

Translation from Arabic

Sixth of October Development Investment Company “SODIC”
(An Egyptian Joint Stock Company)
Financial Statements
For The Financial Period Ended September 30, 2007
And Review Report

Contents	Page
Review Report	-
Statement of Financial Position	1
Income Statement	2
Statement of Changes in Equity	3
Statement of Cash Flows	4
Notes to the Financial Statements	5-37

Translation from Arabic

Review Report

To The Board of Directors of Sixth of October for Development Investment Company “SODIC”

We have reviewed the accompanying unconsolidated financial statements of Sixth of October for Development Investment Company “SODIC” represented in the statement of financial position as of September 30, 2007 and the related statements of income, changes of equity and cash flows for the period then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to issue a report on these financial statements based on our review.

We conducted our review in accordance with the Egyptian Standard on Auditing applicable to review engagements. This standard requires that we plan and perform the review to obtain moderate assurance as to whether the financial statements are free of material misstatement. A review is limited primarily to inquiries of company personnel and analytical procedures applied to financial data and thus provide less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Based on our review on the unconsolidated financial statements of Sixth of October for Development Investment Company “SODIC” for the financial period ended September 30, 2007, nothing has come to our attention that causes us to believe that the accompanying financial statements are not fairly presented, in all material respects in accordance with Egyptian Accounting Standards.

Without qualifying our opinion and as indicated in note (38) to the financial statements, there is still a dispute between the Company and a party with respect to the latter's request to handover a plot of land of a total area of 69 feddens approximately based on a usufruct contract concluded between the Company and that party on 23 February 1999, for an indefinite period of time and in return of a minimal amount. Management has not determined the potential financial impact of the dispute referred to above on the financial statements, the Company's legal counselor believes that the Company's position in this dispute is strong due to non-compliance on the other party's part with detailed conditions of the contract.

Hazem Hassan

Registered in Capital Market Authority

Register of Auditors under No. (8)

Cairo, October 30, 2007

Sixth of October Development Investment Company "SODIC"
(An Egyptian Joint Stock Company)
Statement of Financial Position
As at September 30, 2007

	<u>Note No.</u>	<u>30/9/2007</u> L.E	<u>12/31/2006</u> L.E
<u>Long - term assets</u>			
Fixed assets	(4)	4 013 923	776 842
Projects under construction	(5)	405 968	606 618
Investments in subsidiaries and associates	(6)	522 664 516	5 330 000
Available for sale investments	(7)	9 435 403	7 502 703
Payments under account of acquisition of subsidiaries		-	217 985 466
Investment property	(8)	1 506 759	99 216 781
Long - term trade & notes receivable	(9)	436 793 222	251 851 096
Deferred tax assets	(35-2)	9 111 330	-
Total long - term assets		983 931 121	583 269 506
<u>Current assets</u>			
Completed residential units ready for sale	(10)	880 078	3 088 219
Works in process	(11)	225 268 373	172 474 665
Trade & notes receivable	(12)	183 686 582	118 575 137
Debtors & other debit balances	(13)	238 773 777	24 233 191
Held for trading investments	(14)	59 268 828	-
Cash and cash equivalents	(15)	501 542 683	792 855 199
Total current assets		1 209 420 321	1 111 226 411
<u>Current liabilities</u>			
Provisions	(16)	54 707 625	42 669 853
Customers - deposits	(17)	285 773 537	131 714 127
Suppliers & contractors	(18)	9 147 758	5 735 054
Creditors & other credit balances	(19)	114 488 603	107 326 345
Total current liabilities		464 117 523	287 445 379
Working capital		745 302 798	823 781 032
Total investments		1 729 233 919	1 407 050 538
These investments are financed as follows:-			
<u>Shareholders' equity</u>			
Issued & fully paid in capital	(20)	279 133 960	269 133 960
Legal reserve	(21)	139 566 980	134 566 980
Special reserve - share premium	(22)	917 439 354	832 439 354
Treasury shares	(23)	(100 000 000)	-
Retained earnings (Carried forward losses)		158 029 550	(68 687 428)
Net profit for the period / year		158 167 150	226 716 978
Total shareholders' equity		1 552 336 994	1 394 169 844
<u>Long-term liabilities</u>			
Long-term notes payable	(24)	164 301 322	-
Land purchase creditors	(25)	12 595 603	12 841 052
Deferred tax liabilities	(35-2)	-	39 642
Total long-term liabilities		176 896 925	12 880 694
Total shareholders' equity & long - term liabilities		1 729 233 919	1 407 050 538

* The accompanying notes form an integral part of these financial statements and to be read therewith.

Financial Manager

Managing Director

Chairman

Mr. Hany Henery

Mr. Maher Maksoud

Mr. Magdy Rasekh

* Review Report " attached "

Sixth of October Development Investment Company "SODIC"
(An Egyptian Joint Stock Company)
Income Statement
For The Financial Period Ended September 30, 2007

	Note No.	<u>2007</u> From 1/4/2007 till 30/9/2007 L.E	<u>2007</u> From 1/1/2007 till 30/9/2007 L.E	<u>2006</u> From 1/4/2006 till 30/9/2006 L.E	<u>2006</u> From 1/1/2006 till 30/9/2006 L.E
Net sales	(26)	122 327 248	321 250 764	29 742 895	62 377 907
Cost of sales	(27)	(54 703 052)	(140 919 534)	(15 237 839)	(39 249 241)
Gross profit		<u>67 624 196</u>	<u>180 331 230</u>	<u>14 505 056</u>	<u>23 128 666</u>
Other operating revenues	(28)	4 665 809	15 896 002	2 339 506	6 650 714
Selling & marketing expenses	(29)	(2 972 614)	(15 814 324)	(4 070 025)	(4 710 727)
General & administrative expenses	(30)	(14 019 715)	(22 913 478)	(1 060 264)	(3 526 258)
Board of directors remunerations	(31)	(13 581 496)	(32 034 687)	(1 673 296)	(3 464 397)
Other operating expenses	(32)	(257 745)	(1 000 208)	(330 529)	(988 112)
Operating profit		<u>41 458 435</u>	<u>124 464 535</u>	<u>9 710 448</u>	<u>17 089 886</u>
Financial income	(33)	8 383 165	31 354 401	563 220	1 193 754
Financial expenses	(34)	(3 545 943)	(4 847 641)	(2 812 264)	(9 211 738)
Net financial income (costs)		<u>4 837 222</u>	<u>26 506 760</u>	<u>(2 249 044)</u>	<u>(8 017 984)</u>
Investment income from associates		-	2 691 596	-	-
Net profit for the period before income tax		<u>46 295 657</u>	<u>153 662 891</u>	<u>7 461 404</u>	<u>9 071 902</u>
Current income tax expense	(35-1)	(1 563 288)	(4 646 713)	-	-
Deferred income tax benefit		3 190 675	9 150 972	-	-
Net profit for the period		<u>47 923 044</u>	<u>158 167 150</u>	<u>7 461 404</u>	<u>9 071 902</u>
Basic earning per share (L.E / Share)	(36)	<u>1.72</u>	<u>5.78</u>	<u>0.47</u>	<u>0.57</u>

* The accompanying notes form an integral part of these financial statements and to be read therewith.

Sixth of October Development Investment Company "SODIC"
(An Egyptian Joint Stock Company)

Statement of Changes in Equity
For The Financial Period Ended September 30, 2007

	<u>Note</u> <u>No.</u>	<u>Issued & paid up</u> <u>capital</u> <u>L.E</u>	<u>Legal</u> <u>reserve</u> <u>L.E</u>	<u>Special reserve-</u> <u>share premium</u> <u>L.E</u>	<u>Treasury</u> <u>shares</u> <u>L.E</u>	<u>Retained earnings</u> <u>(Carried forward losses)</u> <u>L.E</u>	<u>Net profit</u> <u>for the period/year</u> <u>L.E</u>	<u>Total</u> <u>L.E</u>
Balance as at January 1, 2006		159 846 320	11 157 829	-	-	(110 031 597)	41 344 169	102 316 721
Transferred to carried forward losses		-	-	-	-	41 344 169	(41 344 169)	-
Net profit for the period		-	-	-	-	-	9 071 902	9 071 902
Balance as at September 30, 2006		<u>159 846 320</u>	<u>11 157 829</u>	<u>-</u>	<u>-</u>	<u>(68 687 428)</u>	<u>9 071 902</u>	<u>111 388 623</u>
Balance as at January 1, 2007		269 133 960	134 566 980	832 439 354	-	(68 687 428)	226 716 978	1 394 169 844
Transferred to carried forward losses		-	-	-	-	226 716 978	(226 716 978)	-
Share capital increase	(20)	10 000 000	-	-	-	-	-	10 000 000
Share premium	(22)	-	5 000 000	85 000 000	-	-	-	90 000 000
Treasury shares	(23)	-	-	-	(100 000 000)	-	-	(100 000 000)
Net profit for the period		-	-	-	-	-	158 167 150	158 167 150
Balance as at September 30, 2007		<u>279 133 960</u>	<u>139 566 980</u>	<u>917 439 354</u>	<u>(100 000 000)</u>	<u>158 029 550</u>	<u>158 167 150</u>	<u>1 552 336 994</u>

* The accompanying notes form an integral part of these financial statements and to be read therewith.

Sixth of October Development Investment Company "SODIC"
(An Egyptian Joint Stock Company)
Statement of Cash Flows
For The Financial Period Ended September 30, 2007

	Note No.	Financial period ended 30/9/2007 L.E	Financial period ended 30/9/2006 L.E
<u>Cash flows from operating activities</u>			
Net profit for the period before tax		153 662 891	9 071 902
<u>Adjustments for :</u>			
Depreciation of fixed assets & rented units		552 900	257 568
Investments income		(3 359 601)	(251 846)
Gain on sale of fixed assets		(143 040)	(488 685)
Provision for completion of works - no longer required		-	(1 499 321)
Provisions	(16)	55 324 214	16 076 395
Impairment loss of debtors & other debit balances		10 322	145 016
Cash settled share -based payments		31 373 298	-
Interests and financing expenses		-	9 203 270
Operating profit before changes in working capital items		237 420 984	32 514 299
<u>Changes in working capital items</u>			
Decrease in residential units ready for sale		2 208 141	2 133 688
Decrease (increase) in work in process		35 702 803	(10 959 359)
Increase in trade & notes receivables		(250 053 571)	(4 470 454)
Increase in debtors & other debit balances		(207 786 770)	(3 399 583)
Provision for completion of works - used	(16)	(43 286 442)	(4 046 516)
Increase in customers deposits		154 059 410	18 962 430
(Decrease) increase in contractors , suppliers & notes payables		167 714 026	(837 004)
Decrease in creditors & other credit balances		(79 177 722)	(3 909 181)
Interests and financing expenses - paid		-	(9 340 362)
Net cash provided from operating activities		16 800 859	16 647 958
<u>Cash flows from investing activities</u>			
Payments for purchase of fixed assets & projects under construction		(3 630 028)	(897 752)
Payments for acquisition of subsidiaries		(306 113 188)	(30 049 000)
Payments for acquisition of available for sale investments		(1 264 695)	(1 065 454)
Proceeds from sale of available for sale investments		-	307 500
Dividends received from associates		2 691 596	-
Proceeds from sale of fixed assets		202 940	513 566
Net cash used in investing activities		(308 113 375)	(31 191 140)
<u>Cash flows from financing activities</u>			
Proceeds from share capital increase & share premium	(20)	100 000 000	-
Treasury shares	(23)	(100 000 000)	-
Payments for loans' installments		-	(11 734 268)
Net cash used in financing activities		-	(11 734 268)
Net movement in cash & cash equivalents during the period		(291 312 516)	(26 277 450)
Cash & cash equivalents as at January 1, 2007		792 855 199	54 976 645
Cash & cash equivalents as at September 30, 2007	(15)	501 542 683	28 699 195

* The accompanying notes form an integral part of these financial statements and to be read therewith.

Sixth of October for Development Investment Company “SODIC”
(An Egyptian Joint Stock Company)
Notes to the financial statements
For the financial period ended September 30, 2007

1- Background and activities

- Sixth of October for Development Investment Company “SODIC” was incorporated in accordance with the provisions of Law No. 159 of 1981 and its Executive Regulations and considering the provisions of Law No. 95 Of 1992 and its Executive Regulations and by virtue of the decree of the Minister of Economy & International Cooperation No. 322 of 1996 issued on May 12, 1996. The Company was registered in Giza Governorate Commercial Registry under No. 625 on May 25, 1996.
- The Company’s purpose is represented in the following:
 - Working in the field of purchasing lands for the purpose of providing utilities for them and making them ready for building, dividing these lands and selling or leasing them.
 - Working in the field of construction, integrated construction and supplementary works for it.
 - Planning, dividing and preparing lands for building according to modern building techniques.
 - Building, selling and leasing all various kinds of real estate.
 - Developing and reclaiming lands in the urban communities.
 - Working in the field of tourist development and in all tourist establishments field including, building , managing , selling or utilizing hotels, motels and tourist villages in accordance with applicable Egyptian laws & regulations.
 - Building, managing, selling and leasing – out of the residential, service, commercial, industrial and tourist projects.
 - Importing and working as trade agents for that is permitted within the limits of the Company’s purpose.
 - Financing lease in accordance with Law No. 95 of 1995.
 - Working in all fields of information technology and systems, hardware and software (computer software & services).
 - Working in all fields of services of communication systems, internet, space stations and transmission except for the field of satellites.
 - Investing in the various activities related to petroleum, gas and petrochemicals.
 - Working in the field of coordinating and planting the gardens, roads and squares and also providing security, steward - ship, maintenance and cleaning services.
 - Working in the field of ownership and management of sporting, entertainment, medical, educational buildings and also ownership, management and operating of restaurants (not leasing them).

In addition, the Company may have interest or participate in any manner whatsoever with companies or others which have similar activities or which may assist it to achieve its purposes in Egypt or abroad.

Also it is entitled to merge into or acquire these companies or make them its subsidiaries in accordance with the provisions of law and its executive regulations.

- The Company's duration is 50 years starting from the date of registration in the Commercial registry.
- The Company is listed in the formal listing in Cairo & Alexandria Stock Exchange.
- The registered office of the Company is located at Km. 38 Cairo / Alexandria Deseret Road, Sheikh Zayed City, Cairo, Egypt. Mr. Magdy Mohamed Rasekh is the Chairman of the Company.

2- Basis of preparation of the financial statements

a) Statement of compliance

These financial statements have been prepared in accordance with Egyptian Accounting Standards and relevant Egyptian laws and regulations.

b) Basis of measurement

The financial statements have been prepared on historical cost basis except for the following assets and liabilities:

- Available for sale investments which are stated at fair values.
- Liabilities for cash settled share- based payments transactions which are stated at fair values.

c) Functional currency and presentation currency

The financial statements are presented in Egyptian Pound which is the Company's functional currency.

d) Use of estimates and judgments

- The preparation of the financial statements in conformity with Egyptian Accounting Standards requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about the carrying values of assets and liabilities that are readily apparent from other sources. Actual results may differ from these estimates.
- The estimates and underlying assumptions are reviewed on an going basis.
- Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

3- **Significant accounting policies**

During the period, the Company changed its accounting policies in respect of accounting for available for sale investments (note No.7). The other accounting policies have been applied consistently to all periods presented in these financial statements :-

3-1 **Foreign currency translation**

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to Egyptian Pound at the foreign exchange rate in effect at that date. Foreign exchange differences arising on translation are recognized in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using exchange rate at the date of the transaction.

3- 2 **Fixed assets & depreciation**

a) **Recognition and measurement**

Property, plant and equipment are stated at cost less accumulated depreciation (note No. 3-2-c) and impairment losses (note No. 3-10).

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located.

Where parts of an item of fixed assets have different useful lives, they are accounted for as separate items of fixed assets.

b) **Subsequent costs**

The Company recognizes in the carrying amount of an item of Property, plant and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that future economic benefits embodied with the item will flow to the Company and the cost can be measured reliably. All other costs are recognized in the income statement as an expense as incurred.

c) **Depreciation**

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of Property, plant and equipment. The estimated useful lives are as follows:

<u>Asset</u>	<u>years</u>
Buildings of the Company's premises	10
Vehicles	5
Furniture & office equipment	10
Office equipment & communications	5
Generators , machinery & equipment	5

3-3 Projects under construction

Projects under construction are recognized initially at cost. Cost includes all expenditures directly attributable to bringing the asset to a working condition for its intended use. Projects under construction are transferred to property, plant and equipment caption when they are completed and are ready for their intended use.

3-4 Investment property

This item includes lands held and not allocated for a specific purpose, or lands held for sale for long periods as well as the lands and buildings leased to others (by virtue of operating leases). The long term real estate investments are valued at cost less the accumulated depreciation and the value of any increase in the net book value of these investments over their recoverable amount "impairment". The fair value of these investments shall be disclosed at the balance sheet date unless if there are cases where the fair value of these investments are difficult to be determined in a reliable manner. In this case disclosure shall be made to this effect.

3-5 Investments

a) Investments in subsidiaries and associates

Investments in subsidiaries and associates are stated – when acquired – at its acquisition cost. If a decline in the recoverable amount exists for any investment below the carrying amount "Impairment" (note No. 3-10), the carrying amount of the investment will be adjusted by the amount of such reduction and will be charged to the income statement for each investment.

b) Available for sale investments

Financial instruments held by the Company are classified as being available-for-sale and are generally stated at fair value (except investments in unquoted equity securities), with any resultant gain or loss being recognized directly in equity, except for impairment losses. When these investments are derecognized, the cumulative gain or loss previously recognized in equity is recognized in income statement. Investments in unquoted equity securities are stated at cost less impairment losses (note No. 3-10).

Financial instruments classified as available-for-sale investments are recognized / derecognized by the Company on the date it commits to purchase / sell the investments.

c) Investments in treasury bills

Treasury bills discountable at the Central Bank of Egypt are stated at nominal value and the unearned interests are recorded under creditors and other credit balance account. Treasury bills are shown in the financial position at their nominal value less the balance of unearned interests.

d) Held for trading investments

Held for trading investments are classified as current assets and are stated at fair value, with any resultant gain or loss recognized in the income statement.

3-6 Residential units ready for sale

Residential units ready for sale are stated at the lower of cost or net releasable value. The cost is determined based on the outcome of multiplying of the total area of the remaining completed residential units ready for sale at the financial position date by the average meter cost of these units (represents the cost of meter of land, utilities, building and other indirect expenses).

3-7 Work in process

All expenditures directly attributable to works in process are included in work in process account till the completion of these works. They are transferred to completed residential units ready for sale caption when they are completed. Works in process are stated at the financial position date at lower of cost and net realizable value.

3-8 Trade and other receivables

Trade, notes and other receivables are recognized and carried at original invoice amount less an allowance for any uncollectible amounts. An estimate of doubtful debts is made when collections of the full amount is no longer probable. Bad debts are written off when identified. Other debit balances are stated at cost less impairment losses (note No. 3-10). Long term trade and notes receivables are initially recognized at fair value and subsequently re-measured at amortized cost using effective interest rate method.

3-9 Cash and cash equivalents

Cash and cash equivalents comprise cash at banks and on hand time deposits, investments in treasury bills and Central Bank of Egypt bonds which have maturity date less than three months from the purchase date. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management.

3-10 Impairment

a) Financial assets

- A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset. An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.
- An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its current fair value.

- Individually significant financial assets are tested for impairment on an individual basis.
- The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.
- All impairment losses are recognized in income statement. Any cumulative loss in respect of an available-for-sale financial asset recognized previously in equity is transferred income statement.
- An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. For financial assets measured at amortized cost and available-for-sale financial assets that are debt securities, the reversal is recognized in income statement. For available-for-sale financial assets that are equity securities, the reversal is recognized directly in equity.

b) Non-financial assets

- The carrying amounts of the Company's non-financial assets, other than, inventories , residential units ready for sale and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.
- An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognized in the income statement.
- The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.
- An impairment loss in respect of other assets, impairment losses recognized in prior periods is assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognized

3-11 Provisions

A provision is recognized in the balance sheet when the Company has a present legal or constructive obligation as a result of past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and, where appropriate, the risks specific to the liability.

Provision for completion of works

A provision for completion of works is formed at the estimated value of the completion of the projects' utility works (pertaining to the units delivered to customers and the completed units according to the contractual terms and conditions and the completed units for which contracts were not concluded) in their final form as determined by the Company's engineering department .the necessary provision is reviewed at the end of each reporting period till finalization of all the project works.

3-12 Borrowing costs

Borrowing costs are recognized as expense in the income statement when incurred.

3-13 Suppliers, contractors and other credit balances

Suppliers, contractors and other credit balances are stated at cost.

3-14 Share capital

a) Ordinary shares

Incremental costs directly attributable to issue of new ordinary shares are recognized as a deduction from equity net of income tax – if any.

b) Repurchase of share capital

When share capital recognized as equity is repurchased, the amount of consideration paid, including directly attributable costs, is recognized as a change in equity.

c) Finance of the incentive and bonus plan

Equity shares issued for the purpose of the incentive and bonus plan of the Company's employees & managers which are financed by the Company and are kept in a bank as a custody of a trustee (agent) are presented as treasury shares until the terms of granting the shares to the beneficiaries are realized.

3-15 Cash settled share - based payments

- Share Appreciation Rights are granted to some of the Company's directors as part of their salaries and compensation package that entitles them to future cash payments based on the increase in the share price of the Company over determined level for certain period of time .The amount or the value of the purchased services and incurred liabilities is measured at the fair value of the said liability and until the settlement of such liability , the Company re-measures the fair value of the liability at each balance sheet date and at settlement date and takes into account any changes in the recognized fair value of the liability in the income statement.

3-16 Long-term notes payable

Long-term notes payable are stated at amortized cost using the effective interest rate method.

3-17 Revenue recognition

a) Sales revenue

- Revenue from sale of residential units, offices, commercial shops, service and villas for which contracts was made is recorded when all the ownership risks and rewards are transferred to customers and upon the actual delivery of these villas and units whether the said villas and units have been completed or semi – completed. Revenue from sale of lands is recorded upon the delivery of the sold land to customers and the transfer of all the ownership rewards and risks to buyer.
- Net sales are represented in the selling value of units and lands delivered to customers after excluding the future interests that have not been realized till the balance sheet date and after deducting the value of sales returns (represented in the saleable value of the sales returns less unrealized interests that have been previously excluded from the saleable value).
- Compensations of the returned units are recorded as sundry revenues at 2:5 % of the value of the sold units.

b) Rental income

Rental income is recognized in the income statement on a straight-line basis over the terms of the lease.

c) Interest income

Interest income is recognized in the income statement, using the accrual basis of accounting.

d) Dividends

Dividends income is recognized in the income statement on the date the Company's right to receive payments is established.

3-18 Cost of sold lands

The cost of the sold lands is computed based on the value of the net area of land in addition to its respective share in road areas as determined by the Company's technical management, plus its share in the open area.

3-19 Expenses

a) Lease payments

Payments under leases are recognized in the income statement on a straight-line basis over the terms of the lease.

b) Interest expense

Interest expense on interest-bearing borrowings is recognized in the income statement using the effective interest rate method.

c) Employees' pension

The Company contributes to the government social insurance system for the benefit of its personnel in accordance with the social insurance law. Under this law, the employees and the employers contribute into the system on a fixed percentage-of-salaries basis. The Company's liability is confined to the amount of its contribution. Contributions are charged to income statement using the accrual basis of accounting

d) Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognized in the income statement except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is measured using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

3-20 Dividends

Dividends are recognized as liability in the financial period in which they are declared.

3-21 Earnings per share

The Company presents basic earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

3-22 Segment reporting

A segment is a distinguishable component of the Company that is engaged either in providing related products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

3-23 Determination of fair values of non-financial assets

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and / or disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Sixth of October Development Investment Company "SODIC"

"An Egyptian Joint Stock Company"

Notes to the financial statements (Cont.)

For the financial period ended September 30, 2007

Translation from Arabic

4- Fixed assets

This item is represented as follows:

	<u>Buildings of the Company's premises</u>	<u>Vehicles</u>	<u>Furniture & office equipment</u>	<u>Office equipment & communications</u>	<u>Generators, machinery & equipment</u>	<u>Total</u>
	<u>L.E</u>	<u>L.E</u>	<u>L.E</u>	<u>L.E</u>	<u>L.E</u>	<u>L.E</u>
<u>Cost</u>						
As at January 1, 2007	1 036 568	1 180 230	848 120	1 271 044	819 273	5 155 235
Additions	668 700	2 222 800	178 539	623 859	136 780	3 830 678
Disposals	-	(382 210)	(321 110)	(12 000)	-	(715 320)
As at September 30, 2007	1 705 268	3 020 820	705 549	1 882 903	956 053	8 270 593
<u>Accumulated depreciation</u>						
As at January 1, 2007	877 278	964 976	656 829	1 070 809	808 501	4 378 393
Depreciation for the period	111 056	266 206	39 174	98 031	19 230	533 697
Disposals	-	(382 210)	(261 210)	(12 000)	-	(655 420)
As at September 30, 2007	988 334	848 972	434 793	1 156 840	827 731	4 256 670
Net book value as at September 30, 2007	716 934	2 171 848	270 756	726 063	128 322	4 013 923
Net book value as at December 31, 2006	159 290	215 254	191 291	200 235	10 772	776 842

- Fixed assets include fully depreciated assets costing L.E 2 403 269 as at September 30, 2007.

5- Projects under construction

This item is represented as follows:

	30/9/2007	31/12/2006
	<u>L.E</u>	<u>L.E</u>
Fixtures in the administrative premises	195 464	606 618
Advance payments for purchasing of fixed assets	210 504	-
	<u>405 968</u>	<u>606 618</u>

6- Investments in subsidiaries and associates

This item is represented as follows:

	<u>Legal Form</u>	<u>Ownership</u> %	<u>Paid of Participation</u> %	<u>Book value as at 30/9/2007</u> <u>L.E</u>	<u>Book value as at 31/12/2006</u> <u>L.E</u>
<u>Investments in subsidiaries</u>					
SODIC Property Services	S.A.E	51	100	510 000	510 000
Sixth of October for Development and Real Estate Projects (SOREAL) *	S.A.E	99.99	100	517 334 516	-
Total book value of investments in subsidiaries				<u>517 844 516</u>	<u>510 000</u>
<u>Investments in associates</u>					
Rabyia for Agricultural & Urban Development	S.A.E	26	100	1 820 000	1 820 000
Royal Gardens for Investment Property	S.A.E	20	50	3 000 000	3 000 000
Total book value of investments in associates				<u>4 820 000</u>	<u>4 820 000</u>
Total book value of investments in subsidiaries and associates				<u>522 664 516</u>	<u>5 330 000</u>

- * On 11/9/2006, the Company's board of directors decided to acquire the entire shares of Sixth of October for Development & Real Estate Projects Company "SOREAL" and on 29/3/2007, a contract was concluded, which cancelled & replaced the contract dated 18/9/2006 and its amendments on 28/10/2006 & 15/11/2006, in addition to considering them as revoked to purchase such shares in return for the payment of L.E 517 952 909. According to article No.(7) of the said contract, this amount was reduced by the amount of L.E 6 764 138 representing the Company's old shareholders' waive of their credit balance due from the Sixth of October for Development & Real Estate Projects Company "SOREAL" in favor of the Company as part of the purchasing price. However, the purchasing cost includes the amount of L.E 6 145 745 representing the payment of brokerage commission and others. The ownership of such shares was transferred under the name of the Company on 31/5/2007.

7- Available for sale investments

This item is represented as follows:

	<u>Legal form</u>	<u>Ownership %</u>	<u>Paid of participation %</u>	<u>Book value as at 30/9/2007 L.E</u>	<u>Book value as at 31/12/2006 L.E</u>
Egyptian Company for Development & Management of Smart Villages	S.A.E	0.98	100	4 250 000	2 317 300
Beverly Hills Co. for Management of Cities & Resorts	S.A.E	39.18	100	5 185 403	5 185 403
Total available for sale investments				<u>9 435 403</u>	<u>7 502 703</u>

During the period, the Company changed its accounting policy in respect of accounting for available for sale investments as a result of the application of the new Egyptian Accounting Standards issued by virtue of the decree of Minister of Investment No. 243 of 2006 which replaced the previous Egyptian Accounting Standards effective from the first of January 2007 especially the amendment of Egyptian Accounting Standard No. 26 "Financial Instruments – Recognition and Measurement" in which the Company currently re-measure available for sale investments at fair values (except investments in unquoted equity securities) which were previously stated at cost less impairment losses.

The change in accounting policy has no impact on comparative figures, the investments opening balance and equity as at 1/1/2007 since these investments are unquoted and there is a difficulty in determining its fair value. In addition, the change in accounting policy had no impact on earning per share.

8- Investment property

	<u>30/9/2007 L.E</u>	<u>31/12/2006 L.E</u>
Cost of land not utilized yet *	-	98 443 875
Book value of completed residential units leased out for others **	1 506 759	772 906
(net of accumulated depreciation of L.E 24 455)		
Balance as at September 30, 2007	<u>1 506 759</u>	<u>99 216 781</u>

* An amount of L.E 88 496 511 was re-classified to work in process caption as a result of the start of working in one of the new projects as indicated in note No. (11).

** The fair value of completed residential units leased out for others as at September 30, 2007 amounts to L.E 4 283 112 (an amount of L.E 2 107 280 as at December 31, 2006).

9- Long - term trade & notes receivables

This item is represented in the amortized cost of trade & notes receivables using the effective interest rate as follows:-

	30/9/2007 <u>L.E</u>	31/12/2006 <u>L.E</u>
Trade receivables	148 097 722	167 942 722
Notes receivables	301 531 149	99 706 096
	<u>449 628 871</u>	<u>267 648 818</u>
<u>Deduct:</u>		
Discount on trade & notes receivables	12 835 649	15 797 722
	<u>436 793 222</u>	<u>251 851 096</u>

10- Completed residential units ready for sale

This item consists of the cost of the completed residential units ready for sale in the first phase of the project and is represented as follows:

	30/9/2007 <u>L.E</u>	31/12/2006 <u>L.E</u>
Cost of completed commercial units in 3/A area	383 342	383 342
Cost of completed residential units in 3/B area	-	748 938
Cost of completed commercial units in 3/B area	496 736	1 418 448
Cost of completed chalets units in 4/A area	-	537 491
	<u>880 078</u>	<u>3 088 219</u>

11- Works in process

This item consists of the total costs related to works which are currently being undertaken. Details of these works are as follows:

	30/9/2007 <u>L.E</u>	31/12/2006 <u>L.E</u>
<u>Company's land intended for use</u>		
Cost of the Company's land intended for use *	85 139 111	-
Planning , survey , supervision & soil researches	26 363 055	-
	<u>111 502 166</u>	<u>-</u>
<u>Fourth phase costs (4A, 4B), exhibitions & others</u>		
Cost of land	66 765 290	85 561 915
Planning , survey , supervision & soil researches	6 006 978	4 287 900
Building & utilities	40 993 939	82 624 850
	<u>113 766 207</u>	<u>172 474 665</u>
	<u>225 268 373</u>	<u>172 474 665</u>

- * Represented in the cost of land whose its master plan was updated for carrying out of Allegria project which was reclassified from the investment property caption by total amount of L.E 88 496 511 after deducting the cost of land sold during the period amounted to L.E 3 357 400.

12- Trade & notes receivables

	30/9/2007 <u>L.E</u>	31/12/2006 <u>L.E</u>
Trade receivables	52 492 719	15 847 798
Notes receivables	131 393 863	102 927 339
	<u>183 886 582</u>	<u>118 775 137</u>
Impairment loss of trade & notes receivables	(200 000)	(200 000)
	<u>183 686 582</u>	<u>118 575 137</u>

13- Debtors & other debit balances

	30/9/2007 <u>L.E</u>	31/12/2006 <u>L.E</u>
Contractors & suppliers – advance payments	27 426 532	18 709 067
Interests receivable	399 346	4 284 149
Prepaid expenses	8 876 488	338 073
Deposits with others	135 488	169 440
SODIC Property Services- current account	8 428	93 925
Sixth of October for Development & Real Estate Projects (SOREAL) - current account *	13 003 789	-
Payments for the purchase of new lands **	188 033 735	-
Other debit balances	1 245 128	983 372
	<u>239 128 934</u>	<u>24 578 026</u>
Impairment loss of debtors & other debit balances	(355 157)	(344 835)
	<u>238 773 777</u>	<u>24 233 191</u>

- * This amount is represented in the payments made on behalf of Sixth of October for Development & Real estate Projects Company "SOREAL" in addition to the amount of L.E 6 764 138 which was waived by the old shareholders of SOREAL Company to the Company as mentioned in note No. (6).

- ** This item is represented in the full purchase price of a plot of land with an area of 78.87 feddens from New Urban Communities Authority – Sheikh Zyed City Organization – including an amount of L.E 5 476 711 in return for administrative expenses related to the said land has not delivered till the statement of financial position date. The Company issued checks totaled L.E 257 953 075 as deferred payment for the remaining installments due to Organization Pertaining the land including interest on these installments as detailed in note No. (24).

14 - Held for trading investments

	30/9/2007 <u>L.E</u>	31/12/2006 <u>L.E</u>
Investment– Themar Fund	59 268 828	-
	<u>59 268 828</u>	<u>-</u>

15 - Cash and cash equivalents

	30/9/2007 <u>L.E</u>	31/12/2006 <u>L.E</u>
Bank - time deposits	228 750 000	477 232 311
Bank - current accounts	265 076 933	313 804 042
Checks under collection	7 320 077	1 344 504
Cash on hand	395 673	474 342
Cash & cash equivalents in the statement of cash flows	<u>501 542 683</u>	<u>792 855 199</u>

16- Provisions

Movement on provisions during the period is represented as follows:-

	Balance as at 1/1/2007 <u>L.E</u>	Provision formed during the period <u>L.E</u>	Provision used during the period <u>L.E</u>	Balance as at 30/9/2007 <u>L.E</u>
Provision for completion of works*	39 947 204	55 272 014	43 286 442	51 932 776
Provision for claims **	2 722 649	52 200	-	2 774 849
	<u>42 669 853</u>	<u>55 324 214</u>	<u>43 286 442</u>	<u>54 707 625</u>

* This provision is formed for the estimated costs to complete the execution of the delivered works and expected to be incurred and finalized in 2007, 2008.

** This provision is formed for probable taxes and lawsuits.

17- Customers – deposits

This item is represented in the deposits for booking and contracting of units & lands not ready for delivery yet as follows:

	30/9/2007 <u>L.E</u>	31/12/2006 <u>L.E</u>
Land deposits – (Fourth area)	1 861 381	49 554 556
Deposits for booking , contracting & installments of residential units (Fourth area)	9 103 372	29 648 718
Deposits for booking , contracting & installments of villas (Fourth area)	2 440 457	13 731 515
Deposits for other lands	-	38 290 730
Deposits for 3 B units	-	488 608
Deposits for Desert Road exhibitions	180 867 465	-
Deposits – Allegria project	91 500 862	-
	<u>285 773 537</u>	<u>131 714 127</u>

18- Contractors & suppliers

	30/9/2007	31/12/2006
	<u>L.E</u>	<u>L.E</u>
Contractors	5 415 071	5 175 240
Suppliers	3 732 687	559 814
	<u>9 147 758</u>	<u>5 735 054</u>

19- Creditors & other credit balances

	30/9/2007	31/12/2006
	<u>L.E</u>	<u>L.E</u>
New Urban Communities Authority (note No.25) *	19 288 571	55 222 638
Deferred interest income	34 059 765	21 376 847
Accrued expenses	6 513 378	8 320 922
Due to Beverly Hills Co. for Management of Cities & Resorts	8 143 239	12 511 642
Liability for cash settled share-based payments transactions – Executive directors ***	28 059 273	853 117
Liability for cash settled share - based payments transactions – managers	3 314 025	-
Customers – credit balances	1 804 530	1 717 474
Tax Authority	6 994 077	4 723 789
Accrued compensated absence	480 757	151 832
Deposit collected from customers	3 872 691	788 912
Sundry creditors	1 958 297	1 659 172
	<u>114 488 603</u>	<u>107 326 345</u>

- * The amount due to New Urban Communities Authority was classified as short and long term as at 30/9/2007 in accordance with the new rescheduling stated in the letter of the Authority dated 14/1/2007 which includes determining the dates of repayment of the remaining installments of the land and rescheduling the installments and claims due from the Company at the statement of financial position date as follows:

Description

	<u>L.E</u>
Installment due on 30 /12 /2007	19 288 571
Assignment dues due on 30 / 12 / 2008 **	12 595 603
Total	31 884 174
Deduct : Long – term portion	12 595 603
Current portion	<u>19 288 571</u>

- ** This amount is represented in the present value of the amount for the assignment of an area of one million meter of land according to a claim received from New Urban Communities Authority of L.E 15 million on 19/9/2005 and due on 30/12/2008 after excluding the amortization of discount related to this assignment.

- *** This item is represented in the amount due to some executive directors as detailed in note No. (31).

20- Share capital

- The Company's authorized capital was determined at L.E 500 million (five hundred million Egyptian pounds).
- The Company's issued share capital before the increase amounted to L.E 167 981 070 (only hundred sixty seven million nine hundred eighty one thousand and seventy Egyptian Pounds) distributed over 16 798 107 shares at a par value of L.E 10 per share fully paid , and annotation was made in the Company's Commercial Registry to this effect.
- On July 10, 2003, the Company's Extraordinary General Assembly Meeting decided to reduce the Company's issued capital with an amount of L.E 8 134 750 (eight million hundred thirty four thousand seven hundred and fifty Egyptian Pounds) representing the par value of the treasury shares – according to article 48 of law No. 159 Of 1981 to L.E 159 846 320 (hundred fifty nine million eight hundred forty six thousand and three hundred and twenty Egyptian Pounds) distributed over 15 984 632 shares (fifteen million nine hundred eighty four thousand six hundred and thirty two shares). Capital Market Authority issued its letter No. 6610 on October 9, 2003 approving the reduction of the Company's issued capital, and annotation was made in the Company's Commercial Registry to this effect.
- On October 16, 2006, the Company's Extraordinary General Assembly Meeting has unanimously decided to:
- Approve the Company's board of directors resolution made on 10/9/2006 regarding the increase in the issued capital through offering 9 million shares to new shareholders in a private placement and increasing the shares offered in the private placement with 2 million to be allocated to the original shareholders with the same conditions and terms .Accordingly , the increase in the issued capital from L.E 159 846 320 to L.E 269 846 320 shall be within the limits of the authorized share capital amounting to L.E 500 million by issuing 11 million ordinary shares at a fair value of L.E 100 per share (representing a par value of L.E 10 in addition to a share premium of L.E 90) as determined by the Company's and prepared according to the average share price at Cairo & Alex Stock Exchange prevailing during the two periods (a week and two months, average share price for a week and two months) prior to the date of publishing the approval of the Company's board of directors on the capital increase made on 11/9/2006 .Subscription in the increase introduced to the new shareholders in a private offering shall be made as a deduction from the credit balances of these new shareholders directly paid to the Company before the date of the shareholders' meeting , and the credit balances set aside in the escrow account in favor of the Company as well as the credit balances that shall be transferred to the Company's account within three weeks from holding the shareholders' meeting on condition that the total of those credit balances should be added to the capital participation provided that the original shareholders shall be allowed to make subscriptions in the private offering of 2 million additional shares at the same terms and conditions (2 million shares of the increase shares) within a week after the lapse of 15 days from publishing the invitations of original shareholders to make the subscriptions.

In addition to the above , the shareholders meeting approved the board of directors resolution regarding the increase in the issued capital with one million shares where the board of directors shall be authorized to issue these shares at the same value in order to finance the employees and managers incentive and bonus plan.

- Approve assigning the preemption right of the original shareholders to subscribe in the issued capital increase by issuing 9 million shares to be allocated to the new shareholders, and authorize the board of directors to issue one million shares allocated for the employees and managers incentive and bonus plan at a fair value of L.E 100 per share , without applying the preemption right of the original shareholders stated in the Company's Articles of Association , and in light of using the credit balances to finance the purchase of 99.99 % of the Capital of Sixth of October Company for Real Estate Development. and the reasons of limiting the private placement to new shareholders, as well as the Company's expansion plan explained in detail at the shareholders meeting.

An amount equivalent to L.E 900 million was collected from the new shareholders of which L.E 90 million represents the par value of the increase shares 9 million shares, and the remaining L.E 810 million represent share premium of these shares as shown in note No. (22).Annotation was made in the Company's Commercial Registry on 18/12/2006.

- On 24/10/2006, convocation was made for the original shareholders to subscribe to 2 million shares at a fair value of L.E 100 per share. The amount subscribed to and paid till 20/11/2006 (the date of closing the subscription) is L.E 192 876 400 for 1 928 764 shares of which L.E 19 287 640 represents the par value of the shares subscribed to and L.E 173 588 760 represents share premium as stated in the Egyptian Gulf Bank certificate dated 26 / 11 / 2006.
- Accordingly, the Company's issued capital after the increase shall become L.E 269 133 960 (only two hundred sixty nine million, hundred thirty three thousand and nine hundred sixty Egyptian Pounds) distributed over a number of 26 913 396 shares at par value of L.E 10 per share fully paid, and annotation was made in the Company's Commercial Registry on 18/12 / 2006.
- On May 16, 2007 The Company's board of directors decided to approve the increase of the issued capital through the issuance of one million ordinary shares in favor of and under the account of incentive & bonus thus, in line with implementing the Extraordinary General Assembly decision dated on October 16, 2006. Capital Market Authority made its decision on June 28, 2007 regarding the approval of issuing the shares of the capital increase in the amount of one million ordinary nominal share with nominal value of L.E 10 for each share, and the total amount of the issuance is L.E 10 million that is fully paid in cash and equivalent to 100 % of the increase amount in addition to L.E 90 million as share premium to be transferred to the reserves, according to the certificate of Arab African International Bank's Head office as at June 5, 2007. Annotation was made in the Company's Commercial Registry on 5/7/2006.

Accordingly, the issued capital after the increase is amounting to L.E 279 133 960 (only two hundred seventy nine million one hundred thirty three thousands, and nine hundred and sixty Egyptian Pound) distributed over 27 913 396 cash share with nominal value of L.E 10 per share fully paid.

- On August 6, 2007, the Company's board of directors agreed to issue additional 500 000 share (Only five hundred thousand shares) to be allocated for the incentive and bonus plan and to be distributed to some of the Company's managers – according to the managing director nominations. Accordingly, the total increase in the issued share capital allocated for the employees' incentive and bonus plan shall become 1.5 million share (Only one million and five hundred thousand shares) instead of one million share only. The said increase shall be presented to the Company's Extra Ordinary General Assembly for approval and the managing director is delegated to determine the date.

21- Legal reserve

According to the Company's statutes, the Company is required to set aside 5 % of annual net profit to form a legal reserve. This transfer to legal reserve ceases once the reserve reaches 50 % of the issued share capital. The reserve balance as at September 30, 2007 is represented as follows :

	<u>L.E</u>
Legal reserve balance as at 1/1/2003	6 530 455
<u>Add:</u>	
Increase of the legal reserve with the difference between the par value of the treasury shares and its actual cost (according to the Company's Extra-Ordinary General Assembly Meeting held on July 10, 2003).	4 627 374
Increase of the legal reserve with part of capital increase share premium with limits of half of the Company's issued share capital during year 2006.(Note No. 22).	123 409 151
Legal reserve balance as at 31/12/2006	<u>134 566 980</u>
<u>Add:</u>	
Increase of the legal reserve with part of capital increase share premium during the period with limits of half of the Company's issued share capital. (Note No. 22).	5 000 000
Legal reserve balance as at 30/9/2007	<u><u>139 566 980</u></u>

22- Special reserve – share premium

The balance is represented in the remaining value of capital increase share premium for a number of 11 million shares during 2006 and share premium increase of one million share for the incentive and bonus plan during the period after deducting the amounts that have been credited to the legal reserve, and also after deducting the issuance expenses of such increase as follows:

Description	L.E
Total value of the capital increase share premium collected during 2006	983 588 760
<u>Deduct:</u>	
Amounts credited to the legal reserve according to the provision of Article No. (94) of the executive regulations of law No. 159 of 1981 related to the addition of the share premium to the legal reserve until equal to half of the issued capital.	123 409 151
Total issuance expenses attributable to the issuance of the capital increase shares during 2006.	27 740 255
Balance as at December 31, 2006	832 439 354
<u>Add:</u>	90 000 000
Share premium of the employees' incentive & bonus plan	
<u>Deduct:</u>	
Amounts credited to the legal reserve according to the provision of Article No. (94) of the executive regulations of law No. 159 of 1981 related to the addition of the share premium to the legal reserve until equal to half of the issued capital.	5 000 000
Balance as at September 30, 2007	917 439 354

23- **Treasury shares**

This item is represented in the amount paid by the Company in return for issuing one million ordinary share with a fair value of L.E 100 per share under the account and in favor of the incentive and bonus plan of the Company's employees and managers which are kept in Arab African International Bank as detailed in note No. (20) & (42).

24- **Long-term notes payable**

This item is represented in the value of checks issued to New Urban Communities Authority – Sheikh Zyed City Organization in return for the settlement of the remaining amount of the land referred to in note No. (13) including installments interests. These checks are due from 2/5/2010 till 2/5/2016 as follows:

	L.E
Total nominal value of the issued checks	257 953 075
Deduct: discount on notes payable	93 651 753
	164 301 322

25- **Land purchase creditors**

This item is represented in the value of the long- term installments due to New Urban Communities Authority, and which is related to the remaining value of the plot of land in Shiekh Zayed (Kilo 38 – Misr Alex. Desert Road) which was previously purchased by virtue of a preliminary contract on 19/11/1995 to use this land in order to divide it and build it and other purposes of the Company. The procedures of transferring the land's ownership in the name of the Company shall be undertaken as soon as the amounts due to the Authority are settled. The short term part which amounts to L.E 19 288 571 was included under the caption of creditors and other credit balances (note No. 19).

26- Net sales

The Company's operations are considered to fall into one broad class of business, sale of residential units and lands and hence, segmental analysis of assets and liabilities is not considered meaningful. Revenues can be analyzed as follows:

	<u>2007</u>		<u>2006</u>	
	<u>From 1/7/2007 till 30/9/2007</u>	<u>From 1/1/2007 till 30/9/2007</u>	<u>From 1/7/2006 till 30/9/2006</u>	<u>From 1/1/2006 till 30/9/2006</u>
	<u>L.E</u>	<u>L.E</u>	<u>L.E</u>	<u>L.E</u>
Sales of villas & residential units from first phase	811 849	3 022 086	4 155 931	5 251 705
Deduct: Sales returns of villas & residential units from first phase	-	82 500	1 924 694	2 273 971
Net sales of villas & residential units from first phase	811 849	2 939 586	2 231 237	2 977 734
Sales of Desert Road exhibitions	106 787 554	106 787 554	-	-
Sales of lands	3 993 043	159 248 185	24 074 395	56 036 169
Sales of cinema lands	-	-	2 500 000	2 500 000
Sales of residential units & villas from second phase	10 736 754	37 859 565	4 623 726	4 623 726
Sales of land & building of the club to Beverly Hills *	-	14 500 000	-	-
	122 329 200	321 334 890	33 429 358	66 137 629
Deduct:-				
Deferred interest income	-	-	3 686 463	3 686 463
Special discount	1 952	84 126	-	73 259
	122 327 248	321 250 764	29 742 895	62 377 907

* On 28/3/2007, the board of directors decided to sell an area of 10 thousand square meter of land on which a club is erected to Beverly Hills Co. for Management of Cities & Resorts (a related party). The club was delivered to Beverly Hills Co. on 29/3/2007.

This item consists of the following:

	<u>2007</u>		<u>2006</u>	
	<u>From 1/7/2007 till 30/9/2007</u>	<u>From 1/1/2007 till 30/9/2007</u>	<u>From 1/7/2006 till 30/9/2006</u>	<u>From 1/1/2006 till 30/9/2006</u>
	<u>L.E</u>	<u>L.E</u>	<u>L.E</u>	<u>L.E</u>
Cost of villas & residential units	374 410	1 645 624	2 516 397	3 150 262
Deduct: Cost of sales returns	-	35 298	1 292 331	1 424 885
Net cost of villas & residential units sold from first phase	374 410	1 610 326	1 224 066	1 725 377
Cost of villas & residential units sold from second phase	8 220 310	28 716 400	3 730 468	3 730 468
Cost of lands sold	1 370 514	58 872 774	10 283 305	33 793 396
Cost of Desert Road exhibitions sold	44 737 818	44 737 819	-	-
Cost of land & building of the club to Beverly Hills Co.	-	6 982 215	-	-
	<u>54 703 052</u>	<u>140 919 534</u>	<u>15 237 839</u>	<u>39 249 241</u>

28- Other operating revenues

This item consists of the following:

	<u>2007</u>		<u>2006</u>	
	<u>From 1/7/2007 till 30/9/2007</u>	<u>From 1/1/2007 till 30/9/2007</u>	<u>From 1/7/2006 till 30/9/2006</u>	<u>From 1/1/2006 till 30/9/2006</u>
	<u>L.E</u>	<u>L.E</u>	<u>L.E</u>	<u>L.E</u>
Realized interest income from installments during the period	3 177 687	11 994 634	669 204	3 513 297
Sundry income	1 432 122	3 720 218	460 270	1 149 411
Provision - no longer required	-	-	1 000 000	1 499 321
Gain on sale of fixed assets	56 000	181 150	210 032	488 685
	<u>4 665 809</u>	<u>15 896 002</u>	<u>2 339 506</u>	<u>6 650 714</u>

29- Selling & marketing expenses

This item consists of the following:

	<u>2007</u>		<u>2006</u>	
	<u>From 1/7/2007 till 30/9/2007</u>	<u>From 1/1/2007 till 30/9/2007</u>	<u>From 1/7/2006 till 30/9/2006</u>	<u>From 1/1/2006 till 30/9/2006</u>
	<u>L.E</u>	<u>L.E</u>	<u>L.E</u>	<u>L.E</u>
Salaries & wages	895 878	2 091 835	244 738	486 038
Commission for sales employees	-	7 194 692	432 036	503 399
Sales commissions *	(59 190)	510 036	2 956 897	2 956 897
Advertising	1 786 176	4 697 073	-	-
Market research & consultancy	46 673	296 403	-	-
Printouts & photocopy	38 202	231 066	71 775	78 387
Conferences & exhibitions	-	109 012	-	-
Rents	121 047	263 838	26 348	97 196
Others	143 828	420 369	338 231	588 810
	<u>2 972 614</u>	<u>15 814 324</u>	<u>4 070 025</u>	<u>4 710 727</u>

- * This item is represented in marketing and sales commissions for some residential units and lands made by SODIC Property Services Co. (a subsidiary) at ratio of 4% of total sales made by it in accordance with the joint venture agreement concluded between the Company and Betna for Investment & Marketing of Real Estate Co. dated June 15, 2006.

30- General & administrative expenses

This item consists of the following:

	<u>2007</u>		<u>2006</u>	
	<u>From 1/7/2007 till 30/9/2007</u>	<u>From 1/1/2007 till 30/9/2007</u>	<u>From 1/7/2006 till 30/9/2006</u>	<u>From 1/1/2006 till 30/9/2006</u>
	<u>L.E</u>	<u>L.E</u>	<u>L.E</u>	<u>L.E</u>
Salaries & wages	1 265 070	3 497 490	429 089	1 810 590
Cash settled share - based payments	3 314 025	3 314 025	-	-
Employees training & development	499 041	1 537 083	-	-
Professional & consultancy	995 416	2 425 544	45 000	167 620
Advertising	530 292	946 255	38 500	345 600
Donations	5 000 000	5 000 000	-	-
Maintenance of gardens	452 830	1 263 401	118 216	284 392
Administrative depreciation of fixed assets & rented units	243 174	552 900	26 496	71 411
Bid & tenders	423 725	1 482 830	-	-
Subscriptions & governmental dues	139 479	350 026	34 848	143 135
Rents	-	4 260	-	59 862
Others	1 156 663	2 539 664	368 115	643 648
	<u>14 019 715</u>	<u>22 913 478</u>	<u>1 060 264</u>	<u>3 526 258</u>

31- Board of directors remunerations

This item consists of the following:

	<u>2007</u>		<u>2006</u>	
	<u>From 1/7/2007 till 30/9/2007</u>	<u>From 1/1/2007 till 30/9/2007</u>	<u>From 1/7/2006 till 30/9/2006</u>	<u>From 1/1/2006 till 30/9/2006</u>
	<u>L.E</u>	<u>L.E</u>	<u>L.E</u>	<u>L.E</u>
Remunerations & bonuses	815 242	2 205 326	684 418	1 990 541
Attendance & transportations allowances	12 000	36 000	8 000	38 000
Cash settled share - based payments *	12 754 254	29 793 361	980 878	1 435 856
	<u>13 581 496</u>	<u>32 034 687</u>	<u>1 673 296</u>	<u>3 464 397</u>

- * On May 16, 2006, the Company's board of directors decided to grant share appreciation rights to some executive board members that entitle them to future cash payments as part of their salaries & bonuses packages. The amount of the cash payment is determined based on the increase in the share price of the Company from grant date until vesting date. The board of directors held in the same session approved some other benefits to the Company's managing director which are represented in granting him share appreciation rights for a number of 750 thousand of the Company' shares with exercise price of L.E 75 per share effective from 1/4/2006 and for five years period provided that achieving certain terms and conditions.

On 28/3/2007, the board of directors agreed on the monthly salary and the additional benefits granted to the managing director within the employees' bonuses and incentive plan (note No. 42) starting from 1/4/2006.

The terms and conditions of the grants which are settled in cash to beneficiaries are as follows:

<u>Employees entitled</u>	<u>Grant date</u>	<u>Number of shares In thousands</u>	<u>Fair value of share at grant date</u>	<u>Market value of share at 30/9/2007</u>	<u>Conditions</u>
- Some executive board members	1/4/2006	-	75	149.95	-Vested after 6 months of period from grant date (salaries)
- One of the executive board members	28/3/2007	750	154.92	149.95	- Additional benefits for 5 years working in the Company and exercise period from 31/3/2007 till 31/3/2011. The beneficiary is not entitled to this right if the performance of the Company' share is below CASE 30 by more than 20% for 2 consecutive years during the vesting period.
- Some board directors	23/9/2007	75	176.85	176.97	-Additional benefits for 5 years working in the Company and exercise period from 31/3/2007 till 31/3/2011.

The amount of expense charged to the income statement during the period amounted to L.E 4 555 786 as salaries and L.E 25 237 575 as additional benefits and the corresponding liability for both amounted to L.E 28 059 273 included under creditors & other credit balances caption in the statement of financial position.

32- Other operating expenses:

This item is represented as follows:

	<u>2007</u>		<u>2006</u>	
	<u>From 1/7/2007 till 30/9/2007</u>	<u>From 1/1/2007 till 30/9/2007</u>	<u>From 1/7/2006 till 30/9/2006</u>	<u>From 1/1/2006 till 30/9/2006</u>
	<u>L.E</u>	<u>L.E</u>	<u>L.E</u>	<u>L.E</u>
Discount for early payment	249 795	899 576	323 029	563 772
Provisions for claims	7 950	52 200	7 500	279 324
Impairment loss of debtors & other debit balances	-	10 322	-	145 016
Loss on sale of fixed assets	-	38 110	-	-
	<u>257 745</u>	<u>1 000 208</u>	<u>330 529</u>	<u>988 112</u>

33- Financial income

This item is represented as follows:

	<u>2007</u>		<u>2006</u>	
	<u>From 1/7/2007 till 30/9/2007</u>	<u>From 1/1/2007 till 30/9/2007</u>	<u>From 1/7/2006 till 30/9/2006</u>	<u>From 1/1/2006 till 30/9/2006</u>
	<u>L.E</u>	<u>L.E</u>	<u>L.E</u>	<u>L.E</u>
Interest income	7 816 444	23 233 567	311 374	941 908
Interest income from treasury bills	-	6 886 108	-	-
Interest income from available for sale investments	-	668 005	251 846	251 846
Unrealized gain on held for trading investments	566 721	566 721	-	-
	<u>8 383 165</u>	<u>31 354 401</u>	<u>563 220</u>	<u>1 193 754</u>

34- Financial expenses

This item is represented as follows:

	<u>2007</u>		<u>2006</u>	
	<u>From 1/7/2007 till 30/9/2007</u>	<u>From 1/1/2007 till 30/9/2007</u>	<u>From 1/7/2006 till 30/9/2006</u>	<u>From 1/1/2006 till 30/9/2006</u>
	<u>L.E</u>	<u>L.E</u>	<u>L.E</u>	<u>L.E</u>
Interest charges	37 800	96 220	2 436 701	8 113 315
Deferred interest for the assignment amount due to the Authority	432 497	1 253 448	376 085	1 089 955
Foreign exchange loss	3 075 646	3 497 973	(522)	8 468
	<u>3 545 943</u>	<u>4 847 641</u>	<u>2 812 264</u>	<u>9 211 738</u>

35- Deferred tax

35-1 Current income tax expense

Current income tax expense is represented in the tax due on time deposits which is to be taxed in separate tax bracket in accordance with Law No. 91 of 2005.

35-2 Deferred tax liabilities

	<u>30/9/2007</u>		<u>31/12/2006</u>	
	<u>Assets</u>	<u>Liabilities</u>	<u>Assets</u>	<u>Liabilities</u>
	<u>L.E</u>	<u>L.E</u>	<u>L.E</u>	<u>L.E</u>
Fixed assets	-	119 867	-	39 642
Provisions	3 520 877	-	-	-
Other items	5 710 320	-	-	-
Total tax asset/liability	9 231 197	119 867	-	39 642
Net tax asset/liability	9 111 330	-	-	39 642

35-3 Unrecognized deferred tax assets

	<u>30/9/2007</u>	<u>31/12/2006</u>
	<u>L.E</u>	<u>L.E</u>
Deductible temporary differences	3 851 908	8 344 337
Total	3 851 908	8 344 337

Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Company can utilize the benefits therefrom.

36- Earnings per share

Earnings per share is calculated by using weighted average method to number of shares outstanding during the period as follows:

	<u>2007</u>		<u>2006</u>	
	<u>From 1/7/2007</u>	<u>From 1/1/2007</u>	<u>From 1/7/2006</u>	<u>From 1/1/2006</u>
	<u>till 30/9/2007</u>	<u>till 30/9/2007</u>	<u>till 30/9/2006</u>	<u>till 30/9/2006</u>
	<u>L.E</u>	<u>L.E</u>	<u>L.E</u>	<u>L.E</u>
Net profit for the period	47 923 044	158 167 150	7 461 404	9 071 902
Weighted average number of shares outstanding during the period	27 913 396	27 341 967	15 984 632	15 984 632
Earnings per share (L.E / share)	1.72	5.78	0.47	0.57

* Weighted average to number of outstanding shares during the period is calculated as follows:

	<u>2007</u>		<u>2006</u>	
	<u>From 1/7/2007</u>	<u>From 1/1/2007</u>	<u>From 1/7/2006</u>	<u>From 1/1/2006</u>
	<u>till 30/9/2007</u>	<u>till 30/9/2007</u>	<u>till 30/9/2006</u>	<u>till 30/9/2006</u>

	<u>share</u>	<u>share</u>	<u>share</u>	<u>share</u>
Issued shares at January 1st	27 913 396	26 913 396	15 984 632	15 984 632
Effect of the new shares issued on June 2007	-	428 571	-	-
Weighted average number of shares outstanding during the period.	<u>27 913 396</u>	<u>27 341 967</u>	<u>15 984 632</u>	<u>15 984 632</u>

37- Transactions with related parties

Related parties are represented in the Company' shareholders , board of directors, executive directors and/or companies in which they own directly or indirectly shares giving them significant influence or controls over the Group. The Company made several transactions with related parties and these transactions have been done in accordance with the terms determined by the Board of Directors of the Company. Summary of significant transactions concluded and the resulting balances at the financial position date were as follows:-

a) Transactions with related parties

<u>Party</u>	<u>Relationship</u>	<u>Nature of transaction</u>	<u>Financial period</u>	<u>Financial period</u>
			<u>From 1/1/2007</u>	<u>From 1/1/2006</u>
			<u>till 30/9/2007</u> <u>Amount of</u> <u>transaction</u>	<u>till 30/9/2006</u> <u>Amount of</u> <u>transaction</u>
			<u>L.E</u>	<u>L.E</u>
National Bank of Egypt	-	Finance charges	-	8 028 060
Rabyia for Agricultural & Urban Development Co.	An associate	Works of mowing , agriculture , irrigation , drainage and other	-	1 282 382
Beverly Hills Co. for Management of Cities & Resorts	The Company has participation of 39.19 % in its issued share capital	Works of agriculture, maintenance & security services for Beverly Hills City.	1 788 493	546 140
		Value of land & building of the club	14 500 000	-
SODIC Property Services Co.	A subsidiary	Commissions	510 036	2 956 897
		Expenses made on its behalf	84 749	2 445 728
Sixth of October for Development & Real Estate Projects	A subsidiary	Expenses & payments on behalf of the Company.	6 239 646	-
		The assigned amount from the old shareholders to the Company.	6 764 138	-
Royal Gardens for Investment Property *	An associate	Recognized from deferred interest	2 962 073	-
Board of directors	Board of directors	Collections from sale of residential units & lands.	57 438	20 073 516
		Remunerations & bonuses of the	32 034 687	3 464 397

board members (note No. 31)

Sale of lands and residential units to some of the board members	-	20 016 280
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b) Resulting balances from these transactions

<u>Party</u>	<u>Item as shown in statement of financial position</u>	<u>30/9/2007 L.E</u>	<u>31/12/2006 L.E</u>
Rabyia for Agricultural & Urban Development Co.	Contractors – advance payments	49 500	49 500
	Contractors & suppliers	146 629	146 629
Beverly Hills Co. for Management of Cities & Resorts	Debtors & other debit balances (note No. 13)	33 196	23 831
	Trade & notes receivable (note No. 12)	14 500 000	-
	Creditors & other credit balances (note No. 19)	330 876	282 080
SODIC Property Services Co.	Debtors & other debit balances (note No. 13)	8 428	93 925
Royal Gardens for Investment Property	Trade & notes receivable (note No. 9 & 12)	167 580 000	167 580 000
Sixth of October for Development & Real Estate Projects	Debtors & other debit balances (note No. 13)	13 004 400	-
Board of directors	Trade & notes receivable (note No. 12)	95 502	152 944
	Liability for cash settled share – based payments transactions included in creditors & other credit balances caption (note No. 19)	28 059 273	853 117

38- Legal position

There is a dispute between the Company and a party regarding the contract concluded between them on 23/2/1999 which is related to delivering this party the plot of land as a usufruct right for an indefinite period of time and a return for an annual rental with a minimal amount for a total of 69 feddens approximately and which has not been delivered up till this date, as the management of this party did not abide by the detailed conditions of the contract. There are exchanged notifications concerning this land between the management of the Company and the management of this party. The legal counselor is of the opinion that the Company's position in this dispute enables it to maintain this land, and the legal dispute shall be settled according to the court judgment that can not be predetermined.

39- Tax status

The Company is exempted from Corporate Profit Tax for a period of ten years starting from the next year of starting activity in accordance with law No. 59 of 1979 concerning the New Urban Communities (The exemption will be ended on December 31, 2007). The

tax exemption was registered on the Company's tax card. Summary of the Company's tax status at the statement of financial position date follows:

Corporate profit tax

- The Tax Authority assessed Corporate profit tax and moveable income tax for the years from 1996 till 2000 on deemed basis . the Company was notified by the tax foms and the Company has objected on such assessment and the dispute is still regarded on the Internal Committee .
- No tax inspection has been carried out for year 2001 till authorizing these financial statements for issuance.
- The Company submits its annual tax return on due dates in accordance with Law No. 91 of 2005.

Salary tax

- Tax inspection was carried out until 2001 and the tax claims was paid according to the assessment of the Internal Committee and the years from 2000: 2001 were inspected and the differences were taken to the internal committee. The resulting differences were paid according to the assessment of the Internal Committee in September 2004.
- The years 2002, 2003, 2004 were inspected & the Company did not receive any tax claims till authorizing these financial statements for issuance.

Withholdin tax

- Tax inspection was carried out for the previous years and also till the second quarter of 2007 & the Company did not receive any tax claims till authorizing these financial statements for issuance.

Stamp tax

Tax inspection was carried out for the previous periods and also till 30/6/2007 & the Company did not receive any tax claims till authorizing these financial statements for issuance

Sales tax

- The Company was inspected from inception till August 2003 and tax difference was paid.
- No tax inspection for the following periods has been carried out till authorizing these financial statements for issuance.

40- Capital commitments

- The contracts concluded with others related to construction, utilities and site works amounted to L.E 116 740 634 (December 31, 2006: L.E 111.73 million) and the executed part of these contracts till 30/9/2007 amounted to L.E 69 172 639 (December 31, 2006: L.E 58.39 million).
- Contributions in long – term investments that have not been requested till the statement of financial position date amounted to about L.E 3 million (December 31, 2006: L.E 303.16 million).

41- Financial instruments & risk management

The financial instruments of the Company are represented in the financial assets and liabilities. The financial assets include cash at banks and on hand, investments in treasury bills and Central Bank of Egypt bonds, notes receivable, some trade receivables and debtors & other debit balances and the financial liabilities include bank facilities, customer – deposits, loans, land purchase creditors, contractors, some suppliers & notes payable and creditors & other credit balances.

The Company does not enter into derivative transactions for the purpose of trading or hedging exposure to fluctuations in the foreign exchange rates or interest rates.

The main risks arising from the Company's operations are credit risk, interest rate risk and foreign currency risk.

a) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur financial loss.

The Company's financial assets include trade receivables representing amounts due from customers, time deposits and investment balances; these financial assets do not represent a significant concentration of risk.

Trade receivables are widely spread among customers' segmentation. Strict credit control is maintained and further appropriate level of impairment loss is made. The Company manages the credit risk on investment by ensuring that investments are made only after careful credit evaluation of these investments.

The time deposits are placed with commercial banks after careful credit evaluation of those banks.

b) Interest rate risk

Interest rate risk is the risk that the value of financial instrument will fluctuate due to changes in market interest rates.

The Company is exposed to interest rate risk on its time deposit. These are short-term in nature and are denominated in the US Dollar and Egyptian Pound. The average interest rate yield from short-term deposits were:

	<u>30/9/2007</u>	<u>31/12/2006</u>
Egyptian Pound	7.2%	6.4%
US Dollar	4.8%	4.8%

c) **Foreign currency risk**

Foreign currency risk is the risk that the value of financial instrument will fluctuate due to change in the foreign exchange rates.

The Company is exposed to foreign currency risk on its foreign transactions. The currencies giving rise to this risk are primarily US Dollar.

As of September 30, 2007, the Company's assets and liabilities denominated in foreign currencies amounted to the equivalent of LE 154 206 090 and LE 3 725 907 respectively. The Company's net foreign currencies exposure were as follows:

<u>Foreign currency</u>	<u>30/9/2007</u>	<u>31/12/2006</u>
	<u>Surplus</u>	<u>Surplus</u>
US Dollar	26 991 961	30 809 254
UAE Dirham	-	103 570

d) **Fair value of financial instruments**

- The fair value is the amount for which an asset could be exchanged or a liability settled between knowledgeable willing parties on an arm's length basis.
- Except for investment in unquoted equity security, classified as available-for-sale, whose fair value can not be reliably estimated and therefore stated at cost, the carrying value of the Company's other financial instruments approximates their fair values.

- **Estimation of fair values**

The following summarizes the major methods and assumptions used in estimating the fair values of financial instruments:

Securities

Fair value is based on quoted market price declared at the statement of financial position date without any deduction for transaction costs except for the unquoted equity security, referred to above, which is stated at cost less impairment losses.

Receivables and payables

For receivables/payables with a remaining life of less than one year, the notional amount is deemed to reflect the fair value.

42- Incentive and bonus plan of the Company's employees and managers

On 16 October 2006, the Company's Extra - Ordinary General Assembly unanimously agreed to approve the incentive plan of the Company's employees and managers by setting it in the Company's statutes according to the proposal suggested by the board of directors , and authorizing the Company's board of directors to issue million share with a fair value of L.E 100 per share in application the incentive plan of the Company's employees and managers , and appointing an independent committee for supervising the execution of this plan formed by non – executive members in the board of directors , as well as delegating the Company's managing director to amend the provisions of the Company's statutes and which is related to capital's increase and applying the incentive and bonus plan of the Company's employees and managers. The articles pertaining to the Company 'statues were amended on 24/10/2006.

The following are the main features of the incentive and bonus plan of employees, managers and executive board directors:

- The incentive and bonus plan works through allocation of shares for the employees, managers and executive board directors and to sell these shares in favor of them with preferential terms.
- Duration of the plan is four years starting from the date of approval of the plan by the Shareholders meeting and each beneficiary is allocated during this period a specified number of shares each year over the plan years according to the allocated shares outlined in the appendix of this plan.
- The price of share was determined for the beneficiary at L. E 75 per share.
- The Company shall finance the issuance of the shares of the increase allocated in application of the plan and the value of shares due to the Company will be paid from the proceeds of sale in favor of the beneficiary before the payment of the difference to the beneficiary.
- On March 28, 2007 the board of directors approved the agreement of marinating the shares of the incentive and bonus plan of employees, managers and executive board directors with Arab African International Bank. The agreement concluded between the Company and Arab African International Bank was signed on 15 April 2007. In accordance with the details in note No. (20) the shares of the plan were issued and financed by the Company. Annotation of this increase was registered in the Commercial Registry on July 5, 2007.
- On September 23, 2007 , The supervising committee of the incentive & bonus plan of the Company's employees, executive directors and managers agreed to the selection of the beneficiaries and also the number of shares allocated to each one of them. Accordingly, the whole shares of the plan were allocated in full.

43- Acquisition of shares of Palm Hills Company for Development

On 16 December 2006, the Company's board of directors agreed to acquire 100% of shares of Palm Hills Company for Development –S.A.E – through increasing the Company' issued capital with its fair value, and swapping the increase shares and the shares of Palm Hills Company for Development .Also the board has agreed to delegate the managing director to enter into the acquisition negotiations provided that the matter should be submitted before the Company's Extra-Ordinary General Assembly Meeting for approval.

On 10 May 2007, the acquisition process of Palm Hills Company for Development through share swap was ceased since one of the prior significant and main terms of the share swap agreement dated 27 December 2006 has not been fulfilled. A disclosure of this matter was made by virtue of a letter submitted by SODIC to the Stock Exchange on 10 May 2007 and also an explanatory letter was sent to Capital Market Authority on 13 May 2007.

Additionally, on 16 May 2007, the board of directors has agreed to irrevocably cancel the acquisition process of the full shares of Palm Hills Company for Development and has decided to settle this position softly between the two companies.

44- Comparative figures

Some comparative figures were reclassified to conform to the current presentation of the financial statements. These reclassifications are listed below:

	<u>L.E</u>
Provision for claims	(2 213 152)
Creditors & other credit balances – Corporate tax	2 213 152