,621	205,801,687
Deposit with Others	2,547,805	3,116,235
Other Debit Balances	68,702,525	34,834,415
Letter of credit	42,244,832	80,146,038
Loans to Employees	245,043	1,242,581
Accrued Revenue	29,146,699	19,358,840
Other Debtors	118,555,692	103,176,681
Prepaid expenses	1,695,078	6,550,876
Amounts paid for investments in companies under incorporation	252,595,478	252,568,983
	<u>2,744,898,769</u>	<u>2,910,347,047</u>

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 March 2011

17 - CASH AND CASH EQUIVALENTS

	Local Currency	Foreign Currency	Total 31/3/2011	Total 31/12/2010
	LE	LE	LE	LE
*Time Deposits	141,172,368	4,579,980	145,752,348	408,962,604
Banks Current Accounts	43,975,707	34,395,226	78,370,933	86,130,600
Cash on Hand	29,142,875	-	29,142,875	20,859,504
**Treasury Bills	73,296,063	-	73,296,063	58,818,356
***Cheques Under Collection	5,808,486	-	5,808,486	2,711,237
	<u>293,395,499</u>	<u>38,975,206</u>	<u>332,370,705</u>	<u>577,482,301</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:

	31/3/2011	31/03/2010
	LE	LE
Cash on Hand and at Banks	332,370,705	388,178,542
Banks Overdraft	(35,111,362)	(41,454,037)
Cash and Cash Equivalents	<u>297,259,343</u>	<u>346,724,505</u>

18- CREDITORS AND NOTES PAYABLE

	31/3/2011	31/12/2010
	LE	LE
Contractors and suppliers	261,532,087	230,372,641
Notes Payables	793,319,573	802,679,578
	<u>1,054,851,660</u>	<u>1,033,052,219</u>

19- CUSTOMERS ADVANCE PAYMENT

	31/3/2011	31/12/2010
	LE	LE
Customers down payment (Al Rehab Project)	228,374,063	501,229,687
Customers down payment (Al Rehab 2 Project)	4,125,374,325	4,221,722,529
Customers down payment (Madinaty Project)	13,398,941,608	13,845,829,758
Customers down payment (Al Rabwa Project)	293,856,626	342,108,287
Customers down payment (San Stefano Project)	115,282,447	116,454,852
Customers down payment (Nasmal El Ryide)	17,194,718	12,876,154
	<u>18,179,023,787</u>	<u>19,040,221,267</u>

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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20- ACCRUED EXPENSES AND OTHER CREDIT BALANCES

	31/3/2011 LE	31/12/2010 LE
Retention	426,334,384	571,325,244
Other Credit Balances	114,879,399	128,620,345
Accrued Expenses and Creditors	225,289,724	268,535,407
Insurance for Other	107,641,423	106,425,422
Due to Customers	12,773,498	12,837,509
Contribution to the establishment - renew the club	14,582,659	14,582,659
Club Subscriptions	392,789,630	395,791,716
Units Insurance	437,440,926	395,154,586
	<u>1,731,731,643</u>	<u>1,893,272,888</u>

21 – CAPITAL

The company's authorized capital amounted to LE 50,000,000 and the issued and paid up capital LE 6,000,000 divided over 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 increased by LE 30,000,000,000 and the issued and paid capital was amended to be LE 18,152,035,500 divided over 1,815,203,550 share of LE 10 par value each through share swap with the subsidiaries companies,

According to the extra ordinary general assembly meeting dated 28 October 2007, the company's issued and paid capital was increased to be LE 20,302,035,500 divided over 2,030,203,550 shares recorded in the commercial register on 25 November 2007.

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

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

The extra ordinary general assembly resolution dated 31 March 2011 concent on increase the issued capital to be LE 20,635,622,860 par value LE 10 per share and the increase will be amounted LE 503,307,880 by issuing free shares to the shareholders and the legal processes are conducted.

22 – LEGAL RESERVE

Legal reserve amounted to 216,645,653 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.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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23- GENERAL RESERVES

The general reserve balance amounted LE 61,735,404 includes amount of LE 25,747,613 represents the different results from shares swap of the company with the subsidiaries amounted according to the Extra Ordinary General Assembly Meeting dated 6 October 2007 to transfer the different to general reserve

In addition to amount of LE 35,987,791 represent the difference between the par value and the book value of the treasury stocks that were redeemed according to the extraordinary general assembly resolution dated 24 March 2010

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

The revaluation of available for sale investments resulted to unrealized (losses) amounted to 3,240,000 LE which represented in the variation between the foreign exchange impact and the cost of the available for sale investments at the statement date.

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 2919000 stocks of its stocks at amount of LE 36,188,826, to be used in the incentives system of employees.

According to the company's Board resolution dated 12 August 2008, the company purchased during the month of August and September the number of 20460016 stocks of its stocks at amount of LE 133,710,312, to be used for reselling, in the incentives system of employees or deducting the issued capital and 6406964 shares amounted LE 36,166,409 were sold to the incentives system of employees.

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

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

26- LOANS AND FACILITIES

	Short Term	Long Term	31/3/2011	31/12/2010
	LE	LE	LE	LE
Banks Facilities	357,986,053	-	357,986,053	317,810,210
Loans *	449,841,555	1,945,612,512	2,395,454,067	2,454,985,494
	<u>807,827,608</u>	<u>1,945,612,512</u>	<u>2,753,440,120</u>	<u>2,772,795,704</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

	31/3/2011	31/12/2010
	LE	LE
New Urban Communities Authority	4,177,619,742	4,177,619,742
Employee termination benefits	828,521	812,789
	<u>4,178,448,263</u>	<u>4,178,432,531</u>

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28- Provisions

The provision amounted LE 481,478 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.

	31/3/2011	31/12/2010
	LE	LE
Balance beginning of the year	481,478	555,590
Provisions through the year	-	623,370
Provisions used through the year	-	(697,482)
	<u>481,478</u>	<u>481,478</u>

29- INCOME TAX AND DEFERRED TAX LIABILITY

The income tax was calculated as follows:

	From 1 /1/ 2011 to 31/3/2011	From 1 /1/ 2010 to 31/3/2010
	LE	LE
Net book profit before tax	316,832,135	413,860,572
Adjustments to the net book profit to reach the net tax profit	(223,899,860)	(26,910,341)
Net tax profit	<u>92,932,275</u>	<u>386,950,231</u>
Tax rate	20%	20%
Income tax for the year	<u>18,586,455</u>	<u>77,390,047</u>

The balance of deferred tax liabilities in 31 March 2011 is LE 26,346,087 which represents the different between taxes depreciation and accounting depreciation to the fixed assets item and it's calculation as follow:

	From 1 /1/ 2011 to 31/3/2011	From 1 /1/ 2010 to 31/3/2010
	LE	LE
Accounting depreciation for assets	12,722,870	12,851,734
Taxes depreciation	(17,299,280)	(9,374,259)
Taxes differs	<u>(4,576,410)</u>	<u>3,477,475</u>
Tax rate	20%	20%
Deferred tax liability – 31 March 2011	(915,282)	693,428
Adjustments	-	2,067
Deferred tax liability – 31 December 2010	<u>(26,430,805)</u>	<u>(20,783,509)</u>
Deferred tax liability – 31 March 2011	<u>(27,346,087)</u>	<u>(20,088,014)</u>

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30- REVENUE AND COST OF REVENUE

	From 1 /1/ 2011 to 31/3/2011	From 1 /1/ 2010 to 31/3/2010
	LE	LE
-Revenue from Sold Units	1,275,455,215	1,447,406,454
-Revenue from Hotels Operation	73,260,570	145,476,461
-Services Revenues	28,563,633	13,754,354
Total Revenues *	<u>1,377,279,418</u>	<u>1,606,637,269</u>
-Cost of Sold Units	948,584,508	1,035,621,654
-Cost of Hotels Operation	63,892,712	80,459,587
-Cost of Sold Services	16,997,819	5,257,093
Total Cost **	<u>1,029,475,039</u>	<u>1,121,338,334</u>

* The supervision revenue has been eliminated in amount LE 79,729,978

** The supervision cost has been eliminated in amount LE 54,214,331

31- Dividends from financial investment

	From 1 /1/ 2011 to 31/3/2011	From 1 /1/ 2010 to 31/3/2010
	LE	LE
Dividends from Orascom Construction	-	130,036
Dividends from CIB	-	97,200
Dividends from portofolio manage by Arab African International Bank	121,126	-
Alexandria for Projects Management	893,800	-
Dividends from Other Companies	-	89,955
	<u>1,014,926</u>	<u>317,191</u>

32- REVENUE FROM SALE FINANCIAL INVESTMENTS

	From 1 /1/ 2011 to 31/3/2011	From 1 /1/ 2010 to 31/3/2010
	LE	LE
Sale price of financial investments	111,722,842	113,739,041
Book value of sold financial investments	<u>(111,483,204)</u>	<u>(113,693,158)</u>
	<u>239,638</u>	<u>45,883</u>

33- OTHER INCOME

	From 1 /1/ 2011 to 31/3/2011	From 1 /1/ 2010 to 31/3/2010
	LE	LE
Net revenue from El Rehab Club operation	7,032,889	5,324,110
Rents from rental units and usufruct	1,478,608	1,658,475
Other	1,905,154	2,570,315
	<u>10,416,651</u>	<u>9,552,900</u>

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34- 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 March 2011, as there is no proposed dividends declared by the Board of directors. Earnings per share LE 0, 084 according to the following:

	From 1 /1/ 2011 to 31/3/2011 LE	From 1 /1/ 2010 to 31/3/2010 LE
Net profit	169,436,683	324,076,894
Weighted average number of shares	2,013,231,498	2,013,231,498
Earnings per share	0.084	0.16

35-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

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.

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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 2009 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 2001 and the tax assessment is not yet received.
- tax inspection took place for the years 2002 till 2004.
- 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 2010.

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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 2009.

c. Stamp tax

- No tax inspection took place for the years 2005 till 2010.

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

a. Corporate tax

- The company submits the tax returns within the legal dates.
- The Company's records were inspected till 2004 and the tax assessment is not yet received.
- tax inspection took place for 2005
- No tax inspection took place till 2009

b. Salary tax

- The Company's records were inspected till 2000 and paid the amount due
- The Company's records were inspected for the years 2001 till 2004 and the tax assessment is not yet received.
- No tax inspection took place from 2005 till 2009

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 till 2009.

El Nile for hotels

- The company is subject to income tax article no,91 for the year 2005 and start its operation in 2010

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

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.

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b. Salary tax

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

c. Stamp tax

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

Mayfair Company for entertainment services

a. Corporate tax

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

b. Salary tax

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

c. Stamp tax

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

d. Sales tax

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

Port Venice for tourism development

a. Corporate tax

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

b. Salary tax

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

c. Stamp tax

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

a. Sales tax

- The company is not subject to sales tax law.

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36- 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

Total transactions

	31/3/2011		31/12/2010		
	Construction Works LE	Management fees LE	Construction Works LE	Management fees LE	Type of Transaction
Virginia Owners Union	-	325,000	-	1,100,000	Management Service
El basateen company	3,906,691	-	12,728,940	-	Contractor
Alexandria for Construction	797,499,374	-	3,728,059,539	-	Legal Consultancy
Hany Sary Elden for legal consulted		322,380		1,216,260	

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

	31/3/2011		31/12/2010		
	Construction Works LE	Management fees LE	Construction Works LE	Management fees LE	Type of Transaction
Virginia Owners Union	-	325,000	-	1,100,000	Management Service
Alexandria for Construction	797,499,374	-	3,728,059,539	-	Contractor
Hany Sary Elden for legal consulted		322,380		1,216,260	Legal Consultancy

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

	31/3/2011		31/12/2010	
	Notes Receivable LE	Notes payable LE	Notes Receivable LE	Notes payable LE
Alexandria for Constructions Company	-	12,551,000	-	16,753,000

	31/3/2011		31/12/2010	
	Debit Balances LE	Credit Balances LE	Debit Balances LE	Credit Balances LE
Alexandria for Constructions Company	5,356,597	-	6,819,965	-

37- Contingent and other obligation contracted

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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38-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.

D, Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans, debentures, preference shares, finance leases and hire purchase contracts. The Group's policy is that not more than 35% of borrowings should mature in the next 12 month period. 12.1% of the Group's debt will mature in less than one year at 31 December 2008 (2007: 15.6%) based on the carrying value of borrowings reflected in the financial statements, excluding discontinued operations.