*Translation from Arabic*

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

**Consolidated Financial Statements**

**For The Financial Year Ended March 31, 2011**

**And Review Report**

*Translation from Arabic*

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

**Consolidated Balance Sheet**
**As at March 31, 2011**

| | Note No. | 31-3-2011 L.E | 31-12-2010 L.E |
|---|---|---|---|
| **Long - term assets** | | | |
| Fixed assets | (6) | 91 408 992 | 88 395 860 |
| Projects under construction | (7) | 50 945 232 | 43 030 434 |
| Investments in associates | (8) | 250 000 | 250 000 |
| Available for sale investments | (9) | 4 350 000 | 4 350 000 |
| Amounts paid on account of acquisation of investments in subsidiaries & companies under establishment | (10) | 20 186 000 | - |
| Investment properties | (11) | 421 334 615 | 420 019 673 |
| Advance payment to acquire investment properties | | 14 420 455 | 14 191 343 |
| Customers, debtors & notes receivables | (12) | 1 149 664 698 | 1 260 276 872 |
| Deferred tax assets | (13) | 2 298 523 | 1 444 974 |
| **Total long - term assets** | | **1 754 858 515** | **1 831 959 156** |
| **Current assets** | | | |
| Completed units ready for sale | (14) | 4 262 805 | 3 997 225 |
| Inventories & letters of credit | | 2 539 321 | 2 800 129 |
| Works in process | (15) | 2 844 514 714 | 2 675 287 375 |
| Amounts due from customers - constructions | | 10 137 561 | 12 185 177 |
| Trade & notes receivable | (16) | 798 793 624 | 858 603 246 |
| Debtors & other debit balances | (17) | 467 046 456 | 499 979 928 |
| Loans to Joint Ventures | (18) | 72 887 537 | 70 958 476 |
| Held for trading investments | (19) | 61 116 023 | 86 988 915 |
| Investments in treasury bills | | 11 063 110 | 5 127 992 |
| Cash at banks & on hand | (20) | 816 759 529 | 853 254 210 |
| **Total current assets** | | **5 089 120 680** | **5 069 182 673** |
| **Current liabilities** | | | |
| Provisions | (21) | 134 782 118 | 134 876 866 |
| Bank - overdraft | | 805 329 | - |
| Bank - credit facilities | (22) | - | 86 903 632 |
| Long - term loans - current portions | (34) | 3 240 739 | 3 111 463 |
| Islamic finance ( Murabha) | (23) | 543 053 | 1 379 736 |
| Advances from customers | (24) | 3 598 867 243 | 3 653 293 954 |
| Amounts due to customers - constructions | | 677 101 | 1 683 528 |
| Contractors, suppliers & notes payable | (25) | 121 054 234 | 116 325 884 |
| Creditors & other credit balances | (26) | 303 874 633 | 310 053 870 |
| **Total current liabilities** | | **4 163 844 450** | **4 307 628 933** |
| **Working capital** | | **925 276 230** | **761 553 740** |
| **Total investments** | | **2 680 134 745** | **2 593 512 896** |
| **These investments are financed as follows:** | | | |
| **Equity** | | | |
| Authorized share capital | (28) | 2 800 000 000 | 2 800 000 000 |
| Issued & fully paid in capital and share premium | (28) | 362 705 390 | 362 705 390 |
| Legal reserve | (29) | 181 352 695 | 181 352 695 |
| Special reserve - share premium | (30) | 1 316 921 569 | 1 316 921 569 |
| Retained earnings | | 377 624 935 | 377 624 935 |
| Treasury shares | (32) | ( 80 007 242) | ( 80 007 242) |
| Amount set aside for incentive & bonus plan | (33) | 20 000 000 | 18 750 000 |
| Net profit for year 2010 | (54) | 134 561 956 | 134 561 956 |
| Net loss for the period | | ( 15 699 188) | - |
| Cumulative translation adjustments of foreign operations | (31) | ( 114 465) | ( 483 446) |
| **Total equity attributable to equity holders of the Company** | | **2 297 345 650** | **2 311 425 857** |
| **Minority interest** | (27) | 95 675 543 | 96 048 697 |
| **Total equity** | | **2 393 021 193** | **2 407 474 554** |
| **Long-term liabilities** | | | |
| Long - term loans | (34) | 132 062 962 | 42 007 752 |
| Amounts due to the General authority for Rehabilitation Projects and Agricultural Development | (35) | 15 000 000 | 22 500 000 |
| Notes payable | (36) | 140 050 590 | 121 530 590 |
| **Total long-term liabilities** | | **287 113 552** | **186 038 342** |
| **Total equity and long - term liabilities** | | **2 680 134 745** | **2 593 512 896** |

* **The accompanying notes on pages form (5) to (54) are an integral part of these consolidated financial statements and to be read therewith.**

| Financial & Adminstrative Manager | Board Member | Deputy Chairman & Manging Director |
|---|---|---|
| **Hany Henery** | **Ahmed Badrawy** | **Maher Maksoud** |

* 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, 2011**

| | Note No. | The three-month ended 31/3/2011 L.E | The three-month ended 31/3/2010 L.E |
|---|---|---|---|
| Real estate & land sales | (37) | 37 090 234 | – |
| Construction contracts revenues | | 1 148 542 | 13 319 687 |
| Real estate consultancy, promotion & marketing services revenues | | – | 227 924 |
| Service revenues of Beverly Hills City | | 2 658 182 | 1 814 821 |
| Service revenues of Allegria project | | 222 283 | – |
| Other revenues | | 462 761 | – |
| **Total revenues** | | 41 582 002 | 15 362 432 |
| Cost of real estate & land sold | (38) | (33 935 924) | - |
| Construction contracts cost | | (2 461 881) | (11 277 899) |
| Cost of real estate consultancy, promotion & marketing services | | – | ( 167 906) |
| Service costs of Beverly Hills City | | (6 397 101) | (4 398 532) |
| Service costs of Allegria project | | ( 992 695) | – |
| Other costs | | ( 947 508) | – |
| **Total costs** | | (44 735 109) | (15 844 337) |
| **Gross loss** | | (3 153 107) | ( 481 905) |
| Other operating revenues | (39) | 11 782 744 | 6 603 235 |
| Gain on sale of investments in subsidiaries | | – | 32 027 272 |
| Selling & marketing expenses | (40) | (11 838 217) | (8 378 777) |
| General & administrative expenses | (41) | (28 852 113) | (19 974 063) |
| Other operating expenses | (42) | ( 251 414) | (2 911 823) |
| **Operating profit (loss)** | | (32 312 107) | 6 883 939 |
| Finance income | (43) | 28 244 111 | 18 703 600 |
| Finance expenses | (44) | (10 319 288) | (6 741 137) |
| **Net finance income** | | 17 924 823 | 11 962 463 |
| Share in profits in associates | (8) | – | – |
| **Net profit (loss) for the period before income tax** | | (14 387 284) | 18 846 402 |
| Income tax expense | (45) | (1 685 058) | (29 760 294) |
| **Net loss for the period** | | (16 072 342) | (10 913 892) |
| **Net loss for the period attributable to:** | | | |
| Equity holders of the Company | | (15 699 188) | (11 313 497) |
| Minority share in profits & losses of subsidiaries | | ( 373 154) | 399 605 |
| **Net loss for the period** | | (16 072 342) | (10 913 892) |
| **Losses per share (L.E / Share)** | (46) | (0.43) | (0.37) |

* **The accompanying notes on pages form (5) to (54) 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, 2011**

| | Note No. | Issued & paid up capital L.E | Amounts paid on account of share capital increase and share premium 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 | Foreign currency translation adjustments of foreign opertions L.E | Retained earnings L.E | Net profit (loss) for the year L.E | Net loss 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 January 1, 2010** | | **284 133 960** | **83 070 956** | **141 906 330** | **912 439 354** | **( 80 007 242)** | **13 750 000** | **-** | **491 764 307** | **(114 382 871)** | **-** | **1 732 674 794** | **25 759 079** | **1 758 433 873** |
| Share capital increase & share premium | | – | 466 929 054 | – | – | – | – | – | – | – | – | 466 929 054 | – | 466 929 054 |
| Amount transferred to retained earnings | | – | – | – | – | – | – | – | ( 114 382 871) | 114 382 871 | – | – | – | – |
| Issued share capital increase | | 78 571 430 | ( 78 571 430) | – | – | – | – | | – | – | – | – | – | – |
| Amount transferred to legal reserve | | – | ( 39 446 365) | 39 446 365 | – | – | | – | – | – | – | – | – | – |
| Amount transferred to special reserve-share premium | | – | ( 431 982 215) | – | 404 482 215 | – | – | – | – | – | – | (27 500 000) | – | ( 27 500 000) |
| Set aside amount for bonus & incentive plan during the period | | – | – | – | – | – | 1 250 000 | – | – | – | – | 1 250 000 | – | 1 250 000 |
| Minority interest | | – | – | – | – | – | – | – | – | – | – | – | 1 200 000 | 1 200 000 |
| Net loss for the period | | – | – | – | – | – | – | – | – | ( 11 313 497) | – | (11 313 497) | 399 605 | ( 10 913 892) |
| **Balance as at March 31, 2010** | | **362 705 390** | **-** | **181 352 695** | **1 316 921 569** | **( 80 007 242)** | **15 000 000** | **-** | **377 381 436** | **( 11 313 497)** | **-** | **2 162 040 351** | **27 358 684** | **2 189 399 035** |
| **Balance as at January 1, 2011** | | **362 705 390** | – | **181 352 695** | **1 316 921 569** | **( 80 007 242)** | **18 750 000** | **( 483 446)** | **377 624 935** | **134 561 956** | **-** | 2 311 425 857 | **96 048 697** | **2 407 474 554** |
| Amount set aside for incentive & bonus plan during the period | (33) | – | – | – | – | – | 1 250 000 | – | – | – | – | 1 250 000 | – | 1 250 000 |
| Foreign currency translation adjustments of foreign operatios | (31) | – | – | – | – | – | – | 368 981 | – | | – | 368 981 | – | 368 981 |
| Net loss for the period | | – | – | – | – | – | – | – | – | – | ( 15 699 188) | ( 15 699 188) | ( 373 154) | ( 16 072 342) |
| **Balance as at March 31, 2011** | | **362 705 390** | **-** | **181 352 695** | **1 316 921 569** | **( 80 007 242)** | **20 000 000** | **( 114 465)** | **377 624 935** | **134 561 956** | **( 15 699 188)** | **2 297 345 650** | **95 675 543** | **2 393 021 193** |

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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, 2011**

| | Note No. | The three-month ended 31/3/2011 L.E | The three-month ended 31/3/2010 L.E |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Net profit (loss) for the period before income tax | | ( 14 387 284) | 18 846 402 |
| **Adjustments for:-** | | | |
| Depreciation of fixed assets & rented units | | 2 947 955 | 1 739 855 |
| Amortization of other assets | | | 19 435 |
| Capital gain | | ( 66 103) | - |
| Capital loss | | | 245 377 |
| Gain on sale of investments in subsidiaries | | | ( 32 027 272) |
| Gain on sale of held for trading investments | | ( 244 592) | - |
| Unrealized gain on held for trading investments | | ( 1 065 622) | ( 1 479 937) |
| Foreign exchange differences | | ( 1 929 061) | - |
| Provisions formed | (21) | 3 063 574 | 7 945 707 |
| Equity - setteled share - based payment transactions | (33) | 1 250 000 | 1 250 000 |
| **Operating loss before changes in working capital items** | | **( 10 431 133)** | **( 3 460 433)** |
| **Changes in working capital items** | | | |
| Change in inventories & letters of credit | | ( 4 772) | ( 338 753) |
| Change in works in process | | ( 169 227 339) | ( 172 447 564) |
| Change in investment properties | | ( 1 359 033) | - |
| Change in advance payment to acquire investment properties | | ( 229 112) | - |
| Change in due from customers - constructions | | 2 047 616 | 1 471 177 |
| Change in construction works in process | | - | 197 059 |
| Change in trade & notes receivables | | 184 158 865 | 139 105 714 |
| Change in debtors & other debit balances | | 32 933 474 | ( 56 944 682) |
| Provisions used | | ( 3 158 322) | ( 53 884) |
| Change in advances from customers | | ( 54 426 711) | 336 911 648 |
| Amount due to customers-construction | | ( 1 006 427) | 292 375 |
| Change in contractors, suppliers & notes payable | | 9 511 281 | 20 790 516 |
| Change in creditors & other credit balances | | ( 16 217 846) | 14 634 846 |
| Cash of companies under establishment at the beginning of the period | | - | 25 550 000 |
| Restricted cash | | - | 84 093 775 |
| Change in saving certificates (due within three years) | | 2 775 000 | - |
| **Net cash provided from (used in) operating activities** | | **( 24 634 459)** | **389 801 794** |
| **Cash flows from investing activities** | | | |
| Payments for purchase of fixed assets & projects under construction | | (13 838 233) | ( 6 697 447) |
| Payments on account of investments in subsidiaries & companies under establishment | | ( 20 186 000) | ( 2 000 000) |
| Payments for acquisation of investments in associates | | - | ( 3 121 400) |
| Dividends received from available -for - sale investments | | - | 1 000 000 |
| Proceeds from sale of held for trading investments | | 28 018 408 | 98 973 039 |
| Payments for purchase of held for trading investments | | ( 835 302) | ( 17 402 939) |
| Payments for purchase of treasury bills | | ( 5 935 118) | - |
| Proceeds from sale of fixed assets | | 72 542 | 306 131 |
| **Net cash provided from (used in) investing activites** | | **( 12 703 703)** | **71 057 384** |
| **Cash flows from financing activities** | | | |
| Bank - credit facilities | | ( 86 098 303) | ( 8 566 131) |
| Long-term loans | (34) | 90 184 486 | - |
| Payments for islamic finance | | ( 836 683) | - |
| Amounts collected on account of share capital increase & share premium | | - | 466 929 054 |
| Payments for issuance expenses of share capital increase | | - | ( 27 500 000) |
| Minority interest | | - | 1 200 000 |
| **Net cash provided from financing activities** | | **3 249 500** | **432 062 923** |
| Foreign currency translation differences | | 368 981 | - |
| **Net movement in cash & cash equivalents during the period** | | **( 33 719 681)** | **892 922 101** |
| Cash & cash equivalents as at January 1, 2011 | | 846 471 333 | 382 827 705 |
| **Cash & cash equivalents as at March 31, 2011** | | **812 751 652** | **1275 749 806** |

* **The accompanying notes on pages form (5) to (54) 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, 2011**

## 1. Background and activities

- Sixth of October for Development and Investment Company "SODIC" (the Company) – 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.

- 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, 2010 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. Mr. Maher Rafeek Maksoud is the deputy chairman & managing director 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:

- Held for trading investments measured at fair values.
- Available for sale investments measured at fair values.
- Liabilities for cash settled share - based payments transactions measured at fair values.

### c. Functional 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 a 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:-

| Subsidiary name | Country of Incorporation | Ownership As at March 31, 2011 % | Ownership As at December 31, 2010 % |
|---|---|---|---|
| SODIC Property Services Co. - S.A.E | Egypt | 100 | 100 |
| Sixth of October for Development & Real Estate Projects Company "SOREAL" - S.A.E | Egypt | 99.99 | 99.99 |
| Beverly Hills for Management of Cities & Resorts Co. - S.A.E * | Egypt | 58.59 | 58.59 |
| SODIC Garden City for Development & Investment Co. ** | Egypt | 50 | 50 |
| Move-In for Advanced Contracting Co. - S.A.E | Egypt | 70 | 70 |
| Greenscape for Agriculture & Reclamation Co. - S.A.E | Egypt | 51 | 51 |
| El Yosr for Projects and Agriculture Development Co. - S.A.E | Egypt | 99.99 | 99.99 |
| SODIC for Development & Real Estate Investment Co. – S.A.E | Egypt | 99.99 | 99.99 |
| SODIC SIAC for Real Estate Investment Co. - S.A.E | Egypt | 80 | 80 |
| SODIC for Golf & Tourist Development Co. - S.A.E | Egypt | 100 | 100 |
| Polygon for Real Estate Development Co.- L.L.C | Egypt | 100 | 100 |
| WESTOWN for Real Estate Co. - L.L.C | Egypt | 100 | 100 |
| WESTOWN for Real Estate Development Co. - L.L.C | Egypt | 100 | 100 |
| Fourteen for Real Estate Investment Co. S.A.E | Egypt | 99.99 | 99.99 |
| La maison for Real Estate Investment Co. S.A.E | Egypt | 99.99 | 99.99 |
| Ceremony for Real Estate Investment Co. S.A.E | Egypt | 99.99 | 99.99 |
| Tegara for Trading Centers Co. S.A.E | Egypt | 50.00004 | 50.00004 |
| Edara for Services of Cities & Resorts Co. – S.A.E | Egypt | 99.97 | 99.97 |
| SODIC Allegria for Real Estate Investment Co. S.A.E | Egypt | 99.99 | 99.99 |
| SODIC Syria L.L.C *** | Syria | 100 | 100 |

* The legal participation in Beverly Hills for Management of Cities and Resorts Co. amounts to 74.8%, which includes 16.21%, represents transitory shares, which 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 SODIC Garden City for Development & Investment Co. in conjunction with some board members and their owned companies.

*** On June 15, 2010, SODIC Syria Co. a Syrian limited liability Co. was established for acquiring a stake of 50 % in the share capital of Palmyra - SODIC for Real Estate Development L.L.C, a limited liability company that is registered and operating in Syria.

### 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 recognized 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 Jointly controlled entities

Joint ventures are those entities over whose activities the Group has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions. Jointly controlled entities are accounted for using the proportionate consolidation. The consolidated financial statements include the Group's share jointly controlled entities from the date that joint control commences until the date that joint control ceases.

### 3.1.4 Transactions eliminated on consolidation

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

### 3.2 Foreign currency transactions

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.

### Financial statements of foreign operations

Subsidiaries' financial statements maintained in foreign currencies are translated to Egyptian pound. Assets and liabilities of those companies are translated at foreign exchange rates ruling at the consolidated balance sheet date. Revenues and expenses are translated at the average exchange rate used during the period. Foreign exchange differences arising on translation are recognized directly in a separate component of equity.

## 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:

| Asset | Years |
|---|---|
| Buildings & constructions | 10-20 |
| Caravans | 5-10 |
| Vehicles | 5 |
| Furniture & fixtures | 4-10 |
| Office & communications equipment | 5 |
| Generators, machinery & equipment | 2-5 |
| Kitchen utensils | 10 |
| Wells, pumps & networks | 4 |
| Leasehold improvements from others | 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 acquire. 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 & soft wares.

### 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 capitalized intangible assets is capitalized 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 properties

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 stated at cost and subsequently measured at fair value, unless this cannot be reliably measured. Changes in fair value are reported as a separate component 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 that 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 preparing the statement of cash flows.

## 3.13 Impairment of assets

### 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 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.

### 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 & land 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. As soon as the outcome of a construction contract can be estimated reliably, contract revenue and expenses are recognized in profit or loss in proportion to the stage of completion of the contract.

  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 consolidated 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 year.

## 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 properties

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 consolidated 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 % to 10 % 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, 2011, 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 including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

In addition, the Group maintains the following lines of credit:

- L.E 435 million as long-term loans guaranteed by a promissory note amounting to the whole amount of loan. Interest would be payable at the rate of 2.85 % per annum above the CORRIDOR of borrowing rate declared by the Central Bank of Egypt.

- L.E 450 thousand as short-term bank facilities guaranteed by a blocked deposit amounting to L.E 500 thousand. Interest would be payable at the rate of 9.75 % per annum and a commission of 1.5 per mille above the highest debit balance during the month.

- L.E 4 million as short-term bank facilities guaranteed by platinum saving certificates amounting to L.E 5.5 million. Interest would be payable at the rate of 10.5 % per annum and a commission of 0.75 per mille above the highest debit balance during the month.

- L.E 5 million as short-term bank facilities guaranteed by platinum saving certificates amounting to L.E 6 275 000. Interest would be payable at the rate of 11.59 % per annum and a commission of 2 per mille above the highest debit balance during the month.

## 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 long-term in nature.

## 5.5 Interest rate risk

The Group adopts a policy of ensuring that there is no exposure to changes in interest rates on borrowings on a fixed rate basis. 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. Projects under construction

This item is represented as follows:

| | 31/3/2011 L.E | 31/12/2010 L.E |
|---|---|---|
| Lands * | 7 266 748 | 7 266 748 |
| Advance payments for purchasing of machinery and equipment – Joint Venture | - | 1 253 273 |
| Advance payments for fixtures and purchasing of fixed assets | 12 655 877 | 10 109 045 |
| Advance payments for purchasing of house building for employees ** | 4 135 000 | 4 100 000 |
| Advance payment on account of the construction of electricity station | 100 800 | 100 800 |
| Buildings & constructions | 26 583 759 | 20 003 759 |
| Wells under construction | 203 048 | 196 809 |
| | 50 945 232 | 43 030 434 |

* This item representing the acquisition cost of a vacant plot of land with an area of 2 363.17 square meter for the purpose of the construction of administrative offices for the Company.

** This item represents the value of purchasing a building of an area of 1 121.70 square meter for the purpose of using it as a house building for the Company's employees.

## 8. Investments in associates

This Group has the following investments in associates:

| | Legal form | Ownership 31/3/2011 % | Ownership 31/12/2010 % | Carrying amount 31/3/2011 L.E | Carrying amount 31/12/2010 L.E |
|---|---|---|---|---|---|
| Royal Gardens for Investment Property Co. * | SAE | 20 | 20 | - | - |
| Green Point for Importing and Trading of Garden Supplies Co. ** | SAE | 25.50 | 25.50 | 250 000 | 250 000 |
| | | | | 250 000 | 250 000 |

Summary of financial information on associates – 100 %:-

| | Assets L.E | Liabilities L.E | Equity L.E | Revenues L.E | Expenses L.E |
|---|---|---|---|---|---|
| **March 31, 2011** | | | | | |
| Royal Gardens for Real Estate Investments Co. | No financial statements have been issued for the financial period ended March 31,2011 yet. | | | | |
| Green Point for Importing and Trading of Garden Supplies Co. | No financial statements have been issued for this company yet. | | | | |
| **December 31, 2010** | | | | | |
| Royal Gardens for Real Estate Investments Co. | No financial statements have been issued for the financial period ended March 31,2011 yet. | | | | |

* Royal Gardens for Investment Property Co. was established during the year 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 610 330 till March 31, 2010 as the carrying amount of the investment balance is nil in the consolidated financial statement as at December 31, 2010.

** Green Point for Importing and Trading of Garden Supplies Co. was established on September 30, 2010 in conjunction with some board of directors' members.

## 9. Available -for- sale investments

This item is represented as follows:

| | Legal Form | Ownership | Paid amount of participation | Carrying Amount as at 31/3/2011 | Carrying amount as at 31/12/2010 |
|---|---|---|---|---|---|
| | | % | % | L.E | L.E |
| United Company for Real Estate Services | S.A.E | 10 | 100 | 100 000 | 100 000 |
| Egyptian Company for Development & Management of Smart Villages | S.A.E | 1.8 | 100 | 4 250 000 | 4 250 000 |
| | | | | 4 350 000 | 4 350 000 |

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

## 10. Amounts paid on account of investments in subsidiaries & companies under establishment

This item is represented as follows:

| | L.E |
|---|---|
| The amount paid on account of the acquisition of the whole shares of National Company for Tourism and Real Estate Investment – S.A.E according to the purchase agreement concluded on December 30, 2010 which includes the payment of L.E 62 500 for the acquired shares (representing 25% of the company's issued share capital) in addition to the payment of L.E 35 937 500 representing the value of amounts due to the shareholders of this company (shareholders' loans). Because of the current conditions, this agreement has not been in effect yet. | 19 936 000 |
| The amount paid on account of the Company's participation of 50% in the issued share capital of Aqua Management for Management of Real Estate Projects – an Egyptian Joint Stock Company under establishment. | 250 000 |
| Balance as at March 31, 2011 | 20 186 000 |

## 11. Investment properties

The carrying amount of the investment properties as at March 31, 2011 amounted to L.E 421 334 615 and they are represented in commercial & residential units leased out to others and agricultural lands. Movement on the investment properties account and its depreciation during the period are as follows:-

| Description | Leased out units* L.E | Agricultural lands ** L.E | Lands *** L.E | Total L.E |
|---|---|---|---|---|
| **Cost** | | | | |
| At 1/1/2011 | 10 349 431 | 326 247 579 | 84 016 952 | 420 613 962 |
| Additions during the period | - | - | 10 278 | 10 278 |
| Translation adjustments as at March 31, 2011 | - | - | 1 356 411 | 1 356 411 |
| Total cost of investment properties as at March 31, 2011 | 10 349 431 | 326 247 579 | 85 383 641 | 421 980 651 |
| **Accumulated depreciation** | | | | |
| At 1/1/2011 | 594 289 | - | - | 594 289 |
| Depreciation for the period | 51 747 | - | - | 51 747 |
| Carrying amount as at March 31, 2011 | 9 703 395 | 326 247 579 | 85 383 641 | 421 334 615 |
| Carrying amount as at December 31, 2010 | 9 755 142 | 326 247 579 | 84 016 952 | 420 019 673 |

* The fair value of completed residential units leased out to others amounts to L.E 25 278 520 as at March 31, 2011.

** This item includes an amount of L.E 30 million representing the amount due to the General Authority for Rehabilitation Projects and Agricultural Development in return for the building land (increase of the building percentage to 7%) as detailed in note No. (36) below.

*** This item includes lands pledged as guarantee for the islamic finance (Murabha) with an amount of L.E 16 113 611 equivalent to SYP 128 502 500 (note No.23).

## 12. Customers, debtors & notes receivables

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

| | 31/3/2011 L.E | 31/12/2010 L.E |
|---|---|---|
| Customers | 72 390 144 | 101 897 295 |
| Sundry debtors * | 9 844 400 | 9 844 400 |
| Notes receivable | 1 129 216 314 | 1 215 722 638 |
| | 1 211 450 858 | 1 327 464 333 |
| **Deduct:** Unamortized discount | 61 786 160 | 67 187 461 |
| | 1 149 664 698 | 1 260 276 872 |

* This balance represents the remaining amount from the sale value of the Group's quotes in the capital of El Sheikh Zaid for Real Estate Development Co. during year 2010. According to the sale agreement, this debit balance will be collected by final check after a year from September 15, 2015

- The Group's exposure to credit, currency risks and impairment losses related to trade & notes receivable is disclosed in note no. (48).

## 13. Deferred tax assets

| | 31/3/2011 | | 31/12/2010 | |
|---|---|---|---|---|
| | **Assets** | **Liabilities** | **Assets** | **Liabilities** |
| | **L.E** | **L.E** | **L.E** | **L.E** |
| Fixed assets | - | 893 442 | - | 941 473 |
| Provisions | (1 988 799) | - | (2 025 424) | - |
| Construction contracts | (120 276) | 480 084 | - | 536 599 |
| Tax losses | (1 562 974) | - | (897 622) | - |
| Total deferred tax (asset)/ liability | (3 672 049) | 1 373 526 | (2 923 046) | 1 478 072 |
| Net deferred tax asset | (2 298 523) | - | (1 444 974) | - |

## 14. Completed units ready for sale

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

| | 31/3/2011 | 31/12/2010 |
|---|---|---|
| | **L.E** | **L.E** |
| Cost of completed commercial units in 3/B area | 759 490 | 493 910 |
| Cost of commercial units in 3/B area | 3 503 315 | 3 503 315 |
| | 4 262 805 | 3 997 225 |

## 15. Work in process

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

| | 31/3/2011 L.E | 31/12/2010 L.E |
|---|---|---|
| **Allegria project costs** | | |
| Cost of the Company's land intended for use | 245 689 079 | 247 910 689 |
| Planning , survey , supervision & soil researches | 204 844 710 | 170 205 285 |
| Building & utilities | 779 676 299 | 731 073 839 |
| Other costs | 32 078 476 | 25 417 614 |
| | 1 262 288 564 | 1 174 607 427 |
| **WESTOWN project costs** | | |
| Cost of the Company's land intended for use | 76 202 118 | 76 202 118 |
| Planning , survey , supervision & soil researches | 93 536 193 | 82 050 917 |
| Building & utilities | 86 519 037 | 66 946 213 |
| Other costs | 19 837 956 | 16 138 904 |
| | 276 095 304 | 241 338 152 |
| **Golf course & club project costs *** | | |
| Cost of the Company's land intended for use | 29 468 923 | 29 468 923 |
| Planning , survey , supervision & soil researches | 16 446 306 | 16 446 306 |
| Building & utilities | 81 557 995 | 80 635 873 |
| Other costs | 4 944 903 | 4 944 903 |
| | 132 418 127 | 131 496 005 |
| **Cost of the fourth phase (4A & 4B), showrooms & others** | | |
| Cost of land * | 74 313 604 | 74 313 604 |
| Planning , survey , supervision & soil researches | 14 174 280 | 9 403 666 |
| Building & utilities | 55 121 551 | 45 282 532 |
| Cost of land of Dahshor' showrooms | 25 313 372 | 25 313 372 |
| 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 | 32 481 217 | 29 093 645 |
| 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 | 94 525 466 | 73 100 918 |
| | 891 194 542 | 851 772 789 |
| **Cost of projects in Syria **** | 282 518 177 | 276 073 002 |
| | 2 844 514 714 | 2 675 287 375 |

* It is expected to complete the works of the golf course & club project during April 2011.

** This item represents 50% of the development properties acuired through the proportionate consolidation of the Joint Venture (Palmyra – SODIC for Real Estate Development LLC) as at March 31, 2011. Details are as follow:-

| **Project name** | **Carrying amount of the project L.E** |
|---|---|
| Telal Al Yasameen project | 153 215 364 |
| Deheat Al Sindean project | 3 969 718 |
| Telal Al Zumorod project | 30 719 958 |
| Tela Al Shams project | 4 502 666 |
| Auareet project | 4 454 |
| Ganayen Al Ghar | 887 |
| The project of real estate # 70 | 90 105 130 |
| | 282 518 177 |

Land which Telal Al Yasameen project is being constructed is mortgaged as guarantee for the loan granted to the Joint Venture by Syrian Real Estate Bank to finance the construction of Telal Al Yasameen project.

**(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.

- On February 16, 2010, a subsidiary of the Group concluded a sub-development agreement with El Sheikh Zaid for Real Estate Development Co. for the development of Block No. (8) of Eastown project measuring 7439 square meter, According to this agreement:-

- The subsidiary undertakes to sell the project to El Sheikh Zaid for Real Estate Development Co upon fulfillment of the conditions listed in this agreement.

- El Sheikh Zaid for Real Estate Development Co. is authorized to develop the project as an independent sub-developer and not as an agent in accordance with the master plan of the project.

- The subsidiary warrants and represents that El Sheikh Zaid for Real Estate Development Co. is entitled as an independent sub-developer and not as an agent to develop and invest in the project in accordance with the conditions listed in this agreement. In addition, the subsidiary shall take all the necessary measures to allow and facilitate the development of the project by El Sheikh Zaid for Real Estate Development Co. in accordance with this agreement.

- The subsidiary undertakes to take all measures to allow the transfer of ownership of the project to El Sheikh Zaid for Real Estate Development Co. upon the fulfillment of the conditions of the agreement.

- The sub-development price amounts to L.E 3 371 387 which was collected during year 2010 in full in accordance with the conditions of of the agreement and this amount will be recorded as revenue upon the fulfillment of the conditions of the sub-development agreement.

## 16. Trade & notes receivable

| | 31/3/2011 L.E | 31/12/2010 L.E |
|---|---|---|
| Trade receivable | 158 005 440 | 194 736 841 |
| Notes receivable | 646 839 426 | 672 215 557 |
| | 804 844 866 | 866 952 398 |
| **Deduct** : unamortized discount | 5 848 242 | 8 146 152 |
| | 798 996 624 | 858 806 246 |
| Impairment losses of trade & notes receivable | (203 000) | (203 000) |
| | 798 793 624 | 858 603 246 |

- The Group's exposure to credit, currency risks and impairment losses related to trade & notes receivable is disclosed in note no. (48).

## 17. Debtors & other debit balances

| | 31/3/2011 L.E | 31/12/2010 L.E |
|---|---|---|
| Contractors & suppliers – advance payments | 268 282 938 | 313 415 806 |
| Amount due from Mr. Firas Tlaas ( a partner in the Joint Venture ) | 23 050 185 | 22 745 665 |
| Due from Palmyra SODIC for Real Estate Marketing | 119 000 | - |
| Corporate profit tax paid in excess * | 227 256 | 227 256 |
| Due from related parties – Joint Venture | 492 193 | 473 964 |
| Interests receivable | 4 221 418 | 4 382 235 |
| Due from Royal Gardens for Investment Property Co. – an associate | 10 000 | - |
| Due from Land Masters Co. | 412 612 | 486 960 |
| Due from Green Point for Importing and Trading of Garden Supplies Co.- an associate | 1 400 | 176 512 |
| Due from SIAC Co. | 6 578 298 | 4 905 574 |
| Prepaid expenses ** | 151 246 982 | 142 290 050 |
| Deposits with others | 1 194 646 | 1 212 476 |
| Tax Authority | 576 341 | 812 996 |
| L / G 's margins | 3 156 525 | 3 150 000 |
| Accrued management fees *** | 4 462 500 | 2 896 250 |
| Other debit balances | 3 369 319 | 3 159 341 |
| | 467 401 613 | 500 335 085 |
| Impairment loss on debtors & other debit balances | (355 157) | (355 157) |
| | 467 046 456 | 499 979 928 |

* This item is represented in the amount due to the Parent Company from the Tax Authority – Corporate Profit Tax which represents the tax paid in excess according to the amended tax return for year 2008 of L.E 12 973 398 after deducting the income tax payable for the financial year ended December 31, 2010 of L.E 12 746 142 as detailed in note No. (51) below.

** This balance includes an amount of L.E 34 463 760 (2010: L.E 28 930 419) which represents the capitalized amount for the amounts paid to some customers who booked residential units in Allegria project and assigned their contracts to the Company. The balance will be capitalized until the resale and the recognition of revenues related to these units.

*** This amount represents 50% of the management fees due to the Group for management works of Palmyra Real Estate Development Company - a Syrian limited liability Company according to the Partners Agreement concluded with Palmyra – SODIC for Real Estate Development Company LTD dated June 16, 2010.

- The Group's exposure to credit & currency risks related to other debtors is disclosed in note no. (48).

## 18. Loans to Joint Ventures

| | 31/3/2011 | 31/12/2010 |
|---|---|---|
| | L.E | L.E |
| This item represents 50% of the loan amount granted to the Joint Venture by the Group with total amount of USD 19.5 million on September 16, 2010. The interest rate is equal to 8.5% per annum. The principal together with interest should be paid before March 31, 2011. | 58 012 550 | 56 477 226 |
| This item represents 50% of the amount paid from the bridge loan granted to the Joint Venture with total amount of USD 5 million on October 28, 2010. | 14 874 987 | 14 481 250 |
| The balance as at March 31, 2011 | 72 887 537 | 70 958 476 |

## 19. Held for trading investments

| | 31/3/2011 | 31/12/2010 |
|---|---|---|
| | L.E | L.E |
| Investment instruments - Piraeus Bank Fund | 835 302 | - |
| Investment instruments - Alexandria Bank Fund | 60 280 721 | 86 988 915 |
| | 61 116 023 | 86 988 915 |

- The Group's exposure to market risk related to the held for trading investments is disclosed in note No. (48).

## 20. Cash at banks & on hand

| | 31/3/2011 | 31/12/2010 |
|---|---|---|
| | L.E | L.E |
| Bank - time deposits * | 618 015 878 | 700 101 893 |
| Demand deposits | 33 545 713 | 11 933 495 |
| Saving certificates (3 year maturity) | 3 500 000 | 6 275 000 |
| Bank - current accounts | 152 757 865 | 125 328 962 |
| Checks under collection | 7 507 920 | 8 416 298 |
| Cash on hand | 1 432 153 | 1 198 562 |
| | 816 759 529 | 853 254 210 |

* This item includes an amount of L.E 507 877 representing in a blocked deposit as guarantee for the facility agreement granted from a bank.

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

| | **31/3/2011** LE | **31/12/2010** L.E |
|---|---|---|
| Cash at banks & on hand | 816 759 529 | 853 254 210 |
| **Less:** | | |
| Saving certificates (3 year maturity) | 3 500 000 | 6 275 000 |
| Blocked accounts | 507 877 | 507 877 |
| Cash & cash equivalents in the consolidated statement of cash flows | 812 751 652 | 846 471 333 |

- The Group's exposure to interest rate risk & sensitivity analysis for financial assets is disclosed in note No. (48).

## 21. Provisions

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

| | **Balance as at 1/1/2011** | **Provisions formed during the period** | **Provisions used during the period** | **Used from provisions acquired through the Joint Venture** | **Balance as at 31/3/2011** |
|---|---|---|---|---|---|
| | **L.E** | **L.E** | **L.E** | **L.E** | **L.E** |
| Provision for completion of works * | 128 186 439 | 3 021 024 | (2 953 538) | - | 128 253 925 |
| Provision for claims ** | 6 690 427 | 42 550 | (183 122) | (21 662) | 6 528 193 |
| | 134 876 866 | 3 063 574 | (3 136 660) | (21 662) | 134 782 118 |

* 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.

## 22. Bank - credit facilities

This item is represented in the following:

| | **31/3/2011** L.E | **31/12/2010** L.E |
|---|---|---|
| The amount used from the credit facility granted to the Parent Company from Alexandria Bank totaled L.E 85 million and bears interest rate of 2% per annum over borrowing and discount rate declared by the Central Bank of Egypt. This facility is guaranteed by a promissory note amounting to L.E 85 million At the end of 2010, the Company agreed with the bank to restructure this facility and agreed to consider the balance of this facility amounted to L.E 85 951 368 as part of the medium –term loan totaled L.E 435 million as detailed in note No. (34) below. | - | 85 951 368 |
| The amount used from the bank facility granted from Arab African Bank totaled L.E 5 million and guaranteed by platinum saving certificates amounting to L.E 6 275 000 and bears interest rate of 11.59% and a commission of 2 per mille above the highest debit balance during the month. | - | 952 264 |
| Balance as at March 31, 2011 | - | 86 903 632 |

## 23. Islamic finance ( Murabaha)

This balance represents 50% from the Islamic finance (Murabaha) granted to the Joint Venture from the Syrian International Islamic Bank on June 10, 2009 for financing the purchase of materials necessary for building activities at a financing limit amounting to SYP 150 million with a finance cost of 7.88% of the financed amount. The facility is repayable in 12 month for each financed amount and is guaranteed by the pledge of some plots of lands included under investment properties and works in process (notes No. 11 & 15).

## 24. Advances from customers

This item is represented in the following:-

| | 31/3/2011<br>L.E | 31/12/2010<br>L.E |
|---|---|---|
| Advances - lands | 30 399 099 | 30 399 099 |
| Advances for booking , contracting & installments of residential units– Kattameya Plaza project | 258 653 036 | 230 546 177 |
| Advances – commercial unites - Auto Ville project | 112 140 732 | 110 175 300 |
| Advances – Allegria project | 2 782 490 492 | 2 846 593 355 |
| Advances – Forty West project | 252 705 616 | 275 300 584 |
| Advances – Telal Al Yasameen project | 36 714 232 | 36 491 315 |
| Advances – Polygon project | 125 764 036 | 123 788 124 |
| | 3 598 867 243 | 3 653 293 954 |

## 25. Contractors, suppliers & notes payable

| | 31/3/2011<br>L.E | 31/12/2010<br>L.E |
|---|---|---|
| Contractors | 65 709 023 | 63 493 800 |
| Suppliers | 5 235 061 | 6 896 762 |
| Notes payable | 51 285 802 | 50 417 497 |
| | 122 229 886 | 120 808 059 |
| **Deduct:** discount on notes payable | 1 175 652 | 4 482 175 |
| | 121 054 234 | 116 325 884 |

- The Group's exposure to currency & liquidity risks related to suppliers & contractors is disclosed in note no. (48).

## 26. Creditors & other credit balances

| | 31/3/2011 L.E | 31/12/2010 L.E |
|---|---|---|
| Amounts collected on account of management, operation & maintenance of Allegria project | 56 330 690 | 57 156 117 |
| Amounts collected on account of management, operation & maintenance of Forty West project | 5 412 917 | 6 030 077 |
| Amounts collected on account of management, operation & maintenance of Polygon project | 12 621 623 | 12 621 623 |
| Amounts collected on account of management, operation & maintenance of Auto Ville project | 1 021 874 | 1 005 169 |
| Amounts collected on account of management, operation & maintenance of Kattameya Plaza project | 8 000 915 | 7 240 509 |
| Due to related parties of Joint Venture | 67 657 | 45 932 |
| Accrued expenses | 135 001 297 | 129 753 557 |
| Liability for cash settled share-based payments transactions– Executive directors * | 1 496 847 | 1 237 181 |
| Amounts collected on account of the participation in the share capital of Beverly Hills Co. | 12 740 995 | 12 584 052 |
| Customers – credit balances | 7 506 177 | 9 352 746 |
| Estimated income tax for the period | 2 172 414 | - |
| Tax Authority | 14 989 607 | 14 174 787 |
| Dividends payable | 91 643 | 91 643 |
| Accrued compensated absence | 1 032 574 | 1 165 820 |
| Amount due to Rabyia for Agricultural & Urban Development Co. | - | 68 210 |
| Deposits collected from customers | 8 706 034 | 8 001 034 |
| Social insurance | 1 789 533 | 1 855 254 |
| Accrued costs of works in process | 10 330 591 | 25 248 105 |
| Customers –down payments for sub-development ** | 3 371 400 | 3 371 400 |
| Unearned income | 2 493 780 | 545 791 |
| Retentions for guarantee of works | 2 384 335 | 4 477 742 |
| Amounts due to General Authority for Rehabilitation Projects and Agricultural Development - current portion (note No. 35) | 7 500 000 | 7 500 000 |
| Deposits from others | 4 174 248 | 2 084 142 |
| Other creditors | 4 637 482 | 4 442 979 |
| | 303 874 633 | 310 053 870 |

* Represents the amount due to some of the executive board of directors of the Parent Company as detailed in note no. (41).

** Represents the collected amount from El Sheikh Zaid for Real Estate Development Co.

- The Group's exposure to currency & liquidity risks related to creditors is disclosed in note no. (48).

## 27. Minority interest

Minority interest balance as at March 31, 2011 represents the minority interest' shares in subsidiary's equity as follows:

| | Minority interest | Minority share in profit (loss) for the period | Minority share in equity excluding profit (loss) for the period | Minority interest as at 31/3/2011 | Minority interest as at 31/12/2010 |
|---|---|---|---|---|---|
| | % | L.E | L.E | L.E | L.E |
| Sixth of October for Development & Real Estate Projects Co. "SOREAL" | 0.01 | (102) | 47 755 | 47 653 | 47 755 |
| Beverly Hills for Management of Cities & Resorts Co. | 47.69 | 127 588 | 17 614 780 | 17 742 368 | 17 614 780 |
| SODIC Garden City for Development & Investment Co. | 50 | 129 093 | 3 507 662 | 3 636 755 | 3 507 662 |
| Move-In for Advanced Contracting Co. | 30 | (344 602) | 1 647 458 | 1 302 856 | 1 647 458 |
| Greenscape for Agriculture & Reclamation Co. | 49 | (712 500) | 2 065 574 | 1 353 074 | 2 065 574 |
| El Yosr for Projects and Agriculture Development Co. | 0.001 | (15) | 27 178 | 27 163 | 27 178 |
| SODIC for Development & Real Estate Investment Co. | 0.001 | - | 20 | 20 | 20 |
| SODIC SIAC for Real Estate Development Co. | 20 | 61 675 | 20 242 023 | 20 303 698 | 20 242 023 |
| Tegara for Trading Centers Co. | 49.99 | 365 693 | 50 896 248 | 51 261 941 | 50 896 248 |
| Edara for Services of Cities & Resorts Co. | 0.003 | 16 | (7) | 9 | (7) |
| Fourteen for Real Estate Investment Co. | 0.004 | - | 2 | 2 | 2 |
| La maison for Real Estate Investment Co. | 0.004 | - | 2 | 2 | 2 |
| Ceremony for Real Estate Investment Co. | 0.004 | - | 2 | 2 | 2 |
| | | (373 154) | 96 048 697 | 95 675 543 | 96 048 697 |

## 28. Share capital

**a -** The Parent Company's authorized capital before increase 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 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.

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 years (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. (31). 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 October16, 2006. Capital Market Authority made its decision on June 28, 2007 regarding the approval of issuing the shares of the capital increase in the amount of one million ordinary nominal share with nominal value of L.E 10 for each share, and the total amount of the issuance is L.E 10 million that is fully paid in cash and equivalent to 100 % of the increase amount in addition to L.E 90 million as share premium to be transferred to the reserves, according to the certificate of Arab African International Bank's Head office as at June 5, 2007. Annotation was made in the Parent Company's Commercial Registry on 5/7/2006.

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

- On 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.
- On December 7, 2009, the Parent Company's Extraordinary General Assembly Meeting agreed to increase the authorized capital to become L.E 2 800 000 000 (Two billion and eight hundred Egyptian Pound). Annotation was made in the Parent Company's Commercial Registry to reflect such increase on March 4, 2010.
- On November 4, 2009, the Board of Directors of the Parent Company discussed increasing the issued capital of the Company within the limit of the authorized capital and determining the offering price of the capital increase shares as proposed in the report of the independent financial advisor who was appointed pursuant to the resolution issued by the Board of Directors of the Parent Company in its meeting held on October 12th, 2009 which resolved that the fair value of the Company's share shall be EGP 153.50 per share, and recommended in its report that the increase price shall range between EGP 65 and 75 per share, accordingly, the Board of Directors of the Parent Company approved that the offering price shall be EGP 70 per share that is in agreement with the average share price during the last six months and applying a discount rate at 54.4 % of the fair value per share as determined in the report of the fair value in order to encourage the Company's old shareholders to subscribe in the Company's shares.

Based on the aforementioned, the Board of Directors of the Parent Company approved the increase of the Company's issued capital within the limits of the Company's authorized capital with an increase amounted from EGP 284 133 960 to EGP 362 705 390 that represents a nominal increase of EGP 78 571 430 through the issuance of 7 857 143 shares in which subscription is made at the value approved by the Board of Directors amounting to EGP 70 per share, accordingly, the total value of the increase in the Company's issued capital according to the value approved by the Company's Board of Directors shall become EGP 550 000 010 including the share premium, provided that the difference between the par value and the issuance price of the increase shares shall be transferred to a reserve account pursuant to article (17) or the Executive Regulations of the Capital Market Law No. (95) of the year 1992. This increase shall be fully allocated to the benefit of the Company's old shareholders and the purchaser of the share till the date specified in the prospectus. An amount EGP 83 070 956 was paid under the account of the increase in the Company's issued capital till December 31, 2009. Subscription was made in these shares in full and the value of the increase was deposited at the bank based on the certificate of deposit of Bank of Alexandria – Cairo Branch, dated January 24th, 2010. On March 4th, 2010 annotation was made in the Company's Commercial Registry to the effect of the increase, accordingly, the Parent Company's issued capital amounting to EGP 362 705 390 was paid in full.

- On January 27, 2011, the Extra-ordinary General Assembly meeting of the Parent Company agreed on the proposition of the Company's board of directors meeting held on December 15, 2010 with respect to the stock split of the par value of the Company' share of L.E 10 to become L.E 4 per share in the light of the consent of the Egyptian Financial Supervisory Authority issued on December 14, 2010.The necessary procedures regarding the amendment of the Articles of Association and annotation in the Company's Commercial Registry in this regard are currently undertaken.

## 29. Legal reserve

According to the Parent Company' statutes, the Parent Company are 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, 2011 is represented as follows:-

| | L.E |
|---|---|
| Legal reserve balance as at 1/1/2003 | 6 530 455 |
| **Add:** | |
| 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. 30). | 123 409 151 |
| Increase of the legal reserve with part of capital increase share premium during year 2007 with limits of half of the Parent Company's issued share capital. (Note no. 30). | 5 000 000 |
| Increase of the legal reserve by 5% of the net profit for year 2008. | 2 339 350 |
| **Add:** | |
| Increase of the legal reserve with part of the capital increase share premium with limits of half of the Company's issued share capital during year 2010 (Note No. 30 ) | 39 446 365 |
| Balance as at March 31, 2011 | 181 352 695 |

## 30. Special reserve – share premium

The balance is represented in the remaining amount 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 share premium increase of 7 857 143 shares during 2011 after deducting the amounts credited to the legal reserve, and also 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:-

| **Description** | **L.E** |
|---|---|
| Total value of the capital increase share premium collected during 2006 | 983 588 760 |
| **Deduct:** | |
| 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 shares of capital increase during 2006. | 27 740 255 |
| **Add:** | |
| Share premium of the employees' incentive and bonus plan issued during year 2007 | 90 000 000 |
| **Deduct** | |
| 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 year according to the Extra-Ordinary General Assembly Meeting held on 6/4/2008. (note No. 28). | 5 000 000 |
| **Add:** | |
| Total share premium of the increase in share capital collected during year 2010. | 471 428 580 |
| **Deduct:** | |
| Amounts credited to the legal reserve during year 2010 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. | 39 446 365 |
| **Deduct:** | |
| Total issuance expenses attributable to the issuance of the shares of capital increase during year 2010. | 27 500 000 |
| Balance as at March 31, 2011 | 1 316 921 569 |

## 31. Cumulative translation adjustments of foreign operations

The balance shown in the equity section at March 31, 2011 is represented in the cumulative translation adjustments resulting from translating the financial statements of subsidiaries from foreign currencies to Egyptian Pound for consolidating these statements in the consolidated financial statements for the financial period ended March 31, 2011 and also the Group share in cumulative translation adjustments included in the equity section of the Joint Venture.

## 32. 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. (33) as follows:

| **Description** | **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 |
| **Deduct:** | |
| 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 |
| **Add:** | |
| Treasury shares acquired by subsidiaries during 2009. | 7 242 |
| Balance as at March 31, 2011 | 80 007 242 |

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

The balance is representing 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:-

| **Description** | **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 60 months and the agreed upon share price in accordance with the incentive & bonus plan as at March 31, 2010. | 25 000 000 |
| **Deduct:** | |
| The difference between the grant date fair value of the shares and the agreed upon share price in accordance with the incentive & bonus plan for 200 000 share that were sold in favor of the beneficiaries during December 2007. | 5 000 000 |
| Balance as at March 31, 2011 | 20 000 000 |

## 34. Long-term loans

| | 31/3/2011 L.E | 31/12/2010 L.E |
|---|---|---|
| At the end of year 2010, the Company concluded an agreement with Alexandria Bank to obtain a medium-term loan of L.E 435 million for the purpose of financing part of the building of Allegria project and its infrastructure. By virtue of this agreement , the bank grants a new financing of L.E 350 million in addition to the amount of L.E 85 million that was previously granted by virtue of the facility agreement dated February 22, 2009 (note No. 21) according to the following conditions and guarantees :-<br><br>Loan term: - 3 years and half effective from the signing date on the loan agreement.<br><br>Withdrawal period: - one year starting from the signing date on the loan agreement.<br><br>Grace period:- 6 months starting from the end of the withdrawal period.<br><br>Method of payment: - the loan is repayable on (8) equal quarterly installments after the end of the withdrawal period.<br><br>Interest rate: - CORRIDOR rate for lending declared by Central Bank plus 2.85%.<br><br>Guarantees:-<br><br>a) Signing on a promissory note of the total amounting to L.E 435 million.<br><br>b) The pledge of the shares of El Yosr for Projects and Agriculture Development Co. (a subsidiary).<br><br>The bank maintains the account of the revenue of Allegria project in name of the Company which is represented in commercial papers representing the incoming cash flows of the project with total amount of L.E 1.32 billion throughout the facility term. | 90 217 451 | - |
| This balance represents 50% of the used amount from the loan granted to the Joint Venture by Real Estate Bank with total amount of SYP 667 417 740 for the purpose of financing 70% of the project of Telal Al Yassamin in Kafar Kook – Syria . The loan bears a current interest rate of 10 % per annum and should be paid in equal quarterly installments during the period from February 15, 2011 until November 15, 2020. The loan has been structured against the lands of the project, which was pledged as collateral for the loan. | 45 086 250 | 45 119 215 |
| | 135 303 701 | 45 119 215 |
| **Deduct :-** The current equivalent to SYP 25 844 187 and was included in current portion of long – term loan item under current liabilities. | 3 240 739 | 3 111 463 |
| Balance as at March 31, 2011 | 132 062 962 | 42 007 752 |

## 35. Amounts Due to General Authority for Rehabilitation Projects and Agricultural Development

On December 30, 2010, a letter was received from the General Authority for Rehabilitation Projects and Agricultural Development notifying the Company of the resolution made by the Authority's board of directors during its 13th meeting of the year 2010 regarding the approval of paying the amounts due for the value of buildings (increasing the building area to 7%) on installments basis provided that 25% is to be paid as a down payment and the remaining amounts to be paid on four equal annual installments in addition to their interest rate as declared by the Central Bank, and provided that the paid amounts shall be considered under account of the building's land area until on site inspection is carried out and the amount of L.E 7 500 000 is claimed to be paid by the Company as the down payment . On January 5, 2011, the said amount that represents 25 % was paid as a part of the total amount required to increase the building area to 7%. The outstanding balance as at March 31, 2011 is represented in the following:-

| | 31/3/2011<br>L.E | 31/12/2010<br>L.E |
|---|---|---|
| Total fees due to the Authority for building area of land | 30 000 000 | 30 000 000 |
| Deduct :- The paid amount during the period | 7 500 000 | - |
| | 22 500 000 | 30 000 000 |
| Deduct :- current portion (note No. 26) | 7 500 000 | 7 500 000 |
| Balance as at March 31, 2011 | 15 000 000 | 22 500 000 |

## 36. Long-term notes payable

This item is represented in the follows:

| | 31/3/2011<br>L.E | 31/12/2010<br>L.E |
|---|---|---|
| Total nominal value of the checks issued to New Urban Communities Authority which are payable during the period from May 2, 2012 till May 2, 2016. | 154 595 816 | 154 595 816 |
| Total nominal value of the checks issued by the Group on account of the acquisition of all shares of a company which are payable during the years from 2012 till 2014. | 18 520 000 | - |
| | 173 115 816 | 154 595 816 |
| Discount on notes payable | (33 065 226) | (33 065 226) |
| | 140 050 590 | 121 530 590 |

- The Company's exposure to credit risk related to long-term notes payable is disclosed in note no. (48).

## 37. Real estate & land sales

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

| | The three-month ended 31/3/2011 L.E | The three-month ended 31/3/2010 L.E |
|---|---|---|
| Sale of villas of Allegria project | 51 727 728 | - |
| Sale returns of villas of Allegria project | (14 637 494) | - |
| | 37 090 234 | - |

## 38. Cost of real estate & land sold

| | The three-month ended 31/3/2011 L.E | The three-month ended 31/3/2010 L.E |
|---|---|---|
| Cost of villas sold of Allegria project | 40 874 460 | - |
| Cost of villas returns sold of Allegria project | (6 938 536) | - |
| | 33 935 924 | - |

## 39. Other operating revenues

| | The three-month ended 31/3/2011 L.E | The three-month ended 31/3/2010 L.E |
|---|---|---|
| Interest income realized from installments during the period | 5 756 231 | 3 612 161 |
| Management fees – Joint Venture | 1 566 250 | - |
| Sundry income | 4 394 160 | 2 585 594 |
| Marketing and promotion commission | - | 362 304 |
| Gain on sale of fixed assets | 66 103 | 43 176 |
| | 11 782 744 | 6 603 235 |

## 40. Selling & marketing expenses

| | The three-month ended 31/3/2011 L.E | The three-month ended 31/3/2010 L.E |
|---|---|---|
| Salaries & wages | 5 226 863 | 3 009 209 |
| Sales commissions | - | 47 531 |
| Customer insurance – Contact | - | 3 808 |
| Collection fees of Contact checks | 1 417 996 | 125 356 |
| Advertising | 2 382 700 | 3 892 714 |
| Printouts & photocopy | 21 382 | 46 751 |
| Conferences & exhibitions | 75 462 | 216 325 |
| Rent | 608 382 | 447 991 |
| Travel and transportation | 719 930 | - |
| Others | 1 385 502 | 589 092 |
| | 11 838 217 | 8 378 777 |

## 41. General & administrative expenses

| | The three-month ended 31/3/2011 L.E | The three-month ended 31/3/2010 L.E |
|---|---|---|
| Salaries, wages & bonuses | 9 769 110 | 6 047 199 |
| Board of directors remunerations & allowances * | 4 541 286 | 4 253 886 |
| Training | 1 070 | 330 154 |
| Professional & consultancy fees | 2 581 857 | 787 730 |
| Advertising | 3 057 527 | 1 297 410 |
| Donations | 335 716 | 1 000 000 |
| Maintenance, cleaning, agriculture & security | 2 947 980 | 2 021 618 |
| Administrative depreciation of fixed assets & leased out units | 1 405 663 | 927 687 |
| Amortization of other assets | - | 19 435 |
| Subscriptions & governmental dues | 131 661 | 355 617 |
| Rent | 520 901 | 273 470 |
| Per-operating costs of Golf course & club | 1 529 208 | 272 250 |
| Travel and transportation | 433 727 | 304 485 |
| Communication and electricity | 462 965 | 437 621 |
| Others | 1 133 442 | 1 645 501 |
| | 28 852 113 | 19 974 063 |

* This item includes salaries for the executive board of directors as follows:

| | The three-month ended 31/3/2011 L.E | The three-month ended 31/3/2010 L.E |
|---|---|---|
| Salaries | 2 030 334 | 1 736 249 |
| Cash settled share - based payments (a) | 259 665 | 1 052 842 |
| Equity settled share - based payments (b) | 1 250 000 | 1 250 000 |
| | 3 539 999 | 4 039 091 |

(a) 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 that are settled in cash to beneficiaries are as follows:

| Employees entitled | Grant date | Number of shares in thousands | Fair value of share at grant date L.E | Market value of share at 31/3/2011 L.E | Conditions |
|---|---|---|---|---|---|
| Some executive board members | 1/4/2006 | - | 75 | 63.41 | Vested after 6 months from grant date (salaries) |

The amount of expense charged to the consolidated income statement during the period amounted to L.E 259 665 and the liability balance amounted to L.E 1 496 847 as at March 31, 2011 was included under creditors & other credit balances caption in the consolidated balance sheet.

(b) This item is represented in the difference between the grant date fair value of the shares granted to the executive directors and the agreed upon share price in accordance with the bonus & incentive plan as shown in note No.(53) 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 year provided that achieving certain terms and conditions.
- On March 28, 2007, the board of directors of the Parent Company agreed on the monthly salary and the additional benefits granted to the managing director within the employees' incentive and bonus plan note No. (53) effective from 1/4/2006.
- On September 23, 2007, the Supervisory Committee of the bonus & incentive plan of employees & executive board members agreed on the allocation of 75 thousand shares to board members as detailed in note No. (5) below. Accordingly, total shares allocated to the board members & executive directors from the bonus & incentive plan reached 1 000 000 shares as at March 31, 2011.

** This item includes an amount of L.E 150 000 representing the salary of the chairman.

## 42. Other operating expenses

| | The three-month ended 31/3/2011 L.E | The three-month ended 31/3/2010 L.E |
|---|---|---|
| Discount for early payment | 164 773 | 1 450 694 |
| Depreciation of leased out units | 44 091 | 44 093 |
| Provision for claims | 42 550 | 1 128 483 |
| Loss on sale of fixed assets | - | 288 553 |
| | 251 414 | 2 911 823 |

## 43. Finance income

| | The three-month ended 31/3/2011 L.E | The three-month ended 31/3/2010 L.E |
|---|---|---|
| Interest income | 11 515 994 | 17 215 955 |
| Interest income from loans to Joint Venture | 1 526 447 | - |
| Amortization of discount - deferred interests | 427 193 | - |
| Unrealized gain on held for trading investments | 1 065 622 | 1 479 937 |
| Gain on sale of held for trading investments | 244 592 | - |
| Investment income from treasury bills | 188 242 | - |
| Investment income from investment funds | 16 799 | - |
| Net foreign exchange differences | 13 259 222 | 7 708 |
| | 28 244 111 | 18 703 600 |

## 44. Finance expenses

| | The three-month ended 31/3/2011 L.E | The three-month ended 31/3/2010 L.E |
|---|---|---|
| Interest charges | 3 443 564 | 2 883 527 |
| Interest expense of installments of Sheikh Zayed land | 3 306 522 | 3 857 610 |
| Net foreign exchange differences | 3 569 202 | - |
| | 10 319 288 | 6 741 137 |

## 45. Income tax expense

| | The three-month ended 31/3/2011 L.E | The three-month ended 31/3/2010 L.E |
|---|---|---|
| Current income tax expense * | 2 538 607 | 25 694 005 |
| Deferred income tax expense (benefit) | (853 549) | 4 066 289 |
| | 1 685 058 | 29 760 294 |

* Income tax expense related to the comparative period ended on March 31, 2010 was estimated according to the circumstances available on that date.

## 46. Losses per share

The calculation of losses per share at March 31, 2011 was based on the 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 ended 31/3/2011 L.E | The three-month ended 31/3/2010 L.E |
|---|---|---|
| Net loss for the period | (15 699 188) | (11 313 497) |
| **Divided by:-** | | |
| Weighted average number of shares outstanding during the period * | 36 270 539 | 30 770 539 |
| Losses per share (L.E / share) | (0.43) | (0.37) |

* The weighted average number of shares during the period was calculated as follows:-

| | The three-month ended 31/3/2011 L.E | The three-month ended 31/3/2010 L.E |
|---|---|---|
| Issued share capital before capital increase | 36 270 539 | 28 413 396 |
| Effect of share capital increase during the period | - | 2 357 143 |
| Weighted average number of shares outstanding during the period | 36 270 539 | 30 770 539 |

## 47. Jointly controlled entities

The consolidate financial statements as at March 31, 2011 include 50% of the net assets of the Joint Venture ( Palmyra – SODIC for Real Estate Development LLC.) as follows :

| | 31/3/2011 Balance sheet L.E | 31/12/2010 Balance sheet L.E |
|---|---|---|
| **Assets** | | |
| **Non – current assets** | | |
| Properties and equipment | 24 824 966 | 22 571 593 |
| Works in process | - | 1 253 273 |
| Investment properties | 85 383 641 | 84 016 951 |
| Developing properties | - | 276 073 002 |
| Advance payments for acquisition of investment properties | 14 420 455 | 14 191 343 |
| | 124 629 062 | 398 106 162 |
| **Current assets** | | |
| Works in process | 282 518 177 | - |
| Due to related parties | 23 236 842 | 22 791 596 |
| Other current assets | 3 894 274 | 3 897 826 |
| Cash on hand and at banks | 3 252 590 | 9 555 747 |
| | 312 901 883 | 36 245 169 |
| | 437 530 945 | 434 351 331 |
| **Liabilities** | | |
| Long – term loans | 41 845 511 | 42 007 752 |
| Due to related parties | 491 081 | 473 564 |
| Short – term loans (SODIC Syria) | 72 887 563 | 70 958 566 |
| Current portions of long –term loans | 3 240 739 | 3 111 463 |
| Islamic finance (Murabha) | 543 053 | 1 379 736 |
| Suppliers and other current liabilities | 11 587 904 | 5 317 454 |
| Advance payments from customers | 36 714 232 | 36 491 315 |
| | 167 310 083 | 159 739 850 |
| **Net assets** | 270 220 862 | 274 611 481 |

| | Income statement L.E | Income statement L.E |
|---|---|---|
| Administrative and general expenses | (3 030 402) | - |
| Financing charges | (1 538 575) | - |
| Finance income | 25 008 | - |
| Depreciation | (126 589) | - |
| Marketing expenses | (394 442) | - |
| Foreign exchange differences | (873 465) | - |
| Net loss for the period | (5 938 465) | - |

## 48. Financial instruments

### 48.1 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 No. | 31/3/2011 L.E | 31/12/2010 L.E |
|---|---|---|---|
| Long-term trade & notes receivable | (12) | 1 149 664 698 | 1 260 276 872 |
| Short-term trade & notes receivable | (16) | 798 793 624 | 858 405 196 |
| Other debtors | (17) | 47 516 536 | 44 274 072 |
| Loans to Joint Ventures | (18) | 72 887 537 | 70 958 386 |
| Held for trading investments | (19) | 61 116 023 | 86 988 915 |
| Cash & cash equivalents | (20) | 815 327 376 | 852 055 979 |
| | | 2 945 305 794 | 3 172 959 420 |

### 48.2 Liquidity risk

The following are the contractual maturities of financial liabilities:

**March 31, 2011**

| | Carrying amount L.E | 6 months or less L.E | 6-12 months L.E | 1-2 years L.E | 2-5 years L.E | More than 5 years L.E |
|---|---|---|---|---|---|---|
| Contractors, suppliers | 70 944 084 | 23 081 566 | 47 862 518 | - | - | - |
| Other creditors | 195 765 085 | 104 782 114 | 30 102 172 | 52 736 757 | 8 144 042 | - |
| Long – term loans | 135 303 701 | - | 3 240 740 | 90 217 451 | 41 845 510 | - |
| Short-term notes payable | 50 110 150 | 50 110 150 | - | - | - | - |
| Long-term notes payable | 140 050 590 | - | - | 17 408 904 | 98 355 568 | 24 286 118 |
| | 592 173 610 | 177 973 830 | 81 205 430 | 160 363 112 | 148 345 120 | 24 286 118 |

**December 31, 2010**

| | Carrying amount L.E | 6 months or less L.E | 6-12 months L.E | 1-2 years L.E | 2-5 years L.E | More than 5 years L.E |
|---|---|---|---|---|---|---|
| Bank – credit facilities | 86 903 632 | 86 903 632 | - | - | - | - |
| Contractors, suppliers | 69 903 986 | 22 944 406 | 46 959 580 | - | - | - |
| Other creditors | 310 053 870 | 185 668 475 | 64 821 326 | 50 069 611 | 9 494 458 | - |
| Long – term loans | 42 007 752 | 17 062 155 | 2 108 769 | 5 997 630 | 1 992 890 | 14 846 308 |
| Short-term notes payable | 48 210 082 | 48 210 082 | - | - | - | - |
| Long-term notes payable | 121 530 590 | - | - | 7 605 325 | 89 619 147 | 24 306 118 |
| | 678 609 912 | 360 788 750 | 113 889 675 | 63 672 566 | 101 106 495 | 39 152 426 |

## 48.3 Currency risk

**Exposure to currency risk**

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

**March 31, 2011**

| Description | L.E | USD | Syrian Pound |
|---|---|---|---|
| Loans to Joint Ventures | - | 12 500 000 | - |
| Cash at banks | 555 476 394 | 43 913 132 | - |
| Islamic finance | - | - | (4 330 730) |
| Long – term loans | - | - | (333 708 870) |
| Other creditors | (294 661 850) | (1 548 367) | - |
| Net exposure | 260 814 544 | 54 864 765 | (338 039 600) |

**December 31, 2010**

| Description | L.E | USD | Syrian Pound |
|---|---|---|---|
| Loans to Joint Ventures | - | 12 250 000 | - |
| Cash at banks | 784 224 889 | 11 917 017 | - |
| Islamic finance | - | - | 11 180 729 |
| Long – term loans | - | - | 340 411 160 |
| Other creditors | (304 131 966) | (1 022 340) | - |
| Net exposure | 480 092 923 | 23 144 677 | 351 591 889 |

The following significant exchange average rates applied during the period:-

| L.E | Average rate | | Reporting date spot rate | |
|---|---|---|---|---|
| | 31/3/2011 | 31/12/2010 | 31/3/2011 | 31/12/2010 |
| USD | 5.87 | 5.65 | 5.95 | 5.79 |
| SYP | 0.1221 | 0.1221 | 0.1254 | 0.1234 |

## 48.4 Sensitivity analysis

A 10 % strengthening of the USD against the following currencies at March 31, 2011 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 2010.

| | Profit & loss |
|---|---|
| | L.E |
| **March 31, 2011** | |
| USD | 25 207 035 |
| **December 31, 2010** | |
| USD | 6 310 741 |

A 10 percent weakening of the USD against the above currencies at March 31, 2011 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.

## 48.5 Interest rate risk

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

| | Carrying amount | |
|---|---|---|
| | **31/3/2011** | **31/12/2010** |
| | **L.E** | **L.E** |
| **Fixed rate instruments** | | |
| Financial assets | 1 934 721 253 | 2 118 682 068 |
| Financial liabilities | (435 937 595) | (251 756 543) |
| | 1 498 783 658 | 1 866 925 525 |
| **Variable rate instruments** | | |
| Financial liabilities | - | (86 903 632) |
| | - | (86 903 632) |

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.

## 48.6 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:

| | 31/3/2011 | | 31/12/2010 | |
|---|---|---|---|---|
| | **Carrying amount** | **Fair value** | **Carrying amount** | **Fair value** |
| | **L.E** | **L.E** | **L.E** | **L.E** |
| Trade & notes receivable | 1 948 458 322 | 1 948 458 322 | 2 118 682 068 | 2 118 682 068 |
| Loans to Joint Ventures | 72 887 537 | 72 887 537 | 70 958 386 | 70 958 386 |
| Cash and cash equivalents | 816 759 529 | 816 759 529 | 853 254 210 | 853 254 210 |
| Islamic finance (Murabaha) | (543 053) | (543 053) | (1 379 736) | (1 379 736) |
| Contractors, suppliers & notes payable | (121 054 234) | (121 054 234) | (118 114 068) | (118 114 068) |
| Long – term loans | (132 062 962) | (132 062 962) | (42 007 752) | (42 007 752) |
| Other creditors | (303 874 633) | (303 874 633) | (310 053 870) | (310 053 870) |
| Notes payable | (140 050 590) | (140 050 590) | (121 530 590) | (121 530 590) |
| | 2 140 519 916 | 2 140 519 916 | 2 449 808 648 | 2 449 808 648 |

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

## 49. 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 made in accordance with the terms determined by the board of directors of the Parent Company. Summary of significant transactions concluded during the period and the resulting balances at the consolidated balance sheet date were as follows:-

## a) Transactions with related parties

| Party / Relationship | Nature of transaction | The three-month ended 31/3/2011 Amount of transaction L.E | The three-month ended 31/3/2010 Amount of transaction L.E |
|---|---|---|---|
| Executive board of directors (Parent Company) | (See note No. 41). | - | - |
| 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. | - | 347 444 |
| Feorosema Co. (a company in which the chairman of Greenscape for Agriculture & Reclamation Co. has participation of 4% in its issued share capital) | Supply of imported marbles | 415 093 | - |
| | Payments for imported marbles | - | - |
| Bonyan Development and Trade Co. (a company in which the chairman of Move-In for Advanced contracting Co. has participation of 15% in its issued share capital) | Metal works. | - | - |
| | Decorations & finishing's works. | - | 10 194 101 |
| | Isolation & landscaping works. | - | - |
| 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 | - | 458 705 |
| Expenses paid by Green Escape on behalf of Land Masters | | 11 679 | |
| Land Masters Co. (a company in which the chairman of Greenscape for Agriculture & Reclamation Co. has participation of 20% in its issued share capital) | Payments of works | 600 000 | - |
| | Expenses paid by Land Masters Co. on behalf of the Company. | 7 291 | - |
| | Advance payments by Land Masters as a main contractor of the Company. | 130 000 | 1 223 152 |
| | Contracts of agriculture, coordination and roads | 46 379 | - |
| EFG-Hermes for Promotion & Underwriting - a shareholder | Securing of underwriting of share capital increase | - | 27 500 000 |
| | Advisory fees for obtaining loan | - | 7 000 000 |
| El Sheikh Zaid for Real Estate Development Co. - a subsidiary which was sold during year 2010. | Sub-development agreement price | - | 3 371 400 |
| Palmyra – SODIC for Real Estate Development LLC. | Loans to Joint Ventures | 1 928 998 | 70 958 565 |
| | Management fees | 1 487 500 | 2 896 250 |
| | Interest charges | 1 210 352 | 1 516 219 |

## b) Resulting balances from these transactions

| Party | Item as shown in the consolidated balance sheet | 31/3/2011 L.E | 31/12/2010 L.E |
|---|---|---|---|
| Royal Gardens for Investment Property | Trade & notes receivable (note No. 12 & 16) | 52 640 723 | 52 640 723 |
| Executive directors | Liability for cash settled share – based payments transactions included in creditors & other credit balances caption (note No. 26) | 1 496 847 | 1 237 181 |
| Bright Living for Trading Co. | Amounts due from customers | - | - |
| Land Masters Co. | Amounts due to customers | 1 034 083 | 1 911 325 |
| | Debtors and other debit balances | - | 486 960 |
| Feorosema Co. | Creditors and other credit balances | 1 390 824 | 975 732 |
| Bonyan Development and Trade Co. | Amounts due from customers | 6 913 616 | 4 641 183 |
| Palmyra – SODIC for Real Estate Development | Loans to Joint Ventures | 72 887 563 | 70 958 565 |
| | Accrued interest on loan under debtors item | 2 629 901 | 1 546 017 |
| | Accrued management fees under debtors item | 4 462 500 | 2 896 250 |

## 50. Legal position

There is a dispute between the Company and a party regarding the contract concluded between them on 23/2/1999 which is related to delivering this party a plot of land as a usufruct right for indefinite year of time and a return for an annual rental with a minimal amount for a total of 96 feddan approximately and which has not been delivered up till this date as the management of this party did not abide by the detailed conditions of the contract. There are exchanged notifications concerning this land between the management of the Company and the management of this party. During 2009, this party raised a claim No. 3 of 2009 Civil 6th of October against the Company asking it for the delivery of the allocated land. A preliminary award was issued by the court in its session held on February 2010 to refer this matter to Experts and to delegate the Experts Office of the Ministry of Justice to embark this claim and set a session to be held on April 26, 2010 for the expert to present his report .The session was postponed several times and the last one will be held on May 30, 2011.The Company's legal counselor is of the opinion that the Company has the right to maintain and exploit this land under the contract as the said contract has not been affected 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 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.

## 51. Tax status

Summary of the Company's tax status at the consolidated financial statements date is as follows:

### Corporate profit tax

- A ten – year corporate tax exemption period starting from the year following the date of the activity inception as of 1/1/1988 until 31/12/2007 has been previously determined to the Parent Company according to Law No. 59 of 1979 concerning the New Urban Communalities.
  During the month of January 2011, the Company submitted a request to the Tax Authority demanding the amendment of the tax exemption period to start from the date of the actual handing over of the units in year 2002.

On January 18th, 2011, the Disputes Dispersal Committee of the Tax Authority considered and studied the Company's request in the light of the date of the actual handing over of the units and the regulations applicable to similar companies. Accordingly, the said committee decided to approve the Company's request thus considering the date of the actual business activity of the Company to be the year 2002, hence, the Parent Company shall be entitled to tax exemption from 1/1/2003 to 31/12/2012, and the amendment was annotated in the Company's tax card. The amended tax return for year 2008 was submitted to the Tax Authority.

- The Tax Authority assessed corporate profit tax and moveable income tax for the years from 1996 until 2000 on deemed basis. The Company was notified by the tax forms and has objected on such assessment and the dispute is still regarded on the Internal Committee. During the year , are – inspection was made for the said years and the Company has not received any tax claims till authorizing these financial statements for issuance.

- No tax inspection has been carried out for year 2001 till authorizing these financial statements for issuance.
- The Company submits its annual tax return on due dates in accordance with Law No. 91 of 2005.

**Salary tax**

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

**Withholding tax**

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

**Stamp tax**

Tax inspection was carried out for the previous years till 31/7/2006. The tax inspection was made and was referred to Internal Committee and the resulting differences were paid.

**Sales tax**

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

**Real estate property tax**

The Company submitted its real estate property tax returns of year 2009 on due dates in accordance with Law No. 196 of 2008.

## 52. Capital commitments

The contracts concluded with others with respect to the construction works and furnishings of the administrative building, sale office and other construction works amounts to L.E 38 150 205 (2010:- L.E 28 145 664) and the executed part of these contracts amounted to L.E 34 381 741 as at March 31, 2011 (2010:- L.E 21 492 519). Contributions in long–term investments that have not been requested until the consolidated balance sheet date amounted to L.E 210.015 million approximately. (December 31, 2010: L.E 210.015 million approximately).

## 53. 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.(28), 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 year 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. (28)
- 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.
- On October 12, 2009, the Parent Company's board of directors decided the following:
  - The extension of the contract of the managing director to be ended on March 30, 2015 instead of March 30, 2011.
  - The recommendation to extend the exercise right in the current bonus & incentive plan to be ended on March 2015 instead of March 2011.
  - The recommendation to amend Article No. (11) of the bonus & incentive plan with respect to the management of the plan to give the board the right to assign an alternative member in case of death or resignation of any member of the Supervisory Committee.
  - The delegation of the chairman to call for an Extra-Ordinary Assembly Meeting to convene to approve the amendment of some articles of the current bonus & incentive plan.
- On December 7, 2009, the Parent Company's Extraordinary General Assembly agreed on the amendment of some articles of the bonus and incentives plan and the allocation contracts of the shares that were approved by the Egyptian Financial Supervisory Authority as follows:
  - Extension of the year of the exercise right stated in the bonus and incentive plan and the allocation contract to be ended on March 2015 instead of March 2011.
  - Amendment of the bonus and incentive plan and the allocation contract to enable the beneficiary from the plan the possibility to transfer the title of the shares allocated to him to be in his name after ending the prohibition period provided the payment of the share price stated in the plan and in this case, the beneficiary is entitled to all rights as determined on the Company' shares.
  - Amendment of article No. (11) of the bonus and incentive plan with respect to the management of the plan to give the board of directors the right – when necessary – of the replacement of a Supervisory Committee member with another one provided that this member to be from non-executive members.

- On April 26, 2010, the Company was notified by the consent of the Egyptian Financial Supervisory Authority on the approval and the amendments made on the bonus and incentive plan.

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

| Employees entitled | Grant date | No. of shares in thousand | Fair value of share at grant date L.E | Exercising price L.E | Conditions |
|---|---|---|---|---|---|
| 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 extended to March 2015 – 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 extended to 31 March 2015. |
| Some managers | 23/9/2007 | 175 | 100 | 75 | According to performance measure and exercise period from 31/3/2007 till 31/3/2011 extended to 31 March 2015. |
| 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 extended to 31 March 2015. |
| Executive directors | 7/10/2008 | 470 | 73.34 | 75 | According to performance measure and exercise period from 31/3/2007 till 31/3/2011 extended to 31 March 2015. |

## 54. Subsequent event

The Company's consolidated financial statements for the financial year ended December 31, 2010 have been approved by the Parent Company's shareholders General Assembly meeting held on April 12, 2011 and dividends were approved for shareholders and employees of the Parent Company as follows:-

| | L.E |
|---|---|
| Cash dividends for shareholders | 145 082 156 |
| Dividends for employees | 20 000 000 |