

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

Separate Interim Financial Statements
For The Financial Period Ended June 30, 2014

Limited Review Report

 Hazem Hassan
Public Accountants & Consultants

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Report on Limited Review of Separate Interim Financial Statements

To The Board of Directors of Sixth of October for Development and Investment Company
"SODIC"

Introduction

We have performed a limited review for the accompanying separate interim financial statements of Sixth of October for Development and Investment Company "SODIC" which comprise the separate interim balance sheet as of June 30, 2014 and the related separate interim statements of income, changes in equity and cash flows for the six-months then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of these separate interim financial statements in accordance with Egyptian Accounting Standards. Our responsibility is to express a conclusion on these interim financial statements based on our limited review.

Scope of Limited Review

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

Conclusion

Based on our limited review, nothing has come to our attention that causes us to believe that the accompanying separate interim financial statements do not present fairly, in all material respects, the separate financial position of the Company as at June 30, 2014, and of its separate financial performance and cash flows for the six-months then ended in accordance with Egyptian Accounting Standards.

KPMG Hazem Hassan



Cairo, August 14, 2014

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

Separate Balance Sheet

As at June 30, 2014

	Note No.	30/6/2014 L.E	31/12/2013 L.E
<u>Long - term assets</u>			
Fixed assets (net)	(6)	18 532 790	20 470 778
Investments in subsidiaries	(7)	545 844 496	520 844 496
Investments - available for sale (net)	(8)	4 276 152	4 276 152
Investment properties (net)	(9)	79 117 648	80 158 600
Investment property - advances	(10)	141 999 014	131 952 429
Trade and notes receivable (net)	(11)	1 749 418 869	1484 343 651
Total long - term assets		2 539 188 969	2 242 046 106
<u>Current assets</u>			
Inventory - Materials		204 205	204 205
Completed units ready for sale	(12)	19 559 806	31 478 756
Works in process	(13)	1 332 438 329	1 277 213 613
Trade & notes receivable (net)	(14)	1 188 778 480	953 211 044
Due from related parties (net)	(15)	1 039 201 350	1 072 881 475
Debtors & other debit balances (net)	(16)	217 207 929	228 372 105
Cash at banks & on hand	(17)	401 977 785	285 965 532
Total current assets		4 199 367 884	3 849 326 730
<u>Current liabilities</u>			
Provision for completion	(18)	53 418 543	86 894 388
Provisions	(19)	8 908 800	9 365 212
Bank - credit facilities	(20)	69 937 197	31 411 767
Loans - Short term	(31)	-	223 397 759
Advances from customers	(21)	2 960 780 496	2 582 221 757
Contractors, suppliers & notes payable	(22)	106 473 697	122 642 765
Due to related parties	(23)	208 867 434	198 093 013
Creditors & other credit balances	(24)	586 523 253	439 787 211
Total current liabilities		3 994 909 420	3 693 813 872
Working Capital		204 458 464	155 512 858
Total investments		2 743 647 433	2 397 558 964
These investments are financed as follows:-			
<u>Shareholders' equity</u>			
Issued & fully paid in capital	(25)	362 705 392	362 705 392
Legal reserve	(26)	181 352 693	181 352 693
Special reserve - share premium	(27)	1 316 921 569	1 316 921 569
Retained earnings		282 317 925	802 786 772
Other shareholders' equity		1 956 270	-
Profit from sale of treasury shares	(28)	3 692 867	3 692 867
Shares kept for bonus & incentive plan	(29)	(48 155 320)	(80 000 000)
Set aside amount for bonus & incentive plan	(30)	16 231 365	25 323 711
Net profit / (Loss) for the period / year		30 816 495	(520 468 847)
Total shareholders' equity		2 147 839 256	2 092 314 157
<u>Long-term liabilities</u>			
Loans - long term	(31)	433 983 384	88 011 726
Long-term creditors	(24-1)	134 043 195	165 849 864
Notes payable	(32)	24 306 119	48 612 236
Deferred tax liabilities	(33)	3 475 479	2 770 981
Total long-term liabilities		595 808 177	305 244 807
Total shareholders' equity & long - term liabilities		2 743 647 433	2 397 558 964

* The accompanying notes from (1) to (50) are an integral part of these separate financial statements and to be read therewith.

Financial & Administration
Executive Director
Hani Henry
Hani Henry

Chief Financial Officer
Omar Elhamawy
Omar Elhamawy

Managing Director
Ahmed Demerdash Badrawi

Chairman
Hani Sarie El Din

* Limited review report attached.

Sixth of October for Development and Investment Company "SODIC"
(An Egyptian Joint Stock Company)
Separate Income Statement
For The Financial Period Ended June 30, 2014

	Note	From 1/1/2014 till 30/6/2014	Six months ended at of 30/6/2014	From 1/1/2013 till 30/6/2013	Six months ended at of 30/6/2013
	No.	L.E	L.E	L.E	L.E
Sales (net)	(34)	364 573 523	170 759 385	323 526 063	215 431 422
Cost of sales	(35)	(226 737 538)	(97 909 844)	(193 271 518)	(129 023 303)
Gross profit		137 835 985	72 849 541	130 254 545	86 408 119
Other operating revenues	(36)	42 720 055	18 689 525	41 571 242	18 946 615
Selling and marketing expenses	(37)	(44 047 430)	(22 251 493)	(38 126 788)	(23 302 707)
General and administrative expenses	(38)	(55 657 682)	(28 665 278)	(60 145 863)	(28 420 943)
Other operating expenses	(39)	(23 239 390)	(11 807 029)	(10 743 612)	(7 504 688)
Operating profit		57 611 538	28 815 266	62 809 524	46 126 396
Finance income	(40)	7 102 755	2 994 311	66 018 714	20 050 414
Finance cost	(41)	(33 193 301)	(19 960 010)	(33 543 244)	(17 785 247)
Net finance (cost) / income		(26 090 546)	(16 965 699)	32 475 470	2 265 167
Net profit for the period - before income tax		31 520 992	11 849 567	95 284 994	48 391 563
Income tax	(42)	(704 497)	(506 116)	(22 021 713)	(14 170 210)
Net profit for the period		30 816 495	11 343 451	73 263 281	34 221 353
Earnings per share (L.E / Share)	(43)	0.34	0.13	0.81	0.38

* The accompanying notes from (1) to (50) are an integral part of these separate financial statements and to be read therewith.

Sixth of October for Development and Investment Company "SODIC"
(An Egyptian Joint Stock Company)
Separate Statement of Changes in Equity
For The Financial Period Ended June 30, 2014

	Issued & paid in capital L.E.	Legal reserve L.E.	Special reserve- share premium L.E.	Profit from sale of treasury shares L.E.	Shares set aside amount for bonus & incentive plan L.E.	Other shareholders' equity L.E.	Set aside amount for bonus & incentive plan L.E.	Retained earnings L.E.	Net profit for the period L.E.	Total L.E.
Balance as at January 1, 2013	362 705 392	181 352 693	1 316 921 569	3 692 867	(80 000 000)	-	25 323 711	512 544 421	290 242 351	2 612 783 004
Transfer to retained earnings	-	-	-	-	-	-	-	290 242 351	(290 242 351)	-
Net profit for the period	-	-	-	-	-	-	-	-	73 263 281	73 263 281
Balance as at June 30, 2013	362 705 392	181 352 693	1 316 921 569	3 692 867	(80 000 000)	-	25 323 711	802 786 772	73 263 281	2 686 046 285
Balance as at January 1, 2014	362 705 392	181 352 693	1 316 921 569	3 692 867	(80 000 000)	-	25 323 711	802 786 772	(520 468 847)	2 092 314 157
Transfer to retained earnings	-	-	-	-	-	-	-	(520 468 847)	520 468 847	-
Achieved from bonus & incentive plan	-	-	-	-	31 844 680	1 956 270	-	-	-	33 800 950
Amortized from set aside Set aside amount for bonus & incentive plan	-	-	-	-	-	-	(9 092 346)	-	-	(9 092 346)
Net profit for the period	-	-	-	-	-	-	-	-	30 816 495	30 816 495
Balance as at June 30, 2014	362 705 392	181 352 693	1 316 921 569	3 692 867	(48 155 320)	1 956 270	16 231 365	282 317 925	30 816 495	2 147 839 256

* The accompanying notes from (1) to (50) are an integral part of these separate financial statements and to be read therewith.

**Sixth of October for Development and Investment Company "SODIC"
(An Egyptian Joint Stock Company)
Separate Statement of Cash Flows
For The Financial Period Ended June 30, 2014**

	Note No.	<u>Six months ended</u> <u>at of 30/6/2014</u> L.E	<u>Six months ended</u> <u>at of 30/6/2013</u> L.E
<u>Cash flows from operating activities</u>			
Net profit for the period - before income tax		31 520 992	95 284 994
<u>Adjustments for :</u>			
Depreciation of fixed assets and investment properties		4 814 922	7 016 260
Capital Gain (losses)		(2 710)	(50 751)
Impairment losses for the due to related parties		(1 777 145)	-
Provision for completion - formed	(18)	14 694 557	17 456 946
Provisions formed	(19)	45 324	45 324
Operating profit before changes in working capital items		49 295 940	119 752 773
<u>Changes in working capital items</u>			
Change in completed units ready for sale		11 918 951	(13 503 228)
Change in Works in process		(55 224 716)	(80 374 689)
Change in trade & notes receivables		(500 642 653)	(5 644 947)
Change in due from related parties		35 457 270	(75 988 987)
Change in debtors & other debit balances		39 765 480	(33 837 083)
Provision for completion - used	(18)	(48 170 402)	(35 165 257)
Provisions - used	(19)	(501 736)	-
Change in advances from customers		378 558 739	52 024 811
Change in contractors, suppliers & notes payable		(40 475 186)	49 190 180
Change in due to related parties		10 774 421	74 847 308
Change in creditors & other credit balances		111 036 673	(68 132 129)
Net cash flow provided from operating activities		(8 207 219)	(16 831 248)
<u>Cash flows from investing activities</u>			
Payments for purchase of fixed assets & projects under construction		(1 866 893)	(539 264)
Payment for acquisition of investment in subsidiaries companies		(25 000 000)	-
Payments for acquisition of investment properties	(10)	(10 046 585)	(23 634 570)
Proceeds from sale of fixed assets		33 621	23 762 267
Net cash flow (used in) investing activities		(36 879 857)	(411 567)
<u>Cash flows from financing activities</u>			
Banks - credit facilities and long term loans	(20)	38 525 430	(43 631 496)
Net change in short-term and long-term Loans	(31)	122 573 899	-
Net cash flow (used in) financing activities		161 099 329	(43 631 496)
Net change in cash & cash equivalents during the period		116 012 253	(60 874 311)
Cash & cash equivalents at the beginning of the period		285 965 532	268 773 453
Cash & cash equivalents at the end of the period		401 977 785	207 899 142
<u>Deduct:</u>			
Restricted cash (Facilities guarantee)		100 000 000	50 000 000
Cash available at the end of the period	(17)	301 977 785	157 899 142

* The accompanying notes from (1) to (50) are an integral part of these separate financial statements and to be read therewith.

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

**Notes to the separate interim financial statements
For the financial period ended June 30, 2014**

1- Background and activities

1-1 Sixth of October for Development and Investment Company "SODIC" – An Egyptian Joint Stock Co. – was incorporated in accordance with the provisions of Law No. 159 of 1981 and its Executive Regulations and considering the provisions of Law No. 95 of 1992 and its Executive Regulations and by virtue of the decree of the Minister of Economy and International Cooperation No. 322 of 1996 issued on May 12, 1996. The Company was registered in Giza Governorate Commercial Registry under No. 625 on May 25, 1996.

1-2 The Company's purpose is represented in the following:

- Operating in the field of acquiring land for the purpose of supplying it by utilities and preparing it for building and dividing for the purpose of sale or lease.
- Operating in the field of construction, integrated construction and supplementary works.
- Planning, dividing and preparing lands for building according to modern building techniques.
- Building, selling and leasing all various types of real estate.
- Developing and reclaiming land in the new urban communities.
- Operating in the field of tourism development and tourism related establishments field including, building , managing, selling or utilizing hotels, motels and tourists villages in accordance with applicable Egyptian laws and regulations.
- Building, managing, selling and leasing –residential, service, commercial, industrial and tourism projects.
- Importing and operating as trade agents within the allowable limits of the Company's purpose. (not with the purpose of trading)
- Financial leasing in accordance with Law No. 95 of 1995.
- Working in all fields of information technology and systems, hardware and software (computer software and services).
- Operating in fields of services of communication systems, internet, space stations and transmission except for the field of satellites.
- Investing in the various activities related to petroleum, gas and petrochemicals.
- Operating in the field of coordinating and planting gardens, roads and squares and also providing security, steward - ship, maintenance and cleaning services.
- Operating in the field of ownership and management of sporting, entertainment, medical, educational buildings and also ownership, management and operating of restaurants.
- In addition, the Company may have interest or participate in any manner whatsoever with companies or others which have similar activities or which may assist it to achieve its purposes in Egypt or abroad.

Also it is entitled to merge into or acquire these companies or make them its subsidiaries in accordance with the provisions of law and its executive regulations.

1-3 The Company's duration is 50 years starting from the date of registration in the Commercial Registry.

1-4 The Company is officially listed in the Egyptian Stock Exchanges.

1-5 The registered office of the Company is located at Km. 38 Cairo / Alexandria Deseret Road, Sheikh Zayed City. Mr. Hany Sary El-Deen is the Chairman of the Board and Mr. Ahmed Demerdash Badrawy is the Member of the Board of Directors

2- Basis of preparation of the financial statements

2-1 Statement of compliance

- These separate financial statements have been prepared in accordance with Egyptian Accounting Standards and relevant Egyptian laws and regulations.
- The financial statements have been authorized by Company's board of directors as August 14, 2014

2-2 Basis of measurement

The separate financial statements have been prepared on historical cost basis except for the following:

- Financial assets and liabilities recognized at fair values through profits and losses.
- Held for trading investments measured at fair values.
- Available-for-sale investments measured at fair values.
- Liabilities for cash settled share - based payments transactions measured at fair values.

2-3 Functional currency and presentation currency

The separate financial statements are presented in Egyptian Pound which is the Company's functional currency.

2-4 Use of estimates and judgments

The preparation of the separate financial statements in conformity with Egyptian Accounting Standards requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about the carrying values of assets and liabilities that are readily apparent from other sources. Actual results may differ from these estimates.

- The estimates and underlying assumptions are reviewed on a going basis.
- Revisions to accounting estimates are recognized in the year in which the estimate is revised if the revision affects only that year or in the year of the revision and future years if the revision affects both current and future years.

The following are the most significant items for which estimates and judgments are used:

- Provisions for claims
- Fixed assets useful life
- Deferred tax
- Accruals
- Provision for completion
- Valuation of investment in subsidiaries
- Valuation of investment properties
- Impairment of debtors and other debit balances
- Impairment of fixed assets

2-5 Consolidated financial statement

The Company has subsidiaries and according to the Egyptian Accounting Standards No. (17) "consolidated and separate financial statements" and Article 188 of the executive regulations for Companies' law No. 159 of 1981, the Company is preparing consolidated financial statements for the Group and it should be used as a reference to understand the financial position, financial performance and cash flows for the group as a whole.

3- Significant accounting policies

The accounting policies set out below have been applied consistently to all years presented in these financial statements:-

3-1 Foreign currency transactions

Transactions in foreign currencies are translated at the foreign exchange rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to Egyptian Pound at the foreign exchange rate in effect at that date. Foreign exchange differences arising on translation are recognized in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using exchange rate at the date of the transaction.

3-2 Fixed assets and depreciation

a) Recognition and measurement

- Fixed assets that are used in production, providing goods and services or for administrative purposes are stated at historical cost less accumulated depreciation and impairment losses (note No. 3-10). Cost includes expenditures that are directly attributable to the acquisition of the asset and necessary to have the asset ready for use in the purpose for which the asset was acquired.
- Where parts of an item of fixed assets have different useful lives, they are accounted for as separate items of property, plant and equipment.
- The assets under construction for production or rent or administrative purposes are registered at their cost less impairment losses, where the cost includes professional fees and all other direct expenditures that are directly attributable to the acquisition of the asset. Thus, calculation of depreciation begins when the asset is substantially completed and ready for its intended use.
- The cost of self-constructed assets includes the cost of materials, direct labor and any other cost directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located.

b) Subsequent costs

The Company recognizes the cost of replacing part of an item in the carrying amount of such an item of fixed assets, after disposal of the cost of this replacing part, when that cost is incurred and if it is probable that future economic benefits will flow to the Company as a result of replacing this part of such an item and the cost can be measured reliably. All other costs are recognized in the income statement as an expense as incurred.

c) Depreciation

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of Property, plant and equipment. The estimated useful lives are as follows: (Land is not depreciated)

<u>Asset</u>	<u>Years</u>
Buildings of the Company's premises	5 – 10
Vehicles	5
Furniture and office equipment	10
Office equipment and communications	5
Generators, machinery and equipment	5
Leasehold improvements	5 or lease term whichever is lower

3-3 Operating Lease

Payments made under Operating Lease (net of any incentives obtained from the lessor are charged to the income statement based on accrual basis.

3-4 Projects under construction

Projects under construction are recognized initially at cost. Cost includes all expenditures directly attributable to bringing the asset to a working condition for its intended use. Projects under construction are transferred to property, plant and equipment caption when they are completed and are ready for their intended use.

3-5 Investment properties

a) Initial recognition and measurement

This item includes lands held and not allocated for a specific purpose, or lands held for sale on long term as well as the lands and buildings leased to others (by virtue of operating leases). Real estate investments are valued at cost less the accumulated depreciation and "impairment"(3-11). The fair value of these investments are disclosed at the balance sheet date unless if there are cases where the fair value of these investments are difficult to be determined in a reliable manner. In this case such fact shall be disclosed.

b) Depreciation

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each type of investment properties. The estimated useful lives are as follows:

<u>Asset</u>	<u>Years</u>
Leased out units	50
Constructions of golf course	20
Irrigation networks	15
Golf course tools and equipment	15

3-6 Investments

a) Investments in subsidiaries

Subsidiary companies are the entities in which the "Company" investor has the ability to control its financial and operating policies of the entity this ability exists by possessing half of the voting power or more in the related subsidiary.

Investments in subsidiaries are stated – when acquired – at its acquisition cost. If a decline in the recoverable amount exists for any investment below the carrying amount "Impairment" (note No. 3-11), the carrying amount of the investment will be adjusted by the amount of such impairment and will be charged to the income statement for each investment.

b) Available -for- sale investments

Financial instruments held by the Company and classified as available-for-sale investment are initially stated at cost and subsequently measured at fair value (unless this cannot be reliably measured). Changes in fair value are reported as a separate component in equity. When these investments are derecognized, the cumulative gain or loss previously recognized in equity is recognized in income statement except impairment losses. Investments in unlisted securities or where the fair value of investment cannot be determined in a reliable manner such investments are stated at cost less impairment losses (note No. 3-11). Impairment loss is recognized directly in the income statement.

Financial instruments classified as available-for-sale investments are recognized/ derecognized by the Company on the date it commits to purchase / sell the investments.

- c) **Held for trading investments**
Held for trading investments are classified as current assets and are stated at fair value. Any gain or loss resulted from the change in fair value or sale of such investment is recognized in the income statement.
Treasury bills is recognized by the net value less amortization and impairment losses (note No. 3-11).
- 3-7 **Units ready for sale**
Units ready for sale are stated at the lower of cost or net realizable value. The cost is determined based on the outcome of multiplying of the total area of the remaining completed units ready for sale at the balance sheet date by the average meter cost of these units (represents the cost of meter of land, utilities, building and other indirect expenses).
The net realizable value is determined based on the selling price on the ordinary course of business less the estimated costs for the completion and any other necessary costs to complete the sale.
- 3-8 **Work in process**
All costs relating to uncompleted work are recorded in work in process account till the completion of work and it is recorded as available for sale. Work in process is stated in the balance sheet at cost or net realizable value whichever is lower. Costs include directly attributable cost needed to bring the units to the selling status for their intended use.
- 3-9 **Trade and notes receivables, debtors and other debit balances**
Trade and notes receivables are non- interest bearing and are stated at their nominal value and reduced by impairment losses note (3-11). Impairment is recognized when there is objective evidence that the Company is not able to collect the due amounts according to the original terms of contracts. Impairment is the difference between the book value and the recoverable amount which represents the expected cash in flow for the Company.
Long term trade and notes receivables are initially recognized at fair value and subsequently re-measured at amortized cost using effective interest rate method.
- 3-10 **Cash and cash equivalents**
For the purpose of preparing statement of cash flows, cash and cash equivalents comprise cash at banks and on hand, time deposits and Cheques under collection which have maturity date less than three months from the purchase date. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management.
- 3-11 **Impairment of assets**
a) **Financial assets**
A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.
An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its current fair value.
Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.
All impairment losses are recognized in income statement. Any cumulative loss in respect of an available-for-sale financial asset recognized previously in equity is transferred to income statement.
An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized for financial assets measured at amortized cost and available-for-sale financial assets that are debt securities, the reversal is recognized in income statement. For available-for-sale financial assets that are equity securities, the reversal is recognized directly in equity.

b) Non-financial assets

The carrying amounts of the Company's non-financial assets, other than, investment property, units ready for sale and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, recoverable amount is estimated at each reporting date.

An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognized in the income statement.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognized in prior years are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

3-12 Provisions

Provision is recognized in the balance sheet when the Company has a present legal or constructive obligation as a result of past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and, where appropriate, the risks specific to the liability.

Provisions are reviewed at the balance sheet date, and revised - when necessary - to reflect the current best estimate.

a- Provision for completion

A provision for completion of work is formed at the estimated value of the completion of the projects (relating to the units delivered to customers and the completed units according to the contractual terms and conditions and the completed units for which contracts were not concluded) this is based on technical studies and measurement to estimate the cost, which are prepared by the Company's technical departments. The necessary provision is reviewed at the end of each reporting period till finalization of all the project works.

3-13 Borrowing costs

Borrowing costs are recognized as expense in the income statement when incurred using the effective interest rate.

3-14 Interest -bearing borrowings

Interest - bearing borrowings are recognized initially at fair value, net of attributable transaction costs incurred. Borrowings are subsequently stated at amortized cost, any differences between cost and redemption value are recognized in the income statement over the period of the borrowing using the effective interest rate.

3-15 Suppliers, contractors and other credit balances

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

3-16 Share capital

Common shares are classified in the owners' equity.

a) **Issuance of ordinary shares**

Incremental costs directly attributable to issue of new ordinary shares are recognized as a deduction from equity net of income tax, if any.

b) **Treasury shares**

In case of repurchase of the Company's own shares, the amounts paid for repurchase includes all the direct costs attributable to the repurchase and such amount is classified as treasury shares deducted from the shareholders equity.

c) **Dividends**

Dividends are recognized as a liability in the period in which they are declared.

d) **Finance of the incentive and bonus plan**

Equity shares issued for the purpose of the incentive and bonus plan of the Company's employees and managers which are financed by the Company are presented as shares kept for incentive and bonus plan and are included in equity. The resulting outcome from sale of these shares is recognized in equity.

e) **Reserves**

As per the Companies' law and the Company's articles of incorporation, 5% of the net profit of the year is set aside to form the legal reserve.

Transfer to the legal reserve may be suspended once the reserve reaches 50% of the Company's issued capital. However, if the reserve balance falls below 50% of the Company's issued capital then transfers to the legal reserve become required to be resumed by setting aside at least 5% of the net profit for the year.

The transferred amount can be recorded at the period in which the general assembly authorized such transfer.

3-17 **Share – based payments transactions**

a) **Equity settled share – based payments**

The difference between the grant date fair value of shares and the amount incurred by the beneficiary of the employees and managers bonus and incentive plan is recognized in the income statement as an expense over the year that the beneficiaries become unconditionally entitled to these shares. The expected number of beneficiaries from the plan and the extent of their benefit are reviewed at the financial statements date. Necessary changes are made for the expense to reflect the best estimate and the corresponding amount is included in equity under "set aside amount for the bonus and incentive plan" caption.

b) **Cash settled share - based payments**

Share Appreciation Rights are granted to some of the Company's directors as part of their salaries and compensation package that entitles them to future cash payments based on the increase in the share price of the Company over determined level for certain year of time. The amount or the value of the purchased services and incurred liabilities is measured at the fair value of the said liability and until the settlement of such liability, the Company re-measures the fair value of the liability at each financial position date and at settlement date and takes into account any changes in the recognized fair value of the liability in the income statement.

3-18 **Notes payable**

Notes payable are stated at amortized cost using the effective interest rate method.

3-19 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and is recognized when it is probable that the future economic benefits associated with the transaction will flow to the company and the amount of the revenue can be measured reliably. No revenue is recognized if there are uncertainties regarding the recovery of the consideration due or associated costs.

a) Sales revenue

Revenue from sale of residential units, offices, commercial, service units and villas for which contracts were concluded is recorded when all the ownership risks and rewards are transferred to customers upon the actual delivery of these villas and units whether the said villas and units have been completed or semi – completed. Revenue from sale of lands is recorded upon the delivery of the sold land to customers and the transfer of all the ownership rewards and risks to buyer. Net revenue from sales are recorded after deducting discounts and sales returns. Net sales are represented in the selling value of units and lands delivered to customers after excluding the future interests that have not been realized till the balance sheet date and after deducting the value of sales returns (represented in the saleable value of the sales returns less unrealized interests that have been previously excluded from the saleable value), and also, after excluding the value of any given discounts to the customers. The discounts are recognized as other operating expenses.

b) Rental income

Rental income resulted from investment properties (less any discounts) is recognized in the income statement on a straight-line basis over the terms of the lease.

c) Construction contracts revenue:

It includes revenue from construction contracts initial value of each contract as well as contract change orders, incentives or subsequent claims subject to the availability of predicted values.

When the outcome of a contract can be estimated reliably revenue is recognized according to parentage of completion method, and the percentage of completion is determined through actual performance of the contract. In case of inability to determine the exact result of the contract, revenue will be recognized up to cost incurred and expected to be recovered. Expected losses provision is formed during the financial period those losses are estimated.

Cost-plus revenues are recognized when the final outcome can be estimated and includes the following criteria :

Its possible for the entity to achieve economic benefits resulting from that contract.

All the costs relating to the contract whether recoverable or non- recoverable can be identified and measured.

d) Interest income

Interest income is recognized in the income statement, using the accrual basis of accounting, considering the period of time and effective interest rate.

e) Dividends

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

3-20 Cost of sold lands

The cost of the sold lands is computed based on the value of the net area of land in addition to its respective share in road areas as determined by the Company's technical management, plus its share of all open area cost, service areas and cost of installation and utilities.

3-21 Expenses

a) Lease payments

Payments under leases are recognized in the income statement (less any discounts), on a straight-line basis over the terms of the lease, using the accrual basis of accounting.

b) Employees' pension

1. Pension obligations

The Company contributes to the government social insurance system for the benefit of its personnel in accordance with the social insurance law No. 79 of 1975 as amended. Under this law, the employees and the employers contribute into the system on a fixed percentage-of-salaries basis. The Company's liability is confined to the amount of its contribution. Contributions are charged to income statement using the accrual basis.

2. Employees' profit sharing

As per the Companies Law, employees are entitled to receive not less than 10% of the distributed profits, after deducting a percentage to support the legal reserve, according to the rules proposed the Company's board of directors and after the approval of General Assembly Meeting which should not exceed the total employees' annual salaries.

Employees' share in profit is recognized as dividends of profit and shown in the statement of changes in equity and as a liability in the financial year at which the declaration has been authorized by the shareholders.

3-22 Income tax

Income tax on the profit or loss for the period/year comprises current and deferred tax. Income tax is recognized in the income statement except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax is the expected tax payable on the net taxable income for the year, using tax rates enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax assets/liabilities provided is determined using tax rates enacted at the balance sheet date.

Deferred tax assets are recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized in the future years.

3-23 Earnings / (losses) per share

Earning / (loss) per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period/year in which financial statements are prepared.

4- Determination of fair values

The Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and / or disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

4-1 Investments in equity instruments

The fair value of held for trading investments and available -for- sale investment is determined by reference to market value declared to these shares in stock market at the financial statements date.

4-2 Trade, note receivables and other debtors

The fair value of trade, notes receivable and other debtors is estimated as the present value of future cash flows, discounted at the market rate of interest at the financial statements date.

4-3 Investment property

The fair value is based on market values, being the estimated amount for which property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and in free will.

4-4 Share – based payment transactions

The fair value is determined by reference to market value declared at the balance sheet date without deducting the cost related to transactions.

5- Financial risk management

The Company has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company management of capital. Further quantitative disclosures are included throughout these financial statements.

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The management also identifies and analyzes the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits.

The Company, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations. The Board of Directors of the Company is assisted in its oversight role by the Audit Committee and Internal Audit. Internal Audit undertakes both regular and sudden reviews of risk management controls and procedures, the result of which are reported to the Board of Directors.

5-1 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur financial loss. This risk is mainly associated with the Company's customers and other receivables.

Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the Company's customer base, including the default risk of the industry which has a little effect on a credit risk.

Almost all of the Company's revenues is attributable to sales transaction with a vast group of customers. Therefore, demographically, there is no concentration of credit risk.

The Company's management has established a credit policy under which each customer is subject to credit valuation before the Company's standard payment and delivery terms and conditions are offered to him. The Company obtained advance payments and cheques covers for the full sales value in advance and before the delivery of units to customers. No previous losses were observed from transactions with customers.

Sales of units are made subject to retention of title clauses and the ownership title is transferred after collection of the full sales value. In the event of non-payment, the unit is returned to the Company and the amounts collected from customers are repaid at the default date after deducting a 5 % to 10 % of this value.

Investments

The Company manages the risk via conducting a detailed investment studies which reviewed by the board of directors. Company's management does not expect any counterparty to fail to meet its obligation.

Guarantees

The Company's policy is to provide financial guarantees only to subsidiaries, it needed, and after the approval of the board of directors, At January 15, 2013 Company's Extra - Ordinary General Assembly meeting agreed to grant a corporate guarantee of a loan granted to Sixth of October for Development & Real Estate Projects Co. "SOREAL" (Subsidiary 99.99% owned to Sixth of October for Development and Investment Company "SODIC").

5-2 Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due.

The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due , under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company ensures that it has sufficient cash on demand to meet expected operational expenses for appropriate period of time including the cost serving the financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

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

- A facility amounting to L.E 100 million covered by a guarantee of deposits amounting to L.E 100 million.
- A loan of medium term amount L.E 900 million. with Interest rate 3% annum above the Central bank of Egypt and administrative fees 0.05% to the higher debit balance over every financial quarter and paid at the end of every financial quarter

5-3 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income and expenses or the value of its holding of financial instruments.

The objective of market risk management is to manage and control market risk exposure within acceptable parameters, while optimizing the return.

5-4 Currency risk

The Company is exposed to currency risk on sales and financial assets that are denominated in a currency other than the respective functional currencies of Company entities, primarily the US dollar.

In respect of other monetary assets and liabilities denominated in other foreign currencies, the Company ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short- term imbalances.

The Company's investments in its subsidiaries are not hedged as those currency positions are considered to be long-term in nature. The Company does not enter into currency risk hedging contracts.

5-5 Interest rate risk

The company adopts a policy to limit the company's exposure to interest rate risk, therefore the Company's management evaluate the available alternatives for finance and negotiating with banks to obtain the best available interest rates and conditions. Borrowing contracts are presented to the board of directors. The finance position and finance cost is periodically evaluated by the Company's management. The Company does not enter into hedging contracts for interest rates.

5-6 Other market price risk

Equity price risk arises from available-for-sale equity securities and management of the Company monitors the mix of equity securities in its investment portfolio based on market indices or an objective valuation of the financial statements related to these shares.

Material investments within the portfolio are managed on an individual basis and all buy and sell decisions are approved by the Board of Directors.

The primary goal of the Company's investment strategy is to maximize investment returns. Management is assisted by external advisors in this regard.

In accordance with this strategy certain investments are designated at held for trading because their performance is actively monitored and they are managed on a fair value basis.

5-7 Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business.

The Board of Directors monitors the return on capital, which the Company defines as net profit for the period / year divided by total shareholders' equity. The Board of Directors also monitors the level of dividends to ordinary shareholders.

There were no changes in the Company's approach to capital management during the period / year. The Company is not subject to externally imposed capital requirements.

Sixth of October for Development and Investment Company "SODIC"

"An Egyptian Joint Stock Company"

Notes to the separate financial statements (Cont.)

For The Financial Period Ended June 30, 2014

6- Fixed assets

This item is represented as follows:

Translation of financial statements
actually issued in Arabic

	Buildings of the Company's premises	Vehicles	Furniture and office fixtures	Office equipments and communication	Generators, machinery and equipment	Leasehold improvements	Total
	L.E	L.E	L.E	L.E	L.E	L.E	L.E
Cost as at 1/1/2014	1 135 286	7 644 706	8 999 520	16 929 494	3 634 913	12 426 863	50 770 782
Additions during the period	-	-	26 119	1 831 725	9 049	-	1 866 893
Disposals during the period	-	-	-	(52 254)	-	-	(52 254)
Cost as at 30/6/2014	1 135 286	7 644 706	9 025 639	18 708 965	3 643 962	12 426 863	52 585 421
Accumulated depreciation as at 1/1/2014	584 458	7 103 662	3 265 829	11 430 466	2 269 564	5 646 025	30 300 004
Depreciation during the period	56 764	180 271	441 990	1 411 653	440 606	1 242 686	3 773 970
Accumulated depreciation for disposals	-	-	-	(21 343)	-	-	(21 343)
Accumulated depreciation as at 30/6/2014	641 222	7 283 933	3 707 819	12 820 776	2 710 170	6 888 711	34 052 631
Net book value as at June 30, 2014	494 064	360 773	5 317 820	5 888 189	933 792	5 538 152	18 532 790
Net book value as at December 31, 2013	550 828	541 044	5 733 691	5 499 028	1 365 349	6 780 838	20 470 778

- Fixed assets include fully depreciated assets costing L.E 12 408 460 as at June 30, 2014

7- Investments in subsidiaries

	Legal Form	Ownership %	Paid amount of Participation %	Carrying amount as at 30/6/2014 L.E	Carrying amount as at 31/12/2013 L.E
SODIC Property Services Co.	S.A.E	51	100	510 000	510 000
Sixth of October for Development and Real Estate Projects Co. (SOREAL)	S.A.E	99.99	100	517 334 516	517 334 516
SOREAL for Real Estate Investment Co. (7-1)	S.A.E	99.99	25	25 000 000	-
SODIC for Development and Real Estate Investment Co.	S.A.E	99.99	100	2 999 980	2 999 980
				<u>545 844 496</u>	<u>520 844 496</u>

(7-1) Soreal for Real estate investment was established on June 23, 2014 and the company's shareholding present is 99.9997% from the company invested capital amounted to LE 100 million (one hundred million), the capital distributed on 10 million share (ten million) share with LE 100 per share and the company paid in capital 25% of the invested capital.

8- Investments – available for sale

	Legal Form	Ownership %	Paid amount of Participation %	Carrying amount as at 30/6/2014 L.E	Carrying amount as at 31/12/2013 L.E
Egyptian Company for Development and Management of Smart Villages	S.A.E	1.01	100	4 250 000	4 250 000
SODIC for Golf and Tourist Development Co.	S.A.E	0.0025	25	1 250	1 250
Beverly Hills Co. for Management of Cities and Resorts	S.A.E	0.06	100	26 152	26 152
				<u>4 277 402</u>	<u>4 277 402</u>
Impairment of available for sale investments				(1 250)	(1 250)
				<u>4 276 152</u>	<u>4 276 152</u>

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

9- Investment properties

The net carrying amount of the investment properties as at June 30, 2014 amounted to L.E 79 117 648. Following is the movement on the investment properties account and its associated depreciation during the period :-

Description	Units leased out to others	Golf course	Total
<u>Cost</u>	<u>L.E</u>	<u>L.E</u>	<u>L.E</u>
At January 1, 2014	17 842 713	99 377 533	117 220 246
At June 30, 2014	<u>17 842 713</u>	<u>99 377 533</u>	<u>117 220 246</u>
<u>Accumulated depreciation</u>			
At January 1, 2014	350 719	5 013 927	5 364 646
Depreciation for the period	129 330	911 622	1 040 952
At June 30, 2014	<u>480 049</u>	<u>5 925 549</u>	<u>6 405 598</u>
<u>Deduct:</u>			
Impairment of investment properties (a)	-	31 697 000	31 697 000
Net value as at June 30, 2014	<u>17 362 664</u>	<u>61 754 984</u>	<u>79 117 648</u>
Net value as at December 31, 2013	<u>17 491 994</u>	<u>62 666 606</u>	<u>80 158 600</u>

(a) This item represents the impairment of the golf course by L.E 31 697 000 which shows the increase in its book value over its recoverable amount which have been measured by the value in use.

- There is a difficulty in determining the fair value of the investment properties of the golf course reliably for the purpose of disclosure because of the rarity of such business in Egypt and due to the unavailability of an active market.
- The fair value of units leased out to others amounts to L.E 31 914 500 as at June 30, 2014.

10- Investment properties advances

This item amounted to L.E 141 999 014 as at June 30, 2014 (2013: L.E 131 952 429). It shows the amounts paid to SODIC - SIAC for Real Estate Investment Co. (a subsidiary) on account of the acquisition of building No. (1) of the **Polygon project**, to be leased out for others, with total value of L.E 132 402 532 according to the contract concluded between the Company and SODIC SIAC for Real Estate Investment Co. dated January 5, 2010. The building will be received during a maximum period of three years from the contract date. This item includes an amount of L.E 5 295 462 representing the amount paid under maintenance, management and operation expenses of the project's public utilities related to the building for three years.

11- Long - term trade and notes receivable

This item represents the present value of long-term trade and notes receivable balance as follows:-

	30/6/2014	31/12/2013
	<u>L.E</u>	<u>L.E</u>
Trade receivables	31 198 796	31 198 796
Notes receivable	1 773 381 722	1 512 653 263
	<u>1 804 580 518</u>	<u>1 543 852 059</u>
<u>Deduct:</u> unamortized interest – Notes receivable	55 161 649	59 508 408
	<u>1 749 418 869</u>	<u>1 484 343 651</u>

- The Company's exposure to credit and currency risks - related to trade and notes receivable are disclosed in note No.(44).

12- Completed units ready for sale

This item represents the cost of the completed residential units ready for sale as follows:

	30/6/2014	31/12/2013
	<u>L.E</u>	<u>L.E</u>
Cost of completed commercial units	4 262 805	4 262 805
Cost of units purchased for resale (12-1)	15 297 001	27 215 951
	<u>19 559 806</u>	<u>31 478 756</u>

12-1 This item represents the acquisition cost of 22 units in Casa project (Semi Finished) that were purchased from Royal Gardens Co. for Real Estate Investment – an associated company for the purpose of resale to others.

13- Work in process

This item represents the total costs related to projects which are currently being undertaken. Details of these projects are as follows:

	30/6/2014	31/12/2013
	<u>L.E</u>	<u>L.E</u>
<u>Allegria project cost</u>		
Cost of the Company's land intended for use	62 657 725	73 300 106
Planning, surveying, supervision, soil tests	180 540 778	183 115 213
Buildings and infrastructure	234 747 538	285 030 067
Other costs	54 038 752	31 465 882
Price differences for repurchased units (13-1)	16 037 713	16 037 713
	<u>548 022 506</u>	<u>588 948 981</u>
<u>WESTOWN project cost</u>		
Cost of the Company's land intended for use	143 541 167	126 965 240
Planning , surveying , supervision, soil tests	74 673 148	76 716 378
Buildings and infrastructure	495 181 511	408 434 022
Other costs	59 591 000	66 351 625
Differences from repurchase of units	1 508 000	-
	<u>774 494 826</u>	<u>678 467 265</u>
<u>Fourth phase costs (4A, 4B), showrooms and others</u>		
Cost of land	3 635 690	3 635 690
Planning , surveying , supervision and soil tests	977 533	977 533
Building and infrastructure	4 933 428	4 809 798
Other costs	374 346	374 346
	<u>9 920 997</u>	<u>9 797 367</u>
	<u>1 332 438 329</u>	<u>1 277 213 613</u>

13-1 This item amounted to L.E 16 037 713 in June 30, 2014 (Year 2013: L. E 16 037 713) and represents the additional costs for the re-acquisition of some units in Allegria project.

14- Trade and notes receivable - Current

	30/6/2014	31/12/2013
	<u>L.E</u>	<u>L.E</u>
Trade receivables (14-1)	180 654 652	170 293 267
Notes receivable	1 014 844 588	789 991 293
	<u>1 195 499 240</u>	<u>960 284 560</u>
Deduct: Unamortized interest – notes receivables	6 520 760	6 873 516
	<u>1 188 978 480</u>	<u>953 411 044</u>
Impairment loss of trade and notes receivables	(200 000)	(200 000)
	<u>1 188 778 480</u>	<u>953 211 044</u>

14-1 This item includes an amount of L.E 59.324 million which represents the amount due from SODIC Garden City for Development and Investment Co. (subsidiary).

- The Company's exposure to credit and currency risks related to trade and notes receivable is disclosed in note No. (44).

15- Due from related parties

	30/6/2014	31/12/2013
	<u>L.E</u>	<u>L.E</u>
Sixth of October for Development and Real Estate Projects (SOREAL) – a subsidiary	382 272 969	476 348 788
SOREAL for for Real Estate Co – a subsidiary.	40 028 390	-
SODIC for securitization – a subsidiary.	60 247	-
Greenscape for Agriculture and Reclamation Co. – a subsidiary (under Liquidation)	5 153 600	4 768 376
Move-In for Advanced Contracting Co. – a subsidiary	22 297 744	16 305 713
El Yosr for Projects and Agriculture Development Co. – a subsidiary	42 615 006	41 612 350
SODIC for Development and Real Estate Investment Co. – a subsidiary	268 275 724	273 163 528
SODIC SIAC for Real Estate Investment Co. – a subsidiary	195 960 261	194 008 012
SODIC Syria Co. – a subsidiary	433 691 203	433 660 458
Fourteen for Real Estate Investment Co. – a subsidiary	56 260 715	54 514 314
La Maison for Real Estate Investment Co. – S.A.E	69 406 322	59 360 964
Edara for Services of Cities and Resorts Co. – a subsidiary	17 842 965	18 186 528
Palmyra Real Estate Development Co. –a Joint project	35 191 620	30 849 120
Tegara for Trading Centers Co. – a subsidiary	3 405 187	3 169 449
SODIC Garden City for Development and Investment Co. – a subsidiary	282 410	163 570
SODIC for Golf and Tourist Development Co. – a subsidiary	17 429 026	12 500 305
Other related companies	1 109 079	231 473
	<u>1 591 282 468</u>	<u>1 618 842 948</u>
Impairment of due from related parties (15- 1)	(552 081 118)	(545 961 473)
	<u>1 039 201 350</u>	<u>1 072 881 475</u>

- (15-1) Due to the exposure of the Syrian Arab Republic of events at the moment, which impacted significantly on the economic sectors in general and some of the practices that are carried out by the Government of the Syrian Arab Republic of confiscation of some assets and documents of Palmyra - SODIC Real Estate Development (Syrian limited liability company) the management of Sixth of October Development and Investment "SODIC" address the Embassy of the Syrian Arab Republic in the Arab Republic of Egypt to save all the rights of those practices and commissioned a law office to try to recover their rights.

Accordingly the Board of Directors of Sixth of October Development and Investment "SODIC" saw that the assets of the investee company all become contentious with the State Government mentioned, which requires to recognize a loss arising from an inability to recover its investments and therefore the Board of Directors decided on 16 April 2014 reduction due to related parties relating to investments has been injected for projects in the Syrian Arab Republic for L.E 523 844 130 as of June 30, 2014.

16- Debtors and other debit balances

	30/6/2014	31/12/2013
	<u>L.E</u>	<u>L.E</u>
Contractors and suppliers – advance payments	81 427 183	143 466 354
Prepaid expenses	91 374 674	68 537 729
Accrued management fees (16-1)	-	4 342 500
Deposits with others	2 242 898	2 242 898
Due from the bonus and incentive plan to employees and managers fund (16-2)	4 192 535	5 323 710
Arab African International Bank - the bonus and incentive plan to employees and managers (16-3)	29 732 479	-
Advanced Lease rent	3 615 682	3 615 682
Other debit balances	4 977 635	5 540 889
	<u>217 563 086</u>	<u>233 069 762</u>
Impairment loss on debtors and other debit balances	(355 157)	(4 697 657)
	<u>217 207 929</u>	<u>228 372 105</u>

- (16-1) The Company undertakes the management of SODIC - Palmyra Real Estate Development Company - a Syrian limited liability Company which SODIC Syria Co. - a subsidiary has a participation of 50% according to the Partners Agreement concluded between this subsidiary and SODIC - Palmyra Real Estate Development Company LTD dated June 16, 2010 and an impairment loss has been recorded on accrued management fees of SODIC - Palmyra Real Estate Development Company as its above disclosed in note (15-1) during 2013 .
- (16-2) This item represents the amount due from the bonus and incentives plan to employees and managers. The amount represents the value of dividends of the shares of the bonus and incentives plan for the financial year ended December 31, 2010 as per the resolution of the Ordinary General Assembly Meeting held on April 12, 2011, and the interest due for these dividends.
- (16-3) This item represents the collected amount resulted from exercise of the beneficiaries of the incentive plan for 861 326 thousand share during June 2014. The credit appearing in creditors and other credit balances under due to the beneficiaries of incentive plan note No. (24).

- The Company's exposure to credit and currency risks related to other debtors is disclosed in note No. (44).

17- Cash at banks and on hand

	30/6/2014 <u>L.E</u>	31/12/2013 <u>L.E</u>
Bank – time deposits (17-1)	233 925 000	172 370 000
Bank – current accounts	152 776 776	88 174 557
Cheques under collection	14 547 840	24 543 329
Cash on hand	728 169	877 646
	<u>401 977 785</u>	<u>285 965 532</u>

17-1 Deposits include L.E 100 million restricted as a guarantee for the credit facility granted to the Company from a commercial banks. In addition, it includes an amount of L.E 73.2 million representing the value of deposits held by customers against the outcome of periodic maintenance expenses

- The Company's exposure to interest rate risk for financial assets is disclosed in note No. (44).
- For the purpose of preparing the separate statement of cash flows, cash and cash equivalents items is represented as follows:

	30/6/2014 <u>L.E</u>	31/12/2013 <u>L.E</u>
Cash at banks and on hand	401 977 785	285 965 532
<u>Less:</u>		
Restricted cash (facilities guarantee)	<u>100 000 000</u>	<u>50 000 000</u>
Cash and cash equivalent according to separate statement of cash flows	<u>301 977 785</u>	<u>235 965 532</u>

18- Provision for completion

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

	Balance as at 1/1/2014 <u>L.E</u>	Provision formed during the period <u>L.E</u>	Provision used during the period <u>L.E</u>	Balance as at 30/6/2014 <u>L.E</u>
Provision for completion	86 894 388	14 694 557	(48 170 402)	53 418 543
	<u>86 894 388</u>	<u>14 694 557</u>	<u>(48 170 402)</u>	<u>53 418 543</u>

Formed to face estimated cost to finish projects that delivered and estimated to be incurred and to complete spending on it during next years.

19- Provisions

	Balance as at 1/1/2014 <u>L.E</u>	Provision formed during the period <u>L.E</u>	Provision used during the period <u>L.E</u>	Balance as at 30/6/2014 <u>L.E</u>
Provision for expected claims	9 365 212	45 324	(501 736)	8 908 800
	<u>9 365 212</u>	<u>45 324</u>	<u>(501 736)</u>	<u>8 908 800</u>

- The provision for claims is related to probable claims from some external parties regarding the Company's activities, the management is reviewing these provisions each period and adjust the amount of the provision according to the latest developments, discussion and agreements with those parties.
- The information used to be disclosed about the provisions according to accounting Standards were not disclosed as the Company's management believes that doing so will severely affect the result of negotiations with these parties.

20- Bank – credit facilities

This item represents the following:

	30/6/2014 <u>L.E</u>	31/12/2013 <u>L.E</u>
The amount used from the credit facility granted to the Company from Audi Bank with total amount of L.E 45.5 million and bears interest rate of 1.75% per annum above the credit interest rate on the guarantying time deposits. This facility is guaranteed by time deposits amounting to L.E 50 million.	69 937 197	12 697 761
On Oct 20, 2013 the amount of facility was amended to become L.E 100 million with interest rate of 1.5% per annum above the credit interest rate on the time deposit. This facility is guaranteed by time deposits amounting to L.E 100 million.		
The amount used from the credit facility granted to the Company from Audi Bank with total amount of L.E 50 million and bears interest rate of 2.75% per annum above to the CORRIDOR average and a minimum rate of 12.5% and it has been stopped at April,3 2014.	-	18 714 006
	<u>69 937 197</u>	<u>31 411 767</u>

21- Advances from customers

This item represents the advances from customers for booking and contracting of units and lands as follows:

	30/6/2014 <u>L.E</u>	31/12/2013 <u>L.E</u>
Advances for booking , contracting and installments of residential units (Fourth area)	1 152 762	676 599
Advances – Allegria project	830 029 139	880 922 502
Advances – Forty West project	177 244 096	224 503 266
Advances – West town Residences project	1 929 996 411	1 436 421 287
Advances – Casa	22 358 088	39 698 103
	<u>2 960 780 496</u>	<u>2 582 221 757</u>

22- Contractors, suppliers and notes payable

	30/6/2014	31/12/2013
	<u>L.E</u>	<u>L.E</u>
Contractors	73 624 995	66 698 202
Suppliers	1 410 434	20 176 063
Notes payable (22-1)	35 134 326	37 978 887
	<u>110 169 755</u>	<u>124 853 152</u>
Deduct: Unamortized interest - notes payable	3 696 058	2 210 387
	<u>106 473 697</u>	<u>122 642 765</u>

22-1 This item includes an amount of L.E 883 000 which represents the amount due to Sodic Siac Co. for Real Estate Investment (subsidiary)

- The Company's exposure to currency and liquidity risks related to contractors, suppliers and notes payable is disclosed in note no. (44)

23- Due to related parties

	30/6/2014	31/12/2013
	<u>L.E</u>	<u>L.E</u>
Sixth of October for Development and Real Estate Projects (SOREAL)	64 553 879	64 503 879
Move - In for Advanced Contracting Co. - a subsidiary	836 776	840 479
Green scape for Agriculture and Reclamation Co. - a subsidiary (under Liquidation).	2 748 260	2 748 260
Sodic siac Co. for Real Estate Investment - a subsidiary	78 387 160	67 840 575
Tegara for Trading Centers Co. - a subsidiary	55 600 000	55 600 000
SODIC Property Services Co. - a subsidiary (under Liquidation)	2 702 660	2 702 660
Edara for Services of Cities and Resorts Co. - a subsidiary	3 951 533	3 172 720
Beverly Hills Co. for Management of Cities and Resorts	87 166	684 440
	<u>208 867 434</u>	<u>198 093 013</u>

24- Creditors and other credit balances

	30/6/2014	31/12/2013
	<u>L.E</u>	<u>L.E</u>
Accrued expenses	51 948 000	112 428 186
Amounts collected on account for management, operation and maintenance	127 995 703	109 259 917
Deposits collected from customers - against improvements	149 600	169 600
Customers-credit balances of Polygon project	286 065 458	98 209 235
Bonyan for development and trading Co.	107	529 955
Customers - cancellation	14 056 836	19 503 802
Dividends payable	91 643	91 643
Tax Authority	9 230 750	9 180 047
Accrued compensated absence	3 822 662	2 865 194
Sundry creditors	8 422 932	7 672 188
Accrued to Soldiere International Egypt (24-1)	73 114 470	71 078 513
Accrued to beneficiaries from incentive plan (24-2)	3 892 699	-
Capital gain-Deferred (24-3)	7 732 393	8 798 931
	<u>586 523 253</u>	<u>439 787 211</u>

- (24-1) Represents the short term amount due to Solidier International from land sales return according to agreed contract to settle the dispute between the company and Solidier International Egypt, LE 134 043 195 has been classified at long term creditor (Year 2013: L. E 165 849 864).
- (24-2) Represents the amount due to beneficiaries of Incentive plan till the end of announcing the custodian of the names of the beneficiaries accrued amounts as it is shown in details in note No.(16) above.
- (24-3) The amount represents the capital gain resulted from the sale of the land and the buildings of the administrative building, which is deferred and amortized over the lifetime of the financial lease contract as it is shown in details in note No.(31-1) above.
- The Company's exposure to currency and liquidity risks related to creditors is disclosed in note No. (44).

25- Share capital

- The Company's authorized capital was determined at L.E 2 800 million, and the issued capital is L.E 362 705 392 fully paid and distributed over 90 676 348 shares at a value L.E 4 per share.
- On January 27, 2011, the Extra-ordinary General Assembly meeting of the Company agreed on the stock splitting of the par value of the Company's share of L.E 10 to become L.E 4 per share.
- It's worth mentioning that on March 3, 2011, the Egyptian Financial Supervisory Authority, , approved that the Company's management shall proceed with the procedures of issuing the Company's issued capital of a number of 90 676 348 common cash shares at a par value of L.E 4 each (after splitting) with an increase of L.E 2 to be paid from the legal reserve according to the Company's financial statements as at December 31, 2009 . Thus, the issued and fully paid capital has become L.E 362 705 392 distributed over 90 676 348 shares. Annotation was made to this effect in the Company's Commercial Register on June 16, 2011.
- On July 13, 2014 The Extra-ordinary General Assembly Meeting approved to increase the issued capital from LE 362 705 392 divided in to 90 676 348 share with LE 4 per share to be LE 1 362 705 392 divided in to 340 676 348 share with LE 4 per share (in addition to issuing cost LE 0.06 for each share with an increase LE 1 billion divided in to 250 million shares with LE 4 per share. This capital increase is entirely allocated to existing shareholders according to their share in company's issued capital. The Extra-ordinary General Assembly Meeting also approved that trade of the subscription right is separable from the original share. The legal proceeding is now underway to finish the process.

The capital structure is as follows:

Shareholder	Number of shares	Share value L.E	Ownership percentage %
Suleiman ibn abd-elmohsein ibn abdalla abanmi	11 486 231	45 944 924	12.67
Olayan saudian investments limited Co.	11 237 896	44 951 584	12.39
RA Six Holdings Limited	8 515 317	34 061 268	9.39
Rashid Abd-elrahman Alrashid and his sons Co.	4 148 720	16 594 880	4.58
Hermis Holdings Financial Group.	4 041 223	16 164 892	4.46
Al-Magid for Investment Limited Co.	3 037 532	12 150 128	3.35
Abd-elmoneim Rashid Abd- elrahman Alrasid	2 634 443	10 537 772	2.91
Incentive and bonus plan of employees and managers	2 388 674	9 554 696	2.63
Other shareholders	43 186 312	172 745 248	47.62
	<u>90 676 348</u>	<u>362 705 392</u>	<u>100</u>

26- Legal reserve

According to the Company' statutes, the Company is required to set aside 5 % of annual net profit to form a legal reserve, transfer to the legal reserve may be suspended once the reserve reaches 50% of the Company's issued capital. The reserve balance as at June 30, 2014 is represented as follows:

	<u>L.E</u>
Legal reserve balance as at 1/1/2003	6 530 455
Add:	
Increase of the legal reserve with the difference between the par value of the treasury shares and its actual cost (according to the Company's Extra-Ordinary General Assembly Meeting held on July 10, 2003).	4 627 374
Increase of the legal reserve with part of capital increase share premium with limits of half of the Company's issued share capital during 2006. (Note No. 27).	123 409 151
Increase of the legal reserve with part of capital increase share premium during 2007 with limits of half of the Company's issued share capital. (Note No. 27).	5 000 000
Increase of legal reserve with a 5% of the net profit for year 2008.	2 339 350
Increase in legal reserve with a part of the capital share premium during 2010 with limits of half of the Company's issued share capital (Note No. 27)	39 446 365
Deduct:	
The amount used to increase the issued share capital during the year 2011 (Note No. 25).	2
	<u>181 352 693</u>

27- Special reserve – share premium

The balance is represented in the remaining amount of capital increase share premium for a number of 11 million shares during 2006 and share premium increase of one million share for the incentive and bonus plan during 2007 share premium increase of 7 857 143 shares during 2010 after deducting the amounts transferred to the legal reserve, and also after deducting the issuance expenses of such increase in addition to the amount credited to the share capital according to the Extra Ordinary General Assembly Meeting decision as follows:-

<u>Description</u>	<u>L.E</u>
Total value of the capital increase share premiums collected during 2006 and 2010	1 455 017 340
Add:	
Share premium of the employees' incentive and bonus plan issued during 2007	90 000 000
Deduct:	
- Amounts transferred to the legal reserve	(167 855 516)
- Capital increase – related expenses	(55 240 255)
- Amount used for share capital increase during 2008	(5 000 000)
	<u>1 316 921 569</u>

28- Profit from sale of treasury shares

On August 14, 2011, the board of directors of the Company approved the purchase of one million shares as a treasury shares at L.E 18 per share (the par value is L.E 4 per share) with a total amount of L.E 18 018 000 from the shares of the Company offered in the stock exchange and on August 13, 2012 the Company's board of directors agreed to sell these shares and it has been sold with an amount of L.E 21 710 867 resulting in profit from selling treasury shares with an amount of L.E 3 692 867 .

29- Shares kept for bonus and incentive plan

This item is represented in the remainder of the amount paid by the Company in return for issuing one million ordinary share with a fair value of L.E 40 per share (before splitting) under account and in favor of the incentive and bonus plan of the Company's employees and managers which are kept in Arab African International Bank.

<u>Description</u>	<u>L.E</u>
For financing of one million shares from the bonus and incentive plan with a fair value of L.E 100 per share (before splitting) during 2007.	100 000 000
<u>Deduct:</u> The value of 200 000 shares sold by the beneficiaries from the bonus and incentive plan during December 2007 out of which an amount of L.E 15 million was paid to the Company for L.E 75 per share (before splitting).	20 000 000
<u>Deduct:-</u> The value of 796 117 shares exercised by the beneficiaries from the bonus and incentive plan during June 2014 out of which an amount of LE 23.88 million for L.E 30 per share (before splitting).	31 844 680
	48 155 320

30- Set aside amount for bonus and incentive plan

The balance is represented in the remaining balance from the difference between the grant date fair value of shares and the amount incurred by the beneficiary from the incentive and bonus plan for the Company's managers and employees for the shares issued during 2007 in addition to share of the shares of the incentive plan in dividends as follows:-

<u>Description</u>	<u>L.E</u>
Represents the difference between the fair value of the shares granted to the beneficiaries from the bonus and incentive plan for one million share (allocated over 5 years) for 60 months and the agreed upon share price in accordance with the bonus and incentive plan as at December 31, 2012.	25 000 000
<u>Deduct:</u> The difference between the grant date fair value of the shares and the agreed upon share price in accordance with the incentive and bonus plan for 200 000 share that were sold in favor of the beneficiaries during December 2007.	5 000 000
	20 000 000
<u>Add:</u> The value of the share of the bonus and incentive plan to employees in the dividends declared in accordance with the resolution of the Ordinary General Assembly Meeting held on April 12, 2011, L.E 4 each *	5 200 000
Accrued returns amount of shares of bonus and incentive plan to employees in the dividends declared.	370 657
<u>Deduct:</u> Difference between fair value at grant date and the agreed value for bonus and incentive plan for 796 117 share (after splitting) and it has been sold to beneficiaries during June, 2014.	7 961 170
Value of sold shares from dividends according to general assembly meeting dated April 12, 2011	1 378 122
	16 231 365

* According to the incentive and bonus plan for employees, managers and executive board of directors, the exercise price of the share vested to beneficiary amounting to L.E 75 (before splitting) is reduced by the value of the distributed dividends to shareholders during plan term.

31- Long-term loans

	<u>30/2014</u>	<u>31/12/2013</u>
Medium-term loan amounting to 435 million Egyptian pounds granted by the Bank of Alexandria for four years, and on March 30, 2014 has been settled through syndicated loan agreement with the Arab African International Bank "facility agent" and a group of banks, referred to below.	-	256 381 985

On July 4, 2013 the company signed a contract with Arab African International Bank for a loan / short-term facility versus checks under collection – bridge loan for the purpose of financing the cost of construction of the project Sodic amounting to 150 million LE and a facility for nine months from the date of the first withdrawal, has been settled through syndicated loan agreement with the Arab African International Bank referred to "facility agent" hereinafter.

	-	55 027 500
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On December 19, 2013 the company signed a medium-term syndicated loan contract with a group of banks represented by the Arab African International Bank "facility agent" with amount of 900 million LE to finance a total debt-based company and the financing cost of the project "Sodic West" for some of the following stages and located in Kilo 38 Cairo Alex Desert - Giza, Egypt - the purpose of the facility agreement is limited exclusively to the stages Allegria, West Town Residence, Polygon, Forty West, and West Town Hub.

	433 983 384	-
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Guarantees:

- First degree real estate mortgage for the entire piece of land and the buildings, real estate and construction, and an area of 300 acres under contract publicized No. 1170 dated 2/5/2001 for "security agent."
- Pledge of shares agreement owned by the Sixth of October Development and real estate projects (Soreal) in one of its subsidiaries for the benefit of the facility agent "security."
- Unconditional and irrevocable transmitting of the company "borrower" and some of its subsidiaries their rights in revenues, all current and future rights of the proceeds of the contracts for the sale or rent of units for current and future project for the benefit of the "security agent."
- A subsidiary undertaking a mortgage of owned land as guarantee for amounts due and unpaid from the company "borrower".
- Pledge of accounts agreement: the debt service account are pledged and all amounts deposited in favor of the "security agent" and subject to the project account.
- Hire a mortgage from a subsidiary to mortgage their own land.
- A promissory note from the company "borrower".

Interest:

- Interest is calculated by a margin of 3% per annum in addition to lending rate announced by the Central Bank of Egypt, two days before the starting date of interest expense calculation.
- Interest expense calculated for one month and paid at the last business day of the period of interest expense until the date of full repayment of the loan.
- Administrative fee at a rate of 0.05% at the highest debit balance during each quarter of the financial year

Grace period: 12 months from the date of the first withdrawal, such period shall apply to the principal amount of the loan only.

Repayment: starts immediately after the grace period expires on (16) quarterly unequal installments every three months.

Deduct: Current portion

Alex Bank (short term)

Arab African International Bank

	<u>433 983 384</u>	<u>311 409 485</u>
	-	168 370 259
	-	55 027 500
	-	<u>223 397 759</u>
	<u>433 983 384</u>	<u>88 011 726</u>

31-1 The Company has signed a medium term financing contract (sale and lease back - financial lease) with an amount of L.E 75 132 399 with financing percentage represents 75% out of the value of the assets sold to the financial lease Company, the lease with a total amount of L.E 95 366 168 to be settled over (20) quarterly installment, following are the contract terms:

- 1- PIRAEUS Bank Egypt – Lender (first party)
- 2- PIRAEUS Company “for financial lease” – the lessor and security agent of the guarantee (second party)
- 3-Sixth of October for Development and Investment Company “SODIC” (Third party)
 - The purpose of the finance: using that finance to settle the capital expenditures the Company committed with
 - The period of finance: 5 years
 - Interest rate: corridor lending rate announced by the Central Bank plus 2.75%

And the above-mentioned financing operation has proceeded by the sale to PIRAEUS Company for financial lease and lease it back.

- 1- The whole land and buildings of the administrative building existed on plot No.26 in the area 17 at West Town Project – Beverly Hills – El-Sheikh Zayed – 6th of October city – Giza, with a total space of 22 086 m², sold with an amount of L.E 32 178 922.
- 2- The whole land and buildings of the sales building existed on plot Building 1 Block 1 the seventeenth avenue next to the desert road show rooms 38 km Cairo Alex desert road with a space of 4 977 m², sold with an amount of L.E 42 953 477.

The Company is accounting for the Financial lease assets according to the Egyptian Accounting Standard No.(20) as an operating lease.

32- Long-term notes payable

This item is represented in the following:

	30/6/2014 <u>L.E</u>	31/12/2013 <u>L.E</u>
Total nominal value of the checks issued to SODIC SIAC for Real Estate Investment Co. which are payable on May 2, 2016.	26 510 466	55 225 281
Unamortized interest	2 204 347	6 613 045
	<u>24 306 119</u>	<u>48 612 236</u>

- The Company's exposure to credit risk related to long-term notes payable is disclosed in note No. (44)

33- Deferred tax liabilities

	30/6/2014 <u>L.E</u>	31/12/2013 <u>L.E</u>
Fixed assets	3 475 479	2 770 981
Tax raised to liability	<u>3 475 479</u>	<u>2 770 981</u>

34- Sales (net)

- The Company's operations are considered to fall into one broad class of business represented in sale of real estate units and lands and hence, segmental analysis of assets and liabilities is not considered meaningful. Revenues could be analyzed as follows:

	Six months ended 30/6/2014	Six months ended 30/6/2013
	<u>L.E</u>	<u>L.E</u>
Sale of villas in Allegria project	191 962 428	289 631 978
Sales of Forty West project	73 997 674	-
Sales of Casa project	19 326 617	-
Sales of West Town Residence project	79 286 804	-
Sale of lands	-	36 894 087
	<u>364 573 523</u>	<u>326 526 065</u>
Deduct:-		
Sales returns - villas in Allegria project	-	3 000 002
	<u>364 573 523</u>	<u>323 526 063</u>

35- Cost of sales

	Six months ended 30/6/2014	Six months ended 30/6/2013
	<u>L.E</u>	<u>L.E</u>
Cost of villas sold in Allegria project	109 897 515	173 271 624
Cost of sales of Forty West project	60 678 179	-
Cost of sales of Casa project	11 918 950	-
Cost of sales of West Town Residence project	44 242 894	-
Cost of lands sold	-	22 003 120
	<u>226 737 538</u>	<u>195 274 744</u>
Deduct:-		
Cost of sales returns – Allegria project	-	2 003 226
	<u>226 737 538</u>	<u>193 271 518</u>

36- Other operating revenues

	Six months ended 30/6/2014	Six months ended 30/6/2013
	<u>L.E</u>	<u>L.E</u>
Interest income realized from installments during the year	20 440 270	14 986 676
Assignment, cancellation dues and delay penalties	14 430 798	19 239 115
Sundry income	5 796 706	2 220 132
Management fees	-	4 315 437
Income from management & operation of the golf course	600 000	600 000
Buildings rental income	383 034	159 131
Capital income	1 069 247	50 751
	<u>42 720 055</u>	<u>41 571 242</u>

37- Selling and marketing expenses

	Six months ended 30/6/2014	Six months ended 30/6/2013
	<u>L.E</u>	<u>L.E</u>
Salaries and wages	8 637 579	9 767 408
Sales commissions	11 163 260	10 395 460
Advertising expenses	11 250 194	9 287 528
Conferences and exhibitions	2 620 597	2 043 737
Rent	7 778 032	1 671 130
Maintenance, Cleaning and Agriculture	1 246 490	1 080 032
Professional fees and consultancy	306 000	783 876
Gifts	108 535	130 356
Others	936 743	2 967 261
	<u>44 047 430</u>	<u>38 126 788</u>

38- General and administrative expenses

	Six months ended 30/6/2014	Six months ended 30/6/2013
	<u>L.E</u>	<u>L.E</u>
Salaries, wages and bonuses (38-1)	16 164 159	21 656 207
Board of directors' remunerations and allowances	8 021 683	3 378 600
Consultancy and professional fees	3 324 147	1 003 727
Advertising	404 450	358 431
Donations	1 601 524	1 207 900
Maintenance, Cleaning, Agriculture & Security	9 686 519	16 317 370
Administrative depreciation of fixed assets and Rented Units.	4 736 380	7 943 166
Subscriptions and governmental dues	492 824	127 028
Rents	5 424 189	2 800 265
Travelling and transportation	598 000	422 190
Communication and electricity	1 502 706	870 975
Stationary and computer supplies	1 341 676	1 480 241
Hospitality	435 660	433 002
Others	1 923 765	2 146 761
	<u>55 657 682</u>	<u>60 145 863</u>

38-1 This item includes salaries for the executive managers members of the Board as follows:

	Six months ended 30/6/2014 <u>L.E</u>	Six months ended 30/6/2013 <u>L.E</u>
Salaries	2 289 650	9 403 081
Cash settled share-based payments (a)	-	665 079
	<u>2 289 650</u>	<u>10 068 160</u>

- (a) On May 16, 2006, the Company's board of directors decided to grant share appreciation rights to some executive board members that entitle them to future cash payments as part of their salaries and bonuses packages. The amount of the cash payment is determined based on the increase in the share price of the Company from grant date until vesting date.

The terms and conditions of the grants which are settled in cash to beneficiaries are as follows:

Parties entitled	Grant date	Number of shares in thousands	Fair value of share at grant date (after splitting) <u>L.E</u>	Market value of share at 30/6/2014 <u>L.E</u>	Conditions
Some executive board members	1/4/2006	-	30	32.35	Vested after 6 months from grant date

- (b) The company has a bonus and incentive plan as shown in Note No.(49) .

39- Other operating expenses

	Six months ended 30/6/2014 <u>L.E</u>	Six months ended 30/6/2013 <u>L.E</u>
Discount for early payment	21 416 921	10 698 288
Impairment losses on due to related parties	1 777 145	-
Provision for claims	45 324	45 324
	<u>23 239 390</u>	<u>10 743 612</u>

40- Finance income

	Six months ended 30/6/2014 <u>L.E</u>	Six months ended 30/6/2013 <u>L.E</u>
Interest income	7 102 755	7 750 534
Net foreign exchange differences	-	58 268 180
	<u>7 102 755</u>	<u>66 018 714</u>

41- Finance cost

	Six months ended 30/6/2014 <u>L.E</u>	Six months ended 30/6/2013 <u>L.E</u>
Interest expense	24 539 258	27 421 000
Net foreign exchange differences	5 599 114	-
Interests of installments of Sheikh Zayed land	3 054 929	6 122 244
	<u>33 193 301</u>	<u>33 543 244</u>

42- Income tax expense

	Six months ended 30/6/2014 <u>L.E</u>	Six months ended 30/6/2013 <u>L.E</u>
Current income tax expense	-	(20 240 168)
Deferred income tax expense	(704 497)	(1 781 545)
	<u>(704 497)</u>	<u>(22 021 713)</u>

43- Earnings per share

Earnings per share are calculated on the basis of net profits of the period and also the weighted average number of shares outstanding during the period as follows:

	Six months ended 30/6/2014 <u>L.E</u>	Six months ended 30/6/2013 <u>L.E</u>
Net profit for the period	30 816 495	73 263 281
<u>Divided by:</u>		
Weighted average number of shares outstanding during the period	90 676 348	90 676 348
earnings per share (L.E/share)	<u>0.34</u>	<u>0.81</u>

44- Financial instruments

44-1 Credit risk

Exposure to credit risk

The carrying amount of financial assets represented in the balances of trade and notes receivables, debtors and cash and cash equivalent represent the maximum credit exposure. These balances amounting to L.E 3 381 158 707 as at June 30, 2014 (December 31, 2013: L.E 2 751 193 318).

44-2 Liquidity risk

This note represents the contractual terms of financial liabilities:

June 30, 2014

	Carrying amount	Less than 1 year	1-2 years	2-5 years
	<u>L.E</u>	<u>L.E</u>	<u>L.E</u>	<u>L.E</u>
Banks – credit facility	69 937 197	69 937 197	-	-
Long-term loans	433 983 384	-	162 743 769	271 239 615
Contractors and suppliers	75 035 429	75 035 429	-	-
Other creditors	586 523 253	364 651 427	213 802 484	8 069 342
Notes payable – short term	31 438 268	31 438 268	-	-
Notes payable – long term	24 306 119	-	24 306 119	-
Total	1 221 223 650	541 062 321	400 852 372	279 308 957

December 31, 2013

	Carrying amount	Less than 1 year	1-2 years	2-5 years
	<u>L.E</u>	<u>L.E</u>	<u>L.E</u>	<u>L.E</u>
Banks – credit facility	31 411 767	31 411 767	-	-
Short-term loans	223 397 759	223 397 759	-	-
Long-term loans	88 011 726	-	-	88 011 726
Contractors and suppliers	86 874 265	86 874 265	-	-
Other creditors	439 787 211	238 455 399	194 009 497	7 322 315
Notes payable – short term	35 768 500	35 768 500	-	-
Notes payable – long term	48 612 236	-	24 306 118	24 306 118
Total	953 863 464	615 907 690	218 315 615	119 640 159

44-3 Currency risk

Exposure to currency risk

The Company's exposure to foreign currency risk was as follows:

Description	30/6/2014 <u>EUR</u>	30/6/2014 <u>USD</u>	31/12/2013 <u>EUR</u>	31/12/2013 <u>USD</u>
Cash at banks	204 468	4 115 371	-	2 934 697
Other debtors	-	-	-	625 000
Creditors and other credit balances	-	28 973 100	-	-
Surplus of foreign currencies	204 468	33 088 471	-	3 559 697

44-4 Interest rate risk

At the separate financial statements date the interest rate profile of the Company's financial instruments was:-

	Carrying amount	
	30/6/2014 <u>L.E</u>	31/12/2013 <u>L.E</u>
<u>Fixed rate instruments</u>		
Financial assets	2 920 314 660	2 437 554 695
Financial liabilities	(55 744 386)	(84 380 736)
	2 864 570 274	2 353 173 959
<u>Variable rate instruments</u>		
Financial liabilities	(503 920 581)	(342 821 252)
	(503 920 581)	(342 821 252)

The Company does not account for any fixed rate financial assets and liabilities at fair value through income statement, and the Company does not designate derivatives (interest rate swaps) as hedging instruments under a fair value hedge accounting model. Therefore, a change in interest rates at the financial statements date would not affect the income statement.

44-5 Fair values

Fair values versus carrying amounts

The main financial instruments for the Company represents in the balances of cash at banks, investments, trade and notes receivables, its associates and Subsidiaries, suppliers, contractors, notes payables, creditors and other credit balances and the monetary items included in debtors and creditors. The main purpose of these instruments is to finance the Company's activities.

According to the followed evaluation basis in evaluating the Company's assets and liabilities the carrying amounts for these financial instruments shows reasonable evaluation for their fair values.

45- Transactions with related parties

Related parties are represented in the Company' shareholders, board of directors, executive directors and companies in which they own directly or indirectly shares giving them significant influence or controls over the Group. The Company made several transactions during the period with related parties and these transactions have been done in accordance with the terms determined by the board of directors of the Company and were approved by the Company's Ordinary General Assembly. Summary of significant transactions concluded during the period at the separate balance sheet date were as follows:-

Party	Nature of relationship	Nature of transaction	30/6/2014 Amount of Transaction L.E
Beverly Hills Co. for Management of Cities and Resorts	A subsidiary	Works of agriculture, maintenance and security services for Beverly Hills City.	375 000
Sixth of October for Development and Real Estate Projects (SOREAL)	A subsidiary	Payments on behalf of the Company	61 793 502
		Cash payments	155 919 320
Garden City for development and investment	A subsidiary	Payments on behalf of the Company	398 044
		Cash receivables	279 204
Move-In for Advanced Contracting Co.	A subsidiary	Completion and furnishing works	658 659
		Rent of managerial Units	84 300
		Cash payments	6 226 764
Edara for Services of Cities and Resorts Co.	A subsidiary	Works of agriculture, maintenance and security services for Allegria City.	14 143 868
Tegara CO. for trading centers	A subsidiary	Expenses on behalf of the company	235 738
SODIC for Golf and Tourist Development Co.	A subsidiary	Payments on behalf of the Company.	819 573
		Revenue from management and operation of the golf course and club	600 000
		Expenses recovery	1 148 294
		Cash payments	4 000 000
Sodic SIAC for Real estate investment	A subsidiary	Payments on behalf of the Company.	37 871 112
		Cash receivable	35 918 863
		Works of SODIC SIAC building No.(1)	10 046 585
		Customer receivable and notes receivable	187 856 223
Green scape for Agriculture and Reclamation Co.	A subsidiary	Payment on behalf of the company	385 000
El Yosr for Projects and Agriculture Development Co.	A subsidiary	Payment on behalf of the company	452 656
		Cash payments	550 000
Fourteen Co. for Real estate investment	A subsidiary	Payments on behalf of the company	1 746 401
Sodic for development and Real estate investment	A subsidiary	Payments on behalf of the Company	460 847
		Cash payments	5 348 651
Royal Gardens Co.	A subsidiary	Payments on behalf of the company	349 480
Sodic - Syria	A subsidiary	Payments on behalf of the company	30 745
La maison Co. for Real estate investment	A subsidiary	Payments on behalf of the Company	10 045 358
Soreal Co. for Real estate investment	A subsidiary	Payments on behalf of the Company	40 028 390
Sodic Co. for securitization	A subsidiary	Payments on behalf of the Company	60 247
Executive managers & board members			(Note No. 38)

46- Legal status

There is a dispute between the Company and another party regarding the contract concluded between them on 23/2/1999 which is related to delivering this party a plot of land as a usufruct right for indefinite year of time and a return for an annual rental with a minimal amount for a total of 96 acres approximately and which has not been delivered up till this date as the management of this party did not abide by the detailed conditions of the contract. There are exchanged notifications concerning this land between the management of the Company and the management of the third party. During 2009, this party raised a court case No. 3 of 2009 Civil 6th of October against the Company asking it for the delivery of the allocated land. A preliminary sentence was issued by the court in its session held on February 22, 2010 to refer this matter to Experts and to delegate the Experts Office of the Ministry of Justice to embark this case and set a session to be held on April 26, 2010 for the expert to present his report. The session was postponed by the court several times and the last one will be held on September 8, 2014. The Company's legal counsel is of the opinion that the Company has the right to maintain and exploit this land under the contract as the said contract has not been affected and no usufruct right has been arisen to this party since its effect was based on conditions that have not been met. In addition, in case of any dispute raised by this party to possess the land, the Company has the actual and physical possession of the land and hence it has the right to continue in possessing the land till settlement of this dispute in front of court.

47- Tax status

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

Corporate tax

- A ten – year corporate tax exemption year starting from the year following the date of the activity inception as of 1/1/1998 until 31/12/2007 has been previously granted according to Law No. 59 of 1979 concerning the New Urban Communalities.
- During January 2011, the Company submitted a request to the Tax Authority demanding the amendment of the tax exemption year to start from the date of the actual handing over of the units in the year 2002.
- On January 18, 2011, the Disputes Dispersal Committee of the Tax Authority considered and studied the Company's request in the light of the date of the actual handing over of the units and the regulations applicable to similar companies. Accordingly, the said committee decided to approve the Company's request thus considering the date of the actual business activity of the Company to be the year 2002, hence, the Company shall be entitled to tax exemption from 1/1/2003 to 31/12/2012, and the amendment was annotated in the Company's tax card.
- The amended tax return for year 2008 was submitted to the Tax Authority.
- The Tax Authority assessed corporate profit tax and moveable income tax for the years from 1996 till 2000 on deemed basis. The Company was notified by the tax forms and has objected on such assessment. During 2010, the inspection was made for the said years and the Company has not received any tax claims till authorizing these financial statements for issuance.
- No tax inspection has been carried out for year from 2001 to 2004 till authorizing these financial statements for issuance.
- Inspection was notified for the year from 2006 till 2008 and was notified by form (19) on 29 April 2012 for the year 2006 approximately and was appealed on May 3, 2012 and a request was submitted for re-inspection in 2006 and re-inspection is being carried on.
- The Company submits its annual tax return on due dates in accordance with Law No. 91 of 2005.

Salary tax

- Tax inspection was carried out until year 2001 and the tax claims were paid according to the assessment of the Internal Committee during September 2004.
- Years from 2002 till 2004 were inspected and the Company has paid the tax differences.
- Years from 2005 till 2010 are under inspection and the Company has not received any tax claims till authorizing these financial statements for issuance.

Withholding tax

Tax inspection was carried out for the previous years and also till the third quarter of 2014 till authorizing these financial statements for issuance.

Stamp tax

- Tax inspection was carried out for the previous year till December 31, 2010 and the tax differences were paid.

Sales tax

- The Company was inspected from inception till August, 2003 and tax differences were paid.
- The Company was inspected from August, 2003 till December, 2010, tax differences and additional tax were paid.

Real estate property tax

The Company submitted the Real Estate Tax returns for the year 2009 on due dates in accordance with Law No. 196 of 2008.

48- Capital commitments

Capital commitment as at June 30, 2014 is represented in contracted and unexecuted works amounting to L.E. 587 374 (2013 : L.E. 588 605)

49- Bonus and incentive plan of the Company's employees and managers

- On 16 October 2006, the Company's Extra - Ordinary General Assembly unanimously agreed to approve the incentive plan of the Company's employees and managers and authorizing the Company's board of directors to issue million share with a fair value of L.E 100 per share (before splitting) and appointing an independent committee for supervising the execution of this plan formed by non - executive members in the board of directors.

The following are the main features of the incentive and bonus plan of employees, managers and executive board directors:

- The bonus and incentive plan works through allocation of shares for the employees, managers and executive board directors.
- Duration of the plan is four years starting from the date of approval of the plan by the shareholders meeting and each beneficiary is allocated during this year a specified number of shares each year over the plan years according to the allocated shares outlined in the appendix of this plan.
- The price of share was determined for the beneficiary at L.E 75 per share. (before splitting)
- The Company shall finance the issuance of the shares of the increase allocated in application of the plan and the value of shares due to the Company will be paid from the proceeds of sale.

- The Company signed a custody agreement with Arab African International Bank on 15 April 2007 to save bonus and incentive shares. The shares of the plan were issued and financed by the Company. Annotation of this increase was registered in the Commercial Registry on July 5, 2007.
- On September 23, 2007, the Supervisory Committee of the bonus and incentive plan of the Company's employees, executive directors and managers agreed to the selection of the beneficiaries and also the number of shares allocated to each one of them. Accordingly, the whole shares of the plan were allocated in full.
- During December 2007, a number of 200 000 shares from the incentive and bonus plan were exercised with average selling price of L.E 226.63 per share. The amounts due to beneficiaries were set aside in special account held by Arab African International Bank until the completion of the prohibition year according to the bonus and incentive plan provisions.
- The number of shares allocated to the plan was increased by 500 000 additional shares.
- On July 3, 2008 the Supervisory Committee of the incentive and bonus plan of the Company's employees, executive directors approved the allocation of 495 000 shares of the total shares to some of the Company's employees and executive directors. Allocation contracts for these shares were signed with the employees and the executive directors during October 2008.
- On December 7, 2009, the Company's Extraordinary General Assembly agreed on the amendment of some articles of the bonus and incentives plan and the allocation contracts of the shares that were approved by the Egyptian Financial Supervisory Authority as follows:
 - Extension of the year of the exercise right stated in the bonus and incentive plan and the allocation contract to be ended on March 2015 instead of March 2011.
 - Amendment of the bonus and incentive plan and the allocation contract to enable the beneficiary from the plan the possibility to transfer the title of the shares allocated to him to be in his name after ending the prohibition year provided the payment of the share price stated in the plan and in this case, the beneficiary is entitled to all rights as determined on the Company's shares.
 - Amendment of article No. (11) of the bonus and incentive plan with respect to the management of the plan to give the board of directors the right – when necessary – of the replacement of a Supervisory Committee member with another one provided that this member to be from non-executive members.
- On April 26, 2010, the Company was notified by the consent of the Egyptian Financial Supervisory Authority on the approval and the amendments made on the bonus and incentive plan.

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

<u>Employees</u> <u>entitled</u>	<u>Grant</u> <u>date</u>	<u>No. of</u> <u>shares in</u> <u>thousands</u>	<u>Fair value</u> <u>of share at</u> <u>grant date</u> <u>L.E</u>	<u>Exercising</u> <u>price</u> (before split) <u>L.E</u>	<u>Conditions</u>
Previous- Managing director	28/3/2007	750	100	75	Working from the Company for five years and exercise period from 31/3/2007 till 31/3/2015 – the beneficiary is not entitled to this right if the performance of the Company's share is below CASE 30 by more than 20% for two consecutive years during the vesting year.
Previous- Board of director	23/9/2007	75	100	75	According to performance measure and exercise period from 31/3/2007 till 31/3/2015.
Some managers	23/9/2007	175	100	75	According to performance measure and exercise period from 31/3/2007 till 31/3/2015.
Board of director	7/10/2008	25	73.34	75	According to performance measure and exercise period from 31/3/2007 till 31/3/2015.
Some managers	7/10/2008	470	73.34	75	According to performance measure and exercise period from 31/3/2007 till 31/3/2015.

50- Comparative Figure

- The comparative figures has been restated to conform with the classification of the present financial statements.

<u>balance</u>	
<u>LE</u>	
(605 637 075)	Creditors and other credit balances
439 787 211	Creditors and other credit balances
165 849 864	Long-term creditors