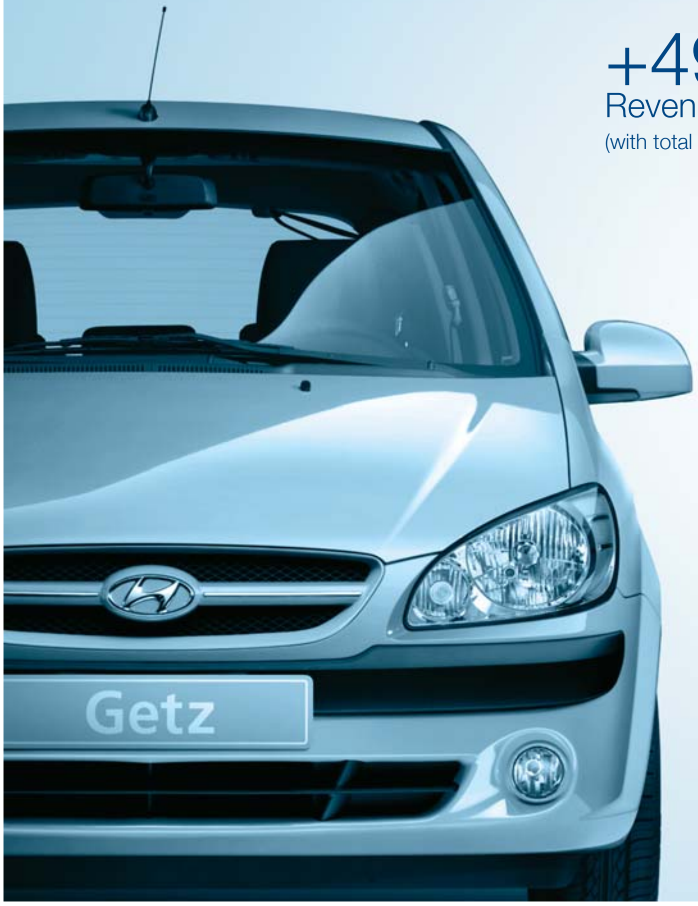
AUTO

Annual Report 2007

AUTO



+49.2%
Revenue Growth
(with total revenues reaching EGP 4,630.1 million)

+61.1%
Net Profit Growth
(with net profit reaching EGP 453.6 million)

27.1%
Market Share
in the passenger car market

38.8%
Market Share
in the bus market

14.7%
Market Share
in the truck market

Highlights 2007

Financial Data (L.E. million)

	2007	2006	%
Revenues (million)	4,630.1	3,103.3	49.2
EBIT (million)	596.6	503.6	18.5
EBIT Margin	12.9%	16.2%	-3.3
Net Profit (million)	453.6	281.5	61.1
Net Profit Margin	9.8%	9.1%	0.7
Earnings per Share	4.09	2.94	
Total Assets (million)	2,425.4	1,384.3	75.2
Total Invested Funds (million)	1,100.6	(42.2)	
Cash Flows used in Operating Activities (million)	(376)	307.4	
Total Interest-Bearing Debt (million)	760	1,020	-25.5
Minority Interest	6.1	46.6	
Shareholder's Equity	836.5	(642.6)	

Volume Data

	2007	2006	%
Vehicle Sales			
Passenger cars (units)	48,623	36,266	34.1
Commercial Vehicles (units)	2,948	1,914	154.0
Two- and Three-Wheelers (units)	40,830	29,401	38.9
Employees at Dec. 31st	5,975	4.925	21.3

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HYUNDAI i30

Letter from the CEO

Dear Shareholders,

I am delighted to present to you our first annual report since GB Auto completed its IPO, and to report in it that GB Auto continued to deliver impressive top line growth across all its lines of business and maintained its dominant position in the passenger cars, commercial vehicles and 3-wheeler markets for the year 2007. The healthy growth levels recorded by the company are a result of GB Auto continuing to deliver to its customers the best value-for-money proposition across all its products and services, whilst maintaining its competitive position in the market.

Key Achievements of 2007:

- Achieving a successful IPO.
- Delivering impressive growth rates and maintaining our dominant market position
- Productivity gains through better efficiencies in CKD assembly
- Identifying global partners for manufacturing, such as Marcopolo
- Starting to invest in the nation-wide distribution and after sales network program
- Finalizing the plan to invest in a new paint shop that will increase car assembly capacity threefold in 2009
- Locating the trailer-manufacturing facility into a purpose-built unit to have capacity to meet growing market demand as well as to increase production efficiencies and process quality

Going Forward:

Overall, we are very optimistic about achieving continued growth across all our lines of business. In respect of the three-wheeler (tuk-tuk) sales growth will be affected in the short term in view of the issue of licensing by the traffic authority that should avoid any further harassment of the tuk-tuk owners by the traffic wardens. A draft law is waiting to be enacted by the government to license these vehicles. We hope this will be done soonest.

We remain committed to our investment strategy to expand the passenger cars and commercial vehicles distribution and after-sales networks nationwide. By the end of 2007, we had opened five new service centers and we are on track with the program to open an additional twelve centers during 2008 and a few more in the first half of 2009.

Strengthening our Skills:

I have always believed that building management and developing staff and processes will ultimately lead to improved levels of customer service and satisfaction. Besides a significant investment in IT, we have also appointed an external management consultancy firm to assist in our management change and institutionalization program, alignment of strategy and expansion plans, and to advise us on the

development of comprehensive sets of functional policies and procedures. This will poise us to becoming a world class corporation operating to high standards.

Finally, we would like to thank everyone who contributed to our positive development: our employees in particular, for their commitment and dedication, and our channel partners for their trust and cooperation. Last but not least, we thank our customers, who often give us their trust time and again over many years.

We look forward to your continuing support and faith in us.

Sincerely,

Raouf Ghabbour
CEO

History & Evolution

GB Auto has developed significantly over the last 50 years through two generations of one of Egypt's leading business families. Breaking out of the Ghabbour family shell and into the GB Auto corporate entity, the group has witnessed important changes over the past few years, including overcoming a difficult economic and financial position, addressing its working capital problems, as well as establishing controls as part of a larger corporate governance initiative.

The History

It all began in the 1940's as a family-run trading business led by Messrs. Sadek and Kamal Ghabbour, later incorporated as "The Ghabbour Brothers", with business activities including trading in automotive-related products, construction materials such as cement and ceramics, and home appliances and electronics. With Egypt's open-door economic policies in the 70's the Ghabbour group started securing agency licenses in the automotive industry, and grew rapidly throughout the late 1980's and well into the 1990's to become a leading player in the Egyptian automotive industry.

Overcoming Challenging Times

In the late 1990's an economic recession hit Egypt leading to a sharp decline in consumer expenditures and a near standstill of business activity which, in turn, caused collection rates to fall dramatically and sales to decline well into 2001. Many companies went bankrupt as they could not survive Egypt's worst recession in recent history. Ghabbour didn't escape these challenging times, and as a result was faced with the default of major credit sales customers increasing debt levels significantly. Ghabbour management undertook a thorough evaluation of business practices and adopted a series of initiatives designed to improve operational performance and restore financial health and viability.

By 2003, the company's improved operational scheme combined with an economic upturn led to rapid revenue growth and restored the group to profitability on an operating level. GB Auto continues to benefit from its improved operational scheme and the economic upturn and has experienced a compound annual revenue growth rate of 67% since 2003.

The IPO

In July 2007, GB Auto completed an initial public offering on the Cairo and Alexandria Stock Exchange (CASE) increasing its issued capital to EGP 129 million from EGP 95.8 million and raising a net of approximately EGP 840 million in cash. The market reaction was overwhelmingly positive with approximately 12,000 participants in the public offering. GB Auto's placement, which constituted 77% of the offering, was seven times oversubscribed by institutional investors and high-net-worth individuals; the public offering was oversubscribed 4.5 times.

Milestones

1940s Sadek and Kamal Ghabbour establish family-run business.

1956 The Ghabbour Brothers officially incorporate trading in automotive-related products, home appliances, and construction materials such as cement and ceramics.

1970s Egypt's open-door policy directs Ghabbour's business focus to the automotive industry, securing licenses to act as agents for passenger cars, bus and automotive parts distributor.

1985 Manufacturing operations established to assemble bus bodies under a technical agreement with Scania AB.

1992 Ghabbour Brothers appointed as Hyundai's sole distribution agent for its passenger car line in Egypt, which marked Hyundai's definitive move into the Egyptian passenger car market and led to an immediate capture of market share due to its wide- ranging vehicle portfolio offered at competitive prices

1995 Ghabbour Brothers granted a technical license to assemble CKDs for Hyundai's passenger cars in Egypt, further solidifying the company's strategic relationship with Hyundai

1996 Ghabbour Brothers begins operations as a local agent for Bajaj motorcycles.

1997 Ghabbour Brothers begins operations as a local agent for Mitsubishi & Volvo trucks and busses.

2006 GB Auto establishes Haram to operate passenger and cargo transportation services.

2007 GB Auto shares began trading on the Cairo & Alexandria Stock Exchange (CASE), after successfully raising EGP 1.2 billion worth of new shares in an IPO.

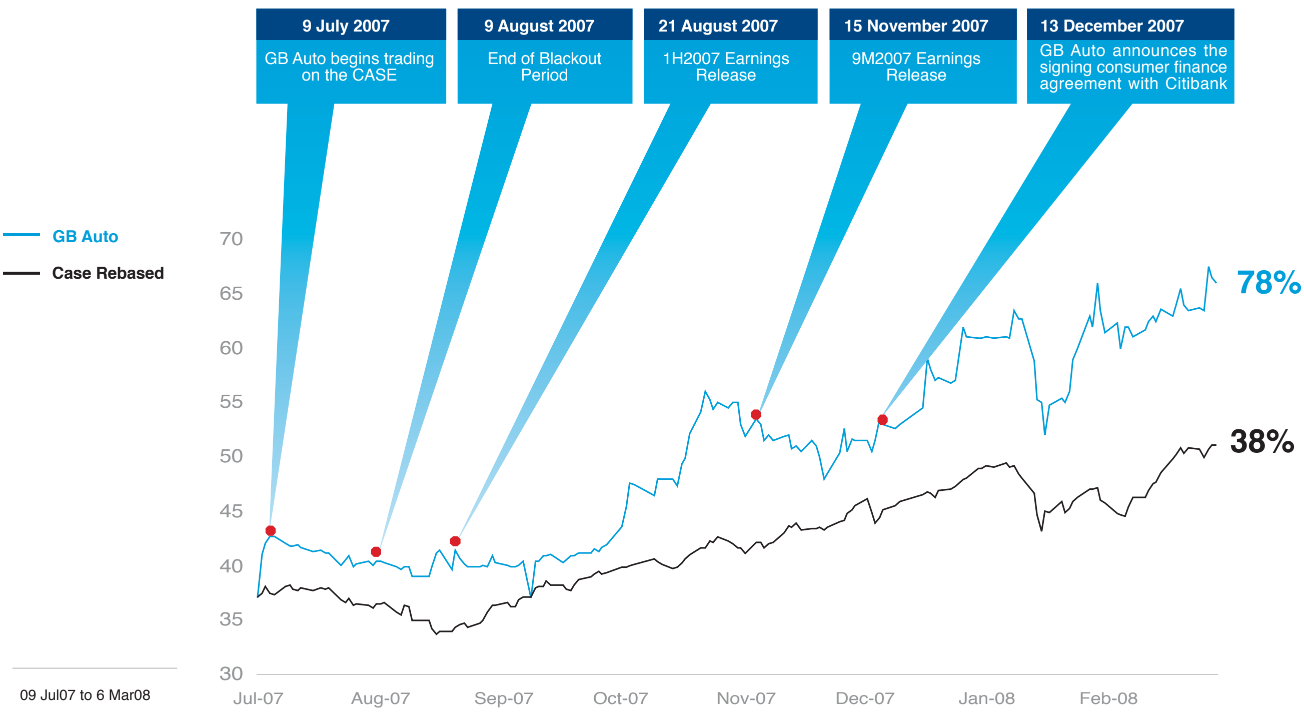
GB Auto Share

Offering Structure

Private Placement :	25,663,000	shares
Public Offering :	7,500,000	shares
Total Capital Increase	33,163,000	shares
Secondary Placement :	1,676,100	shares

GB Auto's share offering price on July 9th was EGP 37. The highest quotation during the remainder of the year was EGP 59, and the lowest was EGP 39. At year end, the quotation price was EGP 57, amounting to 54% increase in value.

GB Auto Stock Performance



Lines of Business

GB Auto engages in four primary lines of business that include Passenger Cars (PCs), Commercial Vehicles (CVs), and Two- and Three-Wheelers. The company's fourth line of business incorporates a number of "other" supporting offerings in the automotive and transportation fields. In 2007, Passenger Cars made up the lion's share of the group's sales, accounting for 71.1% of total revenues, followed by Commercial Vehicles accounting for 12.7%, Two- and Three-Wheelers with 11.4%, and others with 4.8%.

GB at a Glance

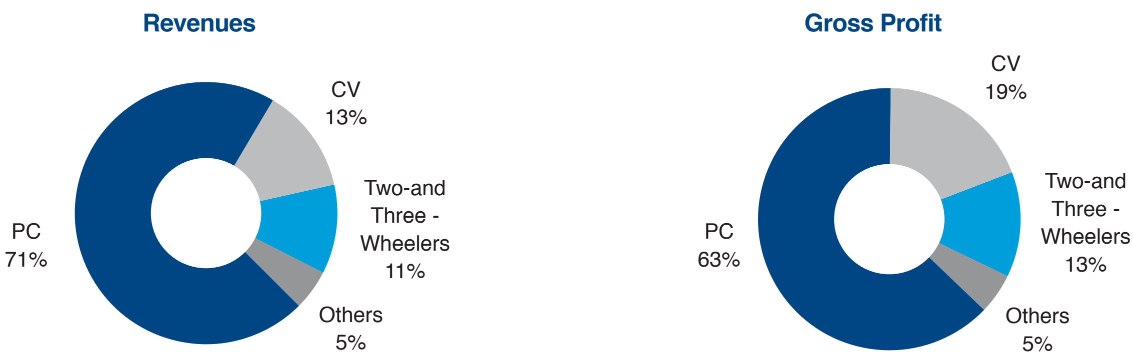
Overview

GB Auto is a leading player in the Egyptian 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 super-structures for trucks and buses, selling automotive components, two- and three-wheelers, tires and construction equipment, and 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 group serves an extensive and diversified customer base which includes, among others, Egyptian retail consumers, transportation companies, private sector companies, schools and universities, construction companies, and various governmental authorities and agencies, as well as a wide-ranging export market throughout the MENA region.

GB Auto has a dominant market share in the domestic passenger car market, is the largest player in the three-wheeler market, and has a rapidly growing presence in the commercial vehicle market. Throughout sixty years of operation, the company has built itself a strong reputation for "standing behind its customers" and has become renowned for providing an unmatched after-sales service in the Egyptian market.

“GB Auto is the largest player in the Egyptian automotive market in terms of sales revenue, market share, and production capacity.”



GB Auto's FY07 Revenues and Gross Profit Contribution by LOB

Our Portfolio

Hyundai Egypt

Throughout the past years, Ghabbour – Hyundai established the most integrated distribution and "after sales network" to become the Egyptian automotive market leader with a market share of 27% in 2006; and, to maintaining this market leadership in 2007 and the determination to remain The Egyptian market leader for many years to come.

Ghabbour Buses

Ghabbour Egypt is the Middle East and North Africa's largest bus manufacturer offering a pioneering range of minibuses, buses, and coaches. Each bus that rolls out of a Ghabbour factory is a result of decades of development, design, and engineering to achieve the optimum combination of durability, performance, exceptional passenger comfort, and delivery of environment saving standards and low operating cost.

Ghabbour Trucks

Ghabbour offers a wide range of state of the art brand trucks with characterized high performance and exceptional value for money. Each product can be fully customized for any application selected by Ghabbour, and can also withstand the toughest operating environment.

Ghabbour Tires

The Ghabbour Group has been playing a leading role in the tires business in Egypt for more than 50 years. We offer the market a full range of tire sizes. We import Lassa passengers and light truck tires from Brisa in Turkey, and we import Double Coin Truck Bus, OTR and industrial tires from Shanghai Tyres and Rubbers Co. LTD.

Two and Three Wheelers

Ghabbour is specialized in the assembly and sale of 2 and 3 wheeler products such as scooters, motorcycles, and auto rickshaw with a professional sales and service team dedicated to excellence.







Eagle

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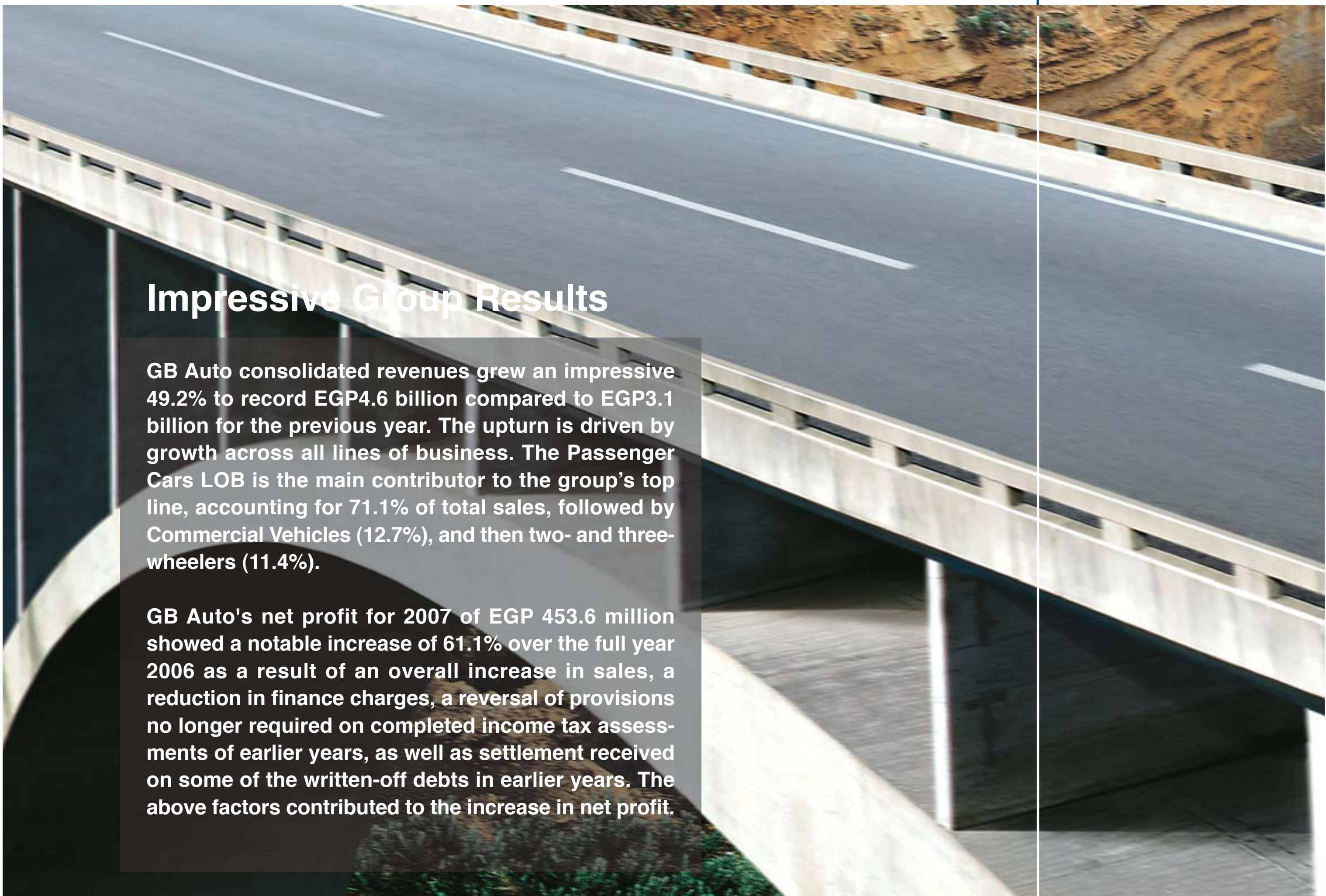


Impressive Group Results

GB Auto consolidated revenues grew an impressive 49.2% to record EGP4.6 billion compared to EGP3.1 billion for the previous year. The upturn is driven by growth across all lines of business. The Passenger Cars LOB is the main contributor to the group's top line, accounting for 71.1% of total sales, followed by Commercial Vehicles (12.7%), and then two- and three-wheelers (11.4%).

GB Auto's net profit for 2007 of EGP 453.6 million showed a notable increase of 61.1% over the full year 2006 as a result of an overall increase in sales, a reduction in finance charges, a reversal of provisions no longer required on completed income tax assessments of earlier years, as well as settlement received on some of the written-off debts in earlier years. The above factors contributed to the increase in net profit.

Business Review

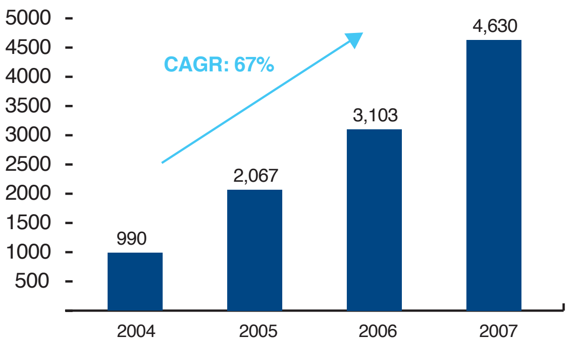
Going Forward

GB Auto's business strategy is to further increase its market share throughout all lines of business by investing in an unmatched nation-wide distribution and after-sales network infrastructure, creating a "one-stop-shop" for its clientele by vertically integrating sales, consumer financing, and after-sales support functions, and leveraging on GB Auto's value-adding brand image from one line of business into the others.

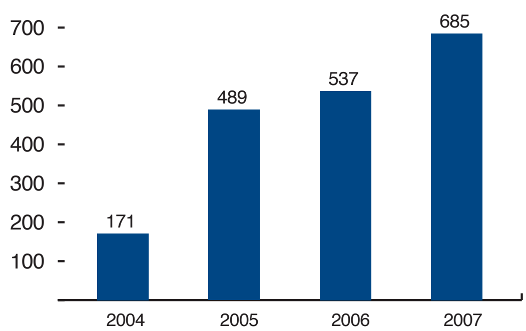
The Egyptian automotive market is witnessing impressive growth rates, which are expected to continue over the coming several years driven by the improving macro-economic environment driving consumption patterns, favourable government legislation, coupled with existing low auto penetration rates relative to comparable emerging markets. With its dominant position in the market, and its strategies for significant geographical expansion of its distribution and after-sales service networks, GB Auto is very well poised to win the lion's share of this growing market.

"GB Auto boasts the largest distribution and after sales network in the passenger vehicle and motorcycles and 3-wheelers lines of business relative to competition, allowing the company to own and control a significant portion of retail sales."

Revenues
EGP million



Gross Profit
EGP million

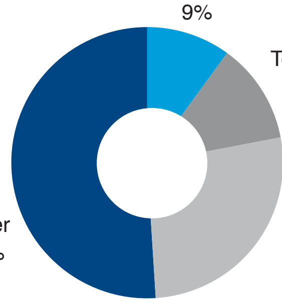


Passenger Cars

Market leadership
GB Auto's passenger cars line of business has the exclusive license to assemble, import, and distribute Hyundai Motor Company ("Hyundai") cars in Egypt, providing a mix of products with a wide range of engine segments, sizes, and prices, ranging from engine capacities of 1.1 litres to SUVs of over 2.0 litres.

Hyundai Passenger Cars are the market leader in the Egyptian market with a market share equivalent to 27.1% as at December 31, 2007. With the widest product range in the market and GB Auto's top customer service quality it is positioned as the "best value for money".

Market Share (in units)



A strategy to provide the best customer experience, over the past few years, GB Auto has managed to transform the Hyundai buying experience in Egypt to the better. Supporting its customers through the largest nation-wide sales and after-sales service network in Egypt, with 6 large service centres, 11 owned showrooms, 40 dealer outlets for cars, and a comprehensive spare parts distribution network currently comprising 52 dealers, GB Auto operates what is described as a 3S business strategy (3S being showrooms, service, and spare parts). GB Auto's strong after-sales service has helped make Hyundai's resale value empirically the highest in Egypt. The 3S strategy is an integral part of GB Auto's operations, not only for its passenger cars, but for its other lines of business as well, strengthening GB Auto's brand and making it synonymous with a positive customer experience.

GB Auto's current network of showrooms occupies 4,700 square meters with plans to add 8,500 more square meters, implying 9 new retail showrooms by the end of 2008, and the company currently possesses an aggregate of 383 service bays which are expected to increase to 842 bays by the second half of 2009.

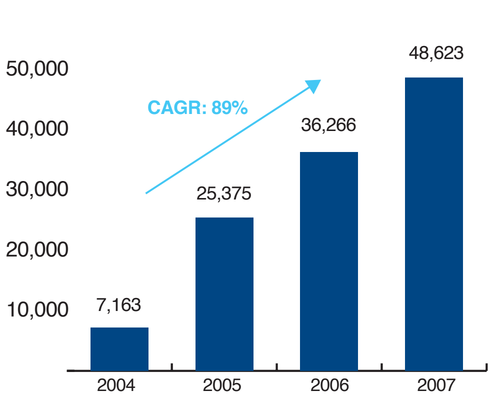
2007 Market review

The total passenger car market in Egypt grew by 34.1% in 2007 realizing total volume sales of 179,178 units. GB Auto's sales also grew by the same percentage recording 48,623 units and maintaining its market share of 27.1%. The passenger car line of business contributed approximately 71% of the total revenues of GB Auto for the year. Revenue from the passenger car division was EGP 3,291.9 million yielding strong growth of 48.9%. Gross profit showed an increase of 20.9% over the previous year.

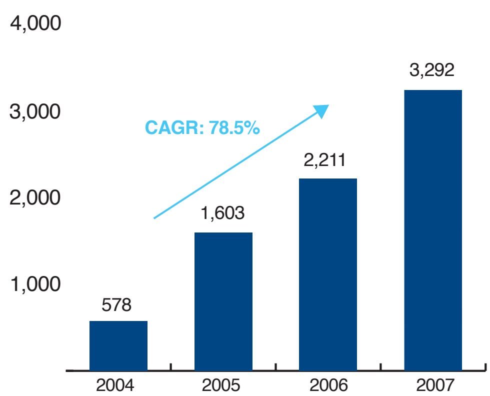
> "GB Auto dominates the passenger vehicle market in Egypt"

Due to capacity constraints in its CKD assembly facility, the group's sales volume mix became skewed towards CBU, which accounted for 56.9% of the sales mix, up from 41.9% in FY06. The increase in market demand was met by higher sales of CBU units. Recent management restructuring in the assembly operation has resulted in improved productivity easing some of the capacity constraints. Moreover, GB Auto has sub-contracted with NASSCO, a government undertaking, to assemble approximately 500 cars per month under GB Auto supervision set to begin during March 2008. The said arrangement will partially ease the CKD capacity constraint until the new paint shop which has been ordered becomes operational in 2Q 2009.

Sales Volume
Vehicle Units



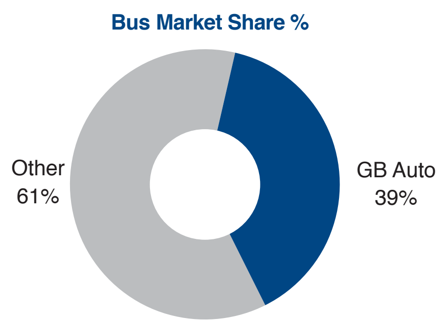
Revenues
EGP million

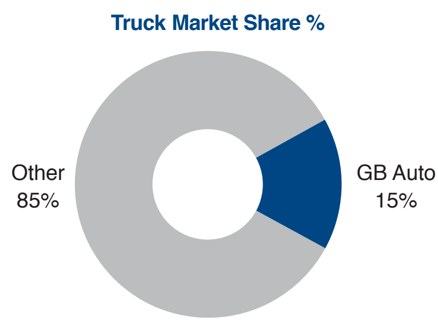


Commercial Vehicles

Robust product offering in buses and rapidly growing presence in the truck market

GB Auto's commercial vehicle line of business offers a wide range of locally-assembled trucks and buses as the exclusive agent and distributor for the Mitsubishi FUSO Truck & Bus Corporation ("Mitsubishi Truck & Bus"), the Volvo Truck Corporation ("Volvo Truck"), the Volvo Bus Corporation ("Volvo Bus") and Hyundai. 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 of business. The bus segment incorporates large buses or coaches with a maximum capacity of 50 passengers, mini buses with a capacity range between 23 and 33 passengers, and mini buses with a maximum capacity of 29 passengers, targeting the transportation and tourism industries. The trucks segment includes high, medium, and light range trucks targeting the construction and hauling industries. GB Auto enjoys a rapidly growing presence in the commercial vehicles market in Egypt with a bus and truck market share of 38.8% and 14.7% respectively for the fiscal year 2007.





The commercial vehicles line is where GB Auto adds value through manufacturing and, therefore, has the highest margins within the group. With the exception of the engines and chassis, which are imported from the OEMs, the entire bus bodies are designed and manufactured at GB Auto's facilities, which have a capacity of 5 minibuses and 2 large buses per day. In the buses division, GB Auto's product line includes the Mitsubishi RP coach, the Mitsubishi Cruiser mini and meduim bus, and tourism buses like the Volvo Highdeck and the Hyundai Nova. In trucks, GB Auto assembles light-meduim range Mitsubishi Canter trucks, while heavy Volvo trucks are imported. Both trucks and buses product lines from GB Auto are serviced through the largest after-sales service network for commercial vehicles in Egypt.

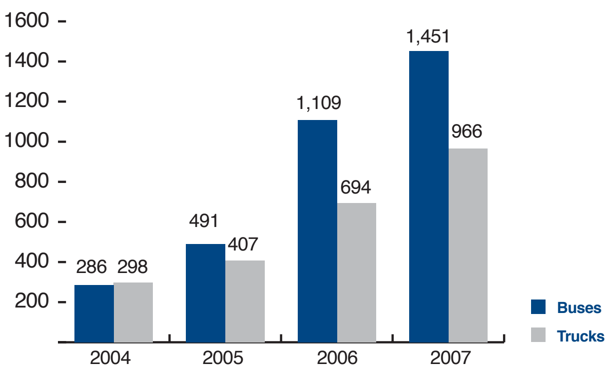
2007 Market review

Commercial vehicles are GB Auto's second most significant business line after passenger cars, contributing 12.7% to the company's revenues and 18.9% to its gross profits. In 2007, GB Auto witnessed an upturn of 30.8% in bus sales volume which reached 1,451 units, implying a market share of 38.8%, up from 31.0% in 2006. Truck sales volume reached 966 units, up 39.2% from 694 units in 2006, increasing its market share to 14.7% from 14.0% in 2006. Trailer sales volume jumped 4.8 times to record 531 units, up from 111 units in 2006.

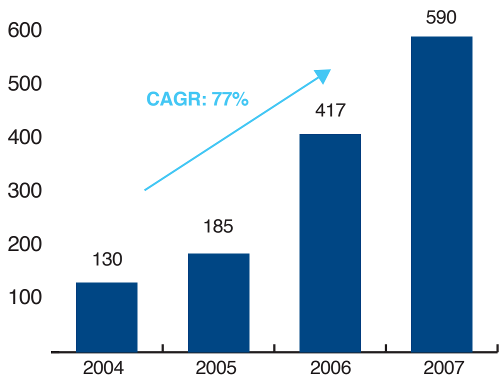
Total commercial vehicles revenue rose 41.5% to register EGP 590.1 million, of which 5.7% were contributed by after-sales revenues. Commercial vehicles gross profit for the year increased 22.8% from EGP 105.4 million in 2006 to EGP 129.4 million in 2007. However, GPM in 2007 was lower at 21.9% compared to 25.3% in 2006, mainly due to the change in product mix and the effect of greater servicing of vehicles belonging to the group's transportation services operation, which is less profitable.

> "Exclusive agent for Mitsubishi, Volvo and Hyundai buses"

Sales Volume
Vehicle Units



Revenues
EGP million



Two- and Three-Wheelers

Creating the 2- and 3-wheeler market in Egypt

GB Auto's motorcycles and scooters line of business is the exclusive local agent and distributor for Bajaj Auto Ltd. ("Bajaj") three-wheel scooters, also known as tuk-tuk's, two-wheel scooters and Boxer motorcycles. Bajaj, an Indian brand, is the largest global manufacturer of three-wheelers, and the largest manufacturer of motorcycles and scooters in India. Bajaj products are imported as Semi Knocked Down (SKD) units which are then assembled and finished locally.

Three-wheelers have competitive advantages of lower prices, minimal fuel consumption, and ease of movement, providing a means of transportation at low cost in low income and rural areas. Having pioneered the introduction of this economical means of transportation in the Egyptian market, GB Auto had a dominant market share of 99% of tuk-tuks as of December 2007.

The group's 3S strategy also extends to this line of business. Two- and three-wheelers are available at the company's nationwide network of five retail showrooms and numerous local dealers, and are being serviced through three after-sale service centers and nine outlets for spare parts operated by GB Auto.

2007 Market review

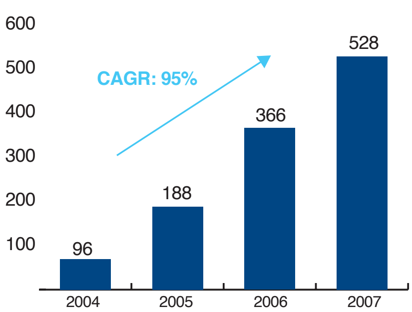
Realizing total sales revenue of EGP 528.2 million in 2007, up 44.3% over 2006 figures, this line of business contributed approximately 11.4% of the GB Auto's consolidated revenues. Two-wheelers' sales volume went up by 25% to 3,255 units in 2007. Three-wheelers' sales volume jumped 40.2% to 37,575 units from 26,798 units in 2006.

Two- and Three-Wheelers gross profit surged by 62.5% during the year to EGP 86.1 million representing 12.6% of GB Auto's total gross profit. GPM also went up to 16.3% compared to 14.5% in 2006, as operational efficiencies are improving.

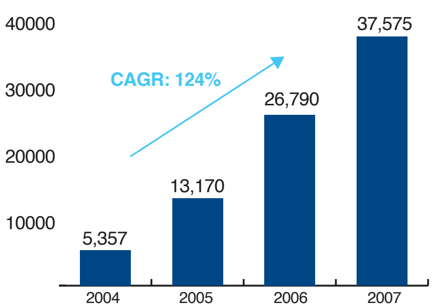
Tuktuks are expected to revolutionize transport among the wider lower income base in Egypt after a long-awaited bill to license them for commercial use has been passed by parliament.

> "Huge growth potential on the back of new government law granting license for commercial operation of "tuk-tuks""

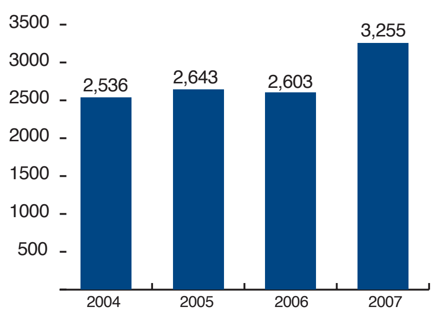
Revenues
EGP million



SalesVolume
Three-Wheeler Units



SalesVolume
Two-Wheeler Units



Other Lines of Business

GB Auto's other lines of business (LOB) are: (i) tires; (ii) construction equipment; (iii) transportation services; and (iv) export activities. In 2007, the other LOBs contributed 4.8% with EGP 219.9 million and 5.4% with EGP 37.2 million to the GB Auto's sales and gross profits, respectively.

(i) Tires

GB Auto distributes passenger and light tires under a license from Lassa while truck, bus, and off-road tires are distributed under the license of Double Coin.

Lassa tires are recognized in the Egyptian automotive market as a high-quality product at a reasonable price point with approximately 40 different sizes of passenger and light truck tires having a share of 7% of the market in 2007. They are manufactured in Turkey pursuant to a joint-venture between Bridgestone and the Sabanci Group.

The company started to sell Double Coin truck, bus, and off-road tires in 2006. Double Coin tires are characterized to be among the highest quality of all Chinese brands at a very competitive price point, thus giving them a unique position in the market. Currently Double Coin sells approximately 6,500 tires each month, accounting for around 12% of the aggregate bus, truck, and off-road tires in the local market.

In 2007, the tires business continued its strong performance with growth in sales of 135.8% over 2006. The sales were affected by lower availability especially of the truck tires. The gross margins were slightly lower in 2007 recording a GPM of 12.4% for the year.

(ii) Construction Equipment

This line of business includes trucks and earth movers supplied under license from Volvo Construction Equipment ("Volvo Construction") and material handling equipment supplied under license from Linde Material Handling Gmbh & Co. KG ("Linde") to customers in the public and governmental sectors, as well as customers in the private sector. GB Auto has been distributing Volvo construction equipment which account for around 10% of the local construction equipment market since 1997 and recently entered into an agreement with Linde regarding distribution of its handling equipment.

The construction equipment division has achieved sales of EGP 18.8 million in 2007 recording an impressive growth of 347.6% over 2006 sales revenues. Gross profit registered EGP 2.1 million; implying a GPM of 11.1%.

GB Auto has plans to expand this line of business significantly over the coming few years by adding new product types, expanding its service center network throughout the country, and significantly reducing its manufacturing workshop turnaround time, to capitalize on the huge potential this segment promises in Egypt with a planned infrastructure investment of over US$30 billion and other investments of over US$40 billion in the real estate, tourism, and other growing sectors to be made over the next decade.

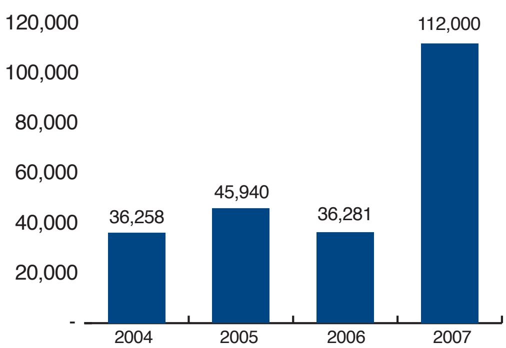
(iii) Transportation Services

GB Auto provides passenger and cargo transportation services through its wholly-owned subsidiary, Haram Transport Company, S.A.E. (“Haram”) established in 2006. Haram provides public passenger transportation services in six governorates of Egypt under agreement with the public transport authorities of these governorates and currently has over 200 buses in operation. Haram also provides cargo transportation services and currently operates a fleet of 90 trucks that transport cement, silica sand, fertilising chemicals, and phosphate.

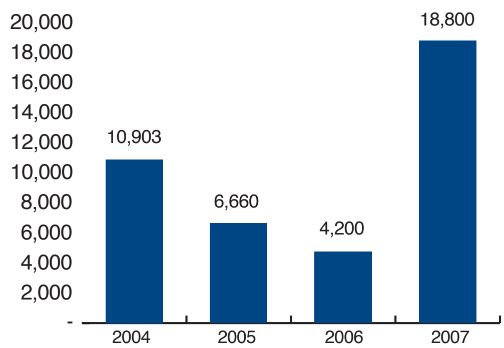
(iv) Export Activities

GB Auto is engaged in a number of export activities, including selling commercial vehicles in Saudi Arabia, the United Arab Emirates, Algeria, and Ethiopia. The company believes that it is well positioned to take advantage of regional export opportunities to untapped and underserved markets in the Middle East and Africa, particularly with respect to locally-assembled and manufactured commercial vehicles, semi-trailers, and super-structures which benefit from free trade agreements in certain countries.

Tires Revenues
EGP million



Construction Equipment Revenues
EGP million



Board of Directors

1 **Mr. Mohamed Abdel Wahab**
Non-Executive Chairman

2 **Dr. Raouf Ghabbour**
Chief Executive Officer

3 **Dr. Walid Sulaiman Abanumay**
Independent Director

4 **Eng. Mohamed Salah El Hadary**
Independent Director

5 **Mr. Roger Rau**
Independent Director

6 **Mr. Aladdin Hassouna Saba**
Independent Director

7 **Mr. Juan Carlos Callieri**
Independent Director

8 **Mr. Mohamed Naguib Ibrahim**
Independent Director

9 **Mr. Byung-Ho Sung**
Independent Director

Board of Directors

Mr. Mohamed Abdel Wahab
Non-Executive Chairman

a renowned political figure in Egypt, served as the former 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

is the founder of the Ghabbour Group of Companies, which he began setting up 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 acquiring agency agreements from global OEMs, which he steadfastly turned into successful businesses. Dr. Ghabbour has grown the company to be a market leader.

Eng. Mohamed Salah El Hadary
Independent Director

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

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

is a former President of the Volvo 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 thirty years of his career in restructuring distressed divisions of automotive companies, and has become reputable for his success in managing healthy turn-arounds.

Mr. Juan Carlos Callieri
Independent Director

recently retired as the Senior Industry Specialist of the automotive sector at the International Finance Corporation based in Washington DC. Throughout his tenor, 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

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 Cairo and Alexandria Stock Exchange, the National Bank of Egypt, and various corporations and investment funds.

Dr. Walid Sulaiman Abanumay
Independent Director

has been the Managing Director of Al-Mareefa Al Saudia Company since 1997, where he overlooks investments in both developed and emerging markets. Mr. 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. Mr. Abanumay is Board Member of several prominent companies, including Madinet Nasr for Housing and Development (since 1998), Raya Holding (since 2005), and Beltone Financial.

Mr. Mohamed Naguib Ibrahim
Independent Director

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, and ESB Securities. Finally, Mr. Ibrahim was appointed to the Board of the General Authority for Investment (GAFI) in 2007.

"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 stock exchange regulations of the Cairo and Alexandria Stock Exchange. GB Auto believes that effective Corporate Governance is essential to enhancing shareholders' value and protecting stakeholders' interests."

The Directors of GB Auto are pleased to present their annual report together with the audited consolidated financial statements for the year ended 31 December 2007.

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, two- and three-wheelers, tires and construction equipment, and 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 2007 reached EGP 4,630,115 versus EGP 3,103,278 for the year 2006 showing a growth of 49.20 percent.

The net profit for the year after accounting for minority interest was EGP453,558,000
(2006, EGP281,507,000)

The significant improvement in the business results compared to the previous year was achieved despite the constraints on financing the increased requirement of working capital prior to the share capital increase referred to in note 21 to the consolidated financial statements. The net profit percent of 2007 was 9.8 percent compared to 9.1 percent for 2006. However gross profit percent was lower for 2007 at 14.8 percent versus 17.3 percent for the previous year. Based on the results of the fourth quarter of 2007 the gross profit percent is expected to be better in the period ahead.

Dividends

The net profit attributable to company's equity holders after minority interest adjustment is EGP 453,558,000 (2006, EGP281,507,000).

An amount of EGP10, 570,000 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.

Share Capital Increase

GB Auto shares began trading on the Cairo & Alexandria Stock Exchange on 9th July 2007 following a capital increase by way of an offering of 25,663,000 shares in private placement and a public offering of 7,500,000 shares. The net proceeds from the offering raised the paid-in capital from EGP 95,837,000 to EGP 129,000,000 and the remainder was transferred to the general reserves of the company. The highlights of the offering are shown in note 21 to the consolidated financial statements.

Directors

The Directors of the company are shown on Page 26. Also provided is their industry background information. The Board is constituted of 8 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. The Board meets at least four times in the year. The Board has constituted an audit committee of three independent directors along with representatives from the management. There is also a remuneration committee made up of four independent directors together with representatives of the management.

The Board has appointed external consultants to institutionalize the management and the business processes. The consultants began their work in January 2008. The assignment is expected to be completed over a period of eighteen months. External consultants have also been engaged to assess and advise the Board in matters related to risk management.

Employees

The number of employees in GB Auto and its subsidiaries as of 31 December 2007 was 5,975.

Shareholders

The shareholding structure of the company as at 31 December 2007 was: Dr.Raouf Ghabbour family 70.05 percent and public ownership 29.95 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. That program is being set-up.

Annual General Meeting

The annual general meeting will be held at 10-00AM on Saturday 29 March 2008 at the Mena House Oberoi Hotel Giza, Egypt.

Auditor

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

Approved by the Board
9 March 2008

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 stock exchange regulations of the Cairo and Alexandria Stock 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 indifferently;
- holds at least one ordinary meeting per year and may have an extra-ordinary meeting as needed;
- the responsibilities of the GA are based on the laws and Company Statues;
- 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 Cairo and Alexandria Stock Exchanges (CASE) and approved by the Egyptian Capital Markets Authority on June 18th,2002. The company has been in compliance with the corporate governance, financial reporting, and disclosure provisions of the CASE listing rules throughout the year ended December 31st, 2007.

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.

New Board of Directors

The appointment of a largely independent-led Board of Directors was approved by the company's assembly meeting to support the group in better defining its corporate strategy, better structure its operations, and maintain the necessary controls. The non-Executive Chairman is Mr. Mohamed Abdel Wahab, former Egyptian Minister of Industry and an industry veteran, the CEO is Dr. Raouf Ghabbour and in addition, there is currently seven other independent Board members. The new Board steers GB Auto to taking serious steps towards establishing necessary governance processes. It is worth mentioning that 4 out of the 9 members of the Board are non-Egyptians of which three have significant automotive experiences from similar emerging markets. Amongst the Board are the former head of Hyundai's passenger vehicle business in South Korea and India, the former head of Volvo buses and trucks in Germany and the former head of the International Finance Corporation's global automotive investments practice.

Board Committees

The Board has established two committees, the Audit and the Remuneration Committee, to assist it 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. Byung-Ho Sung, and Mr. Roger Rau

Auditor's Report

To: The Shareholders of GB Auto (S.A.E.)

We have audited the accompanying consolidated financial statements of GB Auto (S.A.E.) and its subsidiaries (the Group) represented in the consolidated balance sheet as at December 31, 2007 and the related consolidated statements of income, changes in shareholders' equity, and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Group's management. 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 and the enacted Egyptian Laws. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We have obtained all the information we deemed necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the accompanying consolidated financial statements, referred to above, present fairly in all material respects the financial position of the Group as of December 31, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Egyptian Accounting Standards and applicable laws and regulations.

The Group keeps proper financial records, which includes all that is required by the law and the Group statute, and the accompanying financial statements are in agreement therewith. The Group 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 records, within the limits such information is recorded in these records.

Tarek Farid Mansour
R.A.A. 7384
Capital Market Authority Register "139"
Mansour & Co.PricewaterhouseCoopers

March 10, 2008
Cairo

Consolidated Balance Sheet

At December 31, 2007

(all amounts in thousand Egyptian Pounds)

	Note	2007	2006
Non-current Assets			
Property, plant and equipment	5	475,819	352,371
Intangible assets	6	187,608	4,939
Investment in associates	7	2,414	-
Investments available for sale	8	-	480
Long term notes receivable	9	27,837	46,278
Deferred tax assets	10	3,803	286
Long-term prepayment rent		38,884	10,694
Total Non-current Assets		**736,365**	**415,048**
Current Assets			
Property held for sale	11	15,037	20,277
Inventories	12	613,334	363,866
Accounts and notes receivable	13	583,324	228,366
Debtors and other debit balances	14	209,168	194,698
Due from related parties	15	1,720	1,278
Cash on hand and at banks	16	266,473	160,761
Total Current Assets		**1,689,056**	**969,246**
Current Liabilities			
Provisions	17	63,217	106,351
Current tax liabilities	18	27,344	38,765
Borrowings	19	564,774	448,687
Due to related parties	15	71,852	117,402
Trade payables and other credit balances	20	597,670	715,338
Total Current Liabilities		**1,324,857**	**1,426,543**
Net Working Capital (Deficit)		**364,199**	**(457,297)**
Total Invested Funds (net)		**1,100,564**	**(42,249)**
Represented in:			
Company's Equity Holders			
Share capital	21	129,000	95,837
Shares held by the Group	22	(3,275)	-
Shares premium	23	1,040,088	-
Legal reserve	23	44,227	33,657
Other reserves	24	48,290	52,240
Accumulated losses		(427,955)	(870,943)
		830,375	(689,209)
Minority interest	**25**	**6,102**	**46,641**
Total (Net) Equity		**836,477**	**(642,568)**
Non - Current Liabilities			
Borrowings	19	195,156	571,228
Notes payables Long-term	26	56,287	27,574
Long-term liability - land installments		4,900	-
Deferred tax liabilities	10	7,744	1,517
Total non-current liabilities		**264,087**	**600,319**
Total Equity and Non –current Liabilities (net)		**1,100,564**	**(42,249)**

The accompanying notes on pages 39 to 67 form an integral part of these consolidated financial statements.

Dr. Raouf Ghabbour
CEO
March 9, 2008
Auditor's report attached

Consolidated Statement of Income

For the year ended December 31, 2007

(all amounts in thousand Egyptian Pounds)

	Notes	2007	2006
Sales		4,630,115	3,103,278
Cost of sales		(3,945,127)	(2,566,155)
Gross profit		**684,988**	**537,123**
General and administration expenses		(113,727)	(78,766)
Distributions expenses		(105,515)	(58,933)
Provisions		(16,377)	(43,611)
Provisions no longer required		128,806	142,144
Losses on sales of fixed assets		(1,001)	-
Other operating income		13,605	5,644
Operating profit		**590,779**	**503,601**
Gain from sale of investments		364	-
Investments loss		(70)	-
Non-operating income	11	5,519	-
Finance costs	28	(95,616)	(135,807)
Net profit before income tax		**500,976**	**367,794**
Income tax	29	(50,663)	(63,123)
Net profit for the year		**450,313**	**304,671**
Minority interest		3,245	(23,164)
Net profit for the year attributable to Company's equity holders		**453,558**	**281,507**
Basic earning per share for profit attributable to Company's equity holders during the year	35	**4.09**	**2.94**
Diluted earning per share for profit attributable to Company's equity holders during the year	35	**4.05**	**2.94**

The accompanying notes on pages 39 to 67 form an integral part of these consolidated financial statements.

Consolidated Statements of Changes in Owner's Equity

For the years ended December 31, 2006 and December 31, 2007

December 31, 2006 (all amounts in thousand Egyptian Pounds)

	Share Capital	Share Premium	Shares Held by the Group	Legal Reserve	Other Reserves	Accumulated Losses	Equity: Total Shareholders' Equity	Equity: Minority Interest	Equity: Total Equity
Balance at January 1, 2006	**459,185**	**-**	**-**	**31,916**	**54,103**	**(1,534,057)**	**(988,853)**	**28,829**	**(960,024)**
Capital increase	20,000	-	-	-	-	-	**20,000**	339	**20,339**
Capital decrease	(383,348)	-	-	-	-	383,348	-	-	-
Transferred to legal reserve	-	-	-	1,741	-	(1,741)	-	-	-
Currency translation differences	-	-	-	-	(1,863)	-	**(1,863)**	-	**(1,863)**
Net profit for the year	-	-	-	-	-	281,507	**281,507**	23,164	**304,671**
Dividends	-	-	-	-	-	-	-	(5,691)	**(5,691)**
Balance at December 31, 2006	**95,837**	**-**	**-**	**33,657**	**52,240**	**(870,943)**	**(689,209)**	**46,641**	**(642,568)**

December 31, 2007 (all amounts in thousand Egyptian Pounds)

	Note	Share Capital	Share Premium	Shares Held by the Group	Legal Reserve	Other Reserves	Accumulated Losses	Equity: Total Shareholders' Equity	Equity: Minority Interest	Equity: Total Equity
Balance at January 1, 2007		**95,837**	**-**	**-**	**33,657**	**52,240**	**(870,943)**	**(689,209)**	**46,641**	**(642,568)**
Amounts under capital increase		-	-	-	-	-	-	-	8,031	**8,031**
Capital increase		33,163	-	-	-	-	-	**33,163**	-	**33,163**
Share held by the Group	22	-	(99,725)	(3,275)	-	-	-	**(103,000)**	-	**(103,000)**
Share premium	23	-	1,175,691	-	-	-	-	**1,175,691**	-	**1,175,691**
Share issuance expenses	23	-	(35,878)	-	-	-	-	**(35,878)**	-	**(35,878)**
Convertible loan - equity	19	-	-	-	-	1,515	-	**1,515**	-	**1,515**
Deferred tax liabilities	10	-	-	-	-	(303)	-	**(303)**	-	**(303)**
Currency translation differences		-	-	-	-	(5,162)	-	**(5,162)**	-	**(5,162)**
Net profit for the year		-	-	-	-	-	453,558	**453,558**	(3,245)	**450,313**
Purchase of investments		-	-	-	-	-	-	-	(45,325)	**(45,325)**
Transfer to legal reserve		-	-	-	10,570	-	(10,570)	-	-	**-**
Balance at December 31, 2007		**129,000**	**1,040,088**	**(3,275)**	**44,227**	**48,290**	**(427,955)**	**830,375**	**6,102**	**836,477**

The accompanying notes on pages 39 to 67 form an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flow

For the year ended December 31, 2007

(all amounts in thousand Egyptian Pounds)

	Note	2007	2006
Cash flows from operating activities			
Net profit for the year		453,558	281,507
Adjustment to reconcile net profit to cash flows from operating activities			
Reevaluation of assets held for sale	11	(5,518)	(764)
Income tax expenses	29	50,663	63,123
Minority interest		(3,245)	23,164
Depreciation and amortization		21,380	17,246
Provisions no longer required		(128,806)	(142,144)
Provisions		16,377	43,611
Loss (gain) on sales of property, plant and equipment		(603)	(443)
Loss (gain) on sales of assets held for sale		1,604	(4,466)
		405,410	**280,834**
Changes in working capital			
Inventories		(249,461)	(86,158)
Accounts and notes receivable		(256,982)	39,230
Debtors and other debit balances		(28,545)	(49,195)
Due from related parties		(2,847)	25,629
Due to related parties		(39,724)	24,848
Trade payables other credit balances		(119,818)	193,703
Provisions used		(24,362)	(85,783)
Withholding tax paid		(22,988)	(10,748)
Income tax paid		(36,689)	(25,006)
Net cash (used in) from operating activities		**(376,006)**	**307,354**
Cash flows from investing activities			
Purchase of property, plant and equipment		(169,583)	(121,876)
Proceeds from sale of property, plant and equipment		35,092	502
Purchase of intangible assets		(18,275)	(796)
Sale of long-term investments		480	2,643
Proceeds from sale of assets held for sale		914	12,921
Net cash used in investing activities		**(151,372)**	**(106,606)**
Cash flows from financing activities			
Paid up capital		24,212	20,000
Minority interest		8,031	(5,352)
Loans and borrowings		(511,956)	(301,095)
Share premium		835,766	-
Others reserves		(5,162)	(1,864)
Long-term notes payable		28,713	21,048
Net cash from (used in) financing activities		**379,604**	**(267,263)**
Net decrease in cash and cash equivalents		(147,774)	(66,515)
Cash and cash equivalents at beginning of the year		(43,330)	23,185
Cash and cash equivalents at end of the year	16	**(191,104)**	**(43,330)**

Note (33) describe the non cash transaction disregarded in preparing the consolidated statement of cash flows.
The accompanying notes on pages 39 to 67 form an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2007
(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 upon changing the Company name to be GB Auto instead of GB Capital for Trading and Capital Lease, and it was approved in the commercial register for the modification of the Company's name on May 23, 2007.

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

The Group and it's subsidiaries (will be referred to as "the Group") main activities include trading, distributing, 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 which is locally manufactured and imported (new and used ones) and trading in spare parts and it's accessories which is locally manufactured or imported. Import and export activities include trading agencies, selling locally manufactured as well as imported products either with cash, credit or finance leasing. The Group also provides Group transportation services and cargo services.

The major shareholders in the Group are Dr. Raouf Ghabbour and his family who collectively owns approximately 70% of the Company shares as of December 31, 2007.

The financial statements are approved for issuance by the Board of Directors at its meeting dated March 9, 2008.

2- Accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

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 measurement basis.

The preparation of financial statements in conformity with IFRS 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 are significant to the consolidated financial statements are disclosed in Note 4.

Egyptian Accounting Standards

On July 11, 2006, the Investment Authority issued a new set of Egyptian Accounting Standards to be applied starting January 1, 2007, to replace the old Egyptian Accounting Standards. The new EAS, and the amended EAS related to the Group's activity that were effective starting January 1, 2007 do not have a material effect on the Group's financial statements in contrast of the old EAS used previously until December 31, 2006.

Basis of preparation (continued)

I- Egyptian Accounting Standards that that had been reissued:-

- EAS 1, Presentation of Financial Statements;
- EAS 2, Inventory;
- EAS 5, Accounting Policies, Changes in Accounting Estimates and Errors;
- EAS 7, Events after the Balance Sheet Date;
- EAS 10, Property, Plant and Equipment and depreciation;
- EAS 13, The Effects of Changes in Foreign Exchange Rates;
- EAS 15, Related Party Disclosures;
- EAS 17, Consolidated and Separate Financial Statements;
- EAS 18, Investments in Associates;
- EAS 22, Earnings per Share;
- EAS 23, Intangible Assets;

Notes to the Consolidated Financial Statements

For the year ended December 31, 2007

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

II- New Egyptian Accounting Standards that issued for the first time

- EAS 24, Income Taxes;
- EAS 25, Financial Instruments: Presentation and Disclosure;
- EAS 26, Financial Instruments: Recognition and Measurement;
- EAS 27, Interest in Joints Ventures
- EAS 28, Provisions, Contingent Liabilities and Contingent Assets;
- EAS 29, Business Combinations;
- EAS 30, Interim Financial Reporting;
- EAS 31, Impairment of Assets;
- EAS 32, Non-current Assets Held for Sale and Discontinued Operations;
- EAS 33, Segment Reporting;
- EAS 34, Investment Property;
- EAS 35, Agriculture;
- EAS 36, Exploration for and Evaluation of Mineral Resources;
- EAS 37, Insurance Contracts;
- EAS 38, Employee Benefits;
- EAS 39, Share Based Payments;

International Financial Reporting Standards

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

The amendments of the International Financial Reporting Standards and its Interpretations are applicable starting from the financial year 2007 and those that 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 an 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 International Financial Reporting Standard No. 2
- IFRIC 9, Reassessment of embedded derivatives
- IFRIC 10, interim financial reporting and impairment

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 deconsolidated 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. Where the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, then 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.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2007

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

(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 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[1].

If the losses applicable to the minority in a consolidated subsidiary exceed the minority interest in the subsidiary's equity, then 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 have 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.

Basis of consolidation (continued)

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, then 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.

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

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

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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 (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.

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. The 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 is 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.

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 there is any indication of impairment. If such indications exist, then an analysis is preformed to assess 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.

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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 goodwill and 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 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 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.

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 in which they are 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 as in the 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 contrast 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 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.

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I- Assets held for sale

Assets held for sale are stated at the lower of acquisition cost or the fair value (less selling cost). Fair value is determined according to the market value by the end of each fiscal year. The difference between the fair value and the net book value is recorded in the statement of income.

J- Inventories

Inventories are stated at the lower of cost or net realisable value. The Group changed the inventory costing method from first-in, first-out (FIFO) to weighted average and according to standard (5) accounting policies and change in accounting estimates and errors the Company should apply this new policy on all transaction, events and circumstances as if it was continuously applied unless the company can see the impractical ability of detecting the effect of the change in the policy and the management can see that this has a very limited effect on the consolidated financial statements. 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 costs of completion and selling expenses.

K- 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 30 days overdue) 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 estimated future cash flows, discounted at the original effective interest rate. 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 within 'selling and marketing costs'. 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.

L- 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.

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:
a- those that the entity upon initial recognition designates as being at fair value through profit or loss
b- those that the entity designates as available for sale; and
c- 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 those with maturities that are greater than12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables have been included in balance sheet with accounts and notes receivable (Note

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13), debtors and other debit balances (Note 14), and due from related parties (Note 15).

d- Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category 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) 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 of the risks and rewards of ownership.

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. 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 presented 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.

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.

Changes in the fair value of monetary securities 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.

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.

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 Groupιs right to receive payments is established.

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

M- Cash and cash equivalent

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

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

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 are taken to special reserve in equity.

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

O- Borrowings

Borrowings are recognised initially at the amount of the proceeds received, net of transaction costs incurred. Borrowings 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 on an amortised cost basis until extinguished on conversion or maturity of the bonds whichever is less. The remainder of the proceeds are allocated to the conversion option. This is recognised in shareholders' equity.

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. 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
The Group pays 10% of its cash dividends as profit sharing to its employees. 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 relating 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 Groupıs activities. Revenue is shown net of sales tax, returns, rebates and discounts and after eliminating sales within the Group.

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

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delivered either in the Group warehouse or in the wholesalers locations depending on agreements, the risks of obsolescence and loss 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 with a short credit term.

(b) Sales of goods - retail

The Group operates a chain of showrooms for selling. The retail sales are usually 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 sale 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 matching principle, taking into account the applied interest rate on the transaction.

(c) Sales of services - maintainer

The Group sells a maintainer services. These services are provided on a time and material basis. Revenue from time and spare parts is recognised on delivering the services.

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.

(d) Interest income

Interest income is recognized on a time-proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount.

(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. 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 or 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 form those of other business segment. Geographical segments 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

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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. The Group does not use derivative financial instruments to hedge certain risk exposures.

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 is different to that of the Group (Free Zone Companies).

The table show below the foreign currency positions:

	Assets	Liabilities	Net	2006
United States Dollars	287,483	(129,811)	157,672	98,377
Euros	8,016	(7,247)	769	(4,245)
Other currencies	14,590	(5,982)	8,608	7,241

II- Price risk

The Group has no investments in quoted equity securities so it is 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 borrowings. Borrowings 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.

Borrowing at the balance sheet date with variable interest rate amounts to LE 468,331k and the borrowing with fixed interest rate amounts to LE 291,599k. The fair value for borrowings with fixed interest rate is approximately near it's earnings amounts.
Financial assets exposed to the changes in the interest rate amounts to LE 231,688k.

		2007
Time deposit	LE	8,388
Time deposit	US $	221,961
Time deposit	Euro	1,339
		231,688

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 are assessing the credit quality of the wholesale customer, taking into account its financial position, and their market reputation, past experience and other factors.

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

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Credit risk had been reduced during 2007 as follows:

	2007	2006
Notes and accounts receivables	981,021	742,981
Provision for bad debts	369,860	485,667
Provision to receivables	37.70%	65.40%

V- Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and 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 to maintain flexibility in funding by keeping committed credit lines available.

(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 borrowings (including borrowings, trade and other payables and long-term notes payables, as shown in the consolidated balance sheet) 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, 2007 and December 31, 2006 were as follows:

Description	2007	2006
Total borrowings and trade payable and other credit balances		
Borrowings (excluding banks overdraft)	302,353	815,824
Trade payable and other credit balances	597,671	715,338
Notes payable long-term	56,287	27,574
Total borrowings	**956,311**	**1,558,736**
Added / less: cash and cash equivalents	191,104	(43,330)
Net debt	**1,147,415**	**1,515,406**
Total equity	836,477	(642,568)
Total capital	**1,983,892**	**872,838**
Gearing ratio	**57%**	**174%**

The decrease in the gearing ratio during 2007 compared to 2006 resulted primarily from the capital increase amounting to LE 1,208,855 and the decrease in total loans amounted to LE 513,471 (Note 21).

(3) Fair value estimation

The fair value of financial assets or liabilities with maturity dates less 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 the interest rate.

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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.

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 property held for sale

The evaluation of the fair value of property held for sale 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 the assets held for sale 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 the aging of debts. The Group management is studying the credit position and the ability of the customers to make payment on their numerous debts that are due within the credit limit granted for them and the impairment is recorded with the values of the due amounts on the customers who the Group management see that their credit position do not allow them to pay 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 spare parts value, labour cost in addition to 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 good will

The management annually assesses whether there is any indication of impairment. If such indications exist, then an analysis is preformed to assess whether the carrying amount of goodwill is fully recoverable. Impairment losses on goodwill are charged to the statement of income and are not 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 refered to in Note 4-1) that have a significant effect on the amounts recognized in the financial statements.

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5- Property, plant and equipment

	Land & Buildings	Machinery & Equipment	Vehicles	Fixtures & Office Furniture	Projects Under Construction	2007 Total	2006 Total
Cost							
Balance at January 1	307,607	100,932	58,914	56,751	10,036	534,240	422,614
Additions	72,006	27,511	43310	14,307	19,499	176,633	110,623
Disposals	(10,352)	(116)	(25,049)	(84)	-	(35,601)	(9,421)
Transfer from projects under construction	200	1,129	138	1,018	(2,485)	-	-
Transfer from capital assets	-	-	-	-	-	-	10,424
Balance at December 31	**369,461**	**129,456**	**77,313**	**71,992**	**27,050**	**675,272**	**534,240**
Accumulated Depreciation							
Balance at January 1	36,219	91,352	12,979	41,319	-	181,869	174,845
Depreciation charge	3,382	4,061	7,322	3,931	-	18,696	15,465
Disposals	(181)	(77)	(818)	(36)	-	(1112)	(9,362)
Transfer from capital assets	-	-	-	-	-	-	921
Balance at December 31	**39,420**	**95,336**	**19,483**	**45,214**	**-**	**199,453**	**181,869**
Net book value at December 31	**330,041**	**34,120**	**57,830**	**26,778**	**27,050**	**475,819**	**352,371**

- Projects under construction represent the cost of buildings which are being prepared and fixed for the Group use.
- All property, plant and equipment are pledged in favor of the lender banks as a guarantee for the borrowings and loans.
- Group management hired an independent technical expert to revaluate property, plant and equipment and the resulting fair value amounted to LE 1,007,620 thousand at December 31, 2006. Currently seven subsidiaries are being merged according to the decisions of the Extraordinary Assembly Meetings for these companies dated August 13, 2007 and these mergers is expected to increase the value of the fixed assets by an amount of LE 645,726 using those valuations.

Notes to the Consolidated Financial Statements

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The vehicles include financially leased passenger cars that fall outside the scope of Law No. 95 which is treated in accordance with IAS 17, and therefore it will be considered as property, plant and equipment as stated above in the Group accounting policies (2D), and their net book value are as follows:

	2007	2006
Capitalized finance leases (cost)	18,500	-
Accumulated depreciation	(1,357)	-
Net book value	**17,143**	**-**

The Group have finance leased assets (trailers) according to contracts under law No. 95 for 1995, that is not considered as a 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. The leased contracts are as follows:

	2007	2006
Total contractual lease payments	93,027	43,791
Total purchase price on termination of leases	235	89
Average useful life	5 years	5 years
Annual lease payments	14,439	9,845

6- Intangible assets

	Computer software	Computer software	Goodwill	Total
Balance at January 1, 2007	4,939	-	-	4,939
Additions during the year	2,276	5,703	177,374	185,353
Amortization for the year	(2,090)	(594)	-	(2,684)
Balance at December 31, 2007	**5,125**	**5,109**	**177,374**	**187,608**

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 LE 209,997 K settled by ordinary shares from GB Auto's capital increase in shares (Note 21-C)

The acquisition resulted in a goodwill amounting to LE 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".

7- Investment in associates

	2007	2006
GB Trade-In Co.	2,414	-
Total	**2,414**	**-**

8- Investment available for sale

	2007	2006
Convecta Egypt	-	480
Total	**-**	**480**

9. Long-term notes receivable

	2007	2006
Long-term notes receivable	34,515	48,734
Deferred interest on installment sales	(4,792)	(1,681)
Net present value for long-term notes receivable	**29,723**	**47,053**
Allowance for impairment of notes receivable	(1,886)	(775)
Net	**27,837**	**46,278**

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For the year ended December 31, 2007

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

10- Deferred tax assets and liabilities

	Fixed Assets Depreciation	Inventory Provision	Warranty Provision	Legal Claims Convertible	Loans Provision	Total 2007	Total 2006
B- Deferred tax assets							
Balance at January 1	(254)	540	-	-	-	286	1,229
Charged to the statement of income	261	(785)	3,321	720	-	3,517	(943)
Balance at December 31	**7**	**(245)**	**3,321**	**720**	**-**	**3,803**	**286**
C- Deferred tax liabilities							
Balance at January 1	2,716	(1,199)	-	-	-	1,517	-
Charged to the statement of income	5,924	-	-	-	-	5,924	1,517
Charged directly to owner's equity	-	-	-	-	303	303	-
Balance at December 31	**8,640**	**(1,199)**	**-**	**-**	**303**	**7,744**	**1,517**
Net deferred tax assets	**(8,633)**	**954**	**3,321**	**720**	**(303)**	**(3,638)**	**(1,231)**
Balance at January 1	(2,970)	1,739	-	-	-	(1,231)	1,229
Charged to the statement of income	(5,663)	(785)	3,321	720	-	(2,407)	(2,460)
Charged directly to owner's equity	-	-	-	-	(303)	(303)	-
Balance at December 31	**(8,633)**	**954**	**3,321**	**720**	**(303)**	**(3,941)**	**(1,231)**

Notes to the Consolidated Financial Statements

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Unrecognised deferred tax assets

	2007	2006
Impairment reserve in accounts and notes receivable	71,031	63,061
Impairment reserve in other debit balances	1,125	1,968
Impairment reserve in inventory	70	5,006
Depreciation of property, plant and equipment	24	27
Total	**72,250**	**70,062**

Some of the deferred tax assets are not recognized and due to the uncertainty of the probability that those items will have a future tax benefit, and in addition there are no future taxable income in some of the Group's Companies to benefit from such temporary differences.

11- Property held for sale

	2007	2006
Balance at January 1	20,277	25,469
Additions	-	2,499
Disposals	(10,758)	(7,691)
Revaluation gain	5,518	-
Balance at December 31	**15,037**	**20,277**

Property held for sale represents values for land and buildings transferred to the Group as settlement for debts of some receivables. The assets held for sale are presented in current assets as the management intention is to sell these assets in the near future.

The Company hired an independent technical expert at the end of the financial period for the re-valuation of these assets and to define their fair market value. The expert prepared his final report about the re-valuation of these assets in December 2007, and the fair value of these assets according to the final re-valuation report was LE 15,037 thousand.

12- Inventories

	2007	2006
Raw material and car components	146,404	119,256
Finished goods	154,882	145,537
Spare parts (for sale)	88,211	65,993
Work in progress	35,704	34,334
Goods in transit	227,155	38,790
Other materials	46	33
Total	**652,402**	**403,943**
Provision for decrease in the net realizable value	(39,068)	(40,077)
Net	**613,334**	**363,866**

Slow moving inventory amounting to LE 1,002k was written of against the accumulated balance of the provision for the decrease in the net realizable value of the cost. Impairment of net realizable value amounting to LE 7,000 was reversed.

Notes to the Consolidated Financial Statements

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13- Accounts and notes receivable

	2007	2006
Total notes receivable	573,493	602,374
Long-term notes receivable (Note 9)	(34,515)	(48,734)
Short-term notes receivable	**538,978**	**553,640**
Deferred interest on installment sales	(3,942)	(3,744)
Net present value for short-term notes receivable	**535,036**	**549,896**
Trade receivable	336,038	132,589
Checks under collection	80,224	30,773
Total	**951,298**	**713,258**
Allowances for impairment of accounts and notes receivable balances	(367,974)	(484,892)
Net	**583,324**	**228,366**

A balance of accounts and notes receivable amounting to LE 36,271k was written off during the financial period till December 31, 2007 against the accumulated balance of the impairment of accounts and notes receivable, also an impairment of accounts and notes receivable amounting to LE 81,125k was reversed. An impairment of notes receivable amounted to 1,590k was formed.

14- Debtors and other debit balance

	2007	2006
Sales tax	5,928	-
Advance payments to suppliers	85,097	55,584
Letters of credit	47,761	46,376
Withholding tax	14,111	41,094
Staff loans	9,071	7,366
Letters of guarantee coverage	13,661	6,977
Prepaid expenses	6,113	11,312
Refundable deposit	1,277	1,431
Customs duties	510	369
Other debit balances	3,852	44,072
Prepayment rent short-term	26,016	8,705
Accrued interest	2,587	-
Total	**215,984**	**223,286**
Provision for other debit balances	(6,546)	(28,588)
	209,438	**194,698**

An amount of LE 14,138 million from the impairment for other debit balances is no longer required during the period ended December 31, 2007. Also a provision amounting to LE 23k was formed and the provision used amounting LE 7,927k was reversed during the period.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2007

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

15- 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 paid during the period an amount of LE 7,750 thousands to the members of the top management in the Group.

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

	2007	2006
Due from related parties		
GB Trade-In Co. (associate)	1,720	-
Due from executive board of directors	-	1,278
Total	**1,720**	**1,278**
	2007	**2006**
Due to related parties		
Due to executive board of directors	71,852	117,402
	71,852	**117,402**

16- Cash on hand and banks

	2007	2006
Cash at bank and in hand	266,473	160,761

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

	2007	2006
Cash and bank balances	266,473	160,761
Bank overdraft (Note 19)	(457,577)	(204,091)
Total	**(191,104)**	**(43,330)**

17- Provisions

Year ended December 31, 2006:

	Legal Claims	Warranty	Un-paid Vacation provision	Other Provision	Total
Balance January 1, 2006	7,098	-	1,737	159,990	168,825
Additional provision	-	16,604	-	786	17,390
Utilized during the year	-	-	-	(24,189)	(24,189)
No longer required	(818)	-	(1,737)	(53,120)	(55,675)
Balance at December 31, 2006	**6,280**	**16,604**	-	**83,467**	**106,351**

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For the year ended December 31, 2007

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

Year ended December 31, 2007:

	Legal Claims	Warranty	Un-paid Vacation provision	Other Provision	Total
Balance January 1, 2007	6,280	16,604	-	83,467	**106,351**
Additional provision	1,493	-	-	13,271	**14,764**
Utilized during the year	(1,992)	-	-	(22,370)	**(24,362)**
No longer required	(1,556)	-	-	(31,980)	**(33,536)**
Balance at December 31, 2007	**4,225**	**16,604**	-	**42,388**	**63,217**

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, 2007.

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 LE 16,604 thousand at the end of the year for warranty requirements that is 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's 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 adjustments made to the amount provided based on latest developments, discussions and agreements with the third party.

18- Current tax liabilities

	2007	2006
Balance at January 1	38,765	13,857
Tax paid for the year	(36,689)	(13,857)
Income tax	48,256	44,643
Withholding tax	(22,988)	(10,749)
Income tax for prior years	-	16,020
Tax paid for prior periods	-	(11,149)
	27,344	**38,765**

19- Borrowings

	December 31, 2007			December 31, 2006		
	Current portion	Long-term portion	Total	Current portion	Long-term portion	Total
A. **Banks loans and overdrafts**						
Banks loans	53,786	93,671	147,457	238,523	522,178	760,701
Bank loan (Egyptian Development Bank)	50,385	-	50,385	6,073	49,050	55,123
Bank overdrafts	457,577	-	457,577	204,091	-	204,091
	561,748	**93,671**	**655,419**	**448,687**	**571,228**	**1,019,915**
B. **Convertible loans to ordinary shares**	3,026	101,485	104,511	-	-	-
Total	**564,774**	**195,156**	**759,930**	**448,687**	**571,228**	**1,019,915**

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A-Bank loans and bank overdraft

During year 2006, the Group made different deals with different lender banks for the rescheduling of loans granted from them to be paid over 5 years with a fixed interest rate of between10% to 12.5%.

Collaterals

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

a- Joint several guarantees between the Group, Interland Motors Co., Engineering Marketing and Trading Co. and Ghabbour Continental Trading Co.
b- Guarantee by R.G. Investment.
c- Signing an irrecoverable 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 their 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, until August 20, 2013. 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.

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

	2007	2006
Less than one year	564,774	448,687
From two year to five years	195,156	565,457
More than five years	-	5,771
	759,930	**1,019,915**

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 LE 103 million from Cougar Capital Management to be paid once in cash on October 10, 2010, or by converting the loan value into capital shares (call option) at a price of LE 31.45 per share. The subsidiary has used this loan to subscribe in the capital increase of the ultimate parent company in order to reduce the risk of any changes in the share fair market value should the lender 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 the other 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 that are unconvertible. The difference between the receipts and the fair value for the liability part represents the fair value of the right to convert into equity instruments.

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The fair value of the liability part of the loans is classified within long-term liabilities where 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 follow:

	2007	2006
Stated value for the loan in April 10, 2007	103,000	-
Fair value of converting option	(1,515)	-
The value of the liability part in April 10, 2007	**101,485**	**-**
Accrued interest	3,026	-
The value of the liability part in December 31, 2007	**104,511**	**-**

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

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.

20- Trade payables and other credit balances

	2007	2006
Trade payable and notes payable	348,020	400,427
Other credit balances	36,388	54,752
Tax authority	40,005	35,594
Accrued expenses	14,948	17,751
Deferred revenue	8,981	12,815
Advances from customers	147,178	193,999
Installment land obligation	2,150	-
	597,670	**715,338**

21- Share capital

	2007	2006
Authorized capital (400,000,000 shares with par value LE 1 each)	400,000	400,000
Issued capital and paid (129,000 shares) (in thousand)	129,000	95,837

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

a- Public subscription

The public subscription was opened on June 22, 2007 and closed at the end of the working day July 2, 2007. The offered shares are 7.5 million shares with a total amount of LE 277,500,000 and the subscription was received for 29,703,533 shares with a total amount of LE 1,099,030,721 (only one billion ninety-nine million thirty thousands seven hundred twenty one). The percentage of coverage reached approximately 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 was 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%.

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b- Private placement

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

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

5,675,306 shares (only five millions six hundred seventy five six hundred and three) are subscribed at a total of LE 209,997,468 (only two hundred nine millions nine hundred ninety seven four hundred sixty eight) and at price of LE 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 LE 103,000,000 (only one hundred and three millions) and at a price of LE 31,45 (only thirty one pound forty five) per share.

22- Shares held by the Group

The company's shares held by the Group represent the par value of 3,275,040 shares acquired by Almora resources company one of the subsidiaries which is 100% owned by the Group.

The acquisition cost of these shares amounted to LE 103,000,000 and the difference between the acquisition cost and the par value of shares amounted to LE 99,724,960 has been included in the Stock issuance premium.

23.Legal reserve

	2007	2006
Balance at January 1	33,657	31,916
Transfers to the reserve	10,570	1,741
Balance at December 31	**44,227**	**33,657**

Share premium

	2007	2006
Total share premium at subscription	1,175,691	-
Shares issuance expenses	(35,878)	-
Share premium related to shares held by the Group	(99,725)	-
Balance at December 31	**1,040,088**	**-**

According to the Company law number 159 for year 1981 the stock issuance premium will be transferred to the legal reserve and the other reserves subject to the General Assembly Meeting.

Shares premium

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

	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
Balance at December 31, 2007	**1,208,854**	**33,163**		**33,163**	**1,175,691**

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Shares issuance expenses

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

24- Other reserves

	Provision for foreign currency translation	Fixed asset evaluation surplus	Provision for convertible loans	Total 2007	Total 2006
Balance at January 1	49,742	2,498	-	**52,240**	**54,103**
Change in the fair value of convertible loans	-	-	1,515	**1,515**	-
Deferred tax	-	-	(303)	**(303)**	-
Foreign currency translation differences	(5,162)	-	-	**(5,162)**	**(1,863)**
Balance at December 31	**44,580**	**2,498**	**1,212**	**48,290**	**52,240**

25- Minority interest

	Capital	Reserves	Accumulated profit (losses)	Total 2007	Total 2006
Balance at January 1	14,380	5,219	27,042	**46,641**	**28,829**
Investment disposal	(9,805)	(4,930)	(30,590)	**(45,325)**	-
Capital increase	-	-	-	-	**339**
Amount under capital increase	8,031	-	-	**8,031**	-
Profit for the year	-	-	(3,245)	**(3,245)**	**23,164**
Dividends	-	-	-	-	**(5,691)**
Balance at December 31	**12,606**	**289**	**(6,793)**	**6,102**	**46,641**

26- Notes payable long-term

Long-term notes payable represent the values for installment of land purchased from the International Islamic Bank for Investment and Development and the last installment is due in October 2008 and the installments of the cars rented from Incolease Co. where the last installment is due in January 2012.

	2007 Notes Payable	2007 Current Value	2006 Notes Payable	2006 Current Value
Less than 1 year	107,539	100,991	29,822	26,627
More than 1 year and less than 5 years	68,531	56,287	32,430	27,574
Total	**176,070**	**157,278**	**62,252**	**54,201**

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27- Installment lands obligation

	2007			2006		
	Current Portion	Long- term Portion	Total	Current Portion	Long- term Portion	Total
Total obligation	2,555	5,111	7,666	-	-	-
Present value	(405)	(211)	(616)	-	-	-
Net value	**2,150**	**4,900**	**7,050**	**-**	**-**	**-**

This installment lands 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

	2007	2006
Installment sales interest	5,312	7,288
Interest income	16,447	5,066
Net foreign exchange transaction gain	2,785	(1,839)
Interest expenses	(120,160)	(146,322)
	(95,616)	**(135,807)**

29- Income tax

	2007	2006
Current tax	48,256	44,643
Deferred tax	2,407	2,460
Income tax for the year	**50,663**	**47,103**
Income tax for prior years	-	16,020
Total	**50,663**	**63,123**
Consolidated net losses for the year before taxes and minority interest	**500,975**	**367,794**
Income tax calculated at a tax rate of 20%	100,195	73,559
Expenses not deductible for tax purposes	10,570	11,072
Tax loss for the year	1,686	3,431
Income not subject to tax	(24,538)	(39,859)
Tax deductible expenses	(17,641)	(1,100)
Deferred tax asset not previously recognized	(715)	-
Utilization of previously unrecognized tax losses	(18,894)	-
Income tax for the year	**50,663**	**47,103**

30- Contingent assets and liabilities

a- Contingent assets

The Group made a legal claim against EDB amounting to LE 67 million which represents the value of the notes receivable of Group customers deposited with the bank for collection and the bank did not perform his due care in collection of these notes receivables nor took a legal action against the customers which led to the expiry of these notes and forgoing the Group's right to collecting them or taking a legal action. Based on the legal council advice the Group expects that the judge will be for its sake. Knowing that the impairment of accounts and notes receivables includes an amount of LE 27 million against the value of the notes receivables in custody of EDB, and in case the verdict is in favor of the Company the provision will be reversed.

b- Contingent Liabilities

There is a dispute between one of the subsidiaries and the Tax Authority on the result of the tax

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inspection for the Company until the year 2003. The estimated settlement from the tax point of view amounted to LE 54 million but the Group management's point of view is that it will not exceed LE 33 million. This amount was provided for in prior years. The Group management's evaluation for the liability value was based on the Group's own tax consultant and another independent consultant.

There are contingent liabilities on the Group presented in letters of guarantee. The balance of the letters of grantee granted in Egyptian Pounds and US$ through it's regular operations amounted to LE 6,274,924 and US $9,327,561 and YN 507,533 at December 31, 2007 (December 31, 2006: LE 6,959,849 and US $10,151,855).

31- Going concern

The accumulated losses as at the balance sheet date were LE 427,955 thousands which exceeded the issued capital.The management see that there is no doubt about going concern due to:

- The Extraordinary General Assembly Meeting decision in May 29, 2007, which includes the agreements of shareholders on continuity of the Company.
- Covering the working capital deficit through public subscription and private offering for shares of capital increase and this is according to what is illustrated in Note (21).
- Merging between some subsidiaries which will lead to the increase in the owner's equity with an amount of LE 645,726 thousand which represents the surplus in the fixed asset re-evaluation in Note (5).
- The Group has achieved net profits starting year 2006.

32- Structuring of subsidiaries

The Group management decided merging some subsidiaries as follows:

a- Merging Prima Engineering Industries Co. and Cairo Individual Transport Industries Co. into International Trading and Marketing Co.
b- Merging Vehicle Components Industries Co. and Interland Motors Co. into Ghabbour Egypt.
c- These mergers are approved in the general assemblies for the Companies at August 13, 2007.

33- Cash flow statement (non cash transactions)

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

	2007
Capital	8,951
Intangible assets	167,078
Property, plant and equipment	7,050
Land installment obligations	4,900
Minority interest	45,325
Trade payables and other credit balances	2,150
Other reserves	305,259
Property held for sale	8,240
Due from related parties	2,405
Investments in associates	2,414
Borrowings	1,515
Due to related parties	5,826
Deferred tax liabilities	303
Shares held by the Group	103,000

Notes to the Consolidated Financial Statements

For the year ended December 31, 2007

(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	
	2007	**2006**	**2007**	**2006**	**2007**	**2006**	**2007**	**2006**	**2007**	**2006**
Revenues	3,291,925	2,211,057	590,031	417,145	528,224	365,793	219,935	109,282	4,630,115	3,103,277
Segment profit	**432,321**	**357,453**	**129,444**	**105,441**	**86,053**	**53,025**	**37,170**	**21,203**	**684,988**	**537,123**
Selling and marketing expenses									(105,515)	(58,933)
Administration expenses									(113,727)	(78,766)
Provision									(16,377)	-
Provision no longer required									128,806	-
Capital losses									(1,001	-
Other revenues									13,605	104,177
Operating profit									**590,779**	**503,601**
Gain on sales of investment									364	-
Investment loss									(70)	-
Non operating income									5,519	-
Finance cost									(95,616)	(135,807)
Income tax									(50,663)	(63,123)
Net profit of the period									450,313	304,671
Minority interest									3,245	(23,164)
Net profit of the period after minority interest									**453,558**	**281,507**

Notes to the Consolidated Financial Statements

For the year ended December 31, 2007

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

25- Segment reporting

Other information	Passenger Car		Buses and Trailers		Two & Three Wheels		Other Operation		Consolidated	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
Segment assets	1,439,363	727,637	546,627	413,151	150,041	92,601	286,978	149,908	2,423,008	1,383,334
Investment in associates	-	-	-	-	-	-	2,414	480	2,414	480
Total distributed assets	**1,439,363**	**727,637**	**546,627**	**413,151**	**150,041**	**92,601**	**289,392**	**150,388**	**2,425,422**	**1,383,814**
Segment liabilities	981,461	1,226,261	317,970	588,615	19,331	5,064	266,546	206,922	**1,585,308**	**2,026,862**
Capital expenditures	116,971	46,514	41,335	21,095	329	3,494	17,998	39,520	**176,633**	**110,623**
Depreciation	10,825	11,608	2,744	3,155	224	115	4,901	587	**18,694**	**15,465**

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For the year ended December 31, 2007

(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 year, and after deducting the treasury stocks (Note 22).

	2007	2006
Profit attributable to equity holders of the Company	453,558	281,507
Weighted average number of ordinary shares in issue (in thousands)	110,781	95,837
Basic earnings per share	**4.09**	**2.94**

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 have been adjusted to cancel the loan interest, taking into consideration the tax effect and the number of convertible shares is 3,275,040 shares.

	2007	2006
Net profit attributable to shareholders	453,658	281,507
Debit interest on convertible loan (net after tax)	7,766	-
	461,424	**281,507**
Weighted average number of ordinary shares in issue	110,781	95,837
Modified:		
Convertible loan	3,275	-
Weighted average number of ordinary shares	**114,056**	**95,837**
Diluted earnings per share	**4.05**	**2.94**

36- Capital commitments

The capital expenditure at the balance sheet date reached LE 2 million presenting the amounts that should be paid after completing the new production lines under construction and the expected value for completing these lines are LE 8 million, of which LE 6 million was paid as advances to suppliers.

37- Subsidiaries

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

Company	Percentage of ownership
RGI Investment	100%
International Trade Agencies and Marketing Co.	99.27%
International Trading and Storage Co. (Free Zone)	99.01%
Vehicles Components Industries Co.	100%
Prima Engineering Industries Co.	100%
Egyptian Vehicles Manufacturing Co.	99.59%
Ghabbour Continental Trading Co. (Free Zone)	100%
Interland Motors Co.	97.27%
GB Buses Co.	99.96%
Almora Resources Co.	100%
GB Trailers Co.	100%
Cairo Individual Transport Industries Co.	100%
Engineering Marketing and Trading Co.	96.37%
Haram Transportation Co.	99%

Notes to the Consolidated Financial Statements

For the year ended December 31, 2007

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

38- Comparative figures

As a result of the Group restructuring, GB Auto has fully acquired RG Investment during 2007. Accordingly, the comparative figures represents the consolidated financial statements for RG Investment at such date.

39- Translation

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

Shareholder Information:

Reuters Code
AUTO.CA
Bloomberg Code
AUTO EY
Number of Shares Outstanding
129,000,000

Shareholders' Structure
70.05% Ghabbour family
29.95% Public ownership

Investor Relations:

Mr. Jacob Thoppil
Investor Relations & Corporate Development Director

Mrs. Marian Zakaria
Assistant for Investor Relations & Corporate Development Director

ir@ghabbour.com
Tel: (+202) 35393037

Head Office:

Cairo-Alexandria Desert Road, Km 28, Industrial Zone, Abu Rawash
Tel: (+202) 35393037 Fax: (+202) 35391198

GB Auto Locations:

Heliopolis:
14 El Obour Buildings, Salah Salem St.

Down Town:
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:
3 Km Cairo – Alex Agriculture rd. (Showroom & After Service)

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

Alex. Sales Office:
39 Commercial Chamber St. Alexandria

Assuit:
71 Osman Ibn Affan St. Al –Aggar Tour, Al Zahraa
Tel.: +2 088 2297011/12
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.

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