

*Translation from Arabic*

**Sixth of October for Development and Investment Company**  
**“SODIC”**  
**(An Egyptian Joint Stock Company)**  
**Consolidated Financial Statements**  
**For The Financial Year Ended 31 December 2007**  
**And Auditor’s Report**

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*Translation from Arabic*

**Auditor's Report**  
**To the Shareholders of Sixth of October for Development and Investment Company "SODIC"**

We have audited the accompanying consolidated financial statements of Sixth of October for Development and Investment Company "SODIC" represented in the consolidated balance sheet as at 31 December 2007, consolidated statements of income, changes in equity and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated 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 about whether the financial statements are free of material misstatement. An audit includes, examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statements presentation. We have obtained the information and explanations, which we deemed necessary for our audit. We believe that our audit provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above together with the notes attached thereto present fairly, in all material respects, the consolidated financial position of the Company as at 31 December 2007, the consolidated results of its operations and cash flows for the financial year then ended, in accordance with Egyptian Accounting Standards and in compliance with the relevant Egyptian laws and regulations.

**KPMG Hazem Hassan**

Cairo, 17 March 2008

**Sixth of October for Development and Investment Company "SODIC"**  
**(An Egyptian Joint Stock Company)**  
**Consolidated Balance Sheet**  
**As at December 31, 2007**

|   | Note<br>No. | 31/12/2007<br>L.E    | 31/12/2006<br>L.E    |
|---|-------------|----------------------|----------------------|
| <b><u>Long - term assets</u></b>                                  |             |                      |                      |
| Fixed assets  | (6)         | 12 266 854           | 1 393 242            |
| Intangible assets   | (7)         | 380 907              | 314 600              |
| Projects under construction                                       | (8)         | 21 913 337           | 606 618              |
| Investments in associates   | (9)         | 2 634 064            | 4 689 205            |
| Available for sale investments                                    | (10)        | 4 250 000            | 7 502 703            |
| Payment under account of acquisition of subsidiaries              |             | -                    | 217 985 466          |
| Investment property   | (11)        | 1 499 103            | 99 216 781           |
| Trade & notes receivables   | (13)        | 337 558 530          | 233 243 461          |
| Deferred tax assets   | (40-2)      | 14 527 584           | -                    |
| <b>Total long - term assets</b>                                   |             | <b>395 030 379</b>   | <b>564 952 076</b>   |
| <b><u>Current assets</u></b>                                      |             |                      |                      |
| Completed residential units ready for sale                        | (14)        | 880 078              | 3 088 219            |
| Works in process  | (15)        | 882 271 651          | 168 444 665          |
| Trade & notes receivable  | (16)        | 177 349 915          | 115 805 925          |
| Debtors & other debit balances                                    | (17)        | 261 327 253          | 24 197 428           |
| Held for trading investments                                      | (18)        | 77 670 614           | -                    |
| Cash at banks & on hand   | (19)        | 467 252 796          | 793 824 749          |
| <b>Total current assets</b>                                       |             | <b>1 866 752 307</b> | <b>1 105 360 986</b> |
| <b><u>Current liabilities</u></b>                                 |             |                      |                      |
| Provisions  | (20)        | 67 886 576           | 42 669 853           |
| Bank - credit balances  |             | 44 941               | -                    |
| Customers - deposits  | (21)        | 119 487 975          | 131 714 127          |
| Contractors, suppliers & notes payable                            | (22)        | 11 536 378           | 5 735 054            |
| Creditors & other credit balances                                 | (23)        | 134 245 102          | 86 477 113           |
| <b>Total current liabilities</b>                                  |             | <b>333 200 972</b>   | <b>266 596 147</b>   |
| <b>Working capital</b>  |             | <b>1 533 551 335</b> | <b>838 764 839</b>   |
| <b>Total investments</b>  |             | <b>1 928 581 714</b> | <b>1 403 716 915</b> |
| <b>These investments are financed as follows:</b>                 |             |                      |                      |
| <b><u>Equity</u></b>  |             |                      |                      |
| Issued & fully paid in capital                                    | (25)        | 279 133 960          | 269 133 960          |
| Legal reserve   | (26)        | 139 566 980          | 134 566 980          |
| Special reserve - share premium                                   | (27)        | 917 439 354          | 832 439 354          |
| Treasury shares   | (28)        | ( 80 000 000)        | -                    |
| Set aside amount for bouns & incentive plan                       | (29)        | 3 750 000            |                      |
| Retained earnings (carried forward losses)                        |             | 154 040 713          | ( 68 874 061)        |
| Net profit for the year   |             | 331 535 035          | 222 914 774          |
| <b>Total equity attributable to equity holders of the Company</b> |             | <b>1 745 466 042</b> | <b>1 390 181 007</b> |
| <b>Minority interest</b>  | (24)        | <b>18 814 350</b>    | <b>655 214</b>       |
| <b>Total equity</b>   |             | <b>1 764 280 392</b> | <b>1 390 836 221</b> |
| <b><u>Long-term liabilities</u></b>                               |             |                      |                      |
| Notes payable   | (30)        | 164 301 322          | -                    |
| Land purchase creditors   |             | -                    | 12 841 052           |
| Deferred tax liabilities  | (40- 2)     | -                    | 39 642               |
| <b>Total long-term liabilities</b>                                |             | <b>164 301 322</b>   | <b>12 880 694</b>    |
| <b>Total equity and long - term liabilities</b>                   |             | <b>1 928 581 714</b> | <b>1 403 716 915</b> |

\* \* The accompanying notes on pages form (5) to (50) are an integral part of these consolidated financial statements and to be read therewith.

Administrative & financial Manager

Mr. Hany Henery

Managing Director

Mr. Maher Maksoud

Chairman

Mr. Magdy Rasekh

\* \* Auditor's Report " attached "

**Sixth of October for Development and Investment Company "SODIC"**  
**(An Egyptian Joint Stock Company)**  
**Consolidated Income Statement**  
**For The Financial Year Ended December 31, 2007**

|  | <b>Note<br/>No.</b> | <b><u>2007</u><br/><u>L.E</u></b> | <b><u>2006</u><br/><u>L.E</u></b> |
|--|---------------------|-----------------------------------|-----------------------------------|
| Net sales  | (31)                | 486 623 970                       | 359 446 354                       |
| Cost of sales                                      | (32)                | (162 768 782)                     | (113 353 292)                     |
| <b>Gross profit</b>                                |                     | <u>323 855 188</u>                | <u>246 093 062</u>                |
| <b><u>Add:</u></b>                                 |                     |                                   |                                   |
| Other operating revenues                           | (33)                | 31 542 391                        | 7 585 454                         |
| Selling & marketing expenses                       | (34)                | (24 860 780)                      | (8 895 479)                       |
| General & administrative expenses                  | (35)                | (26 983 603)                      | (8 348 605)                       |
| Board of directors remunerations & allowances      | (36)                | (16 563 110)                      | (5 115 741)                       |
| Other operating expenses                           | (37)                | (3 025 532)                       | (3 758 683)                       |
| Operating profit                                   |                     | <u>283 964 554</u>                | <u>227 560 008</u>                |
| Finance income                                     | (38)                | 41 416 311                        | 11 320 105                        |
| Finance expenses                                   | (39)                | (7 310 717)                       | (14 947 381)                      |
| Net finance income (costs)                         |                     | <u>34 105 594</u>                 | <u>(3 627 276)</u>                |
| Share in profits / losses in associates            |                     | 4 820 550                         | ( 813 102)                        |
| <b>Net profit for the year before income tax</b>   |                     | <u>322 890 698</u>                | <u>223 119 630</u>                |
| <b><u>Deduct</u></b>                               |                     |                                   |                                   |
| Current income tax expense                         | (40-1)              | 6 275 443                         | -                                 |
| Deferred income tax expense (benefit)              | (40-2)              | (14 599 189)                      | 39 642                            |
| <b>Net profit for the year after income tax</b>    |                     | <u>331 214 444</u>                | <u>223 079 988</u>                |
| <b>Net profit for the year attributable to:</b>    |                     |                                   |                                   |
| Equity holders of the Company                      |                     | 331 535 035                       | 222 914 774                       |
| Minority share in profits (losses) of subsidiaries |                     | ( 320 591)                        | 165 214                           |
| <b>Net profit for the year</b>                     |                     | <u>331 214 444</u>                | <u>223 079 988</u>                |
| Earning per share (L.E / Share)                    | (41)                | <u>12.06</u>                      | <u>12.70</u>                      |

\* \* The accompanying notes on pages form (5) to (50) are an integral part of these consolidated financial statements and to be read therewith.

**Sixth of October for Development and Investment Company "SODIC"**  
**(An Egyptian Joint Stock Company)**  
**Consolidated Statement of Changes in Equity**  
**For The Financial Year Ended December 31, 2007**

|   | <u>Note No.</u> | <u>Issued &amp; paid up capital</u><br>L.E | <u>Legal reserve</u><br>L.E | <u>Special reserve-share premium</u><br>L.E | <u>Treasury shares</u><br>L.E | <u>Set aside for bouns &amp; incentive plan</u><br>L.E | <u>Retained earnings (carried forward losses)</u><br>L.E | <u>Net profit for the year</u><br>L.E | <u>Equity attributable to equity holders of the Company</u><br>L.E | <u>Minority interest</u><br>L.E | <u>Total equity</u><br>L.E |
|---|-----------------|--|-----------------------------|---|-------------------------------|--|--|---------------------------------------|--|---------------------------------|----------------------------|
| <b>Balance as at January 1, 2006</b>                        |                 | 159 846 320                                | 11 157 829                  | -   | -                             | -  | ( 110 012 263)   | 41 138 202                            | 102 130 088  | -                               | 102 130 088                |
| Amounts transferred to carried forward lossess              |                 | -  | -                           | -   | -                             | -  | 41 138 202   | ( 41 138 202)                         | -  | -                               | -                          |
| New shares issued   |                 | 109 287 640                                | -                           | -   | -                             | -  | -  | -                                     | 109 287 640  | -                               | 109 287 640                |
| Share premium   |                 | -  | 123 409 151                 | 860 179 609                                 | -                             | -  | -  | -                                     | 983 588 760  | -                               | 983 588 760                |
| Issuance expenses of new shares issued                      |                 | -  | -                           | ( 27 740 255)                               | -                             | -  | -  | -                                     | ( 27 740 255)  | 490 000                         | ( 27 250 255)              |
| Net profit for the year                                     |                 | -  | -                           | -   | -                             | -  | -  | 222 914 774                           | 222 914 774  | 165 214                         | 223 079 988                |
| <b>Balance as at December 31, 2006</b>                      |                 | <b>269 133 960</b>                         | <b>134 566 980</b>          | <b>832 439 354</b>                          | -                             | -  | <b>( 68 874 061)</b>                                     | <b>222 914 774</b>                    | <b>1 390 181 007</b>   | <b>655 214</b>                  | <b>1 390 836 221</b>       |
| Amounts transferred to carried forward lossess              |                 | -  | -                           | -   | -                             | -  | 222 914 774  | ( 222 914 774)                        | -  | -                               | -                          |
| New shares issued   | (25)            | 10 000 000                                 | -                           | -   | -                             | -  | -  | -                                     | 10 000 000   | -                               | 10 000 000                 |
| Share premieum  | (27)            | -  | 5 000 000                   | 85 000 000                                  | -                             | -  | -  | -                                     | 90 000 000   | -                               | 90 000 000                 |
| Treasury shares   | (28)            | -  | -                           | -   | ( 100 000 000)                | -  | -  | -                                     | ( 100 000 000)   | -                               | ( 100 000 000)             |
| Treasury shares sold  | (28)            | -  | -                           | -   | 20 000 000                    | -  | -  | -                                     | 20 000 000   | -                               | 20 000 000                 |
| Amount set aside for bouns & incentive plan during the year | (29)            | -  | -                           | -   | -                             | 8 750 000  | -  | -                                     | 8 750 000  | -                               | 8 750 000                  |
| Loss on disposal of treasury shares                         | (29)            | -  | -                           | -   | -                             | ( 5 000 000)   | -  | -                                     | ( 5 000 000)   | -                               | ( 5 000 000)               |
| Minority interest   | (24)            | -  | -                           | -   | -                             | -  | -  | -                                     | -  | 18 479 727                      | 18 479 727                 |
| Net profit for the year                                     |                 | -  | -                           | -   | -                             | -  | -  | 331 535 035                           | 331 535 035  | ( 320 591)                      | 331 214 444                |
| <b>Balance as at December 31, 2007</b>                      |                 | <b>279 133 960</b>                         | <b>139 566 980</b>          | <b>917 439 354</b>                          | <b>( 80 000 000)</b>          | <b>3 750 000</b>                                       | <b>154 040 713</b>                                       | <b>331 535 035</b>                    | <b>1 745 466 042</b>   | <b>18 814 350</b>               | <b>1 764 280 392</b>       |

\* The accompanying notes on pages form (5) to (50) are an integral part of these consolidated financial statements and to be read therewith.

**Sixth of October for Development and Investment Company "SODIC"**  
**(An Egyptian Joint Stock Company)**  
**Consolidated Statement of Cash Flows**  
**For The Financial Year Ended December 31, 2007**

|   | Note<br>No. | 2007<br>L.E          | 2006<br>L.E          |
|---|-------------|----------------------|----------------------|
| <b><u>Cash flows from operating activities</u></b>  |             |                      |                      |
| Net profit for the year before income tax   |             | 322 890 698          | 223 119 630          |
| <b><u>Adjustments to reconcile net profit to net cash flows from operating activities</u></b> |             |                      |                      |
| Depreciation of fixed assets & rented units   |             | 1 154 079            | 399 390              |
| Amortization of other assets  |             | 39 783               | -                    |
| Negative goodwill   | (33)        | ( 4 554 564)         | -                    |
| Investment income from available for sale investments   |             | ( 668 005)           | ( 254 346)           |
| Gain on sale of fixed assets  |             | ( 194 875)           | ( 477 156)           |
| Share in profits / losses in associates   |             | ( 4 820 550)         | 813 102              |
| Unrealized gain from sale to associates   |             | -                    | 3 000 000            |
| Provision for completion of works - no longer required  | (20)        | -                    | 28 807 428           |
| Provisions formed   | (20)        | 81 971 662           | 2 492 476            |
| Provisions - no longer required   |             | ( 966 194)           | -                    |
| Impairment loss of debtors & other debit balances   |             | 10 322               | 210 125              |
| Other expenses  |             | 154 096              | -                    |
| Equity - settled share - based payment transactions   |             | 8 750 000            | -                    |
| Interests and financing expenses  |             | -                    | 13 431 808           |
| <b>Operating profit before changes in working capital items</b>                               |             | <b>403 766 452</b>   | <b>271 542 457</b>   |
| <b><u>Changes in working capital items</u></b>  |             |                      |                      |
| Change in residential units ready for sale  |             | 2 208 141            | 3 688 869            |
| Change in work in process   |             | ( 29 362 288)        | 9 799 418            |
| Change in trade & notes receivables   |             | ( 165 327 451)       | ( 293 725 158)       |
| Change in debtors & other debit balances  |             | ( 236 379 415)       | ( 13 223 746)        |
| Provision for completion of works - used  | (20)        | ( 55 989 973)        | ( 5 909 255)         |
| Change in customers deposits  |             | ( 12 226 152)        | 22 097 213           |
| Change in contractors , suppliers & notes payable   |             | 170 102 646          | ( 109 225)           |
| Change in creditors & other credit balances   |             | ( 69 625 529)        | ( 10 582 108)        |
| Blocked deposits  |             | ( 13 458 935)        | -                    |
| Change in saving certificates (three year maturity)   |             | ( 5 500 000)         | -                    |
| Interest & financing expenses - paid  |             | -                    | ( 13 734 733)        |
| <b>Net cash used in operating activities</b>  |             | <b>(11 792 504)</b>  | <b>(30 156 268)</b>  |
| <b><u>Cash flows from investing activities</u></b>  |             |                      |                      |
| Payments for purchase of fixed assets & projects under construction                           |             | ( 7 889 082)         | ( 1 726 935)         |
| Payments for acquisition of intangible assets   |             | ( 106 090)           | ( 314 600)           |
| Payments for acquisition of long- term investments  |             | -                    | ( 4 715 455)         |
| Payments on account of acquisition of subsidiaries  |             | -                    | ( 217 985 466)       |
| Payments for acquisition of subsidiary, net of cash acquired                                  | (12)        | ( 306 226 989)       | -                    |
| Minority interest   |             | 18 479 727           | 490 000              |
| Payments for acquisition of available for sale investments                                    |             | ( 1 264 695)         | -                    |
| Payments for acquisition of held trading investments  |             | ( 77 670 614)        | -                    |
| Proceeds from sale of available for sale investments  |             | -                    | 788 250              |
| Dividends received from associates  |             | 2 691 595            | -                    |
| Proceeds from sale of fixed assets  |             | 264 525              | 534 199              |
| <b>Net cash used in investing activities</b>  |             | <b>(371 721 623)</b> | <b>(222 930 007)</b> |
| <b><u>Cash flows from financing activities</u></b>  |             |                      |                      |
| Proceeds from share capital increase & share premium  | (25)        | 100 000 000          | 1092 876 400         |
| Treasury shares   | (28)        | (100 000 000)        | -                    |
| Proceeds from sale of treasury shares   | (28)        | 15 000 000           | -                    |
| Issuance expenses of share capital increase   |             | -                    | (27 740 255)         |
| Payments for loans installments   |             | -                    | ( 73 201 766)        |
| <b>Net cash provided from financing activities</b>  |             | <b>15 000 000</b>    | <b>991 934 379</b>   |
| Net movement in cash & cash equivalents during the year                                       |             | ( 368 514 127)       | 738 848 104          |
| Cash & cash equivalents as at January 1, 2007   |             | 793 824 749          | 54 976 645           |
| <b>Cash &amp; cash equivalents as at December 31, 2007</b>                                    | (19)        | <b>425 310 622</b>   | <b>793 824 749</b>   |

\* The accompanying notes on pages from (5) to (50) are an integral part of these consolidated financial statements and to be read therewith.

**Sixth of October for Development and Investment Company  
“SODIC”**

**(An Egyptian Joint Stock Company)**

**Notes to the consolidated financial statements  
For the financial year ended 31 December 2007**

**1- Background and activities**

- Sixth of October for Development and Investment Company “SODIC” An Egyptian Joint Stock company 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.
- On November 6, 2007, The Company’s board of director agreed to add “SODIC” name to the original name of Sixth of October for Development and Investment Company in the Commercial Registry.
- The Company’s purpose is represented in the following:
  - Working in the field of purchasing of 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 Parent Company is listed in the formal listing in Cairo & Alexandria Stock Exchange.
- The consolidated financial statements for Sixth of October for Development Investment Company "SODIC" (the Parent) for the financial year ended 31 December 2007 comprise the financial statements of the Company and its subsidiaries, SODIC Property Services Company, Beverly Hills for Management of Cities and Resorts Co. & Sixth of October for Development & Real Estate Projects Company "SOREAL" (together referred to as the "Group") and the Group's interest in associates.
- The registered office of the Parent Company is located at Km. 38 Cairo / Alexandria Desert Road, Sheikh Zayed City, Cairo, Egypt. Mr. Mohamed Magdy Rasekh is the Chairman of the Parent Company.

## **2- Basis of preparation**

### **a) Statement of compliance**

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

### **b) Basis of measurement**

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

### **d) Use of estimates and judgments**

The preparation of the consolidated 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 year the Group changed its accounting policy in respect of accounting for available for sale investments (note No.10). The Group also adopted the new International Financial Reporting Standard No.(7) "Financial Instruments" which replaced the disclosures requirements of the Egyptian Accounting Standard No. (25) "Financial Instruments: Presentation & Disclosures" Adoption of this revised standard did not have any effect of the consolidated financial statements .It did however give rise to additional disclosures.

The new International Financial Reporting Standard requires disclosures to enable users to evaluate the significance of the Group's financial statements and the nature and extent of risks from these financial instruments.

The new disclosures are included throughout the notes to the consolidated financial statements.

Other accounting policies have been applied consistently to all periods presented in these consolidated financial statements:-

### **3-1 Basis of consolidation**

#### **3-1-1 Subsidiaries**

Subsidiaries are entities controlled by the Parent Company. Control exists when the Parent Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Subsidiaries are represented in the following:-

| <u>Subsidiary name</u>              | <u>Contribution ratio</u> | <u>Nature of activity</u>   |
|-------------------------------------|---------------------------|---|
| SODIC Property Services Co. - S.A.E | 51%                       | Marketing of real estate, real estate brokerage and investment property services in general, providing maintenance services for villas, flats, buildings, managerial units, infra structure and common areas, cleaning & house keeping services, setting security programs and stewardship for establishments, designing, mowing, flowering of gardens and private & public areas, playgrounds and others and also providing all types of consultancy services (except legal services). |

|   |        |   |
|---|--------|---|
| Sixth of October for Development & Real Estate Projects Company<br>"SOREAL" – S.A.E | 99.99% | Establishing or operating and managing sewerage plants or industrial sewage, purification and its connections, establishing, managing, operating and maintaining power plants, and their distribution networks, building, running , utilizing and maintaining freeways, highways and main roads, establishing or operating and managing the wire and wireless communication stations, housing projects whose entire units are rented on unfurnished basis for purpose other than administrative housing provided that the number of units are not less than 50 housing units, hotels, motels, hotel flats and suites, tourist village, supplementary or related activities including services, entertainment, sports, commercial, cultural activities, as well as completion of the buildings related thereto and expanding them, in addition to financial leasing, real estate investment, lands development within the city perimeter by carrying out construction projects on them, and selling them as residential units, villas or for administrative, commercial and entertaining purposes. |
| Beverly Hills for Management of Cities & Resorts Co. – S.A.E *                      | 52.31% | Management and maintenance of buildings , establishments of all different type , utilities & roads and provision of services of security for establishments , internal steward –ship only , cleaning , transport except air transport and transportations and working in the field of coordinating , maintenance , lightening , beautification of gardens, roads and squares and ownership of billboards including electronic boards and re-selling , leasing out and utilising them on commercially basis and conducting export works and financing lease in accordance with Finance Lease Law and working in the field of tourist development & entertainment activities and building , management and operation of entertainment , cultural centers and all type of restaurants , cafeterias & commercial shops and working in the field of designs , internal decorations and supplying of its related fixtures , linen & furniture.  |

|   |     |   |
|---|-----|---|
| Egyptian Co. for Investment and Real Estate & Tourist Development – S.A.E (Under establishment). ** | 50% | Working in the field of purchasing of lands for the purpose of providing utilities for them and making them ready for building, dividing these lands and selling or leasing them either in the new urban communities or other and working in the field of construction, integrated construction and supplementary works for it and planning, dividing and preparing lands for building according to modern building techniques and developing and reclaiming lands in the urban communities (in more than one thousand feddens and not exceeding twenty thousand feddens ) and 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 and building, managing, selling and leasing – out of the residential, service, commercial, industrial and tourist projects and also building of industrial projects buildings and importing and working as trade agents for that is permitted within the limits of the Company's purpose and financing lease in accordance with Law No. 95 of 1995 and working in all fields of information technology and systems, hardware and software (computer software & services) and working in all fields of services of communication systems, internet , and companies and investing in the various activities related to petroleum, gas and petrochemicals and working in the field of coordinating and planting the gardens, roads and squares and also providing security, steward - ship, maintenance and cleaning services and working in the field of ownership and management of sporting, entertainment, medical, educational buildings and also ownership, management and operating of restaurants . |
|---|-----|---|

- \* The legal participation in Beverly Hills for Management of Cities and Resorts Co. amounts to 71% which includes 18.69% represents transitory shares are currently in the name of the Company and the title of these shares will be transferred to the real shareholders (the owners of units ).
- \*\* The Company has established the Egyptian Co. for Investment and Real Estate & Tourist Development according to the Parent Company board of directors' resolution on 6 / 11 / 2007 in conjunction with some of the board members and their owned companies. The Company has been incorporated on 27 / 1 / 2008.

### **3-1-2 Associates**

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. The consolidated financial statements include the Group's share of the total recognised gains and losses of associates on an equity accounted basis, from the date that significant influence commences until the date that significant influence ceases.

### **3-1-3 Transactions eliminated on consolidation**

Intra-group balances and any unrealised gains and losses or income and expenses arising from intragroup transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with associates and jointly controlled entities are eliminated to the extent of the Group's interest in the entity. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

### **3-2 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 consolidated statement of financial position 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 consolidated 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- 3 Fixed assets & depreciation**

#### **a) Recognition and measurement**

Property, plant and equipment are stated at cost less accumulated depreciation (note No. 3-3-c) and impairment losses (note No. 3-12).

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 Parent Company's premises | 10                              |
| Vehicles                                   | 5                               |
| Furniture & fixtures                       | 4-10                            |
| Office & communications equipment          | 5                               |
| Generators , machinery & equipment         | 2-5                             |
| Leasehold improvements                     | Lesser of 5 years or lease term |

**3-4 Intangible assets**

**3-4-1 Goodwill**

Goodwill represents the excess of the cost of acquisition over the Parent Company's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree. Goodwill is stated at cost less any accumulated impairment losses. Impairment of goodwill is not reversed subsequently. When the excess is negative (negative goodwill) it is recognized immediately in the income statement.

**3-4-2 Other intangible assets**

**a- Recognition**

Identifiable non-monetary assets acquired for business purposes and from which future benefits are expected to flow are treated as tangible assets. Intangible assets consist of trademarks & softwares.

**b- Measurement**

Intangible assets are measured at cost, being the cash price at recognition date. If payment is deferred beyond the normal credit terms the difference between the cash price equivalent and the total payment is recognized as interest over the period of credit. Intangible assets are presented net of amortization (note No. 3-4-2-d) and impairment (note No.3-12).

**C- Subsequent expenditure**

Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

**D- Amortization**

Amortization is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Intangible assets with an indefinite useful life are systematically tested for impairment at each balance sheet date. Intangible assets are amortized from the date they are available for use. The estimated useful lives of these intangible assets range between 2 to 7 years.

### **3-5 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.

### **3-6 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 consolidated 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.

### **3-7 Investments**

#### **a- 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 consolidated income statement. Investments in unquoted equity securities are stated at cost less impairment losses (note No. 3-12).

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

#### **b- 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 consolidated financial position at their nominal value less the balance of unearned interests.

#### **c) 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.

### **3-8 Residential units ready for sale**

Residential units ready for sale are stated at the balance sheet date at 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 consolidated balance sheet date by the average meter cost of these units (represents the cost of meter of land, utilities, building and other indirect expenses).

### **3-9 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 consolidated balance sheet date at lower of cost and net realizable value.

### **3-10 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. 3-12). Long term trade and notes receivables are initially recognized at fair value and subsequently re-measured at amortized cost using effective interest rate method.

### **3-11 Cash and cash equivalents**

Cash and cash equivalents comprise cash at banks and on hand time deposits, investments in treasury bills 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 Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

### **3-12 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 consolidated income statement. Any cumulative loss in respect of an available-for-sale financial asset recognized previously in equity is transferred to consolidated 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 consolidated 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 of 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 consolidated 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

### **3-13 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.

### **3-14 Borrowing costs**

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

### **3-15 Trade, contractors and other credit balances**

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

### **3-16 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- Dividends**

Dividends are recognized as a liability in the year in which they are declared.

#### **d- Finance of the incentive and bonus plan**

Financing of the shares issued for the purpose of the incentive and bonus plan of the Company's employees & managers which are kept in a bank which works as a trustee (agent) are presented as treasury shares until the terms of granting the shares to the beneficiaries are realized. The resulting outcome from sale of these shares is recognized in equity.

### **3-17 Share – based payments transactions**

#### **a) Equity – settled share – based payments**

The difference between the grant date fair value of shares and the amount incurred by the beneficiary of the employees & managers bonus & incentive plan is recognized in the income statement over the period that the beneficiaries become unconditionally entitled to these shares. The expected number of beneficiaries from the plan and the extent of their benefit are reviewed at the consolidated financial statements date. Necessary changes are made for the expense to reflect the best estimate and the corresponding amount is included in equity under "set aside amount for the bonus & incentive plan" caption.

#### **b) 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 the consolidated financial statements date and at settlement date and takes into account any changes in the recognized fair value of the liability in the income statement.

### **3-18 Long-term notes payable**

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

### **3-19 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).

#### **b- Rental income**

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

#### **c- Interest income**

Interest income is recognized in the consolidated income statement, using the effective interest method.

#### **d- Commission revenue**

Commission revenue is recognized in consolidated income statement according to the accrual basis of accounting.

#### **e) Dividends**

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

### **3-20 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.

### **3-21 Expenses**

#### **a- Lease payments**

Payments under leases are recognized in the consolidated 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 consolidated 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 No. 79 of 1975 and its amendment. 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 consolidated 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 consolidated 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 consolidated 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 consolidated 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.

**3-22 Earnings per share**

Earnings per share 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 year.

**3-23 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.

**4- Determination of fair values**

A number of the Group'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.

#### **4-1 Fixed assets**

The fair value of fixed assets recognized as a result of a business combination is based on market values. The market value of fixed assets is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing where in the parties had each acted knowledgeably, prudently and without compulsion.

#### **4-2 Intangible assets**

The fair value of intangible assets is based on the discounted cash flows expected to be derived from the use and eventual sale of the assets.

#### **4-3 Investments in equity instruments**

The fair value of Held for trading investments and available -for- sale investment is determined by reference to market value declared to these shares in stock market at the financial statement date.

#### **4-4 Trade, note receivables & other debtors**

The fair value of trade, note receivable & other debtors is estimated as the present value of future cash flows, discounted at the market rate of interest at the financial statement date.

#### **4-5 Investment property**

The present value are based on market values, being the estimated amount for which property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper market wherein the parties had each acted knowledgeably , prudently and without compulsion.

#### **4-6 Share – based payment transactions**

The fair value is determined by reference to market value declared at the balance sheet date without deducting the cost related to transactions.

### **5- Financial risk management**

The Group has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group management of capital .Further quantitative disclosures are included throughout these consolidated financial statements.

The Board of Directors of the Parent Company has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board also identifies and analyzes the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits.

The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

#### **5-1 Credit risk**

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's customers and other receivables.

#### **Trade & other receivables**

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the Group's customer base, including the default risk of the industry has less influence on credit risk.

Approximately 100 percent of the Group's revenues is attributable to sales transaction with a vast group of customers. Therefore, geographically, there is no concentration of credit risk.

The Group's management has established a credit policy under which each customer is analyzed individually for credit worthiness before the Company's standard payment and delivery terms and conditions are offered. The Company gets advance payments and cheques for the full sales in advance and before the delivery of units to customers. No previous losses were observed from transactions with customers.

Sales of residential units are made subject to retention of title clauses and the ownership title is transferred after collection of the full sales value. In the event of non-payment, the unit is returned to the Company and the amounts collected from customers are repaid at the default date after deducting a 5% of this value.

### **Investments**

The Group limits its exposure to credit risk by only investing in liquid securities and the Company's management does not expect any counterparties to fail to meet its obligations.

### **Guarantees**

The Group's policy is to provide financial guarantees only to wholly-owned subsidiaries. At December 31, 2007, no guarantees were outstanding.

## **5-2 Liquidity risk**

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due.

The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Typically the Group ensures that it has sufficient cash on demand to meet expected operational expenses for appropriate period of time including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

## **5-3 Market risk**

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holding of financial instruments.

The objective of market risk management is to manage and control market risk exposure within acceptable parameters, while optimizing the return.

#### **5-4 Currency risk**

The Group is exposed to currency risk on sales and financial assets that are denominated in a currency other than the respective functional currencies of Company entities, primarily the US dollar.

In respect of other monetary assets and liabilities denominated in foreign currencies, the Group ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short- term imbalances.

The Company's investments in its subsidiaries are not hedged as those currency positions are considered to be long-term in nature.

#### **5-5 Interest rate risk**

The Group has not obtained loans or borrowings from others that exposed it to interest rate risk. Therefore, the Group does not enter into interest rate swaps.

#### **5-6 Other market price risk**

Equity price risk arises from available-for-sale equity securities and management of the Group monitors the mix of equity securities in its investment portfolio based on market indices or an objective valuation of the financial statements related to these shares.

Material investments within the portfolio are managed on an individual basis and all buy and sell decisions are approved by the Company' Board of Directors.

The primary goal of the Company's investment strategy is to maximize investment returns. Management is assisted by external advisors in this regard.

In accordance with this strategy certain investments are designated at held for trading because their performance is actively monitored and they are managed on a fair value basis.

#### **5-7 Capital management**

The Company's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business.

The Board of Directors of the Parent Company monitors the return on capital, which the Company defines as net operating income divided by total shareholders equity. The Board of Directors of the Parent Company also monitors the level of dividends to ordinary shareholders.

There were no changes in the Company's approach to capital management during the year. The Company is not subject to externally imposed capital requirements.

Sixth of October for Development and Investment Company "SODIC"

*"An Egyptian Joint Stock Company"*

Notes to the consolidated financial statements (Cont.)

*For the financial year ended December 31, 2007***6- Fixed assets**

This item is represented as follows:-

|  | <u>Lands</u>     | <u>Buildings</u> | <u>Vehicles</u>  | <u>Furniture<br/>&amp; fixtures</u> | <u>Office equipment<br/>&amp; communications</u> | <u>Generators, machinery<br/>&amp; 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>L.E</u>        |
| <b><u>Cost</u></b>                         |                  |                  |                  |                                     |  |  |                   |
| As at January 1, 2007                      | -                | 1 036 567        | 1 180 230        | 1 305 530                           | 1 384 498  | 917 332  | 5 824 157         |
| Acquisitions through business combinations | 2 702 683        | 1 495 081        | 678 974          | 516 475                             | 46 430   | 297 859  | 5 737 502         |
| Additions during the year                  | -                | 910 110          | 2 794 800        | 1 100 769                           | 1 125 569  | 403 961  | 6 335 209         |
| Disposals during the year                  | -                | -                | ( 382 210)       | ( 321 110)                          | ( 46 251)  | ( 10 279)  | ( 759 850)        |
| As at December 31, 2007                    | <u>2 702 683</u> | <u>3 441 758</u> | <u>4 271 794</u> | <u>2 601 664</u>                    | <u>2 510 246</u>                                 | <u>1 608 873</u>                                 | <u>17 137 018</u> |
| <b><u>Accumulated depreciation</u></b>     |                  |                  |                  |                                     |  |  |                   |
| As at January 1, 2007                      | -                | 877 277          | 964 975          | 685 250                             | 1 080 272  | 823 141  | 4 430 915         |
| Depreciation for the year                  | -                | 156 630          | 422 011          | 177 313                             | 285 106  | 86 160   | 1 127 220         |
| Disposals                                  | -                | -                | ( 382 210)       | ( 261 210)                          | ( 44 551)  | -  | ( 687 971)        |
| As at December 31, 2007                    | <u>-</u>         | <u>1 033 907</u> | <u>1 004 776</u> | <u>601 353</u>                      | <u>1 320 827</u>                                 | <u>909 301</u>                                   | <u>4 870 164</u>  |
| Net book value as at December 31, 2007     | <u>2 702 683</u> | <u>2 407 851</u> | <u>3 267 018</u> | <u>2 000 311</u>                    | <u>1 189 419</u>                                 | <u>699 572</u>                                   | <u>12 266 854</u> |
| Net book value as at December 31, 2006     | <u>-</u>         | <u>159 290</u>   | <u>215 255</u>   | <u>620 280</u>                      | <u>304 226</u>                                   | <u>94 191</u>                                    | <u>1 393 242</u>  |

This item includes fully depreciated assets of L.E 2 305 585 as at 31 December 2007.



## 7- Intangible assets

This item is represented as follows:

|  | 31/12/2007     | 31/12/2006     |
|--|----------------|----------------|
|  | <u>L.E</u>     | <u>L.E</u>     |
| Coldwell Banker trademarks *                             | 314 600        | 314 600        |
| Softwares (net of the period amortization of L.E 39 783) | 66 307         | -              |
|  | <u>380 907</u> | <u>314 600</u> |

- \* Represents the amount paid in accordance with the joint venture agreement concluded with Betna for Investment & Marketing of Real Estate Co. for the license of utilizing Coldwell Bankers trademark effective from 1 January 2008 and for a seven year period.

## 8- Projects under construction

This item is represented as follows:

|   | 31/12/2007        | 31/12/2006     |
|---|-------------------|----------------|
|   | <u>L.E</u>        | <u>L.E</u>     |
| Fair value of Beverly Hills club acquired through business combinations | 19 608 259        | -              |
| Fixtures in the administrative premises                                 | 204 368           | 606 618        |
| Advance payments for purchasing of machinery and equipment              | 1 333 826         | -              |
| Advance payments for fixtures   | 766 884           | -              |
|   | <u>21 913 337</u> | <u>606 618</u> |

## 9- Investments in associates

This Group has the following investments in associates:

|   | <u>Ownership ratio</u> |            | <u>Carrying amount</u> |                  |
|---|------------------------|------------|------------------------|------------------|
|   | 31/12/2007             | 31/12/2006 | 31/12/2007             | 31/12/2006       |
|   | <u>%</u>               | <u>%</u>   | <u>L.E</u>             | <u>L.E</u>       |
| Rabyia for Agricultural & Urban Development Co. – S.A.E | 26                     | 26         | 2 634 064              | 4 689 205        |
| Royal Gardens for Investment Property Co. – S.A.E *     | 20                     | 20         | -                      | -                |
|   |                        |            | <u>2 634 064</u>       | <u>4 689 205</u> |

Summary financial information on associates – 100 per cent:-

|   | <u>Assets</u><br><u>L.E</u> | <u>Liabilities</u><br><u>L.E</u> | <u>Equity</u><br><u>L.E</u> | <u>Revenues</u><br><u>L.E</u> | <u>Expenses</u><br><u>L.E</u> |
|---|-----------------------------|----------------------------------|-----------------------------|-------------------------------|-------------------------------|
| <b><u>Rabyia for Agricultural &amp; Urban Development Co.</u></b> |                             |                                  |                             |                               |                               |
| 31 December 2006  | 23 386 162                  | 2 061 658                        | 21 324 504                  | 17 901 626                    | 2 624 479                     |
| 31 December 2007  | <u>23 858 564</u>           | <u>13 726 548</u>                | <u>10 132 016</u>           | <u>17 536 023</u>             | <u>15 085 344</u>             |
| <b><u>Royal Gardens for Investment Property Co.</u></b>           |                             |                                  |                             |                               |                               |
| 31 December 2006  | 182 653 270                 | 167 704 911                      | 14 948 359                  | -                             | 51 741                        |
| 31 December 2007  | <u>235 308 495</u>          | <u>236 425 876</u>               | <u>(1 117 381)</u>          | <u>1 310 323</u>              | <u>17 427 704</u>             |

- \* Royal Gardens for Investment Property Co. was established on December 6, 2006 in conjunction with Palm Hills and other shareholders. The cost of investment amounted to L.E 3 million represents 50 % of the Parent Company's participation in the share capital of Royal Gardens Co. The Parent Company share in the unrealized gain resulted from the sale of land made by the Parent Company to its associate during 2006 amounted to L.E 32 298 112 out of which only L.E 3 million was eliminated to the extent of the Parent Company's interest in the associate when preparing the consolidated financial statements.

Nonetheless, the Parent Company's share in the associates' losses was not charged to the consolidated income statement with the amount of L.E 3 223 476 till

December 31, 2007 due to the lack of any book value of the investment balance in the consolidated financial statement as at December 31, 2007.

#### 10- Available for sale investments

This item is represented as follows:

|   | <u>Legal form</u> | <u>Ownership</u><br>% | <u>Paid amount of Participation</u><br>% | <u>Book value as at 31/12/2007</u><br><u>L.E</u> | <u>Book value as at 31/12/2006</u><br><u>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 Co.        | S.A.E             | 39.18                 | 100                                      | -  | 5 185 403  |
|   |                   |                       |  | <u>4 250 000</u>                                 | <u>7 502 703</u>                                 |

During the year, the Group 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.

#### 11- Investment property

This item is represented as follows:

|   | <u>31/12/2007</u><br><u>L.E</u> | <u>31/12/2006</u><br><u>L.E</u> |
|---|---------------------------------|---------------------------------|
| Cost of land not utilized yet *   | -                               | 98 443 875                      |
| Book value of completed residential units leased out for others **<br>(net of accumulated depreciation of L.E 24 455) | 1 499 103                       | 772 906                         |
| Balance as at September 30, 2007  | <u>1 499 103</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.(15) .

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

#### 12- Acquisition of subsidiaries:

The Company acquired the following subsidiaries during the year:-

Sixth of October for Development & Real Estate Projects Company "SOREAL"

On 11/9/2006, the Parent 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 Parent 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 Parent Company on 31/5/2007.

The acquisition had the following effect on the Group's assets, liabilities and contingent liabilities on acquisition date:

|  | <b><u>Pre – acquisition<br/>carrying amounts</u></b><br><b><u>L.E</u></b> | <b><u>Fair value<br/>adjustments</u></b><br><b><u>L.E</u></b> | <b><u>Recognized values<br/>on acquisition</u></b><br><b><u>L.E</u></b> |
|--|---|---|---|
| Total consideration paid, satisfied in cash  | -   | -   | 517 952 909   |
| <b><u>Less:</u></b><br>Debts waived by the subsidiary shareholders in favor of SODIC Co.   | -   | -   | 6 764 138   |
| <b><u>Add:</u></b> Commissions & other acquisition costs   | -   | -   | 6 145 745   |
| Net consideration amount paid  | -   | -   | 517 334 516   |
| Current assets – lands   | 190 713 115   | 400 108 683   | 590 821 798   |
| Other current assets   | 12 164 202  | -   | 12 164 202  |
| Current liabilities  | (90 751 307)  | -   | (90 751 307)  |
| Minority interest  | (10 193)  | (36 373)  | (46 566)  |
| Net identifiable assets on acquisition   | 112 115 817   |   | 512 188 127   |
| Excess of acquisition cost charged to the cost of land acquired through business combination as considered additional cost, for the acquisition of land. |   |   | 5 146 389   |

### **Beverly Hills for Management of Cities and Resorts Company**

During November 2007, the Company has increased its share in Beverly Hills for Management of Cities and Resorts Co. with an amount of L.E 14.5 million whereby, the legal ownership ratio reaches 71% out of which a 18.69% is a temporary contribution till transferring the legal title of these shares to the owners of the units (transitory shares). Accordingly, Beverly Hills for Management of Cities and Resorts Co. becomes a subsidiary of the Company effective from that date with control ratio of 52.31%.

The fair values of the acquired net assets and liabilities of the subsidiary were determined during the year. The revaluation of the subsidiary's assets resulted in an increase in the fixed assets and projects under construction values with a total amount of L.E 6 997 360 and this resulted in negative goodwill of L.E 4 554 564. The following are the fair values of the acquired assets, liabilities, contingent liabilities and negative goodwill resulting from the acquisition. Negative goodwill was determined through the difference between the fair value of the acquired net assets and the acquisition cost as follows:-

|   | <u>L.E</u>       |
|---|------------------|
| Acquisition cost of subsidiary                                    | 14 500 000       |
| The Company' share in the fair value of net assets on acquisition | (19 054 564)     |
| Negative goodwill   | <u>4 554 564</u> |

### **13- Long - term trade & notes receivables**

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

|                                      | <u>31/12/2007</u><br><u>L.E</u> | <u>31/12/2006</u><br><u>L.E</u> |
|--------------------------------------|---------------------------------|---------------------------------|
| Trade receivables                    | 148 097 721                     | 167 942 722                     |
| Notes receivable                     | <u>247 290 431</u>              | <u>99 706 096</u>               |
|                                      | 395 388 152                     | 267 648 818                     |
| <b><u>Deduct:</u></b>                |                                 |                                 |
| Discount on trade & notes receivable | 57 829 622                      | 34 405 357                      |
|                                      | <u>337 558 530</u>              | <u>233 243 461</u>              |

- The Group's exposure to credit, currency risks and impairment losses related to trade & notes receivable is disclosed in note no. (42).

### **14- 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:

|   | <u>31/12/2007</u><br><u>L.E</u> | <u>31/12/2006</u><br><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>                |

### **15- Works in process**

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

|  | <b>31/12/2007</b>  | <b>31/12/2006</b>  |
|--|--------------------|--------------------|
|  | <b><u>L.E</u></b>  | <b><u>L.E</u></b>  |
| <b><u>Company's land intended for use</u></b>                                  |                    |                    |
| Cost of the Company's land intended for use *                                  | 85 139 111         | -                  |
| Planning , survey , supervision & soil researches                              | 81 360 843         | -                  |
|  | <u>166 499 954</u> | <u>-</u>           |
| <b><u>Cost of the fourth phase (4A &amp; 4B), exhibitions &amp; others</u></b> |                    |                    |
| Cost of land   | 47 991 618         | 81 531 915         |
| Planning , survey , supervision & soil researches                              | 6 813 857          | 4 287 900          |
| Building &, utilities  | 33 461 277         | 82 624 850         |
| Cost of land of Dahshor' showrooms   | 23 247 486         |                    |
| A plot of land in the Fifth Community (plot No. 1)                             | 76 292 642         | -                  |
| Expenses related to plot of land No. 1   | 1 971 266          | -                  |
| A plot of land in the Fifth Community (plot No. 2)                             | 519 494 158        | -                  |
| Expenses related to plot of land No. 2   | 150 776            | -                  |
| Buildings & constructions  | 6 348 617          | -                  |
|  | <u>715 771 697</u> | <u>168 444 665</u> |
|  | <u>882 271 651</u> | <u>168 444 665</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 year amounted to L.E 3 357 400. The master plan of the project was approved by the New Urban Communities Authority on January 14, 2008.

**(1) Plot No. (1)**

The fair value of the vacant plot of land owned by Sixth of October for Development & Real Estate Projects Company "SOREAL", subsidiary Company in the Investors Zone, plot No. (24 a) with a an area of 30 feddens that is equivalent to 125 993.55 square meter according to the handover minute, dated November 9, 2006 located at the communities east to the Ring Road, (New Cairo City), the land ownership was transferred to the Company by virtue of the assignment given by Picorp Holding (the main shareholder), and a decision was issued by the Main Real Estate Committee in its session No.37 dated 13/8/2006 concerning the approval of the said assignment.

**(2) Plot No. (2)**

The fair value of the vacant plot of land owned by Sixth of October for Development & Real Estate Projects Company "SOREAL" a subsidiary Co with an area of 204.277 feddens that is equivalent to 857 963.40 square meter, according to the handover minute dated November 7, 2006 located in the Future Extension of New Cairo City, the ownership of the land was transferred to the Company by virtue of the assignment given by Picorp Holding Company ( the main shareholder) to the subsidiary Company, the Main Real Estate Committee issued its decision concerning the approval of the said assignment in its session No. 37 dated August 13, 2006.

**16- Trade & notes receivable**

|  | <b>31/12/2007</b>  | <b>31/12/2006</b>  |
|--|--------------------|--------------------|
|  | <b><u>L.E</u></b>  | <b><u>L.E</u></b>  |
| Trade receivables                            | 45 392 015         | 15 847 798         |
| Notes receivables                            | 138 661 232        | 102 927 339        |
|  | <u>184 053 247</u> | <u>118 775 137</u> |
| Deduct:                                      |                    |                    |
| Discount of present value                    | 6 503 332          | 2 769 212          |
|  | <u>177 549 915</u> | <u>116 005 925</u> |
| Impairment loss of trade & notes receivables | (200 000)          | (200 000)          |
|  | <u>177 349 915</u> | <u>115 805 925</u> |

The Company's exposure to credit, currency risks and impairment losses related to trade & notes receivable is disclosed in note no. (42).

**17- Debtors & other debit balances**

|   | <b>31/12/2007</b>  | <b>31/12/2006</b> |
|---|--------------------|-------------------|
|   | <b><u>L.E</u></b>  | <b><u>L.E</u></b> |
| Contractors & suppliers – advance payments        | 31 129 641         | 19 025 153        |
| Interests receivable                              | 1 049 388          | 4 284 149         |
| Prepaid expenses                                  | 9 258 746          | 21 987            |
| Deposits with others                              | 285 228            | 169 440           |
| Tax Authority                                     | 382 940            | 57 552            |
| Royal Gardens Co. – an associate                  | 350 000            | -                 |
| Payments for the purchase of new lands *          | 188 033 735        | -                 |
| Restricted cash – bonus & incentive plan **       | 30 326 079         | -                 |
| Other debit balances                              | 866 653            | 983 982           |
|   | <u>261 682 410</u> | <u>24 542 263</u> |
| Impairment loss of debtors & other debit balances | (355 157)          | (344 835)         |
|   | <u>261 327 253</u> | <u>24 197 428</u> |

\* 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 Zayed City Organization – including an amount of L.E 5 476 711 in return for administrative expenses related to the said land. The land has not been received till the consolidated financial statements date . The Company issued checks totaled L.E 257 953 075 as deferred payment for the remaining installments due to the Organization for the land including interest on these installments as detailed in note No. (30).

\*\* This item represents the restricted cash amount resulting from the exercise of the beneficiaries from the bonus and incentive plan for sale of 200 thousand shares during December 2007. The restricted cash will be released to beneficiaries upon the completion of the prohibition period which will be ended on March 31, 2008 in accordance with the bonus & incentive plan. The corresponding amount is included in creditors and other credit balances under "Amounts due to beneficiaries from the bonus & incentive plan" caption in note No. (23).

- The Company's exposure to credit & currency risks related to other debtors is disclosed in note No.(42)..

#### 18- Held for trading investments

|                                      | 31/12/2007<br><u>L.E</u> | 31/12/2006<br><u>L.E</u> |
|--------------------------------------|--------------------------|--------------------------|
| Investment instruments – Themar Fund | 77 670 614               | -                        |
|                                      | <u>77 670 614</u>        | <u>-</u>                 |

- The Group's exposure to market risk related to held for trading investments is disclosed in note No. (42).

#### 19- Cash at banks & on hand

|                                       | 31/12/2007<br><u>L.E</u> | 31/12/2006<br><u>L.E</u> |
|---------------------------------------|--------------------------|--------------------------|
| Bank - time deposits *                | 271 960 000              | 477 232 311              |
| Saving certificates (3 year maturity) | 16 025 000               | -                        |
| Bank - current accounts               | 141 421 804              | 314 726 270              |
| Bank - blocked accounts **            | 25 372 233               | -                        |
| Checks under collection               | 12 232 071               | 1 344 504                |
| Cash on hand                          | 241 688                  | 521 664                  |
|                                       | <u>467 252 796</u>       | <u>793 824 749</u>       |

\* This item includes an amount of L.E 5 000 000 representing in blocked deposit as guarantee for the facility agreement granted from a bank.

\*\* This item represents the time deposits transferred during the year to a bank account which earns interest income on daily basis placed and kept at Banque Misr. The use of this account is not allowable unless an official letter issued & approved by the Urban Communities Authority according to the agreement with the Urban Authority in this regard.

For the purpose of preparing the consolidated statement of cash flows, cash & cash equivalents item is represented as follows:

|  | 31/12/2007<br><u>L.E</u> | 31/12/2006<br><u>L.E</u> |
|--|--------------------------|--------------------------|
| Cash at banks & on hand                                | 467 252 796              | 793 824 749              |
| <u>Less:</u>   |                          |                          |
| Saving certificates (3 year maturity)                  | 16 025 000               | -                        |
| Blocked accounts                                       | 25 872 233               | -                        |
| Bank overdraft balance                                 | 44 941                   | -                        |
| Cash & cash equivalents in the statement of cash flows | <u>425 310 622</u>       | <u>793 824 749</u>       |

- The Group's exposure to interest rate risk & sensitivity analysis for financial assets is disclosed in note No.(42).

## 20- Provisions

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

|                                       | Balance as<br>at<br>1/1/2007 | Provision<br>formed<br>during the<br>year | Provision<br>assumed<br>through<br>business<br>combinations | Provision<br>used during<br>the year | Provision<br>no longer<br>required | Balance as at<br>31/12/2007 |
|---------------------------------------|------------------------------|---|---|--------------------------------------|------------------------------------|-----------------------------|
|                                       | <u>L.E</u>                   | <u>L.E</u>                                | <u>L.E</u>  | <u>L.E</u>                           | <u>L.E</u>                         | <u>L.E</u>                  |
| Provision for completion<br>of works* | 39 947 204                   | 79 981 192                                | -   | (55 818 620)                         | -                                  | 64 109 776                  |
| Provision for claims **               | 2 722 649                    | 1 990 470                                 | 201 228   | (171 353)                            | (966 194)                          | 3 776 800                   |
|                                       | <u>42 669 853</u>            | <u>81 971 662</u>                         | <u>201 228</u>  | <u>(55 989 973)</u>                  | <u>(996 194)</u>                   | <u>67 886 576</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 2008.

\*\* This provision is formed for probable taxes, lawsuits and some other expected liabilities.

## 21- Customers – deposits

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

|   | 31/12/2007<br><u>L.E</u> | 31/12/2006<br><u>L.E</u> |
|---|--------------------------|--------------------------|
| Land deposits – (Fourth area)   | 1 861 380                | 49 554 556               |
| Deposits for booking , contracting & installments of<br>residential units (Fourth area) | 6 000 324                | 29 648 718               |
| Deposits for booking , contracting & installments of<br>villas (Fourth area)            | 1 764 300                | 13 731 515               |
| Deposits for other lands  | -                        | 38 290 730               |
| Deposits for 3 B units  | -                        | 488 608                  |
| Deposits – Allegria project   | 109 861 971              | -                        |
|   | <u>119 487 975</u>       | <u>131 714 127</u>       |

## 22- Contractors, suppliers, & notes payable

|                         | 31/12/2007<br><u>L.E</u> | 31/12/2006<br><u>L.E</u> |
|-------------------------|--------------------------|--------------------------|
| Contractors & suppliers | 11 480 946               | 5 735 054                |
| Notes payable           | 55 432                   | -                        |
|                         | <u>11 536 378</u>        | <u>5 735 054</u>         |

- The Company's exposure to currency & liquidity risks related to contractors & suppliers is disclosed in note No. (42).



## 23- Creditors & other credit balances

|   | <b>31/12/2007</b>  | <b>31/12/2006</b> |
|---|--------------------|-------------------|
|   | <b><u>L.E</u></b>  | <b><u>L.E</u></b> |
| New Urban Communities Authority (note No.28) *  | 13 043 478         | 55 222 638        |
| Land purchase creditors – SOREAL **   | 41 950 000         | -                 |
| Accrued expenses  | 14 615 365         | 8 148 643         |
| Due to Beverly Hills Co. for Management of Cities & Resorts                           | 8 064 653          | 12 511 642        |
| Liability for cash settled share-based payments transactions– Executive directors *** | 1 801 715          | 853 117           |
| Amounts due to the beneficiaries from the incentive & bonus plan****                  | 30 326 079         | -                 |
| Customers – credit balances   | 1 158 784          | 1 717 474         |
| Tax Authority   | 9 058 445          | 4 723 789         |
| Accrued royalty & trademark – Coldwell Banker   | 374 284            | 314 600           |
| Accrued Commissions due to Coldwell Banker  | 48 983             | 334 474           |
| Accrued compensated absence   | 555 158            | 151 832           |
| Amount due to Rabyia for Agricultural & Urban Development Co.                         | 78 381             | -                 |
| Deposits collected from customers   | 4 323 405          | 788 912           |
| Sundry creditors  | 8 846 372          | 1 709 992         |
|   | <u>134 245 102</u> | <u>86 477 113</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 balance is represented in the remaining amount due to New Urban Communities Authority – New Cairo City Organization – for the second & the third installments of the open plot of land with an area of 204,277 feddens (plot No. 2) located in the Future Extension Area of New Cairo City, whose details are as follows:

|                                    | <b>31/12/2007</b> | <b>31/12/2006</b> |
|------------------------------------|-------------------|-------------------|
|                                    | <b><u>L.E</u></b> | <b><u>L.E</u></b> |
| Second installment due on 1/1/2007 | -                 | 41 950 124        |
| Third installment due on 1/1/2008  | 41 950 000        | 41 950 000        |
| Total                              | <u>41 950 000</u> | <u>83 900 124</u> |
| <b>Less:</b> Long-term portion     | -                 | 41 950 000        |
| Current portion                    | <u>41 950 000</u> | <u>41 950 124</u> |

\*\*\* Represent the amount due to some of the executive board of directors of the Parent Company as detailed in note No. (36).

\*\*\*\* This item represents the amounts due to the beneficiaries from the incentive & bonus plan until the completion of the prohibition period as stated in note No. (17) above.

- The Group's exposure to currency & liquidity risks related to creditors is disclosed in note No. (42).

## 24- Minority interest

Minority interest balance as at 31 December 2007 represents the minority interest' shares in subsidiary's equity as follows:

|  | <u>Minority interest</u> | <u>Minority share in subsidiary profit (losses) for the year</u> | <u>Minority share in equity excluding profits for the year</u> | <u>Minority interest as at 31/12/2007</u> | <u>Minority interest as at 31/12/2006</u> |
|--|--------------------------|--|--|---|---|
|  | %                        | L.E  | L.E  | L.E                                       | L.E                                       |
| SODIC Property Services Co.  | 49                       | (291 411)  | 655 214  | 363 803                                   | 655 214                                   |
| Sixth of October for Development & Real Estate Projects Co. "SOREAL" | 0.01                     | 29   | 46 566   | 46 594                                    | -   |
| Beverly Hills for Management of Cities & Resorts Co.                 | 47.69                    | (29 209)   | 12 183 161   | 12 153 953                                | -   |
| Egyptian Co. for Investment and Real Estate & Tourist Development    | 50                       | -  | 6 250 000  | 6 250 000                                 | -   |
|  |                          | <u>(320 591)</u>   | <u>19 134 941</u>  | <u>18 814 350</u>                         | <u>655 214</u>                            |

## 25- Share capital

- a - The Parent Company's authorized capital was determined at L.E 500 million (five hundred million Egyptian pounds).
- b - The Parent 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 Parent Company's Commercial Registry to this effect.
- c - On July 10, 2003, the Parent Company's Extraordinary General Assembly Meeting decided to reduce the Parent 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 9 October 2003 approving the reduction of the Parent Company's issued capital, and annotation was made in the Parent Company's Commercial Registry to this effect.

- d - On October 16, 2006, the Parent Company's Extraordinary General Assembly Meeting has unanimously decided to:
- Approve the Parent 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 Parent 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 Parent 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 Parent Company before the date of the shareholders' meeting , and the credit balances set aside in the escrow account in favor of the Parent Company as well as the credit balances that shall be transferred to the Parent 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 of the Parent Company 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 of the Parent Company 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 Parent 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 Parent 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. (25). Annotation was made in the Parent 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 Parent 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 Parent Company's Commercial Registry on 18/12 / 2006.
- On May16, 2007 the Parent 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 October16, 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 Parent Company's Commercial Registry on 5/7/2006.

Accordingly, the issued capital of the Parent Company 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 Parent 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 Parent Company's managers according to the nominations of the managing director of the Parent Company. Accordingly, the total increase in the issued share capital of the Parent Company allocated for the employees' incentive and bonus plan shall become 1.5 million shares (Only one million and five hundred thousand shares) instead of one million shares only. The said increase shall be presented to the Parent Company's Extra Ordinary General Assembly for approval and the managing director of the Parent Company is delegated to determine the convocation date.

## 26- Legal reserve

According to the Parent Company' statutes, the Parent 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 31 December 2007 is represented as follows:-

|   | <u>L.E</u>                |
|---|---------------------------|
| Legal reserve balance as at 1/1/2003  | 6 530 455                 |
| <b>Add:</b>   |                           |
| Increase of the legal reserve with the difference between the par value of the treasury shares and its actual cost (according to the Parent 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 Parent Company's issued share capital during 2006. (Note No. 25).  | 123 409 151               |
| Legal reserve balance as at 31/12/2006  | <u>134 566 980</u>        |
| <b>Add:</b>   |                           |
| Increase of the legal reserve with part of capital increase share premium during the period with limits of half of the Parent Company's issued share capital. (note No. 25).  | 5 000 000                 |
| Legal reserve balance as at 31/12/2007  | <u><u>139 566 980</u></u> |

## 27- 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 after deducting the amounts that have been credited to the legal reserve, and after deducting the issuance expenses of such increase as follows:

| <u>Description</u>  | <u>L.E</u>                |
|---|---------------------------|
| Total value of the capital increase share premium collected during 2006   | 983 588 760               |
| <b>Deduct:</b>  |                           |
| 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 31 December 2006  | <u>832 439 354</u>        |
| <b>Add:</b>   |                           |
| Share premium of the employees' incentive and bonus plan  | 90 000 000                |
| <b>Less</b>   |                           |
| 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 31/12/2007  | <u><u>917 439 354</u></u> |

## 28- Treasury shares

This item is represented in the amount paid by the Parent 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 Parent Company's employees and managers which are kept in Arab African International Bank as detailed in note No. (25) & (47) as follows:

| <u>Description</u>   | <u>L.E</u>        |
|--|-------------------|
| For financing of one million shares from the incentive & bonus plan with a fair value of L.E 100 per share.  | 100 000 000       |
| <u>Deduct:</u>   |                   |
| The value of 200 000 shares sold by the beneficiaries from the incentive & bonus plan during December 2007 out of which an amount of L.E 15 million was paid to the Company of L.E 75 per share. | 20 000 000        |
| Balance as at 31 December 2007   | <u>80 000 000</u> |

## 29 - Set aside amount for incentive & bonus plan

The balance is represented in the remaining amount from the difference between the grant date fair value of shares and the amount incurred by the beneficiary from the incentive & bonus plan for the Parent Company's managers & employees during the year as follows:-

| <u>Description</u>   | <u>L.E</u>       |
|--|------------------|
| Represents the difference between the fair value of the shares granted to the beneficiaries from the incentive & bonus plan for one million share (allocated over 5 years) for 21 months and the agreed upon share price in accordance with the incentive & bonus plan as at 31 December 2007. | 8 750 000        |
| Deduct:  |                  |
| The difference between the grant date fair value of the shares and the agreed upon share price in accordance with the incentive & bonus plan for 200 000 share that were sold in favor of the beneficiaries during December 2007.  | 5 000 000        |
| Balance as at 31 December 2007   | <u>3 750 000</u> |

## 30- Notes payable

This item is represented in the value of checks issued to New Urban Communities Authority – Sheikh Zayed City Organization in return for the settlement of the remaining amount of the land referred to in note No. (17) including installments interests. These checks are due from 2/5/2010 till 2/5/2016 as follows:

|  | <u>L.E</u>         |
|--|--------------------|
| Total nominal value of the issued checks | 253 024 035        |
| Deduct: discount on notes payable        | 88 722 713         |
|  | <u>164 301 322</u> |

- The Company's exposure to credit risk related to long-term notes payable is disclosed in note No. (42).

### 31- Net sales

The Group'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>L.E</u>  | <u>L.E</u>  |
| Sales of villas & residential units from first phase                               | 3 063 928   | 6 554 373   |
| <b><u>Deduct:</u></b> Sales returns of villas & residential units from first phase | 82 500      | 2 273 971   |
| Net sales of villas & residential units from first phase                           | 2 981 428   | 4 280 402   |
| Sales of Desert Road showrooms   | 265 249 075 | -           |
| Sales of lands   | 160 926 789 | 152 947 301 |
| Sale of land to Royals Gardens – an associates                                     | -           | 173 123 028 |
| Sales of residential units & villas from second phase                              | 42 343 890  | 29 168 882  |
| Sale of land & building of the club to Beverly Hills *                             | 14 500 000  | -           |
| Other revenues   | 706 913     | -           |
|  | 486 708 095 | 359 519 613 |
| Special discount   | (84 125)    | (73 259)    |
|  | 486 623 970 | 359 446 354 |

- \* On 28/3/2007, the Parent Company's board of directors decided to sell an area of 10 thousand square meter of land on which a club is built to Beverly Hills Co. for Management of Cities & Resorts before the acquisition of this company during November 2007. The club was delivered to Beverly Hills Co. on 29/3/2007.

### 32- Cost of sales

|  | <u>2007</u> | <u>2006</u> |
|--|-------------|-------------|
|  | <u>L.E</u>  | <u>L.E</u>  |
| Cost of villas & residential units                           | 1 645 625   | 4 335 595   |
| <b><u>Deduct:</u></b> Cost of sales returns                  | 35 298      | 1 424 885   |
| Net cost of villas & residential units sold from first phase | 1 610 327   | 2 910 710   |
| Cost of villas & residential units sold from second phase    | 33 360 377  | 25 837 114  |
| Cost of lands sold   | 58 872 775  | 69 972 999  |
| Cost of lands sold for Royal Gardens – an associate          | -           | 14 632 469  |
| Cost of Desert Road showrooms sold                           | 61 240 969  | -           |
| Cost of land & building of the club to Beverly Hills Co.     | 6 982 214   | -           |
| Other costs  | 702 120     | -           |
|  | 162 768 782 | 113 353 292 |

### **33- Other operating revenues**

|  | <b><u>2007</u></b> | <b><u>2006</u></b> |
|--|--------------------|--------------------|
|  | <b><u>L.E</u></b>  | <b><u>L.E</u></b>  |
| Realized interest income from installments during the year | 15 121 183         | 4 057 548          |
| Negative goodwill  | 4 554 564          | -                  |
| Sundry income  | 4 614 039          | 1 551 429          |
| Provision - no longer required                             | 966 194            | 1 499 321          |
| Rental income from buildings                               | 41 400             | -                  |
| Gain on sale of fixed assets                               | 182 735            | 477 156            |
| Consultancy , promotion & marketing services               | 6 062 276          | -                  |
|  | <u>31 542 391</u>  | <u>7 585 454</u>   |

### **34- Selling & marketing expenses**

|                                | <b><u>2007</u></b> | <b><u>2006</u></b> |
|--------------------------------|--------------------|--------------------|
|                                | <b><u>L.E</u></b>  | <b><u>L.E</u></b>  |
| Salaries & wages               | 3 078 575          | 1 032 599          |
| Commission for sales employees | 9 189 073          | 1 188 712          |
| Sales commissions              | 2 393 045          | 3 974 473          |
| Advertising                    | 8 229 891          | 319 267            |
| Market research & consultancy  | 296 403            | 723 767            |
| Printouts & photocopy          | 245 994            | -                  |
| Conferences & exhibitions      | 136 062            | -                  |
| Rent                           | 437 586            | 690 311            |
| Others                         | 854 151            | 966 350            |
|                                | <u>24 860 780</u>  | <u>8 895 479</u>   |

### **35- General & administrative expenses**

|  | <b><u>2007</u></b> | <b><u>2006</u></b> |
|--|--------------------|--------------------|
|  | <b><u>L.E</u></b>  | <b><u>L.E</u></b>  |
| Salaries & wages   | 6 352 119          | 2 806 417          |
| Cash settled share - based payments                        | 1 531 250          | -                  |
| Employees training & development                           | 20 526             | 2 275 048          |
| Professional & consultancy fees                            | 3 892 724          | -                  |
| Advertising  | 1 019 284          | 361 000            |
| Donations  | 5 000 000          | -                  |
| Maintenance of gardens                                     | 1 866 453          | 399 383            |
| Administrative depreciation of fixed assets & rented units | 1 154 079          | 156 702            |
| Amortization of other assets                               | 39 783             | -                  |
| Bid & tenders  | 1 484 287          | -                  |
| Subscriptions & governmental dues                          | 478 028            | 287 934            |
| Rent   | 96 260             | 80 612             |
| Others   | 4 048 810          | 1 981 509          |
|  | <u>26 983 603</u>  | <u>8 348 605</u>   |



### 36- Board of directors remunerations and allowness

|  | <u>2007</u><br><u>L.E</u> | <u>2006</u><br><u>L.E</u> |
|--|---------------------------|---------------------------|
| Remunerations & bonuses                  | 2 944 359                 | 2 781 748                 |
| Attendance & transportations allowances  | 42 500                    | 45 000                    |
| Cash settled share - based payments *    | 6 357 501                 | 2 288 993                 |
| Equity settled share - based payments ** | 7 218 750                 | -                         |
|  | <u>16 563 110</u>         | <u>5 115 741</u>          |

- \* On May 16, 2006, the Parent 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 Parent Company from grant date until vesting date.  
 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 31/12/2007</u> | <u>Conditions</u>  |
|------------------------------|-------------------|--------------------------------------|--|--|--|
| Some executive board members | 1/4/2006          | -                                    | 75                                       | 229.09                                     | Vested after 6 months of period from grant date (salaries) |

The amount of expense charged to the consolidated income statement during the year amounted to L.E 6 357 501 and the balance payable amounted to L.E 1 801 715 as at 31 December 2007 that was included in creditors & other credit balances in the consolidated balance sheet.

- \*\* This item is represented in the difference between the grant date fair value of the shares granted to the board members of the Parent Company and the agreed upon share price in accordance with the incentive & bonus plan as shown in note No.(47) as follows:
- On May 16, 2006, the Parent Company's board of directors approved some other benefits to the Parent Company's managing director which are represented in granting him share appreciation rights for a number of 750 thousand of the Parent 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 March 28, 2007, the Parent Company 's board of directors agreed on the monthly salary and the additional benefits granted to the managing director within the employees" bonus and incentive plan (note No. 47) starting from 1/4/2006.
  - On September 23, 2007, the Supervisory Committee of the incentive & bonus plan of the Parent Company's employees & executive board members agreed on the allocation of 75 thousand shares to a board member as detailed in note No.(47) below. Accordingly, total shares allocated to the board of directors from the incentive & bonus plan reached 825 000 shares as at 31 December 2007.

**37- Other operating expenses**

|   | <u>2007</u><br><u>L.E</u> | <u>2006</u><br><u>L.E</u> |
|---|---------------------------|---------------------------|
| Discount for early payment                        | 986 630                   | 1 056 082                 |
| Provisions for claims                             | 1 990 470                 | 2 492 476                 |
| Impairment loss of debtors & other debit balances | 10 322                    | 210 125                   |
| Loss on sale of fixed assets                      | 38 110                    | -                         |
|   | <u>3 025 532</u>          | <u>3 758 683</u>          |

**38- Finance income**

|   | <u>2007</u><br><u>L.E</u> | <u>2006</u><br><u>L.E</u> |
|---|---------------------------|---------------------------|
| Interest income                                     | 31 839 384                | 11 065 759                |
| Interest income from treasury bills                 | 6 886 108                 | -                         |
| Interest income from available-for-sale investments | 668 005                   | 254 346                   |
| Unrealized gain on held for trading investments     | 1 968 533                 | -                         |
| Net foreign exchange gain                           | 54 281                    | -                         |
|   | <u>41 416 311</u>         | <u>11 320 105</u>         |

**39- Finance expenses**

|  | <u>2007</u><br><u>L.E</u> | <u>2006</u><br><u>L.E</u> |
|--|---------------------------|---------------------------|
| Interest charges   | 133 869                   | 13 431 808                |
| Deferred interest for the assignment amount due to the Authority | 1 701 323                 | -                         |
| Net foreign exchange loss  | 5 475 525                 | 1 515 573                 |
|  | <u>7 310 717</u>          | <u>14 947 381</u>         |

**40- Deferred tax**

**40-1 Current income tax expense**

The Parent 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 and 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.

**40-2 Deferred tax Assets**

|                                      | <u>31/12/2007</u>           |                                  | <u>31/12/2006</u>           |                                  |
|--------------------------------------|-----------------------------|----------------------------------|-----------------------------|----------------------------------|
|                                      | <u>Assets</u><br><u>L.E</u> | <u>Liabilities</u><br><u>L.E</u> | <u>Assets</u><br><u>L.E</u> | <u>Liabilities</u><br><u>L.E</u> |
| Fixed assets                         | -                           | 270 863                          | -                           | 39 642                           |
| Provisions                           | (13 048 447)                | -                                | -                           | -                                |
| Other items                          | (1 750 000)                 | -                                | -                           | -                                |
| Total deferred tax asset / liability | <u>(14 798 447)</u>         | <u>270 863</u>                   | <u>-</u>                    | <u>39 642</u>                    |
| Net deferred tax asset / liability   | <u>(14 527 584)</u>         | <u>-</u>                         | <u>-</u>                    | <u>39 642</u>                    |

#### **40-3 Unrecognized deferred tax assets**

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

|                                  | <b>31/12/2007</b> | <b>31/12/2006</b> |
|----------------------------------|-------------------|-------------------|
|                                  | <b><u>L.E</u></b> | <b><u>L.E</u></b> |
| Deductible temporary differences | 22 320            | 8 344 337         |
| Total                            | <u>22 320</u>     | <u>8 344 337</u>  |

#### **41- Earnings per share**

The calculation of earning per share at 31 December 2007 was based on the profit the year attributable to ordinary shareholders of the Parent Company of LE 331 535 035 (for the financial year ended 31 December 2006: LE 222 914 774 ) and a weighted average number of ordinary shares as follows:

|   | <b><u>2007</u></b> | <b><u>2006</u></b> |
|---|--------------------|--------------------|
|   | <b><u>L.E</u></b>  | <b><u>L.E</u></b>  |
| Net profit for the year                                       | 331 535 035        | 222 914 774        |
| Weighted average number of shares outstanding during the year | 27 485 999         | 17 557 452         |
| Earnings per share (L.E / share)                              | <u>12.06</u>       | <u>12.70</u>       |

\* Weighted average number of shares outstanding during the year is calculated as follows:

|  | <b><u>2007</u></b> | <b><u>2006</u></b> |
|--|--------------------|--------------------|
|  | <b><u>L.E</u></b>  | <b><u>L.E</u></b>  |
| Issued shares at January 1 <sup>st</sup>                       | 26 913 396         | 15 984 632         |
| Effect of the new shares issued during the year                | -                  | 1 572 820          |
| Effect of the shares issued for the bonus & incentive plan     | 572 603            | -                  |
| Weighted average number of shares outstanding during the year. | <u>27 485 999</u>  | <u>17 557 452</u>  |

## 42- Financial instruments

### 42-1 Credit risk

#### Exposed to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the consolidated financial statements was:

|                                     | <b>Note</b> | <b>31/12/2007</b>    | <b>31/12/2006</b>    |
|-------------------------------------|-------------|----------------------|----------------------|
|                                     | <b>No.</b>  | <b>L.E</b>           | <b>L.E</b>           |
| Long-term trade & notes receivable  | (13)        | 337 558 530          | 233 243 461          |
| Short-term trade & notes receivable | (16)        | 177 349 915          | 115 805 925          |
| Other debtors                       | (17)        | 261 327 253          | 24 197 428           |
| Held for trading investments        | (18)        | 77 670 614           | -                    |
| Cash & cash equivalents             | (19)        | 467 011 108          | 793 303 085          |
|                                     |             | <u>1 320 917 420</u> | <u>1 166 549 899</u> |

### 42-2 Liquidity risk

The following are the contractual maturities of financial liabilities:

#### 31 December 2007

|                         | <b>Carrying<br/>amount<br/>L.E</b> | <b>6 months<br/>or less<br/>L.E</b> | <b>6-12<br/>months<br/>L.E</b> | <b>1-2 years<br/>L.E</b> | <b>2-5 years<br/>L.E</b> | <b>More than<br/>5 years<br/>L.E</b> |
|-------------------------|------------------------------------|-------------------------------------|--------------------------------|--------------------------|--------------------------|--------------------------------------|
| Bank – credit balances  | 44 941                             | 44 941                              | -                              | -                        | -                        | -                                    |
| Contractors & suppliers | 11 536 378                         | 6 097 978                           | 1 035 493                      | 4 402 907                | -                        | -                                    |
| Other creditors         | 134 245 102                        | 108 892 723                         | 22 661 337                     | 2 691 042                | -                        | -                                    |
| Notes payable           | 164 301 322                        | -                                   | -                              | -                        | 70 414 852               | 93 886 470                           |
|                         | <u>310 127 743</u>                 | <u>115 035 642</u>                  | <u>23 696 830</u>              | <u>7 093 949</u>         | <u>70 414 852</u>        | <u>93 886 470</u>                    |

#### 31 December 2006

|                         | <b>Carrying<br/>amount<br/>L.E</b> | <b>6 months<br/>less<br/>L.E</b> | <b>6-12<br/>months<br/>L.E</b> | <b>1-2 years<br/>L.E</b> | <b>2-5 years<br/>L.E</b> | <b>More than<br/>5 years<br/>L.E</b> |
|-------------------------|------------------------------------|----------------------------------|--------------------------------|--------------------------|--------------------------|--------------------------------------|
| Contractors & suppliers | 5 735 054                          | 3 570 851                        | 1 738 538                      | 425 665                  | -                        | -                                    |
| Other creditors         | 86 477 113                         | 14 003 169                       | 69 782 897                     | 2 691 047                | -                        | -                                    |
| Land purchase creditors | 12 841 052                         | -                                | -                              | 12 841 052               | -                        | -                                    |
|                         | <u>105 053 219</u>                 | <u>17 574 020</u>                | <u>71 521 435</u>              | <u>15 957 764</u>        | <u>-</u>                 | <u>-</u>                             |

## **42-3 Currency risk**

### **Exposure to currency risk**

The Group's exposure to foreign currency risk was as follows based on notional amounts:

| <b>Description</b>       | <b><u>31/12/2007</u></b> |                   | <b><u>31/12/2006</u></b> |                   |
|--------------------------|--------------------------|-------------------|--------------------------|-------------------|
|                          | <b><u>L.E</u></b>        | <b><u>USD</u></b> | <b><u>L.E</u></b>        | <b><u>USD</u></b> |
| Cash at banks            | 325 210 112              | 25 825 942        | 615 394 504              | 31 289 828        |
| Trade & notes receivable | 514 908 445              | -                 | 348 973 081              | 13 381            |
| Contractors & suppliers  | (11 536 378)             | -                 | (3 163 225)              | (451 000)         |
| Other creditors          | (129 930 297)            | (784 510)         | (86 232 161)             | (42 955)          |
| Net exposure             | <u>698 651 882</u>       | <u>25 041 432</u> | <u>874 972 199</u>       | <u>30 809 254</u> |

The following significant exchange average rates applied during the year:

|     | <b><u>Average rate</u></b>              |   | <b><u>Reporting date spot rate</u></b>  |   |
|-----|---|---|---|---|
|     | <b><u>2007</u></b><br><b><u>L.E</u></b> | <b><u>2006</u></b><br><b><u>USD</u></b> | <b><u>2007</u></b><br><b><u>L.E</u></b> | <b><u>2006</u></b><br><b><u>USD</u></b> |
| USD | 5.60                                    | 5.74                                    | 5.50                                    | 5.70                                    |

## **42-4 Sensitivity analysis**

A 10 percent strengthening of the USD against the following currencies at 31 December 2007 would have increased (decreased) profit & loss by the amounts shown below.

This analysis assumes that all other variables, in particular interest rates. The analysis is performed on the same basis for 2006.

|                                | <b><u>Profit &amp; loss</u></b> |
|--------------------------------|---------------------------------|
|                                | <b><u>L.E</u></b>               |
| <b><u>31 December 2007</u></b> |                                 |
| USD                            | 13 772 623                      |
| <b><u>31 December 2006</u></b> |                                 |
| USD                            | 17 561 275                      |

A 10 percent weakening of the USD against the above currencies at 31 December 2007 would have had the equal but the opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

#### 42-5 Interest rate risk

At the consolidated financial statements the interest rate profile of the Group's interest bearing financial instruments was:-

|   | <u>Carrying amount</u> |                    |
|---|------------------------|--------------------|
|   | <u>2007</u>            | <u>2006</u>        |
| <b><u>Fixed rate instruments</u></b>    |                        |                    |
| Financial assets                        | 514 908 445            | 349 049 386        |
| Financial liabilities                   | (177 344 800)          | (68 063 690)       |
|   | <u>337 563 645</u>     | <u>280 985 696</u> |
| <b><u>Variable rate instruments</u></b> |                        |                    |
| Financial liabilities                   | -                      | -                  |
|   | <u>-</u>               | <u>-</u>           |

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the Company does not designate derivatives (interest rate swaps) as hedging instruments under a fair value hedge accounting model. Therefore, a change in interest rates at the consolidated financial statements date would not affect the consolidated income statement.

#### 42-6 Fair values

##### Fair values versus carrying amounts

The fair values of financial assets and liabilities, together with the carrying amounts in the consolidated balance sheet are as follows:

|                           | <u>31/12/2007</u>      |                    | <u>31/12/2006</u>      |                      |
|---------------------------|------------------------|--------------------|------------------------|----------------------|
|                           | <u>Carrying amount</u> | <u>Fair value</u>  | <u>Carrying amount</u> | <u>Fair value</u>    |
|                           | <u>USD</u>             | <u>USD</u>         | <u>USD</u>             | <u>USD</u>           |
| Trade & notes receivable  | 514 908 445            | 514 908 445        | 349 049 386            | 349 049 386          |
| Cash and cash equivalents | 467 252 796            | 467 252 796        | 793 824 749            | 793 824 749          |
| Suppliers & Contractors   | (11 536 378)           | (11 536 378)       | (5 735 054)            | (5 735 054)          |
| Other creditors           | (134 245 102)          | (134 245 102)      | (86 477 113)           | (86 477 113)         |
| Notes payable             | (164 301 322)          | (164 301 322)      | -                      | -                    |
| Land purchase creditors   | -                      | -                  | (12 841 052)           | (12 841 052)         |
|                           | <u>672 078 439</u>     | <u>672 078 439</u> | <u>1 037 820 916</u>   | <u>1 037 820 916</u> |

The basis for determining fair values is disclosed in note No.(4) above.

#### 43- Transactions with related parties

Related parties are represented in the Parent 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 Parent 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 Parent Company. Summary of significant transactions concluded and the resulting balances at the consolidated financial statements date were as follows:-

**a) Transactions with related parties**

| <u>Party</u>                                    | <u>Relationship</u> | <u>Nature of transaction</u>  | <u>2007<br/>Amount of<br/>transaction<br/>L.E</u> | <u>2006<br/>Amount of<br/>transaction<br/>L.E</u> |
|---|---------------------|---|---|---|
| Rabyia for Agricultural & Urban Development Co. | An associate        | Works of mowing , agriculture , irrigation , drainage and other   | -   | 1 887 065   |
|   |                     | The value of purchasing land from Rabyia for Agricultural & Urban Development Co. with an area of 10 000 square meter | -   | 17 500 000  |
| Royal Gardens for Investment Property *         | An associate        | Sale of lands to Royal Gardens  | 2 962 073   | 176 400 000                                       |
| Royal Gardens for Investment Property *         | An associate        | Amounts collected from sale of lands to Royal Gardens   | -   | 8 820 000   |
| Board of directors                              |                     | Remunerations & bonuses of the board members (note No. 36)  | 16 538 110  | 5 115 741   |
|   |                     | Sale of lands and residential units to some of the board members  | -   | 20 016 280  |

**b) Resulting balances from these transactions**

| <u>Party</u>                                    | <u>Item as shown in the<br/>Consolidated balance sheet</u>   | <u>31/12/2007<br/>L.E</u> | <u>31/12/2006<br/>L.E</u> |
|---|--|---------------------------|---------------------------|
| Rabyia for Agricultural & Urban Development Co. | Contractors – advance payments   | 49 500                    | 49 500                    |
|   | Contractors & suppliers  | 146 629                   | 146 629                   |
| Royal Gardens for Investment Property           | Creditors & other credit balances (note No. 23)  | 330 876                   | 282 080                   |
|   | Trade & notes receivable (note No. 13 & 16)  | 167 580 000               | 167 580 000               |
| Board of directors                              | Liability for cash settled share – based payments transactions included in creditors & other credit balances caption (note No. 23) | 28 059 273                | 853 117                   |
| Board of directors                              | Amounts due to the beneficiaries from bonus & incentive plan (note No. 23)   | 25 019 015                | -                         |

#### **44- Tax status**

##### **44-1 The Parent Company**

The Parent 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 31 December 2007). The tax exemption was registered on the Parent Company's tax card. Summary of the Parent Company's tax status at the consolidated balance sheet 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 forms 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.

##### **44-2 Tax status for SODIC Property Services Co.**



### **Corporate profit tax**

The Company is subject to corporate profit tax in accordance with Law No. 91 of 2005. No tax inspection has been carried out till authorizing these consolidated financial statements for issuance.

### **Salary tax**

No tax inspection has been carried out from inception till authorizing these consolidated financial statements for issuance and the Company has not paid the taxes withheld from employees from the period from 1/1/2007 up till now.

### **Stamp tax**

No tax inspection has been carried out from inception till authorizing these consolidated financial statements for issuance.

### **Withholding tax**

No tax inspection has been carried out till authorizing these consolidated financial statements for issuance and the Company has not paid the taxes withheld from others from the period from 1/1/2007 up till now .

### **Sales tax**

No tax inspection has been carried out from inception till authorizing these consolidated financial statements for issuance. The Company paid taxes till the end of October 2007.

## **44-3 Tax status of Sixth of October Company for Real Estate Development Projects Co. "SOREAL"**

### **Corporate profit tax**

- The Company is exempted 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 and its amendments, and Law No. 8 of 1997 concerning the Investment Guarantees and Incentives except for the activity which was added during 2006 which is subject to all kind of taxes and in which the Company is obliged to maintain separate accounts for the added activity. However, the date of starting activity has not been determined by the Investment Authority yet.
- The current income tax expense is represented in the tax due on interest income of time deposits which is taxed in a separate tax bracket in accordance with Law No. 91 of 2005.
- Years form 1998 till 2004  
Tax inspection & assessment were carried out, & there are no tax liabilities due from the Company.
- Year from 2005 till 2006  
No tax inspection has been carried out till authorizing these consolidated financial statements for issuance.

### **Salary tax**

- Years form 1998 till 2004  
Tax inspection was carried out & the due tax was paid in full.
- Year from 2005 till 2006  
No tax inspection has been carried out till authorizing these consolidated financial statements for issuance.

### **Stamp tax**

Years form 1998 till 2005  
Tax inspection was carried out & the due tax was paid in full.

## **44-4 Tax status of Beverly Hills for Management of Cities & Resorts Co.**

### **Corporate profit tax**

- By virtue of the Chairman of the General Investment Authority and Free Zones' s resolution No. 3492 / 2005 , the Company activities are subject to the tax exemptions mentioned in the Investment Incentives & Guarantees Law & its Executive Regulations and the decrees of the Prime Minister with respect to the exemption of the services & commercial activities which are practiced in the new urban communities for a period of ten years starting from the next year of starting activity effective from 1/10/2002 . The tax exemption has been recorded on the Company's tax card.
- No tax inspection has been carried out from inception till authorizing these consolidated financial statements for issuance.

### **Withholding tax**

Tax inspection was carried out till 31/12/2007 and there are no tax liabilities due from the Company.

### **Salary tax**

No tax inspection has been carried out from inception till authorizing these consolidated financial statements for issuance.

### **Sales tax**

Tax inspection was carried out from inception till 31/12/2006 and the resulting differences are currently settled.

### **Stamp tax**

No tax inspection has been carried out from inception till authorizing these consolidated financial statements for issuance.

**45- Capital commitments**

- The contracts concluded with others related to construction, utilities and site works amounted to L.E 142 202 000 (31 December 2006: L.E 111.73 million) and the executed part of these contracts amounted to L.E 69 844 105 as at 31 December 2007 (31 December 2006: L.E 58.39 million).
- Contributions in long – term investments that have not been requested till the consolidated financial statements date amounted to L.E 21.75 million approximately. (31 December 2006: L.E 303.16 million).

**46- Contingent liabilities**

Contingent liabilities at 31 December 2007 amounted to USD 93 138 equivalent to L.E 519 188 & represented in the open letter of credit in favor of SOREAL Company to export 5 electrical elevators. The retained cash margin reaches 100% of the credit value. No letters of guarantee were issued by the Company in favor of others.

**47- Incentive and bonus plan of the Parent Company's employees and managers**

On 16 October 2006, the Parent Company's Extra - Ordinary General Assembly unanimously agreed to approve the incentive plan of the Parent Company's employees and managers by setting it in the Parent Company's statutes according to the proposal suggested by the Parent Company's board of directors , and authorizing the Parent 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 Parent 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 Parent Company's managing director to amend the provisions of the Parent Company's statutes and which is related to capital's increase and applying the incentive and bonus plan of the Parent Company's employees and managers. The articles of the Parent Company 'statues were amended on 24/10/2006. Procedures and discussions are still on-going with Capital Market Authority in this regard

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

- The incentive and bonus plan works through allocation of shares for the Parent Company's employees, managers and executive board directors.
- Duration of the plan is four years starting from the date of approval of the plan by the Parent Company's 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 Parent 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 Parent Company will be paid from the proceeds of sale in favor of the beneficiary.

- On March 28, 2007 the board of directors of the Parent Company 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 Parent Company and Arab African International Bank was signed on 15 April 2007. As detailed in note No. (25), the shares of the plan were issued and financed by the Parent Company. Annotation of this increase was registered in the Commercial Registry on July 5, 2007.
- On September 23, 2007, the Supervisory Committee of the incentive & bonus plan of the Parent 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.
- During December 2007, a number of 200 000 shares from the incentive & bonus plan were exercised with average selling price of L.E 226.63 per share. The amounts due to beneficiaries were set aside in special account held by Arab African International Bank until the completion of the prohibition period according to the incentive & bonus plan provisions.

Beneficiaries, extent & vesting conditions of granting of shares in accordance with this plan are as follows:

| <u>Employees entitled</u> | <u>Grant date</u> | <u>No. of shares in thousand</u> | <u>Fair value of share at grant date</u><br><u>L.E</u> | <u>Exercisin g price</u><br><u>L.E</u> | <u>Conditions</u>   |
|---------------------------|-------------------|----------------------------------|--|--|---|
| Managing director         | 28/3/2007         | 750                              | 100  | 75                                     | 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's share is below CASE 30 by more than 20% for consecutive years during the vesting period. |
| Board of director         | 23/9/2007         | 75                               | 100  | 75                                     | According to performance measure and exercise period from 31/3/2007 till 31/3/2011.   |
| Some managers             | 23/9/2007         | 175                              | 100  | 75                                     | According to performance measure and exercise period from 31/3/2007 till 31/3/2011  |

#### **48- Acquisition of shares of Palm Hills Company for Development**

On December 16, 2006, the Parent Company's board of directors agreed to acquire 100% of shares of Palm Hills Company for Development –S.A.E – through increasing the Parent 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 Parent Company's Extra-Ordinary General Assembly Meeting for approval.

On May 10, 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 December 27, 2006 has not been fulfilled. A disclosure of this matter was made by virtue of a letter submitted by the Parent Company to the Stock Exchange on May 10, 2007 and also an explanatory letter was sent to Capital Market Authority on May 13, 2007.

On May 16, 2007, the Parent Company's 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.

#### **49- Comparative figures**

Some comparative figures were reclassified to conform to the current year's presentation of the consolidated financial statements. The consolidated balance sheet items affected by the reclassification are listed below:

|  | <b><u>L.E</u></b> |
|--|-------------------|
| Provision for claims   | (2 213 152)       |
| Creditors & other credit balances – Corporate profit tax     | 2 213 152         |
| Work in process  | (4 030 000)       |
| Investments in associates                                    | 4 030 000         |
| Long-term trade & notes receivable                           | 18 607 635        |
| Trade & notes receivable                                     | 2 769 212         |
| Creditors & other credit balances – deferred interest income | (21 976 847)      |