

*Translation from Arabic*

Sixth of October for Development and Investment Company “SODIC”  
(An Egyptian Joint Stock Company)

**Consolidated Financial Statements**  
**For The Financial Period Ended March 31, 2009**

**And Review Report**

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Report on Limited Review of Interim Consolidated Financial Statements  
To The Board of Directors of Sixth of October for Development and Investment Company "SODIC"

***Introduction***

We have performed a limited review for the accompanying consolidated financial statements of Sixth of October for Development and Investment Company "SODIC" which comprise the consolidated balance sheet as of March 31, 2009 and the related consolidated statements of income, cash flows and changes in equity for the three-month then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of these interim consolidated financial statements in accordance with Egyptian Accounting Standards. Our responsibility is to express a conclusion on these interim consolidated financial statements based on our limited review.

***Scope of Limited Review***

We conducted our limited review in accordance with Egyptian Standard on Review Engagements (2410) "Limited Review of Interim Financial Statements Performed by the Independent Auditor of the Entity." A limited review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters in the Company, and applying analytical and other limited review procedures. A limited review is substantially less in scope than an audit conducted in accordance with Egyptian Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on these interim consolidated financial statements.

***Conclusion***

Based on our limited review, nothing has come to our attention that causes us to believe that the accompanying interim consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Company as at March 31, 2009, and of its financial performance and its cash flows for the three-month then ended in accordance with Egyptian Accounting Standards.

KPMG Hazem Hassan

Cairo, May 14, 2009

**Sixth of October for Development and Investment Company "SODIC"**  
**(An Egyptian Joint Stock Company)**  
Consolidated Balance Sheet  
**As at March 31, 2009**

	Note No.	31/3/2009 L.E	31/12/2008 L.E
<b><u>Long - term assets</u></b>			
Fixed assets	(6)	48 318 919	43 779 028
Intangible assets	(7)	34 010	38 868
Projects under construction	(8)	1 858 902	1 857 713
Investments in associates	(9)	-	-
Available for sale investments	(10)	4 250 000	4 250 000
Investment property	(11)	306 364 952	306 555 773
Trade & notes receivable	(12)	1 248 336 127	1 257 858 894
Deferred tax assets	(13)	23 204 381	22 505 683
Total long - term assets		<u>1 632 367 291</u>	<u>1 636 845 959</u>
<b><u>Current assets</u></b>			
Completed residential units ready for sale	(14)	493 910	355 542
Inventories & letters of credit		1 859 172	1 084 841
Consturction works in process		3 324 378	459 413
Work in process	(15)	1 382 880 786	1 309 790 878
Amounts due from customers - constructions		1 054 264	1 977 802
Trade & notes receivable	(16)	696 412 714	637 341 225
Debtors & other debit balances	(17)	419 586 205	416 059 670
Cash at banks & on hand	(18)	265 258 020	238 028 125
Total current assets		<u>2 770 869 449</u>	<u>2 605 097 496</u>
<b><u>Current liabilities</u></b>			
Provisions	(19)	103 054 086	103 577 896
Bank - credit facilities	(20)	3 933 511	1 344 343
Customers - deposits	(21)	2 159 268 710	1 976 116 091
Contractors, suppliers & notes payable	(22)	29 568 429	34 559 387
Creditors & other credit balances	(23)	144 958 796	161 278 376
Total current liabilities		<u>2 440 783 532</u>	<u>2 276 876 093</u>
Working capital		<u>330 085 917</u>	<u>328 221 403</u>
Total investments		<u>1 962 453 208</u>	<u>1 965 067 362</u>
These investments are financed as follows:			
<b><u>Equity</u></b>			
Issued & fully paid in capital	(25)	284 133 960	284 133 960
Legal reserve	(26)	141 906 330	139 566 980
Special reserve - share premium	(27)	912 439 354	912 439 354
Retained earnings		490 502 656	465 586 930
Treasury shares	(28)	(80 007 242)	( 80 000 000)
Amount set aside for incentive & bouns plan	(29)	10 000 000	8 750 000
Net profit (loss) for period / year		(7 635 245)	27 255 076
Total equity attributable to equity holders of the Company		<u>1 751 339 813</u>	<u>1 757 732 300</u>
Minority interest	(24)	24 511 435	24 590 711
Total equity		<u>1 775 851 248</u>	<u>1 782 323 011</u>
<b><u>Long-term liabilities</u></b>			
Notes payable	(30)	186 601 960	182 744 351
Total long-term liabilities		<u>186 601 960</u>	<u>182 744 351</u>
Total equity and long - term liabilities		<u>1 962 453 208</u>	<u>1 965 067 362</u>

\* The accompanying notes on pages form (5) to (42) are an integral part of these consolidated financial statements and to be read therewith.

Adminstrative & financial Manager

Hany Henery

Managing Director

Maher Maksoud

Chairman

Magdy Rasekh

\* Review Report " attached "  
KPMG Hazem Hassan

**Sixth of October for Development and Investment Company "SODIC"**

(An Egyptian Joint Stock Company)

Consolidated Income Statement

For The Financial Period Ended March 31, 2009

	Note No.	The three-month period ended <u>31/3/2009</u> L.E	The three-month period ended <u>31/3/2008</u> L.E
Real estate sales	(31)	301 791	33 549 000
Construction contracts revenues		679 249	-
Real estate consultancy, promotion & marketing services revenues		331 246	1 991 602
Service revenues of Beverly Hills City		1 922 859	921 420
Total revenues		3 235 145	36 462 022
Cost of real estate sold	(32)	( 197 487)	(6 563 253)
Construction contracts cost		( 654 961)	-
Cost of real estate consultancy, promotion & marketing services		( 161 265)	( 967 411)
Service costs of Beverly Hills City		(3 765 004)	(2 179 589)
Total costs		(4 778 717)	(9 710 253)
Gross profit (loss)		(1 543 572)	26 751 769
Other operating revenues	(33)	14 876 616	10 894 928
Selling & marketing expenses	(34)	(5 787 817)	(7 718 420)
General & administrative expenses	(35)	(9 629 866)	(5 671 936)
Board of directors remunerations & allowances	(36)	(6 111 647)	(7 755 101)
Other operating expenses	(37)	( 71 392)	( 74 374)
Operating profit (loss)		(8 267 678)	16 426 866
Finance income	(38)	3 508 063	9 195 154
Finance expenses	(39)	(4 064 525)	(2 767 922)
Net finance income (expenses)		( 556 462)	6 427 232
Share of profit of associates		-	219 024
Net profit (loss) for the period before income tax		(8 824 140)	23 073 122
<u>Deduct: income tax</u>			
Current income tax expense		184 852	5 677 132
Deferred income tax benefit	(13)	( 698 698)	( 147 156)
Net profit (loss) for the period		(8 310 294)	17 543 146
Net profit (loss) for the period attributable to:			
Equity holders of the Company		(7 635 245)	17 472 979
Minority share in profit & loss of subsidiaries		( 675 049)	70 167
Net profit (loss) for the period		(8 310 294)	17 543 146
Earnings (losses) per share (L.E / Share)	(40)	(0.27)	0.63

\* The accompanying notes on pages form (5) to (42) 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 Period Ended March 31, 2009

Note No.	Issued & paid up capital L.E	Legal reserve L.E	Special reserve-share premium L.E	Treasury shares L.E	Set aside amount for bonus & incentive plan L.E	Retained earnings L.E	Net profit for the period L.E	Equity attributable to equity holders of the Company L.E	Minority interest L.E	Total equity L.E
Balance as at December 31, 2007	279 133 960	139 566 980	917 439 354	(80 000 000)	3 750 000	154 040 713	331 846 710	1745 777 717	23 688 078	1 769 465 795
Set aside amount for bonus & incentive plan during the period	-	-	-	-	1 250 000	-	-	1 250 000	-	1 250 000
Net profit for the period	-	-	-	-	-	-	17 472 979	17 472 979	70 167	17 543 146
Balance as at March 31, 2008	279 133 960	139 566 980	917 439 354	(80 000 000)	5 000 000	154 040 713	349 319 689	1 764 500 696	23 758 245	1 788 258 941
Balance as at December 31, 2008	284 133 960	139 566 980	912 439 354	(80 000 000)	8 750 000	465 586 930	27 255 076	1 757 732 300	24 590 711	1 782 323 011
Amount transferred to legal reserve	-	2 339 350	-	-	-	(2 339 350)	-	-	-	-
Amount transferred to retained earnings	-	-	-	-	-	27 255 076	(27 255 076)	-	-	-
Set aside amount for bonus & incentive plan during the period (29)	-	-	-	-	1 250 000	-	-	1 250 000	-	1 250 000
Treasury shares acquired	-	-	-	(7 242)	-	-	-	(7 242)	-	(7 242)
Minority interest	-	-	-	-	-	-	-	-	595 773	595 773
Net loss for the period	-	-	-	-	-	-	(7 635 245)	(7 635 245)	(675 049)	(8 310 294)
Balance as at March 31, 2009	284 133 960	141 906 330	912 439 354	(80 007 242)	10 000 000	490 502 656	(7 635 245)	1 751 339 813	24 511 435	1 775 851 248

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**Sixth of October for Development and Investment Company "SODIC"**  
(An Egyptian Joint Stock Company)  
Consolidated Statement of Cash Flows  
For The Financial Period Ended March 31, 2009

	Note No.	The three-month period ended 31/3/2009 L.E	The three-month period ended 31/3/2008 L.E
<u>Cash flows from operating activities</u>			
Net profit (loss) for the period before income tax		(8 824 140)	23 073 122
<u>Adjustments for:-</u>			
Depreciation of fixed assets & rented units		1 302 570	583 131
Amortization of other assets		4 858	16 153
Capital gain		-	( 3 065)
Capital loss		5 231	-
Share of profit / loss of associates		-	( 219 024)
Provisions formed	(19)	830 745	2 216 094
Equity - settled share - based payment transactions	(29)	1 250 000	1 250 000
Operating profit (loss) before changes in working capital items		( 5 430 736)	26 916 411
<u>Changes in working capital items</u>			
Change in inventories & letters of credit		( 774 331)	-
Change in construction works in process		(2 864 965)	-
Change in works in process		(73 089 908)	(235 293 417)
Change in due from customers - constructions		923 538	-
Change in trade & notes receivables		(49 548 722)	(677 419 884)
Change in debtors & other debit balances		(3 526 535)	172 263 368
Provision for completion of works - used	(19)	(1 354 555)	(2 418 041)
Change in customers deposits		183 152 619	725 477 659
Change in contractors , suppliers & notes payable		(1 133 349)	2 386 704
Change in creditors & other credit balances		(14 879 823)	44 182 855
Blocked deposits & bank accounts		( 303 490)	12 267 848
Change in saving certificates (with maturity of three years)		1 000 000	-
Net cash provided from operating activities		32 169 743	68 363 503
<u>Cash flows from investing activities</u>			
Payments for purchase of fixed assets & projects under construction		(6 100 602)	(3 549 564)
Payments for acquisition of held for trading investments		-	(18 179 782)
Proceeds from sale of fixed assets		304 174	3 065
Net cash used in investing activities		( 5 796 428)	( 21 726 281)
<u>Cash flows from financing activities</u>			
Bank - credit accounts		2 590 788	-
Minority interest		595 773	-
Treasury shares	(28)	( 7 242)	-
Dividends paid		(1 624 992)	-
Net cash provided from financing activities		1 554 327	-
Net movement in cash & cash equivalents during the period		27 927 642	46 637 222
Cash & cash equivalents as at January 1, 2009		208 657 853	425 310 622
Cash & cash equivalents as at March 31, 2009	(18)	236 585 495	471 947 844

\* The accompanying notes on pages form (5) to (42) 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 period ended March 31, 2009

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 April 6, 2008, The Company’s Extraordinary General Assembly agreed to add “SODIC” name to the original name of Sixth of October for Development and Investment Company to become Sixth of October for Development and Investment Company “SODIC”. Annotation was made in the Company’s Commercial Registry to this effect on June 18, 2008.
- 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 of Sixth of October for Development Investment Company "SODIC" (the Parent Company) for the financial period ended March 31, 2009 comprise the financial statements of the Company and its subsidiaries (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

The accounting policies set out below have been applied consistently to all periods presented in these 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>Ownership</u>	
	As at	As at
	<u>March 31, 2009</u>	<u>December 31, 2008</u>
	%	%
SODIC Property Services Co. - S.A.E	51	51
Sixth of October for Development & Real Estate Projects Company "SOREAL" - S.A.E	99.99	99.99
Beverly Hills for Management of Cities & Resorts Co. - S.A.E *	52.31	52.31
Egyptian Co. for Investment and Real Estate & Tourist Development - S.A.E **	50	50
Move-In for Advanced Contracting Co. - S.A.E	55	55
Greenscape for Agriculture & Reclamation Co. - S.A.E	51	51
El Yosr for Projects and Agriculture Development Co. - S.A.E	99.99	99.99
Sodic for Development & Real Estate Investment Co. - S.A.E	99.99	99.99

\* 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 (Owners of the units ).

\*\* The Company participates in the share capital of Egyptian Co. for Investment and Real Estate and Tourist Development in conjunction with some board members and their owned companies.

##### 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 balance sheet date are translated to Egyptian Pound at the foreign exchange rate in effect at that date. Foreign exchange differences arising on translation are recognized in the 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**

Fixed assets are stated at cost less accumulated depreciation (note No. 3-3-c) and impairment losses (note No. 3-13).

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:

<b><u>Asset</u></b>	<b><u>Years</u></b>
Buildings & constructions	10-20
Caravans	10
Vehicles	5
Furniture & fixtures	4-10
Office & communications equipment	5
Generators, machinery & equipment	2-5
Wells, pumps & networks	4
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.3-13).

##### **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). 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. When these investments are derecognized, the cumulative gain or loss previously recognized in equity is recognized in consolidated income statement, except for impairment losses. Investments in unquoted equity securities are stated at cost less impairment losses (note No. 3-13).

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. 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 consolidated 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 Works 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 Construction work in progress**

Construction work in progress (due from customers) represents the gross unbilled amount expected to be collected from customers for contract work performed to date. It is measured at cost plus profit recognized to date less progress billings and recognized losses. Costs include all expenditures related directly to specific projects and allocation of fixed and variable overheads incurred in the Group's contract activities based on normal operating capacity.

Provisions for estimated losses on incomplete contracts are made in the period in which such losses are determined.

Construction work in progress is presented as part of current assets in the consolidated balance sheet. If payments received from customers exceed the income recognized, then the difference is presents as (due to customers) in the consolidated balance sheet as current liabilities.

### **3.11 Trade, notes receivable and debtors**

Trade, notes receivable and debtors 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. 3-13). Long term trade and notes receivables are initially recognized at fair value and subsequently re-measured at amortized cost using effective interest rate method.

### **3.12 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.

### **3.13 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, 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 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

### **3.14 Provisions**

A provision is recognized in the consolidated 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.

### **3.15 Borrowing costs**

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

### **3.16 Trade, contractors and other credit balances**

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

### **3.17 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 period 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.

**3.18 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.

**3.19 Long-term notes payable**

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

**3.20 Revenue recognition**

**a. Real estate sales**

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 consolidated 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. Construction contracts**

- Contract revenue includes the initial amount agreed in the contract plus any variations in contract work, claims and incentive payments to the extent that is probable that they will result in revenue and can be measured reliably.

The stage of completion is assessed by reference to surveys of work performed. When the outcome of a construction contract can not be estimated reliably, contract revenue is recognized only to the extent of contract costs incurred that are likely to be recoverable. An expected loss on contract is recognized immediately in profit or loss.

- In the case of a cost plus contract, the outcome of a construction contract can be estimated reliably when all the following conditions are satisfied:
  - It is probable that the economic benefits associated with the contract will flow to the entity.
  - The contract costs attributable to the contract, whether or not specifically reimbursable, can be clearly identified and measured reliably.

**c. Service revenues**

Revenue from services is recognized in the income statement when the service is rendered.

**d. Rental income**

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

**e. Interest income**

Interest income is recognized as it accrues in the consolidated income statement, according to the accrual basis of accounting.

**f. Commission revenue**

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

**g. Dividends**

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

**3.21 Cost of sold lands**

The cost of 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.

### **3.22 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 net taxable income for the period, 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.

### **3.23 Earnings (losses) per share**

Earnings (losses) 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 period.

### **3.24 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 fair 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 consolidated financial statement date.

##### **4.4 Trade, note receivables & other debtors**

The fair value of trade, note receivables & other debtors is estimated as the present value of future cash flows, discounted at the market rate of interest at the consolidated 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 March 31, 2009, 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 profit for the period divided by total 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 period. The Company is not subject to externally imposed capital requirements.

6- Fixed assets (net)

7. Intangible assets

This item is represented as follows:

	<u>Cost as at</u> <u>1/1/2009</u>	<u>Accumulated</u> <u>amortization as at</u> <u>1/1/2009</u>	<u>Amortization</u> <u>for the period</u>	<u>Accumulated</u> <u>amortization</u> <u>as at</u> <u>31/3/2009</u>	<u>Carrying</u> <u>amount</u> <u>as at</u> <u>31/3/2009</u>
	L.E	L.E	L.E	L.E	L.E
Software	106 090	67 222	4 858	72 080	34 010
	<u>106 090</u>	<u>67 222</u>	<u>4 858</u>	<u>72 080</u>	<u>34 010</u>

8. Projects under construction

This item is represented as follows:

	<u>31/3/2009</u>	<u>31/12/2008</u>
	L.E	L.E
Fixtures in the administrative premises	253 848	223 868
Land of the compound of services	657 737	749 396
Advance payments for purchasing of machinery and equipment	160 133	160 133
Advance payments for fixtures	253 895	478 788
Wells under construction	533 289	245 528
	<u>1 858 902</u>	<u>1 857 713</u>

9. Investments in associates

This Group has the following investments in associates:

	<u>Ownership</u>		<u>Carrying amount</u>	
	<u>31/3/2009</u>	<u>31/12/2008</u>	<u>31/3/2009</u>	<u>31/12/2008</u>
	%	%	L.E	L.E
Royal Gardens for Investment Property Co. – S.A.E *	20	20	-	-
			<u>-</u>	<u>-</u>

Summary of financial information on associates – 100 per cent:-

	<u>Assets</u> <u>L.E</u>	<u>Liabilities</u> <u>L.E</u>	<u>Equity</u> <u>L.E</u>	<u>Revenues</u> <u>L.E</u>	<u>Expenses</u> <u>L.E</u>
December 31, 2008	537 337 929	(527 940 997)	9 396 932	6 482 360	(7 471 474)
	<u>=====</u>	<u>=====</u>	<u>=====</u>	<u>=====</u>	<u>=====</u>
March 31, 2009	558 950 229	(546 632 701)	12 317 528	1 050 817	(4 804 869)
	<u>=====</u>	<u>=====</u>	<u>=====</u>	<u>=====</u>	<u>=====</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 2007 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' share in the associate's cumulative losses was not charged to the consolidated income statement with an amount of L.E 536 495 till March 31, 2009 because book value of the investment balance is nil in the consolidated financial statement as at March 31, 2009.

#### 10. Available for sale investments

This item is represented as follows:

	<u>Legal form</u>	<u>Ownership</u>	<u>Paid amount Of participation</u>	<u>Carrying amount as at 31/3/2009</u>	<u>Carrying amount as at 31/12/2008</u>
		%	%	L.E	L.E
Egyptian Company for Development & Management of Smart Villages	S.A.E	1.8	100	4 250 000	4 250 000
				<u>4 250 000</u>	<u>4 250 000</u>

- Exposure to market risk related to available-for-sale investments is considered to be limited since these investments represent equity instruments that are not traded in an active market and are denominated in Egyptian Pound.

#### 11. Investment property

The carrying amount of the investment property (units leased out to others) as at March 31, 2009 amounted to L.E 306 364 952 and is represented in commercial & residential units leased out to others and agricultural lands. Movement on the investment property balance and its depreciation during the period is as follows:-

<u>Description</u>	<u>Cost</u>	L.E
At 1/1/2009		306 738 200
The value of units reclassified to completed units ready for sale *		( 141 190)
Total cost of completed residential units leased out to others as at March 31 , 2009 **		<u>306 597 010</u>
<u>Accumulated depreciation</u>		
At 1/1/2009		182 427
Depreciation for the period		52 455
Accumulated depreciation of the reclassified units		(2 824)
At March 31, 2009		<u>232 058</u>
Carrying amount as at March 31, 2009		<u>306 364 952</u>
Carrying amount as at December 31, 2008		<u>306 555 773</u>



- \* During the period, an amount of L.E 138 366 representing residential units leased out to others was reclassified to the completed residential units ready for sale item.
- \*\* The fair value of completed residential units leased out to others as at March 31, 2009 amounts to L.E 25 278 520

## 12. Long - term trade & notes receivable

This item is represented in the present value of long-term trade & notes receivable balance as follows:-

	<u>31/3/2009</u> L.E	<u>31/12/2008</u> L.E
Trade receivables	293 283 808	339 392 531
Notes receivable	1 056 729 026	1 030 929 597
	<u>1 350 012 834</u>	<u>1 370 322 128</u>
<u>Deduct:</u> Unamortized discount	101 676 707	112 463 234
	<u>1 248 336 127</u>	<u>1 257 858 894</u>

- The Group's exposure to credit, currency risks and impairment losses related to trade & notes receivable is disclosed in note No. (41).

## 13. Deferred tax assets

	<u>31/3/2009</u>		<u>31/12/2008</u>	
	<u>Assets</u> L.E	<u>Liabilities</u> L.E	<u>Assets</u> L.E	<u>Liabilities</u> L.E
Fixed assets	-	219 543	-	545 123
Provisions	(20 056 853)	-	(20 126 423)	-
Other items	(3 367 071)	-	(2 924 383)	-
Total deferred tax (asset)/ liability	<u>(23 423 924)</u>	<u>219 543</u>	<u>(23 050 806)</u>	<u>545 123</u>
Net deferred tax asset	<u>(23 204 381)</u>	<u>-</u>	<u>(22 505 683)</u>	<u>-</u>

## 14. Completed residential units ready for sale

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

	<u>31/3/2009</u> L.E	<u>31/12/2008</u> L.E
Cost of completed commercial units in 3/B area	493 910	355 542
	<u>493 910</u>	<u>355 542</u>

## 15. Work in process

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

	<u>31/3/2009</u> L.E	<u>31/12/2008</u> L.E
<b><u>Company's land intended for use in Allegria project</u></b>		
Cost of the Company's land intended for use	405 655 352	392 306 260
Planning , survey , supervision & soil researches	219 657 920	165 387 593
	<u>625 313 272</u>	<u>557 693 853</u>
<b><u>WESTOWN project costs</u></b>		
Cost of the Company's land intended for use	39 450 770	38 874 762
Planning , survey , supervision & soil researches	33 590 220	21 128 355
	<u>73 040 990</u>	<u>60 003 117</u>
<b><u>Cost of the fourth phase (4A &amp; 4B), exhibitions &amp; others</u></b>		
Cost of land	3 733 129	3 743 034
Planning , survey , supervision & soil researches	533 569	1 216 954
Building & utilities	3 986 929	24 855 528
Cost of land of Dahshor' showrooms	25 313 371	25 313 371
A plot of land in the Fifth Community (plot No. 1)	75 770 894	75 770 894
Expenses related to plot of land No. 1	12 507 931	9 143 685
A plot of land in the Fifth Community (plot No. 2)	519 494 158	519 494 158
Expenses related to plot of land No. 2	28 122 548	18 478 084
Buildings & constructions	15 063 995	14 078 200
	<u>684 526 524</u>	<u>692 093 908</u>
	<u>1 382 880 786</u>	<u>1 309 790 878</u>

### (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 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 August 13, 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 Company 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**

	<u>31/3/2009</u>	<u>31/12/2008</u>
	L.E	L.E
Trade receivable	63 672 081	24 696 817
Notes receivable	641 629 775	623 925 123
	<hr/>	<hr/>
	705 301 856	648 621 940
<u>Deduct</u> : unamortized discount	8 689 142	11 080 715
	<hr/>	<hr/>
	696 612 714	637 541 225
Impairment losses of trade & notes receivable	(200 000)	(200 000)
	<hr/>	<hr/>
	696 412 714	637 341 225
	<hr/>	<hr/>

- The Company's exposure to credit, currency risks and impairment losses related to trade & notes receivable is disclosed in note No. (41).

**17. Debtors & other debit balances**

	<u>31/3/2009</u>	<u>31/12/2008</u>
	L.E	L.E
Contractors & suppliers – advance payments	359 101 223	358 155 123
Interests receivable	966 068	310 353
Prepaid expenses	56 569 090	52 183 315
Deposits with others	594 138	580 878
Tax Authority	687 284	708 423
Due from Land Master Co.	287 694	-
Due from Feorosema Co.	180 452	-
Due from Royal Gardens Co.	60	86 396
Other debit balances	1 555 353	4 476 735
	<hr/>	<hr/>
	419 941 362	416 501 223
	<hr/>	<hr/>
Impairment loss of debtors & other debit balances	(355 157)	(441 553)
	<hr/>	<hr/>
	419 586 205	416 059 670
	<hr/>	<hr/>

- The Company's exposure to credit & currency risks related to other debtors is disclosed in note No. (41).

**18. Cash at banks & on hand**

	<u>31/3/2009</u>	<u>31/12/2008</u>
	L.E	L.E
Bank - time deposits *	170 771 243	120 674 620
Saving certificates (3 year maturity)	13 875 000	14 875 000
Bank - current accounts	62 649 120	78 851 493
Bank – blocked accounts **	14 253 309	13 949 819
Checks under collection	2 350 287	8 573 600
Cash on hand	1 359 061	1 103 593
	<hr/>	<hr/>
	265 258 020	238 028 125
	<hr/>	<hr/>

- \* This item includes an amount of L.E 500 000 representing in blocked deposit as guarantee for the facility agreement granted from a bank.

- \*\* This item represents the 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:

	<u>31/3/2009</u>	<u>31/12/2008</u>
	L.E	L.E
Cash at banks & on hand	265 258 020	238 028 125
<u>Less:</u>		
Saving certificates (3 year maturity)	13 875 000	14 875 000
Blocked accounts	14 753 309	14 449 819
Bank - credit balances	44 216	45 836
Cash & cash equivalents in the consolidated statement of cash flows	<u>236 585 495</u>	<u>208 657 470</u>

- The Group's exposure to interest rate risk & sensitivity analysis for financial assets is disclosed in note No. (41).

## 19. Provisions

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

	<u>Balance as at 1/1/2009</u>	<u>Provision formed during the period</u>	<u>Provision used during the period</u>	<u>Balance as at 31/3/2009</u>
	L.E	L.E	L.E	L.E
Provision for completion of works*	99 391 510	830 745	(1 354 555)	98 867 700
Provision for claims **	<u>4 186 386</u>	<u>-</u>	<u>-</u>	<u>4 186 386</u>
	<u>103 577 896</u>	<u>830 745</u>	<u>(1 354 555)</u>	<u>103 054 086</u>

- \* This provision is formed for the estimated costs to complete the execution of the delivered works and expected to be incurred and finalized during the following years.

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

## 20. Bank - credit facilities

This item shown in the consolidated balance sheet include an amount of L.E 3 889 295 as at March 31, 2009 represents the amount used from the credit facility granted to the Company from Alexandria Bank totaled L.E 85 million. This facility is guaranteed by notes receivable deposited at this bank which cover 150% of the balance at any date and a promissory note of L.E 85 million and bears interest rate of 2% plus borrowing and discount rate declared by the Central Bank of Egypt per annum.

## 21. Customers – deposits

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

	<u>31/3/2009</u>	<u>31/12/2008</u>
	L.E	L.E
Land deposits	27 245 804	27 245 804
Deposits for booking , contracting & installments of residential units (Fourth area)	63 575 381	23 958 314
Deposits – Allegria project	2 068 447 525	1 924 911 973
	<u>2 159 268 710</u>	<u>1 976 116 091</u>

## 22. Contractors, suppliers & notes payable

	<u>31/3/2009</u>	<u>31/12/2008</u>
	L.E	L.E
Contractors	17 735 700	23 558 687
Suppliers	11 280 411	7 952 946
Notes payable	552 318	3 047 754
	<u>29 568 429</u>	<u>34 559 387</u>

- The Company's exposure to currency & liquidity risks related to suppliers & contractors is disclosed in note No. (41).

## 23. Creditors & other credit balances

	<u>31/3/2009</u>	<u>31/12/2008</u>
	L.E	L.E
Amounts collected on account of management, operation & maintenance of Allegria project	44 998 588	41 253 209
Accrued expenses	47 587 107	67 290 815
Liability for cash settled share-based payments transactions– Executive directors *	634 411	370 101
Amounts collected on account of the participation in the share capital of Beverly Hills Co.	8 751 878	9 220 067
Customers – credit balances	2 558 390	4 457 072
Tax Authority	26 985 795	22 110 755
Accrued royalty & trademark – Coldwell Banker	178 990	178 990
Accrued commissions due to Coldwell Banker	183 373	183 373
Dividends payable	118 643	1 743 635
Accrued compensated absence	879 257	703 306
Amount due to Rabyia for Agricultural & Urban Development Co.	57 672	-
Deposits collected from customers	7 042 051	6 458 651
Accrued costs of works in process	-	4 023 195
Sundry creditors	4 982 641	3 285 207
	<u>144 958 796</u>	<u>161 278 376</u>

- \* Represent the amount due to some of the executive board of directors of the Parent Company as detailed in note No. (36).
- The Group's exposure to currency & liquidity risks related to creditors is disclosed in note No. (41).

## 24. Minority interest

Minority interest balance as at March 31, 2009 represents the minority interest' shares in subsidiary's equity as follows:

	<u>Minority interest</u>	<u>Minority share in profit (loss) for the period</u>	<u>Minority share in equity excluding profit (loss) for the period</u>	<u>Minority interest as at 31/3/2009</u>	<u>Minority interest as at 31/12/2008</u>
	%	L.E	L.E	L.E	L.E
SODIC Property Services Co.	49	(16 860)	675 664	658 804	675 664
Sixth of October for Development & Real Estate Projects Co. "SOREAL"	0.01	(78)	46 319	46 241	46 319
Beverly Hills for Management of Cities & Resorts Co.	47.69	216 112	17 835 424	18 051 536	17 239 651
Egyptian Co. for Investment and Real Estate & Tourist Development	50	(915 711)	2 778 658	1 862 947	2 778 658
Move-In for Advanced Contracting Co.	45	(21 125)	786 295	765 170	786 295
Greenscape for Agriculture & Reclamation Co.	49	62 621	3 036 852	3 099 473	3 036 852
El Yosr for Projects and Agriculture Development Co.	0.001	(8)	27 252	27 244	27 252
Sodic for Development & Real Estate Investment Co.	0.001	-	20	20	20
		<u>(675 049)</u>	<u>25 186 484</u>	<u>24 511 435</u>	<u>24 590 711</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 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. (27). 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 May 16, 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 October 16, 2006. Capital Market Authority made its decision on June 28, 2007 regarding the approval of issuing the shares of the capital increase in the amount of one million ordinary nominal share with nominal value of L.E 10 for each share, and the total amount of the issuance is L.E 10 million that is fully paid in cash and equivalent to 100 % of the increase amount in addition to L.E 90 million as share premium to be transferred to the reserves, according to the certificate of Arab African International Bank's Head office as at June 5, 2007. Annotation was made in the 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 April 6, 2008, the Parent Company's Extra-ordinary General Assembly Meeting agreed the approval of the Parent Company's board of director's decision issued on August 6, 2007 regarding the increase of the Parent Company's capital with additional 500 000 shares (only five hundred thousand shares) of the Parent Company's shares to be issued on nominal value and to be allocated for the incentive and bonus plan of the Parent Company's employees, directors and executive board members. Accordingly, the share capital will amount L.E 284 133 960 (only two hundred eighty four million one hundred thirty three thousand, and nine hundred and sixty Egyptian Pound) distributed over 28 413 396 share instead of L.E 279 133 960 (only two hundred seventy nine million and one hundred thirty three thousand and nine hundred and sixty Egyptian Pound) provided that the finance of such increase will be made by utilizing the reserves with the assignment of the preemptive right of the old shareholders to subscribe in the said increase. Accordingly, the allocated shares for this plan will become 1.5 million shares instead of one million only.
- On June 11, 2008, Capital Market Authority approved the issuance of the shares of the share capital increase of 500 000 ordinary nominal share with nominal value of L.E 10 per share with total amount of the issuance of L.E 5 million as additional shares to be allocated for the incentive and bonus plan of the Parent Company's employees, directors and executive board members and fully paid from the special reserve according to the financial position as at December 31, 2007. Accordingly, the Parent Company's total issued share capital become L.E 284 133 960 (only two hundred eighty four million one hundred thirty three thousand and nine hundred and sixty Egyptian Pound) distributed over 28 413 396 shares (twenty eight million four hundred thirteen thousand and three hundred and ninety six shares) with a nominal value of L.E 10 per share which are fully paid. Annotation was made in the Parent Company's Commercial Registry on June 18, 2008.

## 26. Legal reserve

According to the Parent Company's 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 March 31, 2009 is represented as follows:-



	L.E
Legal reserve balance as at 1/1/2003	6 530 455
<u>Add:</u>	
Increase of the legal reserve with the difference between the par value of the treasury shares and its actual cost (according to the 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
Increase of the legal reserve with part of capital increase share premium during the year 2007 with limits of half of the Parent Company's issued share capital. (note No. 25).	5 000 000
Increase of the legal reserve by 5% of the net profit for year 2008.	2 339 350
Legal reserve balance as at March 31, 2009	<u>141 906 330</u>

## 27. Special reserve – share premium

This balance is represented in the remaining value of capital increase share premium for a number of 11 million shares during 2006 and share premium increase of one million share for the incentive and bonus plan during 2007 after deducting the amounts that have been credited to the legal reserve, and after deducting the issuance expenses of such increase in addition to the amount credited to the share capital according to the Extra-ordinary General Assembly Meeting decision as follows:

<u>Description</u>	L.E
Total value of the capital increase share premium collected during 2006	983 588 760
<u>Deduct:</u>	
Amounts credited to the legal reserve according to the provision of Article No. (94) of the executive regulations of law No. 159 of 1981 related to the addition of the share premium to the legal reserve until equal to half of the issued capital.	123 409 151
Total issuance expenses attributable to the issuance of the capital increase shares during 2006.	27 740 255
Balance as at December 31, 2006	<u>832 439 354</u>
<u>Add:</u>	
Share premium of the employees' incentive and bonus plan issued during year 2007	90 000 000
<u>Deduct</u>	
Amounts credited to the legal reserve according to the provision of Article No. (94) of the Executive Regulations of Law No. 159 of 1981 related to the addition of the share premium to the legal reserve until equal to half of the issued capital.	5 000 000
Amounts credited to the share capital during the period according to the Extra Ordinary General Assembly Meeting held on 6/4/2008. (note No. 25)	5 000 000
Balance as at March 31, 2009	<u>912 439 354</u>

## 28. Treasury shares

This item is represented in the remainder of 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) as follows:

<u>Description</u>	L.E
For financing of one million shares from the incentive & bonus plan with a fair value of L.E 100 per share during year 2007.	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
<u>Add:</u>	
Acquired treasury shares during the period	7 242
Balance as at March 31, 2009	<u>80 007 242</u>

## 29. Amount set aside for incentive & bonus plan

The balance is represented in the remaining balance 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 for the shares issued during year 2007 as follows:-

<u>Description</u>	L.E
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 24 months and the agreed upon share price in accordance with the incentive & bonus plan as at March 31, 2009.	15 000 000
<u>Deduct:</u>	
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 March 31, 2009	<u>10 000 000</u>

## 30. Long-term notes payable

This item is represented in the value of checks issued to New Urban Communities Authority – Sheikh Zayed City Organization. These checks are due from 2/5/2010 till 2/5/2016 as follows:

	L.E
Total nominal value of the issued checks	249 909 622
Discount on notes payable	(63 307 662)
	<u>186 601 960</u>

- The Company's exposure to credit risk related to long-term notes payable is disclosed in note No. (41).

### 31. Real estate 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. Group's revenues can be analyzed as follows:

	The three-month period ended <u>31/3/2009</u> L.E	The three-month period ended <u>31/3/2008</u> L.E
Sale of lands	-	30 388 860
Sale of villas & residential units from the second phase	301 791	3 160 140
	<u>301 791</u>	<u>33 549 000</u>

### 32. Cost of real estate sold

	The three-month period ended <u>31/3/2009</u> L.E	The three-month period ended <u>31/3/2008</u> L.E
Cost of lands sold	-	3 474 626
Cost of villas & residential units sold from the second phase	197 487	3 088 627
	<u>197 487</u>	<u>6 563 253</u>

### 33. Other operating revenues

	The three-month period ended <u>31/3/2009</u> L.E	The three-month period ended <u>31/3/2008</u> L.E
Realized interest income from installments during the period	11 169 671	9 942 218
Sundry income	3 620 519	924 145
Reversal of impairment loss on trade receivables	86 396	-
Provisions no longer required	-	25 500
Gain on sale of fixed assets	30	3 065
	<u>14 876 616</u>	<u>10 894 928</u>

### 34. Selling & marketing expenses

	The three-month period ended <u>31/3/2009</u> L.E	The three-month period ended <u>31/3/2008</u> L.E
Salaries & wages	2 190 735	1 474 416
Customer deposits – Contact	81 958	-
Collection fees of Contact checks	151 976	-
Sales commissions	-	1 699 200
Advertising	2 000 876	3 842 013
Printouts & photocopy	27 464	149 472
Conferences & exhibitions	117 886	135 129
Rent	453 985	94 166
Others	762 937	324 024
	<u>5 787 817</u>	<u>7 718 420</u>

**35. General & administrative expenses**

	The three-month period ended <u>31/3/2009</u> L.E	The three-month period ended <u>31/3/2008</u> L.E
Salaries & wages	4 654 067	2 472 781
Equity settled share – based payments transactions *	218 750	218 750
Training	235 211	176 967
Professional & consultancy fees	497 848	322 701
Advertising	1 081 778	743 953
Donations	–	50 000
Maintenance of gardens	1 475 688	740 668
Administrative depreciation of fixed assets & leased out units	751 630	485 272
Amortization of other assets	4 858	–
Subscriptions & governmental dues	54 272	107 162
Rent	129 398	53 250
Others	526 366	300 432
	<u>9 629 866</u>	<u>5 671 936</u>

- \* This amount represents the share for the period from the difference between the grant date fair value of shares and the amount incurred by the beneficiaries from the incentive & bonus plan of the Parent Company's managers & employees.

**36. Board of directors remunerations and allowances**

	The three-month period ended <u>31/3/2009</u> L.E	The three-month period ended <u>31/3/2008</u> L.E
Remunerations & bonuses *	4 808 088	4 875 874
Attendance & transportations allowances	8 000	10 000
Cash settled share - based payments **	264 309	1 837 977
Equity settled share - based payments ***	1 031 250	1 031 250
	<u>6 111 647</u>	<u>7 755 101</u>

- \* On April 6, 2008, the Parent Company's General Ordinary Assembly agreed to delegate the board of directors in determining the proper increment of the monthly remuneration of the Chairman as from January 1<sup>st</sup>, 2007 and also to delegate the Parent Company's board in determining his bonus. This item includes an amount of L.E 187 500 represented in the salary of the chairman according to the approval of the Parent Company's board of directors in this regard and an amount of L.E 3 500 000 as estimated bonus for the chairman according to the resolution of the Parent Company's General Assembly Meeting held on March 31, 2009 till determining its final amount in the next board of directors' meeting.

- \*\* 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> L.E	<u>Market value of share at 31/3/2009</u> L.E	<u>Conditions</u>
Some executive Board members	1/4/2006	-	75	35.85	Vested after 6 months of period from grant date (salaries)

The amount of expense charged to the consolidated income statement during the period amounted to L.E 264 309 and the liability balance payable amounted to L.E 634 411 as at March 31, 2009 that was included in creditors & other credit balances caption 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.(46) 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's 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' incentive and bonus plan note No. (46) 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 these shares in addition to 75 thousand shares to a board member as detailed in note No. (46) below. Accordingly, total shares allocated to the board of directors of the Parent Company from the incentive & bonus plan reached 825 000 shares as at March 31, 2009.

### 37. Other operating expenses

	<u>The three-month period ended 31/3/2009</u> L.E	<u>The three-month period ended 31/3/2008</u> L.E
Discount for early payment	22 038	74 374
Depreciation of leased out units	44 093	-
Losses on sale of fixed assets	5 261	-
	<u>71 392</u>	<u>74 374</u>

### 38. Finance income

	The three-month period ended 31/3/2009 L.E	The three-month period ended 31/3/2008 L.E
Interest income	2 965 839	6 641 291
Investment income from available-for-sale investments	–	811 055
Unrealized gain on held for trading investments	–	1 742 808
Net foreign exchange gains	542 224	–
	<u>3 508 063</u>	<u>9 195 154</u>

### 39. Finance expenses

	The three-month period ended 31/3/2009 L.E	The three-month period ended 31/3/2008 L.E
Interest charges	206 915	141 147
Interests expense of installments of Sheikh Zayed land	3 857 610	769 564
Deferred interest for the assignment amount due to the Authority	–	463 800
Net foreign exchange losses	–	1 393 411
	<u>4 064 525</u>	<u>2 767 922</u>

### 40. Earnings (losses) per share

The calculation of earnings (losses) per share at March 31, 2009 was based on the profit (losses) attributable to ordinary shareholders of the Parent Company for the financial period and a weighted average number of ordinary shares outstanding during the period as follows:

	The three-month period ended 31/3/2009 L.E	The three-month period ended 31/3/2008 L.E
Net profit (loss) for the period	(7 635 245)	17 472 979
<u>Divided by:</u>		
Weighted average number of shares outstanding during the period	28 413 396	27 913 396
Earnings (losses) per share (L.E / share)	<u>(0.27)</u>	<u>0.63</u>

#### 41. Financial instruments

##### 41-1 Credit risk

###### Exposure 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:

	Note	<u>31/3/2009</u>	<u>31/12/2008</u>
	<u>No.</u>	L.E	L.E
Long-term trade & notes receivable	(12)	1 248 336 127	1 257 858 894
Short-term trade & notes receivable	(16)	696 412 714	637 341 225
Other debtors	(17)	419 586 205	416 059 670
Cash & cash equivalents	(18)	263 898 959	236 924 532
		<u>2 628 234 005</u>	<u>2 548 184 321</u>

##### 41-2 Liquidity risk

The following are the contractual maturities of financial liabilities:

###### March 31, 2009

	<u>Carrying amount</u>	<u>6 months or less</u>	<u>6-12 months</u>	<u>1-2 years</u>	<u>2-5 years</u>	<u>More than 5 years</u>
	L.E	L.E	L.E	L.E	L.E	L.E
Bank – credit facilities	3 933 511	3 933 511	–	–	–	–
Contractors, suppliers & notes payable	29 568 429	20 376 403	8 296 627	895 399	–	–
Other creditors	144 958 796	80 815 027	17 851 429	24 533 530	21 758 810	–
Long-term notes payable	186 601 960	–	–	40 765 252	72 918 354	72 918 354
	<u>365 062 696</u>	<u>105 124 941</u>	<u>26 148 056</u>	<u>66 194 181</u>	<u>94 677 164</u>	<u>72 918 354</u>
	=====	=====	=====	=====	=====	=====

###### December 31, 2008

	<u>Carrying amount</u>	<u>6 months or less</u>	<u>6-12 months</u>	<u>1-2 years</u>	<u>2-5 years</u>	<u>More than 5 years</u>
	L.E	L.E	L.E	L.E	L.E	L.E
Bank – credit balances	1 344 343	1 344 343	–	–	–	–
Contractors, suppliers & notes payable	34 559 387	21 076 528	12 587 460	895 399	–	–
Other creditors	161 278 376	101 388 383	16 122 069	23 271 322	20 496 602	–
Long-term notes payable	182 744 351	–	36 907 643	–	72 918 354	72 918 354
	<u>379 926 457</u>	<u>123 809 254</u>	<u>65 617 172</u>	<u>24 166 721</u>	<u>93 414 956</u>	<u>72 918 354</u>
	=====	=====	=====	=====	=====	=====

#### 41-3 Currency risk

##### Exposure to currency risk

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

Description	<u>31/3/2009</u>		<u>31/12/2008</u>	
	L.E	USD	L.E	USD
Cash at banks	179 625 888	15 209 970	168 595 728	12 601 161
Trade & notes receivable	1 944 748 841	–	1 895 200 119	–
Contractors, suppliers & notes payable	(29 568 429)	–	(34 559 387)	–
Other creditors	(132 725 414)	(2 172 892)	(151 856 700)	(1 709 923)
Net exposure	<u>1 962 080 886</u>	<u>13 037 078</u>	<u>1 877 379 760</u>	<u>10 891 238</u>

The following significant exchange average rates applied during the period.

	<u>Average rate</u>		<u>Reporting date spot rate</u>	
	<u>31/3/2009</u>	<u>31/3/2008</u>	<u>31/3/2009</u>	<u>31/12/2008</u>
USD	5.52	5.44	5.63	5.51

#### 41-4 Sensitivity analysis

A 10 percent strengthening of the USD against the following currencies at March 31, 2009 would have increased (decreased) profit & loss by the amounts shown below.

This analysis assumes that all other variables, in particular interest rates are constant. The analysis is performed on the same basis for year 2008.

	<u>Profit &amp; loss</u>
	L.E
<u>March 31, 2009</u>	
USD	7 339 875
<u>December 31, 2008</u>	
USD	3 626 876

A 10 percent weakening of the USD against the above currencies at March 31, 2009 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.



#### 41-5 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>31/3/2009</u> L.E	<u>31/12/2008</u> L.E
<u>Fixed rate instruments</u>		
Financial assets	1 944 748 841	1 940 911 966
Financial liabilities	(186 601 960)	(182 744 351)
	<u>1 758 146 881</u>	<u>1 758 167 615</u>
<u>Variable rate instruments</u>		
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.

#### 41-6 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>31/3/2009</u>		<u>31/12/2008</u>	
	<u>Carrying amount</u> L.E	<u>Fair value</u> L.E	<u>Carrying amount</u> L.E	<u>Fair value</u> L.E
Trade & notes receivable	1 944 748 841	1 944 748 841	1 895 200 119	1 895 200 119
Cash and cash equivalents	265 258 020	265 258 020	238 028 125	238 028 125
Contractors, suppliers & notes payable	(29 568 429)	(29 568 429)	(34 559 387)	(34 559 387)
Other creditors	(144 958 796)	(144 958 796)	(161 278 376)	(161 278 376)
Notes payable	(186 601 960)	(186 601 960)	(182 744 351)	(182 744 351)
	<u>1 848 877 676</u>	<u>1 848 877 676</u>	<u>1 754 646 130</u>	<u>1 754 646 130</u>

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

#### 42. Transactions with related parties

Related parties are represented in the Parent Company' shareholders, board of directors, executive directors and 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 balance sheet date were as follows:-

a) Transactions with related parties

<u>Party / Relationship</u>	<u>Nature of transaction</u>	The three-month period ended <u>31/3/2009</u> Amount of transaction	The three-month period ended <u>31/3/2008</u> Amount of transaction
		L.E	L.E
Board of directors	Remunerations & bonuses	5 932 139	7 755 101
Bright Living for Trading Co. (a company in which the chairman of Move-In for Advanced contracting Co. has participation of 15.5% in its issued share capital)	Decorations & finalizing works	4 101 024	–
Feorosema Co. (a company in which the chairman of Greenscape for Agriculture & Reclamation Co. has participation of 4% in its issued share capital)	Advance payments	701 286	–
Donato farm Co. (a company in which the chairman of Greenscape for Agriculture & Reclamation Co. has participation of 20% in its issued share capital)	Supplies	830 243	–

b) Resulting balances from these transactions

<u>Party</u>	<u>Item as shown in the consolidated balance sheet</u>	<u>31/3/2009</u> L.E	<u>31/12/2008</u> L.E
Royal Gardens for Investment Property	Trade & notes receivable (note No. 12 & 16)	96 740 723	96 740 723
	Debtors & other debit balances (note No. 17)	60	86 396
Board of directors	Liability for cash settled share – based payments transactions included in creditors & other credit balances caption (note No. 23)	634 411	370 101
Feorosema Co.	Debtors & other debit balances (note No. 17)	180 452	–

43. Tax status

The Company enjoyed a tax exemption 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 ended on December 31, 2007. Summary of the Company's tax status at the consolidated financial statements date is as 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 consolidated 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 consolidated 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 consolidated financial statements for issuance.

### Stamp tax

Tax inspection was carried out for the previous periods and also till 31/7/2006 & the Company did not receive any tax claims till authorizing these consolidated financial statements for issuance

### Sales tax

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

#### 44. Legal position

There is a dispute between the Parent Company and a party regarding the contract concluded between them on 23/2/1999 which is related to delivering this party a plot of land as a usufruct right for indefinite period of time and a return for an annual rental with a minimal amount for a total of 96 faddens approximately and which has not been delivered up till this date as the management of this party did not abide by the detailed conditions of the contract. There are exchanged notifications concerning this land between the management of the Parent Company and the management of this party. The legal counselor is of the opinion that the Parent Company has the right to maintain and exploit this land under the contract as the said contract has not been effected and no usufruct right has been arisen to this party since its effect was based on conditions that have not been met. In addition, in case of any dispute raised by this party to possess the land, the Parent Company has the actual and physical possession of the land and hence it has the right to continue in possessing the land till settlement of this dispute before court.

**45. Capital commitments**

The contracts concluded with others related to construction, utilities and site works amounted to L.E 1.27 billion (December 31, 2008: L.E 1.30 million) and the executed part of these contracts amounted to L.E 537 million as at March 31, 2009 (December 31, 2008: L.E 506 million).

**46. Incentive and bonus plan of the Parent Company's employees and managers**

On October 16, 2006, the Parent Company's Extra - Ordinary General Assembly unanimously agreed to approve the incentive & bonus 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 & bonus 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' 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 and to sell these shares in favor of them in preferential conditions.
- 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 year 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.
- 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 April 15, 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.

- The number of shares allocated to the plan was increased by 500 000 additional shares as detailed in note No. (25).
- On July 3, 2008 the Supervisory Committee of the incentive & bonus plan of the Parent Company's employees, executive directors approved the allocation of 495 000 shares of the total shares to some of the Parent Company's employees and executive directors. Allocation contracts for these shares were signed with the employees and the executive directors during October 2008.

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> L.E	<u>Exercising price</u> L.E	<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 2 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.
Board of director	7/10/2008	25	73.34	75	According to performance measure and exercise period from 31/3/2007 till 31/3/2011.
Some managers	7/10/2008	470	73.34	75	According to performance measure and exercise period from 31/3/2007 till 31/3/2011.

#### 47. Comparative figures

Some comparative figures were reclassified to conform to the current period's presentation. The items affected by the reclassification are listed below:

	<b>L.E</b>
Minority interest	4 873 728
Creditors & other credit balances	(5 185 403)
Retained earnings	311 675