EGYPTIAN MORTGAGE REFINANCE COMPANY S.A.E
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012
TOGETHER WITH AUDITOR'S REPORT

ERNST & YOUNG

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Translation of Auditor's report
Originally issued in Arabic

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 2012, and 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 the Company's Management, as Management is responsible for the preparation and fair presentation of the financial statements in accordance with Egyptian Accounting Standards and applicable 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. This 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 Egyptian Standards on Auditing and applicable Egyptian laws. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance that 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 and the reasonableness of accounting estimates made by management, and 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 these financial statements.

Opinion

In our opinion, the financial statements referred to above, give a true and fair view, in all material respects, of the financial position of Egyptian Mortgage Refinance Company (S.A.E) as of 31 December 2012, and of its financial performance and its cash flows for the year then ended in accordance with Egyptian Accounting Standards and the related applicable Egyptian laws and regulations.

Report on Other Legal and Regulatory Requirements

The Company maintains proper accounting records that comply with the laws and the Company's articles of association and the financial statements agree with the Company's records.

The financial information included in the Board of Directors' Report prepared in accordance with Law No. 159 of 1981 and its executive regulation, is in agreement with the books of the Company insofar as such information is recorded therein

Allied for Accounting & Auditing
A Member of
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RAA (15058)
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27 March 2013
Cairo

EGYPTIAN MORTGAGE REFINANCE COMPANY (S.A.E)

BALANCE SHEET
As OF 31 December 2012

	Note	2012 LE	2011 LE
Assets			
Cash on hand and at banks	(3)	**46,399,120**	31,643,060
Investments in treasury bills	(4)	**152,854,751**	85,070,872
Mortgage refinance loans	(5)	**424,487,024**	365,261,673
Prepayments and other debit balances	(6)	**3,532,977**	4,426,190
Other assets	(7)	**214,452**	-
Intangible assets	(8)	**1,029,356**	1,139,358
Fixed assets	(9)	**522,110**	780,517
Total assets		**629,039,790**	488,321,670
Liabilities and equity			
Liabilities			
Accounts payable		-	7,840
Accrued expenses and other credit balances	(10)	**6,046,791**	6,325,336
Income tax payable	(23)	**5,283,287**	3,428,481
Term loan	(16)	**206,553,060**	214,200,000
Deferred tax liabilities	(22)	**140,251**	579,597
Total liabilities		**218,023,389**	224,541,254
Equity			
Paid up capital	(11)	**363,542,000**	240,980,000
Legal reserve	(13)	**16,329,719**	3,908,542
Retained earnings		**10,938,614**	4,414,679
Profits for the year		**20,206,068**	14,477,195
Total equity		**411,016,401**	263,780,416
Total liabilities and equity		**629,039,790**	488,321,670

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Auditor | **Chairman** | **Managing Director** | **Chief Financial Officer**

- The accompanying notes from (1) to (26) 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 2012

	Note	2012	2011
		LE	LE
Interest income and commissions on mortgage refinance loans	(24)	41,753,476	36,219,349
Interest income on treasury bills		7,026,524	10,051,030
Interest income on time deposits and current accounts	(24)	3,718,834	1,520,270
Gain on sale of financial assets at fair value through profit or loss		4,009,380	1,672,705
TOTAL REVENUES FOR THE YEAR		56,508,214	49,463,354
General and administrative expenses	(14)	(10,056,400)	(9,926,050)
Depreciation and amortization		(924,474)	(801,429)
Finance expenses	(15)	(20,198,831)	(20,303,503)
Board of Directors members' allowance		(278,500)	(197,000)
PROFITS BEFORE INCOME TAXES		25,050,009	18,235,372
Current income tax	(23)	(5,283.287)	(3,428,481)
Deferred tax income / (expense)	(22)	439,346	(329,696)
PROFITS FOR THE YEAR		20,206,068	14,477,195

- The accompanying notes from (1) to (26) 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 2012

	Paid up capital	Amounts paid in respect of capital increase	Legal reserve	Retained earnings	Profits for the year	Total
	LE	LE	LE	LE	LE	LE
Balance as of 1 January 2011	240,980,000	-	3,250,496	4,414,679	13,160,910	261,806,085
Transferred to legal reserve (note 13)	-	-	658,046	-	(658,046)	-
Dividends	-	-	-	-	(12,502,864)	(12,502,864)
Profits for the year	-	-	-	-	14,477,195	14,477,195
Balance as of 31 December 2011	**240,980,000**	-	**3,908,542**	**4,414,679**	**14,477,195**	**263,780,416**
Transferred to legal reserve and retained earnings (note 13)	-	-	723,860	6,523,935	(7,247,795)	-
Dividends	-	-	-	-	(7,229,400)	(7,229,400)
Amounts paid in respect of capital increase (note 12)	-	134,259,317	-	-	-	134,259,317
Transferred to paid up capital (note 12)	122,562,000	(122.562,000)	-	-	-	-
Shares premium transferred to legal reserve (note 13)		(11,697,317)	11,697,317	-	-	-
Profits for the year	-	-	-	-	20,206,068	20,206,068
Balance as of 31 December 2012	**363,542,000**	-	**16,329,719**	**10,938,614**	**20,206,068**	**411,016,401**

-The accompanying notes from (1) to (26) 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 2012

	Note	2012 LE	2011 LE
CASH FLOWS FROM OPERATING ACTIVITIES			
Profits before income taxes		25,050,009	18,235,372
Depreciation and amortization	(8/9)	924,474	801,429
Gain on sale of financial assets at fair value through profit or loss		(4,009,380)	(1,672,705)
		21,965,103	17,364,096
Change in mortgage refinance loans	(5)	(59,225,351)	(87,825,021)
Change in prepayments and other debit balances	(6)	893,213	1,910,281
Change in accounts payable		(7,840)	3,715
Change in accrued expenses and other credit balances	(10)	(278,545)	501,361
Income taxes paid		(3,428,481)	(3,705,289)
NET CASH FLOWS (USED IN) OPERATING ACTIVITIES		(40,081,901)	(71,750,857)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of financial assets at fair value through profit or loss		(309,692,398)	(175,940,011)
Proceeds from sale of financial assets at fair value through profit or loss		313,701,778	177,612,716
Purchase of investments in treasury bills maturing after 90 days		(61,039,091)	-
Payments to acquire other assets	(7)	(214,452)	-
Payments to acquire fixed assets and intangible assets	(8/9)	(556,065)	(443,947)
NET CASH FLOWS (USED IN) PROVIDED FROM INVESTING ACTIVITIES		(57,800,228)	1,228,758
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from term loan		-	20,216,500
Term loan repayment	(16)	(7,646,940)	-
Dividends paid		(7,229,400)	(12,502,864)
Amounts paid in respect of capital increase	(12)	134,259,317	-
NET CASH FLOWS PROVIDED FROM FINANCING ACTIVITIES		119,382,977	7,713,636
Net change in cash and cash equivalent during the year		21,500,848	(62,808,463)
Cash and cash equivalent – beginning of the year		116,713,932	179,522,395
CASH AND CASH EQUIVALENT – END OF THE YEAR		138,214,780	116,713,932

For the purpose of preparing the statement of cash flows, the cash and cash equivalent represent the following:

		2012 LE	2011 LE
Cash on hand and at banks	(3)	46,399,120	31,643,060
Treasury bills maturing within 90 days		91,815,660	85,070,872
		138,214,780	116,713,932

-The accompanying notes from (1) to (26) are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2012

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 activities in accordance with prescribed regulations. 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.

The financial statements of Egyptian Mortgage Refinance Company S.A.E for the year ended 31 December 2012 were authorized for issue in accordance with a resolution of the Board of Directors on 26 March 2013.

2 SIGNIFICANT ACCOUNTING POLICIES

2-1 Basis of preparation

The financial statements are prepared under the going concern assumption on a historical cost basis except for the financial assets at fair value through profit or loss which is referred to in note (2-9) that has been measured at fair value.

Statement of compliance

The financial statements of the Company are prepared in accordance with the Egyptian accounting standards and the applicable laws and regulations.

2-2 Changes in accounting policies

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

2-3 Accounting estimates

The preparation of the financial statements in accordance with Egyptian Accounting Standards requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses during the financial periods. Actual results could differ from these estimates.

2-4 Foreign currency ttranslation

The financial statements are prepared and presented in Egyptian pound, which is the Company's functional currency.

Transactions in foreign currencies are initially recorded using the exchange rates prevailing on the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated using the exchange rates prevailing at the balance sheet date. All differences are recognized in the statement of income.

Nonmonetary assets and liabilities that are measured at historical cost in foreign currencies are translated using the exchange rates prevailing on the date of the initial recognition.

Nonmonetary assets and liabilities measured at fair value in foreign currencies are translated using the exchange rates prevailing on the date when the fair value is determined.

2-5 Fixed assets

Fixed assets are stated at historical cost net of accumulated depreciation and accumulated impairment losses. Such cost includes the cost of replacing part of the fixed assets when that cost is incurred, if the recognition criteria are met. Likewise, when a major improvement is performed, its cost is recognized in the carrying amount of the fixed assets as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in the statement of income as incurred.

Depreciation of an asset begins when it is in the location and condition necessary for it to be capable of operating in the manner intended by management , and is computed using the straight-line method according to the estimated useful life of the asset as follows:

	Years
Computers	3-5
Furniture and Fixtures	5
Motor Vehicles	5
Office Equipment	5
Leasehold Improvements	The lease term

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2-5 Fixed assets (Continued)

Fixed assets are derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognizing the asset is included in the statement of income when the asset is derecognized.

The assets residual values, useful lives and methods of depreciation are reviewed at each financial year end.

The Company assesses at each balance sheet date whether there is an indication that fixed assets may be impaired. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses are recognized in the statement of income.

A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of income.

2-6 Other assets

Costs relating to computers software and network under development are initially recorded in this account. When the asset is completed and becomes ready for use, it is transferred to intangible assets caption.

2-7 Intangible assets

The Company's intangible assets represent 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 amortization period or method, as appropriate, and treated as changes in accounting estimates. The amortization 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:

	Years
Computer software	5

2-8 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.

2-9 Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets classified as either held for trading acquired for the purpose of selling in the near term or financial assets designated upon initial recognition at fair value through profit and loss.

Financial assets at fair value through profit or loss are initially recognized at fair value exclusive direct attributable expenses.

Financial assets at fair value through profit or loss are carried in the balance sheet at fair value with gains or losses recognized in the statement of income.

A gain or loss arising from sale of a financial asset at fair value through profit or loss shall be recognized in the statement of income.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2-10 Mortgage refinance loans

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

2-11 Impairment of assets

Impairment of financial assets

The Company assesses at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

In accordance with the approval obtained from the Egyptian financial supervisory authority (EFSA), no allowance ratios are calculated for the performing mortgage refinance loans portfolio.

Impairment of non financial assets

The Company assesses at each balance sheet date whether there is an indication that an asset may be impaired. Where the carrying amount of an asset or cash-generating unit (CGU) exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses are recognized in the statement of income.

A previously recognized impairment loss is only reversed if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of income.

2-12 Revenue recognition

Interest income is recognized as interest accrues using the effective interest method. Interest income is recognised when:

1- It can be measured accurately
2- Company can expect an inflow of future economic benefit

2-13 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.

2-14 Accounts payable

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

2-15 Employees' pension benefits

The Company is 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 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2-16 Income taxes

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

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the tax authority.

Deferred income tax

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.

Current and deferred tax shall be recognized as income or an expense and included in the statement of income for the period, except to the extent that the tax arises from a transaction or an event which is recognized, in the same or a different period, directly in equity.

2-17 Legal reserve

According to the Company's articles of association, 5% of the profits of the year is transferred to the legal reserve until this reserve reaches 50% of the issued capital. The reserve is used upon a decision from the General Assembly meeting based on the proposal of the Board of Directors.

2-18 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 financial position 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. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance expense.

2-19 Borrowings

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 non-current liabilities.

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest rate method. Gains and losses are recognized in the statement of income when the liabilities are derecognized as well as through the effective interest rate method amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the effective interest rate. The effective interest rate amortization is included in finance cost in the statement of income.

2-20 Borrowing cost

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

2-21 Expenses

All expenses including 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.

2-22 Leases

Lease contracts are classified as operating lease in accordance with the Egyptian laws and regulations where the lease payments are recognized as an expense on a straight line basis over the lease term.

2-23 Statement of cash flows

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

2-24 Related party 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.

3 CASH ON HAND AND AT BANKS

	2012 LE	2011 LE
Egyptian Pound		
Current accounts	**779,120**	973,060
Time deposits maturing within three months	**45,620,000**	30,670,000
	46,399,120	31,643,060

4 INVESTMENTS IN TREASURY BILLS

	2012 LE	2011 LE
Treasury bills maturing before 30 days	**6,050,000**	75,500,000
Treasury bills maturing after 30 days to 60 days	**27,850,000**	-
Treasury bills maturing after 60 days to 90 days	**23,000,000**	10,000,000
Treasury bills maturing after 90 days to 150 days	**15,000,000**	-
Treasury bills maturing after 150	**50,000,000**	-
Treasury bills maturing before 30 days (REPO)	**40,650,000**	-
	162,550,000	85,500,000
Unearned interest	**(5,030,932)**	(429,128)
Unearned interest (REPO)	**(4,664,317)**	-
	152,854,751	85,070,872

5 MORTGAGE REFINANCE LOANS

The Company has outstanding (43) mortgage refinance loans to six customers, as follows:

	Short-Term LE	Long-Term LE	Total LE	Committed Limit LE
Egyptian Arab Land Bank (One Loan)	8,400,000	28,000,000	**36,400,000**	**36,400,000**
Taameer Mortgage Finance Company First Agreement (Aloula)- (Three Loans)	6,205,555	30,502,778	**36,708,333**	**36,708,333**
Taameer Mortgage Finance Company Second Agreement (Aloula)- (One Loan)	420,000	3,780,000	**4,200,000**	**4,200,000**
Tamweel Mortgage Finance Company- First Agreement- (Five Loans)	3,755,000	19,432,500	**23,187,500**	**23,187,500**
Tamweel Mortgage Finance Company- Second Agreement- (Ten Loans)	4,503,790	33,308,339	**37,812,129**	**37,812,129**
Tamweel Mortgage Finance Company- Third Agreement- (Five Loans)	4,909,091	37,097,728	**42,006,819**	**42,006,819**
Tamweel Mortgage Finance Company- Fourth Agreement- (One Loan)	550,000	4,400,000	**4,950,000**	**4,950,000**
Egyptian Housing Finance Company-First Agreement - (One Loan)	800,000	2,800,000	**3,600,000**	**3,600,000**
Egyptian Housing Finance Company-Second Agreement (Three Loans)	4,667,858	30,894,642	**35,562,500**	**35,562,500**
Housing And Development Bank-First Agreement (Three Loans)	3,002,500	38,973,750	**41,976,250**	**41,976,250**
Housing And Development Bank-Second Agreement (Three Loans)	3,231,250	45,153,125	**48,384,375**	**48,384,375**
National Bank Of Egypt (Seven Loans)	8,070,588	101,628,530	**109,699,118**	**109,699,118**
	48,515,632	**375,971,392**	**424,487,024**	

- Contractual interest rates vary from 10.25% to 12%.
- Each loan is secured by first-degree possession mortgage of the mortgage finance portfolio of the borrower.
- The mortgage finance portfolio of each borrower within the year represents more than 110 % of the above loans balances.

6 PREPAYMENTS AND OTHER DEBIT BALANCES

	2012	2011
	LE	LE
Withholding tax on treasury bills	**3,138,954**	3,940,596
Prepaid expenses	**136,429**	174,475
Security deposit	**199,408**	182,862
Accrued interest income	**8,096**	74,663
Other debit balances	**14,781**	17,009
Staff receivable	**35,309**	8,070
Advance payments to suppliers	-	28,515
	3,532,977	4,426,190

7 OTHER ASSETS

Other assets represent cost of computers software amounting to LE 214,452 which is still under development.

8 INTANGIBLE ASSETS

	Computer software
	LE
Cost	
As of 1 January 2012	1,559,008
Additions during the year	242,160
As of 31 December 2012	1,801,168
Accumulated amortization	
As of 1 January 2012	419,650
Amortization for the year	352,162
As of 31 December 2012	771,812
Net book value as of	
31 December 2012	**1,029,356**
31 December 2011	1,139,358

9 FIXED ASSETS

	Computers	Furniture &fixtures	Motor vehicles	Office equipment	Leasehold improvements	Total
	LE	LE	LE	LE	LE	LE
Cost						
As of 1 January 2012	1,444,621	957,939	205,900	286,686	914,656	3,809,802
Additions during the year	43,045	109,670	-	159,430	1,760	313,905
As of 31December 2012	1,487,666	1,067,609	205,900	446,116	916,416	4,123,707
Accumulated depreciation						
As of 1 January 2012	(979,176)	(746,282)	(165,285)	(238,830)	(899,712)	(3,029,285)
Depreciation for the year	(274,988)	(182,132)	(39,182)	(67,680)	(8,330)	(572,312)
As of 31December 2012	(1,254,164)	(928,414)	(204,467)	(306,510)	(908,042)	(3,601,597)
Net Book Value as of						
31 December 2012	**233,502**	**139,195**	**1,433**	**139,606**	**8,374**	**522,110**
31 December 2011	465,445	211,657	40,615	47,856	14,944	780,517

- There is no mortgage over the fixed assets.
- The gross carrying amount of fully depreciated fixed assets that are still in use amounted to LE 2,288,269 as of 31 December 2012 (31 December 2011: LE 1,017,968).

10 ACCRUED EXPENSES AND OTHER CREDIT BALANCES

	2012	2011
	LE	LE
Accrued interest on term loan	**5,791,338**	6,005,743
Tax Authority – payroll tax	**111,266**	107,296
Accrued expenses	**98,000**	158,050
Accrued EFSA development fees	**33,790**	25,860
Social Insurance Authority	**989**	11,700
Tax Authority – withholding tax	**11,400**	6,004
Other credit balances	**8**	10,683
	6,046,791	6,325,336

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. 363,542,000 divided over 363542 shares (300466 common shares and 63076 preferred shares of 2 voting rights per each) of LE 1,000 each and is distributed as follows:

	No. of shares			
Description	**Common**	**Preferred**	**Value**	**%**
Central Bank of Egypt (founder)	40000	40000	80,000,000	22.01
National Bank of Egypt (founder)	40000	-	40,000,000	11
Mortgage Finance Guarantee and Subsidy Fund (founder)	4000	4000	8,000,000	2.2
Arab Bank	5000	-	5,000,000	1.38
HSBC Bank	18000	-	18,000,000	4.95
Societe Arabe Internationale de Banque	10000	-	10,000,000	2.75
BNP Paribas Bank	2000	-	2,000,000	0.55
Commercial International Bank	5000	-	5,000,000	1.38
Faisal Islamic Bank	4000	-	4,000,000	1.1
Banque Misr	40000	-	40,000,000	11
Al Watany Bank of Egypt	4000	-	4,000,000	1.1
Tameer Mortgage Finance Co. (Al Oula)	20000	-	20,000,000	5.5
National Societe Generale Bank	10000	-	10,000,000	2.75
Piraeus Bank	19000	-	19,000,000	5.22
Blom Bank	2000	-	2,000,000	0.55
Egyptian Housing Finance Company	2000	-	2,000,000	0.55
Misr Iran Bank	5000	-	5,000,000	1.38
Egyptian Gulf Bank	10000	-	10,000,000	2.75
Housing and Development Bank	20000	-	20,000,000	5.5
Ahli United Bank	4000	-	4,000,000	1.1
Egyptian Arab Land Bank	20000	-	20,000,000	5.5
Arab African International Bank	3923	-	3,923,000	1.08
Tamweel Mortgage Finance Company	2806	-	2,806,000	0.77
International Finance Corporation	-	19076	19,076,000	5.25
United Bank	4000	-	4,000,000	1.1
Amlak Finance & Real Estate Investment	1000	-	1,000,000	0.28
El Tayseer for Mortgage Finance	2000	-	2,000,000	0.55
El Ahly Mortgage Finance Company	1825	-	1,825,000	0. 5
Sakan Mortgage Finance Company	912	-	912,000	0.25
	300466	**63076**	**363,542,000**	**100%**

12 AMOUNTS PAID IN RESPECT OF CAPITAL INCREASE

The board of directors held on 2 July 2012 decided to increase the issued capital by LE 240,980,000 distributed over 240980 shares, provided that the share value will be equal to the book value as of 31 May 2012, which is amounting to LE 1,095.44 . The subscribed shares are122562 shares with total value of LE 134,259,317 including share premium amounting to LE 11,697,317 which are transferred to the legal reserve.

13 LEGAL RESERVE

Legal reserve balance amounting to LE 16,329,719 as of 31 December 2012 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.
6) The transfer of 5% of the net profit of the year ended 31 December 2009, with the amount of LE 672,772 according to the ordinary general assembly meeting held on 11 April 2010
7) The transfer of 5% of the net profit of the year ended 31 December 2010, with the amount of LE 658,046 according to the ordinary general assembly meeting held on 16 June 2011.
8) The transfer of 5% of the net profit of the year ended 31 December 2011, with the amount of LE 723,860 according to the ordinary general assembly meeting held on 10 May 2012.
9) The transfer of premium on increase in capital of LE 11,697,317 resulting from the difference between the par value and amount paid for the issuance of 122562 new shares, in accordance with the resolution of the board of directors held on 2 July 2012.

14 GENERAL AND ADMINISTRATIVE EXPENSES

	2012	2011
	LE	LE
Salaries and wages	**6,701,060**	6,853,606
Premises rent	**1,142,823**	1,047,100
Professional fees	**457,282**	412,814
IT support contracts	**403,816**	329,718
Tax, legal and other consultants	**116,962**	68,973
Cleaning and security	**111,316**	103,587
EFSA development fees	**113,016**	98,922
Insurance	**98,324**	62,597
Employees training	**94,846**	152,735
Stationary and printing materials	**34,042**	17,178
Repair & maintenance	**40,922**	40,147
Electricity	**35,072**	34,040
Telephone and mobile	**47,473**	52,302
Internet and ADSL	**31,956**	32,000
AGM & EGM meeting expenses	**7,872**	7,180
Entertainment, meals and public relations	**20,099**	17,654
Legal expenses	**23,010**	6,152
Travel and transportation	**2,572**	7,577
Advertising & promotion	-	750
Donations	**500,000**	500,000
Other expenses	**73,937**	81,018
	10,056,400	9,926,050

15 FINANCE EXPENSES

	2012	2011
	LE	LE
Interest on term loan	**20,182,457**	20,289,781
Other charges	**16,374**	11,049
Commitment fees	-	2,673
	20,198,831	20,303,503

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 balance of the loan amounted to LE 206,553,060 as of 31 December 2012 (31 December 2011:LE 214,200,000).

A commitment charge is payable at 0.75% per annum on the un withdrawn 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 loan amount repaid during the year ended 31 December 2012 amounted to LE 7,646,940.

The loan balance as of 31 December 2012 amounted to LE 206,553,060 is represented as follows:

	2012	2011
	LE	LE
Non-Current	**191,259,180**	206,553,060
Current	**15,293,880**	7,646,940
	206,553,060	214,200,000

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.

18 EXPENDITURE COMMITMENTS

	2012	2011
	LE	LE
Operating lease commitments		
Future minimum lease payments:		
Within one year:		
Operating lease commitment	**1,839,523**	935,600
Less: Advance payment of operating lease	**(903,606)**	-
Net operating lease commitment within one year	**935,917**	935,600
After one year but not more than five years	**2,550,880**	264,000
More than five years	-	-
Total operating lease expenditure contracted for at the balance sheet date	**3,486,797**	1,199,600

19 TAX SITUATION

a) Corporate tax
No tax inspection took place for the Company's records from the date of inception to date.

b) Salary tax
The Company's records were inspected for the years from 2006 till 2008 . The Company objected on the assessment and the issue is currently in the Internal Committee.

No tax inspection took place for the Company's records for the years from 2009 till 2011.

c) Stamp duty tax
No tax inspection took place for the Company's records from the date of inception to date.

d) Other tax matters
Several laws were issued to amend certain provisions of taxes and were published in the Official Gazette on 6 December 2012. As the enactment of these laws has been suspended the effect of such amendments were not reflected in the financial statements until a final resolution is issued in this respect.

20 FAIR VALUE OF 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 accounts payable , income tax payable , 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 the notes to the financial statements.

21 RISK MANAGEMENT

a) Interest rate risk
Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to interest rate risk on its term loan, bank deposits, and held to maturity investments.

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.

b) 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.

c) Credit risk
Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation at its maturity date. The Company is exposed to credit risk on its bank balances and mortgage refinance loans as follows:

	2012	2011
	LE	LE
Bank balance	**46,399,120**	31,643,060
Mortgage refinance loans	**424,487,024**	365,261,673
	470,886,144	396,904,733

Credit risks related to banks accounts:
The Company seeks to limit its credit risk with respect to banks by only dealing with reputable banks and there are concentration limits with banks.

Credit risk related to investments at fair value through profit or loss:
The investment manager closely monitors the credit worthiness of each fund's investment instruments.

21 RISK MANAGEMENT (CONTINUED)

c) Credit risk (Continued)

Credit risks related to mortgage refinance loans:
The Company minimizes 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 defaulted loans in their loan portfolio.

d) Capital risk management

The main purpose of the Company's capital management is to ensure that it maintains strong capital rates in order to support its business and maximizing the return to shareholders. The Company manages its capital structure in light of changes in terms of the activity. No changes were made in the goals and policies of the Company during the year.

22 DEFERRED TAX

	Assets 2012 LE	**Liabilities 2012 LE**	Assets 2011 LE	Liabilities 2011 LE
Depreciation and amortization	**5,878**	**-**	-	(62,737)
Accrued interest income on treasury bills	**-**	**(146,129)**	-	(516,860)
Deferred tax assets (liabilities)	**5,878**	**(146,129)**	-	(579,597)
Net deferred tax liabilities		**(140,251)**		(579,597)

23 RECONCILIATION OF THE EFFECTIVE INCOME TAX RATE

	2012 LE
Profits before income tax	**25,050,009**
Add/subtract the tax effect of below items:	
Other additions - accrued interest income on 2011 treasury bills	**2,067,441**
Other deductions - accrued interest income on 2012 treasury bills	**(584,517)**
Other deductions – tax exempted income on investment certificates	**(4,009,380)**
Depreciation and amortization	**274,462**
Real estate tax	**56, 634**
Board of directors allowance	**278,500**
	23,133,149
Income tax for the year at the effective tax rate	**5,283,287**
Effective tax rate	**21.09%**

24 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 included in the statement of income during the year are as follows:

	2012 LE	2011 LE
Interest income and commissions on mortgage refinance loans	**41,753,476**	36,219,349
Interest income on time deposits and current accounts	**3,718,834**	1,520,270
Financing charges	**16,734**	11,049

25 CURRENT EVENTS

The events that took place in Egypt during the first quarter of the year 2011 have substantially impacted the economic sectors in general which in turn led to substantial decrease in the economic activities. Accordingly, there might be a significant effect for these events on the assets, liabilities and its recoverable amount as well as the financial results of the future periods. While it is difficult to quantify this effect at this point of time, the impact will become visible in the future financial statements. The significance of such an impact will depend on the extent and length until which these events and its effect will end.

26 COMPARATIVE FIGURES

Certain comparative figures in the statement of cash flows for the year 2011 have been reclassified to conform with the current year's presentation as follows:

	2011 Before reclassification LE	**2011** **After reclassification** **LE**
Gain on sale of financial assets at fair value through profit or loss	-	**(1,672,705)**
Purchase of financial assets at fair value through profit or loss	-	**(175,940,011)**
Proceeds from sale of financial assets at fair value through profit or loss	-	**177,612,716**