

Egyptian Mortgage Refinance Company S.A.E
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2008
TOGETHER WITH AUDITORS' REPORT

Allied For Accounting And Auditing (E&Y)

Zarrouk & Co (Rödl & Partner)

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF EGYPTIAN MORTGAGE REFINANCE COMPANY (S.A.E)

Report on the Financial Statements

We have audited the accompanying financial statements of **Egyptian Mortgage Refinance Company S.A.E**, represented in the balance sheet as of 31 December 2008, as well as the related statements of income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Allied For Accounting And Auditing (E&Y)

Zarrouk & Co (Rödl & Partner)



Opinion

In our opinion, the financial statements referred to above, give a true and fair view, in all material respects, of the financial position of **Egyptian Mortgage Refinance Company S.A.E** as of 31 December 2008, and of its financial performance and its cash flows for the year then ended in accordance with Egyptian Accounting Standards and the related applicable Egyptian laws and regulations.

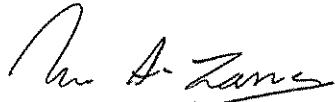
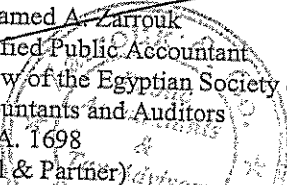
Report on Other Legal and Regulatory Requirements

The Company maintains proper accounting records that comply with the laws and the Company's articles of association and the financial statements agree with the Company's records.

The financial information included in the Board of Directors' Report, prepared in accordance with Law No. 159 of 1981 and its executive regulation, is in agreement with the books of the Company insofar as such information is recorded therein.



A Member of
Ernst & Young Global
Certified Public Accountant (USA)
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12 March 2009
Cairo

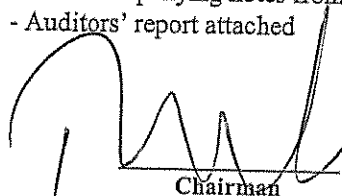


Mohamed A. Zarrouk
Certified Public Accountant
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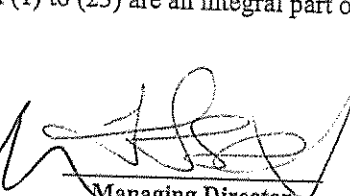
Egyptian Mortgage Refinance Company S.A.E

BALANCE SHEET
At 31 December 2008

	Note	2008 LE	2007 LE
Assets			
Cash on hand and at banks	(3)	122,540,934	52,160,585
Investments in treasury bills	(4)	124,637,737	199,382,634
Mortgage Refinance loans	(5)	130,948,000	-
Prepayments and other debit balances	(6)	1,463,441	1,160,293
Deferred tax asset		-	373,630
Other Assets	(7)	323,379	112,665
Fixed Assets, net	(8)	2,425,101	2,170,127
Total Assets		382,338,592	255,359,934
Liabilities and Shareholders' equity			
Liabilities			
Accounts payable		17,480	453,208
Accrued expenses and other credit balances	(9)	6,245,032	429,737
Term loan	(15)	119,035,500	535,500
Deferred tax liability	(20)	54,329	-
Total liabilities		125,352,341	1,418,445
Shareholders' equity			
Paid up capital			235,980,000
Legal reserve	(10)	240,980,000	1,019,278
Retained earnings	(11)	2,005,289	-
Net profit for the year/ period		2,552,258	16,942,211
Total shareholders' equity		256,986,251	253,941,489
Total Liabilities and Shareholders' equity		382,338,592	255,359,934

-The accompanying notes from (1) to (23) are an integral part of these financial statements.
- Auditors' report attached


Chairman


Managing Director


Chief Financial Officer

Egyptian Mortgage Refinance Company S.A.E

STATEMENT OF INCOME
For The Year Ended 31 December 2008

	Note	From 1 January 2008 to 31 December 2008	From 5 June 2006 to 31 December 2007
		LE	LE
Interest Income on Mortgage Refinance Loans		5,145,219	-
Interest Income on Treasury Bills		7,311,349	15,077,395
Interest Income on CBE Certificate of Deposits		-	3,353,638
Interest Income on Time Deposits and Current Account		14,814,991	5,747,850
Other Income		-	4,007
TOTAL INCOME FOR THE YEAR/ PERIOD		<u>27,271,559</u>	<u>24,182,890</u>
General and Administrative Expenses	(12)	(7,906,244)	(5,905,289)
Depreciation		(909,317)	(110,661)
Financing Charges	(13)	(4,322,414)	(1,293,359)
Board Members Allowance		(227,500)	(305,000)
NET PROFIT FOR THE YEAR/ PERIOD BEFORE TAX		<u>13,906,084</u>	<u>16,568,581</u>
Income Tax for The Year/ Period	(21)	(2,029,421)	-
Deferred Tax (Expense) Income	(20)	(427,959)	373,630
NET PROFIT FOR THE YEAR/ PERIOD		<u>11,448,704</u>	<u>16,942,211</u>
EARNING PER SHARE	(14)	<u>43.22</u>	<u>74.49</u>

- The accompanying notes from (1) to (23) are an integral part of these financial statements.

Egyptian Mortgage Refinance Company S.A.E

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
For The Year Ended 31 December 2008

	Paid up capital LE	Premium on Increase in Capital LE	Legal reserve LE	Net Profit for the period/ year LE	Retained Earnings LE	Total LE
Balance as of 5 June 2006	-	-	-	-	-	-
Paid up capital	235,980,000	-	-	-	-	235,980,000
Premium on increase in capital	-	1,019,278	-	-	-	1,019,278
Transfer to legal reserve	-	(1,019,278)	1,019,278	-	-	-
Net Profit for the period	-	-	-	16,942,211	-	16,942,211
Balances as of 31 December 2007	235,980,000	-	1,019,278	16,942,211	-	253,941,489
Paid up capital (note 10)	5,000,000	-	-	-	-	5,000,000
Premium on Increase in Capital (note 10)	-	138,900	-	-	-	138,900
Transfer to legal reserve (note 11)	-	(138,900)	986,011	(847,111)	-	-
Dividends paid	-	-	-	(13,542,842)	-	(13,542,842)
Transfer to retained earnings	-	-	-	(2,552,258)	2,552,258	-
Net Profit for the period	-	-	-	11,448,704	-	11,448,704
Balances as of 31 December 2008	240,980,000	-	2,005,289	11,448,704	2,552,258	256,986,251

- The accompanying notes from (1) to (23) are an integral part of these financial statements.

Egyptian Mortgage Refinance Company S.A.E

STATEMENT OF CASH FLOWS
For The Year Ended 31 December 2008

	Note	From 1 January 2008 to 31 December 2008	From 5 June 2006 to 31 December 2007
		LE	LE
CASH FLOWS FROM OPERATING ACTIVITIES			
Net profit for the year/ period before tax		13,906,084	16,568,581
Adjustments to reconcile net income to cash flows from operating activities			
Depreciation		909,317	110,661
Operating profit before changes in working capital		14,815,401	16,679,242
(Increase) in mortgage refinance loans		(130,948,000)	-
(Increase) in Prepayments and other debit balance		(303,148)	(1,160,293)
(Decrease) increase in accounts payable		(435,728)	453,208
Increase in accrued expenses and other credit balances		3,785,873	429,737
NET CASH FLOWS (USED IN) FROM OPERATING ACTIVITIES		(113,085,602)	16,401,894
CASH FLOWS FROM INVESTING ACTIVITIES			
Collection from matured treasury bills		14,586,104	-
Investment in Treasury bills maturing after 90 days		(45,161,225)	(14,586,103)
Purchase of fixed assets		(402,019)	(2,280,788)
Other assets		(972,986)	(112,665)
NET CASH FLOWS (USED IN) INVESTING ACTIVITIES		(31,950,126)	(16,979,556)
FINANCING ACTIVITIES			
Increase in issued and paid up capital		5,000,000	235,980,000
Premium paid on increase in capital		138,900	1,019,278
Term loan		118,500,000	535,500
Dividends paid		(13,542,842)	-
NET CASH FLOWS FROM FINANCING ACTIVITIES		110,096,058	237,534,778
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS DURING THE YEAR/ PERIOD		(34,939,670)	236,957,116
CASH AND CASH EQUIVALENT AT THE BEGINNING OF THE YEAR/ PERIOD		236,957,116	-
CASH AND CASH EQUIVALENT AT THE END OF THE YEAR/ PERIOD		202,017,446	236,957,116
Cash on hand and at banks	(3)	122,540,934	52,160,585
Treasury bills maturing within 90 days	(4)	79,476,512	184,796,531
		202,017,446	236,957,116

- The accompanying notes from (1) to (23) are an integral part of these financial statements.

Egyptian Mortgage Refinance Company S.A.E

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2008

1 ACTIVITIES

Egyptian Mortgage Refinance Company S.A.E. was established in Egypt under the provisions of companies law No. 159 of 1981 and its executive regulations, capital market law No. 95 of 1992 and its executive regulations and the provisions of Real Estate Finance law No. 148 of 2001 and its executive regulations. The company was registered under the commercial registry No. 19101 on 5 June 2006.

The main objective of the company is Real Estate finance activity through refinancing its shareholders including banks in accordance with prescribed regulations. The company activity is only limited to dealing with its shareholders. The company may, for the purpose of achieving its objectives, issue bonds collateralized by its assets. The company may also participate with other companies of common interest that have similar activities and may merge or acquire them.

2 SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation:

The company's financial statements have been prepared in accordance with Egyptian Accounting Standards.

The Financial statements have been prepared under the historical cost convention.

The financial statements have been presented in Egyptian Pounds.

Changes in accounting policies

The accounting policies are consistent with those used in the previous year.

Foreign currency Translation

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

Fixed Assets

Fixed Assets are stated at cost less accumulated depreciation and any impairment in value.

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

Computers and software	<u>Years</u>
Furniture and fixtures	3-5
Motor Vehicles	5
Office machines	5
Leasehold Improvements	5
	The lease term

Other Assets

Costs relating to construction of fixed assets are initially recorded in this account. When the asset is completed and becomes ready for use, it is transferred to fixed assets caption.

Egyptian Mortgage Refinance Company S.A.E

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2008

Treasury Bills and CBE CD's

Treasury bills and CD's are stated at cost. The difference between cost and nominal value represents the interest on these bills and CD's. Treasury bills and CD's are shown in the balance sheet net of unearned interest. Interest is credited to income on an accruals basis, and the unearned interest is reduced by earned interest.

Mortgage Refinance Loans

Mortgage refinance loans to customers are carried at amortized cost, using effective interest rate method, less allowance for impairment.

Impairment of Financial Assets

The company assesses at each balance sheet date whether a financial asset or group of financial assets is impaired.

If there is objective evidence that an impairment loss on assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through use of an allowance account. The amount of the loss shall be recognised in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date. Any subsequent reversal of an impairment loss is recognised in profit or loss.

In relation to mortgage refinance loans, an allowance for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the company will not be able to collect all of the amounts due under the original terms of the debt. The carrying amount of the mortgage refinance loans is reduced through use of an allowance account. Impaired loans are derecognised when they are assessed as uncollectible.

Revenues Recognition

Interest income is recognised as the interest accrues using the effective interest method and time basis.

Cash and Cash Equivalent

For the purpose of the Statement of Cash Flows, cash and cash equivalents consist of cash on hand, Bank balances, and short-term deposits, and treasury bills & CD's with a remaining maturity of three months.

Accounts payable and accruals

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

Employees' Pension Benefits

The company participating in the social insurance program carried by the Egyptian government for the employees benefit in accordance with the social insurance law no. 79 of 1975 and its amendments, Employees and the employer pay a contribution according to this law of a fixed percentage out of the employee salary. The company's obligation regarding this program is limited to its contribution which is recognised in profit or loss according to the accrual basis.

Egyptian Mortgage Refinance Company S.A.E

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2008

Income Tax

Taxation is provided in accordance with Egyptian Fiscal regulations.

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

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

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

Legal Reserve

According to the Companies Law and the Company's articles of association, 5% of the annual net income is to be transferred to the legal reserve until this reserve reaches, 25% of the issued capital.

Provisions

Provisions are recognised when the company has an obligation (legal or constructive) arising from a past event, and the costs to settle the obligation are both probable and able to be reliably measured.

Term Loan

Term loan is measured at amortized cost using the effective interest rate method.

Egyptian Mortgage Refinance Company S.A.E

NOTES TO THE FINANCIAL STATEMENTS
AT 31 DECEMBER 2008

3 CASH ON HAND AND AT BANKS

	2008 LE	2007 LE
<u>Egyptian Pound</u>		
Cash on hand	8,686	-
Current accounts	1,038,248	1,608,585
Time deposits	121,494,000	50,552,000
	<u>122,540,934</u>	<u>52,160,585</u>

4 INVESTMENT IN TREASURY BILLS

	2008 LE	2007 LE
Treasury bills purchased maturing before 30 days	60,375,000	140,125,000
Treasury bills purchased maturing after 30 days to 60 days	-	45,500,000
Treasury bills purchased maturing after 60 days to 90 days	20,050,000	-
Treasury bills purchased maturing after 90 days to 150 days	-	15,000,000
Treasury bills purchased maturing after 150	49,550,000	-
	<u>129,975,000</u>	<u>200,625,000</u>
Unearned interest	(5,337,263)	(1,242,366)
Total	<u>124,637,737</u>	<u>199,382,634</u>

5 MORTGAGE REFINANCE LOANS

The company has granted (4) mortgage refinance loans for three customers during the year as follows:

	Short-Term LE	Long-Term LE	Total LE	Limit LE
Egyptian Arab Land Bank	8,400,000	61,600,000	70,000,000	200,000,000
Taameer Mortgage Finance Company (Aloula)	3,600,000	32,400,000	36,000,000	50,000,000
Tamweel Mortgage Finance Company- Loan 1	1,250,000	11,250,000	12,500,000	
Tamweel Mortgage Finance Company- Loan 2	1,244,800	11,203,200	12,448,000	50,000,000
	<u>14,494,800</u>	<u>116,453,200</u>	<u>130,948,000</u>	

Contractual interest rates vary from 10.5% to 11.75%.

Each loan is secured over commercial first degree mortgage of the Real Estate portfolio of the borrower.

The mortgage finance portfolio of each borrower as of the balance sheet date represents more than 110 % of the above loans balances.

Egyptian Mortgage Refinance Company S.A.E

NOTES TO THE FINANCIAL STATEMENTS
AT 31 DECEMBER 2008

6 PREPAYMENTS AND OTHER DEBIT BALANCES

	2008 LE	2007 LE
Accrued Interest income on time deposits	646,019	59,416
Advance payments	293,114	476,420
Security deposit	151,072	151,072
Prepaid Expenses	41,638	473,385
Withholding tax on treasury bills	311,174	-
Other debit balances	20,424	-
	<u>1,463,441</u>	<u>1,160,293</u>

7 OTHER ASSETS

Represent network (computer and software) under development, the movement of the other assets during the year/ period as follows:

	2008 LE	2007 LE
Computers and software		
Beginning balance	112,665	-
Additions during the year/ period	972,986	689,050
Transfers to fixed assets	(762,272)	(473,273)
Disposals during the year/ period	-	(103,112)
Ending balance	<u>323,379</u>	<u>112,665</u>

Egyptian Mortgage Refinance Company S.A.E

NOTES TO THE FINANCIAL STATEMENTS
AT 31 DECEMBER 2008

8 FIXED ASSETS, NET

	<i>Computers and software</i>	<i>Furniture and Fixtures</i>	<i>Motor Vehicles</i>	<i>Office Equipments</i>	<i>Leasehold Improvement</i>	<i>Total</i>
	<i>LE</i>	<i>LE</i>	<i>LE</i>	<i>LE</i>	<i>LE</i>	<i>LE</i>
Cost						
At 1 January 2008	120,172	866,544	119,900	279,746	894,426	2,280,788
Transfer from other assets	762,272	-	-	-	-	762,272
Addition during the year	305,819	10,200	86,000	-	-	402,019
At 31 December 2008	1,188,263	876,744	205,900	279,746	894,426	3,445,079
Depreciation						
At 1 January 2008	36,352	18,281	1,998	13,480	40,550	110,661
Depreciation for the year	173,031	174,839	39,747	55,949	465,751	909,317
At 31 December 2008	209,383	193,120	41,745	69,429	506,301	1,019,978
Net Book Value at 31 December 2008	978,880	683,624	164,155	210,317	388,125	2,425,101
31 December 2007	83,820	848,263	117,902	266,266	853,876	2,170,127

9 ACCRUED EXPENSES AND OTHER CREDIT BALANCES

	2008 LE	2007 LE
Accrued finance cost	3,853,226	13,329
Taxes Payable –Income Tax	2,029,421	-
Taxes Payable –payroll	102,755	72,358
Taxes Payable –withholding	3,104	25,144
Accrued expenses	95,200	113,300
MFA Admin Fees	95,003	-
Accrued commitment fees (note 15)	60,005	158,053
Social insurance payable	6,318	5,709
Retention payable	-	41,844
	6,245,032	429,737

Egyptian Mortgage Refinance Company S.A.E

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2008

10 CAPITAL

The Company's authorized capital amounts to L.E. 640,000,000 whereas the issued and paid up capital amounts to L.E. 240,980,000 divided over 240,980 shares (177,904 common shares and 63,076 preferred shares of 2 voting rights per each) of L.E. 1,000 each and is distributed as follows:

Description	No. of shares		Value L.E	%
	Common	Preferred		
Central Bank of Egypt (founder)		40,000	40,000,000	16.60%
National Bank of Egypt (founder)	20,000		20,000,000	8.30%
Mortgage Finance Guarantee and Subsidy Fund (founder)		4,000	4,000,000	1.66%
Arab Bank	5,000		5,000,000	2.08%
HSBC Bank	18,000		18,000,000	7.47%
Societe Arabe Internationale de Banque	10,000		10,000,000	4.15%
BNP Paribas Bank	2,000		2,000,000	0.83%
Commercial International Bank	5,000		5,000,000	2.07%
Faisal Islamic Bank	2,000		2,000,000	0.83%
Banque Misr	20,000		20,000,000	8.30%
Al Watany Bank of Egypt	4,000		4,000,000	1.66%
Tameer Mortgage Finance Co. (Al Oula)	10,000		10,000,000	4.15%
National Societe Generale Bank	10,000		10,000,000	4.15%
Piraeus Bank	19,000		19,000,000	7.88%
Blom Bank	2,000		2,000,000	0.83%
Egyptian Housing Finance Company	2,000		2,000,000	0.83%
Misr Iran Bank	5,000		5,000,000	2.07%
Egyptian Gulf Bank	10,000		10,000,000	4.15%
Housing and Development Bank	10,000		10,000,000	4.15%
Ahli United Bank	4,000		4,000,000	1.66%
Egyptian Arab Land Bank	10,000		10,000,000	4.15%
Arab African International Bank	3,923		3,923,000	1.63%
Tamweel Mortgage Finance Company	981		981,000	0.41%
International Finance Corporation		19,076	19,076,000	7.92%
United Bank	2,000		2,000,000	0.83%
Amlak Finance & Real Estate Investment	1,000		1,000,000	0.41%
El Tayseer for Mortgage Finance	2,000		2,000,000	0.83%
	<u>177,904</u>	<u>63,076</u>	<u>240,980,000</u>	<u>100%</u>

Egyptian Mortgage Refinance Company S.A.E

NOTES TO THE FINANCIAL STATEMENTS

AT 31 DECEMBER 2008

10 CAPITAL (CONTINUED)

In accordance with the resolution of the Extraordinary General Assembly Meeting held on 31 March 2008, an increase in issued capital was approved and paid of LE 5,000,000 from the following parties:

	<i>LE</i>
1) United bank	
2) Amlak Finance & Real Estate Investment Company	2,000,000
3) El Tayseer for Mortgage Finance Company	1,000,000
	<u>2,000,000</u>
	<u>5,000,000</u>

The amount paid for the increase in capital is LE 1,027.78 per share, including LE 27.78 premium per share that was transferred to legal reserve in accordance to the Extraordinary General Assembly Meeting (note 11).

11 LEGAL RESERVE

Legal reserve balance amounting to LE 2,005,289 as of 31 December 2008 is represented as follows:

- 1) The transfer of premium on increase in capital of LE 96,000 resulting from the difference between the par value and amount paid for the issuance of 4,904 new shares, in accordance with the resolution of the Extraordinary General Assembly Meeting on 11 December 2006.
- 2) The transfer of premium on increase in capital of LE 923,278 resulting from the difference between the par value and amount paid for the issuance of 19,076 new shares, in accordance with the resolution of the Extraordinary General Assembly Meeting on 13 May 2007.
- 3) The transfer of 5% of the net profit of the year ended 31 December 2007, with the amount of LE 847,111 according to the ordinary general assembly meeting held on 31 March 2008.
- 4) The transfer of premium on increase in capital of LE 138,900 resulting from the difference between the par value and amount paid for the issuance of 5,000 new shares, in accordance with the resolution of the Extraordinary General Assembly Meeting on 31 March 2008.

Egyptian Mortgage Refinance Company S.A.E

NOTES TO THE FINANCIAL STATEMENTS
AT 31 DECEMBER 2008

12 GENERAL AND ADMINISTRATIVE EXPENSES

	From 1 January 2008 to 31 December 2008	From 5 June 2006 to 31 December 2007
	LE	LE
Salaries & Wages	5,158,957	3,139,167
Premises Rent	826,531	1,023,331
Professional Fees	344,106	135,000
Tax ,Legal and other consultants	463,584	574,431
MFA Admin Fees	171,463	-
Conferences and MFA Campaign Sponsorship	304,605	311,429
Employees Training	107,374	79,328
Cleaning and Security	81,849	23,143
Telephone and Mobile	62,170	46,421
Insurance	58,429	70,348
Donation	50,000	-
Travel and Transportation	41,213	140,256
Internet & ADSL	35,418	30,192
Electricity	34,166	7,604
Legal Expenses	19,478	58,350
Stationary and Printing Materials	19,129	23,004
Entertainment, Meals & Public Relation	18,200	44,856
Repair & Maintenance	18,053	30,295
Licensing & Registration	-	50,000
Other Expenses	91,519	118,134
	<u>7,906,244</u>	<u>5,905,289</u>

13 FINANCING CHARGES

	From 1 January 2008 to 31 December 2008	From 5 June 2006 to 31 December 2007
	LE	LE
Interest on term loan	3,880,575	32,132
Commitment fees	436,538	519,956
Other charges	5,301	4,973
Safe custody fees	-	100,399
Commission (T. bills and CD's)	-	100,399
Front – end fees (note 15)	-	535,500
	<u>4,322,414</u>	<u>1,293,359</u>

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14 EARNING PER SHARE

Earnings per share were calculated based on the weighted average method for outstanding shares during the year. Earnings per share during the year amounted to L.E. 43.22 per share (2007: 74.49).

	From 1 January 2008 to 31 December 2008 <i>LE</i>	From 5 June 2006 to 31 December 2007 <i>LE</i>
Net profit for the year/ period	11,448,704	16,942,211
Employees profit share (subject to approval in the General Assembly Meeting)	(1,087,627)	(1,609,510)
Board of directors bonus	-	(134,330)
	<u>10,361,077</u>	<u>15,198,371</u>
Weighted average number of shares outstanding during the year/ period	239,733	204,044
Earning per share	<u>43.22</u>	<u>74.49</u>

15 LOAN AGREEMENT

A loan agreement has been made between the government of the Arab Republic of Egypt (the borrower) and "International Bank for Reconstruction and development" (the lender) by which the bank agrees to lend the borrower an amount of L.E. 214,200,000 to assist in financing the project as described in note (16) to the financial statements. The utilized portion of the loan amounted to LE 119,035,500 (31 December 2007: LE 535,500).

A commitment charge is payable at 0.75% per annum on the unwithdrawn loan balance, less waiver of a portion of such charge as may be determined by the World bank. Net commitment charge, after waiver is 0.25%.

A front-end fee is payable at 0.25% of the loan amount amounted to LE 535,500 which is fully incurred during 2007.

The loan will be repaid on 15 March and 15 September of each year starting from 15 September 2012 up to 15 March 2026.

The company has withdrawn amount of LE 118,500,000 during the year ended 31 December 2008 to finance the mortgage loans. The loan balance as of 31 December 2008 amounted to LE 119,035,500 (31 December 2007: LE 535,500).

16 PROJECT AGREEMENT

The company has entered into a project agreement as "Project Implementing Entity" dated 12 November 2006 with "International Bank for Reconstruction and Development" in connection with the loan agreement described in note (15) above.

The company undertakes that a mortgage loan shall be made to each "Primary Mortgage Lender" (PML) on the terms and conditions acceptable to the bank. The company shall also exercise its rights in relation to each PML under the respective participation agreement in such a manner as to protect the interest of the bank and the company and to comply with its obligations under the project agreement.

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17 EXPENDITURE COMMITMENTS

	<i>31 December 2008</i>	<i>31 December 2007</i>
	<i>LE</i>	<i>LE</i>
Capital expenditure commitments		
Estimated capital expenditure contracted for at the balance sheet date:		
Computers and software	598,014	476,420
	<u> </u>	<u> </u>
Operating lease commitments		
Future minimum lease payments:		
Within one year:		
Operating lease commitment	690,603	829,076
Advance payment of operating lease	-	(414,538)
	<u> </u>	<u> </u>
Net operating lease commitment within one year	690,603	414,538
After one year but not more than five years	-	690 897
More than five years	-	-
	<u> </u>	<u> </u>
Total operating lease expenditure contracted for at the balance sheet date	<u>690,603</u>	<u>1,105,435</u>

18 TAX SITUATION

- a) **Corporate tax**
 - No tax inspection has taken place from the date of inception to date.
- b) **Withholding tax**
 - No tax inspection has taken place from the date of inception to date.
- c) **Salary tax**
 - No tax inspection has taken place from the date of inception to date, and salary tax expenses were properly calculated and charged to the income statement.
- d) **Stamp duty tax**
 - No tax inspection has taken place from the date of inception to date.

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NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2008

19 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company's financial instruments are represented in financial assets and financial liabilities. The financial assets include cash on hand and at banks and other debit balances. The financial liabilities include provisions, and other credit balances.

The significant accounting policies applied for the recognition and measurement of the above mentioned financial assets and liabilities and the related income and expenses are included in note (2) of these notes to the financial statements.

Interest rate risk

The Company monitors the maturity structure of assets and liabilities with the related interest rates.

Foreign Currency Risk

The foreign currency risk is the risk that the value of the financial assets and liabilities and the related cash inflows and outflows in foreign currencies will fluctuate due to changes in foreign currency exchange rates. For the purpose of minimizing the risk, the company considers diversifying its foreign currencies position among different foreign currencies.

Fair Value

The carrying amounts of the financial assets and liabilities referred to in note (2) above are not materially different from their fair values.

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation at its maturity date. Financial assets value subject to credit losses is the value of refinancing loans granted to customers (PML).

The company minimises its credit losses by following the below procedures:

- Preparing credit studies of its customers (PML) and determining credit worthiness before dealing with them.
- Obtaining adequate guarantees to reduce the risks resulting from insolvency of customers (PML) or banks.
- Monitoring and preparing annual studies on customers (PML) in order to evaluate their financial and credit position.
- Customers (PML) are obligated according to the Mortgage Refinance Loan agreements to replace the default borrowers in their loan portfolio with related debt collateral documents.

20 DEFERRED TAX

	Assets LE	Liabilities LE
Depreciation of Fixed Assets	-	54,329
Net Deferred tax liability	-	54,329

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21 RECONCILIATION OF THE EFFECTIVE INCOME TAX RATE

		2008
Net profits before income taxes		13,906,084
Add/subtract the tax effect of below items:		<u> </u>
Income tax at the applicable tax rate	20%	2,781,217
Depreciation of fixed assets		7,810
Interest income on T. bills- Exempt portion		(431,475)
Carry forward losses		(373,630)
Board of directors allowance		45,500
		<u> </u>
Income tax for the year	14.59%	<u>2,029,421</u>

22 RELATED PARTIES TRANSACTIONS

The Company consummates transactions with related parties subject to the rules, policies and regulations applied in the Company.

Transactions with related parties (represented in the company's shareholders in note 10) included in the statement of income during the period are as follows:

	From 1 January 2008 to 31 December 2008	From 5 June 2006 to 31 December 2007
	LE	LE
Interest Income on Mortgage Refinance Loans	5,145,219	-
Interest Income on CBE Certificate of Deposits	-	3,353,638
Interest Income on Time Deposits and Current Accounts	14,814,991	5,747,850
Financing charges	5,301	205,771

23 COMPARATIVE FIGURES

Certain comparative figures for prior period have been reclassified to conform to the current year's presentation.