



Annual Report 2008



**Everything on Wheels**



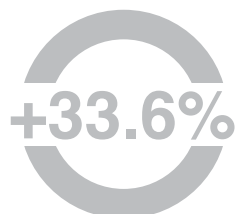
## Contents

Financial Highlights	1
CEO's Letter to Shareholders	3
Management Review	5
Company at a Glance	7
Strategy for Sustainable Long-Term Growth	9
Portfolio of Brands	11
History & Evolution	13
Group Financial Performance	15
<b>Business Review:</b>	
Passenger Cars	17
Commercial Vehicles	19
Motorcycles & Three-Wheelers	21
Other Lines of Business	23
Investing in People	25
Board of Directors	27
Financial Review	29

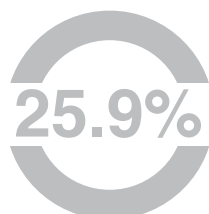
## Financial Highlights



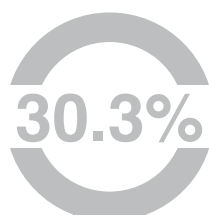
**Revenue Growth**  
(with total revenues reaching EGP 5,192.4 million)



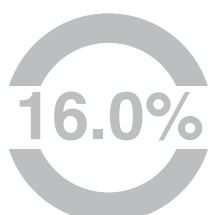
**Operating Profit Growth**  
(with operating profit reaching EGP 627.5 million)



**Market Share**  
in the passenger car market



**Market Share**  
in the bus market



**Market Share**  
in the truck market



## Highlights 2008

### Financial Data (EGP million)

	2008	(restated) 2007	% change
Revenues (million)	5,192.4	4,630.1	12.1
Operating Profit (million)	627.5	469.7	33.6
EBIT (million)	646.5	582.1	11.1
EBIT Margin	12.5	12.6	-0.1
Net Profit (million)	415.9	433.5	-4.1
Net Profit Margin	8.0	9.4	-1.4
Earnings per Share	3.2	3.7	-15.6
Total Assets (million)	3,628.6	2,901.7	25.1
Total Invested Funds (million)	1,915.4	1,590.0	20.4
Total Interest-Bearing Debt (million)	973.7	864.2	12.7
Minority Interest	15.0	14.2	5.6
Shareholder's Equity	1,726.2	1,350.0	27.9

### Vehicle Sales

Passenger Cars (units)	51,518	48,623	6.0
Commercial Vehicles (units)	3,227	2,644	22.1
Motorcycles and Three-Wheelers (units)	43,251	40,830	5.9



## CEO's Letter to Shareholders

### *Fellow Shareholders,*

To paraphrase Mr. Dickens, the year gone by carried with it both the best of times and the worst of times. The first half of 2008 saw record growth in our industry - growth that tapered to a contraction in the final weeks of the year as the global economic crisis helped reset both consumer expectations and spending patterns in the Arab world's largest market.

In the first seven months of 2008, the Egyptian automotive sector grew in lock-step with the national economy, propelled by solid industry and national economic fundamentals and spurred by record levels of investment. Egypt's economy surged ahead at an annualized rate of 7.2% through June, helping the automotive sector grow at an average rate of more than 30% in the same period.

Against that backdrop, GB Auto's diverse product mix, strong brand equity, smart marketing and aggressive roll-out of sales and service centers saw us post 32.9% growth in revenues and a 61.7% rise in profits in the six months ending June 30, 2008. But after slowing to just 7% growth market-wide in August, the sector contracted 2% in September, setting the stage for the 44.9% year-on-year fall in market sales in the month of December 2008.

Despite the challenges of the second half of the year, GB Auto posted a 12.1% rise in revenues to EGP 5,192.4 million in fiscal year 2008 as EBIT grew a healthy 11.1% to EGP 646.5 million while the company's gross margin climbed 2.3 percentage points to 16.8%. A significant reduction in provision reversals to EGP 19.0 million in FY 2008 from EGP 112.4 million the previous year saw net income decrease slightly to EGP 415.9 million, a drop of 4.1% on the full year. The effect without these provisions on net income represents growth of 23.6%. (A full review of group performance begins on page 15, while business reviews for each LOB begin on page 17.)

However, the contraction in passenger vehicle sales – and to some extent buses – that we anticipated arrived in the fourth quarter. Under pressure from their offshore headquarters, foreign banks operating in Egypt have slowed the pace at which they are offering consumer credit.

This came as consumers began to expect price cuts as a result of falling global commodity prices, cooling domestic inflation and untimely statements from the Egyptian government regarding a reduction in customs duties and/or sales taxes on locally assembled automobiles in 2009. To date, customs duties and sales taxes remain unchanged with the exception of tuk-tuk SKD kits.



The effect on sales was exaggerated by the fact that dealers were very well-stocked heading into the fourth quarter, resulting in GB Auto slowing deliveries to the market and at the same time allowing some erosion of margins by providing our dealer network with the pricing flexibility they needed to reduce their inventories efficiently.

While 2009 will be marked by significant challenges, it is important to keep them in perspective both as you review our Annual Report for 2008 and as you consider our strategy for the decade to come. Yes, the business climate outside the Middle East and North Africa is frightful. Yes, this climate is now spilling over into our region, cutting into growth and changing consumer habits and expectations. And yes, the global automotive industry is under significant pressure.

These are challenges for which we are prepared. Within Egypt, GB Auto remains the clear market leader, with a market share more than double that of any of our competitors. We draw strength from our diverse product mix, healthy margins, flexibility, world-class management team and strong, debt-efficient balance sheet. Together, these leave us well positioned to enhance our leadership of the domestic market as we execute from a strategy that supports regional growth. Resolute in the belief that the long-term pillars of our business model are no less sound today than they were in the boom years leading up to August 2008, we will continue to invest in the infrastructure, systems and people necessary to support growth both in Egypt and across our expanding MENA footprint.

Already the leading player in the Egyptian market, GB Auto now has a unique opportunity to expand regionally, as we have done most recently in the first quarter of 2009 by establishing a joint-venture trailer distributorship in Algeria. Amid the current market conditions, we furthermore have a special opportunity to pursue new representation agreements regionally and in our core market.

Thanks to a highly targeted program of investment, GB Auto has both new capacity and expertise in its three core activities (import / assembly, sales and distribution, and after-sales service) that will scale both nationally and regionally at the same time as the company begins enjoying the benefits of falling global commodity prices.

Within Egypt, the easing of cost constraints and strong availability of both assembly kits and completely built-up models will allow us to target a passenger-car market share in the 30% range. Meanwhile, work on our paint shop expansion continues on schedule, our recently expanded trailer line will serve new opportunities in Algeria, and GB Auto's burgeoning bus assembly and manufacturing operation is gearing up to target new export markets thanks to our partnership with Marcopolo, the Brazil-based global bus manufacturer.

Haram Transport entered into profitability for the first time in 2008, and we will continue to invest the capital needed to expand operations should we be successful in our bids for up to four new intra- and inter-urban lines, which would bring our total coverage area up to nine governorates.

Finally, GB Auto remains committed to the creation of a world-class after-sales service network in Egypt for passenger, commercial and two- and three-wheel vehicles to drive both diversification and the growth of recurring revenue streams. The systems and know-how we develop in our core market will thus roll-out across expansion markets in the years ahead. What has changed is that investment in the foregoing will roll out incrementally and at a slower pace than we had originally planned.

As a whole, Egypt and the broader MENA market hold remarkable opportunities not just for GB Auto, but also for the global partners with whom we have deep relationships. As I write this, GB Auto accounts for approximately 1.8% of Hyundai's global output (excluding Kia). We are more than 16% of Bajaj's total three-wheeler (tuk-tuk) sales, and account for some 2.2% of the global capacity of truck and bus giant Mitsubishi Fuso.

Fellow shareholders, the year ahead will be challenging, but I submit this: There has never been a better time to be a large, diverse, well-managed, debt-efficient player in the Egyptian automotive industry.

*Sincerely,*

**Raouf Ghabbour**  
CEO

## Summary Overview of Performance by LOB

		FY2008	FY2007	% Change
<b>Passenger Car LOB</b>				
Total Sales Revenue	(EGP million)	3,675.5	3,314.4	10.9
Total Gross Profit	(EGP million)	613.1	447.2	37.1
Gross Profit Margin	(%)	16.7	13.5	3.2
<b>Commercial Vehicle LOB</b>				
Total Sales Revenue	(EGP million)	740.9	590.0	25.6
Total Gross Profit	(EGP million)	129.6	122.3	6.0
Gross Profit Margin	(%)	17.5	20.7	-3.2
<b>Motorcycle &amp; 3-Wheeler LOB</b>				
Total Revenue	(EGP million)	571.3	528.2	8.2
Total Gross Profit	(EGP million)	115.1	86.1	33.7
Gross Profit Margin	(%)	20.2	16.3	3.9
<b>Other Lines of Business</b>				
Total Revenue	(EGP million)	204.7	197.5	3.6
Total Gross Profit	(EGP million)	14.6	14.6	-
<b>Group</b>				
Group Revenues		5,192.4	4,630.1	12.1
Group Gross Profit		872.3	670.2	30.2
Group Gross Margin	(%)	16.8	14.5	2.3

## Management Review

In looking back at 2008, we note with pleasure six key events that position GB Auto to capture growth in the years ahead. As outlined in our Key Events section (page 14), these included the passage in June of legislative changes allowing the licensing of three-wheeler vehicles, an important change that helped sales of this important new line of business rebound. In 2009, we expect this segment to continue growing at or above its 2008 rate, driven in part by the growing cost-consciousness of lower-income consumers.

Also last summer, the People's Assembly passed legislation that will compel the retirement of taxis over 20 years of age. This has created a 37,000-unit sales opportunity in 2009 alone to be split between six approved suppliers to a government-sponsored replacement program, of which GB Auto is one. The same law bans the use of draw-bar trailers, opening a 23,000-unit market opportunity for GB Auto, Egypt's leading trailer manufacturer.

Internally, we note with pleasure the completion in December 2008 of the post-IPO merger process. Starting in 2009, all Passenger Transport businesses are operating via a single legal entity known as Itamco. GB Auto's Commercial Transport businesses operate via Ghabbour Egypt, while Haram Transport offers cargo and passenger services to corporate and government clients. The firm's leasing arm represents the fourth entity under GB Auto, while the company's joint venture with Brazil's Marcopolo – GB Polo – operates under its own umbrella. This merger leaves the firm well-structured and well-positioned to grow.

To ensure the company is best positioned to take advantage of these opportunities, GB Auto began last year the construction of a new paint shop to resolve the primary bottleneck in our assembly process. This investment will allow annual production capacity for locally assembled CKD (Completely Knocked Down) units to climb to 100,000 from today's 33,000 units when the new paint shop comes online in the second half of 2009. Similarly, the construction of our new trailer line, completed in November 2008, has given us the option of increasing our maximum output more than three-fold to 6,000 units annually.

GB Auto's burgeoning bus assembly and manufacturing operation is gearing up to target new export markets thanks to our partnership with Marcopolo, the Brazil-based global bus manufacturing giant. The agreement, announced last summer, will see us open a joint-venture

bus assembly facility in Suez, Egypt. The new venture will operate through GB Polo Bus Manufacturing Company S.A.E. (GB Polo), a subsidiary of GB Auto that will be 51% owned by GB Auto and 49% owned by Marcopolo.

Finally, we are delighted to report that GB Auto's Transportation business entered into profitability in 2008. The division now offers inter-urban passenger transport services in five governorates, has secured a terminal in Cairo allowing return trips to one of the five governorates to carry traffic, and is actively pursuing tenders for additional governorates. Moreover, the Transportation business's cargo division has made a successful transition to offering truck rentals on fixed contracts.

### Challenges and Opportunities in 2009

The most significant challenge for GB Auto heading into 2009 is a slowdown in consumer spending that has hit the automotive industry disproportionately hard in comparison with other sectors. While anecdotal evidence suggests a 10-15% slowdown in retail sales, the Egyptian Automotive Marketing Information Council (AMIC) reports a decline of 28.4% in 4Q2008 automotive sales. Consumers are delaying purchases of passenger cars in the belief that falling global prices, cooling domestic inflation and hints that the state may lower customs duties and/or sales taxes on automobiles together presage a double-digit percentage drop in the price of automobiles on the local market.

Hopes for a price cut have been reinforced by the belief among even educated consumers that Egypt, like much of the world, is "in recession," despite the simple fact that growth is slowing, not in negative territory. As corporations make budgeting a quarterly or even monthly exercise, as layoffs begin and as wage freezes go into place, the resulting worries about job and financial security have led many to postpone buying decisions.

In this respect, the challenge for GB Auto will be two-fold: To make certain our brands remain "top-of-mind" for Egyptian consumers and to manage the business knowing that should market prices for passenger cars begin to drop, cash on hand will take on even more importance for industry players.

In the Commercial Vehicle and Construction Equipment segments, we believe a change in the mix of units sold is likely as sales gravitate toward civil works projects funded under the government's new spending on infrastructure and low-income housing.



Going forward, we will continue investing in what we firmly believe is a success story – albeit one that external factors will force us to take an extra year or two to write.

While we are presently passing through challenging times, our three core activities – import / assembly, sales and distribution, and after-sales service – provide us with a diverse, resilient revenue stream from lines of business that range from passenger cars to passenger transportation, from commercial vehicles to construction equipment. By focusing on core businesses and exploring new export opportunities, GB Auto will continue to create value for both shareholders and the global brands with whom we partner.

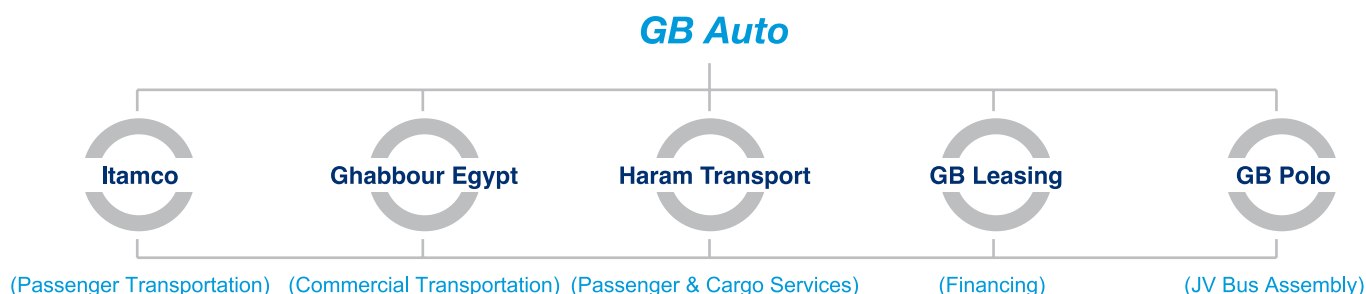
As we do so, we will harness growth opportunities supported by low penetration rates, increasing per-capita

income, the long-term growth of consumer finance in a highly under-leveraged market, lingering pent-up demand and an insufficient public transportation infrastructure. We will also draw strength from our talented, dedicated staff, who are making sacrifices this year by taking on additional work at the same time as we have frozen pay raises. Senior management have accepted interim pay cuts in light of the current market conditions.

These are indeed challenging times, but it is during such times that an efficient, well-led, well-funded company such as GB Auto can consolidate and even enhance its leadership of an industry.



## Company at a Glance



GB Auto is a leading player in the Egyptian automotive industry and is the holding company for a uniquely diversified group of subsidiaries that operate across the industry value chain. These companies focus primarily on automotive assembly, distribution and the industry's growing after-sales market, which includes vehicle servicing and related products.

The largest and most diverse player of its kind in the Middle East and North Africa, GB Auto is the market leader in the Egyptian passenger car segment and the largest player in three-wheeler sales, and continues rapidly growing its commercial vehicles division. The group assembles and distributes its diversified product mix to an extensive customer base that includes Egyptian retail consumers, transportation companies, private-sector companies, and various governmental authorities and agencies.

Export opportunities have recently taken on new importance to GB Auto, as underscored by a joint-venture bus-body assembly agreement with Marcopolo, a leading global player, signed in 2008. The new facility will target lucrative export markets in the Middle East, Europe and Africa.

GB Auto's assembly operations include production of passenger cars and commercial vehicles at two plants in Cairo and one in Sadat City. At these plants, assembly largely refers to Completely Knocked Down (CKD)

vehicles imported as kits from leading international brands that are assembled with a legally mandated percentage of local content. For the group's commercial vehicle line, production extends beyond assembly to include design and manufacture of complete vehicles except for imported engines and chassis.

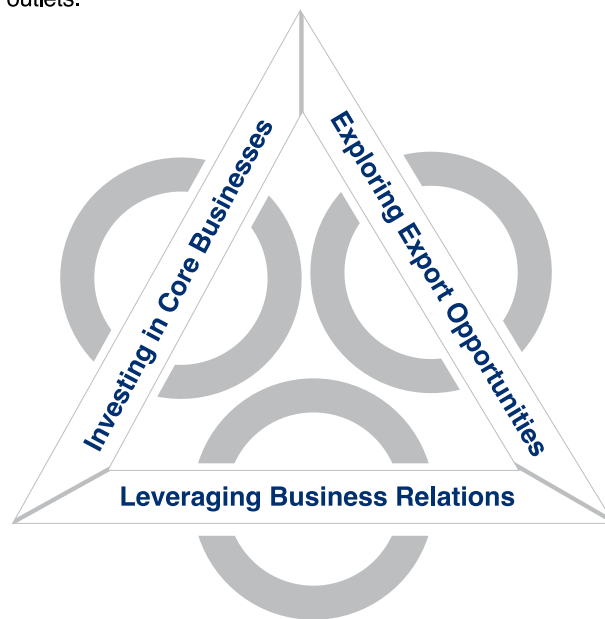
The company's retail distribution activities include the sale of CKD and Completely Built Up (CBU) passenger cars, commercial vehicles, motorcycles and three-wheelers, and construction equipment. CBU vehicles are imported already assembled, generally at a higher import tariff. GB Auto's distribution network includes partnerships with 46 authorized retailers throughout Egypt. The company continues to invest in expanding its reach to more customers while maximizing its ownership and control of retail sales channels.

Throughout its 60 year history, GB Auto has built a strong reputation for standing behind its customers and is renowned for providing unmatched after-sales service in the Egyptian market. GB Auto's growing national after-sales service network includes six passenger car and six commercial vehicle outlets, and a planned expansion will bring these totals to 25 passenger car and 10 commercial vehicle centers. Together with the group's new vehicles sales, the company's service and parts outlets make GB a fully integrated automotive player – a “one-stop shop” that provides customers with lower ownership costs and real value.



## ***A Strategy for Sustainable, Long-Term Growth***

GB Auto is a uniquely diversified player in the MENA automotive segment with assembly, sales and distribution, and after-sales service activities spread across multiple market segments including passenger cars, commercial vehicles, construction equipment, and motorcycles and three-wheelers. These activities involve three plants, a growing national sales network that also includes 46 independent dealers, and six passenger car and six commercial vehicle after-sales service outlets.



**GB Auto's strategy is built on 3 core axes**

**These activities are part of a three-axis strategy to maximize growth by**



Investing in core businesses, creating a one-stop shop for consumers by vertically integrating sales, consumer finance and after-sales support functions under one roof. The company is investing in an unmatched nationwide distribution and after-sales network as well as positioning its products as having the lowest ownership cost in the market, further entrenching GB Auto's strong position across the widest range of products.



While catering to the fast-growing Egyptian market – which is underpinned by strong fundamentals – GB Auto is also exploring new export opportunities in partnership with leading global brands.



Leveraging its domestic strength and regional footprint, GB Auto is strengthening its business relationships with current partners while searching for the best brands with which to open new lines of business. GB Auto is the dear partner of choice for any OEM that wants to successfully operate in Egypt's automotive sector.



GB Auto believes long-term growth of the Egyptian market is supported by a range of factors including recent legislative changes that create market opportunities by prohibiting the use of cars over the age of 20 years as taxis (a 37,000-unit opportunity in 2009 alone) and outlawing draw-bar trailers (a 23,000 unit opportunity). Moreover, rising per-capita income, the increasing availability of consumer finance in a highly under-leveraged market and lingering pent-up demand for automotive products in an under-motorized market – together with an insufficient public transportation infrastructure – will continue to support demand growth in the decade ahead.

With a best-in-class assembly and manufacturing operation, new capacity coming on stream and strong partnerships with leading global OEMs with access to best-in-class products, GB Auto is also uniquely well-positioned to take advantage of untapped export markets.

## Preserving Working Capital in 2009

GB Auto is operating from a cost control and cash-preservation plan as the domestic automotive market faces a slowdown in 2009. To date, the company has taken the following measures in light of the plan:

1. Heading into the first quarter of 2009, the company implemented measures that will cut structural costs by EGP 100 million this year.
2. In 1Q09, the company reduced its assembly and manufacturing workforce by 900 persons through layoffs and attrition.
3. A freeze on pay raises is in effect as of January 1, 2009.
4. Senior management have accepted interim pay cuts in light of current market conditions.
5. Sales and marketing expenses have been sharply curtailed.
6. General expenses will continue to be scrutinized on an item-by-item basis.
7. Employee expenses will continue to be closely monitored.
8. With dealers well-stocked, manufacturing and assembly operations slowed significantly in the first quarter.
9. A common automotive purchasing department to realize new efficiencies and economies of scale has been implemented.
10. A logistics and warehousing efficiency plan that goes hand-in-hand with efforts to reduce working capital primarily through inventory control and spare parts has been implemented.



## Portfolio of Brands



GB Auto's Hyundai brand is well-established and Egypt's most integrated distribution and after-sales network. The Hyundai brand has become the nation's undisputed passenger car leader, with a market share of 26%, double that of its nearest competitor. Hyundai's persistent top-selling status reflects the success of GB Auto's vertically integrated sales, consumer finance and after-sales support functions and Hyundai's superior value proposition, which positions the brand as the best value for money. GB Auto works to ensure Hyundai cars have the lowest cost of ownership of any brand on the market.



The MENA region's largest bus manufacturer and distributor, GB Auto offers an unmatched range of minibuses, buses and coaches targeting the public, commercial and tourism sectors. The company is the exclusive distributor of leading international brands Volvo, Hyundai and Mitsubishi. Each bus that rolls out of the GB factory is the product of decades of development, design and engineering expertise, and GB Auto's joint-venture with Marcopolo to establish a bus-body assembly facility (with an ultimate production capacity of 8,000 units per year) is set to build on this tradition as it targets European, African and Middle Eastern export markets when it comes online with a capacity 1,500 to 2,000 units per year at the end of 2009.



GB Auto is the exclusive agent for Mitsubishi and Volvo trucks and serves fleet operators, contractors, and large industrial corporations. The company's locally assembled heavy, medium and light trucks are fully customizable for any application and remain renowned for withstanding the region's toughest operating environments.



GB Auto is Egypt's exclusive assembler and distributor of motorcycles and three-wheelers from Bajaj, the largest global manufacturer of three-wheelers, often known as auto-rickshaws or "tuk-tuks." GB Auto imports Semi Knocked Down (SKD) units from the Indian producer and assembles and finishes the vehicles locally.



GB Auto has been among Egypt's leading tire dealers for more than 50 years and distributes passenger and light-truck tires under a license with Lassa, the Turkish producer. The company is actively exploring other potential partnerships with major global brands, particularly in the passenger car segment.



The company carries a wide line of construction equipment and materials handling products under license from Volvo, Linde and, as of 2008, some Ingersol Rand products.



Haram Transport, a wholly-owned GB Auto subsidiary, is a leading provider of transportation services (passenger and cargo) to government and industry. Haram operates using GB Auto brands including Hyundai, Mitsubishi and Volvo.

● Passenger Cars



● Buses



● Trucks



● Motorcycles & Three-Wheelers



● Tires



● Construction Equipment



● Transportation Services





## History & Evolution

### Sixty Years of Value Creation

Over the past 60 years, GB Auto has thrived under two generations of leadership from one of Egypt's visionary business families. The company has developed from a family operation to a top public corporation guided by the highest caliber executives.

In six decades of business, the GB Auto group has harnessed the good and weathered the bad. The company has flourished with a commitment to a single vision – a belief that Egypt's modern economy presents great potential to support a robust automotive industry. In carrying out this vision, GB Auto has remained committed to offering the highest quality of products and services with the best prices, creating job opportunities and improving labor skills.



#### The History

In the 1940s, Sadek and Kamal Ghabbour began a family-run trading business. The brothers' firm, which was soon incorporated as Ghabbour Brothers, had interests across a number of business lines, including automotive-related products, construction materials, home appliances and electronics.

Egypt's open-door policy during the 1970s presented an opportunity to bring international expertise to the Egyptian automotive market, and Ghabbour Brothers started securing licenses from the world's premier suppliers. The business grew rapidly throughout the 1980s and 1990s.

Today, GB Auto is the leading diversified automotive company in North Africa and the Middle East and since 2007 has had a listing on the Egyptian Exchange (EGX). The company accounts for approximately 1.8% of Hyundai's global output (excluding Kia) with sales more than three times what Hyundai sold in America in 2008. GB Auto is responsible for more than 16% of Bajaj's total sales of three-wheelers (tuk-tuks), and accounts for some 2.2% of the global capacity of truck and bus giant Mitsubishi Fuso.



## 2008 Key Events

### Key 2008 Corporate Events

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In the fourth quarter, GB Auto completed the post-IPO merger process, which now sees all Passenger Transport businesses operating via a single legal entity known as Itamco. GB Auto's Commercial Transport businesses operate via Ghabbour Egypt, while Haram Transport offers cargo and passenger services to corporate and government clients. The firm's leasing arm represents the fourth entity under GB Auto, while the company's joint venture with Brazil's Marcopolo – GB Polo – operates under its own umbrella.



Continued work on the new paint shop, which will allow the company to ramp up CKD assembly capacity when market conditions warrant it after the shop is complete in the second half of 2009. The new capacity will allow GB Auto to pursue new business both at home and abroad.



Completion in November of the expansion of trailer line capacity, allowing the company to cater to new demand created by legislative changes.



Agreement with global giant Marcopolo to create a joint manufacturing facility in Suez, Egypt, to target lucrative export markets. While the pace of investment has slowed somewhat in line with our joint cash-management strategy, GB Polo is slated to begin operations in the fourth quarter of 2009.



The roll-out of our expanded national service and after-sales network continues, with a target of 25 passenger car centers and 10 commercial vehicle centers. Investment will continue in 2009, albeit at a slower pace in line with our strategy to slow down capital expenditures.



Institutionalization program continued under leading regional management consultancy. GB Auto is now entering the implementation phase with an internal implementation team / project management office now focused on tangible results.



As part of GB Auto's plan to strengthen and deepen its core management team, the company recruited in 2008 Colin Sykes as Chief Financial Officer and Amy Shoukry as its first Chief Human Resources Officer. That continued in the first quarter of 2009 with the engagement of Mark Kass as Chief Operating Officer (Passenger Vehicles), Timothy Allen as Chief Operating Officer (Commercial Vehicles) and Jayaraman Narayanan as General Manager of the company's Motorcycles and Three-Wheelers line of business.



With nearly two decades in the field, Mr. Kass joined GB Auto from Alhamrani (Nissan & Infiniti) in Saudi Arabia, while Mr. Allen comes to the company from General Motors and Mr. Narayanan was previously responsible for building the Piaggio scooter business in India.



GB Auto is recognized by Hyundai Motor Corporation as one of its best five distributors worldwide and as number-one in Africa.



In April 2008, GB Auto won recognition from Mitsubishi Fuso Truck & Bus Corporation for its historical sales record.

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## Group Financial Performance Review

Despite a significant slowdown in automotive sales market-wide in the final quarter, 2008 was a record year for GB Auto, which posted revenues of EGP 5,192.4 million, up 12.1% over the previous year. Cost consciousness throughout the year, better selling prices in the passenger car division, the elimination of long-term debt and senior management's adoption of a working-capital preservation plan in October (before the worst of the slowdown hit) allowed the company to increase both gross profits and gross profit margins while minimizing damage to bottom-line profits and margins.

For 2008, GB Auto posted a gross profit of EGP 872.3 million, up 30.2% from the previous year and helping gross margins rise 2.3 percentage points to 16.8%. EBIT for 2008 stood at EGP 646.5 million (an 11.1% improvement over 2007). GB Auto's net profit margin contracted fractionally to 8.0%, a dip of 1.4 percentage points. While net income dipped slightly, this was after a sharp reduction in provision writebacks from EGP 112.4 million in FY2007 to EGP 19.0 million this past year. Excluding that effect, the company recorded net profits of EGP 396.9 million, a 23.6% improvement from fiscal 2007.

Total passenger car revenues climbed 10.9% to EGP 3,675.5 million (accounting for 72% of group revenues against 71.1% in 2007), while revenues from the commercial vehicles business rose 25.6% to EGP 740.9 million (accounting for 14% of group revenues against 12.7% in 2007). Meanwhile, motorcycle and three-wheeler revenues for 2008 rose 8.2% to

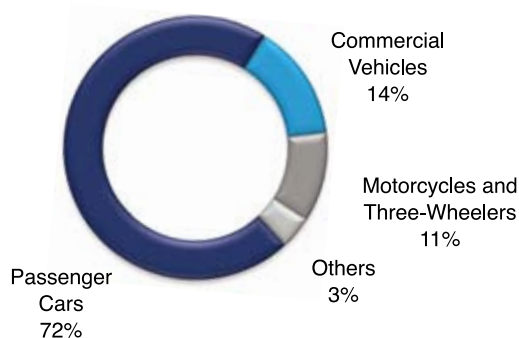
EGP 571.3 million (11% of group revenues last year), while tire sales dipped 32.9% to EGP 75.1 million and construction equipment revenues rose 164.4% to EGP 49.7 million.

Realizing that GB Auto, like the rest of the market, would face a slowdown in sales, senior management worked diligently in 4Q08 to formulate a short-term cash management strategy to further bolster our already-strong balance sheet. In this context, it is worth noting the elimination of long-term debt from GB Auto's balance sheet as of December 31, 2008. This leaves GB Auto debt-efficient, using primarily short-term debt incurred as overdrafts to finance working capital.

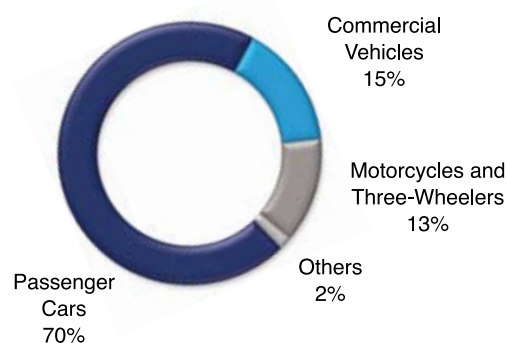
The entire staff of GB Auto is now focused on preserving costs and working capital:

- o In January 2009, we reduced headcount through layoffs and attrition by 600 on the manufacturing side, representing 8.8% of the company's workforce. The following month, GB Auto made redundant a further 300 staff members, thereby reducing by 13.2% the pre-layoff workforce. These painful decisions were made necessary by the simple math of declining year-on-year sales.
- o A freeze on pay raises went into effect on January 1, 2009, and senior managers have accepted interim pay cuts in light of the current market conditions. The company is closely monitoring employee expenses, and spending on sales and marketing will be sharply curtailed, including both "extras" such as launch parties for models of

### Revenues



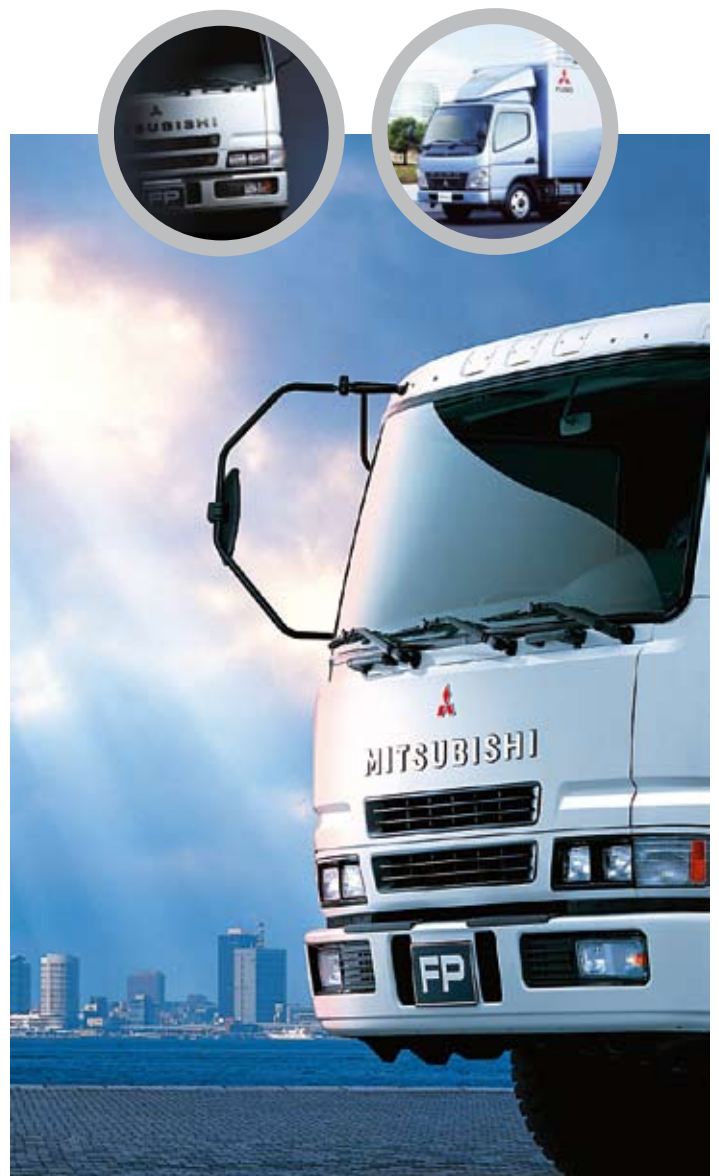
### Gross Profit



- 
- minor significance as well as staples such as advertising. General expenses will continue to be scrutinized on an item-by-item basis.
- o Dealers were amply stocked in fourth quarter, with some 5,700 Hyundai passenger cars in the market in December 2008; the figure under normal trading conditions is less than half that. As a result, we have significantly curtailed new assembly through the end of March 2009. Moreover, the company reduced and delayed the average (pre-paid) order for CBU units and CKD kits.

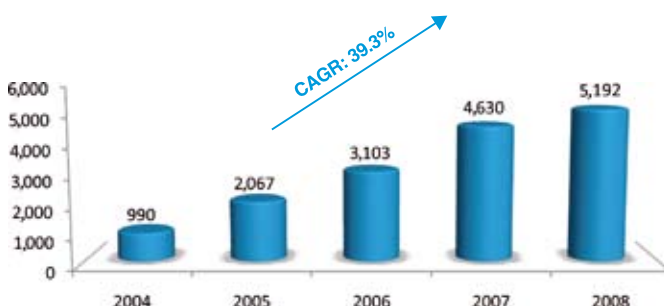
Management believes that prudent cash management and a slower but committed pace of investment will preserve its market leadership while positioning the firm to take maximum advantage of an upswing in growth toward the end of the decade.

As this unfolds, GB Auto expects to see further easing of constraints on supplies imposed in 2008 by some of our global partners. Also working in the company's favor is the continued weakening of the Korean won and the strengthening of the US dollar and Japanese yen, which will move in favor of many core brands (particularly Hyundai passenger cars) at the expense of Japanese and American competitors. GB Auto will also benefit in 2009 from lower raw materials costs due to falling global prices.



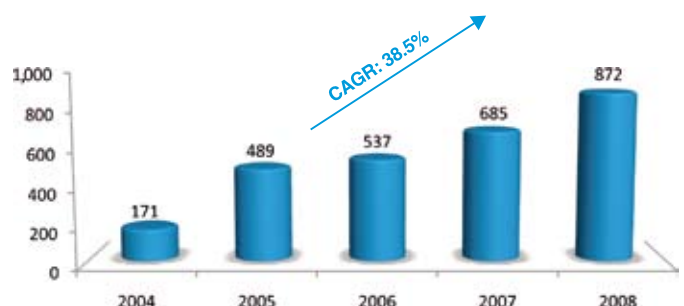
## Revenues

EGP million



## Gross Profit

EGP million





### Passenger Cars

GB Auto's Passenger Cars business line holds the exclusive license to assemble, import and distribute Hyundai Motor Company (Hyundai) cars in Egypt. The business markets a variety of products with a diverse range of sizes, prices and engine segments, ranging from 1.1 liter engine capacity cars to SUVs of over 2.0 liters.

GB Auto is the largest player in the Egyptian automotive market in terms of sales revenue, market share, and production capacity. More than one in four new cars sold in Egypt are Hyundai, with Hyundai enjoying a 26% market share, double the market position of its closest competitor.

Over the years, the company has accomplished its market leadership with a dedication to value, unparalleled service and best-in-class products. GB Auto created its "one-stop shop" approach to retail auto buying by vertically integrating sales, consumer finance and after-sales support. Its commitment to total customer care allows the company to offer Egypt's car-buying market a powerful value proposition – GB Auto has positioned Hyundai cars as the best value for money.

With Egypt's largest sales and after-sales network, GB Auto has managed to transform the nation's new car experience. The company's 3S business model promises showrooms, services and spare parts. GB Auto's six large service centers and 373 service bays; 11 owned showrooms comprising 4,722 square meters and partnerships with 46 independent auto-

motive retailers; and a spare parts distribution channel of 52 outlets throughout the country delivers Egypt's car market comprehensive service.

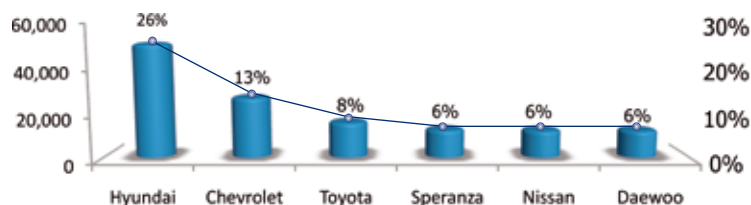
GB Auto's start-to-finish customer orientation has helped make Hyundai's resale value the highest in Egypt. The 3S model has helped make Hyundai cars synonymous with positive customer care and has strengthened GB Auto's brand and boosted its market position across its product offerings.

In the coming years, GB Auto will continue directing investment to expand its capabilities and offerings. In 2008, it broke ground on a new paint shop that will significantly expand the company's CKD assembly capacity when it comes online in 2009, and GB Auto joined Citibank on an agreement to extend Citi finance facilities to retail customers. The company expects to maximize ownership and control of retail sales, building 12 new showrooms that will add 8,500 square meters of floor space. The company also expects to increase its service capacity with more than 600 new service bays as it expands to 25 service centers.

#### 2008 Review

GB Auto's Passenger Car line of business grew total revenues 10.9% to EGP 3,675.5 million in 2008 as total units sold climbed 6.0% to 51,518 despite supply constraints on CBU models from Hyundai Motors Corp. to the half-year mark. By year's end, CBU sales had surged 10.4% to 30,555 units while CKD sales inched up 0.1% to 20,963 units. The division's gross profits grew 37.1% to EGP 613.1 million, helping

### Market Segmentation as of end FY2008



Top 6 Brands  
Vehicle units



gross margins climb a healthy 3.2 percentage points to 16.7%.

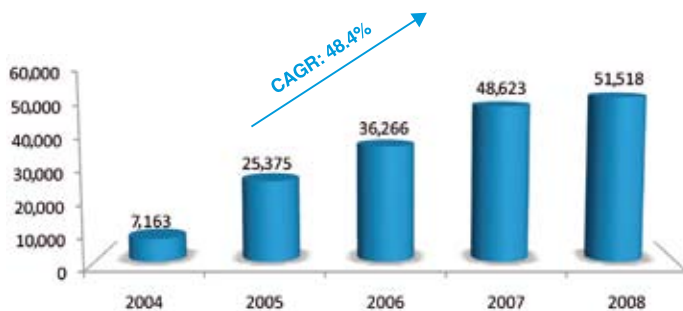
A strong start to 2008 saw the division's revenues surge 31.9% to 9M08, but a contraction that began in August – when Egypt's auto market grew just 7% versus an average of 33.6% in the previous six months – accelerated in the final quarter. With consumers delaying purchase decisions amid expectations of significant discounts and fears of looming economic difficulties, and with dealers well-stocked with inventory, GB Auto's passenger car unit sales dipped 48.4% in the fourth quarter of 2008, against a 44.9% drop market-wide in December 2008, according to figures from the Automotive Marketing Information Council. The 3.5 percentage point difference owed largely to GB Auto's higher levels of in-market inventory with dealers.

Overall, Egypt's passenger car market grew 11% to 198,800 units sold in FY2008 against 179,168 units the previous year. GB Auto enjoys a 26% market share by units sold, double that of its nearest competitor.



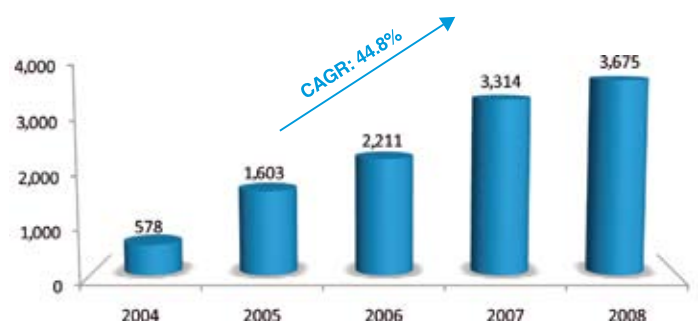
## Sales Volume

Vehicle Units



## Revenues

EGP million



## Business Review

### Commercial Vehicles

GB Auto's Commercial Vehicle line of business distributes and finances imported and locally assembled trucks and buses. The division assembles Mitsubishi, Volvo and Hyundai buses and Mitsubishi trucks at two plants in Cairo and one in Sadat City, and the group imports Volvo heavy trucks. GB Auto also manufactures and distributes semi-trailers and super-structures such as oil and chemical tankers and concrete mixers under its Commercial Vehicles line.

The company's bus segment produces a range of transportation solutions, including large buses, or coaches, with a maximum capacity of 50 passengers; mini buses that seat between 23 and 33 passengers; and mini buses that hold 29 individuals. GB Auto's bus line is Egypt's largest supplier, holding a 30.3% market share in 2008.

GB Auto's Commercial Vehicles line markets high, medium and light weight trucks for fleet operators, contractors, and large industrial operators throughout Egypt. GB Auto expects significant business expansion as Egypt's massive growth potential, especially in the heavy-truck segment, is fulfilled.

The commercial vehicles line, more than any other GB Auto operation, demonstrates the group's capabilities as a manufacturer. With the exception of the engines and chassis, the company designs and manufactures complete buses at its facilities, which have a capacity to build five minibuses and two large buses per day. Because of this significant value added, the Commercial Vehicles business

produces the group's highest margins. At these production facilities, GB Auto produces the Mitsubishi RP coach, the Mitsubishi Cruiser mini and medium-sized buses, and tourism buses including Volvo and Hyundai models.

Additionally, the group assembles light-to-medium range Mitsubishi Canter trucks.

GB Auto expects to continue expanding its production capabilities, and in 2008 the company agreed to a joint-venture that will build a bus assembly plant in Suez with global giant Marcopolo. The partnership will develop an 8,000 unit capacity bus body assembly facility targeting local and export markets and is a move to capture export opportunities in commercial vehicle manufacturing by leveraging the company's low-cost, highly-trained workforce.

#### 2008 Review

GB Auto's Commercial Vehicle line of business grew total revenues 25.6% to EGP 740.9 million in 2008 and total units sold climbed 22.1% to 3,227 units across all sub-businesses (buses, trucks and trailers). Unit sales of trucks climbed 44.6%, trailer sales surged 175.3% and superstructure unit sales improved 68.1%. Unit sales of buses fell 17.0% in 2008 as the tourism sector came under pressure from the global economic downturn.

Bus Market Share

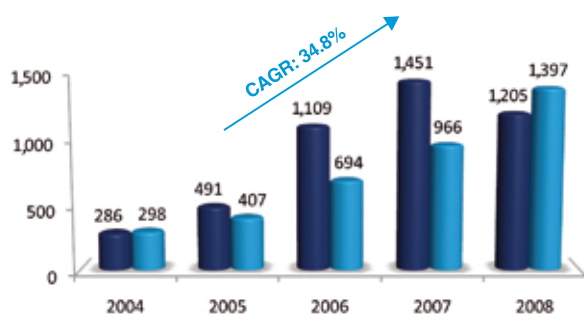


Truck Market Share

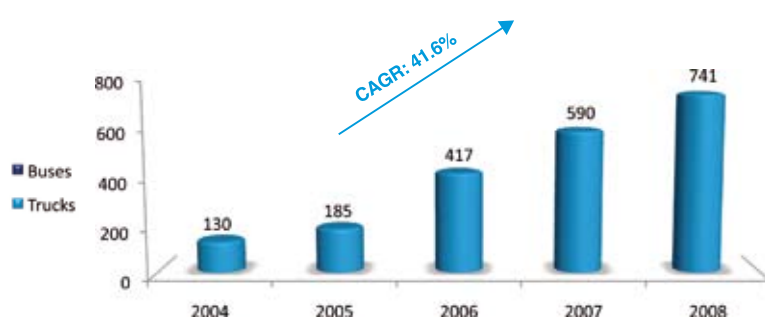




**Sales Volume**  
Vehicle Units



**Revenues**  
EGP million



### Motorcycles & Three-Wheelers

GB Auto is the exclusive local agent and distributor of Bajaj Auto's Boxer motorcycles, two-wheel scooters and three-wheel vehicles, often called auto-rickshaws or tuk-tuks. Bajaj, an Indian brand, is the largest global manufacturer of three-wheelers and the largest supplier of India's robust motorcycles and scooters market.

Bajaj vehicles are imported as SKD units and are assembled and finished locally by GB Auto at the company's Sixth of October City Industrial Zone factory.

GB Auto introduced the affordable three-wheel vehicles to the Egyptian market in 1999, and today its first-mover advantage helps Ghabbour maintain a 99% share of the country's tuk-tuk sales. In rural and low income areas, three-wheel vehicles are used for personal and commercial purposes as an alternative to common urban and peri-urban transport methods.

Three-wheelers' relatively low up-front cost, minimal fuel consumption and ease of movement often provide these areas a preferred transportation option.

GB Auto provides its motorcycle and three-wheeler customers the same comprehensive service that it offers its car buyers, and the group's 3S business model – showrooms, service and spare parts – extends to its motorcycles and tuk-tuk business as well. Its nationwide network of three retail showrooms and after-sales service centers, eight GB Auto-owned spare parts outlets and numerous local dealers

extends GB Auto's commitment to total customer care to its motorcycle and three-wheeler customers.

#### 2008 Review

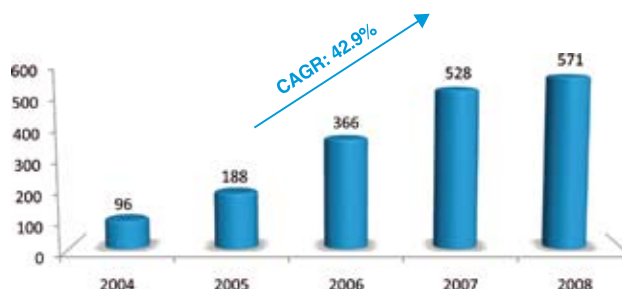
GB Auto's Motorcycles and Three-Wheelers line of business grew total revenues 8.2% to EGP 571.3 million in 2008 despite poor sales in the first eight months of three-wheelers due to customers' inability to license the vehicles. Legislation passed in summer 2008 now allows licensing of tuk-tuks as motorcycle taxis.

Sales of tuk-tuks were down slightly (2.6%) for the year at 36,615. Sales rebounded in 4Q08, during which GB Auto sold 12,047 vehicles (or just shy of one-third of all tuk-tuks sold in 2008), up 26.2% over the same quarter of 2007. Motorcycle sales climbed 103.9% last year to 6,636 units, helped by a significant one-time order from a government agency.

Total sales revenue of products for 2008 registered at EGP 557.9 million, up 5.9% from FY07, while after-sales parts and service revenues climbed 751.1% to EGP 13.4 million. Gross profit margin for the Motorcycles and Three-Wheelers segment improved 3.9 percentage points to 20.2%.

GB Auto continues to dominate the tuk-tuk market with a share well in excess of 90%.

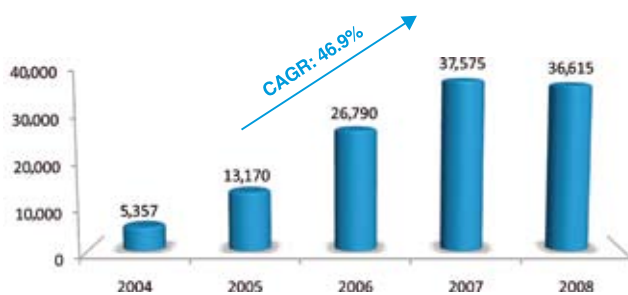
#### Revenues EGP million



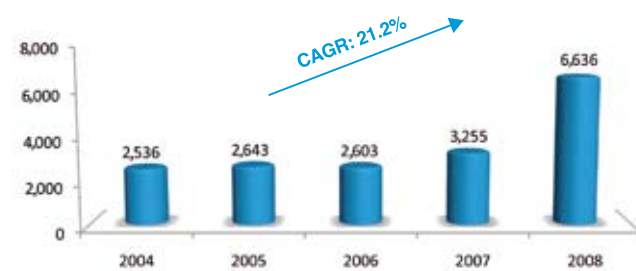




**Sales Volume**  
Three-Wheeler Units



**Sales Volume**  
Two-Wheeler Units



### Other Lines of Business

GB Auto's other business lines include Tires, Construction Equipment and Transportation Services.

#### **Tires:**

GB Auto distributes passenger and light tires under a license from Lassa, a Turkish manufacturer that produces the tires under a joint-venture with global leaders Bridgestone and Sabanci Group. The Egyptian automotive market recognizes Lassa tires as a high-quality product at an affordable price point, with approximately 40 different sizes of passenger and light truck tires.

#### **Construction Equipment:**

GB Auto's Construction Equipment line of business includes trucks and earth movers distributed under a license from Volvo Construction, and material handling equipment supplied under a license from Linde Material Handling GmbH & Co KG (Linde). The group markets its heavy-duty equipment line to public and governmental customers, as well as to private-sector companies.

GB Auto has distributed Volvo construction equipment since 1997 and the brand's share of the local construction equipment market stood around 10% by 2008. GB Auto recently entered an agreement to distribute Linde material handling equipment, primarily forklifts, in the Egyptian market.

GB Auto expects to expand its Construction Equipment line of business significantly over the coming few years by adding new product types and expanding its service center network throughout the country. In 2008, some Ingersoll Rand for government contracts was added to the portfolio.

#### **Transportation Services:**

In addition to supplying the industry, GB Auto has also invested directly in Egypt's transportation sector with Haram Transport Company, a fully owned subsidiary that operates more than 60 intra- and inter-urban routes in Alexandria, Daqahlia, Damietta, Suhag and Qena using a fleet of more than 250 vehicles. The division also provides cargo services by providing truck rentals on a fixed-contract basis.

#### **Export Activities:**

GB Auto is involved in a number of export activities, though its primary current engagements involve selling commercial vehicles in Saudi Arabia, the United Arab Emirates, Algeria and Ethiopia.

Egypt's well-positioned geography provides the company with excellent advantages as a regional export hub, and the company is actively studying expansion options into several of the Middle East and North Africa's untapped and underserved markets throughout the coming years. Particularly, GB Auto believes its locally assembled and manufactured commercial vehicles, semi-trailers and super-structures present significant potential to benefit from fundamental demand and free trade agreements throughout the region.

#### **2008 Review**

Until 2008, GB Auto's Tires line of business results included distribution of Double Coin truck, bus and off-road tires. This year, Double Coin sales were significantly disrupted when anti-dumping duties were leveled against Chinese tire imports. GB Auto continues to actively seek a replacement for the business line and is assessing alternatives to build a sustainable and growing tires business.

The impact of the loss of Double Coin sales is clear from the 32.9% dip in sales revenue to EGP 75.1 million in 2008. GB Auto continues to pursue international tire suppliers for representations in Egypt. With a new supply of Lassa passenger car tires now locked in, GB Auto continues to look to expand its product offerings in the promising tires category.

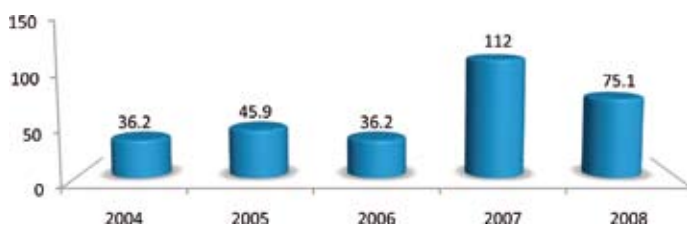
Despite largely flat sales in 4Q08, GB Auto recorded revenues of EGP 49.7 million in the Construction Equipment category in 2008, up 164.4% from the previous year. Gross profit more than tripled to EGP 7.7 million. As will likely be the case with trucks, demand for construction equipment in 2009 will be driven by new infrastructure and road-building programs announced in late 2008 as part of the government's economic stimulus package.

Finally, 2008 was a watershed year for GB Auto's Transportation Services line of business, where the switch to a fixed-contract business model for the

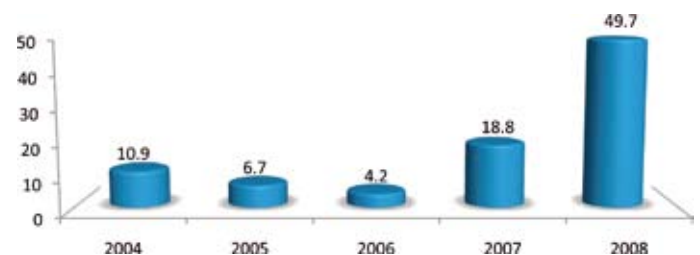
cargo business and solid management on the Passenger Transportation side helped the division enter profitability in 3Q08.



**Tires Revenue**  
EGP million



**Construction Equipment Revenues**  
EGP million





## Investing in People

As the leading automotive assembler and distributor in the Middle East and North Africa, GB Auto succeeds by investing in people: Its valued customers and talented workforce.

GB Auto believes that the best solutions for its bottom line are those that are also best for the world around it. That's why, for example, we import only four-stroke three-wheeler vehicles, not those with highly polluting two-stroke engines. And it is why we continue to emphasize ongoing service and maintenance solutions that are not only good for customers' wallets in the long term, but also better for the environment.

Our investment in people begins at home, where our 6,000-strong workforce knows that it is company policy to always try to promote from within. To ensure our staff can work safely and with focus on the task at hand, GB Auto targets a position in the first quartile of national salaries.

GB Auto reaffirmed its commitment to staff with the recent hiring of the firm's first Chief Human Resources Officer, a talented industry veteran who will help us institutionalize and leverage our best practices. We will deepen our performance-driven culture through aggressive recruitment of the best available talent. We will identify, motivate and retain top staffers at all levels and in all lines of business.

This emphasis on people will ultimately result in a leaner, more productive staff with the values and success-oriented outlook traditionally found in Egyptian firms and the systems and vision of a locally grown multinational.







## Board of Directors



**Mr. Mohamed Abdel Wahab**

**Non-Executive Chairman**

Mr. Mohamed Abdel Wahab is a renowned political figure in Egypt who has previously served as Minister of Industry. Mr. Abdel Wahab is a former Chairman of El Nasr Automotive Manufacturing Company (NASCO), the state-owned auto manufacturer which was the sole market player in the Egyptian automotive industry leading up to the privatization of the sector in 1992. Mr. Abdel Wahab brings to the Board of Directors deep-rooted industry experience.



**Dr. Raouf Ghabbour**

**Chief Executive Officer**

Dr. Raouf Ghabbour is the founder of the Ghabbour Group of Companies, which he began creating in 1985. Dr. Ghabbour jump-started his career working in his family's auto-related trading business, where he initially established himself in the tire division. Having quickly gained a commendable reputation in the market for his business savvy, Dr. Ghabbour went on to acquire agency agreements from global OEMs, which he steadfastly turned into successful businesses. Dr. Ghabbour has grown the company to be a market leader, employing around 6,000 employees, operating three factories and running over four 3S facilities (show room, service and spare parts) and nine retail outlets.



**Eng. Mohamed Salah El Hadary**

**Independent Director**

Eng. Mohamed Salah El Hadary is currently serving as the Secretary-General of the Egyptian Automotive Manufacturers' Association (EAMA) and brings to the board a wealth of automotive expertise on the back of his experience serving as the Managing Director of Suzuki Egypt Company and as the Managing Director and board member of El Nasr Automotive Manufacturing Company (NASCO).



**Mr. Byung-Ho Sung**

**Independent Director**

Mr. Byung-Ho Sung is a former executive of the Hyundai Motor Company passenger vehicle operations in South Korea and India. Mr. Sung also gained insight as to the dynamics of the local market during his post as the Executive Vice-president of the Kia Motor Company's Middle East headquarters.





**Mr. Roger Rau**

**Independent Director**

Mr. Roger Rau is a former president of Volvo's bus and truck operations in Germany. Mr. Rau also has experience managing commercial vehicle and construction equipment operations in neighboring markets, particularly Saudi Arabia. Mr. Rau has dedicated the past 30 years of his career to restructuring distressed divisions of automotive companies and is widely known for his success in managing turnarounds.



**Mr. Juan Carlos Callieri**

**Independent Director**

Mr. Juan Carlos Callieri recently retired as the Senior Industry Specialist of the automotive sector at the International Finance Corporation based in Washington DC. Throughout his tenure, Mr. Callieri was responsible for all investments made by the IFC in automotive and related companies with the additional task of helping shape the business development strategy of some of the most successful automotive manufacturers and distributors in emerging markets.



**Mr. Aladdin Hassouna Saba**

**Independent Director**

Mr. Aladdin Hassouna Saba is the co-founder and Chairman of Beltone Financial, a leading regional financial services institution operating in the fields of Investment Banking, Asset Management, Private Equity, Brokerage and Equity Research. Mr. Saba is also a founding member of the Egyptian Investment Management Association, in addition to the Egyptian Capital Markets Association. Mr. Saba sits on the boards of the Egyptian Exchange, National Bank of Egypt, various corporations and investment funds.



**Dr. Walid Sulaiman Abanumay**

**Independent Director**

Dr. Walid Sulaiman Abanumay has been the Managing Director of Al-Mareefa Al Saudia Company since 1997, where he oversees investments in both developed and emerging markets. Dr. Abanumay has held several executive roles: between February 1993 and January 1994, he was the General Manager of the Investment Department of the Abanumay Commercial Center. Between November 1990 and February 1993, he worked in the Treasury and Corporate Bank department of SAMBA. Dr. Abanumay is a board member of several prominent companies: Madinet Nasr for Housing and Development (since 1998), and Raya Holding (since 2005), and Beltone Financial.



**Mr. Mohamed Naguib Ibrahim**

**Independent Director**

Mr. Mohamed Naguib Ibrahim was appointed as a General Manager of the largest leasing company in Egypt, International Company of Leasing "Incolease," and became the Managing Director in 2003. Mr. Ibrahim was also appointed to serve on the boards of several local and international companies, among which are Glaxo Welcome Egypt, Middle East for Glass, Global Management Company (Milbank's venture capital fund management company), Stilco Company (public sector), Allweiler Farid Company & ESB Securities. Finally, Mr. Ibrahim was appointed to the board of the General Authority for Investment (GAFI) in 2007.



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## Contents

The Board Report	31
Corporate Governance Report	33
Independent Auditor's Report	34
Consolidated Balance Sheet	35
Consolidated Statement of Income	36
Consolidated Statement of Changes in Owners' Equity	37
Consolidated Statement of Cash Flow	38
Notes to the Consolidated Financial Statements	39

## The Board Report

The Directors of GB Auto are pleased to present their Annual Report together with the audited consolidated financial statements for the year ended December 31, 2008.

### Principal Activities

GB Auto is a leading player in the automotive industry and is the holding company for a group of subsidiaries operating at all levels of the automotive industry value chain, including assembling, distributing and selling passenger cars and commercial vehicles, manufacturing semi-trailers and superstructures for trucks and buses, selling automotive components, motorcycles and three-wheelers, tires, and construction equipment, as well as providing after-sales service through a nation-wide after-sales service network. The company owns and operates two assembly facilities, one for passenger cars and the other for commercial vehicles. GB Auto also provides public passenger and private freight transport services in governorates throughout Egypt. The detailed analysis by line of business is dealt with elsewhere in this report.

### Operating Results

The consolidated group revenue for the year 2008 reached EGP 5,192.4 million versus EGP 4,630.1 for the year 2007, an increase of 12.1 percent.

The net profit for the year after accounting from minority interest was EGP 415.9 million, a 4.1 percent drop from 2007. Excluding a substantial

drop in provisions writebacks, GB Auto's net income improved 23.5% to EGP 396.9 million last year despite a sharp slowdown in sales of passenger cars in Egypt's automotive market in the fourth quarter.

The improvement in the business results compared to the previous year was achieved despite the challenges of the fourth quarter, where the passenger car market declined 28.4% year-on-year. Overall gross profit grew 30.2% to EGP 872.4 million on the back of the 12.1% increase in sales. As a result, gross profit margin improved 2.3 percentage points to 16.8% and operating profit before provisions improved 33.6% to EGP 627.5 million.

### Dividends

The net profit attributable to company's equity holders after minority interest adjustment is EGP 415.9 million (2007: EGP 433.5 million).

An amount of EGP 41.9 million was transferred to legal reserves. The remainder of the net profit is retained to enhance the working capital and to finance the capital expenditure. Therefore the Directors have not recommended a dividend distribution.

### Merger

In the fourth quarter, GB Auto completed the post-IPO merger process, which sees all passenger transport businesses operating via a single entity known as Itamco. Likewise, GB Auto's commercial transport business will operate via Ghabbour Egypt.

The effect of this merger was to increase group equity by EGP 539.6 million, with a corresponding increase in fixed assets divided as follows: Land EGP 300 million, building EGP 128 million and machinery EGP 112 million. This consequently resulted in additional annual depreciation charges of EGP 15 million in both 2008 and 2007. Comparatives have thus accordingly been reclassified.

## Directors

The Directors of the company are shown on page 27. Also provided is their industry background information. The Board is constituted of eight Independent Directors and one Executive Director.

## Corporate Governance

The Board is committed to and provides oversight to the management of GB Auto and its subsidiaries, meeting at least three times each year. The Board has created an Audit Committee of three independent directors along with representatives from company management. There is also a Remuneration Committee made up of four independent directors together with representatives from company management.

## Employees

The number of employees in GB Auto and its subsidiaries as of December 31, 2008 was 6,820. In January 2009, that head count was reduced 13.2 percent.

## Shareholders

The shareholding structure of the company as of December 31, 2008 was: Dr. Raouf Ghabbour family and related parties 71.5 percent and public ownership 28.5 percent.

The company is authorized to issue shares of up to 2 percent of the issued and paid-in capital to implement its employee share-based incentive program.

## Annual General Meeting

The annual general meeting will be held at 4pm on 30 March 2009 at Smart Village Main Conference Hall.

## Auditor

A resolution will be proposed to reappoint Mansour & Co. PricewaterhouseCoopers as auditor and to authorize the directors to determine their remuneration at the Annual General Meeting.

Approved by the Board  
9 March 2009

## Corporate Governance Report

GB Auto is committed to following the principles of good corporate governance and has started institutionalizing corporate governance guidelines in compliance with the applicable laws and the regulations of the Egyptian Exchange. GB Auto believes that effective corporate governance is essential to enhancing shareholders' value and protecting stakeholders' interests. Accordingly, the company has taken several steps to ensure transparency, accountability, and effective internal controls. The key corporate governance principles and practices are as follows:

### The General Assembly

The General Assembly of GB Auto is the ultimate governing body of the company. The General Assembly:

- Includes all the shareholders of the Company
- Takes its decision by voting among shares represented in the meeting. The voting rule is: 1 share = 1 vote for all shares
- Holds at least one ordinary meeting per year and may have an extraordinary meeting as needed
- The responsibilities of the GA are based on the laws and company statutes
- It appoints the Board, approves the financial results, appoints the external auditors, and approves dividend distributions

### Disclosure Rules and Transparency

GB Auto is subject to disclosure rules and the new listing rules set by the Egyptian Exchange and approved by the Egyptian Capital Markets Authority on June 18, 2002. The company has been in compliance with the corporate governance, financial reporting, and disclosure provisions of the EGX listing rules through the year ended December 31, 2008.

In addition to reporting its financials on a quarterly basis and announcing all major news and developments of the company, GB Auto also follows complete transparency about all material matters regarding the corporation, including company objectives, financial

and operational results of the company, major share ownership and voting rights, information about Board members, related party transactions, foreseeable risk factors, as well as governance structures and policies.

The Board confirms that there is an ongoing process for identifying, evaluating, and managing the significant risks faced by the company, and that the process has been in place for the year under review and up to the date of approval of the annual report and accounts.

### Board Committees

The Board has established two committees, the Audit Committee and the Remuneration Committee, to assist in discharging its oversight responsibilities.

#### The Audit Committee

The Audit Committee consists of three independent non-executive members and its primary purpose is to assist the Board in its oversight of:

- The integrity of the company's financial statements
- The company's compliance with legal and regulatory requirements
- The independent auditor's qualifications and independence
- The performance of the company's internal audit function and independent auditors

**Chairman:** Mr. Mohamed Abdel Wahab

**Members:** Eng. Mohamed Salah El Hadary and Mr. Juan Carlos Callieri

#### The Remuneration Committee

The Remuneration Committee consists of four independent non-executive members and its primary purpose is to assist the Board in its oversight of all matters relating to director compensation.

**Chairman:** Mr. Mohamed Abdel Wahab

**Members:** Mr. Juan Carlos Callieri, Mr. Byong-Ho Sung, and Mr. Roger Rau



## ***Independent Auditor's Report***

**To: The Shareholders of GB Auto and Its Subsidiaries**

### **Report on the Financial Statements**

We have audited the accompanying consolidated financial statements of GB Auto (S.A.E) and Its Subsidiaries (the Group) which comprise the consolidated balance sheet as of December 31, 2008 and its related consolidated income statement, statement of changes in equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory notes.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Egyptian Accounting Standards and with the requirements of applicable Egyptian laws and regulations. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Egyptian Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the

assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2008, and of its financial performance and its cash flows for the year then ended in accordance with Egyptian Accounting Standards and with the requirements of applicable Egyptian laws and regulations

### **Report on Other Legal and Regulatory Requirements**

The Group keeps proper financial records, which includes all that is required by the law and the Group's statute, and the accompanying financial statements are in agreement therewith, the Company applies a proper costing system and the inventory counts were taken in accordance with recognised practices.

The financial information included in the Board of Directors' report was prepared in compliance with Companies Law number 159 of 1981 and its executive regulations and is in agreement with the Group's accounting records.

### **Ahmed Gamal El-Atrees**

R.A.A. 8784  
Capital Market Authority Register "136"  
Mansour & Co.PricewaterhouseCoopers

March 10, 2009  
Cairo

## Consolidated Balance Sheet

At December 31, 2008

(all amounts in thousand Egyptian Pounds)

	Note	2008	Restated 2007
<b>Non-current Assets</b>			
Property, plant and equipment	5	1,181,462	1,007,216
Intangible assets	6	188,658	187,608
Investment in associates	7	2,414	2,414
Long term notes receivable	8	31,958	27,837
Deferred tax assets	9	10,467	4,995
Investment property	10	13,128	15,037
<b>Total Non-current Assets</b>		<b>1,428,087</b>	<b>1,245,107</b>
<b>Current Assets</b>			
Inventories	11	1,345,182	612,120
Accounts and notes receivable	12	500,335	583,324
Debtors and other debit balances	13	222,264	193,107
Due from related parties	14	8,581	1,720
Cash on hand and at banks	15	124,239	266,355
<b>Total Current Assets</b>		<b>2,200,601</b>	<b>1,656,626</b>
<b>Current Liabilities</b>			
Provisions	16	74,011	63,467
Current tax liabilities	17	66,285	27,344
Loans and borrowings	18	756,251	564,774
Due to related parties	14	520	71,852
Trade payables and other credit balances	19	816,181	584,295
<b>Total Current Liabilities</b>		<b>1,713,248</b>	<b>1,311,732</b>
<b>Working Capital</b>		<b>487,353</b>	<b>344,894</b>
<b>Total Invested Funds</b>		<b>1,915,440</b>	<b>1,590,001</b>
<b>Represented in:</b>			
<b>Company's Equity Holders</b>			
Share capital	20	129,000	129,000
Shares held by the Group	21	(3,275)	(3,275)
Share premium	22	-	1,040,088
Legal reserve	22	139,698	33,400
Other reserves	23	1,024,174	48,290
Retained earnings		436,613	102,637
		1,726,210	1,350,140
<b>Minority interest</b>	<b>24</b>	<b>14,979</b>	<b>14,223</b>
<b>Total Equity</b>		<b>1,741,189</b>	<b>1,364,363</b>
<b>Non - Current Liabilities</b>			
Loans and borrowings	18	101,485	195,156
Notes payable long-term	25	9,425	16,646
Deferred revenues	26	42,498	-
Land installment obligations	27	2,555	4,900
Deferred tax liabilities	9	18,288	8,936
<b>Total non-current liabilities</b>		<b>174,251</b>	<b>225,638</b>
<b>Total Equity and Non-Current Liabilities</b>		<b>1,915,440</b>	<b>1,590,001</b>

The accompanying notes on pages 39 to 71 form an integral part of these consolidated financial statements.

Mr. Medhat Kamel  
Group Financial Manager

March 9, 2009

Independent auditor's report attached

Mr. Colin Sykes  
Chief Financial Officer

Dr. Raouf Ghabbour  
Managing Director

## Consolidated Statement of Income

For the year ended December 31, 2008

(all amounts in thousand Egyptian Pounds)

	Note	2008	Restated 2007
Sales		5,192,375	4,630,115
Cost of sales		(4,319,972)	(3,959,836)
<b>Gross profit</b>		<b>872,403</b>	<b>670,279</b>
Selling and marketing expenses		(123,634)	(105,650)
Administration expenses		(153,344)	(113,071)
Provision no longer required		37,106	128,806
Provision	29	(18,033)	(16,377)
Other operating income		32,209	12,701
<b>Operating profit</b>		<b>646,707</b>	<b>576,688</b>
(Loss) Gain from re-valuation of investment property	10	(188)	5,519
Finance costs, net	28	(134,504)	(95,616)
<b>Net profit before income tax</b>		<b>512,015</b>	<b>486,591</b>
Income tax	30	(94,111)	(50,663)
<b>Net profit for the year before minority interest</b>		<b>417,904</b>	<b>435,928</b>
Minority interest		(2,030)	(2,209)
<b>Net profit for the year after minority interest</b>		<b>415,874</b>	<b>433,719</b>
<b>Basic earnings per share</b>	35	<b>3.16</b>	<b>3.73</b>
<b>Diluted earnings per share</b>	35	<b>3.15</b>	<b>3.69</b>

The accompanying notes on pages 39 to 71 form an integral part of these consolidated financial statements.

## Consolidated Statement of Changes in Owners' Equity

For the year ended December 31, 2007 and December 31, 2008

For the year ended December 31, 2007 (all amounts in thousand Egyptian Pounds)									
Note	Share Capital	Treasury Shares	Share Premium	Legal Reserve	Other Reserves	Retained earnings	Restated Equity		
							Total Shareholders' Equity	Minority Interest	Total Equity
<b>Balance at January 1, 2007 as issued before merger results</b>	<b>95,837</b>	-	-	<b>33,657</b>	<b>52,240</b>	<b>(870,943)</b>	<b>(689,209)</b>	<b>46,641</b>	<b>(642,568)</b>
Reversal of legal reserve for the merged companies	-	-	-	(21,355)	-	21,355	-	-	-
Merger surplus	32	-	-	-	-	539,604	539,604	2,667	542,271
<b>Balance at January 1, 2007 after restatement</b>	<b>95,837</b>	-	-	<b>12,302</b>	<b>52,240</b>	<b>(309,984)</b>	<b>(149,605)</b>	<b>49,308</b>	<b>(100,297)</b>
Amounts under capital increase	-	-	-	-	-	-	-	8,031	8,031
Capital increase	33,163	-	-	-	-	-	33,163	-	33,163
Treasury shares	22	(3,275)	(99,725)	-	-	-	(103,000)	-	(103,000)
Stock issuance premium	22	-	1,175,691	-	-	-	1,175,691	-	1,175,691
Stock issuance expenses	22	-	(35,878)	-	-	-	(35,878)	-	(35,878)
Convertible loan - equity	18	-	-	-	1,515	-	1,515	-	1,515
Deferred tax liabilities	9	-	-	-	(303)	-	(303)	-	(303)
Currency translation differences	-	-	-	-	(5,162)	-	(5,162)	-	(5,162)
Net profit for the year	-	-	-	-	-	433,719	433,719	2,209	435,928
Purchase of investments	-	-	-	-	-	-	-	(45,325)	(45,325)
Transfer to legal reserve	-	-	-	21,098	-	(21,098)	-	-	-
<b>Balance at December 31, 2007</b>	<b>129,000</b>	<b>(3,275)</b>	<b>1,040,088</b>	<b>33,400</b>	<b>48,290</b>	<b>102,637</b>	<b>1,350,140</b>	<b>14,223</b>	<b>1,364,363</b>
For the year ended December 31, 2008 (all amounts in thousand Egyptian Pounds)									
Note	Share Capital	Treasury Shares	Share Premium	Legal Reserve	Other Reserves	Retained earnings	Equity		
							Total Shareholders' Equity	Minority Interest	Total Equity
<b>Balance at January 1, 2008 as issued before merger results</b>	<b>129,000</b>	<b>(3,275)</b>	<b>1,040,088</b>	<b>44,227</b>	<b>48,290</b>	<b>(427,955)</b>	<b>830,375</b>	<b>6,102</b>	<b>836,477</b>
Modify 2007 legal reserve	-	-	-	(10,827)	-	10,827	-	-	-
Modify 2007 with fixed assets depreciation variance and minority interest profit share	-	-	-	-	-	(19,839)	(19,839)	5,454	(14,385)
Merger surplus	32	-	-	-	-	539,604	539,604	2,667	542,271
<b>Balance at January 1, 2008 after restatement</b>	<b>129,000</b>	<b>(3,275)</b>	<b>1,040,088</b>	<b>33,400</b>	<b>48,290</b>	<b>102,637</b>	<b>1,350,140</b>	<b>14,223</b>	<b>1,364,363</b>
Share premium	22	-	(1,040,088)	64,400	975,688	-	-	(1,274)	(1,274)
Capital decrease	-	-	-	-	-	-	-	196	196
Currency translation differences	-	-	-	-	196	415,874	415,874	2,030	417,904
Net profit for the year	-	-	-	41,898	-	(41,898)	-	-	-
Transfer to legal reserve	-	-	-	-	-	(40,000)	(40,000)	-	(40,000)
Dividends	-	-	-	-	-	-	-	-	-
<b>Balance at December 31, 2008</b>	<b>129,000</b>	<b>(3,275)</b>	-	<b>139,698</b>	<b>1,024,174</b>	<b>436,613</b>	<b>1,726,210</b>	<b>14,979</b>	<b>1,741,189</b>

The accompanying notes on pages 39 to 71 form an integral part of these consolidated financial statements.



## Consolidated Statement of Cash Flow

For the year ended December 31, 2008

(all amounts in thousand Egyptian Pounds)

	Note	2008	Restated 2007
<b>Cash flows from operating activities</b>			
Net profit for the year		415,874	433,719
<b>Adjustments:</b>			
Income tax expenses	30	94,111	50,663
Minority interest share in net profit	24	2,030	2,209
Depreciation and amortization		51,024	35,568
Provisions no longer required		(37,106)	(128,806)
Provisions	29	18,033	16,377
Fair value of foreign currency swap contracts		13,560	-
Gain on sale of fixed assets		(6,300)	(603)
Loss (Gain) for the re-valuation of investments property		188	(5,518)
Gain on sale of investment property		(902)	1,604
		<b>550,512</b>	<b>405,213</b>
<b>Changes in working capital</b>			
Inventories		(728,989)	(249,461)
Accounts and notes receivables		106,551	(256,785)
Debtors and other debit balances		(28,061)	(28,663)
Due from related parties		(6,330)	(2,847)
Due to related parties		(71,332)	(39,724)
Trade payables other credit balances		179,603	(119,818)
Provisions used		(3,234)	(24,362)
Withholding tax paid during the year		(26,781)	(22,988)
Income tax paid during the year		(24,510)	(36,689)
<b>Net cash (used in) operating activities</b>		<b>(52,571)</b>	<b>(376,124)</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	5	(263,124)	(169,583)
Proceeds from sale of property, plant and equipment		8,257	35,092
Purchase of intangible assets	6	(5,736)	(18,275)
Proceeds from sale of available for sale investments		-	480
Proceeds from sale of investments property		2,622	914
<b>Net cash (used in) investing activities</b>		<b>(257,981)</b>	<b>(151,372)</b>
<b>Cash flows from financing activities</b>			
Capital increase		-	24,212
share premium		-	835,766
Dividends paid to minority interest		-	8,031
Loans and borrowings		97,806	(258,470)
Long-term notes payables		(7,221)	28,713
Installment land obligation		(2,345)	-
Proceeds from sale and lease back asset		80,000	-
<b>Net cash from financing activities</b>		<b>168,240</b>	<b>638,252</b>
Net (decrease) / increase in cash and cash equivalents		(142,312)	110,756
Cash and cash equivalents at beginning of the year		266,355	160,761
Translation Differences		196	(5,162)
<b>Cash and cash equivalents at end of the year</b>	15	<b>124,239</b>	<b>266,355</b>

The effect of non cash transactions is excluded in preparing the consolidated statement of cash flow.  
Detailed of non cash transactions included in Note (33).

The accompanying notes on pages 39 to 71 form an integral part of these consolidated financial statements.

## **Notes to the Consolidated Financial Statements**

### **For the year ended December 31, 2008**

(In the notes all amounts are shown in Thousand Egyptian Pounds unless otherwise stated)

#### **1. General information**

GB Auto Co. (the Company) is an Egyptian joint stock company incorporated on July 15, 1999 under Law No. 159 of 1981. The Group is commercially registered under No. 3422, Cairo.

Based on the decision of the Extraordinary General Assembly Meeting held on April 26, 2007, it was agreed to changing the Company name to be GB Auto from GB Capital for Trading and Capital Lease, and modification of the Company name was approved in the commercial register on May 23, 2007.

The Group is located in the Industrial Zone – Abou Rawash Kilo meter 28 Cairo – Alexandria Desert road, Arab Republic of Egypt.

The Group and its subsidiaries (will be referred to as “the Group”) main activities include trading, distributing and marketing of all transportation means including heavy trucks, semi trucks, passenger cars, buses, mini buses, micro buses, agriculture tractors, pick-ups, mechanical tools equipments for sail movement and motors with their different structures and types either locally manufactured and imported (new and used ones) and trading in spare parts and accessories either locally manufactured or imported. The Group also undertakes import and export activities, trading agencies, selling locally manufactured as imported products either for cash, on credit or through finance leasing. The Group also provides Group transportation services and cargo services.

The major shareholders of the Group are Dr. Raouf Ghabbour and his family who collectively owns approximately 70% of the Company shares.

The financial statements are approved for issuance by the Board of Director on its meeting dated March 9, 2009.

#### **2. Accounting policies**

The principal accounting policies adopted in the preparation of these financial statements are set out below.

##### **A. Basis of preparation**

The consolidated financial statements have been prepared in accordance with Egyptian Accounting Standards and applicable laws and regulations. The financial statements have been prepared under the historical cost convention, as modified by the revaluation of the financial assets and liabilities at fair value through the profit or loss.

The preparation of financial statements in conformity with Egyptian Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates that are significant to the consolidated financial statements are disclosed in Note 4.

#### **Egyptian Accounting Standards - New standards, amendments and interpretations effective in 2008 but not relevant**

EAS 26, 'Financial instruments: Recognition and measurement', amendment on reclassification of financial assets permits reclassification of certain financial assets out of the held-for-trading and available-for-sale categories if specified conditions are met. The related amendment to EAS 25, 'Financial instruments: Disclosures and Presentation' introduces disclosure requirements with respect to financial assets reclassified out of the held-for-trading and available-for-sale categories. The amendment is effective prospectively from 1 July 2008. The Company adopted the amendment. However, none of the financial assets are reclassified during 2008.

## Notes to the Consolidated Financial Statements

### For the year ended December 31, 2008

(In the notes all amounts are shown in Thousand Egyptian Pounds unless otherwise stated)

#### International Financial Reporting Standards

The new EAS require reference to the IFRS when there are no EAS or legal requirements that explain the treatment of specific balances and transactions.

The amendments for the International Financial Reporting Standards and its Interpretations applicable started from the year 2007 and where they do not have identical Egyptian Accounting Standards or it relates to subjects not included in the new Egyptian Accounting Standards, and also do not have impact on the Company's financial statements, are

- IFRIC 7, Applying the Restatement Approach under IAS 29, 'Financial Reporting In Hyperinflationary Economics'.
- IFRIC 8, Scope of IFRS 2, 'Share-Based Payment'.
- IFRIC 9, 'Reassessment of Embedded Derivative'.
- IFRIC 10, 'Interim financial Reporting and Impairment'.
- IFRIC 11, 'IFRS 2 – Group and treasury share transactions'.
- IFRIC 12, 'Service Concession Arrangements'.
- IFRIC 13, 'Customer Loyalty Programmes'.
- IFRIC 14, 'IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction'.

#### B. Basis of consolidation

##### (a) Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest.

The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement

Inter-Company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated but considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

##### (b) Transactions and minority interests

The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Disposals to minority interests result in gains and losses for the Group that are

## **Notes to the Consolidated Financial Statements**

### **For the year ended December 31, 2008**

(In the notes all amounts are shown in Thousand Egyptian Pounds unless otherwise stated)

recorded in the income statement. Purchases from minority interests result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary.

If the losses applicable to the minority in a consolidated subsidiary exceed the minority interest in the subsidiary's equity, the excess, and any future losses applicable to the minority, are allocated against the majority interest except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses. If the subsidiary subsequently reports profits, such profits are allocated to the majority interest until the minority's share of losses previously absorbed by the majority has been recovered.

#### **(c) Associates**

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights.

Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost.

The Group's investment in associates includes goodwill identified on acquisition, net of any accumulated impairment loss.

The Group's share of its associates' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

### **C. Foreign currency translation**

#### **(1) Functional and presentation currency**

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Egyptian Pounds which is the Group's functional and presentation currency.

#### **(2) Transactions and balances**

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Changes in the fair value of monetary securities denominated in foreign currency classified as available-for-sale are analysed between translation differences resulting from changes in the amortised cost of the security, and other changes in the carrying amount of the security. Translation differences related



## Notes to the Consolidated Financial Statements

### For the year ended December 31, 2008

(In the notes all amounts are shown in Thousand Egyptian Pounds unless otherwise stated)

to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in equity.

Translation differences on non-monetary financial assets and liabilities are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available-for-sale are included in the available-for-sale reserve in equity.

### (3) Group companies

The results and financial position of all the Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- Income and expenses for each income statement are translated at average exchange rates during the year (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions);
- And all resulting exchange differences are recognised as a separate component of equity.
- The foreign currency exchange results arising from translation of the net investment in entities and loans or financial instruments in foreign currencies allocated to cover these investments are recognized in the equity on the consolidate financial statement. The foreign currencies exchange charged to the equity are recognized as part of gain or loss upon the disposal of these investments.

### D. Property, plant and equipment

All property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated using the straight-line method to write off the cost of each asset to its residual values over the estimated useful lives of assets excluding land, which is not depreciated. Estimated useful lives of assets are as follows:

Buildings	2% - 4%
Machinery	10% - 20%
Vehicles	20% - 25%
Furniture, fittings and equipment	6% - 33%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within other gains (losses) – net, in the income statement.

Repairs and maintenance are charged to the statement of income during the financial period in which they are incurred. The cost of major renovations are included in the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the Group. Major renovations are depreciated over the remaining useful life of the related asset or the estimated useful life of the renovation, whichever is less.

## Notes to the Consolidated Financial Statements

### For the year ended December 31, 2008

(In the notes all amounts are shown in Thousand Egyptian Pounds unless otherwise stated)

#### E. Intangible assets

##### I. Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates is included in investments in associates.

The management annually assesses whether the carrying amount of goodwill is fully recoverable. Impairment losses on goodwill are charged to the statement of income and are not reversed.

Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or Groups of cash-generating units that are expected to benefit directly from the business combination in which the goodwill arose.

##### II. Computer software

Costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred. Costs that are directly associated with identifiable and unique software products controlled by the Company and will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets.

Expenditure, which enhances or extends the performance of computer software programmes beyond their original specifications is recognised as a capital improvement and added to the original cost of the software. Expenditure to acquire computer software is capitalized and included as an intangible asset.

Computer software costs recognised as assets are amortised using the straight-line method over their useful lives, not exceeding a period of 3 years.

#### F. Impairment of long lived assets

Property, plant, equipment, and other non-current assets, including intangible assets are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised in the statement of income for the period for the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of an asset's net selling price and value in use. For the purposes of assessing impairment, assets are grouped at the lowest level, for which there are separately identifiable cash flows.

Reversal of impairment losses recognized in prior years is recorded when there is an indication that the impairment losses recognized for the asset no longer exist or has decreased. Impairment losses are also reversed to release the impairment amount that is equal to the depreciation for the period of the impaired balance. The reversals are recorded in income.

#### G. Investments available for sale

The investments available for sale are initially recognized at their fair value at the acquisition date. Subsequently, available for sale investments are measured at fair value (market value) and the changes in fair value are recognized as available for sale reserve in the equity. The reserve related for an available for sale investment is realized in the statement of income when such investment is disposed.

Unquoted investments in equity instruments (have no market value in active market) are recognized at its

## Notes to the Consolidated Financial Statements

### For the year ended December 31, 2008

(In the notes all amounts are shown in Thousand Egyptian Pounds unless otherwise stated)

acquisition cost, if its fair value could not be accurately determined. The carrying amount is decreased by any impairment which is charged to the statement of income per each investment.

#### H. Lease

For leases within the scope of Law 95 of 1995, lease costs including maintenance expense of leased assets are recognized in the statement of income in the period incurred. If the Company elects to exercise the purchase option on the leased asset, the option cost is capitalised as property, plant, and equipment and depreciated over their expected remaining useful lives on a basis consistent with similar assets.

Other finance leases that do not fall under the scope of Law 95 for 1995, or fall within the scope of Law 95 of 1995 but do not fall under the scope of EAS No.20 (lease) also in case of selling property, plant and equipment and leasing it back are capitalized at the inception of the lease at the lower of the fair value of the leased property or the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate of interest charge on the financial balance outstanding. The corresponding rental obligations, net of finance charges, are included in liabilities. The interest element of the finance cost is charged to the statement of income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. Assets acquired under this type of finance lease are depreciated over the shorter of the useful life of the assets or the lease term.

Profits created when the collected payments exceed the book value of the non-current assets that are being sold and leased back through finance leases are not directly charged to the statement of income and are deferred and amortized over the lease term.

Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of income on a straight-line period of the lease.

#### I. Investment property

Investment property is measured at fair value. The fair value is the price at which the property could be exchanged between knowledgeable, willing parties in an arm's length transaction. Any gain or loss arising from a change in the fair value of investment property is recognized in the statement of income for the period in which it arises.

#### J. Inventories

Inventories are stated at the lower of cost or net realisable value. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity) but excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

#### K. Financial assets

##### (I) Classification

The Group classifies its financial assets in the following categories: at fair value through profit or loss, held for maturity, loans and receivables, and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

##### a. Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term.

## Notes to the Consolidated Financial Statements

### For the year ended December 31, 2008

(In the notes all amounts are shown in Thousand Egyptian Pounds unless otherwise stated)

Derivatives are classified as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

#### b. Held for maturity

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that an entity has the positive intention and ability to hold to maturity other than:

- 1) Those that the entity upon initial recognition designates as at fair value through profit or loss
- 2) Those that the entity designates as available for sale; and
- 3) Those that meet the definition of loans and receivables.

#### c. Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables have been included in the balance sheet with accounts and notes receivable (Note 12), debtors and other debit balances (Note 13), and due from related parties (Note 14).

#### d. Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category at acquisition date or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

### (II) Reclassification

The Group may choose to reclassify a non-derivative trading financial asset out of the held for trading category if the financial asset is no longer held for the purpose of selling it in the near term. Financial assets other than loans and receivables are permitted to be reclassified out of the held for trading category only in rare circumstances arising from a single event that is unusual and highly unlikely to recur in the near term. In addition, the Group may choose to reclassify financial assets that would meet the definition of loans and receivables out of the held-for-trading or available-for-sale categories if the Group has the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification.

Reclassifications are made at fair value as of the reclassification date. Fair value becomes the new cost or amortised cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date are subsequently made. Effective interest rates for financial assets reclassified to loans and receivables and held-to-maturity categories are determined at the reclassification date. Further increases in estimates of cash flows adjust effective interest rates prospectively.

### (III) Measurement and subsequent measurement

Regular purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset.

Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss.

Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statement.

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.



## Notes to the Consolidated Financial Statements

### For the year ended December 31, 2008

(In the notes all amounts are shown in Thousand Egyptian Pounds unless otherwise stated)

At the balance sheet date, available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Held to maturity, loans and receivables are carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are recognized in the income statement in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the income statement as part of other income when the Group's right to receive payments is established.

Changes in the fair value of monetary securities debt instruments (bonds, treasury bills) denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences on monetary securities are recognised in profit or loss, while translation differences on non-monetary securities are recognised in equity. Changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognised in equity.

Interest on available-for-sale securities calculated using the effective interest method is recognised in the income statement as part of other income. Dividends on available-for-sale equity instruments are recognised in the income statement as part of other income when the Group's right to receive payments is established.

The Group assesses at balance sheet date whether there is objective evidence that a financial asset or a Group of financial assets is impaired.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the income statement as 'gains and losses from investment securities'.

### L. Trade receivables and notes receivable

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than granted credit limits) are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the original effective interest rate used to determine the amortized cost. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against 'selling and marketing costs' in the income statement.

### M. Cash and cash equivalent

Bank overdrafts are included within loans and borrowings in current liabilities on the balance sheet.

For the purposes of the cash flow statement presentation, cash and cash equivalents comprise cash on hand, deposits held at call with banks maturing within three months.

### N. Share capital

Ordinary shares are classified as equity. Share premiums, if any, are taken to statutory reserve. The costs of issuing capital and amounts collected from shareholders to recover such costs are taken to the legal reserve, first, and if it exceeded the share premium for the same shares the amount exceeded is taken to special reserve in equity.

## Notes to the Consolidated Financial Statements

### For the year ended December 31, 2008

(In the notes all amounts are shown in Thousand Egyptian Pounds unless otherwise stated)

Where the Company or it's subsidiaries purchases its equity share capital, the consideration paid including any attributable incremental external costs is deducted from total shareholders' equity as treasury shares until they are cancelled, sold, or reissued. Where such shares are subsequently sold or reissued, any consideration received is included in shareholders' equity.

#### O. Loans and borrowings

Loans are recognised initially at the amount of the proceeds received, net of transaction costs incurred. Loans are subsequently stated at amortised cost using the effective yield method; any difference between proceeds (net of transaction costs) and the redemption value is recognised in the statement of income over the period of the borrowings.

The fair value of the liability portion of a convertible loan is determined using a market interest rate for an equivalent non-convertible bond. This amount is recorded as a liability at the initial recognition and subsequently recorded at an amortised cost basis until extinguished on conversion or maturity of the bonds whichever the lower. The remainder of the proceeds are allocated to the conversion option, which is recognised in shareholders' equity.

Loans and borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

#### P. Employee benefits

##### (1) Defined contribution plan

The Group pays contributions to the Public Authority for Social Insurance retirement plans on a mandatory basis based on the rules of the social insurance law. Once contributions have been paid, the Group has no further payment obligations. The regular contributions constitute net periodic costs for the year in which they are due and as such are included in staff costs.

##### (2) Profit sharing

When the Group pays cash dividends, the employees are entitled to 10% of those dividends as profit sharing. This is normally paid in installments during the year. Profit sharing is recognised as a dividend distribution through equity and as a liability when approved by the Group's shareholders. No liability is recognised for profit sharing related to undistributed profits.

#### Q. Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation.

#### R. Trade payables

Trade payables are recognized initially at the value of goods or services received from others, and subsequently measured at amortized cost using the effective interest rate.

#### S. Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of sales tax, returns, rebates and discounts and after eliminating sales within the Group.

## Notes to the Consolidated Financial Statements

### For the year ended December 31, 2008

(In the notes all amounts are shown in Thousand Egyptian Pounds unless otherwise stated)

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

#### (a) Sales of goods – wholesale

Sales of goods are recognised when a Group entity has delivered products to the wholesaler, the wholesaler has full discretion over the price to sell the products, and there is no unfulfilled obligation that could affect the wholesaler's acceptance of the products. Delivery does not occur until the products have been delivered either in the Group warehouse or in the wholesalers locations depending on the agreements. Accordingly, the risks and benefits have been transferred to the wholesaler, and either the wholesaler has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

No element of financing is deemed present as the sales are made on a short credit term basis.

#### (b) Sales of goods – retail

The Group operates a chain of showrooms for selling. The retail sales are usually made in installments.

Installment sales revenues are those that require the payment of the value in installments that are charged at sale price excluding interest as revenues on the sales date. The selling price is the present value of the installments and is determined by discounting the value of the installments due using the interest rate applicable. The deferred interest income is charged as a revenue when due and on the basis of the matching principle, taking into account the applied interest rate on the transaction.

#### (c) Sales of services – maintenance

The Group sells a maintenance service. That service is provided on a time and material basis. Revenue from time and spare parts is recognised on delivering the services.

#### (d) Interest income

Interest income is recognized on a time proportion basis, taking account of the principal outstanding and the effective interest rate over the period to maturity, when it is determined that such income will accrue to the Group.

#### (e) Dividend income

Dividend income is recognised when the right to receive payment is established.

### T. Current and deferred income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements.

## Notes to the Consolidated Financial Statements

### For the year ended December 31, 2008

(In the notes all amounts are shown in Thousand Egyptian Pounds unless otherwise stated)

However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

### U. Segment reporting

Business segments provide products or services that are subject to risks and returns that are different from those of other business segment. Geographical segment provide products or services within a particular economic environment that is subject to risks and returns that are different from those of components operating in another economic environment.

### V. Dividends

Dividends are recorded in the Group's financial statements in the period in which they are approved by the Group's shareholders.

### W. Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

## 3. Financial risk management

### (1) Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Group's efforts are addressed to minimize potential adverse effects of such risks on the Group's financial performance.

### Market risk

#### I. Foreign exchange risk

The Group is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US Dollar and the Euro. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations where its functional and presentation currency differ from that used by the Group (Free Zone Companies).

The below table shows the foreign currency positions:

	2008			Restated 2007
	Assets	Liabilities	Net	Net
United States Dollars	150,780	(315,614)	(164,834)	157,672
Euros	2,920	(19,671)	(16,751)	769
Other currencies	4,646	(9,438)	(4,792)	8,608



## Notes to the Consolidated Financial Statements

### For the year ended December 31, 2008

(In the notes all amounts are shown in Thousand Egyptian Pounds unless otherwise stated)

#### II. Price risk

The Group has no investments in a quoted equity securities so it's not exposed to the fair value risk due to changes in the prices.

#### III. Cash flow and fair value interest rate risk

The Group's interest rate risk arises from long-term loans. Long-term loans issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk.

Loans and borrowings at the balance sheet date with variable interest rates amounted to EGP Nil and the loan and borrowing with fixed interest rate amounted to EGP 856,357k. The fair value for borrowings with fixed interest rate is approximately near it's earnings amount.

Financial assets exposed to changes in interest rate are amounted to EGP 78,394k as of December 31, 2008 (December 31, 2007: EGP 231,688k).

(valued in EGP equivalents)		2008	Restated 2007
Time deposit	EGP	8,418	8,388
Time deposit	US \$	68,754	221,961
Time deposit	Euro	1,222	1,339
		<u>78,394</u>	<u>231,688</u>

#### IV. Credit risk

Credit risk is managed on a group basis. Credit risk arises from cash and cash equivalents, and deposits with banks and financial institutions, as well as credit exposures to wholesalers and retail customers, including outstanding receivables and committed transactions.

For banks and financial institutions, the Group is dealing with the banks which have a high independent rating and banks and financial institutions with a good reputation.

For the wholesalers, the Credit Controllers assess the credit quality of the wholesale customer, taking into account their financial position, their market reputation, past experience and other factors.

For individuals the legal arrangements and documents accepted by the customer are minimizing the credit risk. Provisions are accounted for doubtful debts on an individual basis.

The ratio of allowance for impairment of accounts and notes receivables is as following:

	2008	Restated 2007
Notes and accounts receivables	814,085	989,755
Allowance for impairment of accounts and notes receivable	275,153	369,860
Allowance to receivables	<u>33.80%</u>	<u>37.37%</u>

#### V. Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying businesses, the Group's management aims at maintaining flexibility in funding by keeping committed credit lines available.

## Notes to the Consolidated Financial Statements

### For the year ended December 31, 2008

(In the notes all amounts are shown in Thousand Egyptian Pounds unless otherwise stated)

#### (2) Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total loans and borrowings and notes payables, less cash and cash equivalents. Total capital is calculated as equity, as shown in the consolidated balance sheet, plus net debt. The gearing ratios at December 31, 2008 and December 31, 2007 were as follows:

Description	2008	Restated 2007
<b>Total loans and borrowings and notes payable</b>		
Borrowings	857,736	759,930
Notes payable short-term	106,579	87,616
Notes payable long-term	9,425	16,646
<b>Total loans and borrowings</b>	<b>973,740</b>	<b>864,192</b>
Less: cash on hand and at bank	(124,239)	(266,355)
<b>Net debt</b>	<b>849,501</b>	<b>597,837</b>
Total equity	1,741,189	1,364,363
<b>Total capital</b>	<b>2,590,690</b>	<b>1,962,200</b>
<b>Gearing ratio</b>	<b>32.79%</b>	<b>30.46%</b>

#### (3) Fair value estimation

The fair value of financial assets or liabilities with maturity dates less of than one year is assumed to approximate their carrying value. The fair value of financial liabilities – for disclosure purposes – is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt.

Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. At the balance sheet date, the fair value of non-current liabilities do not significantly differ from their carrying amount due to the stability in interest rates.

## 4. Critical accounting estimates and judgments

### (1) Critical accounting estimates and assumptions

Estimates and adjustments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

## Notes to the Consolidated Financial Statements

### For the year ended December 31, 2008

(In the notes all amounts are shown in Thousand Egyptian Pounds unless otherwise stated)

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below.

#### a. Impairment of investment property

The evaluation of the fair value of investment property which consists of lands and buildings is based on an independent expert.

The independent expert uses technical elements for the preparation of the evaluation such as the location, area and usage. The management do not expect a negative effect on the operations results by the change in the fair value of investment property where the real estate market in the areas related to the Group lands and buildings is in a continuous growth and there is no recognition for the increase in fair value in the statement of income.

#### b. Impairment of accounts and notes receivables

The evaluation of the impairment value in accounts and notes receivables is made through monitoring aging of the receivable. The Group management is studying the credit position and the ability customers to pay their debts falling due within the credit limit granted to them. Impairment is recorded at values of the due amounts on the customers where the Group management determine that their credit position does not allow them to settle their liabilities.

#### c. Warranty provision

The Group provides warranty for the manufacturing defaults concerning the local manufactured products.

The warranty provision is estimated based on the expected cost to render the warranty service. These costs include the value of spare parts, labour cost and a share of indirect costs. This estimation is based on management experience resulting from the actual warranty costs for the 3 preceding years. Management does not take into consideration the present value of the expected expenditures and also the inflation rate is not considered for this purpose.

#### d. Income tax

The Group is subject to corporate income tax. The Group estimates the income tax provision by using the advice of an expert. In case there are differences between the final and preliminary results, these differences will affect the income tax and deferred tax provision in these periods.

#### e. Impairment of goodwill

The management annually assesses the goodwill to determine the existence of impairment in the carrying amount. If the carrying amount of the goodwill is higher than its recoverable amount, the carrying amount will be reduced and the impairment losses will be charged to the statement of income and cannot be reversed.

### (2) Critical Judgements in applying the Group accounting policies

In general, applying the Group accounting policies does not require judgments (apart from those involving estimates refer to in Note 4-1) that have significant effects on the amounts recognized in the financial statements.

## Notes to the Consolidated Financial Statements

### For the year ended December 31, 2008

(In the notes all amounts are shown in Thousand Egyptian Pounds unless otherwise stated)

#### 5. Property, plant and equipment

	Land & Buildings	Machinery & Equipment	Vehicles	Fixtures & Office Furniture	Projects Under Construction	Total
<b>Cost</b>						
Balance at January 1 before merger effect	369,461	129,456	77,313	71,992	27,050	675,272
Merger effect	398,544	17,673	(3,162)	(39,572)	-	373,483
<b>Cost at January 1 after merger effect</b>	<b>768,005</b>	<b>147,129</b>	<b>74,151</b>	<b>32,420</b>	<b>27,050</b>	<b>1,048,755</b>
Additions	33,220	31,013	56,632	24,956	117,303	263,124
Disposals	(35,100)	-	(9,570)	(39)	-	(44,709)
Transfer from projects under construction	21,257	1,125	575	9,399	(32,356)	-
<b>Balance at December 31</b>	<b>787,382</b>	<b>179,267</b>	<b>121,788</b>	<b>66,736</b>	<b>111,997</b>	<b>1,267,170</b>
<b>Accumulated Depreciation</b>						
Balance at January 1 before merger effect	39,420	95,336	19,483	45,214	-	199,453
Merger effect	(30,797)	(78,855)	(8,651)	(39,611)	-	(157,914)
<b>Accumulated depreciation balance at January 1 after merger effect</b>	<b>8,623</b>	<b>16,481</b>	<b>10,832</b>	<b>5,603</b>	<b>-</b>	<b>41,539</b>
Depreciation charge	5,833	20,591	13,256	6,658	-	46,338
Disposals	-	-	(2,164)	(5)	-	(2,169)
<b>Balance at December 31</b>	<b>14,456</b>	<b>37,072</b>	<b>21,924</b>	<b>12,256</b>	<b>-</b>	<b>85,708</b>
<b>Net book value at December 31, 2008</b>	<b>772,926</b>	<b>142,195</b>	<b>99,864</b>	<b>54,480</b>	<b>111,997</b>	<b>1,181,462</b>
Net book value at December 31, 2007 before merge effect	330,041	34,120	57,830	26,778	27,050	475,819
Fixed assets revaluation	431,615	107,913	6,939	(686)	-	545,781
Depreciation variance after fixed assets revaluation	(2,274)	(11,385)	(1,450)	725	-	(14,384)
<b>Net book value at December 31, 2007</b>	<b>759,382</b>	<b>130,648</b>	<b>63,319</b>	<b>26,817</b>	<b>27,050</b>	<b>1,007,216</b>

- Projects under construction represent the cost of buildings which are being prepared and fixed for the Group use.
- The Company agrees with the consortium of banks to pay the loans and to release all liens on the fixed assets, The Company is in the process of register this transaction in the commercial register.
- Seven subsidiaries are merged according to the decisions of the Extraordinary Assembly Meetings for these companies dated August 13, 2007 and approved by the general authority for investment dated December 31, 2008. The fixed assets surplus of such companies is EGP 545,781 thousand according to the report prepared by the General Authority for Investment and approved by the Group management.



## Notes to the Consolidated Financial Statements

### For the year ended December 31, 2008

(In the notes all amounts are shown in Thousand Egyptian Pounds unless otherwise stated)

The vehicles include financially leased passenger cars that fall outside the scope of EAS No. 20 which are treated in accordance with IAS 17, and therefore will be considered as property, plant and equipment as stated above in the Group accounting policies (2D), and their net book value is as follows:

	2008	Restated 2007
Capitalized finance leases (cost)	18,500	18,500
Accumulated depreciation	(5,058)	(1,357)
<b>Net book value</b>	<b>13,442</b>	<b>17,143</b>

The Group has finance leased assets (trailers) according to contracts under Law No. 95 for 1995, that is not considered as property, plant and equipment according to the accounting policies (2H) and according to the requirement of the Egyptian Accounting Standards (No. 20) it recognizes the annual leased payment as an expense in the income statement for the period and the leased contracts are as follows:

	2008	Restated 2007
Total contractual lease payments	97,914	78,946
Total purchase price on termination of leases	284	260
Average useful life	5 years	5 years
Annual lease payments	18,924	11,959

### 6. Intangible assets

	Computer software	Knowhow	Goodwill	Total
Balance at January 1, 2008	5,125	5,109	177,374	187,608
Additions during the year	4,736	-	1,000	5,736
Amortization for the year	(3,257)	(1,429)	-	(4,686)
Balance at December 31, 2008	6,604	3,680	178,374	188,658

#### Goodwill

On March 28, 2007, the Company and its subsidiaries fully acquired the shares of Cairo Individual Transport Industries "CITI" by purchasing 49.03% which were owned by the minority at a value of EGP 209,997k and obtained by ordinary shares from GB Auto's capital increase in shares (Note 20-C). The acquisition resulted in a goodwill amounting to EGP 177,374k which represents the increase in the acquisition value over the net book value of the Company's acquired assets. This goodwill has been allocated to the assets of Cairo Individual Transport Industries "CITI".

On June 8, 2008, the Company and its subsidiaries acquired the shares of the GB Company for Capital Lease (S.A.E) which the Company's main activity is financial leasing. The acquired business contributed revenue of EGP 420k and net profit of EGP 19k to the group for the period from June 8, 2008 to December 31, 2008. The Group result would be the same as if the business was acquired at the beginning of the period. The amounts have been calculated using the Groups accounting policies.

Details of net assets acquired and goodwill are as follow:

	Amount
<b>Purchase consideration</b>	
Cash paid	5,800
Fair value of net assets acquired	(4,800)
	<b>1,000</b>

## Notes to the Consolidated Financial Statements

### For the year ended December 31, 2008

(In the notes all amounts are shown in Thousand Egyptian Pounds unless otherwise stated)

#### Goodwill

The net assets as of June 8, 2008 arising from the acquisition are as follows:

	Fair Value	Acquirer's Carrying amount
Cash at bank	4,800	4,800

#### Net cash flow used in acquisition

	Amount
Cash paid for acquisition	5,800
Cash in subsidiary acquisition	(4,800)
Cash outflow on acquisition	1,000

#### Impairment test of goodwill

The recoverable amount of goodwill is not less than the carrying amount.

Goodwill is allocated to the Group's cash generating units identified according to operating segments.

An operating segment level summary of the goodwill allocation is presented below:

	2008	Restated 2007
Two and three wheelers	177,374	177,374
Capital leasing activity	1,000	-
<b>Total</b>	<b>178,374</b>	<b>177,374</b>

The recoverable amount is determined based on value-in-use calculations. These calculations use the discounted cash flow projections based on the financial budget approved by the Board of Directors covering a four-year period.

The key assumption used for value-in-use calculations are as follows:

Discount rate	13%
Growth rate	17%
Growth margin	19%

Management determined budgeted gross margin based on past performance and its expectations of the market development.

#### Knowhow

Knowhow represents the amount paid to Hyundai Corporation in exchange for the production knowhow of the brand "Hyundai Sonata".

### 7. Investment in associates

	2008	Restated 2007
GB Trade-In Co.	2,414	2,414
<b>Total</b>	<b>2,414</b>	<b>2,414</b>

## Notes to the Consolidated Financial Statements

### For the year ended December 31, 2008

(In the notes all amounts are shown in Thousand Egyptian Pounds unless otherwise stated)

#### 8. Long-term notes receivable

	2008	Restated 2007
Long-term notes receivable	33,716	34,515
Deferred interest on installment sales	(766)	(4,792)
<b>Net present value for long-term notes receivable</b>	<b>32,950</b>	<b>29,723</b>
Allowance for impairment of notes receivable	(992)	(1,886)
<b>Net</b>	<b>31,958</b>	<b>27,837</b>

#### 9. Deferred tax assets and liabilities

	Fixed Assets Depreciation	Inventory Provision	Warranty Provision	Legal Claims Provision	Convertible Loans	Total	
						2008	Restated 2007
<b>A. Deferred tax assets</b>							
Balance at January 1	-	954	3,321	720	-	4,995	286
Charged to the statement of income	-	2,860	2,168	444	-	5,472	4,709
<b>Balance at December 31</b>	<b>-</b>	<b>3,814</b>	<b>5,489</b>	<b>1,164</b>	<b>-</b>	<b>10,467</b>	<b>4,995</b>
<b>B. Deferred tax liabilities</b>							
Balance at January 1	8,633	-	-	-	303	8,936	1,517
Charged to the statement of income	9,352	-	-	-	-	9,352	7,116
Charged directly to shareholders' equity	-	-	-	-	-	-	303
<b>Balance at December 31</b>	<b>17,985</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>303</b>	<b>18,288</b>	<b>8,936</b>
<b>Net deferred tax assets</b>	<b>(17,985)</b>	<b>3,814</b>	<b>5,489</b>	<b>1,164</b>	<b>(303)</b>	<b>(7,821)</b>	<b>(3,941)</b>
Balance at January 1	(8,633)	954	3,321	720	(303)	(3,941)	(1,231)
Charged to the statement of income	(9,352)	2,860	2,168	444	-	(3,880)	(2,407)
Charged directly to shareholders' equity	-	-	-	-	-	-	(303)
<b>Balance at December 31</b>	<b>(17,985)</b>	<b>3,814</b>	<b>5,489</b>	<b>1,164</b>	<b>(303)</b>	<b>(7,821)</b>	<b>(3,941)</b>

#### Unrecognised deferred tax assets

	2008	Restated 2007
Impairment reserve in accounts and notes receivables	55,011	68,724
Impairment reserve in other debit balances	1,470	1,134
Impairment reserve in inventory	-	70
Depreciation of property, plant and equipment	-	24
<b>Total</b>	<b>56,481</b>	<b>69,952</b>

Some of the deferred tax assets are not recognized due to the uncertainty that those items will have a future tax benefit.

## Notes to the Consolidated Financial Statements

### For the year ended December 31, 2008

(In the notes all amounts are shown in Thousand Egyptian Pounds unless otherwise stated)

#### 10. Investment Property

	2008	Restated 2007
Balance at January 1	15,037	20,277
Additions	-	-
Disposals	(1,721)	(10,759)
Revaluation (loss) / gain	(188)	5,519
<b>Balance at December 31</b>	<b>13,128</b>	<b>15,037</b>

Investment property represents values for land and buildings transferred to the Group as settlement for debts of some receivables. The Investment property is presented in non-current assets as the management has no intention to sell these assets in the near future.

The Company engages an independent technical expert at the end of the financial year for the re-valuation of these assets and define their fair market value, and the expert prepared his final report about the re-valuation of these assets at December 31, 2008, and the fair value of these assets according to the final re-valuation report was EGP 13,128k thousand.

#### 11. Inventories

	2008	Restated 2007
Finished goods	451,334	154,882
Raw material and car components	330,745	146,404
Goods in transit	317,639	227,155
Work in progress	174,798	35,704
Spare parts (for sale)	106,754	88,211
Other materials	121	46
<b>Total</b>	<b>1,381,391</b>	<b>652,402</b>
Provision for decrease in the net realizable value	(36,209)	(40,282)
<b>Net</b>	<b>1,345,182</b>	<b>612,120</b>

A decrease in the net realizable value amounted to EGP 5,910k was reversed during the year ended December 31, 2008 and an amount of EGP 1,837k was provided by the Company during the year ended December 31, 2008.

#### 12. Accounts and notes receivables

	2008	Restated 2007
Total notes receivable	308,033	410,988
Long-term notes receivable (Note 8)	(33,716)	(34,515)
<b>Short-term notes receivable</b>	<b>274,317</b>	<b>376,473</b>
Deferred interest on installment sales	(5,873)	(3,942)
<b>Net present value for short-term notes receivable</b>	<b>268,444</b>	<b>372,531</b>
Trade receivable	460,620	494,831
Checks under collection	45,432	83,936
<b>Total</b>	<b>774,496</b>	<b>951,298</b>
Allowances for impairment of accounts and notes receivable balances	(274,161)	(367,974)
<b>Net</b>	<b>500,335</b>	<b>583,324</b>

## Notes to the Consolidated Financial Statements

### For the year ended December 31, 2008

(In the notes all amounts are shown in Thousand Egyptian Pounds unless otherwise stated)

A balance of accounts and notes receivables amounting to EGP 66,130k was written off during the financial year ended December 31, 2008 against the accumulated balance of the allowances for impairment of accounts and notes receivable. An impairment of accounts and notes receivables amounting to EGP 30,004k was no longer required during the year ended December 31, 2008 and amount of EGP 2,321k was provided by the Company during the year ended December 31, 2008.

### 13. Debtors and other debit balance

	2008	Restated 2007
Advance payments to suppliers	64,059	85,097
Letters of credit	49,363	47,761
Withholding tax	28,860	14,111
Sales tax	22,340	5,928
Prepaid expenses	18,992	6,113
Other debit balances	13,428	3,582
Prepaid rent short-term	12,403	11,884
Staff loans	11,037	9,071
Letters of guarantee coverage	3,731	13,661
Customs duties	2,942	510
Refundable deposit	1,892	1,277
Accrued interest	569	2,587
<b>Total</b>	<b>229,616</b>	<b>201,582</b>
Allowance for impairment of other debit balances	(7,352)	(8,475)
	<b>222,264</b>	<b>193,107</b>

### 14. Related party transactions

The subsidiaries have current accounts with related parties which include all payments made on behalf of or through the subsidiaries. The companies collect and pay these amounts regularly. The Group charged the income statement during the period with an amount of EGP 19,645 thousand to the members of the top management of the Group, which represents their salaries and bonus.

Below is a list of the balances due from and to related parties.

	2008	Restated 2007
<b>Due from related parties</b>		
Due from Executive Directors	6,392	-
GB Trade-In Co. (associate)	2,184	1,720
Ghabbour for International Trade Free Zone Company	-	-
Itamco Agriculture Company	5	-
<b>Total</b>	<b>8,581</b>	<b>1,720</b>
	2008	Restated 2007
<b>Due to related parties</b>		
Ghabbour Gulf Company	520	-
Due to executive board of directors	-	71,852
<b>Total</b>	<b>520</b>	<b>71,852</b>



## Notes to the Consolidated Financial Statements

### For the year ended December 31, 2008

(In the notes all amounts are shown in Thousand Egyptian Pounds unless otherwise stated)

#### 15. Cash on hand and at banks

	2008	Restated 2007
Cash at bank and on hand	<b>124,239</b>	<b>266,355</b>

#### 16. Provisions

##### As at December 31, 2007:

	Legal Claims	Warranty	Other Provision	Restated 2007
Balance January 1, 2007	6,280	16,604	83,717	<b>106,601</b>
Additional provision	1,493	-	13,271	<b>14,764</b>
Utilized during the year	(1,992)	-	(22,370)	<b>(24,362)</b>
No longer required	(1,556)	-	(31,980)	<b>(33,536)</b>
<b>Balance at December 31, 2007</b>	<b>4,225</b>	<b>16,604</b>	<b>42,638</b>	<b>63,467</b>

##### As at December 31, 2008

	Legal Claims	Warranty	Other Provision	Total
Balance January 1, 2008	4,225	16,604	42,638	<b>63,467</b>
Additional provision	175	13,603	-	<b>13,778</b>
Utilized during the year	(125)	(2,761)	(348)	<b>(3,234)</b>
<b>Balance at December 31, 2008</b>	<b>4,275</b>	<b>27,446</b>	<b>42,290</b>	<b>74,011</b>

#### Legal claim

The amounts shown comprises of gross provisions in respect of legal claims brought against the Group. In the opinion of the directors, after taking appropriate legal advice, the outcome of these legal claims will not give rise to any significant loss beyond the amounts provided as at December 31, 2008.

#### Warranty

The Group provides warranties on its products and guarantees to either fix or replace the products it sells, and accordingly the Group has estimated its warrant liability to be EGP 27,446k at the end of the year for warranty requirements based on the experience from previous years.

#### Other provision

Other provisions are related to claims expected to be made by a third party in connection with the Group operations. The information usually required by accounting standards is not disclosed because the management believes that to do so would seriously prejudice the outcome of the negotiation with that third party. These provisions are reviewed by management every year and adjusted based on latest development, discussions and agreements with the third party.

## Notes to the Consolidated Financial Statements

### For the year ended December 31, 2008

(In the notes all amounts are shown in Thousand Egyptian Pounds unless otherwise stated)

#### 17. Current tax liabilities

	2008	Restated 2007
Balance at January 1	27,344	38,765
Tax paid	(26,647)	(36,689)
Income tax	90,232	48,256
Withholding tax	(24,644)	(22,988)
<b>Balance at the end of the year</b>	<b>66,285</b>	<b>27,344</b>

#### 18. Loans and Borrowings

	December 31, 2008			Restated 2007		
	Current portion	Long-term portion	Total	Current portion	Long-term portion	Total
<b>A. Banks loans and overdrafts</b>						
Banks loans	-	-	-	53,786	93,671	<b>147,457</b>
Bank loan (Egyptian Development Bank)	-	-	-	50,385	-	<b>50,385</b>
Banks overdraft	746,280	-	746,280	457,577	-	<b>457,577</b>
<b>Total</b>	<b>746,280</b>	<b>-</b>	<b>746,280</b>	<b>561,748</b>	<b>93,671</b>	<b>655,419</b>
<b>B. Convertible loans to ordinary shares</b>						
<b>Total</b>	<b>9,971</b>	<b>101,485</b>	<b>111,456</b>	<b>3,026</b>	<b>101,485</b>	<b>104,511</b>
	<b>756,251</b>	<b>101,485</b>	<b>857,736</b>	<b>564,774</b>	<b>195,156</b>	<b>759,930</b>

##### A. Bank loans and bank overdraft

During year 2006, the Group made different deals with different lender banks for rescheduling of loans granted from them to be paid over 5 years with a fixed interest rate between 10% to 12.5%.

##### Collaterals

The bank loans and the bank overdraft, except the Egyptian Development Bank of Egypt (EDB) loan, are guaranteed by the following collaterals:

- Joint several guarantees between the Group, Interland Motors Co., Engineering Marketing and Trading Co. and Ghabbour Continental Trading Co.
- Guarantee by R.G. Investment.
- Signing an irrevocable proxy agreement to one of the lending banks to allow the bank to pledge the Group assets (commercial pledge and asset pledge) to the Group of lending banks, in addition to an undertaking by the Subsidiaries' not to pledge its assets to other parties.

An agreement has been reached between the Group and the EDB to settle the outstanding loan on the Group over seven years with an annual interest rate of 10%. The loan will be settled by monthly installments starting April 20, 2007, and ending August 20, 2013. During the current period, the outstanding loan was fully paid. A legal claim is still filed from the Group against the bank as the bank does not credit the amount that it collects from the notes receivable balances to the Group's account at the bank. In addition, the bank does not take the legal procedures against the debtors in case of default.

On February 4, 2008, the Company paid its full accrued liability to the Egyptian Development Bank.

## Notes to the Consolidated Financial Statements

### For the year ended December 31, 2008

(In the notes all amounts are shown in Thousand Egyptian Pounds unless otherwise stated)

On April 3, 2008, an agreement has been made with United Bank to release all its shares in the real estate mortgage and Doctor Raouf Ghabbour and his family's share mortgage in the Group Holding Company according to the rescheduling agreement with lender banks which was signed on March 7, 2002. According to the new agreement, the Company will pay all its remaining debt in equal installments ending on December 31, 2008, the Company is in the process of register this transaction in the Company's commercial register.

During July 2008, an agreement was reached with the consortium of banks for paying an outstanding loan due for settlement as at December 31, 2008, to instead be settled on July 15, 2010, against cancelling of all the current collaterals.

The detailed analysis of the bank loans and bank overdraft according to their maturity dates are as follows:

	2008	Restated 2007
Less than one year	756,251	564,774
From two year to five years	101,485	195,156
<b>Total</b>	<b>857,736</b>	<b>759,930</b>

The fair values of the bank loans are near to their net book value and the average interest rate on the Egyptian and the dollar bank overdraft are 11% and 7.3% respectively.

### B. Loans convertible to common stock

On April 10, 2007, one of the subsidiaries acquired a loan amounting to EGP 103 million from Cougar Capital Management to be paid once in cash on October 10, 2010, or converting the loan value into capital shares (call option) in a price EGP 31.45 per share. The subsidiary has used such loan to subscribe in the capital increase of the ultimate parent Company in order to reduce the risk of any changes in the fair market value in case the lender will practice the call option.

At the date of the loan acquisition, the Company classified the loan taken into a part that represents the liabilities and a part that represents the right to convert it into equity instruments.

The fair value of the liability part of the loan is determined based on prevalent market interest rates used for similar loans but unconvertible. The difference between the receipts and the fair value for the liability part represents the fair value for the right to convert into equity instruments.

The fair value of the liability part of the loans is classified within long-term liabilities and the fair value of the right to convert is classified within owner's equity.

The loans convertible to capital instruments are recognized in the financial statements as follows:

	2008	Restated 2007
Stated value for the loan on April 10, 2007	103,000	103,000
Fair value of converting option	(1,515)	(1,515)
<b>The value of the liability part in April 10, 2007</b>	<b>101,485</b>	<b>101,485</b>
Accrued interest	9,971	3,026
<b>The value of the liability part in December 31, 2008</b>	<b>111,456</b>	<b>104,511</b>

A small value of simple interest amount to 7% (seven percent) annually is accrued for on the loan, In addition to charges on the highest debit balance amounting to 0.5% monthly (half per thousand) is accrued The interest and charges are due every half year. The fair value is calculated to the part of liabilities in the loan based on the current value of cash flows using an assumed borrowings interest rate of 14%.

## Notes to the Consolidated Financial Statements

### For the year ended December 31, 2008

(In the notes all amounts are shown in Thousand Egyptian Pounds unless otherwise stated)

The loan was obtained by the following collaterals:

- The shares of Almora Resources Co. which is owned 100% by GB Auto.
- GB Auto and RG Investment Guarantees.

### 19. Trade payables and other credit balances

	2008	Restated 2007
Trade payable	468,301	247,029
Notes payable (Note 25)	106,579	87,616
Advances from customers	95,991	147,178
Accrued expenses	33,967	14,948
Tax Authority	29,880	40,005
Other credit balances	15,535	36,388
Fair value of foreign currency swap contracts	13,560	-
Deferred revenue	10,024	8,981
Dividends payables	40,000	-
Installment land obligation (Note 27)	2,344	2,150
<b>Total</b>	<b>816,181</b>	<b>584,295</b>

### Fair value of foreign currency swap contracts

Represents commitments in foreign currencies against local currencies, and the notional principal amounts of the outstanding forward exchange contracts at the balance sheet date were LE 56,652,867 (2007: EGP Nil), which are expected to be executed within a year after the balance sheet date. Losses from forward exchange contracts in 2008 were EGP 13,559,730 (2007:0); these are recognized in the income statement for the year.

### 20. Share capital

	2008	2007
Authorized capital (400,000,000 shares with par value EGP 1 each)	400,000	400,000
Issued capital and paid (129,000,000 shares of EGP 1 each)	129,000	129,000

The Company increased its capital with an amount of EGP 33,163k (shares with par value EGP 1 each) through private and public subscription (cash and non cash) with total amount of EGP 1,208,855k of which EGP 33,163k (share with par value EGP 1) and EGP 1,175,691k (stock issuance premium) resulting in the issued and paid up capital becoming EGP 129,000k. The capital increase was concluded July 9, 2007. The following is a list of all the details of the public subscription and private offering:

#### a. Public subscription

The public subscription is opened on September 22, 2007 and closed at the end of the working day July 2, 2007. The offered shares are 7.5 million shares with total amount of EGP 277,500,000 and the subscription was received in 29,703,533 shares with a total amount of EGP 1,099,030,721 (only one billion ninety-nine million thirty thousands seven hundred twenty one). The percentage of coverage approximately reached 3.96 times from the number of shares offered for subscription. The first allocation was done by offering each subscriber 150 shares and the second allocation on the basis of the residual amount of shares subscribed (after deducting 150 shares) to the total shares subscribed after deducting the total shares that were allocated through the first allocation. In the allocation, fractions of the shares were rounded up in favor of investors with smaller subscription amounts. The second allocation rate reached the value of 20.33%.

## Notes to the Consolidated Financial Statements

### For the year ended December 31, 2008

(In the notes all amounts are shown in Thousand Egyptian Pounds unless otherwise stated)

b. Private placement

16,712,356 (only nineteen million seven hundred twelve thousands three hundred fifty nine) shares are subscribed at a total value of EGP 618,357,172 (nine hundred eighteen millions three hundred fifty seven thousands one hundred seventy two) and at a subscription price of EGP 37 per share.

c. Private placement (shareholders of Cairo Individual Transport Industries Co. "CITI")

5,675,306 shares (only five millions nine hundred seventy five nine hundred and three) are subscribed at a total of EGP 209,997,468 (only two hundred nine millions nine hundred ninety seven four hundred ninety eight) and at price of EGP 37 per share.

d. Private placement (Almora Resources)

3,275,040 shares (only three millions two hundred seventy five and forty) are subscribed at a total value of EGP 103,000,000 (only one hundred and three millions) and at a price of EGP 31,45 (only thirty one pound forty five) per share.

## 21. Shares held by the Group

Shares held by the Group represents the ownership of 3,275,040 shares at the par value of EGP 3,275k in GB Auto Company Capital which is acquired by Almora resources Company one of the Group subsidiaries which is 100% owned by the Group.

The acquisition cost of these shares amounted to EGP 103,000k. The issuance premium of the consolidated financial statements has been reduced by the difference between the acquisition cost and the par value of shares amounted to EGP 99,725k.

## 22. Legal reserve

	2008	Restated 2007
Balance at January 1 before merger effect	44,227	33,657
Merger effect	(10,827)	(21,355)
	<b>33,400</b>	<b>12,302</b>
Transfers to the legal reserve	41,898	21,098
Stock issuance premium	64,400	-
Stock issuance expense	-	-
<b>Balance at the end of the year</b>	<b>139,698</b>	<b>33,400</b>

The legal reserve includes an amount of EGP 64,500K related to the Company. The rest of the legal reserve relates to the rest of the companies in the Group.

## Share premium

	2008
Total collected share premium at subscription	1,175,691
Share premium of shares held by the Group	(99,725)
Share issuance expenses	(35,878)
Transferred to legal reserve	(64,400)
Transferred to other reserve	(975,688)
<b>Balance at the end of the year</b>	<b>-</b>

The share premium is the difference between the issued and the paid up capital.



## Notes to the Consolidated Financial Statements

### For the year ended December 31, 2008

(In the notes all amounts are shown in Thousand Egyptian Pounds unless otherwise stated)

	Paid amount	No. of stocks (in thousand)	Face value	Issued capital	Stock issuance premium
Public subscription	277,500	7,500	LE 1	7,500	270,000
Private subscription	618,357	16,712	LE 1	16,712	601,645
Special subscription (for Cairo Individual Transport Industrial "CITI" shareholders)	209,997	5,676	LE 1	5,676	204,321
Private subscription Almora Resources Company	103,000	3,275	LE 1	3,275	99,725
<b>Balance at the end of the year</b>	<b>1,208,854</b>	<b>33,163</b>		<b>33,163</b>	<b>1,175,691</b>

### Share issuance expenses

The balance amounted to EGP 35,878 represents the value of expenditures of offering the stocks of the capital increase (public and private replacement) as registration, marketing, legal, professional and other expenses. The stock issuance cost is offset from the legal reserve.

According to the Company Law No. 159 of 1981 the stock issuance premium has been transferred to the legal reserve and the other reserve based on the approval of the Assembly Meeting dated March 29, 2008.

### 23. Other reserves

	Provision for foreign currency translation	Fixed asset evaluation surplus	Provision for convertible loans	Other reserve	Total	
					2008	Restated 2007
Balance at January 1	44,580	2,498	1,212	-	48,290	52,240
Change in the fair value of convertible loans	-	-	-	-	-	1,515
Share premium	-	-	-	975,688	975,688	-
Deferred tax	-	-	-	-	-	(303)
Foreign currency translation differences	196	-	-	-	196	(5,162)
<b>Balance at December 31</b>	<b>44,776</b>	<b>2,498</b>	<b>1,212</b>	<b>975,688</b>	<b>1,024,174</b>	<b>48,290</b>

### 24. Minority interest

	Capital	Reserves	Accumulated profit (losses)	Total	
				2008	Restated 2007
Balance at January 1 as issued before merger effect	12,606	289	(6,793)	6,102	46,641
Merger effect	-	-	8,121	8,121	2,667
<b>Balance at January 1 after restatement</b>	<b>12,606</b>	<b>289</b>	<b>1,328</b>	<b>14,223</b>	<b>49,308</b>
Profit for the year	-	-	2,030	2,030	2,209
Transferred to legal reserve	-	102	(102)	-	-
Payments under capital increase	-	-	-	-	8,031
Dividends	-	-	-	-	-
Investments disposal	-	-	-	-	(45,325)
Capital decrease	(1,274)	-	-	(1,274)	-
<b>Balance at December 31</b>	<b>11,332</b>	<b>391</b>	<b>3,256</b>	<b>14,979</b>	<b>14,223</b>

## Notes to the Consolidated Financial Statements

### For the year ended December 31, 2008

(In the notes all amounts are shown in Thousand Egyptian Pounds unless otherwise stated)

#### 25. Notes payable long-term

Notes payable represent the values for installment of land purchased from the International Islamic Bank for Investment and Development and the installments of the cars rented from Incolease Co.

	2008		Restated 2007	
	Notes Payable	Current Value	Notes Payable	Current Value
Less than 1 year	106,579	106,579	87,977	87,616
More than 1 year and less than 5 years	13,401	9,425	21,128	16,646
<b>Total</b>	<b>119,980</b>	<b>116,004</b>	<b>109,105</b>	<b>104,262</b>

#### 26. Long-term deferred revenue

The long term deferred revenue represents the difference between the sale price of land and its carrying amount which is leased back during the period. The resulting capital gain is amortized over the lease contract period which ends on September 2015. In addition this account includes revenue collected in advance of marketing contract which will end on September 2010.

	2008	Restated 2007
Sale and lease back asset gain	34,798	-
Marketing contract deferred revenue	7,700	-
<b>Total</b>	<b>42,498</b>	<b>-</b>

#### 27. Land installment obligations

	2008			Restated 2007		
	Current Portion	Long-term Portion	Total	Current Portion	Long-term Portion	Total
Total obligation	2,555	2,555	<b>5,110</b>	2,555	5,111	<b>7,666</b>
Present value	(211)	-	<b>(211)</b>	(405)	(211)	<b>(616)</b>
<b>Net value</b>	<b>2,344</b>	<b>2,555</b>	<b>4,899</b>	<b>2,150</b>	<b>4,900</b>	<b>7,050</b>

This obligation represents the total installment value for lands purchased from the New Cairo City development authority with the last installment due on January 18, 2010.

#### 28. Finance cost - net

	2008	Restated 2007
Installment sales interest	8,505	5,312
Interest income	7,087	16,447
Net foreign exchange transaction losses	(4,730)	2,785,
Interest expenses	(131,806)	(120,160)
Change in fair value of foreign currency swap contracts	(13,560)	-
	<b>(134,504)</b>	<b>(95,616)</b>

## Notes to the Consolidated Financial Statements

### For the year ended December 31, 2008

(In the notes all amounts are shown in Thousand Egyptian Pounds unless otherwise stated)

#### 29. Income statement by nature

	2008	Restated 2007
Sales	5,192,375	4,630,115
Direct manufacturing cost	(4,193,884)	(3,845,923)
<b>Overhead cost</b>		
Salaries	(78,337)	(63,850)
Others	(47,751)	(50,063)
<b>Gross profit</b>	<b>872,403</b>	<b>670,279</b>
Employees salaries and benefits	(104,844)	(86,927)
Selling and marketing	(54,104)	(35,965)
Depreciation and amortization	(20,508)	(12,696)
Other miscellaneous expenses	(2,859)	(4,214)
Donations	(9,075)	(3,564)
Transportation	(5,587)	(3,592)
Consulting and advisory services	(22,566)	(4,060)
Vehicles expenses	(5,730)	(2,080)
Hounability	(3,212)	(8,405)
Administration supplies	(3,932)	(1,940)
Telecommunication	(3,502)	(2,368)
Safety and security expenses	(3,335)	(2,328)
Governmental fees, stamps, etc.	(5,608)	(4,370)
Utilities	(2,638)	(1,641)
Bank charges	(1,798)	(7,144)
Public relations expenses	(1,632)	-
Insurance	(1,835)	(1,299)
IT and network and PC expenses	(1,985)	(1,332)
Repair and maintenance	(3,394)	(1,163)
Shipping	(7,990)	(28,772)
Gifts	(1,036)	(2,175)
Rent expense	(9,808)	(2,685)
Provision	(18,033)	(16,377)
Reversing of the impairment in accounts and notes receivables	30,004	128,806
Reversing of inventory provision for decrease in the net realizable value	5,902	-
Reversing of the impairment in other debit balance	1,200	-
Investment property revaluation	(188)	5,518
Other operating income	32,209	12,701
Interest on installment sales	8,505	5,312
Interest income	7,087	16,447
Forex gain (loss)	(4,730)	2,785
Interest expense	(131,806)	(120,160)
Change in fair value of foreign currency swap contracts	(13,560)	-
<b>Net profit before tax</b>	<b>512,015</b>	<b>486,591</b>

#### 30. Income tax

	2008	Restated 2007
Current tax	90,232	48,256
Deferred tax	3,879	2,407
	<b>94,111</b>	<b>50,663</b>

## Notes to the Consolidated Financial Statements

### For the year ended December 31, 2008

(In the notes all amounts are shown in Thousand Egyptian Pounds unless otherwise stated)

	2008	Restated 2007
Consolidated net profit for the period before taxes and minority interest	512,015	486,591
Income tax calculated at a tax rate of 20%	102,403	97,318
Expenses not deductible for tax purposes	15,836	13,447
Tax loss carry	2,677	1,686
Tax deductible expenses	(14,491)	(17,641)
Income not subject to tax	(16,557)	(24,538)
Utilization of previously unrecognized tax losses	-	(18,894)
Deferred tax asset not previously recognized	4,243	(715)
<b>Income tax for the year</b>	<b>94,111</b>	<b>50,663</b>

### 31. Contingent assets and liabilities

#### a. Contingent assets

The Group raised a legal claim against Egyptian Development Bank amounting to EGP 67 million which represents the value of the notes receivable of the Group customers deposited in the bank for collection. The bank did not perform due care in collection of these notes receivable nor took legal action against the customers which led to the expiry of these notes and a foregoing of the Group's right in collecting them or taking legal action. Based on the advice of legal counsel, the Group expects judgment in its favor. The impairment of accounts and notes receivables includes an amount of EGP 23 million against the value of these notes receivable in custody of EDB. That impairment provision will be reversed in case the verdict is in favor of the Company.

#### b. Contingent Liabilities

There are contingent liabilities on the Group presented in letters of guarantee. The balance of the letters of grantee granted in Egyptian Pounds and United States Dollars through it is regular operations amounted to EGP 3,959,268 and US \$421,697,794 and YN 808,518 at December 31, 2008 (December 31, 2007: EGP 6,274,924 and US \$682,071,387 and YN 507,533).

### 32. Structuring of subsidiaries

The Group management decided on merging some of subsidiaries as follows:

- Merging Prima Engineering Industries Co. and Cairo Individual Transport Industries Co. into International Trading and Marketing Co.
- Merging Vehicle Components Industries Co. and Interland Motors Co. into Ghabbour Egypt.
- These mergers are approved in the General Assemblies Meeting for the Companies on August 13, 2007, and approved by General Authority for Investment on December 31, 2008. The merger resulted in a revaluation surplus of such companies is EGP 542,271 thousand according to the report prepared by GAFI, The revaluation surplus is represented in:

Description	Amount
Fixed assets revaluation surplus	545,781
Increase in other debit balance provision	(1,927)
Increase inventory provision for decrease in the net realizable value	(1,214)
Decrease in cash	(119)
Increase in other provision	(250)
<b>Total revaluation surplus</b>	<b>542,271</b>
Minority interest	(2,667)
<b>Shareholder's interest</b>	<b>539,604</b>

## Notes to the Consolidated Financial Statements

### For the year ended December 31, 2008

(In the notes all amounts are shown in Thousand Egyptian Pounds unless otherwise stated)

### 33. Cash flow statement (non cash transactions)

These transactions were disregarded when the cash flow statement was prepared.

	2008	Restated 2007
Fixed assets	1,805	7,050
Trade payables and other credit balances	94,781	2,150
Investments in associates	-	2,414
Intangible assets	-	167,078
Treasury stock	-	103,000
Minority interest	-	45,325
Capital	-	8,951
Investment property	-	8,240
Due from related parties	531	2,405
Borrowings	-	1,515
Other reserves	-	305,259
Due to related parties	-	5,826
Deferred tax liabilities	-	303
Lands installments obligation	-	4,900



## Notes to the Consolidated Financial Statements

### For the year ended December 31, 2008

(In the notes all amounts are shown in Thousand Egyptian Pounds unless otherwise stated)

### 34. Segment reporting

	Passenger Car		Buses and Trailers		Two & Three Wheels		Other Operation		Consolidated	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	Restated 2007
Operations results										
Revenues	3,675,465	3,291,925	740,899	590,031	571,318	528,224	204,693	219,935	2,192,375	4,630,115
<b>Segment profit</b>	<b>613,122</b>	<b>447,154</b>	<b>129,559</b>	<b>122,302</b>	<b>115,177</b>	<b>86,053</b>	<b>14,545</b>	<b>14,770</b>	<b>872,403</b>	<b>670,279</b>
Selling and marketing expenses									(123,634)	(105,650)
Administration expenses									(153,344)	(113,071)
Other operating income									32,209	12,701
Provisions									(18,033)	(16,377)
Provisions no longer required									37,106	128,806
<b>Operating profit</b>	<b>646,707</b>	<b>576,688</b>							<b>646,707</b>	<b>576,688</b>
(Loss) / gain from re-valuation of investment property									(188)	5,519
Finance cost									(134,504)	(95,616)
Income tax									(94,111)	(50,663)
<b>Net profit of the year</b>	<b>417,904</b>	<b>435,928</b>							<b>417,904</b>	<b>435,928</b>
Minority interest									(2,030)	(2,209)
<b>Net profit of the year after minority interest</b>	<b>415,874</b>	<b>433,719</b>							<b>415,874</b>	<b>433,719</b>
	Passenger Car		Buses and Trailers		Two & Three Wheels		Other Operation		Consolidated	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	Restated 2007
Segment assets	1,696,310	1,754,369	1,374,026	774,260	239,293	150,041	316,645	223,063	3,626,274	2,901,733
Investment in associates	-	-	-	-	-	-	2,414	2,414	2,414	2,414
<b>Total distributed assets</b>	<b>1,696,310</b>	<b>1,754,369</b>	<b>1,374,026</b>	<b>774,260</b>	<b>239,293</b>	<b>150,041</b>	<b>319,059</b>	<b>225,477</b>	<b>3,628,688</b>	<b>2,904,147</b>
Segment liabilities	1,123,794	981,461	600,313	319,412	24,474	19,331	138,918	217,166	1,887,499	1,537,370
Capital expenditures	117,175	116,971	97,194	41,335	328	329	48,427	17,998	263,124	176,633
Depreciation	26,321	10,825	13,799	2,744	224	224	5,994	4,903	46,338	18,696

## Notes to the Consolidated Financial Statements

### For the year ended December 31, 2008

(In the notes all amounts are shown in Thousand Egyptian Pounds unless otherwise stated)

### 35. Earnings per share

#### i. Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares issued during the period, and after deducting the shares held by the Group (Note 21).

	2008	Restated 2007
Profit attributable to equity holders of the Company	415,874	433,719
Less:		
Employees profit share	(19,000)	(21,000)
<b>Net profit attributable to shareholders</b>	<b>396,874</b>	<b>412,719</b>
Weighted average number of ordinary shares in issue	125,725	110,781
<b>Basic earnings per share</b>	<b>3.16</b>	<b>3.73</b>

#### ii. Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The cause of this dilution resulted from a convertible loan to ordinary shares agreement and the net income has been adjusted to cancel the loan interest, taking into consideration the tax effect. The number of convertible shares is 3,275,040 shares.

	2008	Restated 2007
Net profit attributable to shareholders	396,874	412,719
Debit interest on convertible loan (net after tax)	10,712	7,766
	<b>407,586</b>	<b>420,485</b>

	2008	Restated 2007
Weighted average number of ordinary shares in issue	125,725	110,781
Convertible bond	3,275	3,275
Weighted average number of ordinary shares	<b>129,000</b>	<b>114,056</b>
<b>Diluted earnings per share</b>	<b>3.15</b>	<b>3.69</b>

### 36. Capital commitments

The capital expenditure commitment at the balance sheet date reached EGP 49 million representing amounts to be paid after completing the new production lines currently under construction.

## Notes to the Consolidated Financial Statements

### For the year ended December 31, 2008

(In the notes all amounts are shown in Thousand Egyptian Pounds unless otherwise stated)

### 37. Subsidiaries

The Group consolidated financial statements include the financial statements of the following subsidiaries.

Company	Percentage of ownership	
	Before merge	After merge
RGI Investment	100%	100%
International Trade Agencies and Marketing Co. (ITAMCO)	99.27%	99.45%
International Trading and Storage Co.	99.01%	99.01%
Vehicles Components Industries Co.	100%	-
Prima Engineering Industries Co.	100%	-
Egyptian Vehicles Manufacturing Co. (Ghabbour Egypt)	99.59%	99.53%
Ghabbour Continental Trading Co.	100%	-
Interland Motors Co.	97.27%	-
GB Buses Co.	99.96%	99.96%
Almora Recourses Co.	100%	100%
GB Trailers Co.	100%	100%
Cairo Individual Transport Industries Co. (City)	100%	-
Engineering Marketing and Trading Co.	96.37%	-
Haram Transportation Co.	99%	99%
GB Company for capital lease	100%	100%

### 38. Translation

These financial statements are a translation into English from the original Arabic statements. The original Arabic statements are the official financial statements.

## Head office:

Cairo-Alexandria Dessert road, Km 28, industrial Zone, Abu Rawash  
Tel(+202) 3533-93037 Fax (+202) 3539-1198

## GB Auto Locations:

### Heliopolis:

14 El Obour Buildings, Salah Salem St.

### Downtown:

21 Emad El Din St.

### El Mohandessien:

14 Wezaret El Zeraaa St. El Batal Ahmed Abdel Aziz Ext.

### Maadi:

30 Misr Helwan St. off El Gomhoreya St.

### Qalioub:

3km Cairo-Alex Agricultural Rd. (Showroom & After Service)

### Alexandria:

27 El Sultan Hussein St. (Showroom & After Service)

### Alexandria Sales Office:

39 Commercial Chamber St. Alexandria

### Assuit:

71 Osman Ibn Affan St. Al-Aggar Tour, Al Zahraa  
Tel.: +2 088 2997-011/12  
Fax: 2 088 2297013

### Sharm El Sheikh:

El Nour Zone, Plot # 53 behind Mobil Gas Station

## Main Service Center:

Qalioub  
Km 16 Cairo-Alexandria Agricultural Rd.

**[www.ghabbourauto.com](http://www.ghabbourauto.com)**

## Shareholder Information:

Reuters Code

**AUTO.CA**

Bloomberg Code

**AUTO EY**

Number of Shares Outstanding

129,000,000

Shareholders' Structure

71.5% Ghabbour family

28.5% Public ownership

## Investor Relations:

### Mr. Bassem El-Shawy

Director of Investor Relations  
and Corporate Secretary

### Ms. Heidi Naguib

Investor Relations Assistant  
Tel: +20 2 3539-3037



[www.ghabbourauto.com](http://www.ghabbourauto.com)