

EGYPTIAN MORTGAGE REFINANCE COMPANY S.A.E
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009
TOGETHER WITH INDEPENDENT AUDITOR'S REPORT

AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of **Egyptian Mortgage Refinance Company S.A.E**, represented in the balance sheet as of 31 December 2009, as well as the related statements of income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

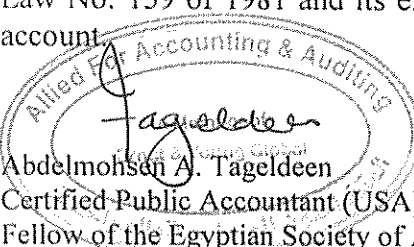
Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, of the financial position of **Egyptian Mortgage Refinance Company S.A.E** as of 31 December 2009, and of its financial performance and its cash flows for the year then ended in accordance with Egyptian Accounting Standards and the Egyptian laws and regulations relating to the preparation of these financial statements.

Report on Other Legal and Regulatory Requirements

The Company maintains proper books of account, which include all that is required by law and by the statutes of the Company; the financial statements are in agreement thereto.

The financial information included in the Board of Directors' report, prepared in accordance with Law No. 159 of 1981 and its executive regulations, is in agreement with the Company's books of account.



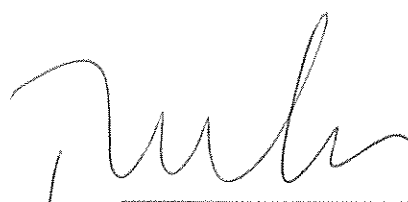
Abdelmohsen A. Tageldeen
Certified Public Accountant (USA)
Fellow of the Egyptian Society of Accountants and Auditors
R.A.A. 15058
Allied for Accounting and Auditing (E&Y)

25 February 2010
Cairo

Egyptian Mortgage Refinance Company S.A.E

BALANCE SHEET AS OF 31 DECEMBER 2009

	Note	2009 LE	2008 LE
Assets			
Cash on hand and at banks	(2-11, 3)	11,283,881	122,540,934
Investments in treasury bills	(2-7, 4)	239,947,507	124,637,737
Mortgage refinance loans	(2-8, 5)	176,247,367	130,948,000
Prepayments and other debit balances	(6)	4,539,205	1,463,441
Other assets	(2-5, 7)	487,305	323,379
Intangible assets, net	(2-6, 8)	125,237	-
Fixed assets, net	(2-4, 9)	1,605,322	2,425,101
Deferred tax asset	(2-14, 21)	-	-
Total Assets		434,235,824	382,338,592
Liabilities and Equity			
Liabilities			
Accounts payable	(2-12)	-	17,480
Accrued expenses and other credit balances	(2-12, 10)	7,626,592	5,525,411
Term loan	(2-17, 16)	164,683,500	119,035,500
Deferred tax liability	(2-14, 21)	1,158,190	773,950
Total liabilities		173,468,282	125,352,341
Equity			
Paid up capital	(11)	240,980,000	240,980,000
Legal reserve	(2-15, 12)	2,577,724	2,005,289
Retained earnings		3,754,373	2,552,258
Net profit for the year		13,455,445	11,448,704
Total equity		260,767,542	256,986,251
Total Liabilities and Equity		434,235,824	382,338,592



Chairman
Tarek Hassan Amer



Managing Director
Iman Tawfik Ismail



Chief Financial Officer
Ahmed Fathy Hafez

-The accompanying notes from (1) to (24) are an integral part of these financial statements.
 - Auditor's report attached

Egyptian Mortgage Refinance Company S.A.E

STATEMENT OF INCOME FOR THE YEAR ENDED 31 DECEMBER 2009

	Note	2009	2008
		LE	LE
Interest income on mortgage refinance loans	(2-10)	16,577,710	5,145,219
Interest income on treasury bills	(2-10)	22,297,507	7,311,349
Interest income on time deposits and current accounts	(2-10)	3,925,805	14,814,991
TOTAL INTEREST INCOME		<u>42,801,022</u>	<u>27,271,559</u>
General and administrative expenses	(2-19, 13)	(8,767,659)	(7,906,244)
Depreciation and amortization	(2-4)	(940,462)	(909,317)
Financing charges	(2-18, 14)	(14,896,803)	(4,322,414)
Board members' allowance		(660,000)	(227,500)
NET PROFIT FOR THE YEAR BEFORE TAX		<u>17,536,098</u>	<u>13,906,084</u>
Income tax for the year	(2-14, 22)	(3,696,413)	(1,309,800)
Deferred tax (expense)	(2-14, 22)	(384,240)	(1,147,580)
NET PROFIT FOR THE YEAR		<u>13,455,445</u>	<u>11,448,704</u>
EARNING PER SHARE	(15)	<u>50,53</u>	<u>43.22</u>

-The accompanying notes from (1) to (24) are an integral part of these financial statements.

Egyptian Mortgage Refinance Company S.A.E

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2009

	Paid up capital LE	Premium on increase in capital LE	Legal reserve		Net Profit for the year		Retained Earnings		Total	
			LE	LE	LE	LE	LE	LE	LE	LE
Balance as of 1 January 2008	235,980,000	-	1,019,278	16,942,211	-	-	253,941,489			
Paid up capital (note 11)	5,000,000	-	-	-	-	-	5,000,000			
Premium on increase in capital (note 11)	-	138,900	-	-	-	-	138,900			
Transfer to legal reserve (note 12)	-	(138,900)	986,011	(847,111)	-	-	-			
Dividends declared	-	-	-	(13,542,842)	-	-	(13,542,842)			
Transfer to retained earnings	-	-	-	(2,552,258)	2,552,258	-	-			
Net profit for the year	-	-	-	11,448,704	-	-	11,448,704			
Balances as of 31 December 2008	240,980,000	-	2,005,289	11,448,704	2,552,258	-	256,986,251			
Transfer to legal reserve (note 12)	-	-	572,435	(572,435)	-	-	-			
Dividends declared	-	-	-	(9,674,154)	-	-	(9,674,154)			
Transfer to retained earnings	-	-	-	(1,202,115)	1,202,115	-	-			
Net profit for the year	-	-	-	13,455,445	-	-	13,455,445			
Balances as of 31 December 2009	240,980,000	-	2,577,724	13,455,445	3,754,373	-	260,767,542			

- The accompanying notes from (1) to (24) are an integral part of these financial statements.

Egyptian Mortgage Refinance Company S.A.E

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2009

	Note	2009 LE	2008 LE
CASH FLOWS FROM OPERATING ACTIVITIES			
Net profit for the year before tax		17,536,098	13,906,084
Adjustments to reconcile net income to cash flows from operating activities			
Depreciation and amortization		940,462	909,317
Operating profit before changes in working capital		<u>18,476,560</u>	<u>14,815,401</u>
(Increase) in mortgage refinance loans		(45,299,367)	(130,948,000)
(Increase) in Prepayments and other debit balance		(3,386,937)	(303,148)
(Decrease) in accounts payable		(17,480)	(435,728)
Increase in accrued expenses and other credit balances		865,665	3,785,873
Income tax paid during the year		(2,149,723)	-
NET CASH FLOWS (USED IN) OPERATING ACTIVITIES		<u>(31,511,282)</u>	<u>(113,085,602)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Collection from matured treasury bills		45,161,225	14,586,104
Investment in treasury bills maturing after 90 days		(72,931,098)	(45,161,225)
Purchase of fixed assets		(111,737)	(402,019)
Purchase of intangible assets		(21,518)	-
Purchase of other assets		(276,591)	(972,986)
NET CASH FLOWS (USED IN) INVESTING ACTIVITIES		<u>(28,179,719)</u>	<u>(31,950,126)</u>
FINANCING ACTIVITIES			
Paid up capital		-	5,000,000
Premium paid on increase in capital		-	138,900
Term loan		45,648,000	118,500,000
Dividends paid		(9,674,154)	(13,542,842)
NET CASH FLOWS PROVIDED FROM FINANCING ACTIVITIES		<u>35,973,846</u>	<u>110,096,058</u>
(DECREASE) IN CASH AND CASH EQUIVALENTS DURING THE YEAR		<u>(23,717,155)</u>	<u>(34,939,670)</u>
CASH AND CASH EQUVALENT AT THE BEGINNING OF THE YEAR		<u>202,017,446</u>	<u>236,957,116</u>
CASH AND CASH EQUVALENT AT THE END OF THE YEAR		<u>178,300,291</u>	<u>202,017,446</u>
Cash on hand and at banks	(2-11,	11,283,881	122,540,934
3)			
Treasury bills maturing within 90 days	(2-11)	167,016,410	79,476,512
		<u>178,300,291</u>	<u>202,017,446</u>

- The accompanying notes from (1) to (24) are an integral part of these financial statements.

Egyptian Mortgage Refinance Company S.A.E

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2009

1 ACTIVITIES

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

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

2 SIGNIFICANT ACCOUNTING POLICIES

2-1 Basis of preparation:

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

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

The financial statements have been presented in Egyptian Pounds.

2-2 Changes in accounting policies

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

2-3 Foreign currency Translation

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

2-4 Fixed Assets

Fixed assets are stated at historical cost net of accumulated depreciation. Depreciation is computed using the straight-line method according to the estimated useful life of the asset as follows:

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

2-5 Other Assets

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

Egyptian Mortgage Refinance Company S.A.E

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2009

2-6 Intangible assets

The Company's intangible assets include the value of computer software. An intangible asset is recognized only when its cost can be measured reliably and it is probable that the expected future economic benefits are attributable to it will flow to the Company.

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses.

The useful lives of intangible assets are assessed to either finite or indefinite. Intangible assets with finite lives are amortized over the useful life. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each fiscal year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognized in the income statement in the expense category consistent with the function of the intangible asset.

Amortization is calculated using the straight-line method to write down the cost of intangible assets to their residual values over their estimated useful lives as follows:

	<u>Years</u>
Computer software	5

2-7 Treasury Bills and CBE CD's

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

2-8 Mortgage Refinance Loans

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

2-9 Impairment of Financial Assets

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

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

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

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

Egyptian Mortgage Refinance Company S.A.E

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2009

2-10 Revenues Recognition

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

2-11 Cash and Cash Equivalent

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

2-12 Accounts payable and accruals

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

2-13 Employees' Pension Benefits

The Company participating in the social insurance program carried by the Egyptian government for the employees benefit in accordance with the social insurance law no. 79 of 1975 and its amendments, Employees and the employer pay a contribution according to this law of a fixed percentage out of the employee salary.

The Company's obligation regarding this program is limited to its contribution which is recognised in profit or loss according to the accrual basis.

2-14 Income Tax

Income tax is calculated in accordance with the Egyptian tax law.

Deferred income tax is recognized using the liability method on temporary differences between the amount attributed to an asset or liability for tax purposes (tax base) and its carrying amount in the balance sheet (accounting base) using the applicable tax rate.

Deferred tax asset is recognized when it is probable that the asset can be utilized to reduce future taxable profits and the asset is reduced by the portion that will not create future benefit.

2-15 Legal Reserve

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

2-16 Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. Provisions are reviewed at the balance sheet date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision should be the present value of the expected expenditures required to settle the obligation.

2-17 Term Loan

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

Borrowings are initially recognized at the value of the consideration received. Amounts maturing within one year are classified as current liabilities, unless the Company has the right to postpone the settlement for a period exceeding one year after the balance sheet date, then the loan balance should be classified as long term liabilities.

Egyptian Mortgage Refinance Company S.A.E

NOTES TO THE FINANCIAL STATEMENTS

AT 31 DECEMBER 2009

2-18 Borrowing Cost

Borrowing costs are recorded in the statement of income as financing charges.

2-19 Expenses

All expenses including operating expenses, general and administrative expenses and other expenses are recognized and charged to the statement of income in the financial year in which these expenses were incurred.

2-20 Leases

Operating lease payments are recognized as an expense in profit or loss on a straight line basis over the lease term.

2-21 Statement of cash flows

The statement of cash flows is prepared using the indirect method.

2-22 Related party transactions

The Company consummates transactions with related parties on an arms length basis subject to the rules, policies and regulations applied in the Company.

Egyptian Mortgage Refinance Company S.A.E

NOTES TO THE FINANCIAL STATEMENTS
AT 31 DECEMBER 2009

3 CASH ON HAND AND AT BANKS

	2009 LE	2008 LE
<u>Egyptian Pound</u>		
Cash on hand	-	8,686
Current accounts	283,881	1,038,248
Time deposits	11,000,000	121,494,000
	<u>11,283,881</u>	<u>122,540,934</u>

4 INVESTMENT IN TREASURY BILLS

	2009 LE	2008 LE
Treasury bills maturing before 30 days	71,500,000	60,375,000
Treasury bills maturing after 30 days to 60 days	81,600,000	-
Treasury bills maturing after 60 days to 90 days	15,150,000	20,050,000
Treasury bills maturing after 90 days to 150 days	27,900,000	-
Treasury bills maturing after 150 days	49,000,000	49,550,000
	<u>245,150,000</u>	<u>129,975,000</u>
Unearned interest	(5,202,493)	(5,337,263)
Total	<u>239,947,507</u>	<u>124,637,737</u>

Egyptian Mortgage Refinance Company S.A.E

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2009

5 MORTGAGE REFINANCE LOANS

The Company has granted (14) mortgage refinance loans for four customers, as follows:

	Short- Term LE	Long-Term LE	Total LE	Credit Limit LE
Egyptian Arab Land Bank	8,400,000	53,200,000	61,600,000	200,000,000
Taameer Mortgage Finance Company (Aloula)- (Two Loans)	5,155,556	41,244,444	46,400,000	50,000,000
Tamweel Mortgage Finance Company- First Agreement- (Six Loans)	4,999,800	40,655,900	45,655,700	50,000,000
Tamweel Mortgage Finance Company- Second Agreement- (Four Loans)	1,440,152	15,151,515	16,591,667	50,000,000
Egyptian Housing Finance Company	800,000	5,200,000	6,000,000	50,000,000
	<u>20,795,508</u>	<u>155,451,859</u>	<u>176,247,367</u>	

Contractual interest rates vary from 10.5% to 11.75%.

Each loan is secured over commercial first-degree mortgage of the real estate portfolio of the borrower.

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

6 PREPAYMENTS AND OTHER DEBIT BALANCES

	2009 LE	2008 LE
Withholding tax on treasury bills	4,008,487	311,174
Advance payments	293,114	293,114
Security deposit	170,862	151,072
Prepaid expenses	42,494	41,638
Staff receivable	14,526	-
Accrued interest income on time deposits	-	646,019
Other debit balances	9,722	20,424
	<u>4,539,205</u>	<u>1,463,441</u>

Egyptian Mortgage Refinance Company S.A.E

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2009

7 OTHER ASSETS

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

	2009 LE	2008 LE
Computers and software		
Beginning balance	323,379	112,665
Additions during the year	276,591	972,986
Transfers to fixed assets	-	(762,272)
Transfers to intangible assets	(112,665)	-
Ending balance	<u>487,305</u>	<u>323,379</u>

8 INTANGIBLE ASSETS

	<i>Computer Software</i> LE
Cost as of	
1 January 2009	-
Additions	21,518
Transfers from other assets	112,665
31 December 2009	<u>134,183</u>
Accumulated amortization	
1 January 2009	-
Amortization for the year	8,946
31 December 2009	<u>8,946</u>
Net book value as at:	
31 December 2009	<u>125,237</u>
31 December 2008	<u>-</u>

Egyptian Mortgage Refinance Company S.A.E

NOTES TO THE FINANCIAL STATEMENTS
AT 31 DECEMBER 2009

9 FIXED ASSETS, NET

	<i>Computers</i>	<i>Furniture and Fixtures</i>	<i>Motor Vehicles</i>	<i>Office Equipments</i>	<i>Leasehold Improvement</i>	<i>Total</i>
	<i>LE</i>	<i>LE</i>	<i>LE</i>	<i>LE</i>	<i>LE</i>	<i>LE</i>
Cost						
At 1 January 2009	1,188,263	876,744	205,900	279,746	894,426	3,445,079
Addition during the year	76,637	35,100	-	-	-	111,737
At 31 December 2009	<u>1,264,900</u>	<u>911,844</u>	<u>205,900</u>	<u>279,746</u>	<u>894,426</u>	<u>3,556,816</u>
Depreciation						
At 1 January 2009	209,383	193,120	41,745	69,429	506,301	1,019,978
Depreciation for the year	266,118	180,144	41,180	55,949	388,125	931,516
At 31 December 2009	<u>475,501</u>	<u>373,264</u>	<u>82,925</u>	<u>125,378</u>	<u>894,426</u>	<u>1,951,494</u>
Net Book Value as at:						
31 December 2009	<u>789,399</u>	<u>538,580</u>	<u>122,975</u>	<u>154,368</u>	<u>-</u>	<u>1,605,322</u>
31 December 2008	<u>978,880</u>	<u>683,624</u>	<u>164,155</u>	<u>210,317</u>	<u>388,125</u>	<u>2,425,101</u>

10 ACCRUED EXPENSES AND OTHER CREDIT BALANCES

	2009 LE	2008 LE
Accrued finance cost	4,698,801	3,853,226
Taxes Authority – income tax	2,545,317	1,309,800
Accrued expenses	122,000	95,200
EFSA admin fees	107,872	95,003
Taxes Authority – payroll tax	103,242	102,755
Taxes Authority – withholding tax	2,390	3,104
Social Insurance Authority	8,262	6,318
Accrued commitment fees (note 16)	38,708	60,005
	<u>7,626,592</u>	<u>5,525,411</u>

Egyptian Mortgage Refinance Company S.A.E

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2009

11 CAPITAL

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

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

Egyptian Mortgage Refinance Company S.A.E

NOTES TO THE FINANCIAL STATEMENTS

AT 31 DECEMBER 2009

11 CAPITAL (CONTINUED)

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

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

The amount paid for the increase in capital is LE 1,027.78 per share, including LE 27.78 premium per share that was transferred to legal reserve in accordance to the Extraordinary General Assembly Meeting held on 31/3/2008 (note 12).

12 LEGAL RESERVE

Legal reserve balance amounting to LE 2,577,724 as of 31 December 2009 is represented as follows:

- 1) The transfer of premium on increase in capital of LE 96,000 resulting from the difference between the par value and amount paid for the issuance of 4,904 new shares, in accordance with the resolution of the Extraordinary General Assembly Meeting on 11 December 2006.
- 2) The transfer of premium on increase in capital of LE 923,278 resulting from the difference between the par value and amount paid for the issuance of 19,076 new shares, in accordance with the resolution of the Extraordinary General Assembly Meeting on 13 May 2007.
- 3) The transfer of 5% of the net profit of the year ended 31 December 2007, with the amount of LE 847,111 according to the ordinary general assembly meeting held on 31 March 2008.
- 4) The transfer of premium on increase in capital of LE 138,900 resulting from the difference between the par value and amount paid for the issuance of 5,000 new shares, in accordance with the resolution of the Extraordinary General Assembly Meeting on 31 March 2008.
- 5) The transfer of 5% of the net profit of the year ended 31 December 2008, with the amount of LE 572,435 according to the ordinary general assembly meeting held on 31 March 2009.

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NOTES TO THE FINANCIAL STATEMENTS
AT 31 DECEMBER 2009

13 GENERAL AND ADMINISTRATIVE EXPENSES

	2009 LE	2008 LE
Salaries and wages	6,243,414	5,158,957
Premises rent	865,374	826,531
EFSA admin fees	411,543	171,463
Professional fees	313,188	344,106
Donation	300,000	50,000
Employees training	103,630	107,374
Tax, legal and other consultants	102,851	463,584
Cleaning and security	76,621	81,849
Telephone and mobile	64,025	62,170
Conferences and MFA campaign sponsorship	56,360	304,605
Insurance	55,892	58,429
Repair & maintenance	37,549	18,053
Electricity	33,360	34,166
Internet and ADSL	32,000	35,418
Entertainment, meals and public relations	16,383	18,200
Stationary and printing materials	11,837	19,129
Legal expenses	4,794	19,478
Travel and transportation	166	41,213
Other expenses	38,672	91,519
	<u>8,767,659</u>	<u>7,906,244</u>

14 FINANCING CHARGES

	2009 LE	2008 LE
Interest on term loan	14,722,220	3,880,575
Commitment fees	168,615	436,538
Other charges	5,968	5,301
	<u>14,896,803</u>	<u>4,322,414</u>

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NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2009

15 EARNING PER SHARE

Earnings per share were calculated based on the weighted average method for outstanding shares during the year. Earnings per share during the year amounted to L.E. 50.53 per share (2008: 43.22).

	2009 LE	2008 LE
Net profit for the year	13,455,445	11,448,704
Employees profit share (subject to approval in the General Assembly Meeting)	(1,278,267)	(1,087,627)
Board of directors bonus	NIL	NIL
	<u>12,177,178</u>	<u>10,361,077</u>
Weighted average number of shares outstanding during the year	240,980	239,733
Earning per share	<u>50.53</u>	<u>43.22</u>

16 LOAN AGREEMENT

A loan agreement has been made between the government of the Arab Republic of Egypt (the borrower) and "International Bank for Reconstruction and development" (the lender) by which the bank agrees to lend the borrower an amount of L.E. 214,200,000 to assist in financing the project as described in note (17) to the financial statements. The utilized portion of the loan amounted to LE 164,683,500 (31 December 2008: LE 119,035,500).

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

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

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

The Company has withdrawn amount of LE 45,648,000 during the year ended 31 December 2009 to finance the mortgage loans. The loan balance as of 31 December 2009 amounted to LE 164,683,500 (31 December 2008: LE 119,035,500).

17 PROJECT AGREEMENT

The Company has entered into a project agreement as "Project Implementing Entity" dated 12 November 2006 with "International Bank for Reconstruction and Development" in connection with the loan agreement described in note (16) above.

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

Egyptian Mortgage Refinance Company S.A.E

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2009

18 EXPENDITURE COMMITMENTS

	2009 LE	2008 LE
Capital expenditure commitments		
Estimated capital expenditure contracted for at the balance sheet date:		
Computer software	<u>323,216</u>	<u>598,014</u>
Operating lease commitments		
Future minimum lease payments:		
Within one year:		
Operating lease commitment	959,327	690,603
Less: Advance payment of operating lease	-	-
Net operating lease commitment within one year	<u>959,327</u>	<u>690,603</u>
After one year but not more than five years	1,758,766	-
More than five years	-	-
Total operating lease expenditure contracted for at the balance sheet date	<u>2,718,093</u>	<u>690,603</u>

19 TAX SITUATION

a) **Corporate tax**

- No tax inspection has taken place from the date of inception to date.

b) **Withholding tax**

- The company's books have been inspected for the period from inception up to 31 December 2008 and no tax differences were identified.
- No tax inspection has taken place from 1 January 2009 to date.

c) **Salary tax**

- The company's books have been inspected for the period from inception up to 31 December 2008 which resulted in tax differences amounted to LE 21,896 and the company has objected the inspection result.
- No tax inspection has taken place from 1 January 2009 to date, and salary tax expenses were properly calculated and charged to the income statement.

d) **Stamp duty tax**

- No tax inspection has taken place from the date of inception to date.

Egyptian Mortgage Refinance Company S.A.E

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2009

20 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

a) Financial Instruments

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

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

b) Interest rate risk

The Company monitors the maturity structure of assets and liabilities with the related interest rates taking into consideration that interest rate on assets and liabilities is matched up to 10 years with the right of term loan early settlement after 10 years.

c) Foreign Currency Risk

The foreign currency risk is the risk that the value of the financial assets and liabilities and the related cash inflows and outflows in foreign currencies will fluctuate due to changes in foreign currency exchange rates. For the purpose of minimizing the risk, the Company considers diversifying its foreign currencies position among different foreign currencies. No foreign currency financial assets or liabilities exist at the date of the financial statements. Expenditure commitments in foreign currency are disclosed under operating lease commitment in note (18) to the financial statements.

d) Fair Value

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

e) Credit risk

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

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

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

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NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2009

21 DEFERRED TAX

	Assets 2009 LE	Liabilities 2009 LE	Assets 2008 LE	Liabilities 2008 LE
Depreciation of fixed assets	6,354	-	-	(54,329)
Accrued Interest income on T.Bills		(1,164,544)		(719,621)
Deferred tax asset / liability	<u>6,354</u>	<u>(1,164,544)</u>	-	<u>(773,950)</u>
Net Deferred tax liability		<u>(1,158,190)</u>		<u>(773,950)</u>

22 RECONCILIATION OF THE EFFECTIVE INCOME TAX RATE

	2009 LE
Net profits before income taxes	17,536,098
Income tax at the applicable tax rate	20% 3,507,220
Add/subtract the tax effect of below items:	
Other additions - accrued interest income on 2008 treasury bills	719,621
Other deductions - accrued interest income on 2009 treasury bills	(1,164,544)
Depreciation of fixed assets	60,683
Real estate tax	9,958
Board of directors allowance	132,000
Income tax for the year	18.6% 3,264,938
Income tax difference from 2008	431,475
	<u>3,696,413</u>

23 RELATED PARTIES TRANSACTIONS

The Company consummates transactions with related parties on an arm's length basis subject to the rules, policies and regulations applied in the Company.

Transactions with related parties (represented in the company's shareholders in note 11) included in the statement of income during the year are as follows:

	2009 LE	2008 LE
Interest Income on Mortgage Refinance Loans	16,577,710	5,145,219
Interest Income on Time Deposits and Current Accounts	3,925,805	14,814,991
Financing charges	5,968	5,301

24 COMPARATIVE FIGURES

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