EGYPTIAN MORTGAGE REFINANCE COMPANY S.A.E
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010
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 Separate 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 2010, 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 professional 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 these financial statements.

Translation of auditor's report

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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 2010, 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
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Fellow of the Egyptian Society of Accountants and Auditors
Allied for Accounting and Auditing (E&Y)

15 January 2011
Cairo

Egyptian Mortgage Refinance Company S.A.E

BALANCE SHEET
AS OF 31 DECEMBER 2010

	Note	2010 LE	2009 LE
Assets			
Cash on hand and at banks	(3)	**170,301,564**	11,283,881
Investments in treasury bills	(4)	**9,220,830**	239,947,507
Mortgage refinance loans	(5)	**277,436,652**	176,247,367
Prepayments and other receivables	(6)	**6,336,471**	4,539,205
Other assets	(7)	**-**	487,305
Intangible assets	(8)	**1,079,734**	125,237
Fixed assets	(9)	**1,197,623**	1,605,322
Total assets		**465,572,874**	434,235,824
Liabilities and equity			
Liabilities			
Accounts payable		**4,125**	-
Accrued expenses and other payables	(10)	**5,823,975**	5,081,275
Income tax payable		**3,705,288**	2,545,317
Term loan	(16)	**193,983,500**	164,683,500
Deferred tax liability	(22)	**249,901**	1,158,190
Total liabilities		**203,766,789**	173,468,282
Equity			
Paid up capital	(11)	**240,980,000**	240,980,000
Legal reserve	(12)	**3,250,496**	2,577,724
Retained earnings		**4,414,679**	3,754,373
Profits for the year		**13,160,910**	13,455,445
Total equity		**261,806,085**	260,767,542
Total liabilities and equity		**465,572,874**	434,235,824

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

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

INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2010

	Note	2010	2009
		LE	LE
Interest income and commissions on mortgage refinance loans		20,685,983	16,577,710
Interest income on treasury bills		17,091,902	22,297,507
Interest income on time deposits and current accounts		3,437,040	3,925,805
Gain on sale of financial assets at fair value through profit or loss		2,469,600	-
Gain on disposal of fixed assets		548	-
TOTAL REVENUE FOR THE YEAR		43,685,073	42,801,022
General and administrative expenses	(13)	(9,045,167)	(8,767,659)
Depreciation and amortization		(687,951)	(940,462)
Finance costs	(14)	(17,584,046)	(14,896,803)
Board of Directors members' allowance		(410,000)	(660,000)
PROFITS FOR THE YEAR BEFORE INCOME TAX		15,957,909	17,536,098
Current income tax for the year	(23)	(3,705,288)	(3,696,413)
Deferred income tax benefit / (expense)	(22)	908,289	(384,240)
PROFITS FOR THE YEAR		13,160,910	13,455,445
EARNINGS PER SHARE	(15)	49.43	50.53

- 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 2010

	Paid up capital	*Legal reserve*	*Profits for the year*	*Retained earnings*	*Total*
	LE	*LE*	*LE*	*LE*	*LE*
Balances as of 1 January 2009	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	-
Profits 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**
Transfer to Legal Reserve (note12)	-	672,772	(672,772)	-	-
Dividends declared	-	-	(12,122,367)	-	(12,122,367)
Transfer to retained earnings	-	-	(660,306)	660,306	-
Profits for the year	-	-	13,160,910	-	13,160,910
Balances as of 31 December 2010	**240,980,000**	**3,250,496**	**13,160,910**	**4,414,679**	**261,806,085**

- 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 2010

	Note	2010 LE	2009 LE
OPERATING ACTIVITIES			
Profits for the year before tax		**15,957,909**	17,536,098
Adjustments to reconcile net income to cash flows from operating activities			
Depreciation and amortization		**687,951**	940,462
Gain on disposal of fixed assets		**(548)**	-
Operating profit before changes in working capital		**16,645,312**	18,476,560
Change in mortgage refinance loans		**(101,189,285)**	(45,299,367)
Change in Prepayments and other receivables		**(2,090,382)**	(3,386,937)
Change in accounts payable		**4,125**	(17,480)
Change in accrued expenses and other payables		**742,700**	865,665
Income tax paid		**(2,545,317)**	(2,149,723)
Net cash flows (used in) operating activities		**(88,432,847)**	(31,511,282)
INVESTING ACTIVITIES			
Collection from matured treasury bills		**72,931,098**	45,161,225
Purchase of investment in treasury bills maturing after 90 days		-	(72,931,098)
Payments to acquire fixed assets		**(123,256)**	(111,737)
Payments to acquire Intangible assets		-	(21,518)
Payments to acquire other assets		**(330,525)**	(276,591)
Net cash flows provided from (used in) investing activities		**72,477,317**	(28,179,719)
FINANCING ACTIVITIES			
Proceeds from term loan		**29,300,000**	45,648,000
Dividends paid		**(12,122,367)**	(9,674,154)
Net cash flows provided from financing activities		**17,177,633**	35,973,846
Increase (Decrease) in cash and cash equivalents during the year		**1,222,103**	(23,717,155)
Cash and cash equivalents at the beginning of the year		**178,300,291**	202,017,446
Cash and cash equivalents at the end of the year		**179,522,394**	178,300,291
Cash on hand and at banks	(3)	**170,301,564**	11,283,881
Treasury bills maturing within 90 days		**9,220,830**	167,016,410
		179,522,394	178,300,291

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

NOTES TO THE FINANCIAL STATEMENTS
31 December 2010

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 financial statements have been prepared under the going concern assumption on a historical cost basis.

Statement of compliance
The financial statements of the company have been 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 of the previous year.

2-3 Foreign currency Translation

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 rate prevailing on the date of the transaction.

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

2-4 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 building and equipment when that cost is incurred, if the recognition criteria are met. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the building and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in 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:

2 SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

2-4 Fixed Assets- Continued

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

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 of 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.

2-5 Other Assets

Costs relating to intangible assets 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.

2-6 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:

	Years
Computer software	5

2 SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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 Financial assets at fair value through profit and loss

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

Financial assets at fair value through profit and 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.

2-9 Mortgage Refinance Loans

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

2-10 Impairment

- 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.

- 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's (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, 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 SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

2-11 Revenues Recognition

Interest income is recognized as interest accrues using the effective interest method. Interest income is included in revenue in the statement of income.

2-12 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.

2-13 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.

2-14 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.

2-15 Income Tax

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 year 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 event which is recognized, in the same or a different period, directly in equity.

2-16 Legal Reserve

According to the Company's articles of association, 5% of the net profits of the year is transferred to the legal reserve until this reserve reaches 25% 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 SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

2-17 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 cost.

2-18 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 long term 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 income statement 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.

2-19 Borrowing Cost

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

2-20 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.

2-21 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.

2-22 Statement of cash flows

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

2-23 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

	2010 LE	2009 LE
Egyptian Pound		
Current accounts	**821,564**	283,881
Time deposits	**169,480,000**	11,000,000
	170,301,564	11,283,881

4 INVESTMENT IN TREASURY BILLS

	2010 LE	2009 LE
Treasury bills maturing before 30 days	**9,250,000**	71,500,000
Treasury bills maturing after 30 days to 60 days	-	81,600,000
Treasury bills maturing after 60 days to 90 days	-	15,150,000
Treasury bills maturing after 90 days to 150 days	-	27,900,000
Treasury bills maturing after 150 days	-	49,000,000
	9,250,000	245,150,000
Unearned interest	**(29,170)**	(5,202,493)
Total	**9,220,830**	239,947,507

5 MORTGAGE REFINANCE LOANS

The Company has outstanding (25) mortgage refinance loans for Six customers, as follows:

	Short-Term LE	Long-Term LE	Total LE	Credit Limit LE
Egyptian Arab Land Bank	8,400,000	44,800,000	**53,200,000**	**200,000,000**
Taameer Mortgage Finance Company (Aloula)- (Three Loans)	6,205,556	42,913,889	**49,119,445**	**150,000,000**
Tamweel Mortgage Finance Company- First Agreement- (Five Loans)	3,755,000	26,942,500	**30,697,500**	**50,000,000**
Tamweel Mortgage Finance Company- Second Agreement- (Ten Loans)	4,503,790	42,315,917	**46,819,707**	**50,000,000**
Tamweel Mortgage Finance Company- Third Agreement- (Two Loans)	2,159,091	20,340,909	**22,500,000**	**50,000,000**
Egyptian Housing Finance Company	800,000	4,400,000	**5,200,000**	**50,000,000**
Housing And Development Bank	1,040,000	14,560,000	**15,600,000**	**50,000,000**
National Bank Of Egypt (Two Loans)	3,620,000	50,680,000	**54,300,000**	**200,000,000**
	30,483,437	**246,953,215**	**277,436,652**	

-Contractual interest rates vary from 10.25% to 11%.

-Each loan is secured over first-degree possession 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.

- Tamweel Mortgage Finance Company has prepaid a mortgage refinance loan with original value of LE 12,448,000; the mortgage refinance loan was early prepaid on 28 February 2010 when the loan balance was LE 11,203,200. As a result 2% prepayment fee amounting to LE 224,064 was collected and included in the statement of income as Interest income and commissions on mortgage refinance loans.

6 PREPAYMENTS AND OTHER RECEIVABLES

	2010 LE	2009 LE
Withholding tax on treasury bills	**5,861,949**	4,008,487
Accrued interest income	**201,156**	-
Security deposit	**170,862**	170,862
Prepaid expenses	**44,429**	42,494
Advance payments to suppliers	**28,515**	293,114
Staff receivable	**15,765**	14,526
Other debit balances	**13,795**	9,722
	6,336,471	4,539,205

7 OTHER ASSETS

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

	2010 LE	2009 LE
Computers and software		
Beginning balance	**487,305**	323,379
Additions during the year	**623,639**	276,591
Transfers to intangible assets	**(1,110,944)**	(112,665)
Ending balance	-	487,305

-Included in the additions made during the year amount of LE 293,114 was paid in prior years as an advance to the supplier and transferred to other assets this year upon starting the software development, making net payments to the supplier of LE 330,525.

8 INTANGIBLE ASSETS

	Computer software LE
Cost as of	
1 January 2010	134,183
Transfer from other assets	1,110,944
31 December 2010	1,245,127
Accumulated amortization	
1 January 2010	8,946
Amortization for the year	156,447
31 December 2010	165,393
Net book value as at:	
31 December 2010	**1,079,734**
31 December 2009	125,237

9 FIXED ASSETS

	Computers	*Furniture and fixtures*	*Motor vehicles*	*Office equipments*	*Leasehold improvement*	*Total*
	LE	*LE*	*LE*	*LE*	*LE*	*LE*
Cost						
At 1 January 2010	1,264,900	911,844	205,900	279,746	894,426	3,556,816
Additions during the year	89,736	31,110	-	3,590	-	124,436
Disposals	-	(1,515)	-	-	-	(1,515)
At 31 December 2010	1,354,636	941,439	205,900	283,336	894,426	3,679,737
Depreciation						
At 1 January 2010	475,501	373,264	82,925	125,378	894,426	1,951,494
Depreciation for the year	248,895	184,881	41,180	56,548	-	531,504
Disposals	-	(884)	-	-	-	(884)
At 31 December 2010	724,396	557,261	124,105	181,926	894,426	2,482,114
Net Book Value as at:						
31 December 2010	**630,240**	**384,178**	**81,795**	**101,410**	**-**	**1,197,623**
31 December 2009	789,399	538,580	122,975	154,368	-	1,605,322

- 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 1,008,020 as of 31 December 2010 (31 December 2009: LE 949,171).

10 ACCRUED EXPENSES AND OTHER PAYABLES

	2010	2009
	LE	LE
Accrued finance cost	**5,589,238**	4,698,801
Tax Authority – payroll tax	**111,638**	103,242
Accrued expenses	**74,000**	122,000
Accrued EFSA development fees	**21,190**	107,872
Accrued commitment fees (note 16)	**12,774**	38,708
Social Insurance Authority	**10,230**	8,262
Tax Authority – withholding tax	**4,905**	2,390
	5,823,975	5,081,275

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%**

12 LEGAL RESERVE

Legal reserve balance amounting to LE 3,250,496 as of 31 December 2010 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.

13 GENERAL AND ADMINISTRATIVE EXPENSES

	2010	2009
	LE	LE
Salaries and wages	**6,400,936**	6,243,414
Premises rent	**975,599**	865,374
Professional fees	**343,875**	313,188
Donation	**300,000**	300,000
Employees training	**124,246**	103,630
Rating Agency Fees	**103,546**	-
IT support Contracts	**98,623**	-
Cleaning and security	**95,286**	76,621
EFSA Development fees	**87,370**	411,543
Tax, legal and other consultants	**74,876**	102,851
Other expenses	**69,610**	38,672
Insurance	**57,018**	55,892
Telephone and mobile	**54,879**	64,025
Conferences	**50,252**	56,360
Repair & maintenance	**42,350**	37,549
Travel and transportation	**37,837**	166
Electricity	**32,800**	33,360
Internet and ADSL	**32,000**	32,000
Stationary and printing materials	**25,722**	11,837
AGM & EGM Meeting Expenses	**18,948**	7,269
Entertainment, meals and public relations	**12,870**	9,114
Legal expenses	**6,524**	4,794
	9,045, 167	8,767,659

14 FINANCE COST

	2010 LE	2009 LE
Interest on term loan	17,490,420	14,722,220
Commitment fees	84,535	168,615
Other charges	9,091	5,968
	17,584,046	14,896,803

15 EARNINGS 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 LE 49.43 per share (2009: 50.53).

	2010 LE	2009 LE
Net profit for the year	13,160,910	13,455,445
Employees profit share (subject to approval in the General Assembly Meeting)	(1,250,286)	(1,278,267)
Board of directors bonus	-	-
Net profit available for shareholders	11,910,624	12,177,178
Weighted average number of shares outstanding during the year	240,980	240,980
Earnings per share	49.43	50.53

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 193,983,500 as of 31 December 2010 (31 December 2009: LE 164,683,500).

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 29,300,000 during the period ended 31 December 2010 to finance the mortgage loans.

16 LOAN AGREEMENT - CONTINUED

Interest rates used for withdrawals made during 2010 are as follows:

Withdrawn amount during 2010 LE	Withdrawal date	Variable interest rate	Fixed interest rate
6,000,000	6 January 2010	8.09%	8.55%
10,000,000	7 July 2010	8.70%	8.96%
8,300,000	27 July 2010	8.70%	8.96%
5,000,000	27 September 2010	8.65%	-
29,300,000			

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

	2010 LE	2009 LE
Capital expenditure commitments		
Estimated capital expenditure contracted for at the balance sheet date:		
Computer software	-	323,216
Operating lease commitments		
Future minimum lease payments:		
Within one year:		
Operating lease commitment	**1,001,371**	959,327
Less: Advance payment of operating lease	-	-
Net operating lease commitment within one year	**1,001,371**	959,327
After one year but not more than five years	**834,475**	1,758,766
More than five years	-	-
Total operating lease expenditure contracted for at the balance sheet date	**1,835,846**	2,718,093

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 amounting to LE 21,896 and the company has objected to the inspection result.
- No tax inspection has taken place from 1 January 2009 to date.
- Salary tax expenses were properly calculated and delivered on time.

d) Stamp duty tax

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

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

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, investments and mortgage refinance loans as follows:

	2010	2009
	LE	LE
Bank balance	**170,301,564**	11,283,881
Mortgage refinance loans	**277,436,652**	176,247,367
	447,738,216	187,531,248

Credit risks related to banks accounts:

The Company seeks to limit its credit risk with respect to banks by only dealing with reputable banks.

Credit risk related to investments at fair value through profit or loss:

The investment manager closely monitors the credit worthiness of the fund's investment.

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 with related debt collateral documents.

22 DEFERRED TAX

	Assets 2010 LE	Liabilities 2010 LE	Assets 2009 LE	Liabilities 2009 LE
Depreciation and amortization	-	(62,684)	6,354	-
Accrued Interest income on T. Bills	-	(187,217)	-	(1,164,544)
Deferred tax asset / liability	-	(249,901)	6,354	(1,164,544)
Net Deferred tax liability		(249,901)		(1,158,190)

23 RECONCILIATION OF THE EFFECTIVE INCOME TAX RATE

		2010 LE
Profits before income taxes		15,957,909
Income tax at the applicable tax rate	20%	3,191,582
Add/subtract the tax effect of below items:		
Other additions - accrued interest income on 2009 treasury bills		1,164,544
Other deductions - accrued interest income on 2010 treasury bills		(187,217)
Other deductions – tax exempted income on investment certificates		(493,920)
Depreciation and amortization		(62,574)
Capital gain on disposal of fixed assets		(110)
Real estate tax		10,983
Board of directors members' allowance		82,000
Income tax for the year at the effective tax rate	23.2%	3,705,288

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

	2010 LE	2009 LE
Interest income and commissions on mortgage refinance loans	20,685,983	16,577,710
Interest Income on Time Deposits and Current Accounts	3,437,040	3,925,805
Financing cost	9,091	5,968