

**Sixth of October for Development and Investment Company "SODIC"**  
**(An Egyptian Joint Stock Company)**  
**Consolidated Interim Financial Statements**  
**For The Financial Period Ended March 31, 2017**  
**And Limited Review Report**

 **Hazem Hassan**  
**Public Accountants & Consultants**

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**Hazem Hassan**

Public Accountants & Consultants

Translation of review report  
originally issued in Arabic

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**Limited review report on consolidated 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 consolidated interim statement of financial position of Sixth of October for Development and Investment Company "SODIC" (S.A.E) as at March 31, 2017 and the related consolidated interim statements of profit and loss, comprehensive income, changes in equity, and cash flows for the three-month then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of these consolidated interim financial statements in accordance with Egyptian Accounting Standards. Our responsibility is to express a conclusion on these consolidated 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 (no. 2410), "Limited Review of 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 consolidated interim financial statements.

***Conclusion***

Based on our limited review, nothing has come to our attention that causes us to believe that the accompanying consolidated interim financial statements do not present fairly, in all material respects, the consolidated financial position of the Company as at March 31, 2017 and of its consolidated interim financial performance and its consolidated interim cash flows for the three-month then ended in accordance with Egyptian Accounting Standards.

**KPMG Hazem Hassan**  
**Public Accountants & Consultants**

Cairo May 15, 2017



**Sixth of October for Development and Investment Company "SODIC"**


**(An Egyptian Joint Stock Company)**

**Consolidated interim statement of financial position**

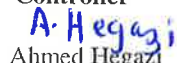
EGP	Note No.	31 March 2017	31 December 2016
<b>Non-current assets</b>			
Property, plant, equipment	(23)	107 180 746	107 276 928
Projects under construction	(24)	160 657 865	160 661 837
Biological Assets under construction	(25)	6 536 502	6 408 365
Investments in associates and joint ventures	(26)	-	-
Investments - available for sale	(27)	4 250 000	4 250 000
Investment properties	(28)	101 054 280	101 864 178
Notes receivables	(29)	6 698 403 900	6 657 311 976
<b>Total non-current assets</b>		<b>7 078 083 293</b>	<b>7 037 773 284</b>
<b>Current assets</b>			
Other assets	(15)	5 868 522	5 201 605
Completed units ready for sale	(16)	6 967 815	7 669 865
Works in process	(17)	7 269 080 102	7 194 030 716
Trade and notes receivable	(18)	3 189 691 128	3 093 930 806
Debtors and other debit balances	(19)	1 008 292 248	866 211 339
Loans to Joint Ventures	(20)	-	-
Investments in treasury bills	(21)	1 340 120 645	298 249 707
Cash at banks and on hand	(22)	1 462 005 625	2 272 843 670
<b>Total current assets</b>		<b>14 282 026 085</b>	<b>13 738 137 708</b>
<b>Total assets</b>		<b>21 360 109 378</b>	<b>20 775 910 992</b>
<b>Equity</b>			
Issued & paid in capital	(30)	1 369 194 672	1 355 638 292
Legal reserve	(31)	206 217 101	195 088 853
Special reserve - share premium	(32)	1 344 377 099	1 357 933 479
Retained earnings		1 021 696 873	822 185 185
Treasury shares	(33)	( 12 833)	( 12 833)
Profit from sale of treasury shares	(34)	1 725 456	1 725 456
Reserve for employee stock option plan	(52)	18 276 121	18 276 121
<b>Equity attributable to equity holders of the Company</b>		<b>3 961 474 489</b>	<b>3 750 834 553</b>
Non-controlling interests	(35)	71 508 846	70 180 204
<b>Total equity</b>		<b>4 032 983 335</b>	<b>3 821 014 757</b>
<b>Non-current liabilities</b>			
Loans - long term	(36)	957 060 112	1 022 542 421
Notes payable - long term	(37)	580 091 644	775 224 846
Deferred tax liabilities	(13)	15 978 746	15 662 625
<b>Total non-current liabilities</b>		<b>1 553 130 502</b>	<b>1 813 429 892</b>
<b>Current liabilities</b>			
Bank - credit facilities	(40)	38 478	3 405 400
Loans - Short term	(36)	292 340 482	169 640 020
Contractors, suppliers and notes payable	(42)	943 580 819	849 986 725
Advances - from customers	(41)	12 959 433 473	12 619 201 231
Creditors and other credit balances	(43)	1 485 921 568	1 406 387 940
Provision for completion	(38)	86 242 173	86 429 141
Provisions	(39)	6 438 548	6 415 886
<b>Total current liabilities</b>		<b>15 773 995 541</b>	<b>15 141 466 343</b>
<b>Total liabilities</b>		<b>17 327 126 043</b>	<b>16 954 896 235</b>
<b>Total equity and liabilities</b>		<b>21 360 109 378</b>	<b>20 775 910 992</b>

\* The accompanying notes form an integral part of these consolidated interim financial statements and to be read therewith.

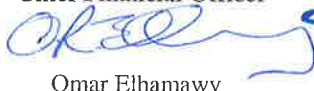
Financial Manger

  
Mohsen Mostafa

Group Financial  
Controller

  
Ahmed Hegazi

Chief Financial Officer

  
Omar Elhamawy

Managing Director

  
Magued Sherif

Chairman

  
Hani Sarie El Din

"Limited Review's report attached"

**Sixth of October for Development and Investment Company "SODIC"**  
**(An Egyptian Joint Stock Company)**  
**Consolidated interim statement of profit and loss**  
**for the financial period ended March 31,**

EGP	Note	2017	2016
<b>Continuing operations</b>	<b>No</b>		
<b>Revenues</b>			
Sales of real estate and lands	(5)	666 807 784	168 589 622
Revenues of Beverly Hills Company for Management of Cities and Resorts		7 865 161	6 919 719
Revenues of Edara for Services of Cities and Resorts Company		24 606 682	9 271 948
Revenue of rental of real state		1 986 852	622 746
Revenues from golf course		2 212 668	1 995 572
<b>Total operation revenues</b>		<b>703 479 147</b>	<b>187 399 607</b>
<b>Cost of sales</b>			
Cost of sales of real estate and lands	(6)	( 412 778 000)	( 91 591 088)
Costs of Beverly Hills Company for Management of Cities and Resorts		( 8 456 313)	( 7 743 271)
Costs of Edara for Services of Cities and Resorts Company		( 18 089 634)	( 7 367 835)
Costs of rental of real state		( 1 220 815)	( 1 806 250)
Cost of golf course		( 4 298 206)	( 2 970 779)
<b>Total operation costs</b>		<b>( 444 842 968)</b>	<b>(111 479 223)</b>
<b>Gross profit</b>		<b>258 636 179</b>	<b>75 920 384</b>
Other operating revenues	(7)	62 346 505	34 363 899
Selling and marketing expenses	(8)	( 37 600 943)	( 21 475 528)
General and administrative expenses	(9)	( 48 454 523)	( 35 580 690)
Other operating expenses	(10)	( 19 482 850)	( 3 147 069)
<b>Operating profit</b>		<b>215 444 368</b>	<b>50 080 996</b>
Finance income	(11)	85 268 610	44 563 571
Finance cost	(12)	( 19 372 343)	( 22 948 543)
<b>Net finance income</b>		<b>65 896 267</b>	<b>21 615 028</b>
<b>Net profit before tax</b>		<b>281 340 635</b>	<b>71 696 024</b>
Income tax	(13)	( 69 372 057)	(17 041 113)
<b>Profit from continuing operations</b>		<b>211 968 578</b>	<b>54 654 911</b>
<b>Profit for the period</b>		<b>211 968 578</b>	<b>54 654 911</b>
<b>Attributable to:</b>			
Equity holders of the Company		210 639 936	51 154 918
Non-controlling interests	(35)	1 328 642	3 499 993
<b>Net Profit for the period</b>		<b>211 968 578</b>	<b>54 654 911</b>
<b>Earnings per share from continuing operations (EGP / Share)</b>	(14)	<b>0.62</b>	<b>0.15</b>

\* The accompanying notes form an integral part of these consolidated interim financial statements and to be read therewith.

**Sixth of October for Development and Investment Company "SODIC"**  
**(An Egyptian Joint Stock Company)**  
**Consolidated interim statement of comprehensive income**  
**for the financial period ended March 31,**

EGP	<u>Note No</u>	2017	2016
<b>Profit for the period</b>		<b>211 968 578</b>	<b>54 654 911</b>
<b>Total other comprehensive income items for the period after income tax</b>		<b>-</b>	<b>-</b>
<b>Total comprehensive income of the period</b>		<b><u>211 968 578</u></b>	<b><u>54 654 911</u></b>
<b>Total comprehensive income is attributable to:</b>			
Equity holders of the Company		210 639 936	51 154 918
Non-controlling interests	(35)	<u>1 328 642</u>	<u>3 499 993</u>
<b>Total comprehensive income for the period</b>		<b><u>211 968 578</u></b>	<b><u>54 654 911</u></b>

\* The accompanying notes form an integral part of these consolidated interim financial statements and to be read therewith.

Sixth of October for Development and Investment Company "SODIC"  
(An Egyptian Joint Stock Company)  
Consolidated interim statement of changes in Equity  
for the financial period ended March 31, 2017

EGP	Issued and paid in capital	Legal reserve	Special reserve- share premium	Retained earnings	Treasury shares	profit from selling of treasury shares	Shares kept for bonus and incentive plan	Reserve for employee stock plan	Total	Non-Controlling interests	Total equity
Balance as at December 31, 2015	1 355 638 292	184 428 817	1 357 933 479	403 557 570	(10 162 833)	3 692 867	-	-	3 295 088 192	90 892 998	3 385 981 190
<b>Total comprehensive income</b>											
Net profit for the period	-	-	-	51 154 918	-	-	-	-	51 154 918	3 499 993	54 654 911
Other comprehensive income items	-	-	-	-	-	-	-	-	-	-	-
<b>Total comprehensive income</b>	-	-	-	51 154 918	-	-	-	-	51 154 918	3 499 993	54 654 911
<b>Transactions with owners of the Company</b>											
Transferred to legal reserve	-	10 660 036	-	(10 660 036)	-	-	-	-	-	-	-
Selling of treasury shares	-	-	-	-	10 150 000	-	-	-	10 150 000	-	10 150 000
Loss from selling of treasury shares	-	-	-	-	-	(1 967 411)	-	-	(1 967 411)	-	(1 967 411)
<b>Total transactions with owners of the Company</b>	-	10 660 036	-	(10 660 036)	10 150 000	(1 967 411)	-	-	8 182 589	-	8 182 589
Balance as at March 31, 2016	1 355 638 292	195 088 853	1 357 933 479	444 052 452	(12 833)	1 725 456	-	-	3 354 425 699	94 392 991	3 448 818 690
<b>Balance as at December 31, 2016</b>	1 355 638 292	195 088 853	1 357 933 479	822 185 185	(12 833)	1 725 456	-	18 276 121	3 750 834 553	70 180 204	3 821 014 757
<b>Total comprehensive income</b>											
Net profit for the period	-	-	-	210 639 936	-	-	-	-	210 639 936	1 328 642	211 968 578
Other comprehensive income items	-	-	-	-	-	-	-	-	-	-	-
<b>Total comprehensive income</b>	-	-	-	210 639 936	-	-	-	-	210 639 936	1 328 642	211 968 578
<b>Transactions with owners of the Company</b>											
Increase in capital	13 556 380	-	(13 556 380)	-	-	-	-	-	-	-	-
Transferred to legal reserve	-	11 128 248	-	(11 128 248)	-	-	-	-	-	-	-
Set aside amount for bonus and incentive plan	-	-	-	-	-	-	-	-	-	-	-
<b>Total transactions with owners of the Company</b>	13 556 380	11 128 248	(13 556 380)	(11 128 248)	-	-	-	-	-	-	-
Balance at March 31, 2017	1 369 194 672	206 217 101	1 344 377 099	1 021 696 873	(12 833)	1 725 456	-	18 276 121	3 961 474 489	71 508 846	4 032 983 335

\* The accompanying notes form an integral part of these consolidated interim financial statements and to be read therewith.

Sixth of October for Development and Investment Company "SODIC"  
**(An Egyptian Joint Stock Company)**  
**Consolidated interim statement of cash flows**  
**for the financial period ended March 31**

EGP	Note No	2017	2016
<b><u>Cash flows from operating activities</u></b>			
Net profit for the period before tax		281 340 635	71 696 024
<b><u>Adjustments for:</u></b>			
Depreciation of fixed assets and investment properties	(28) + (23)	4 735 568	8 052 404
Capital gain	(7)	(1 011 355)	(151 805)
Return on investments in treasury bills	(11)	(47 208 544)	(19 978 195)
Impairment loss of debtors, trade receivables and loans to joint ventures	(10)	484 919	245 940
Reverse of impairment loss of debtors	(7)	(323 922)	-
Provisions formed	(38) + (39)	11 443 605	6 937 308
Provisions no longer required	(38) + (39)	(275 181)	(67 000)
Impairment of property, plant and equipment	(23)	(455 812)	-
<b><u>Changes in:</u></b>			
Other assets		(666 917)	1 356 068
Finished units available for sale		702 050	1 942 050
Works in process		(75 049 386)	(238 384 785)
Trade and notes receivables		(136 852 246)	(72 119 882)
Debtors and other debit balances		(142 241 906)	(134 781 212)
Provisions used	(38) + (39)	(11 332 730)	(7 232 768)
Advances from customers		340 232 242	530 129 498
Contractors, suppliers and notes payable		(101 539 108)	(173 736 230)
Creditors and other credit balances		10 477 692	(19 808 907)
Restricted cash		(104 228)	(3 959 000)
<b>Net cash generated from / (used in) operating activities</b>		<b>132 355 376</b>	<b>(49 860 492)</b>
<b><u>Cash flows from investing activities</u></b>			
Payments for purchase of fixed assets, projects under construction and biological assets		(3 765 829)	(3 857 519)
Payments for Investments in treasury bills		(1 235 716 116)	(753 763 496)
Proceeds from Investments in treasury bills		241 053 722	55 429 231
Proceeds from sale of fixed assets		1 279 343	462 063
<b>Net cash used in investing activities</b>		<b>(997 148 880)</b>	<b>(701 729 721)</b>
<b><u>Cash flows from financing activities</u></b>			
Payments for banks - credit facilities		(3 366 922)	48 112 325
Proceeds from short and long term loans		57 218 153	35 582 233
Proceeds from sale of treasury shares		-	8 182 589
<b>Net cash generated from financing activities</b>		<b>53 851 231</b>	<b>91 877 147</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(810 942 273)</b>	<b>(659 713 066)</b>
Cash and cash equivalents at January 1		2 164 139 678	1 662 027 865
<b>Cash and cash equivalents at March 31</b>	(22)	<b>1 353 197 405</b>	<b>1 002 314 799</b>

\* The accompanying notes form an integral part of these consolidated interim financial statements and to be read therewith.

**Sixth of October for Development and Investment Company "SODIC"**  
**(An Egyptian Joint Stock Company)**  
**Notes to the consolidated interim financial statements**  
**for the financial period ended March 31, 2017**

**1. Background and activities**

**1-1** Sixth of October for Development and Investment Company "SODIC"– An Egyptian Joint Stock Company – was incorporated in accordance with the provisions of Law No. 159 of 1981 and its Executive Regulations and considering the provisions of Law No. 95 of 1992 and its Executive Regulations and by virtue of the decree of the Minister of Economy 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:

- Land acquisition and the subsequent sale/lease to clients after connecting the relevant infrastructure.
- Operating in the field of construction, integrated construction and supplementary works.
- Planning, dividing and preparing lands for building and construction 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 including, building, managing, selling or utilizing hotels, motels and tourist 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 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 with companies or others that share similar activities or which may assist it to achieve its purposes in Egypt or abroad.

Also the Company is entitled to merge into or acquire the aforementioned companies or make them 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 listed on the Egyptian Exchange.

**1-5** The interim consolidated financial statements of Sixth of October for Development & Investment Company "SODIC" (the Parent Company) for the financial period ended March 31, 2017 comprise the financial statements of the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in the profit and loss of associates and joint ventures.

The registered office of the Parent Company is located at Km. 38 Cairo / Alexandria Desert Road, Sheikh Zayed City. Dr. Hany Sarie El Din is the Chairman for the Parent Company and Mr. Maged Sherif, is the Managing Director of the Parent Company.

**Sixth of October for Development and Investment Company "SODIC" - (An Egyptian Joint Stock Company)**  
**Notes to the consolidated interim financial statements for the financial period ended March 31, 2017**

**2. Basis of preparation of consolidated interim financial statements**

**Compliance with accounting standards and laws**

- The consolidated interim financial statements have been prepared in accordance with Egyptian Accounting Standards and applicable laws and regulations.
- The interim consolidated financial statements were approved by the Board of Directors on May 15, 2017.

**3. Functional and presentation currency**

The interim consolidated financial statements are presented in Egyptian Pounds, which is the Company's functional currency.

**4. Use of judgment and estimates**

- In preparing the consolidated financial statements in accordance with Egyptian Accounting Standards (EAS), management has made judgments, estimates and assumptions that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. These estimates and assumptions are based on past experience and various factors. Actual results may differ from these estimates.
- Estimates and underlying assumptions are reviewed on an ongoing basis.
- The recognition of the change in accounting estimates in the period in which the change in estimate, if the change affects only that period, or in the period of change and future periods if the change affects both.

**Measurement of fair value**

- The fair value of financial instruments determines based on the market value of a financial instrument or similar financial instruments at the date of the financial statements without deducting any estimate future costs of sale. The financial asset values determine at current prices for the purchase of those assets, while determining the value of financial liabilities at current prices, which could be settled by those commitments.
- In the absence of an active market to determine the fair value of financial instruments, the fair value is estimated using various valuation techniques, taking into consideration the transactions price that has recently or be guided by the current fair value of other instruments which is substantially similar. Or the use of - discounted cash flow - or any other evaluating method that leads to results can rely on it.
- When using the discounted cash flow method as a way for the evaluation, the future cash flows are estimated based on the best estimates of management. And determined the discount rate used in the prevailing market price at the date of the financial statements of financial instruments are similar in nature and terms.

**Sixth of October for Development and Investment Company "SODIC" - (An Egyptian Joint Stock Company)**  
**Notes to the consolidated interim financial statements for the financial period ended March 31, 2017**

**5. Real estate and land sales**

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

	<b>31/3/2017</b>	<b>31/3/2016</b>
	<b><u>EGP</u></b>	<b><u>EGP</u></b>
Revenues from the sale of units in <b>Allegria</b> project	56 253 104	19 849 486
Revenues from the sale of units in <b>Kattameya Plaza</b> project	-	9 661 511
Revenues from the sale of units in <b>Eastown Residence</b> project	339 583 825	-
Revenues from the sale of units in <b>The Strip</b> project	6 690 035	15 532 440
Revenues from the sale of units in <b>Forty West</b> project	44 583 446	19 835 898
Revenues from the sale of units in <b>CASA</b> project	1 149 310	3 180 321
Revenues from the sale of units in <b>Westown Residence</b> project	199 155 418	96 756 279
Revenues from the sales of business units in <b>Polygon</b> project	19 392 646	3 773 687
	<b><u>666 807 784</u></b>	<b><u>168 589 622</u></b>

**6. Cost of real estate and land sold**

	<b>31/3/2017</b>	<b>31/3/2016</b>
	<b><u>EGP</u></b>	<b><u>EGP</u></b>
Cost of sales of units in <b>Allegria</b> project	19 520 287	11 217 773
Cost of sales of units in <b>Kattameya Plaza</b> project	-	4 678 095
Cost of sales of units in <b>Eastown Residence</b> project	255 395 642	-
Cost of sales of units in <b>The Strip</b> project	2 478 955	5 879 825
Cost of sales of units in <b>Forty West</b> project	28 310 734	11 868 995
Cost of sales of units in <b>CASA</b> project	702 050	1 942 050
Cost of sales of units in <b>Westown Residence</b> project	94 377 438	54 057 030
Cost of sales of business units in <b>Polygon</b> project	11 992 894	1 947 320
	<b><u>412 778 000</u></b>	<b><u>91 591 088</u></b>

**7. Other operating revenues**

	<b>31/3/2017</b>	<b>31/3/2016</b>
	<b><u>EGP</u></b>	<b><u>EGP</u></b>
Interest income realized from installments during the period	31 055 645	14 184 700
Assignment, cancellation dues and delay penalties	29 014 827	19 029 366
Other income	484 944	931 028
Reversal of impairment of fixed assets amount	455 812	-
Capital gain	1 011 355	151 805
Provisions no longer required and reversal of impairment of debtors	323 922	67 000
	<b><u>62 346 505</u></b>	<b><u>34 363 899</u></b>

**Sixth of October for Development and Investment Company "SODIC" - (An Egyptian Joint Stock Company)**  
**Notes to the consolidated interim financial statements for the financial period ended March 31, 2017**

**8. Selling and marketing expenses**

	<b>31/3/2017</b>	<b>31/3/2016</b>
	<b><u>EGP</u></b>	<b><u>EGP</u></b>
Salaries and wages	6 056 449	5 337 536
Sales commissions	19 656 135	5 775 593
Advertising expenses	9 025 932	5 892 419
Conferences and Exhibitions	104 394	2 007 652
Advertising events	493 974	206 493
Rent	687 183	641 717
Maintenance, cleaning and agriculture	166 781	392 186
Travel, transportation and cars	70 390	6 571
Professional and consultants fees	270 000	35 676
Gifts	-	50 132
Depreciation	229 876	185 863
Employees vacations	150 531	84 969
Fees and stamps	39 823	224 260
Printing and photocopying	444 680	599 491
Others	204 795	34 970
	<b><u>37 600 943</u></b>	<b><u>21 475 528</u></b>

**9. General and administrative expenses**

	<b>31/3/2017</b>	<b>31/3/2016</b>
	<b><u>EGP</u></b>	<b><u>EGP</u></b>
Salaries, wages and bonuses (9-1)	22 479 445	12 122 042
Board of Directors' remunerations and allowances	3 166 382	2 014 903
Training, medical care, meals & uniforms	1 744 730	1 152 339
Employees' defined benefit plan	-	1 257 081
Maintenance, cleaning, agriculture, security and guarding	7 353 323	4 385 113
Professional and consultancy fees	2 347 730	1 846 482
Advertising, exhibitions and conferences	743 300	124 072
Donations and gifts	442 700	279 107
Administrative depreciation of fixed assets and rented units	2 449 984	6 183 305
Reception and hospitality	173 841	282 907
Printings and office supplies	1 233 488	979 789
Communication, electricity, telephone and water	1 162 699	1 461 101
Subscriptions and governmental dues	941 667	357 069
Rent	594 216	362 815
Travel and transportation	674 476	484 136
Bank charges	888 488	984 103
Employees vacations	607 514	347 738
Insurance installments	97 971	109 443
Others	1 352 569	847 145
	<b><u>48 454 523</u></b>	<b><u>35 580 690</u></b>

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(9-1) This item includes salaries of the executive Board of Directors as follows:

	<b>31/3/2017</b>	<b>31/3/2016</b>
	<b><u>EGP</u></b>	<b><u>EGP</u></b>
Salaries	3 123 126	1 418 629
	<b>3 123 126</b>	<b>1 418 629</b>
<b>10. <u>Other operating expenses</u></b>		
	<b>31/3/2017</b>	<b>31/3/2016</b>
	<b><u>EGP</u></b>	<b><u>EGP</u></b>
Discount for early payment	18 950 704	2 763 917
Provision of claims	22 662	127 662
Impairment losses of debtors and loans to joints ventures	484 919	245 940
Loss from liquidation of investments	24 565	34
Penalties for late payment	-	9 516
	<b>19 482 850</b>	<b>3 147 069</b>
<b>11. <u>Finance income</u></b>		
	<b>31/3/2017</b>	<b>31/3/2016</b>
	<b><u>EGP</u></b>	<b><u>EGP</u></b>
Interest income	37 686 110	20 905 339
Return on investment in treasury bills	47 208 544	19 978 195
Income from revaluation and sale of investments	-	190
Net foreign exchange translation	373 956	3 679 847
	<b>85 268 610</b>	<b>44 563 571</b>
<b>12. <u>Finance cost</u></b>		
	<b>31/3/2017</b>	<b>31/3/2016</b>
	<b><u>EGP</u></b>	<b><u>EGP</u></b>
Interest expense	19 372 343	22 398 966
Installments interest Sheikh Zayed land	-	549 577
	<b>19 372 343</b>	<b>22 948 543</b>
<b>13. <u>Income tax</u></b>		
<b>A- Items recognized in the profit and loss</b>	<b>31/3/2017</b>	<b>31/3/2016</b>
	<b><u>EGP</u></b>	<b><u>EGP</u></b>
Current income tax	69 055 936	17 861 006
Deferred income tax (benefit) / expense	316 121	(819 893)
	<b>69 372 057</b>	<b>17 041 113</b>

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**B- Deferred tax assets and liabilities movement**

**March 31, 2017**

	Balance as at 1/1/2017 asset / (liability) <u>EGP</u>	Charged to profit and loss <u>EGP</u>	Deferred tax resulted in asset <u>EGP</u>	Balance as at 31/3/2017 Deferred tax resulted in (liability) <u>EGP</u>	Net deferred tax resulted in (Liability) / Asset <u>EGP</u>
Property, plant and equipment	(424 049)	(316 121)	-	(740 170)	(740 170)
Foreign exchange translation	(15 309 320)	-	-	(15 309 320)	(15 309 320)
Provisions	70 744	-	70 744	-	70 744
<b>Net</b>	<b>(15 662 625)</b>	<b>(316 121)</b>	<b>70 744</b>	<b>(16 049 490)</b>	<b>(15 978 746)</b>

**December 31, 2016**

	Balance at 1/1/2016 asset / (liability) <u>EGP</u>	Charged to profit and loss <u>EGP</u>	Deferred tax resulted in asset <u>EGP</u>	Balance as at 31/12/2016 Deferred tax resulted in (liability) <u>EGP</u>	Net deferred tax resulted in (Liability) / Asset <u>EGP</u>
Property, plant and equipment	(881 027)	456 978	-	(424 049)	(424 049)
Foreign exchange translation	-	(15 309 320)	-	(15 309 320)	(15 309 320)
Provisions	57 655	13 089	70 744	-	70 744
<b>Net</b>	<b>(823 372)</b>	<b>(14 839 253)</b>	<b>70 744</b>	<b>(15 733 369)</b>	<b>(15 662 625)</b>

C- Liability for temporary differences related to investments in subsidiaries, associates and the joint venture was not recognized because the group controls the timing of reversal of the related temporary differences and satisfied that they will not reverse in the foreseeable future.

**D- Unrecognized deferred tax assets**

	31/3/2017 <u>EGP</u>	31/12/2016 <u>EGP</u>
Temporary deductible differences	181 357 439	181 357 439
Tax losses carried forward	28 406 347	28 406 347
	<b>209 763 786</b>	<b>209 763 786</b>

- Deferred tax assets have not been recognised in respect of the above-mentioned items because of uncertainty associated with the taxable profit to cover these tax assets.

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**14. Earnings per share**

Earnings per share as at March 31, 2017 is calculated based on the Parent Company's share in earnings for the period using the weighted average number of outstanding shares during the period as follows:

	<b>three months ended as at 31/3/2017 <u>EGP</u></b>	<b>three months ended as at 31/3/2016 <u>EGP</u></b>
Net profit for the period (parent company share)	210 636 936	51 154 918
Employees share of profit	-	-
Board of directors' remunerations	-	-
Employees and board of directors share in subsidiaries and associates companies	-	-
	<b>210 636 936</b>	<b>51 154 918</b>
Weighted average number of shares outstanding during the period*	342 298 668	342 298 668
<b>Earnings per share (EGP / share)</b>	<b>0.62</b>	<b>0.15</b>

(\*) The weighted average number of shares outstanding during the period calculated taking into consideration the increase in issued capital by EGP 13 556 878 distributed over 3 389 095 shares which is utilized by the employees share option plan granted to the executives board members and the directors as per the option plan, which was recorded in the Company's commercial register on February 5, 2017.

**15. Other assets**

	<b>31/3/2017 <u>EGP</u></b>	<b>31/12/2016 <u>EGP</u></b>
Assets – companies under liquidation	2 683 724	2 683 724
Inventories and letters of credit	3 184 798	2 517 881
	<b>5 868 522</b>	<b>5 201 605</b>

**16. Completed units ready for sale**

	<b>31/3/2017 <u>EGP</u></b>	<b>31/12/2016 <u>EGP</u></b>
Cost of completed commercial units	5 515 298	5 515 298
Cost of units purchased for resale (16-1)	1 452 517	2 154 567
	<b>6 967 815</b>	<b>7 669 865</b>

(16-1) This item represents the acquisition cost of 2 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.

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**17. Work in process**

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

	<b>31/3/2017</b>	<b>31/12/2016</b>
	<b><u>EGP</u></b>	<b><u>EGP</u></b>
<b>Allegria</b> project costs	260 840 590	271 416 059
<b>Westown</b> project costs	896 032 488	896 596 317
<b>Kattamya Plaza</b> project costs	6 830 982	6 573 637
<b>Eastown</b> project costs (17-1)	1 518 488 885	1 649 285 154
<b>Villette</b> project costs (17 -2 )	3 424 060 132	3 271 920 910
<b>Al Yosr</b> for projects and agriculture development project costs	333 846 272	333 846 272
<b>Polygon</b> project costs	97 258 641	109 356 636
<b>Caesar</b> project costs (17-3)	382 553 639	341 447 377
<b>The Strip</b> project costs	36 249 029	38 718 503
<b>October Plaza</b> project costs (17-4)	256 698 478	254 241 133
<b>Beverly Hills</b> project costs	1 395 083	1 395 083
<b>The Strip II and conferences</b>	43 885 264	19 233 635
<b>Heliopolis</b> project costs	10 940 619	-
	<b><u>7 269 080 102</u></b>	<b><u>7 194 030 716</u></b>

(17-1) Eastown project cost includes an amount representing the present value of the of the installments of the settlement agreement signed between one of the Company's subsidiaries and the Ministry of Housing and New Urban Communities Authority dated April 14, 2014. The settlement agreement stipulates that the subsidiary will pay EGP 900 million over 7 years in return for an extension in the development time frame by an additional 5 years.

(17-2) Villette project costs includes an amount of EGP 2.5 billion approximately related to the purchase of 301.48 acres that were obtained from New Urban communities authority by a subsidiary. The award letter was received on the 9th of June, 2014. .

(17-3) Caesar project costs include cost of purchasing 172 000 m2 land plot in Ras-Elhekmah on the north coast amounting to approximately EGP 190 Million.

(17-4) Includes the acquisition cost of 30.998 acres plot in northern expansion in Sixth of October City.

**18. Trade and notes receivable**

	<b>31/3/2017</b>	<b>31/12/2016</b>
	<b><u>EGP</u></b>	<b><u>EGP</u></b>
Trade receivable	94 521 913	106 467 845
Notes receivable	3 129 794 594	3 015 978 510
	<b><u>3 224 316 507</u></b>	<b><u>3 122 446 355</u></b>
<b><u>Deduct</u></b> : unamortized interest – notes receivable	34 357 225	28 247 395
	<b><u>3 189 959 282</u></b>	<b><u>3 094 198 960</u></b>
<b><u>Deduct</u></b> : Impairment losses of trade and notes receivable	268 154	268 154
	<b><u>3 189 691 128</u></b>	<b><u>3 093 930 806</u></b>

- The Group's exposure to credit and currency risks related to trade and notes receivable is disclosed in note no. (45).

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**19. Debtors and other debit balances**

	<b>31/3/2017</b>	<b>31/12/2016</b>
	<b><u>EGP</u></b>	<b><u>EGP</u></b>
Contractors and suppliers – advance payments	536 884 705	432 844 349
Due from related parties – Joint Venture	35 191 620	35 191 620
Accrued interest	92 580 443	72 321 985
Due from related parties	6 614 209	6 523 612
Prepaid expenses	296 212 063	283 293 285
Deposits with others	2 425 510	2 188 977
Tax Authority	29 316 246	29 678 969
Due from the bonus and incentives plan to employees and managers fund	122 736	122 736
Debtors from sale of investments (19-1)	3 371 400	3 371 400
Heliopolis Development and Housing Company (19-2)	100 100 000	100 100 000
Other debit balances	20 574 053	15 987 605
	<u>1 123 392 985</u>	<u>981 624 538</u>
<b><u>Deduct :-</u></b>		
Impairment loss in debtors and other debit balances	115 100 737	115 413 199
	<u><b>1 008 292 248</b></u>	<u><b>866 211 339</b></u>

(19-1) On December 31, 2016, the Group signed an agreement to cancel the sale of "El Diwan for Construction Development" formerly "El Sheikh Zayed for Construction Development" and recorded the a loss from the reversal of sale of investment which amounted to EGP 50 850 600. The book value of the investment amounting to EGP 3 371 400 was recorded as Debtors of the purchase of investments until the completion of the share ownership transfer to the Group.

(19-2) This item includes an amount of EGP 100 million representing the amount paid as a down payment to Heliopolis Development and Housing Company, this amount will settle with Heliopolis Development and Housing Company's revenue share in the co-development contract pertaining to New Heliopolis City. Accordingly, the Company will act as a real estate developer for the land plot owned to Heliopolis Development and Housing Company which amounted to 655 acres in New Heliopolis City and Heliopolis Development and Housing Company will earn a share of the revenue with guaranteed minimum amount equal EGP 5.01 billion.

The two parties have agreed that the Company at its own expense and under its responsibility will implement, finance, market and sell the units of the project and all its inclusions and components, in addition to providing management and maintenance either directly or through third parties, and delivering on all other obligations as stipulated in the co-development contract and will accordingly share the revenue (according to the defined percentages in the contract for each component of the project).

- The Group's exposure to credit and currency risks related to debtors and other debit balances is disclosed in note no. (45).

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**20. Loans to Joint Ventures**

	<b>31/3/2017</b>	<b>31/12/2016</b>
	<b><u>EGP</u></b>	<b><u>EGP</u></b>
This item represents the loan granted to the Joint Venture project by the Group on August 16, 2010 for a total amount of USD 19.5 million. The loan carries an interest rate of 8.5% per annum. The principal together with interest were scheduled for payment before September 30, 2011. The loan was renewed with an interest rate of 12.5% per annum. This item represents the utilized amount of the bridge loan granted to the Joint Venture project on October 28, 2010 for a total amount of USD 7 926 766. The loan carries an interest rate of 8.5% per annum.	135 485 960	135 485 960
	56 054 193	55 580 734
	<u>191 540 153</u>	<u>191 066 694</u>
<b>Deduct :-</b>		
Impairment for loans to joint ventures	<u>191 540 153</u>	<u>191 066 694</u>
	<u>-</u>	<u>-</u>

**21. Investments in treasury bills**

	<b>31/3/2017</b>	<b>31/12/2016</b>
	<b><u>EGP</u></b>	<b><u>EGP</u></b>
Treasury bills at par value	1 355 025 000	301 148 792
Unearned return on treasury bills	(14 904 355)	(2 899 085)
	<u>1 340 120 645</u>	<u>298 249 707</u>

- The Group's exposure to market risk related to the trading investments is disclosed in note no. (45).

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**22. Cash at banks and on hand**

	<b>31/3/2017</b>	<b>31/12/2016</b>
	<b><u>EGP</u></b>	<b><u>EGP</u></b>
Bank - time deposits (22-1)	1 228 877 237	2 061 791 704
Bank - current accounts	193 355 659	181 013 101
Checks under collection	36 900 752	27 956 242
Cash on hand	2 871 977	2 082 623
	<b><u>1 462 005 625</u></b>	<b><u>2 272 843 670</u></b>

(22-1) Deposits include an amount of EGP 108.8 million restricted as a guarantee for the credit facility granted to the Parent Company and one of its subsidiaries from a commercial banks. In addition, it includes an amount of EGP 404.89 million representing the value of deposits collected from customers on account of the regular maintenance expenses.

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

	<b>31/3/2017</b>	<b>31/12/2016</b>
	<b><u>EGP</u></b>	<b><u>EGP</u></b>
Cash at banks and on hand	1 462 005 625	1 310 788 525
<b><u>Less:</u></b>		
Bank Overdraft	-	10 960
Restricted-Time Deposits	108 808 220	308 462 766
<b>Cash and cash equivalents in the consolidated statement of cash flows</b>	<b><u>1 353 197 405</u></b>	<b><u>1 002 314 799</u></b>

- The Group's exposure to interest rate risk and currency risk for cash on hands and at banks which is disclosed in note no. (45)

Sixth of October for Development and Investment Company "SODIC"  
Notes to the consolidated interim financial statements for the financial period ended March 31, 2017

23 - Property, plant, equipment

	Golf Course	Lands	Buildings and Constructions	Vehicles	Furniture and fixtures	Office equipment and communications	Generators, machinery and equipment	Leasehold improvements	Total
	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP
<b>Cost</b>									
Cost at January 1, 2016	93 628 961	56 406 229	37 215 411	18 764 942	21 838 177	22 975 316	22 908 059	11 221 078	284 958 173
Additions during the year	-	-	2 277 572	3 910 187	3 772 930	4 724 298	3 666 802	309 960	18 661 749
Disposals during the year	-	-	-	(627 559)	-	(986 932)	(2 723 121)	-	(4 337 612)
Cost at December 31, 2016	93 628 961	56 406 229	39 492 983	22 047 570	25 611 107	26 712 682	23 851 740	11 531 038	299 282 310
Cost at January 1, 2017	93 628 961	56 406 229	39 492 983	22 047 570	25 611 107	26 712 682	23 851 740	11 531 038	299 282 310
Additions during the period	-	-	291 793	127 434	659 771	2 070 800	491 866	-	3 641 664
Disposals during the period	-	-	-	(1 976 000)	(10 000)	(67 254)	(2 750)	-	(2 056 004)
Balance at March 31, 2017	93 628 961	56 406 229	39 784 776	20 199 004	26 260 878	28 716 228	24 340 856	11 531 038	300 867 970
<b>Accumulated depreciation and impairment losses</b>									
Accumulated depreciation and impairment losses at January 1, 2016	64 608 851	-	13 111 829	13 666 880	14 591 547	16 664 573	16 568 080	9 878 273	149 090 033
Depreciation during the year	1 823 242	-	5 823 315	1 907 204	2 262 349	3 311 395	3 805 823	748 764	19 682 092
Accumulated depreciation of disposals during the year	-	-	-	(456 343)	-	(969 355)	(2 537 713)	-	(3 963 611)
Impairment losses during the year	27 196 868	-	-	-	-	-	-	-	27 196 868
Accumulated depreciation and impairment losses at December 31, 2016	93 628 961	-	18 935 144	15 117 541	16 853 896	19 006 613	17 836 190	10 627 037	192 005 382
Accumulated depreciation and impairment losses at January 1, 2017	93 628 961	-	18 935 144	15 117 541	16 853 896	19 006 613	17 836 190	10 627 037	192 005 382
Depreciation during the period	455 812	-	426 615	518 076	741 269	1 036 802	529 993	217 103	3 925 670
Accumulated depreciation of disposals during the period	-	-	-	(1 738 377)	(7 500)	(40 594)	(1 545)	-	(1 788 016)
Reversal of impairment losses during the period	(455 812)	-	-	-	-	-	-	-	(455 812)
Accumulated depreciation and impairment losses at March 31, 2017	93 628 961	-	19 361 759	13 897 240	17 587 665	20 002 821	18 364 638	10 844 140	193 687 224
<b>Net book value</b>									
Net Book Value At January 1, 2016	29 020 110	56 406 229	24 103 582	5 098 062	7 246 630	6 310 743	6 339 979	1 342 805	135 868 140
Net Book Value At December 31, 2016	-	56 406 229	20 557 839	6 930 029	8 757 211	7 706 069	6 015 550	904 001	107 276 928
Net Book Value At March 31, 2017	-	56 406 229	20 423 017	6 301 764	8 673 213	8 713 407	5 976 218	686 898	107 180 746

\* Property, plant, equipment include fully depreciated assets at a cost of EGP 60 521 412 at March 31, 2017

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**24. Projects under construction**

This item is represented as follows:

	31/3/2017	31/12/2016
	<u>EGP</u>	<u>EGP</u>
Buildings and constructions	160 175 506	160 442 022
Advance payments -fixtures and purchasing of fixed assets	482 359	219 815
	<u>160 657 865</u>	<u>160 661 837</u>

**25. Biological asset under construction**

On March 31, 2017 the balance of EGP 6 536 502 represents the cost of planting agricultural seedlings and the related costs, irrigation, water, wages, etc. (2016: EGP 6 408 365).

**26. Investments in associates and joint ventures**

The Group has the following investments in associates and joint ventures:

		Legal Form	Ownership Percentage	Carrying amount	
			31/3/2017	31/12/2016	
			<u>%</u>	<u>%</u>	
Royal Gardens for Investment Property Co. (A)	SAE		20	20	-
Palmyra SODIC Real Estate Development (B)	Syrian Ltd.		50	50	-
					-

Summary of financial information of associates and joint ventures:-

	Assets <u>EGP</u>	Liabilities <u>EGP</u>	Equity <u>EGP</u>	Revenues <u>EGP</u>	Expenses <u>EGP</u>
<b><u>March 31, 2017</u></b>					
Royal Gardens for Real Esta Investments Co. (A)	264 986 294	(237 193 152)	(27 793 142)	(87 358 570)	79 167 212
<b><u>December 31, 2016</u></b>					
Royal Gardens for Real Esta Investments Co. (A)	330 463 327	(299 454 739)	(31 008 588)	(288 643 101)	276 779 179
	<u>Assets</u> <u>EGP</u>	<u>Liabilities</u> <u>EGP</u>	<u>Equity</u> <u>EGP</u>	<u>Revenues</u> <u>EGP</u>	<u>Expenses</u> <u>EGP</u>
<b><u>March 31, 2017</u></b>					
Palmyra SODIC Real Estate Development (B)	120 957 912	(1 051 794 344)	930 603 836	-	15 418 227
<b><u>December 31, 2016</u></b>					
Palmyra SODIC Real Estate Development (B)	121 084 245	(1 039 794 344)	918 710 099	-	381 482 317

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(A) Royal Gardens for Investment Property Co. was established during the year 2006 in association with Palm Hills Developments and other shareholders. The cost of investment amounted to EGP 3 million which represents 50% of the Parent Company's participation in the share capital of Royal Gardens Co. The Parent Company's share in the unrealized gain resulting from the sale of land by the Parent Company to its associate during 2007 amounted to EGP 32 298 112 out of which only EGP 3 million has been eliminated to the extent of the Company's interest in the associate when preparing the consolidated financial statements.

(B) On June 15, 2010, SODIC Syria was established - a limited liability company - to acquire a 50% stake in Palmyra - SODIC Real Estate Development Co., Ltd. - a limited liability company - registered and operating in the Syrian Arab Republic. The direct investment cost amounts to EGP 243 million.

- Due to the current political circumstances in the Syrian Arab Republic and the confiscation of assets and documents related to Palmyra - SODIC Real Estate Development Co by the state government, the management of SODIC addressed the Embassy of the Syrian Arab Republic in Egypt and commissioned a law firm to handle the issue and protect the interest of SODIC's shareholders.

This situation, coupled with the unstable political environment witnessed in Syria led SODIC's Board of Directors to take the view that the invested amounts in Syria are non-recoverable. As such, SODIC recognized a loss arising from the inability to recover its investments. The recognized impairment loss of the investment and the foreign accumulated translation differences amounted to EGP 481 051 416 as at December 31, 2013.

**27. Available for sale investments**

This item is represented as follows:

	Legal Form	Ownership  %	Paid amount of Participation  %	Carrying amount as at 31/3/2017  EGP	Carrying amount as at 31/12/2016  EGP
Egyptian Company for Development and Management of Smart Villages	S.A.E	1.8	100	4 250 000	4 250 000
				<b>4 250 000</b>	<b>4 250 000</b>

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

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**28. Investment properties**

The net carrying amount of the investment properties as at March 31, 2017 amounted to EGP 101 054 280. The amount includes commercial / residential units leased out to others. The movement of the investment properties and its associated depreciation during the period as follows:-

<b><u>Description</u></b>	<b><u>Leased out EGP</u></b>	<b><u>HUB Project's units EGP</u></b>	<b><u>Total EGP</u></b>
<b><u>Cost</u></b>			
At January 1, 2016	27 233 086	86 733 319	113 966 405
Additions during the year	1 172 401	-	1 172 401
Disposals during the year	(7 923 578)	-	(7 923 578)
<b>At December 31, 2016</b>	<b>20 481 909</b>	<b>86 733 319</b>	<b>107 215 228</b>
At January 1, 2017	20 481 909	86 733 319	107 215 228
Additions during the period	-	-	-
Disposals during the period	-	-	-
<b>At March 31, 2017</b>	<b>20 481 909</b>	<b>86 733 319</b>	<b>107 215 228</b>
<b><u>Less</u></b>			
<b><u>Accumulated depreciation</u></b>			
At January 1, 2016	938 677	1 679 752	2 618 429
Depreciation for the year	294 603	2 961 664	3 256 267
Accumulated Disposals during the year	(523 646)	-	(523 646)
<b>At December 31, 2016</b>	<b>709 634</b>	<b>4 641 416</b>	<b>5 351 050</b>
At January 1, 2017	709 634	4 641 416	5 351 050
Depreciation for the period	69 482	740 416	809 898
Accumulated Disposals during the period	-	-	-
<b>At March 31, 2017</b>	<b>779 116</b>	<b>5 381 832</b>	<b>6 160 948</b>
<b>Net carrying amount as at January 1, 2016</b>	<b>26 294 409</b>	<b>85 053 567</b>	<b>111 347 976</b>
<b>Net carrying amount as at December 31, 2016</b>	<b>19 772 275</b>	<b>82 091 903</b>	<b>101 864 178</b>
<b>Net carrying amount as at March 31, 2017</b>	<b>19 702 793</b>	<b>81 351 487</b>	<b>101 054 280</b>

**29. Notes receivable – Long-term**

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

	<b><u>31/3/2017 EGP</u></b>	<b><u>31/12/2016 EGP</u></b>
Notes receivable	6 802 688 011	6 775 293 620
<b><u>Deduct:</u></b> Unamortized interest	104 284 111	117 981 644
	<b>6 698 403 900</b>	<b>6 657 311 976</b>

- The Group's exposure to credit, and currency risks related to trade and notes receivable is disclosed in note no. (45).

**Sixth of October for Development and Investment Company "SODIC" - (An Egyptian Joint Stock Company)**  
**Notes to the consolidated interim financial statements for the financial period ended March 31, 2017**

**30. Share capital**

- The authorized capital of the Company is EGP. 2.8 billion and the Company's issued and paid in capital is EGP 1 355 638 292 distributed over 338 909 573 shares with a par value of EGP 4 per share, the commercial register was notified on December 7, 2014.
- The board of directors have decided on the meeting dated November 30, 2016 to increase the issued capital from EGP 1 355 638 292 to become EGP 1 369 194 672 by an amount of EGP 13 556 380 divided on 3 389 095 shares of par value EGP 4 per share, this capital increase should be financed from the special reserve- Additional paid in capital, and to be fully utilized by the employees share option plan granted to the executives board members and the directors as per the option plan approved by the extra ordinary general assembly dated January 20, 2016, which have decided to apply the Employees Stock Option Plan for the executive board members and directors through assigning shares with certain conditions. The commercial register was modified on February 5, 2017.
- The current capital structure for the holding company represented as follow:

<b>Shareholder</b>	<b>Number of shares</b>	<b>Share value <u>EGP</u></b>	<b>Ownership percentage <u>%</u></b>
Olayan Saudi Investment Company.	43 121 432	172 485 728	12.60
RA Six Holdings Limited	31 992 544	127 970 176	9.35
Rashed Abdelrahman Al Rashed & Sons Co	15 586 983	62 347 932	4.55
EFG Hermes Holdings Financial Group.	15 183 111	60 732 444	4.44
Al- Majid Investments LLC.	10 548 092	42 192 368	3.08
Rimco EGT Investment LLC	9 897 756	39 591 024	2.89
Financial Holdings International LTD	7 267 503	29 070 012	2.12
Walid Bin Seliman Bin AbdElmohssen Abanme	6 301 380	25 205 520	1.84
Yazeid Bin Seliman Bin AbdElmohssen Abanme	6 233 653	24 934 612	1.82
Mohamed Bin Seliman Bin AbdElmohssen Abanm	6 233 118	24 932 472	1.82
Other shareholders	189 933 096	759 732 384	55.49
	<b>342 298 668</b>	<b>1 369 194 672</b>	<b>100</b>

**31. Legal Reserve**

The balance as at March 31, 2017 is represented as follows:-

	<b><u>EGP</u></b>
Legal reserve equal 5% of the Company's net profit till year 2015	22 605 965
<b><u>Add:</u></b>	
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.	123 409 151
Increase of the legal reserve with part of capital increase share premium during year 2007 with limits of half of the Company's issued share capital.	5 000 000
Increase of the legal reserve with part of the capital increase share premium with limits of half of the Company's issued share capital during 2010.	39 446 365
Increase in legal reserve by 5% of 2016 net profit.	11 128 248
<b><u>Deduct:</u></b>	
The amount used to increase the issued share capital during 2011.	2
	<b>206 217 101</b>

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**32. Special reserve – share premium**

The balance as at March 31, 2017 is represented in the following:

<b><u>Description</u></b>	<b><u>EGP</u></b>
Total value of the capital increase share premiums collected for the years 2006 and 2010	1 455 017 340
<b><u>Add:</u></b>	
– Share premium of the employees' incentive and bonus plan issued during 2007.	90 000 000
– The value of selling 712 500 share which has been sold through beneficiaries of incentive and bonus plan during 2014 with EGP 30 per share (after split).	21 375 000
– The value of 200 000 shares converted to treasury shares during 2015 at par value, these shares were previously set aside for the benefit of the incentive and bonus plan with the capital increase in 2008 as a result of the termination of the program (Note no.52).	2 150 000
– The value received from the selling of offering rights for 737 500 shares during 2014, which were transferred from shares held for "incentive and bonus plan" as a result of the termination of the program (Note no.52).	16 306 910
– The value of accrued dividends for 737 500 shares which were transferred from the shares set aside for the incentive and bonus plan during 2015 as a result of the termination of the program (Note no.52).	1 180 000
<b><u>Deduct:</u></b>	
Amounts transferred to the legal reserve (Note no.31).	167 855 516
Capital increase – related expenses.	55 240 255
Amount used for share capital increase during 2008.	5 000 000
Amount used for share capital increase during 2017 (Note no.30)	13 556 380
	<b><u>1 344 377 099</u></b>

**33. Treasury shares**

- The balance of treasury shares at December 31, 2016 represents shares held by some subsidiary companies in the parent's company share capital.
- On February 1, 2015, the Company's Extraordinary General Assembly agreed on the termination of the current incentive and bonus plan for employees and executive directors of the company by the end of its duration as of March 31, 2015 and converting the remaining shares amounting to 737 500 shares on which its rights have not been exercised yet, into treasury shares in accordance with the related regulations, and the conversion of the shares into treasury shares has been executed on July 14, 2015, these shares carrying a book value of EGP 10 150 000 have been sold during the financial year ended December 31, 2016 with a selling value amounted to EGP 8 182 589 realizing a loss in the amount of EGP 1 967 411.

**34. Profit from sale of treasury shares**

- On August 14, 2011, the board of directors of the Company approved the purchase of one million treasury shares at EGP 18 per share (the par value is EGP 4 per share) with a total amount of EGP 18 018 000 from the Company's shares offered on the Egyptian stock exchange. On August 13, 2012 the Company's board of directors agreed to sell these shares for a total value of EGP 21 710 867 resulting in a profit from the sale of treasury shares with an amount of EGP 3 692 867.
- During March 2016 treasury shares which were transferred from incentive and bonus plan for employees and executive directors of the company according to the Extraordinary General Assembly meeting held on February 1st 2015 were sold resulting in an actual loss amounting to EGP 1 967 411 as mentioned in note no. (33). Accordingly, the profit from sale of treasury shares reserve becomes EGP 1 725 456.

**Sixth of October for Development and Investment Company "SODIC" - (An Egyptian Joint Stock Company)**  
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**35. Non-controlling interest**

Non-controlling interest balance as at March 31, 2017 represents the interest shares in subsidiary's equity as follows:

	Percentage %	Profit / (loss) for the period <u>EGP</u>	Non-controlling interest		
			excluding profit / (loss) for the period <u>EGP</u>	as at 31/3/2017 <u>EGP</u>	as at 31/12/2016 <u>EGP</u>
Sixth of October for Development and Real Estate Projects Co. "SOREAL"	0.01	10 828	81 242	92 070	81 242
Beverly Hills for Management of Cities and Resorts Co.	53.25	91 807	28 556 524	28 648 331	28 556 524
SODIC Garden City for Development and Investment Co.	50	1 215 894	38 840 595	40 056 489	38 840 595
El Yosr for Projects and Agriculture Development Co.	0.001	14	27 033	27 047	27 033
SODIC for Development and Real Estate Investment Co.	0.001	-	20	20	20
Tegara for Trading Centers Co.	4.76	9 980	2 674 142	2 684 122	2 674 142
Edara for Services of Cities and Resorts Co.	0.003	119	644	763	644
Fourteen for Real Estate Investment Co.	0.004	-	2	2	2
La Maison for Real Estate Investment Co.	0.004	-	2	2	2
		<b>1 328 642</b>	<b>70 180 204</b>	<b>71 508 846</b>	<b>70 180 204</b>

**Sixth of October for Development and Investment Company "SODIC" - (An Egyptian Joint Stock Company)**  
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**36. Long-term loans**

	<b>31/3/2017</b>	<b>31/12/2016</b>
	<b><u>EGP</u></b>	<b><u>EGP</u></b>
	214 821 775	243 030 695

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 a total amount of EGP 900 million to finance the total debt outstanding on the company and to finance SODIC West projects located in Kilo 38 Cairo/Alex desert road -Giza- Egypt.

On May 6, 2015 the Company signed an addendum to the above mentioned loan agreement, adding land plots in SODIC WEST project and using the facility to refinance the outstanding debt to PIRAEUS Egypt bank.

**Guarantees:**

- Unconditional and irrevocable revenue transfer by which the lender and some of its subsidiaries transfer all current and future proceeds, selling and lease contracts of the current and foreseeable project units to the interest of the "Guarantee agent".
- Accounts mortgage contracts: debt interest and all amounts deposited therein are pledged for the interest of the "guarantee agent", and pledge the project's account.
- Promissory note from the Company (the borrower).

**Grace period:**

12 months from the date of the first drawdown, this applies to the principle amount of the debt only.

**Repayment:**

Commenced on March 31, 2015 and payable on (16) quarterly unequal installments.

On July 16, 2014 the company signed a medium-term loan contract with Commercial International Bank (CIB) for an amount of EGP 300 million as follows: Tranche (A) to refinance the total amount due to Solidere International following the settlement agreement and Tranche (B) to finance any deficit in the cash flows related to the development of specific blocks on Westown Residences in stage (B) tranche (B).	189 347 800	189 347 800
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	<b>404 169 575</b>	<b>432 378 495</b>
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**Notes to the consolidated interim financial statements for the financial period ended March 31, 2017**

On July 3, 2014 a Company's subsidiary signed a medium term facility agreement with Arab African International Bank (AAIB) for a total amount of EGP 950 million to finance the repayment of advance payments and installments due to the New Urban Communities Authority against the land of the project and finance part of the cost of the project through the funding of the Real Estate Development Model.

**Guarantees:**

- Corporate guarantee from Sixth of October for Development and Investment Company "SODIC"
- The company's commitment to assign all revenues arising from the project before or after the date of the facility for the benefit of the project.
- Accounts mortgage contracts: debt interest and all amounts deposited therein are pledged for the interest of the "guarantee agent", and pledge the project's account.
- Promissory note from the Company (the borrower).

**Availability period:**

Commences from the signing date until December 31, 2017.

**Grace period:**

Three months after the end of availability period, this applies to the principle amount of the debt only.

**Repayment:**

Commences at the end of the grace period, and is to be paid on 8 consecutive quarters ending, December 31, 2019.

**Total**

**Deduct: Current portion**

Syndicated loan from Arab African International Bank

Syndicated loan from CIB

Syndicated loan for one of subsidiary from Arab African International Bank

**Total of Current portion**

845 231 019

759 803 946

**1 249 400 594**

**1 192 182 441**

115 005 597

112 835 680

63 904 882

56 804 340

113 430 003

-

**292 340 482**

**169 640 020**

**957 060 112**

**1 022 542 421**

**37. Long-term notes payable**

**31/3/2017**

**31/12/2016**

**EGP**

**EGP**

Total present value of the checks issued to New Urban Communities Authority which are payable till Jan. 1, 2021.

450 000 000

525 000 000

Total present value of the checks issued to New Urban Communities Authority which are payable till June 9, 2018.

139 647 028

282 378 711

Total present value of the checks issued to New Urban Communities Authority which are payable till September 8, 2019.

109 819 232

109 819 232

Unamortized interest

(119 374 616)

(141 973 097)

**580 091 644**

**775 224 846**

The Company's exposure to credit risk related to long-term notes payable are disclosed in Note No. (45).

*Sixth of October for Development and Investment Company "SODIC" - (An Egyptian Joint Stock Company)  
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**38. Provision for completion**

	Balance as at 1/1/2017 <u>EGP</u>	Formed during the period <u>EGP</u>	Used during the period <u>EGP</u>	Provisions no longer required during the period <u>EGP</u>	Balance as at 31/3/2017 <u>EGP</u>
Provision for completion of works (38-1)	86 429 141	11 420 943	(11 332 730)	(275 181)	86 242 173
	<b>86 429 141</b>	<b>11 420 943</b>	<b>(11 332 730)</b>	<b>(275 181)</b>	<b>86 242 173</b>

(38-1) This provision is formed against the estimated costs expected to be incurred to complete the execution of the project in its final stage related to units delivered to customers, which are expected to be incurred in the following years.

**39. Provisions**

	Balance as at 1/1/2017 <u>EGP</u>	Formed during the period <u>EGP</u>	Used during the period <u>EGP</u>	Provisions no longer required during the period <u>EGP</u>	Balance as at 31/3/2017 <u>EGP</u>
Provision for expected claims	6 415 886	22 662	-	-	6 438 548
	<b>6 415 886</b>	<b>22 662</b>	<b>-</b>	<b>-</b>	<b>6 438 548</b>

- The provision is formed in relation to existing claims on the Company's transactions with other parties. The Company's management reviews the provisions annually and makes any amendments if needed according to the latest agreements and negotiations with those parties.
- The Company did not disclose all of the information required by the Egyptian accounting standards with those parties as the management assumes that the disclosure of such information shall seriously affect the company's negotiations with those parties.

**40. Bank - credit facilities**

	31/3/2017 <u>EGP</u>	31/12/2016 <u>EGP</u>
Represents the amounts drawn down from the EGP 8 million fully secured overdraft facility signed with SAIB Bank and one of the subsidiaries. The facility is fully secured by deposits kept at the bank.	38 478	3 405 400
	<b>38 478</b>	<b>3 405 400</b>

- Information regarding the Group's exposure to interest rate and liquidity risks is disclosed in note no. (45).

**41. Advances - from customers**

This item represents the advance payments and contracting for units and land as follows:

	31/3/2017 <u>EGP</u>	31/12/2016 <u>EGP</u>
Advances _ SODIC West	3 336 521 851	3 189 362 401
Advances _ SODIC East	8 316 571 840	8 108 527 804
Advances _ CAESAR PROJECT	1 306 339 782	1 321 311 026
	<b>12 959 433 473</b>	<b>12 619 201 231</b>

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**42. Contractors, suppliers and notes payable**

	<b>31/3/2017</b>	<b>31/12/2016</b>
	<b><u>EGP</u></b>	<b><u>EGP</u></b>
Contractors	160 820 617	120 807 380
Suppliers	7 734 121	4 362 246
Notes payable (42-1)	<u>833 423 468</u>	<u>816 499 412</u>
	<b>1 001 978 206</b>	<b>941 669 038</b>
<b><u>Deduct:</u></b> Unamortized interest-notes payable	<u>58 397 387</u>	<u>91 682 313</u>
	<b><u>943 580 819</u></b>	<b><u>849 986 725</u></b>

(42-1) Notes payable includes EGP 803 million which represents the amount due to the New Urban Communities Authority.

- The Group's exposure to currency and liquidity risks related to suppliers, contractors and notes payable is disclosed in note no. (45).

**43. Creditors and other credit balances**

	<b>31/3/2017</b>	<b>31/12/2016</b>
	<b><u>EGP</u></b>	<b><u>EGP</u></b>
Amounts collected on account for management, operation and maintenance of projects	802 957 047	755 358 645
Due to related parties	5 901 754	5 811 157
Accrued expenses	93 410 925	142 512 563
Customers - Beverly Hills – capital contributions	13 852 390	13 602 226
Customers – credit balances	25 017 265	26 170 399
Tax Authority	195 697 855	154 700 886
Dividends payable	91 643	91 643
Accrued compensated absence	2 451 725	2 871 655
Insurance Deposits collected from customers – Against modificatio	619 615	835 805
Social insurance	2 502 859	2 699 066
Customers –down payments for sub-development (43-1)	1 000 000	1 000 000
Unearned revenue	18 156 328	10 733 237
Retentions	20 460 441	16 671 859
Due to beneficiaries from Incentive plan	1 192 600	1 192 600
Deposits from others	23 334 691	22 758 959
Premiums of club	261 433 487	237 578 148
Sundry creditors	17 840 943	11 799 092
	<b><u>1 485 921 568</u></b>	<b><u>1 406 387 940</u></b>

(43-1) This amount represents sub-development from Sheikh Zayed for Real Estate Development, disclosed in note no. (19-1).

- The Group's exposure to currency and liquidity risks related to creditors is disclosed in note no. (45).

**Sixth of October for Development and Investment Company "SODIC" - (An Egyptian Joint Stock Company)**  
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**44. Fair values**

**Fair values versus carrying values**

Financial instruments are represented, in cash at banks and on hand, treasury bills, customers, notes receivable and investments in equity instruments, suppliers, contractors, notes payable and other credit balances and monetary items included in debtors and creditors accounts.

The main purpose of these financial instruments is to provide funding for the activities of the group. According to the valuation techniques used to evaluate the assets and liabilities of the group, the carrying value of these financial instruments represent a reasonable estimate of their fair value.

**Capital management**

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

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

There were no changes in the Company's approach to capital management during the period / year.

The Company is not subject to externally imposed capital requirements.

**45. Financial risk management**

The Group is exposed to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk
- Currency risk
- Interest rate risk
- Other market price risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group management of capital. Further quantitative disclosures are included throughout these consolidated financial statements. The Board of Directors of the Parent Company has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board also identifies and analyzes the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits.

The Group aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The audit committee and the internal control department assist the Company's Board of Directors in its supervisory role, the internal audit department is also responsible for regular and sudden inspection of internal control and the policies associated with the risk management and reports conclusion to the Company's Board of Directors.

**a) 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 Group's customer base, including the default risk of the industry which has less influence on credit risk.

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

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The Group'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 detailed investment studies which are reviewed by the Board of Directors. Company's management does not expect any counterparty to fail to meet its obligation.

**Guarantees**

- The group extends corporate guarantees to subsidiaries, when needed, after the approval of the Extra Ordinary General Assembly Meeting (EGM). The following corporate guarantees were provided:
- On the 1st of February, 2015, Sixth of October for Development and Investment Company's "SODIC" EGM approved extending a corporate guarantee to SOREAL For Real Estate Investments (99.99 % owned by SODIC).

**b) Liquidity risk**

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

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

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

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

- EGP 5 million as a bank facility for one of the subsidiaries guaranteed by treasury bills, which are kept with the bank.
- EGP 8 million as a bank facility for one of the subsidiaries guaranteed by time deposits.
- A facility amounting to EGP 150 million. The facility is fully secured by deposits amounting to EGP 150 million.
- A facility amounting to EGP 150 million for one of the subsidiaries. The facility is fully secured by deposits amounting to EGP 150 million.
- A medium term loan in the amount of EGP 900 million.
- A medium term loan in the amount of EGP 300 million.
- A medium term loan in the amount of EGP 950 million for one of the subsidiaries.

**c) Market risk**

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposure within acceptable parameters, while optimizing the return.

**Sixth of October for Development and Investment Company "SODIC" - (An Egyptian Joint Stock Company)**  
**Notes to the consolidated interim financial statements for the financial period ended March 31, 2017**

**d) Currency risk**

The Group is exposed to currency risk on sales and financial assets that are denominated in foreign currencies. Such risk is primarily represented in USD and Syrian Lira.

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

The Company's investments in its subsidiaries are not hedged as those currency positions are considered long-term in nature.

The Parent Company does not enter into hedging contracts for foreign currencies.

**e) Interest rate risk**

The Company adopts a policy to limit the company's exposure for interest risk, therefore the company's management evaluates the available alternatives for finance and negotiates with banks to obtain the best available interest rates and credit 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.

**f) Other market price risk**

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

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

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

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

**45-1 Credit risk**

The carrying amount of financial assets represented in the balances of trade and notes receivables, debtors and cash and cash equivalent, loans to joint venture and investments in trading securities.

The maximum exposure to credit risk as at March 31, 2017 amounted to EGP 12 862 544 801 (December 31, 2016: EGP 12 470 327 241).

**45-2 Liquidity risk**

The following are the contractual maturities of financial liabilities:

<b><u>March 31, 2017</u></b>	<b>Carrying amount</b>	<b>Less than 1 year</b>	<b>1-2 years</b>	<b>2-5 years</b>
	<b><u>EGP</u></b>	<b><u>EGP</u></b>	<b><u>EGP</u></b>	<b><u>EGP</u></b>
Banks – credit facilities	38 478	38 478	-	-
Short - term loans	292 340 482	292 340 482	-	-
Long – term loans	957 060 112	-	229 316 145	727 743 967
Contractors and suppliers	168 554 738	168 554 738	-	-
Other creditors	1 485 921 568	1 043 337 967	426 487 107	16 096 494
Notes payable –short term	775 026 081	775 026 081	-	-
Notes payable –long term	580 091 644	-	428 123 915	151 967 729
	<b><u>4 259 033 103</u></b>	<b><u>2 279 297 746</u></b>	<b><u>1 083 927 167</u></b>	<b><u>895 808 190</u></b>

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<b><u>December 31, 2016</u></b>	<b>Carrying amount</b>	<b>Less than 1 year</b>	<b>1-2 years</b>	<b>2-5 years</b>
	<b><u>EGP</u></b>	<b><u>EGP</u></b>	<b><u>EGP</u></b>	<b><u>EGP</u></b>
Banks – credit facilities	3 405 400	3 405 400	-	-
Short - term loans	169 640 020	169 640 020	-	-
Long – term loans	1 022 542 421	-	564 053 131	458 489 290
Contractors and suppliers	125 169 626	125 169 626	-	-
Other creditors	1 406 387 940	983 107 302	407 886 181	15 394 457
Notes payable – short term	724 817 099	724 817 099	-	-
Notes payable – long term	775 224 846	-	571 077 120	204 147 726
	<b>4 227 187 352</b>	<b>2 006 139 447</b>	<b>1 543 016 432</b>	<b>678 031 473</b>

**45-3 Currency risk**

**Exposure to currency risk**

The Group's exposure to foreign currency risk with main currencies was as follows:

**March 31, 2017**

<b><u>Description</u></b>	<b><u>USD</u></b>	<b><u>Euro</u></b>
Cash at banks	6 097 173	52 884
Notes receivables	8 571 731	-
Debtors and other debit balances	-	347 068
Advances - from customers	(12 262 002)	-
Creditors and other credit balances	(830 187)	-
<b>Surplus of foreign currencies</b>	<b>1 576 715</b>	<b>399 952</b>

**December 31, 2016**

<b><u>Description</u></b>	<b><u>USD</u></b>	<b><u>Euro</u></b>
Cash at banks	6 047 742	3 005
Notes receivables	8 571 731	-
	-	1 624 991
Advances - from customers	(12 262 002)	-
Creditors and other credit balances	(830 187)	-
<b>Surplus of foreign currencies</b>	<b>1 527 284</b>	<b>1 627 996</b>

**45-4 Interest rate risk**

At the date of consolidated financial statements, the interest rate profile of the Group's financial instruments was as follows:-

	<b><u>Carrying amount</u></b>	
	<b><u>31/3/2017</u></b>	<b><u>31/12/2016</u></b>
<b><u>Financial instruments with a fixed rate</u></b>	<b><u>EGP</u></b>	<b><u>EGP</u></b>
Financial assets	12 457 092 910	12 111 284 193
Financial liabilities	(1 355 117 725)	(1 500 041 945)
	<b>11 101 975 185</b>	<b>10 611 242 248</b>
<b><u>Financial instruments with a fixed rate</u></b>		
	(1 249 439 072)	(1 195 587 841)
Financial liabilities	<b>(1 249 439 072)</b>	<b>(1 195 587 841)</b>

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

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**46. Transactions with related parties**

Related parties are represented in the Parent Company' shareholders, Board of Directors, executive directors and companies in which they own directly or indirectly shares giving them significant influence or control over the Group. The Parent Company made several transactions with related parties during the year and these transactions have been made in accordance with the terms determined by the Board of Directors of the Group and all transactions excluded added value. Summary of significant transactions concluded during the year and the resulting balances of the related parties at the consolidated balance sheet date were as follows:-

**a) Transactions with related parties**

<u>Party / Relationship</u>	<u>Nature of transaction</u>	<u>31/3/2017</u>
		<u>Amount of transaction</u> <u>EGP</u>
Executive managers and Board of Directors (Parent Company)	Executive and Board of Directors	(See note No.9).
Palmyra – SODIC for Real Estate Development	Loan for joint projects	473 459
	Management fees	-

**b) Balances resulting from transactions with related parties**

<u>Party</u>	<u>Item as shown in the consolidated balance sheet</u>	<u>31/3/2017</u> <u>EGP</u>	<u>31/12/2016</u> <u>EGP</u>
Palmyra – SODIC for Real Estate Development	Loans to Joint Ventures	191 540 153	191 066 694
	*Accrued interest on loan under debtors caption	65 482 130	65 482 130
	Accrued on joint venture – related parties under debtor caption	35 191 620	35 191 620

\* Impairment in dues from Palmyra – SODIC for Real Estate Development has been recorded as its described in note No.(19)

**47. Tax status**

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

**Corporate tax**

- A ten years corporate tax exemption period starting from the year following the date of the activity inception as of 1/1/1998 until 31/12/2007 according to Law No. 59 of 1979 concerning the New Urban Communities.
- During the month of January 2011, the Company submitted a request to the Tax Authority demanding the amendment of the tax exemption period to start from the date of the actual handing over of the units in 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 actual date of handing over of the units and the regulations applicable to similar companies. Accordingly, the committee decided to approve the

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Parent Company's request thus considering the date of the actual business activity of the Company to be the year 2002, hence, the Parent Company shall be entitled to tax exemption from 1/1/2003 to 31/12/2012, and the amendment of the new exemption period was registered in the Company's tax card. The amended tax return for year 2008 was submitted to the Tax Authority.

- Years from 1996 till 2005 has been tax inspected and tax differences has been paid and settled.
- Year from 2006 till 2010 has been inspected, however, an appeal has been filed, the dispute was transferred to appeal committee on March 7, 2017 and no session has been appointed till the date of authorizing of these financial statements for issuance.
- Year from 2011 till 2013 has been inspected, The Company informed by form (19) dated March 29, 2017, an appeal has been filed on March 29, 2017. Accordingly, a re-inspection took place on May 3, 2017.
- Year from 2014 till 2016 has not been inspected and no tax claims have been received till the date of authorizing of these financial statements for issuance.
- The Company submits its annual tax return on due dates in accordance with Law No. 91 of 2005.

**Salary tax**

- Year from 1996 till 2012 has been inspected and tax differences has been paid and settled.
- Years from 2013 till 2016 has not been inspected and no tax claims have been received till the date of authorizing of these financial statements for issuance.
- The Company pays the monthly salary tax on a regular basis.

**Withholding tax**

- Tax inspection has been carried out from 1996 till the fourth quarter of the year 2016, and the Company has not received any tax claims till the date of authorizing of these financial statements for issuance.
- The Company pays the tax quarterly according to withholding and add on tax forms on a regular basis.

**Stamp tax**

- Tax inspection was carried out from 1996 till December 31, 2012 and tax differences have been fully paid.
- Years from 2013 till 2016 has not been inspected and no tax claims have been received till the date of authorizing of these financial statements for issuance.
- The Company provides stamp tax returns on a regular basis.

**Sales tax**

- The Company was inspected from inception till December 31, 2013 and tax differences have been paid and settled.
- Years from 2014 and 2016 has not been inspected and no tax claims have been received till the date of authorizing of these financial statements for issuance.
- The Company provides sales tax returns on a regular basis.

**The value added tax**

- On September 7, 2016, the VAT law No. 67 for 2016 was issued, which stipulates the cancellation of sales tax law No. 11 for 1991, with the continuation of the conciliation and the appealing committees in accordance to the provisions of sales tax law for the appeals presented for a period of three months, following which the appeals are to be transferred to the committees set forth in the VAT law. The law came into effect on September 8, 2016.

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**Real estate property tax**

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

**48. Capital commitments**

Capital commitments as at March 31, 2017 amounted EGP 462 050 is represented in contracted and unexecuted works (December 31, 2016: EGP 462 050).

**49. Legal status**

There is a dispute between the parent 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 parent Company and the management of this party. During 2009, this party raised a court case No. 3 of 2009 Civil 6th of October against the parent 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 On November 24, 2014, 6 of October partial court decided to dissuade its decline decree of previous proof procedures dated February 22, 2010 and the coming one will be held on June 17, 2017.

The parent Company's legal counsel is of the opinion that the parent 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 parent 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.

**50. Basis of measurement**

The consolidated 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 are valued at fair value.
- Available for sale investments, which have market values are valued at fair value.
- Transactions liabilities of share based payments, which paid in cash, are valued at fair value.

**51. Comparative figures**

Some comparative figures have been reclassified to be consistent with the current classification of recent financial statements.

**Statement of financial position**

	<b><u>EGP</u></b>
Deferred tax liabilities – Long term	15 309 320
Creditors and other credit balances	(15 309 320)

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**52. Incentive and bonus plan of the Parent Company's employees and managers**

- On January 20, 2016 the extra ordinary general assembly have approved the new employees stock option plan for executive board members and directors through granting shares with special conditions as per stated in the plan that part of the company's shares should be assigned to the employee stock option plan equal to 1% of the company's issued capital annually on five tranches for a period of six years and three months as per annex (1). These shares should be available through the special reserve- additional paid in capital, or through reserves, or part of it, or through retained earnings, or part of it which is to be used in the capital increase, this capital increase is based on the approval of the Board of Directors as per the proxy granted by the company's extra ordinary general assembly dated January 20, 2016. The grant of the employee stock option plan is done based on a decision from the supervisory committee by the treasurer.
- The board of directors have decided on the meeting dated November 30, 2016 to increase the issued capital from EGP 1 355 638 292 to become EGP 1 369 194 672 by an amount of EGP 13 556 380 divided on 3 389 095 shares of par value EGP 4 per share, this capital increase should be financed from the special reserve- Additional paid in capital, and to be fully utilized by the employees share option plan granted to the executives board members and the directors as per the option plan approved by the extra ordinary general assembly dated January 20, 2016, which have decided to apply the Employees Stock Option Plan for the executive board members and directors through assigning shares with certain conditions. The commercial register was modified on February 5, 2017.

**53. Significant accounting policies**

**53-1 Business combination**

- The Group accounts for business combination using the acquisition method when control is transferred to the Group.
  - The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired.
  - Any goodwill that arises is tested annually for Impairment. Any gain on a bargain purchase is recognized profit or loss immediately.
  - Transaction cost are expensed as incurred, except if related to the issue of debt or equity securities.
  - The consideration transferred does not include amounts related to the settlement of pre-existing relationship. Such amounts are generally recognised in profit or loss.
  - Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that met the definition of financial instrument is classified as equity, then it is not re-measured and settlement is accounted for within equity. Otherwise, other contingent consideration is re-measured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognized in profit or loss.
- a) Subsidiaries**
- Subsidiaries are entities controlled by the Group.
  - The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.
  - The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

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Subsidiaries are represented in the following:-

<u>Subsidiary name</u>	<u>Country of Incorporation</u>	<u>Ownership</u>	
		<u>As at 30/9/2016</u>	<u>As at 31/12/2015</u>
		<u>%</u>	<u>%</u>
1- Sixth of October for Development and Real Estate Projects Company "SOREAL" - S.A.E	Egypt	99.99	99.99
2- Beverly Hills for Management of Cities and Resorts Co. - S.A.E (*)	Egypt	46.75	46.75
3- SODIC Garden City for Development and Investment Co. S.A.E	Egypt	50	50
4- El Yosr for Projects and Agriculture Development Co. - S.A.E	Egypt	99.99	99.99
5- SODIC for Development and Real Estate Investment Co. - S.A.E	Egypt	99.99	99.99
6- SODIC SIAC for Real Estate Investment Co. - S.A.E	Egypt	100	100
7- SODIC for Golf and Tourist Development Co. - S.A.E	Egypt	100	100
8- Fourteen for Real Estate Investment Co. - S.A.E	Egypt	99.99	99.99
9- La Maison for Real Estate Investment Co. - S.A.E	Egypt	99.99	99.99
10- Tegara for Trading Centers Co. S.A.E	Egypt	95.24	95.24
11- Edara for Services of Cities and Resorts Co. -S.A.E	Egypt	99.97	99.97
12- Soreal for Real Estate Investment	Egypt	99.99	99.99
13- SODIC for Securitization	Egypt	99.99	99.99
14- SODIC Syria L.L.C (**)	Syria	100	100
15- Tabrouk Development Company (D)	Egypt	100	100

(\*) The legal participation in Beverly Hills for Management of Cities and Resorts Co. amounts to 49.06 %, which includes 2.31 % transitory shares currently in the name of the Company. The title of these shares will be transferred to the ultimate shareholders (Owners of Beverly Hills Project units).

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

**b) Non-controlling interests**

NCI are measured at their proportionate share of the acquirer's identifiable net assets at the date of acquisition.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

**c) Loss of control**

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

**d) Investments accounted for equity method**

Investments that are accounted for using the equity method comprise interests in associates and joint venture. And have no right to its assets and obligations for its liabilities associated with the arrangements.

Associates are those entities in which the group has significant influence, but not control or joint control, over the financial and operating policies.

A joint venture is an arrangement in which the group has joint control, whereby the group has rights to the net assets of the arrangement.

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Investments in associates and joint venture are accounted for using the equity method. They are initially recognized at cost, which includes transaction costs.

Subsequent to initial recognition, the consolidated financial statements include the group share of the profit or loss and OCI of equity-accounted investees.

**e) Transaction elimination on consolidation**

Intra - group balances and transactions, and any unrealised income and expenses arising from intra - group transactions, are eliminated. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

**53-2 Foreign currency**

**a) Foreign currency transactions**

Transactions in foreign currencies are translated into the respective functional currencies of Group companies at the exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date.

Assets and liabilities that are measured at fair value in a foreign currency are translated at the exchange rate when the fair value was determined.

Non - monetary assets and liabilities that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction.

Foreign currency differences are generally recognised in profit or loss.

However, foreign currency differences arising from the translation of the following items are recognised in OCI:

- Available - for - sale equity investments (except on impairment, in which case foreign currency differences that have been recognised in OCI are reclassified to profit or loss).
- A financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective.
- Qualifying cash flow hedges to the extent that the hedges are effective.

**b) Foreign Operations**

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated at the exchange rates at the reporting date. The income and expenses of foreign operations are translated at the exchange rates at the dates of the transactions.

Foreign currency differences are recognised in OCI and accumulated in the translation reserve, except to the extent that the translation difference is allocated to NCI.

When a foreign operation is disposed of in its entirety or partially such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal.

If the Group disposes of part of its interest in a subsidiary but retains control, then the relevant proportion of the cumulative amount is reattributed to NCI.

When the Group disposes of only part of an associate or joint venture while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

### **53-3 Discontinued operation**

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group.

Classification as a discontinued operation occurs at the earlier of disposal or when the operation meets the criteria to be classified as held - for - sale.

When an operation is classified as a discontinued operation, the comparative statement of profit or loss and OCI is re-presented as if the operation had been discontinued from the start of the comparative year.

### **53-4 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 will flow to the entity and the amount of the revenue can be measured reliably. No revenue is recognized if there are uncertainties regarding the recovery of that consideration due or associated costs.

#### **a. Real estate and land sales**

Revenue from sale of residential units, offices, commercial shops, service and villas for which contracts were concluded is recorded when all the ownership risks and rewards are transferred to customers and upon the actual delivery of these villas and units whether the said villas and units have been (completed or semi - completed). Revenue from sale of lands is recorded upon the delivery of the sold land to customers and the transfer of all the ownership rewards and risks to the buyer.

Net sales are represented in the selling value of units and lands delivered to customers - after excluding the future interests that have not been realized till the consolidated balance sheet date and after deducting the value of sales returns (represented in the saleable value of the sales returns less unrealized interests that have been previously excluded from the saleable value).

Discounts granted to customers are recorded within the other operating expenses.

#### **b. Service revenues**

Revenue from services is recognized when the service is rendered to the customer.

#### **c. Rental income**

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

#### **d. Interest income**

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

#### **e. Commission revenue**

Commission revenue is recognized in the consolidated statement of profit and loss according to the accrual basis of accounting.

#### **f. Dividends**

Dividends income is recognized in the consolidated statement of profit and loss on the date the Company's right to receive payments is established.

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**53-5 Employee benefit**

**a) Short – term employee benefits**

Short - term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

**b) Share – based payment arrangements**

The grant (date fair value of equity) settled share - based payment arrangements granted to employees is generally recognised as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non - market performance conditions are expected to be met, such that the amount ultimately recognized is based on the number of awards that meet the related service and non - market performance conditions at the vesting date.

For share - based payment awards with non - vesting conditions, the grant - date fair value of the share - based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

The fair value of the amount payable to employees in respect of SAR's , which are settled in cash, is recognized as an expense with a corresponding increase in liabilities, over the period during which the employees become unconditionally entitled to payment. The liability is remeasured at each reporting date and at settlement date based on the fair value of the SAR's. Any changes in the liability are recognized in profit or loss.

**c) Define contribution plans**

Obligations for contributions to defined contribution plans are expensed as the related service is provided. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

The Group pays contributions to the Public Authority for Social Insurance for their employees based on the rules of the social insurance law no 79 for the year 1975. The employees and employers contribute under this law with a fixed percentage of wages. The Group's commitment is limited to the value of their contribution. And the Group's contribution amount expensed in profits and losses according to accrual basis.

The company also contributes to a group insurance program for its employees with one of the insurance companies. Accordingly the insured employees receive end of service benefits when leaving the Company that will be paid by the insurance company. The contribution of the Company is confined to the monthly instalments. Contributions are charged to statement of profit and loss using the accrual basis.

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**53-6 Finance income and finance costs**

The Group's finance income and finance costs include:

- interest income
- interest expense
- Dividends income
- Dividends on preference shares issued classified as financial liabilities
- The net gain or loss on the disposal of available-for-sale financial assets
- The net gain or loss on financial assets at fair value through profit or loss
- The foreign currency gain or loss on financial assets and financial liabilities
- The gain on the remeasurement to fair value of any pre-existing interest in an acquire in a business combination
- The fair value loss on contingent consideration classified as a financial liability
- Impairment losses recognized on financial assets ( other than trade receivables)
- The net gain or loss on hedging instruments that are recognized in profit or loss
- The reclassification of net gains previously recognized in OCI.

Interest income or expense is recognized using the effective interest method. Dividend income is recognized in profit or loss on the date on which the group's right to receive payment is established.

**53-7 Income Tax**

The recognition of the current tax and deferred tax as income or expense in the profit or loss for the period, except in cases in which the tax comes from process or event recognized - at the same time or in a different period - outside profit or loss, whether in other comprehensive income or in equity directly or business combination.

**a) Current income tax**

The recognition of the current tax for the current period and prior periods and that have not been paid as a liability, but if the taxes have already been paid in the current period and prior periods in excess of the value payable for these periods, this increase is recognized as an asset. The taxable current liabilities (assets) for the current period and prior periods measured at expected value paid to (recovered from) the tax authority, using the current tax rates (and tax laws) or in the process to issue in the end of the financial period. Dividends are subject to tax as part of the current tax. But do not be offset for tax assets and liabilities only when certain conditions are met.

**b) Deferred tax**

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is not recognised for:

- Taxable temporary differences arising on the initial recognition of goodwill.
- Temporary differences on the initial recognition of assets or liabilities in a transaction that is not:
  - a. A business combination.
  - b. And not affects neither accounting nor taxable profit or loss.

Temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future.

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Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on business plans for individual subsidiaries in the Group. deferred tax assets are reassessed at each reporting date, and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset only if certain criteria are met.

**53-8 Biological assets**

Biological assets are measured at fair value less costs to sell, profit or loss will be recognized in statement of profit and loss.

**53-9 Units ready for sale**

Units ready for sale are stated at lower of cost or net realizable value. Cost is calculated based on the product of the total area of the remaining units ready for sale on the reporting date multiplied by the average cost per meter. (The cost of the units includes land, utilities, construction, construction related professional fees, labor cost and other direct and indirect expenses). Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and selling expenses.

**53-10 Work in process**

All costs relating to uncompleted works are recorded in work in process account until the completion of the works. Work in process is stated in the consolidated 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.

**53-11 Property, plant and equipment**

**a) Recognition and measurement**

Items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

**b) Subsequent expenditure**

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Group.

**c) Depreciation**

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using the (straight-line method) over their estimated useful lives for each item, and is generally recognised in profit or loss.

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Land is not depreciated. Estimated depreciation rates for each type of assets for current and comparative periods are as follow:

<b><u>Asset</u></b>	<b><u>Years</u></b>
Buildings and construction works	5-20
Caravans	5-10
Vehicles	5
Furniture and fixtures	4-10
Office and communications equipment	5
Generators, machinery and equipment	2-5
Kitchen utensils	10
Wells, pumps and networks	4
Leasehold improvements	5 years or lease term whichever is lower
<b><u>Golf course assets</u></b>	
Constructions	20
Irrigation networks	15
Equipment and tools	15

**53-12 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 ready for their intended use.

**53-13 Intangible assets and goodwill**

**a) Recognition and measurement**

**I. Goodwill:**

Arising on the acquisition of subsidiaries is measured at cost less accumulated impairment losses.

**II. Research and development:**

- Expenditure on research activities is recognised in profit or loss as incurred
- Development expenditure is capitalised only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the group intends to and has sufficient resources to complete development and to use or sell the asset. Otherwise it is recognised in profit or loss as incurred. Subsequent to initial recognition, development expenditure is measured at cost less accumulated amortization and accumulated impairment losses.

**III. Other intangible assets:**

Other intangible assets, including patents and trademarks, that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortization and any accumulated impairment losses.

**b) Subsequent expenditure**

Subsequent expenditure is capitalised only when the intangible asset will increase the future economic benefits embodied in project, research, and development under construction which is recognized as intangible assets. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

**c) Amortization**

Amortisation is calculated to write off the cost of intangible assets less their estimated residual values using the (straight - line method) over their estimated useful lives, and is generally recognised in profit or loss.

Goodwill is not amortised.

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**53-14 Investment properties**

This item includes properties held for rent or increase in its value or both of them, Investment property is initially measured at cost and subsequently at fair value with any change therein recognised in profit or loss.

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

<u>Asset</u>	<u>Years</u>
Leased units	50
Roads	20
Elevators	10
Agriculture and landscape	10
Air-conditions	5
Sound systems and cameras	2

Any gain or loss on disposal of investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss.

**53-15 Financial instruments**

The Group classifies non-derivative financial assets into the following categories: financial assets at fair value through profit or loss, held-to-maturity financial assets, loans and receivables and available-for-sale financial assets.

The Group classifies non-derivative financial liabilities into the following categories: financial liabilities at fair value through profit or loss and other financial liabilities category.

**1) Non-derivative financial assets and financial liabilities – Recognition and derecognition**

The Group initially recognises loans and receivables and debt securities issued on the date when they are originated. All other financial assets and financial liabilities are initially recognised on the trade date when the entity becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in such derecognised financial assets that is created or retained by the Group is recognised as a separate asset or liability.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to offset the amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

**2) Non-derivative financial assets – Measurement**

**Financial assets at fair value through profit or loss**

A financial asset is classified as at fair value through profit or loss if it is classified as held-for-trading or is designated as such on initial recognition. Directly attributable transaction costs are recognised in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value and changes therein, including any interest or dividend income, are recognised in profit or loss.

**Held-to-maturity financial assets**

These assets are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method.

**Loans and receivables**

These assets are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method.

**Available-for-sale financial assets**

These assets are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences on debt instrument are recognised in OCI and accumulated in the fair value reserve. When these assets are derecognised, the gain or loss accumulated in equity is reclassified to profit or loss.

**3) Non-derivative financial liabilities – Measurement**

A financial liability is classified as at fair value through profit or loss if it is classified as held – for - trading or is designated as such on initial recognition. Directly attributable transaction costs are recognised in profit or loss as incurred. Financial liabilities at fair value through profit or loss are measured at fair value and changes therein, including any interest expense, are recognised in profit or loss.

Other non - derivative financial liabilities are initially measured at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortised cost using the effective interest method.

**4) Derivative financial instruments and hedge accounting**

The group holds derivative financial instruments to hedge its foreign currency and interest rate risk exposures. Embedded derivatives are separated from the host contract and accounted for separately if certain criteria are met.

Derivatives are initially measured at fair value; any directly attributable transaction costs are recognised in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognised in profit or loss.

**Cash Flow Hedges**

When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of the derivative is recognised in OCI and accumulated in the hedging reserve. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss.

The amount accumulated in equity is retained in OCI and reclassified to profit or loss in the same period or periods during which the hedged forecast cash flows affects profit or loss or the hedged item affects profit or loss.

If the forecast transaction is no longer expected to occur, the hedge no longer meets the criteria for hedge accounting, the hedging instrument expires or is sold, terminated or exercised or the designation is revoked, then hedge accounting is discontinued prospectively. If the forecast transaction is no longer expected to occur, then the amount accumulated in equity is reclassified to profit or loss.

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**53-16 Share capital**

**1) Ordinary Shares**

Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity. Income tax relating to transaction costs of an equity transaction are accounted for in accordance with EAS No. (24) "Income Tax".

**2) Repurchase and reissue of ordinary shares (treasury shares)**

When shares recognised as equity are repurchased, the amount of the consideration paid, which includes directly attributable costs is recognised as a deduction from equity. Repurchased shares are classified as treasury shares and are presented as a deduction from equity. When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in equity and the resulting surplus or deficit on the transaction is presented within share premium.

**53-17 Impairment**

**1) Non-derivative financial assets**

Financial assets not classified as at fair value through profit or loss, including an interest in an equity - accounted investee, are assessed at each reporting date to determine whether there is objective evidence of impairment.

Objective evidence that financial assets are impaired includes:

- default or delinquency by a debtor;
- restructuring of an amount due to the Group on terms that the Group would not consider otherwise;
- indications that a debtor or issuer will enter bankruptcy;
- adverse changes in the payment status of borrowers or issuers;
- the disappearance of an active market for a security because of financial difficulties; or
- observable data indicating that there is a measurable decrease in the expected cash flows from a group of financial assets.

For an investment in an equity security, objective evidence of impairment includes a significant or prolonged decline in its fair value below its cost. The Group considers a decline of 20% to be significant and a period of nine months to be prolonged.

**Financial assets measured at amortised cost**

The Group considers evidence of impairment for these assets at both an individual asset and a collective level. All individually significant assets are individually assessed for impairment. Those found not to be impaired are then collectively assessed for any impairment that has been incurred but not yet individually identified. Assets that are not individually significant are collectively assessed for impairment. Collective assessment is carried out by grouping together assets with similar risk characteristics.

In assessing collective impairment, the Group uses historical information on the timing of recoveries and the amount of loss incurred, and makes an adjustment if current economic and credit conditions are such that the actual losses are likely to be greater or lesser than suggested by historical trends.

An impairment loss is calculated as the difference between an asset's carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account.

When the Group considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off.

If the amount of impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss is reversed through profit or loss.

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**Available-for-sale financial assets**

Impairment losses on available-for-sale financial assets are recognised by reclassifying the losses which have been recognized previously in OCI and the accumulated in the fair value reserve to profit or loss. The amount reclassified is the difference between the acquisition cost (net of any principal repayment and amortisation) and the current fair value, less any impairment loss previously recognised in profit or loss.

If the fair value of an impaired available-for-sale debt security subsequently increases and the increase can be related objectively to an event occurring after the impairment loss was recognised, then the impairment loss is reversed through profit or Impairment loss.

Losses recognised in profit or loss for an investment in an equity instrument classified as available-for-sale are not reversed through profit or loss.

**Equity-accounted investees**

An impairment loss in respect of an equity-accounted investee is measured by comparing the recoverable amount of the investment with its carrying amount. An impairment loss is recognised in profit or loss, and is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

**2) Non-financial Assets**

At each reporting date, the Group reviews the carrying amounts of its non - financial assets (other than biological assets, investment property, inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, 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 or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed in the subsequent period. For other assets, 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 amortisation) if no impairment loss had been recognised in previous periods.

**53-18 Provisions**

Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

**Provision for completion**

A provision for completion of work is formed at the estimated value of the completion of the projects' utility works (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) in their final form as determined by the Company's technical department. The necessary provision is reviewed at the end of each reporting year until finalization of all the project works.

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**53-19 Operational lease**

Lease payments under an operating lease, excluding any incentives received from the lessor over the contract period, shall be recognized as an expense charged to the statement of income for the year on a time pattern basis and accrued base.

**53-20 Sale and leaseback**

When a company lets a property to a lessee, the legal title of this property is transferred to the lessee according to an executory contract subject to a finance lease contract signed between parties, accordingly any gain or loss resulting from the differences between the sale price and the net book value of the property is deferred and amortized over the period of the lease contract.

When the property is then bought back, any unamortized gains or losses are recognized in the income statement on the buyback date.

**53-21 Investments**

**a- Available for sale investments**

Financial instruments held by the Company and classified as available-for-sale investment are stated at cost and subsequently measured at fair value, unless this cannot be reliably measured. Changes in fair value are reported as a separate component in equity. When these investments are derecognized, the cumulative gain or loss previously recognized in equity is recognized in consolidated statement of profit and loss. Except the **impairment** loss, Investments in unlisted securities such investments are stated at cost less impairment losses.

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

**b- Held for trading investments**

Held for trading investments are classified as current assets and are stated at fair value. Any gain or loss resulting from the change in fair value or sale of such investment is recognized in the statement of profit and loss.

Treasury bills are stated at their net cost after deducting the amortized interest and the Impairment losses.

**53-22 Trade, notes receivable and debtors**

Trade and notes receivables, debtors and other debit balances, that do not carry interest are stated at their nominal value and are reduced by impairment losses, Impairment losses are formed when there is objective evidence that the Company is not able to collect the due amounts according to the original terms of the contracts. Impairment represents the difference between the book value and net recoverable amount which is represented in the future cash flows that the Company expects. Long-term trade and notes receivables are initially recognized at fair value and subsequently re-measured at amortized cost using the effective interest rate method.

**53-23 Cash and cash equivalents**

As a basis for preparation of cash flow, cash and cash equivalents comprise cash at banks and on hand, checks under collection and time deposits, that have maturity date less than three months from the purchase date. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management.

**53-24 Borrowing costs**

Borrowing costs are recognized as an expense when incurred using the effective interest rate.

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**53-25 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 statement of profit and loss over the period of the borrowing using the effective interest rate.

**53-26 Trade, contractors and other credit balances**

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

**53-27 Notes payable**

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

**53-28 Cost of sold lands**

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

**53-29 Expenses**

**Lease payments**

Payments under leases are recognized (net after discounts) in the statement of profit and loss on a straight-line basis over the terms of the lease and according to the accrual basis.

**53-30 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 by 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 an obligation in the financial year at which the declaration has been authorized.

**53-31 Earnings / (losses) per share**

Earnings (losses) per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.