TALAAT MOSTAFA GROUP HOLDING COMPANY "TMG HOLDING" (S.A.E)

CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD FROM 3 APRIL 2007 TO 30 June 2008 TOGETHER WITH REVIEW REPORT

ALLIED FOR ACCOUNTING & AUDITING (E&Y) | ARAB CHARTERED ACCOUNTANTS (RSM INTERNATIONAL)

Translation of Auditors' Report originally issued in Arabic

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

We have performed a review of the accompanying consolidated financial statements of **Talaat Mostafa Group Holding Company "TMG Holding" (S.A.E)** represented in the financial position as of 30 June 2008 and the related consolidated statements of income, changes in shareholders' equity and cash flows for the Period from 3 April 2007 to 30 June 2008. These financial statements are the responsibility of the Company's management. Our responsibility is to issue a report on these financial statements based on our review.

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

Based on our review of the consolidated financial statements of **Talaat Mostafa Group Holding Company "TMG Holding" (S.A.E)** as of 30 June 2008, we did not note any material adjustments that should be made to the consolidated financial statements to conform to the Egyptian Accounting Standards.

This report is intended solely for management purposes and should not be used for any other purpose.

Cairo: 14 July 2008

Auditors

Emad H. Ragheb	**Magdy Hashish**
FESAA-FEST	**Magdy Hashish & Co**
(RAA. 3678)	**(RAA. 1626)**
(RCMA 42)	**(RCMA 117)**

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

CONSOLIDATED BALANCE SHEET

As of 30 June 2008

	Notes	30 June 2008 LE
ASSETS		
Non-Current Assets		
Property and Equipment-Net	(4)	3,713,465,488
Projects Under Constructions	(5)	336,365,922
Goodwill	(6)	15,418,227,175
Available for Sale Investments	(7)	22,524,217
Investments in Associates	(8)	11,707,314
Investments incorporation	(9)	90,470,000
Bonds Held to Maturity	(10)	97,904,753
Accounts and Notes Receivables - Long Term	(12)	10.666,508,385
		30,357,173,254
Current Assets		
Work in Progress	(13)	7,789,327,545
Finished Units	(14)	11,826,311
Inventory – Net	(15)	50,756,724
Accounts and Notes Receivable - Short Term	(12)	3,072,428,601
Prepayments and Other Debit Balances	(16)	2,046,295,664
Trading Investments	(11)	1,451,416,129
Cash on Hand and at Banks	(17)	2,128,254,042
Total current assets		**16,550,305,016**
Current Liabilities		
Provisions	(18)	67,614,698
Banks Overdraft	(17)	164,475,964
Creditors and Notes Payable	(19)	180,439,157
Current Portion of Loans and Facilities	(26)	398,478,687
Current Portion of Long Term Liabilities	(27)	35,036,220
Customers Down Payment	(20)	1,040,447,607
Accrued Expense and Other Credit Balances	(21)	1,176,668,763
Total Current Liabilities		**3,063,161,096**
WORKING CAPITAL		**13,487,143,920**
TOTAL INVESTMENTS		**43,844,317,174**
Financed as follows:		
Issued and Paid up Capital	(22)	20,302,035,500
Legal Reserve	(23)	158,119,297
General Reserves	(24)	25,747,613
Treasury Stocks	(25)	(36,188,826)
Net profit for the period		1.070,840,685
TOTAL EQUITY		**21,520,554,269**
Minority Interest		2,807,296,273
Long Term Liabilities		
Loans and Facilities	(26)	1,576,387,400
Long Term Liabilities	(27)	17,925,904,542
Notes Payable – Long Term		9,507,125
Deferred Tax Liability	(28)	4,667,565
Total Long Term Liabilities		**19,516,466,632**
Total Equity and Long Term Liabilities		**43,844,317,174**

Auditors		Financial Director	Chairman
Emad H. Ragheb	Magdy Hashish	Ghaleb Ahmed Fayed	Hesham Talaat Mostafa

-The attached notes from (1) to (33) are an integral part of these financial statements.
-Review report attached.

CONSOLIDATED INCOME STATEMENT
For the period from 3 April 2007(Inception Date) to 30 June 2008

	Notes	From3/4/2007 To 30/6/2008 LE	From1/1 /2008 To 30/6/2008 LE	From1 / 4 / 2008 To 30/6/2008 LE
Revenue	(29)	3,592,967,278	3,161,554,141	1,674,588,843
Cost of Revenue	(29)	(2,129,293,072)	(1,953,846,452)	(962,034,142)
GROSS PROFIT		1,463,674,206	1,207,707,689	712,554,701
General and Administrative Expenses, Marketing and Sales Expenses		(180,891,958)	(109,767,495)	(55,393,229)
Provisions		(35,504,296)	(35,504,296)	(35,504,296)
Finance Expenses		(115,522,659)	(98,622,742)	(46,937,158)
Credit Interest		81,998,478	62,072,227	33,133,898
Other Income		51,881,071	42,034,692	31,029,138
Dividends from financial investments		3,676,912	3,676,912	1,677,482
Interest on Bonds		2,465,245	2,465,245	2,218,611
Income from Treasury Bills		13,926,994	13,926,993	4,791,256
Capital Gain		455,554	402,844	402,844
Gain (Loss) on Sale of Investment		(44,718,287)	4,589,812	4,589,811
Investment Revenue		42,892,040	28,322,146	4,209,965
Net Change in the Market Value of Investments		(8,515,458)	(8,515,458)	(41,635,443)
Foreign Exchange Gain		6,118,238	4,095,548	2,532,060
NET PROFIT BEFORE TAX		1,281,936,080	1,116,884,117	617,669,640
Income Tax Expense		(54,567,367)	(54,042,064)	(25,518,639)
Deferred Tax Expense		(2,559,317)	(1,881,337)	(1,861,361)
NET PROFIT FOR THE PERIOD AFTER TAX		1,224,809,396	1,060,960,716	590,289,640
Minority Interest		(153,968,711)	(186,367,720)	(141,121,998)
NET PROFIT FOR THE PERIOD		1,070,840,685	874,592,996	449,167,642
Earnings Per Share	(30)	0.93	0.76	0.39

Chairman

Hesham Talaat Mostafa

Financial Director

Ghaleb Ahmed Fayed

-The attached notes from (1) to (33) are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the period from 3 April 2007(Inception Date) to 30 June 2008

	Issued and Paid up Capital LE	Legal Reserve LE	General Reserve LE	Treasury Shares LE	Retained Earnings LE	Total LE
Balance at 3 April 2007	6,000,000	-	-	-	-	**6,000,000**
Issue of Share Capital	20,296,035,500	-	-	-	-	**20,296,035,500**
General Reserves	-		25,747,613	-	-	**25,747,613**
Legal Reserve	-	158,119,297	-	-	-	**158,119,297**
Treasury Shares	-	-	-	(36,188,826)	-	**(36,188,826)**
Net profit for the period	-	-	-	-	1,070,840,685	**1,070,840,685**
Balance at 30 June 2008	**20,302,035,500**	**158,119,297**	**25,747,613**	**(36,188,826)**	**1.070,840,685**	**21,520,554,269**

-The attached notes from (1) to (33) are an integral part of these financial statements.

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

CONSOLIDATED CASH FLOW STATEMENT

For the period from 3 April 2007(Inception Date) to 30 June 2008

	Notes	From 3 April 2007 to 30 June 2008 LE
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit for the period		1,070,840,685
Adjustments to reconcile net income to cash flows from operating activities		
Depreciation		35,518,368
Change in Market Value for Investments		8,515,458
Income Tax		57,126,683
Operating profit before changes in working capital:		1,172,001,194
(Increase) in Finished Units		(11,826,311)
(Increase) in Work in Progress		(7,789,327,545)
(Increase) in Inventory		(50,756,724)
(Increase) in Accounts and Notes Receivables - Short Term		(3,072,428,601)
(Increase) in Accounts and Notes Receivable – Long Term		(10,666,508,385)
(Increase) in Prepayments and Other Debit Balances		(2,046,295,664)
Increase in Creditors and Notes Payable		123,312,473
Increase Notes Payable - Long Term		9,507,125
Increase in Customers Down Payment		1,040,447,607
Increase in Accrued Expenses and Other Credit Balances		1,176,668,763
Increase in Provisions		67,614,698
Net Cash flows (used in) Operating Activities		(20,047,591,370)
CASH FLOWS FROM INVESTING ACTIVITIES		
Payment of Property and Equipment and Projects Under Construction		(4,085,349,778)
Payment of Bonds Held to Maturity		(97,904,753)
(Increase) in Available for Sale Investments		(57,524,217)
(Increase) in Investments in Associates		(33,757,314)
(Increase) in Trading Investments		(1,493,351,587)
Net Cash flows (used in) Investing Activities		(5,767,887,649)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase – in Current portion of Loans and facilities		398,478,687
Increase - in Current portion Long Term Liabilities		35,036,220
Cash Proceeds from Issuing Shares		5,067,675,235
Increase in Minority Interest		2,807,296,273
Purchase of Treasury Shares		(36,188,826)
Cash Received from Loans and Facilities		1,576,387,400
Cash Received from Long Term Liabilities		17,930,572,108
Net Cash flows provided from Financing Activities		**27,779,257,097**
INCREASE IN CASH AND CASH EQUIVALENTS DURING THE PERIOD		1,963,778,078
Cash and Cash Equivalents at the beginning of the period		-
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	(17)	1,963,778,078

-The attached notes from (1) to (33) are an integral part of these financial statements.

1 BACKGROUND

Talaat Mostafa Group 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 SCOPE OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements include the subsidiaries, that Talaat Mostafa group holding owns more than 50% of their issued capital, as follow

Subsidiary Company Name	*Shares participation*
Arab company for projects and urban development	99.9%
Alexandria company for real estate investment*	98.6%
San Stefano company for real estate investment**	100%

* Arab company for projects and urban development owns 1. 64% of Alexandria for real estate investment
** The company owns indirect 28.95 % of San Stefano for real estate investment through its subsidiaries, Arab company for projects and urban development, Alex for real estate and Alex for Urban Projects.

3 SIGNIFICANT ACCOUNTING POLICIES

The main accounting policies that used in preparing the consolidated financial statements are:

Basis of consolidating the financial statements

- The financial statements of the holding company and the subsidiaries have been prepared according to the cost method except for some investments that have been evaluated with fair value in accordance to the Egyptian Accounting Standards and the prevailing laws and local regulations.
  The same accounting policies and basis that are used in preparing the interim financial statements are applied.

- Similar assets, liabilities, equity, revenues and expenses items were consolidated in the holding company and its subsidiaries after eliminating the following:

a) The Holding Company's cost of investment in every subsidiary company against decreased it from the equity in the subsidiary company at the acquisition date and record the different between the investment cost and the holding company share in the book value of the subsidiaries equity as goodwill.
On yearly basis at the balance sheet date , goodwill is to be revaluated to decide wither to reduce the value of the goodwill in case of the decrease of the holding company fair value in the subsidiaries equity and record the decrease in the consolidated income statement.

b) The Inter-company transactions among the companies of the group especially:

- The current accounts among the companies.
- Notes Receivable /Payable among the companies.

Significant Accounting Policies (continue)

c) The sales, expenditures, revenue and dividends among the companies of the group during the period

d) The unrealized profit at the consolidated balance sheet date among the companies of the group, which might appear in the assets balances in the consolidated balance sheet date as inventory and fixed assets.

e) Any differences between debit and credit balances resulting from the inter-companies transactions, which were recorded in one company and not in the other company's records, were eliminated.

f) The minority interest appears as a separate caption in the consolidated financial statements as a percentage calculated on the basis of the ownership of the holding company in the subsidiaries .

Foreign Currency Translations

Transactions in foreign currencies are recorded at the rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange prevailing at the balance sheet date. All differences are taken to the income statement.

Property, plant and equipment

a) **First measurement and recognise**

Property, plant and equipment is stated at cost less accumulated depreciation and any impairment in value. Land is not depreciated.

The cost includes all direct costs related to the acquiring of the asset, regarding the built internally assets , the cost includes the cost of materials, direct labour and all other direct costs that is required until it is ready to be used and also the cost of elimination the asset and fix the construction site.

b) **Depreciation**

Depreciation is calculated on a straight line basis over the estimated useful lives of the assets as follows:

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

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount, being the higher of their fair value less costs to sell and their value in use.

Expenditure incurred to replace a component of an item of property

Plant and equipment that is accounted for separately is capitalised and the carrying amount of the component that is replaced is written off. 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 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 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 income statement.

Significant Accounting Policies (continue)

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

Investments

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

in addition to company share of any changes in the net assets of associates company after deducting any impairment losses, the company's 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 income statement for the period, except for impairments loss , and for non listed investments is to be recorded at cost less impairment loss.

Trading Investments
Financial investments are classified as held for trading if they are acquired for the purpose of selling in the near term. They are measured at fair value, any gains or losses on investments held for trading are recognized in profit and loss.

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 income statement.

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 is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired and the impairment cost to be charged to the income statement of the financial period.

Significant Accounting Policies (continue)

Inventories
Inventories are stated at the lower of cost or net realizable value. Cost is those incurred in bringing each product to its present location and condition as follows:
- Raw materials, spare parts, supplies and packaging materials: at cost using the weighted average method.
- Work in Progress and Finished goods Inventory – supplies direct cost and wages addition to indirect expenses according to Normal activate level.
- Net excepted value to be determined based on the estimated sales price less additional expected cost it is built or sold.

Accounts and notes receivable
Accounts receivable are stated at original invoice and to be tested annually for impairment to determine if there is an indicator for reduction of the asset value.

Accounts payable 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 income statement according to the accrual basis

Provisions
Provisions are recognized when a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

Revenue recognition
Revenue from sales is recognised when the significant risks and rewards of ownership have passed to the buyer and the amount of revenue can be measured reliably.

The revenue from prepaid service recorded when estimated the result transaction from completion transaction percentage in Balance Sheet date.
Revenue from share profit recorded when there is right to receive it.

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.

Significant Accounting Policies (continue)

Impairment of financial assets

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

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

The impairment loss related to financial assets available for sale to be calculated by using the present fair value. Impairment test is applied to the significant financial assets to the level of each asset.

Impairment loss is recognized in the 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 income statement, is transferred from equity to income statement. Reversal in respect of equity instruments classified as available for sale aaare 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 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 shares

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 shares 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.

Income tax

Taxation is provided in accordance with Egyptian fiscal regulations.

Deferred income tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on laws that have been enacted at the balance sheet date.

Deferred income tax assets are recognised for all deductible temporary differences and carry-forward of unused tax assets and unused tax losses to the extent that it is probable that taxable profit will be against which the deductible temporary differences and carry – forward of unused tax losses can be utilised.

Significant Accounting Policies (continue)

Cash flow statement

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

Borrowing

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

Borrowing costs

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

Expenses

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

Dividends

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

Earnings per share

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

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 3 April 2007	2,246,566,302	41,391,960	15,055,103	346,640,459	5,000,539	8,321,304	2,662,975,667
Additions	1,099,095,440	7,207,301	13,508,794	74,541,470	-	1,036,974	1,195,389,979
Disposals	-	(457,505)	(1,666,526)	(70,640)	-	-	(2,194,671)
At 30 June 2008	**3,345,661,742**	**48,141,756**	**26,897,371**	**421,111,289**	5,000,539	**9,358,278**	**3,856,170,975**
Accumulated depreciation							
At 3 April 2007	(42,684,135)	(18,068,226)	(2,271,170)	(40,849,029)	(1,144,681)	(2,604,146)	(107,621,387)
Depreciation charge	(14,005,577)	(3,725,182)	(7,423,703)	(9,408,259)	(311,248)	(644,399)	(35,518,368)
Disposals	-	409,505	20,126	4,637	-	-	434,268
At 30 June 2008	(56,689,712)	(21,383,903)	(9,674,747)	(50,252,651)	(1,455,929)	(3,248,545)	(142,705,487)
Net carrying amount							
At 30 June 2008	**3,288,972,030**	**26,757,853**	**17,222,624**	**370,858,638**	**3,544,610**	**6,109,733**	**3,713,465,488**

5 - PROJECTS UNDER CONSTRUCTIONS

	30/6/2008 LE
Tahran Building	17,955,140
Computers and Software	4,198,046
Villa (Al Rehab – Madinaty)	10,529,306
Fixtures	16,620,363
Al Nile Hotel	287,063,067
	336,365,922

6- GOODWILL

	30/6/2008 LE
Arab Company for Projects and Urban Development	12,549,220,335
Alexandria Company for Real Estate Investment	2,290,756,798
San Stefano Company for Real Estate Investments	508,420,063
Alexandria Company for Urban Projects	69,829,979
	15,418,227,175

The company assesses at each reporting study of the remaining balance of Good will according to the Egyptian Accounting Standard No. (29) business combination and to determine whether there is indicators of decline in the balance, in the case of, the company record amount in the Goodwill balance when the book value of the goodwill exceeds the amount determined in the related study, the decline amount of the Good will to be recorded in the income statement.

7- AVAILABLE FOR SALE INVESTMENTS

	30/6/2008 LE
Housing Development Bank Securities	57,930
Egyptian Company for Marketing and Distribution	500,000
El Tameer for Real Estate Finance Company	6,650,000
Egyptian International Medical Insurance	250,000
Housing Insurance Company	4,950,000
Isa Bin Jaber El Jaber	9,000,000
Egyptian Building Integrated Systems	1,100,000
Free Zone Industry Area East Port Saied	16,287
	22,524,217

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
30 June 2008

8- INVESTMENTS IN ASSOCIATES

	Shares Participation	30/6/2008
		LE
Arab Egyptian for Entertainment Projects	50%	125,000
Alexandria for Projects Management	32.5%	1.078,025
Nile Besfour company	31.77%	10,028,072
Alexandria for Tourism Projects	24.25%	476,217
		11,707,314

9- INVESTMENTS UNDER INCORPORATION

	30/6/2008
	LE
Credentials investment fund Horus	33,420,000
El Tayseer for Real Estate Finance Company	30,000,000
Areez Arab Limited Company	22,050,000
El Rehab for securitization	5,000,000
	90.470.000

10- Bonds Held to Maturity

The balance of this account is LE 97,904,753, consists of 100.000 bonds nominal value LE 1000 per-bond with interest rate 9.05 % matured in 2013.

11- TRADING INVESTMENTS

	30/6/2008
	LE
Dune groasses overseas	187,447,000
Tansy finance	225,229,000
Rockland	244,273,000
Themar Investment Fund	48,165,297
Governmental Bonds	235,970,217
Arab African Bank Investment Fund	262,298,345
Credit Agrecol Bank Investment Fund	101,007,995
Other financial investments	147,025,275
	1,451,416,129

12- ACCOUNTS AND NOTES RECEIVABLE

	30/6/2008
	LE
Account and Notes Receivable – Short Term	3,072,428,601
Account and Notes Receivable – Long Term	10,666,508,385
	13,738,936,986

13-WORK IN PROGRESS

Project	Land	Consultations and Designs	Construction Work	Contribution of Alexandria Governorate	Technical Management and Supervision Costs	Financing Costs	Licenses and Other Governments Fees	Indirect Costs	Total in 30/6/2008
Arab for Projects and Urban Development	2,072,858,476	209,212,392	1,684,372,406	-	37,620,655	-	82,812,767	1,602,012,678	5,688,889,374
San Stefano for Real Estate	66,092,239	42,158,277	530,091,713	1,948,603	-	152,502,295	2,785,862	204,244,372	999,823,361
Alexandria for Real Estate	360,184,194	53,338,997	541,270,118		-	43,154,960	49,759,484	52,907,057	1,100,614,810
	2,499,134,909	304,709,666	2,755,734,237	1,948,603	37,620,655	195,657,255	135,358,113	1,859,164,107	7,789,327,545

14-FINISHED UNITS

The balance of finished units is LE 11,826,311, represents the value of finished units returned from clients and available for sale.

15- INVENTORY-Net

	30/6/2008
	LE
Hotels Operating Equipments & Supplies	69,850,523
Hotels Furniture	7,139,889
Operating equipments and supplies for employees housing	93,454
Furniture of employees housing	725,420
Ceramics store	259.961
(Less) Amortized Hotel Inventory	(27,312,523)
	50,756,724

16 – PREPAID EXPENSES AND OTHER DEBIT BALANCES

	30/6/2008
	LE
Contractors and Accounts Payable Down Payment and Storage	548,738,156
Received from Abroad	31,369,476
Transfers – Cheques	2,815,443
Accrued Revenue	8,501,887
Hotels Current Accounts	101,979,376
Investment Debtors	386,511,769
Deposit with others	299,648
Tax authority	13,950,414
Loans to employees	317,674
Other Debtors	139,156,586
Other debit balances	812,655,235
	2,046,295,664

17 - CASH AND CASH EQUIVALENTS

	Local Currency	Foreign Currency	TOTAL
			30/6/2008
	LE	LE	LE
Time Deposits	1,630,487,129	2,479,190	1,632,966,319
Banks Current Accounts	267,540,755	9,542,318	277,083,073
Cash on Hand	24,424,380	0	24,424,380
Treasury Bills	185,153,645	0	185,153,645
Cheques under collection	8,626,625	0	8,626,625
	2,116,232,534	12,021,508	2,128,254,042

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

	30/6/2008
	LE
Cash on Hand and at Banks	2,128,254,042
Banks Overdraft	(164,475,964)
	1,963,778,078

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
30 June 2008

18- PROVISIONS

	30/6/2008
	LE
Beginning Balance	6,647,092
Add during the year	61,525,057
Used during the year	(557,451)
Ending Balance	**67,614,698**

19-CREDITORS AND NOTES PAYABLE

	30/6/2008
	LE
Contractors and Accounts Payable (Note 28)	99,835,388
Notes Payables *	80,603,769
	180,439,157

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

20- CUSTOMERS DOWN PAYMENT

	30/6/2008
	LE
Customers down payment (Nile Plaza Project)	100,309,974
Customers down payment (Sharm El Sheikh Project)	1,488,630
Customers down payment (San Stefano Project)	523,731,638
Customers down payment (Al Rabwa Project)	414,917,365
	1,040,447,607

21- OTHER CREDIT BALANCES

	30/6/2008
	LE
Accrued Expenses and credits	369,107,523
Creditors distributions	4,293,048
Securing work	149,538,488
Accrued Salaries and Expenses	2,503,698
Insurance for other	14,306,524
Club subscriptions	256,607,721
Contribution to the establishment - renew the club	10,514,739
Creditors	44,058,354
Due to employees (treasury shares)	36,430,000
Due to Customers	10,204,600
Creditors barriers	6,142,345
Tax authority	35,853,163
Units Insurance	106,870,182
Other credits	130,238,378
	1,176,668,763

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 Reserve

Net balance transfer from Premium share balance amounted to LE 158,119,298 , 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 158,119,297.

24- GENERAL RESERVE

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.

26- LOANS AND FACILITIES

The balance on date of the financial statements is LE 1,974,866,087 which consists of:

	Short Term	Long Term	Total 31/3/2008
	LE	LE	LE
Facilities	112,599,576	23,600,000	136,199,576
Loans *	285,879,111	1,552,787,400	1,838,666,511
	398,478,687	**1,576,387,400**	**1,974,866,087**

* 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

	30 /6 / 2008
	LE
New Urban Communities Authority	2,098,548,608
Customers advance payments – Rehab	1,933,180,410
Customers advance payments - Rehab 2	2,598,266,159
Customers advance payments – Madinty	11,295,909,365
	17,925,904,542

28- DEFERRED TAX LIABILITY

Deferred Tax Liability as of 30 June 2008 amounted to LE 4,667,565 represents the deferred taxes of the fixed assets and related to difference between tax depreciation and accounting depreciation as follows:

	30 /6 / 2008
	LE
Accounting Depreciation	14,174,994
Tax Depreciation	(24,576,464)
Temporary Differences	(11,104,025)
Tax Rate	20%
Deferred tax – Liabilities in 30 June 2008	(2,272,847)
Deferred tax – Liabilities in 31 December 2007	(2,394,718)
Deferred tax – Liabilities in 30 June 2008	(4,667,565)

29-SALES AND COST OF SALES

	30/6/2008
	LE
-Revenue from Sold Units	3,341,254,872
-Net Revenue from Hotels Operation	196,873,828
-Services Revenues	54,838,578
	3,592,967,278
-Cost of Sold Units	2,101,512,402
-Cost of Sold Services	27,780,670
	2,129,293,072

30- EARNINGS PER SHARE

Earnings per share are LE 0.93 according to the following:

	From 3 /4/ 2007 to 30 /6/2008 LE	From 1 /1/ 2008 to 30 /6/2008 LE	From 1 /4/ 2008 to 30 /6/2008 LE
Net profit	1,070,840,685	874,592,996	449,167,641
Weighted average number of shares	1,156,409,590	1,156,409,590	1,156,409,590
Earnings per share	0.93	0.76	0.39

31-TAX SITUATION

The company is subject to Tax Law 91 for 2005, because the Company started its activity in April 2007, the tax returns not yet submitted.

32- RELATED PARTY TRANSACTIONS

To accomplish the company's objectives, the company deals with some related companies with the same terms of the related 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 primary contractor for the companies' projects under the contracts signed by the companies.

Description	Management fees
	LE
Virginia Owners Union	442,942
	442,942

Description	**Advance Payments**	**Credit Balances**	**Type of Transaction**
	LE	LE	
Alexandria for Constructions Company	19,468,442	9,818,451	**Contractor**
	19,468,442	**9,818,451**	

33-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.