

Translation from Arabic

Sixth of October for Development and Investment Company "SODIC"
(An Egyptian Joint Stock Company)
Consolidated Financial Statements
For The Financial Year Ended December 31, 2014
And Auditor's Report

 **Hazem Hassan**
Public Accountants & Consultants

Contents	Page
Auditor's Report	1
Consolidated Balance Sheet	3
Consolidated Income Statement	4
Consolidated Statement of Changes in Equity	5
Consolidated Statement of Cash Flows	6
Notes to the Consolidated Financial Statements	7



Hazem Hassan

Public Accountants & Consultants

Pyramids Heights Office Park
Km 22 Cairo/Alex Road
P.O. Box 48 Al Ahram
Giza - Cairo - Egypt

Telephone : (202) 35 36 22 00 - 35 36 22 11
Telefax : (202) 35 36 23 01 - 35 36 23 05
E-mail : egypt@kpmg.com.eg
Postal Code : 12556 Al Ahram

Translation from Arabic

Auditor's Report

To the Shareholders of Sixth of October for Development and Investment Company "SODIC"

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Sixth of October for Development and Investment Company "SODIC" S.A.E, which comprise the consolidated balance sheet as at December 31, 2014, and the consolidated statements of income, changes in equity and cash flows for the financial year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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



Hazem Hassan

Translation from Arabic

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Sixth of October for Development and Investment Company "SODIC" as of December 31, 2014, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the Egyptian Accounting Standards and the Egyptian laws and regulations relating to the preparation of these consolidated financial statements.

Report of other legal and organizing requirements:

The financial information in the board of directors' report which is prepared according to the requirements of law no. 159 for the year 1981 and its implementing regulation agrees with the company's books according to the limits of this information in books.

KPMG Hazem Hassan



Cairo, March 5, 2015

Sixth of October for Development and Investment Company "SODIC"
(An Egyptian Joint Stock Company)
Consolidated Balance Sheet
As at December 31, 2014

	Note No.	31/12/2014 L.E	31/12/2013 L.E
<u>Long - term assets</u>			
Fixed assets (Net)	(6)	115 286 494	125 473 817
Projects under construction	(7)	11 408 573	9 559 123
Biological Assets		4 838 507	3 532 996
Investments in associates and joint ventures	(8)	-	-
Investments - available for sale	(9)	4 250 000	4 250 000
Investment properties (Net)	(10)	17 952 289	17 491 994
Trade, notes receivables and debtors (Net)	(11)	3 318 910 585	2 487 049 139
Total long - term assets		3 472 646 448	2 647 357 069
<u>Current assets</u>			
Other assets (Net)	(13)	4 505 289	4 143 163
Completed units ready for sale	(14)	15 486 539	31 478 756
Constructions in process		-	973 274
Works in process	(15)	6 239 706 098	2 965 096 541
Trade and notes receivable (Net)	(16)	1 540 039 286	1 116 476 739
Due from customers - constructions		-	1 069 820
Debtors and other debit balances (Net)	(17)	327 225 601	342 493 795
Loans to Joint Ventures	(18)	-	-
Investments in treasury bills	(19)	28 623 232	23 949 736
Cash at banks and on hand	(20)	2 076 334 737	453 132 517
Total current assets		10 231 920 782	4 938 814 341
<u>Current liabilities</u>			
Provision for completion	(21)	68 382 052	87 391 032
Provisions	(22)	8 425 682	9 874 847
Bank - overdraft		1 373 763	-
Bank - credit facilities	(23)	158 845 076	107 118 313
Loans - Short term	(34)	78 117 009	223 397 759
Advances - customers	(24)	6 096 915 049	4 294 255 681
Due to customers - constructions		-	2 729 533
Contractors, suppliers and notes payable	(25)	723 600 322	140 968 249
Creditors and other credit balances	(26)	594 964 708	564 396 146
Total current liabilities		7 730 623 661	5 430 131 560
Working capital / (Excess of current liabilities over current assets)		2 501 297 121	(491 317 219)
Total investments		5 973 943 569	2 156 039 850
These investments are financed as follows:			
<u>Equity</u>			
Issued & paid in capital	(28)	1 355 638 292	362 705 392
Legal reserve	(29)	181 352 693	181 352 693
Special reserve - share premium	(30)	1 338 296 569	1 316 921 569
Carried forward losses / retained earnings		(39 372 259)	407 765 882
Profit from sale of treasury shares	(31)	3 692 867	3 692 867
Shares kept for incentive & bonus plan	(32)	(8 012 833)	(80 007 242)
Set aside amount for incentive & bonus plan	(33)	20 004 359	25 323 711
Net profit / (loss) for the year		142 443 522	(447 138 141)
Total equity attributable to the Company		2 994 043 210	1 770 616 731
Non controlling interest	(27)	94 430 992	80 030 306
Total equity		3 088 474 202	1 850 647 037
<u>Long-term liabilities</u>			
Loans - long term	(34)	961 037 423	88 011 726
Creditors - long term		-	165 849 864
Notes payable	(35)	1 921 001 002	48 695 896
Deferred tax liabilities	(12)	3 430 942	2 835 327
Total long-term liabilities		2 885 469 367	305 392 813
Total equity and long - term liabilities		5 973 943 569	2 156 039 850

The accompanying notes from (1) to (53) are an integral part of these consolidated financial statements and to be read therewith.

Financial & Administration

Executive Director

Hany Henry

Chief Financial Officer

Omar Elhamawy

Managing Director

Ahmed Demerdash Badrawi

Chairman

Hani Sarie El Din

Sixth of October for Development and Investment Company "SODIC"
(An Egyptian Joint Stock Company)
Consolidated Income Statement
For The Financial Year Ended December 31, 2014

	Note	2014	2013
	<u>No.</u>	<u>L.E</u>	<u>L.E</u>
Sales of real estate and lands	(36)	1 310 305 053	1 284 485 000
Executed construction contracts revenues		-	12 864 835
Service revenues of Beverly Hills City		25 869 264	17 652 681
Service revenues of Sodic West		21 850 570	2 381 198
Revenues from golf course		7 731 999	7 056 378
Total operation revenues		1 365 756 886	1 324 440 092
 Cost of sales of real estate and lands	(37)	(830 060 930)	(915 926 848)
Executed construction contracts cost		-	(17 004 749)
Service costs of Beverly Hills City		(29 403 501)	(20 749 709)
Service costs of Sodic West		(17 351 221)	(2 231 610)
Cost of golf course		(14 175 074)	(13 263 187)
Total operation costs		(890 990 726)	(969 176 103)
Gross profit		474 766 160	355 263 989
 Other operating revenues	(38)	105 638 090	88 050 875
Selling and marketing expenses	(39)	(106 810 462)	(101 523 573)
General and administrative expenses	(40)	(181 961 398)	(149 601 029)
Other operating expenses	(41)	(61 170 078)	(331 163 010)
Operating profit		230 462 312	(138 972 748)
Finance income	(42)	55 593 599	31 549 722
Finance cost	(43)	(85 742 078)	(310 304 472)
Net finance Cost		(30 148 479)	(278 754 750)
Company's share in losses of the joint project		-	(4 873 967)
Net profit / (loss) for the year before income tax		200 313 833	(422 601 465)
Income tax expense	(44)	(45 974 313)	(24 527 970)
Net profit / (loss) for the year		154 339 520	(447 129 435)
 Share of the holding Company		142 443 522	(447 138 141)
Non controlling interest share in profits and losses of subsidiaries		11 895 998	8 706
Net profit / (loss) for the year		154 339 520	(447 129 435)
 Earnings / (losses) per share (L.E / Share)	(45)	1.32	(4.93)

The accompanying notes from (1) to (53) are an integral part of these consolidated financial statements and to be read therewith.

Sixth of October for Development and Investment Company "SODIC"
(An Egyptian Joint Stock Company)
Consolidated Statement of Changes in Equity
For The Financial Year Ended December 31, 2014

	Issued and paid in capital L.E	Legal reserve L.E	Special reserve- share premium L.E	Profit from selling of treasury share L.E	Shares kept for bonus and incentive plan L.E	Set aside amount for bonus and incentive plan L.E	Cumulative translation Adjustments of foreign operations L.E	Retained earnings Carried forward losses L.E	Net (loss) / profit for the year L.E	Equity attributable to the Company L.E	Non-controlling interest L.E	Total equity L.E
Balance as at December 31, 2012	362 705 392	181 352 693	1 316 921 569	3 692 867	(80 007 242)	25 323 711	(106 071 083)	159 240 396	250 045 549	2 113 203 852	51 706 038	2 164 909 890
Amount transferred to retained earnings	-	-	-	-	-	-	-	250 045 549	(250 045 549)	-	-	-
Cumulative translation adjustments of foreign operations	-	-	-	-	-	-	106 071 083	-	-	106 071 083	-	106 071 083
Non-controlling interest increase in subsidiary	-	-	-	-	-	-	-	(1 520 063)	-	(1 520 063)	28 315 562	26 795 499
Net profit for the year	-	-	-	-	-	-	-	-	(447 138 141)	(447 138 141)	8 706	(447 129 435)
Balance as at December 31, 2013	362 705 392	181 352 693	1 316 921 569	3 692 867	(80 007 242)	25 323 711	-	407 765 882	(447 138 141)	1 770 616 731	80 030 306	1 850 647 037
Amount transferred to retained earnings	-	-	-	-	-	-	-	(447 138 141)	447 138 141	-	-	-
Capital increase	992 932 900	-	-	-	-	-	-	-	-	992 932 900	-	992 932 900
Executed bonus and incentive plan	-	-	21 375 000	-	72 000 000	-	-	-	-	93 375 000	-	93 375 000
Treasury stock acquired through subsidiaries	-	-	-	-	(5 591)	-	-	-	-	(5 591)	-	(5 591)
Amortized of Set a side of incentive and bonus plan used	-	-	-	-	-	(5 319 352)	-	-	-	(5 319 352)	-	(5 319 352)
Elimination of Non-controlling interest in subsidiaries	-	-	-	-	-	-	-	-	-	-	2 504 688	2 504 688
Net profit for the year	-	-	-	-	-	-	-	-	142 443 522	142 443 522	11 895 998	154 339 520
Balance as at December 31, 2014	1 355 638 292	181 352 693	1 338 296 569	3 692 867	(8 012 833)	20 004 359	-	(39 372 259)	142 443 522	2 994 043 210	94 430 992	3 088 474 202

The accompanying notes from (1) to (53) are an integral part of these consolidated financial statements and to be read therewith.

Sixth of October for Development and Investment Company "SODIC"
(An Egyptian Joint Stock Company)
Consolidated Statement of Cash Flows
For The Financial Year Ended December 31, 2014

	Note No.	2014 L.E	2013 L.E
<u>Cash flows from operating activities</u>			
Net profit / (loss) for the year before income tax		200 313 833	(422 601 465)
<u>Adjustments :-</u>			
Depreciation of fixed assets and rented units		16 377 158	22 052 474
Capital gains		(2 712 095)	(1 663 950)
Deferred capital gains		-	(8 798 931)
Impairment loss of debtors, trade receivables & loans to joint ventures	(41)	7 223 157	293 223 056
Reversal of impairment loss of trade and notes receivables		(16 697)	(41 394)
Investments in associates and entites under joint control		-	102 705 427
Provisions formed	(21) , (22)	38 541 978	46 738 781
Provisions no longer required	(21) , (22)	-	(12 421 567)
Operating profit before changes in working capital items		259 727 334	19 192 431
<u>Changes in working capital items</u>			
Change in other assets		(362 126)	819 012
Change in finished units available for sale		15 992 217	15 798 999
Change in works in process		(1 397 024 127)	17 612 178
Change in investment properties		(726 080)	(8 316 316)
Change in constructions under process		973 274	2 704 513
Change in trade and notes receivables		(1 255 361 209)	(1042 915 291)
Amount due from customers-construction		1 069 820	(1 069 820)
Change in debtors and other debit balances		8 067 761	(22 269 492)
Provisions used	(21) , (22)	(58 781 389)	(91 281 167)
Change in advances from customers		1 802 659 368	790 191 905
Change Due from customers - constructions		(2 729 533)	1 576 332
Change in contractors, suppliers and notes payable		534 230 656	(25 577 011)
Change in creditors and other credit balances		(137 237 419)	295 976 577
Restricted cash		(250 000 000)	-
Net cash (used in) operating activities		(479 501 453)	(47 557 150)
<u>Cash flows from investing activities</u>			
Payments for purchase of fixed assets, projects under construction and biological assets		(9 355 888)	(9 610 919)
Payments for Investments in treasury bills		(4 673 496)	(12 044 360)
Proceeds from sale of fixed assets		2 723 187	68 863 757
Net cash (used in) provided from investing activities		(11 306 197)	47 208 478
<u>Cash flows from financing activities</u>			
Capital increase		992 932 900	-
Bank -Overdarft		-	(11 524)
Bank - credit facilities		51 726 763	71 466 940
Banks - long-term loans		727 421 699	(52 117 210)
Loans for joint ventures		-	(18 679 012)
Shares kept for bonus and incentive plan and other equity		88 050 057	-
Non-controlling interest		2 504 688	26 795 500
Net cash provided from financing activities		1 862 636 107	27 454 694
Cumulative translation adjustments		-	106 071 083
Net change in cash and cash equivalents during the year		1 371 828 457	133 177 105
Cash and cash equivalents as at the beginning of the year		403 132 517	269 955 412
Cash and cash equivalents as at the end of the year	(20)	1 774 960 974	403 132 517

The accompanying notes from (1) to (53) are an integral part of these consolidated 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 financial statements
For the financial year ended December 31, 2014

1. Background and activities

- 1-1** Sixth of October for Development and Investment Company "SODIC" (the Company) – 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 Parent Company is listed on the Egyptian Exchange.
- 1-5** The consolidated financial statements of Sixth of October for Development & Investment Company "SODIC" (the Parent Company) for the financial year ended December 31, 2014 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.

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. Ahmed Demerdash Badrawi is a Board Member and the Managing Director of the Parent Company.

2. Basis of preparation of the interim consolidated financial statements

2-1 Statement of compliance

- These consolidated financial statements have been prepared in accordance with Egyptian Accounting Standards and relevant Egyptian laws and regulations.
- The financial statements have been authorized by Company's Board of Directors as March 4, 2015

2-2 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 are measured at fair value.
- Held for trading investments are measured at fair value.
- Available for sale investments, which have market values are measured at fair value.
- Liabilities for cash settled share - based payments are measured at fair value.
- Assets and liabilities for Subsidiaries under liquidation are measured at fair value.

2-3 Functional and presentation currency

The consolidated financial statements are presented in Egyptian Pound, which is the Group's functional currency.

2-4 Use of estimates and judgments

- The preparation of the consolidated financial statements in conformity with Egyptian Accounting Standards requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about the carrying values of assets and liabilities that are readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

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

- Provisions for expected claims
- Useful lives for fixed assets
- Deferred taxes
- Accruals
- Provision for completion
- Valuation of investment properties
- Impairment of fixed assets.
- Impairment of inventory
- Impairment of debtors and other debit balances

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all years presented in these consolidated financial statements, except for investments policy applied for joint ventures as it's described in details in Note No. (3.1.3) jointly controlled entities

3.1 Basis of consolidation

3.1.1 Subsidiaries

- The consolidated financial statements include all subsidiaries controlled by the Parent Company and which the management intends to continue to control. Control exists when the Group has the power to control the financial and operating policies of an entity so as to obtain benefits from its activities. Such control exists by owning more than 50% of the investees' voting rights. In assessing control, potential voting rights that presently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.
- Intergroup balances and transactions, including income, expenses and dividends, are eliminated in full. Profits and losses resulting from intergroup transactions that are recognized in assets, such as inventory and fixed assets, are eliminated in full. Intergroup losses may indicate an impairment that requires recognition in the consolidated financial statements. EAS (24) Income Taxes applies to temporary differences that arise from the elimination of profits and losses resulting from intergroup transactions.
- Non-controlling interests shall be presented in the consolidated balance sheet within equity, separately from the Parent shareholder's equity. Non-controlling interests in the profit or loss of the group are separately disclosed.

Subsidiaries are represented in the following:-

<u>Subsidiary name</u>	<u>Country of Incorporation</u>	<u>Ownership</u>	
		<u>As at 31/12/2014</u>	<u>As at 31/12/2013</u>
		<u>%</u>	<u>%</u>
1- SODIC Property Services Co. - S.A.E "under liquidation"	Egypt	100	100
2- Sixth of October for Development and Real Estate Projects Company "SOREAL" - S.A.E	Egypt	99.99	99.99
3- Beverly Hills for Management of Cities and Resorts Co. - S.A.E (A)	Egypt	46.75	46.75
4- SODIC Garden City for Development and Investment Co. S.A.E (B)	Egypt	50	50
5- Move-In for Advanced Contracting Co. - S.A.E	Egypt	85	85
6- El Yosr for Projects and Agriculture Development Co. - S.A.E	Egypt	99.99	99.99
7- SODIC for Development and Real Estate Investment Co. - S.A.E	Egypt	99.99	99.99
8- SODIC SIAC for Real Estate Investment Co. - S.A.E	Egypt	86.67	86.67
9- SODIC for Golf and Tourist Development Co. - S.A.E	Egypt	100	100
10- Fourteen for Real Estate Investment Co. - S.A.E	Egypt	99.99	99.99
11- La Maison for Real Estate Investment Co. - S.A.E	Egypt	99.99	99.99
12- Tegara for Trading Centers Co. S.A.E	Egypt	95.24	97.50
13- Edara for Services of Cities and Resorts Co. -S.A.E	Egypt	99.97	99.97
14- Soreal for Real Estate Investment	Egypt	99.99	-
15- SODIC for Securitization	Egypt	99.99	-
16- SODIC Syria L.L.C (C)	Syria	100	100

- A. The legal participation in Beverly Hills for Management of Cities and Resorts Co. amounts to 70.92%, which includes 24.17% 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).
- B. The Company participates in the share capital of SODIC Garden City for Development and Investment Co. in conjunction with some board members and their owned companies.

- C. 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.
- D. On January 12, 2014 the extraordinary general assembly decided to liquidate the company on December 31, 2013, in which the liquidation ends within 3 years from the date of permission in the commercial register to put the company into liquidation.

3.1.2 Associates

Associates are those entities in which the Group has significant influence, but not a control, over the financial and operating policies. Such influence is presumed to exist when the group holds between 20% and 50% of the voting rights of the investee.

Investments in associates are recorded using the equity method. Under this method the investment in associates is initially recognized at cost and the carrying amount is increased or decreased to recognize the investor's share of the profit or loss of the associate after the date of acquisition. Dividends received from associates reduce the carrying amount of the investment.

Losses of an associate in excess of the Company's interest in that associate are not recognized, unless the Company has incurred legal or constructive obligation or made payments on behalf of the associate.

If the acquisition cost exceeds the Company's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate, the excess is recognized as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment.

3.1.3 Jointly controlled entities

Joint ventures are entities in which the Group has joint control over the activities and are established by contractual agreement requiring unanimous consent for strategic financial and operating decisions. Jointly controlled entities are accounted for using the proportionate consolidation. The consolidated financial statements include the Group's share in jointly controlled entities from the date that joint control commences until the date that joint control ceases.

Given the political conditions experienced by the Syrian Arab Republic the company's board adopted a resolution in its meeting held on April 16, 2014 to change the accounting policy for investments in jointly controlled entities from the proportionate consolidation method to the equity method in accordance with the allowed alternative treatment according to EAS (27) to allow the users of the financial statements to compare the financial statements of a number of periods of the entity and to identify the trends of its financial position and its financial performance and its cash flows. Accordingly, the management of the company calculates and records the impact of the change in accounting policy for these investments through the equity method from the beginning of the investment in those entities and show comparative figures for the periods presented in these financial statements in accordance with that policy. The investment is recognized using the equity method with the same fundamentals described in item 3.1.2 of accounting policies.

3.2 Foreign currency transactions

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

Financial statements of foreign operations

Foreign operation's financial statements maintained in foreign currencies are translated to Egyptian pounds. Assets and liabilities of those operations are translated at foreign exchange rates prevailing at the consolidated balance sheet date. Revenues and expenses are translated at the average exchange rate used during the period/year. Equity items are translated using the historical exchange rate at the date of acquisition or incorporating the foreign operations. Foreign exchange differences arising from translation are recognized directly in a separate component of equity in the consolidated balance sheet under "Accumulated differences from foreign currency transactions".

3.3 Fixed assets and depreciation

a. Recognition and measurement

Fixed assets that are used in production, providing goods and services or for administrative purposes are stated at historical cost less accumulated depreciation and cumulative impairment losses resulted from impairment in the values of fixed assets (3-16) Cost includes expenditures that are directly attributable to the acquisition of the asset and necessary to have the asset ready for use in the purpose for which the asset was acquired.

When parts of an item of fixed assets have different useful lives, they are accounted for as separate items (major components) of fixed assets.

Assets are stated in the construction phase for production or for rent or for administrative purposes at cost less cumulative impairment losses. Cost includes professional fees and all direct costs related to the asset. Depreciation of these assets starts when they are completed and prepared for use as intended.

The cost of self-constructed assets includes the cost of materials, direct labor and any other costs directly attributable to bringing the asset to a working condition for its intended use.

b. Subsequent costs

The Company recognizes in the carrying amount of an item of property, plant and equipment the cost of replacing part, after derecognized the replaced part, of such an item when that cost is incurred if it is probable that future economic benefits embodied with the item will flow to the Company and the cost can be measured reliably. All other costs are recognized in the income statement as an expense as incurred.

c. Depreciation

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each component of the fixed assets (with the exception of Land which is not depreciated). The estimated useful lives are as follows:

<u>Asset</u>	<u>Years</u>
Buildings and construction works	5-10
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
<u>Golf course assets</u>	
Constructions	20

Irrigation networks	15
Equipment and tools	15

3.4 **Intangible assets- Goodwill**

Goodwill (positive and/or negative) represents amounts arising on acquisition of subsidiaries or joint ventures. As it represents the difference between the cost of the acquisition and the fair value of the net identifiable assets acquired at acquisition date.

Positive goodwill is stated at cost less impairment losses while negative goodwill will be recognized directly in the income statement. Goodwill resulting from further acquisitions after control is obtained is determined on the basis of the cost of the additional investment and the carrying amount of net assets at the date of acquisition.

Goodwill is tested for impairment periodically and whenever there are events or changes in circumstances that indicate the existence of goodwill impairment. Impairment loss of goodwill cannot be reversed subsequently.

3.5 **Operating lease**

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

3.6 **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.

3.7 **Biological assets**

Biological assets under construction are measured at fair value less costs to sell, any change in costs will be recognized in profit or loss, costs to sell includes any costs incurred to sell the biological asset.

3.8 **Investment properties**

This item includes lands held and not allocated for a specific purpose, and/or lands held for sale on a long term basis. It also includes lands and buildings leased to others (by virtue of operating leases). Real estate investments are valued at cost less the accumulated depreciation and impairment (note No. 3-16). The fair value of these investments are disclosed at the balance sheet date unless the fair value is difficult to be determined in a reliable manner. In this case such fact shall be disclosed.

3.9 **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 income statement. Except the impairment loss, Investments in unlisted securities or where the fair value of investment cannot be determined in a reliable manner such investments are stated at cost less impairment losses (note No. 3-16). Impairment loss is recognized directly in the consolidated income statement.

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

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 income statement. Treasury bills are stated at their net cost after deducting the amortized interest and the Impairment losses (note No. 3-16).

3.10 Units ready for sale

Units ready for sale are stated at the consolidated balance sheet date at lower of cost or net releasable value. 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.

3.11 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.

3.12 (Due from/Due to customers) Construction work

Construction work in progress represents the gross unbilled amount expected to be collected from customers based on the contracts concluded to date.

The difference between the estimated revenue calculated based on the percentage of completion and the amount collected from the actual billing to the customer is recognized as "due from customers" within the current assets caption. In case that the actual collections from customers exceeds the estimated revenues calculated based on the percentage of completion the difference is recognized as a due to customers within the current liabilities.

3.13 Construction contracts cost

Construction contract costs include all direct costs such as material cost, supplies, equipment depreciation, labor cost and indirect costs incurred by the company such as indirect labor and maintenance. Moreover the cost include general and administrative expense directly attributable to such work.

Provisions for estimated losses relating to uncompleted contracts are formed in the year in which such losses are determined.

3.14 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 note No. (3-16). 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.

3.15 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.

3.16 Impairment of assets

a. Financial assets

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its current fair value.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognized in the consolidated income statement. Any cumulative loss in respect of an available-for-sale financial asset recognized previously in equity is transferred to the consolidated income statement.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. For financial assets measured at amortized cost and available-for-sale financial assets that are debt securities, the reversal is recognized in consolidated income statement. For available-for-sale financial assets that are equity securities, the reversal is recognized directly in equity.

b. Non-financial assets

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

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

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

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

3.17 Provisions

Provisions are recognized when the Company has a legal or constructive obligation as a result of a past event and it's probable that a flow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and, where appropriate, the risks specific to the liability. Provisions are reviewed at the balance sheet date and amended (when necessary) to reflect the best current estimate.

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.

3.18 Borrowing costs

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

Borrowing costs related directly to acquire or constructing qualified assets, are capitalized until the date of having these assets available for use, capitalization is temporarily suspended during the periods in which construction of assets is temporarily suspended. Capitalization is permanently stopped when all essential activities to have the asset ready for use are completed according to the alternative accounting treatment stated in the EAS no. (14).

3.19 Interest –bearing borrowings

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

3.20 Trade, contractors and other credit balances

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

3.21 Share capital

Common shares are classified in the owners' equity.

a. Issuance of share capital

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

b. Treasury shares

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

c. Dividends

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

d. Finance of the incentive and bonus plan

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

- On February 1, 2015 the extra ordinary general assembly agreed to end the current bonus and incentive plan for employees, executive managers and board of directors members and implementation of a new incentive and bonus plan as disclosed in note No. (53).

e. Reserves

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

Transfer to the legal reserve may be suspended once the reserve reaches 50% of the Company's issued capital. However, if the reserve balance falls below 50% of the Company's issued capital then transfers to the legal reserve become required to be resumed.

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

3.22 Share – based payments transactions

a. Equity settled share – based payments

The difference between the grant date fair value of shares and the amount incurred by the beneficiaries is recognized in the income statement over the period that the beneficiaries become unconditionally entitled to those shares. The expected number of beneficiaries from the plan and the extent of their benefit are reviewed at the consolidated financial statements date. Necessary changes are made for the expense to reflect the best estimate and the corresponding amount is included in equity.

b. Cash settled share - based payments

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

3.23 Notes payable – Long-term

Long-term notes payable are stated at amortized cost using the effective interest rate method.

3.24 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. Construction contracts

Contract revenue includes the initial amount agreed in the contract plus any variations in contract work, claims and incentive payments to the extent that is probable that they will result in revenue and can be measured reliably. As soon as the outcome of a construction contract can be estimated reliably, contract revenue and expenses is recognized according to the stage of completion of the contract.

The stage of completion is assessed by reference to surveys of work performed. When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognized only to the extent of contract costs incurred that are likely to be recoverable. For construction contracts under process a provision for expected losses, if any, is immediately recognized whenever such losses are determined

In the case of a cost plus contract, the outcome of a construction contract can be estimated reliably when all the following conditions are satisfied:

- It is probable that the economic benefits associated with the contract will flow to the entity.
- The contract costs attributable to the contract, whether or not specifically reimbursable, can be clearly identified and measured reliably.

c. **Service revenues**

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

d. **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.

e. **Interest income**

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

f. **Commission revenue**

Commission revenue is recognized in the consolidated income statement according to the accrual basis of accounting.

g. **Dividends**

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

3.25 **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.

3.26 **Expenses**

a. **Lease payments**

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

b. **Employees' pension**

1. **Pension obligations**

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

2. **Employees' profit sharing**

As per the Companies Law, employees are entitled to receive not less than 10% of the distributed profits, after deducting a percentage to support the legal reserve, according to the rules proposed 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.

c. Income tax

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

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

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

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

3.27 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 / year.

4. Determination of fair values

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

4.1 Fixed assets

The fair value of fixed assets recognized as a result of a business combination is based on market values. The fair value of fixed assets is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing where in the parties had each acted knowledgeably, prudently and without compulsion.

4.2 Investments in equity instruments

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

4.3 Trade, note receivables and other debtors

The fair value of trade, note receivables and other debtors is estimated as the present value of future cash flows, discounted at the market rate of interest at the consolidated financial statement date.

4.4 Investment properties

The fair value is based on market values, being the estimated amount for which property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

4.5 Share – based payment transactions

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

4.6 Assets and liabilities of subsidiaries under liquidation

Assets and liabilities of subsidiaries under liquidation are recorded with fair values and are included in current assets and/or current liabilities.

5. Financial risk management

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

- credit risk
- liquidity risk
- market 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.

5.1 Credit risk

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

Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the 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.

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 checks 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 15th of January, 2013, Sixth of October for Development and Investment Company's "SODIC" EGM approved extending a corporate guarantee to Sixth of October for Development & Real Estate Projects Co. "SOREAL" (99% owned by SODIC) for a loan provided by Arab Investment Bank to finance Kattameya Plaza project. The loan was fully paid in 2014.
- On the 1st of July, 2014, SOREAL's EGM approved extending in kind guarantees to SOREAL For Real Estate Investment's loan with a total value of EGP 950 million excluding interest and fees.

- 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% owned by SODIC) for a loan provided by Arab African International Bank to finance Villette project. .

5.2 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:

- L.E 1.5 million as short-term bank facilities guaranteed by treasury bills, which are kept with the bank at an annual interest rate of 13.03%.
- A facility amounting to L.E 150 million. The facility is fully secured by deposits amounting to L.E 150 million with an interest rate of 1.25% above the deposit rate achieved.
- A facility amounting to L.E 150 million with an interest rate of 1% below the bank's lending rate. The facility is guaranteed by a promissory note of L.E 150 million in addition to a corporate guarantee extended from SODIC.
- A medium term loan in the amount of L.E 900 million with an annual interest rate of 3% above the Central Bank of Egypt's lending rate.
- A medium term loan in the amount of L.E 300 million with an annual interest rate of 2.5% above the Central Bank of Egypt's lending rate.
- A medium term loan in the amount of L.E 950 million with an annual interest rate of 2.75% above the Central Bank of Egypt's lending rate.

5.3 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the 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.

5.4 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 US\$ 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 Company does not enter into hedging contracts for foreign currencies.

5.5 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.

5.6 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.

5.7 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.

Sixth of October for Development and Investment Company "SODIC"

"An Egyptian Joint Stock Company"

Notes to the consolidated financial statements (Cont.)

For The Financial Year Ended December 31, 2014**6- Fixed assets**

This item is represented as follows:-

	Golf course	Land	Building and constructions	Vehicles	Furniture and fixtures	Office equipment and communications	Generators, machinery and equipment	Leasehold improvements	Total
	<u>L.E</u>	<u>L.E</u>	<u>L.E</u>	<u>L.E</u>	<u>L.E</u>	<u>L.E</u>	<u>L.E</u>	<u>L.E</u>	<u>L.E</u>
Cost as at January 1, 2014	93 628 961	23 700 259	10 083 441	14 078 444	19 030 904	18 660 222	21 940 193	13 400 255	214 522 679
Additions during the year	—	—	284 500	1 538 280	662 006	2 759 251	956 891	—	6 200 928
Disposals during the year	—	—	—	(184 900)	(184 611)	(154 520)	(2 332 044)	—	(2 856 075)
Reclassification	—	—	—	—	(422 545)	(2 585 974)	3 008 519	—	—
Cost as at December 31, 2014	93 628 961	23 700 259	10 367 941	15 431 824	19 085 754	18 678 979	23 573 559	13 400 255	217 867 532
Accumulated depreciation and impairment loss as at January 1, 2014	30 962 355	—	3 042 106	11 198 371	9 799 871	12 817 214	13 602 991	7 625 954	89 048 862
Depreciation of the year	1 823 248	—	545 820	1 403 021	2 615 131	3 038 425	3 639 486	3 046 242	16 111 373
Accumulated depreciation of disposals	—	—	—	(183 650)	(91 235)	(78 406)	(2 225 906)	—	(2 579 197)
Reclassification	—	—	—	—	(121 013)	(2 239 567)	2 360 580	—	—
Accumulated depreciation and impairment loss as at December 31, 2014	32 785 603	—	3 587 926	12 417 742	12 202 754	13 537 666	17 377 151	10 672 196	102 581 038
Net book value as at December 31, 2014	60 843 358	23 700 259	6 780 015	3 014 082	6 883 000	5 141 313	6 196 408	2 728 059	115 286 494
Net book value as at December 31, 2013	62 666 606	23 700 259	7 041 335	2 880 073	9 231 033	5 843 008	8 337 202	5 774 301	125 473 817

- Fixed assets include fully depreciated assets with an amount of L.E 22 985 181 as at December 31, 2014.

7. Projects under construction

This item is represented as follows:

	31/12/2014	31/12/2013
	<u>L.E</u>	<u>L.E</u>
Advance payments -fixtures and purchasing of fixed assets	4 899 502	3 884 072
Buildings and constructions	6 509 071	5 675 051
	<u>11 408 573</u>	<u>9 559 123</u>

8. Investments in associates and joint ventures

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

	Legal Form	Ownership percentage		Carrying amount	
		31/12/2014	31/12/2013	31/12/2014	31/12/2013
		<u>%</u>	<u>%</u>	<u>L.E</u>	<u>L.E</u>
Royal Gardens for Investment Property Co. (A)	SAE	20	20	-	-
Palmyra SODIC Real Estate Development (B)	Syrian Ltd.	50	50	-	-
				<u>-</u>	<u>-</u>

Summary of financial information of associates:-

	Assets	Liabilities	Equity	Revenues	Expenses
	<u>L.E</u>	<u>L.E</u>	<u>L.E</u>	<u>L.E</u>	<u>L.E</u>
<u>December 31, 2014</u>					
Royal Gardens for Real Estate Investments Co. (A)	588 059 178	(512 399 635)	(45 659 543)	(211 937 566)	183 672 009
<u>December 31, 2013</u>					
Royal Gardens for Real Estate Investments Co. (A)	741 244 705	(708 489 631)	(32 755 074)	139 571 794	(141 605 047)
	<u>Assets</u>	<u>Liabilities</u>	<u>Equity</u>	<u>Revenues</u>	<u>Expenses</u>
	<u>L.E</u>	<u>L.E</u>	<u>L.E</u>	<u>L.E</u>	<u>L.E</u>
<u>December 31, 2014</u>					
Palmyra SODIC Real Estate Development (B)	240 699 241	(393 636 642)	152 937 401	-	(137 666 621)
<u>December 31, 2013</u>					
Palmyra SODIC Real Estate Development (B)	338 126 168	(379 476 638)	41 350 470	-	(173 175 402)

- (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 L.E 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 L.E 32 298 112 out of which only L.E 3 million has been eliminated to the extent of the Company's interest in the associate when preparing the consolidated financial statements. Nonetheless, the Company's share in the associate's cumulative gain amounting to L.E 16 768 208 as at December, 31 2014 has not been charged to the consolidated income statement. On May, 22 2014 Royal Gardens for Real Estate Investment has made cash dividends of which the Parent Company's share amounted to LE 5 348 651. This amount has been classified within other operating revenue Disclosure No. (38).
- (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 LE 243 million.
- (C) 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 in 2014, 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 L.E. 481 051 416 as of December 31, 2014.

9. Available for sale investments

This item is represented as follows:

	Legal Form	Ownership %	Paid amount of Participation %	Carrying amount as at 31/12/2014 L.E	Carrying amount as at 31/12/2013 L.E
Egyptian Company for Development and Management of Smart Villages	S.A.E	1.8	100	4 250 000	4 250 000
				<u>4 250 000</u>	<u>4 250 000</u>

- 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.

10. **Investment properties**

The net carrying amount of the investment properties as at December 31, 2014 amounted to L.E 17 952 289. The amount includes commercial / residential units leased out to others and agricultural lands.

The movement of the investment properties account and its associated depreciation during the year as follows:-

<u>Description</u>	<u>Leased out units (a)</u>
<u>Cost</u>	<u>L.E</u>
As at 1/1/2014	17 842 713
Additions during the year	726 080
Total cost of investment properties as at 31/12/2014	18 568 793
<u>Accumulated depreciation</u>	
As at 1/1/2014	(350 719)
Depreciation for the year	(265 785)
Accumulated depreciation as at 31/12/2014	(616 504)
Net carrying amount as at December 31, 2014	17 952 289
Net carrying amount as at December 31, 2013	17 491 994

- (a) The fair value of completed residential units leased out to others amounts to L.E 35 314 300 as at December 31, 2014.

11. **Trade, notes receivable and debtors – Long-term**

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

	<u>31/12/2014</u>	<u>31/12/2013</u>
	<u>L.E</u>	<u>L.E</u>
Trade receivable	6 024 232	13 015 238
Sundry debtors (11-1)	9 844 400	14 766 600
Notes receivable	3 410 589 350	2 549 470 654
	3 426 457 982	2 577 252 492
<u>Deduct:</u> Unamortized interest	107 547 397	90 203 353
	3 318 910 585	2 487 049 139

- 11-1. This balance represents the remaining amount from the sale value of the Group's stakes in the share capital of El Sheikh Zayed for Real Estate Development Co. during 2010. According to the sale agreement, this debit balance will be collected after September 15, 2016.

- The Group's exposure to credit, and currency risks related to trade and notes receivable is disclosed in note no. (46).

12. Deferred tax assets and liabilities

	31/12/2014		31/12/2013	
	Assets	Liabilities	Assets	Liabilities
	L.E	L.E	L.E	L.E
Fixed assets	-	(3 498 562)	-	(2 889 302)
Provisions	67 620	-	53 975	-
Total deferred tax asset/(liability)	67 620	(3 498 562)	53 975	(2 889 302)
Net deferred tax (liability)	-	(3 430 942)	-	(2 835 327)

13. Other assets

	31/12/2014	31/12/2013
	L.E	L.E
Assets – Companies under liquidation (net)	2 683 724	2 638 414
Inventories and letters of credit	1 821 565	1 504 749
	4 505 289	4 143 163

14. Completed units ready for sale

	31/12/2014	31/12/2013
	L.E	L.E
Cost of completed commercial units	5 348 572	4 262 805
Cost of units purchased for resale (14-1)	10 137 967	27 215 951
	15 486 539	31 478 756

(14-1) This item represents the acquisition cost of 15 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.

15. Work in process

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

	<u>Note</u> <u>No.</u>	<u>31/12/2014</u> <u>L.E</u>	<u>31/12/2013</u> <u>L.E</u>
<u>Allegria project costs</u>			
Allegria project costs (15-1)		464 668 726	589 843 726
Westown project costs		799 302 539	678 467 265
Kattamya Plaza project costs (15-2)		59 931 161	203 944 223
Eastown project costs (15-3)		1 467 856 946	635 155 645
Villette project costs (15 -4)		2 631 710 059	-
Al Yosr for projects and agriculture development project costs		332 831 205	332 782 254
Polygon project costs		321 732 935	370 173 803
The Strip project costs		70 737 973	74 282 793
Westown Hub project costs		79 277 574	68 913 482
Beverly Hills project costs		9 681 261	9 557 631
Tegara for trading centers projects costs		1 975 719	1 975 719
		<u>6 239 706 098</u>	<u>2 965 096 541</u>

(15-1) This item includes a balance of L.E 11 285 712 (2013: L.E 16 037 713) representing the value of the additional cost related to the repurchase of some units in Allegria project.

(15-2) In reference to the handover certificate dated November 9, 2006, the amount includes the acquisition cost related to the undelivered units of a 30-feddan plot located in the Investors' Zone east of the ring road in New Cairo. The land is owned by the Group's subsidiary Sixth of October for Development and Real Estate Projects Company "SOREAL." The ownership of the land has been transferred to Sixth of October for Development and Real Estate Projects Company "SOREAL." from Bicorp Holding, the main shareholder at the time, which was approved by the Main Real Estate Committee during its meeting number 37 dated August 13, 2006.

(15-3) The amount represents the acquisition cost of a plot of land under development owned by Sixth of October for Development and Real Estate Projects Company "SOREAL" with an area of 204.277 feddans that is equivalent to 857 963.40 square meters, as stated in the handover certificate dated November 7, 2006 located in the Future Extension of New Cairo. The ownership of the land was transferred to Sixth of October for Development and Real Estate Projects Company "SOREAL" by virtue of the assignment given by Bicorp Holding Company, the main shareholder at the time. The transfer was approved by the decree issued by the Main Real Estate Committee during its meeting No. 37 dated August 13, 2006.

Eastown project includes an amount of LE 680 million representing the present value of the remaining installments of the settlement agreement signed between Sixth of October for Development and Real Estate Projects Co. "SOREAL" and the Ministry of Housing and New Urban Communities Authority dated April 14, 2014 on the plot (2) mentioned above. The settlement agreement stipulates that SOREAL will pay L.E 900 million over 7 years in return for an extension in the development time frame by an additional 5 years.

On February 16, 2010, a subsidiary of the Group concluded a sub-development agreement with El Sheikh Zayed for Real Estate Development Co. for the development of Block No. (8) Of Eastown project with an area of 7439 square meter. The agreement stipulates that:-

- The subsidiary undertakes to sell the project to El Sheikh Zaid for Real Estate Development upon fulfillment of the conditions listed in this agreement.
- El Sheikh Zaid for Real Estate Development Co. is authorized to develop the project as an independent sub-developer and not as an agent in accordance with the master plan of the project.
- The subsidiary warrants that El Sheikh Zaid for Real Estate Development Co. is entitled as an independent sub-developer and not as an agent to develop and invest in the project in accordance with the conditions listed in this agreement. In addition, the subsidiary shall undertake all necessary procedures to allow and facilitate the development of the project by El Sheikh Zaid for Real Estate Development Co. in accordance with this agreement.
- The subsidiary undertakes to finalize all necessary procedures to allow the transfer of ownership of the project to El Sheikh Zaid for Real Estate Development Co. upon the fulfillment of the conditions of the agreement.
- The sub-development price amounts to L.E 3 371 400 which was collected in full during year 2010 in accordance with the conditions of the agreement. This amount will be recorded as revenue upon the fulfillment of the conditions of the sub-development agreement.

(15-4) the amount includes L.E 2.5 billion related to the purchase of 301.48 feddans in New Cairo by a subsidiary, SOREAL For Real Estate Investment. The award letter was received on the 9th of June, 2014.

16. Trade and notes receivable - current

	31/12/2014	31/12/2013
	<u>L.E</u>	<u>L.E</u>
Trade receivable	119 860 964	95 124 018
Notes receivable	1 432 439 992	1 029 445 908
	<u>1 552 300 956</u>	<u>1 124 569 926</u>
<u>Deduct</u> : unamortized interest – notes receivable	12 003 148	7 771 881
	<u>1 540 297 808</u>	<u>1 116 798 045</u>
Impairment losses of trade and notes receivable	(258 522)	(321 306)
	<u>1 540 039 286</u>	<u>1 116 476 739</u>

- The Group's exposure to credit, currency risks related to trade and notes receivable is disclosed in note no. (46).

17. Debtors and other debit balances

	31/12/2014	31/12/2013
	<u>L.E</u>	<u>L.E</u>
Contractors and suppliers – advance payments	121 262 060	201 399 509
Due from related parties – Joint Venture	35 191 620	35 191 620
Interests receivable	68 618 927	65 792 885
Due from related parties	6 283 377	5 207 658
Prepaid expenses	155 967 298	115 103 464
Deposits with others	5 694 821	2 696 583
Tax Authority	2 079 268	1 600 996
L / G 's margins	3 150 000	3 150 000
Due from the bonus and incentives plan to employees and managers fund (17-A)	18 004 359	5 323 710
Advance- operating lease	3 615 681	3 615 682
Other debit balances	14 821 959	8 313 075
	<u>484 689 370</u>	<u>447 395 182</u>
Impairment loss on debtors and other debit balances	107 463 769	(104 901 387)
	<u>327 225 601</u>	<u>342 493 795</u>

(17-A) This item represents the amount due from the bonus and incentives plan to employees and managers. The amount represents the value of dividends of the shares of the bonus and incentives plan for the financial year ended December 31, 2010 as per the resolution of the Ordinary General Assembly Meeting held on April 12, 2011, and the interest due for these dividends and issue rights sales value relating to bonus and incentives plan shares of employees and executive managers as its disclosed at note No. (33).

18. Loans to Joint Ventures

	31/12/2014	31/12/2013
	<u>L.E</u>	<u>L.E</u>
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 June 30, 2011. The loan was renewed until December 31, 2014 with an interest rate of 12.5% per annum.	135 485 960	135 485 960
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 7 659 025. The loan carries an interest rate of 8.5% per annum. The principal together with interest are scheduled for payment before December 31, 2014.	54 139 883	53 214 908
	<u>189 625 843</u>	<u>188 700 868</u>
Impairment for loans to joint ventures	<u>(189 625 843)</u>	<u>(188 700 868)</u>
	-	-

19. Investments in treasury bills

	31/12/2014	31/12/2013
	<u>L.E</u>	<u>L.E</u>
Treasury bills with a maturity of (328) days to (358) days	31 229 098	25 925 000
Unearned return on treasury bills	(2 605 866)	(1 975 264)
	<u>28 623 232</u>	<u>23 949 736</u>

- The Group's exposure to market risk related to the trading investments is disclosed in note No. (46).

20. Cash at banks and on hand

	31/12/2014	31/12/2013
	<u>L.E</u>	<u>L.E</u>
Bank - time deposits (20-1)	1 936 272 391	290 391 381
Bank - current accounts	113 235 177	135 037 318
Checks under collection	25 567 899	26 526 281
Cash on hand	1 259 270	1 177 537
	<u>2 076 334 737</u>	<u>453 132 517</u>

(20-1) Deposits include an amount of L.E 300 million restricted as a guarantee for the credit facility granted to the Parent Company from a commercial bank. In addition, it includes an amount of L.E 82.7 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:

	31/12/2014	31/12/2013
	<u>L.E</u>	<u>L.E</u>
Cash at banks and on hand	2 076 334 737	453 132 517
Less:		
Bank-Overdraft	1 373 763	-
Restricted-Time Deposits	300 000 000	50 000 000
Cash and cash equivalents in the consolidated statement of cash flows	1 774 960 974	403 132 517

- The Group's exposure to interest rate risk for financial assets is disclosed in note No. (46).

21. Provision for completion

Movement on provisions during the year is represented as follows:-

	Balance as at 1/1/2014	Formed during the year	Used during the year	Balance as at 31/12/2014
	<u>L.E</u>	<u>L.E</u>	<u>L.E</u>	<u>L.E</u>
Provision for completion of works (21-1)	87 391 032	38 370 674	(57 379 654)	68 382 052
	87 391 032	38 370 674	(57 379 654)	68 382 052

(21-1) This provision is formed against the estimated costs expected to be incurred to complete the execution of the delivered units.

22. Provisions

	Balance as at 1/1/2014	Formed during the year	Used during the year	Adjustments	Balance as at 31/12/2014
	<u>L.E</u>	<u>L.E</u>	<u>L.E</u>	<u>L.E</u>	<u>L.E</u>
Provision for expected claims	9 874 847	171 305	(1 401 735)	(218 735)	8 425 682
	9 874 847	171 305	(1 401 735)	(218 735)	8 425 682

- 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

23. Bank - credit facilities

This item is represented in the following:

	31/12/2014 <u>L.E</u>	31/12/2013 <u>L.E</u>
Represents the amounts drawn down from the LE 150 million fully secured overdraft facility signed between Bank Audi and SODIC. The facility is fully secured by deposits amounting to L.E 150 million with an interest rate of 1.25% above the deposit rate achieved.	101 170 177	12 697 761
Represents the balance of Bank Audi's facility to finance Forty West project. The facility had a total value of LE 50 million with an interest rate of 2.75% above the CBE's lending rate. The facility was fully paid in 2014.	-	18 714 006
Represents the balance of the credit facility granted to one of the subsidiaries from the Arab African International Bank with an amount of L.E 1.5 million and bears interest rate of 13.02% per annum. This facility is guaranteed by treasury bills.	-	1 201 595
Represents the balance of the facility granted to SOREAL from Arab Investment Bank to finance Kattameya Plaza project with a total value of EGP 120 million. The facility was fully paid in 2014.	-	74 504 951
Represents the amounts drawn down from the LE 150 million fully secured overdraft facility signed with Bank Audi and SOREAL. The facility is fully secured by deposits amounting to L.E 150 million with an interest rate of 1.25% above the deposit rate achieved.	56 346 130	-
Represents the balance of the credit facility granted to one of the subsidiaries from the National Bank of Egypt with an amount of L.E 5 million and bears interest rate of 12.5% per annum. This facility is guaranteed by treasury bills.	1 328 769	-
	<u>158 845 076</u>	<u>107 118 313</u>

24. Advances from customers

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

	31/12/2014 <u>L.E</u>	31/12/2013 <u>L.E</u>
Advances _ SODIC West	3 208 260 688	3 136 725 444
Advances _ SODIC East	2 888 654 361	1 157 530 237
	<u>6 096 915 049</u>	<u>4 294 255 681</u>

25. Contractors, suppliers and notes payable

	31/12/2014	31/12/2013
	<u>L.E</u>	<u>L.E</u>
Contractors	80 287 724	91 349 887
Suppliers	8 964 648	20 311 016
Notes payable (25-1)	787 222 239	31 517 868
	876 474 611	143 178 771
<u>Deduct:</u> Unamortized interest-notes payable	(152 874 289)	(2 210 522)
	723 600 322	140 968 249

(25-1) This amount includes LE 78 714 814 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. (46).

26. Creditors and other credit balances

	31/12/2014	31/12/2013
	<u>L.E</u>	<u>L.E</u>
Amounts collected on account for management, operation and maintenance of projects	296 618 767	184 311 489
Due to related parties	6 798 273	5 899 856
Accrued expenses	84 804 737	135 893 139
Customers - Beverly Hills – capital contributions	10 123 706	549 806
Customers – credit balances	18 138 400	24 584 610
Tax Authority	57 626 936	40 730 679
Dividends payable	91 643	91 643
Accrued compensated absence	3 714 681	3 199 165
Deposits collected from customers – Against modifications	344 615	169 600
Social insurance	438 805	991 089
Customers –down payments for sub-development (26-1)	3 371 400	3 371 400
Unearned revenue	1 196 355	980 846
Retentions	8 958 796	14 339 725
Due to Bonyan for development and trading Co.	107	529 955
Due to SIAC	3 634 857	8 668 210
Due to Solidere International(26-2)	-	71 078 513
Due to beneficiaries from Incentive plan	1 192 600	-
Deposits from others	13 082 859	9 159 039
Deferred capital gain (26-3)	6 665 857	8 798 931
Premiums of Eastown club	56 404 368	28 450 554
Sundry creditors	21 756 946	22 597 897
	594 964 708	564 396 146

(26-1) This amount represents sub-development from Sheikh Zayed for Real Estate Development.

(26-2) During 2014 the amount due to Solidere International based on the settlement agreement signed between the Company and Solidere International has been paid through a mixture of internally generated funds and a medium term loan from Commercial International Bank (CIB) as detailed in note No. (34)

(26-3) The amount represents the capital gain resulted from the sale of the land and the buildings of the administrative building, which is deferred and amortized over the lifetime of the financial lease contract as it is shown in details in note No. (34-1)

- The Group's exposure to currency and liquidity risks related to creditors is disclosed in note no. (46).

27. Non-controlling interest

Non-controlling interest balance as at December 31, 2014 represents the interest shares in subsidiary's equity as follows:

	Non-controlling interest	Non-controlling interest			
		Non-controlling share in profit /(loss) for the year	Non-controlling share in equity excluding profit / (loss) for the year	Non-controlling interest as at 31/12/2014	Non-controlling interest as at 31/12/2013
	%	<u>L.E</u>	<u>L.E</u>	<u>L.E</u>	<u>L.E</u>
Sixth of October for Development and Real Estate Projects Co. "SOREAL"	0.01	3 965	52 313	56 278	52 313
Beverly Hills for Management of Cities and Resorts Co.	41.41	38 784	28 457 680	28 496 464	28 457 680
SODIC Garden City for Development and Investment Co.	50	12 413 707	36 603 563	49 017 270	36 603 563
Move-In for Advanced Contracting Co.	15	2 504 688	(2 504 688)	-	(2 504 688)
El Yosr for Projects and Agriculture Development Co.	0.001	(47)	27 044	26 997	27 044
SODIC for Development and Real Estate Investment Co.	0.001	-	20	20	20
SODIC SIAC for Real Estate Development Co.	13.33	(628 133)	14 790 004	14 161 871	14 790 004
Tegara for Trading Centers Co.	4.76	67 638	2 604 119	2 671 757	2 604 119
Edara for Services of Cities and Resorts Co.	0.003	84	247	331	247
Fourteen for Real Estate Investment Co.	0.004	-	2	2	2
La Maison for Real Estate Investment Co.	0.004	-	2	2	2
		14 400 686	80 030 306	94 430 992	80 030 306

28. Share capital

- The authorized capital of the Company is L.E. 2 800 000 000.
- At the beginning of 2014, the Company had an issued and paid in capital of L.E 362 705 392 distributed over 90 676 348 shares with a par value of LE 4 per share.
- On July 13, 2014 the Extra-Ordinary General Assembly Meeting approved increasing the issued capital from LE 362 705 392 distributed over 90 676 348 shares with a par value of LE 4 per share to LE 1 362 705 392 distributed over 340 678 348 shares with a par value of LE 4 per share. As such the additional increase in capital is equivalent to L.E. 1 billion distributed over 250 million shares. The capital increase was allocated to existing shareholders according to their original ownership pre the capital increase. Existing shareholders had the right to trade the subscription right according to the Extra Ordinary General Assembly Meeting and subsequent Egyptian Financial Supervisory Authority approval.
- The subscription period began on October 1, 2014 and ended on October 30, 2014. The capital increase was 99.2% subscribed and as such the additional issued shares amounted to 248 233 225 shares. The increase was notarized in the commercial register as of December 7, 2014.
- As of December 31, 2014 the Company had an issued and paid in capital of L.E 1 355 638 292 distributed over 338 909 573 shares with a par value of L.E 4 per share.

Shareholder	Number of shares	Share value L.E	Ownership percentage %
Olayan Saudi Investment Company.	43 121 432	172 485 728	12.72
RA Six Holdings Limited	31 992 544	127 970 176	9.44
Rashed Al Rashed & Sons Co	15 586 983	62 347 932	4.60
EFG Hermes Holdings Financial Group.	15 183 111	60 732 444	4.48
NORGES Bank	13 888 392	55 553 568	4.10
Juma Al- Majid Investments LLC.	11 148 092	44 592 368	3.29
Abdel Monem Rashed Abdel Rahman Al Rashed	9 897 756	39 591 024	2.92
Incentive and bonus plan of employees and managers	737 500	2 950 000	0.22
Other shareholders	197 353 763	789 415 052	58.23
	338 909 573	1 355 638 292	100

29. Legal Reserve

According to the Parent Company's statutes, the Company is required to set aside 5% of annual net profit to form a legal reserve. This transfer to legal reserve ceases once the reserve reaches 50% of the issued share capital. The reserve balance as at December 31, 2014 is represented as follows:-

	<u>L.E</u>
Legal reserve balance as at 1/1/2003	6 530 455
Add:	
Increase of the legal reserve with the difference between the par value of the treasury shares and its actual cost (according to the Company's Extra-Ordinary General Assembly Meeting held on July 10, 2003).	4 627 374
Increase of the legal reserve with part of capital increase share premium with limits of half of the Company's issued share capital during 2006. (note No. 30).	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. (Note no. 30).	5 000 000
Increase of the legal reserve by 5% of the net profit for year 2008.	2 339 350
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 year 2010 (Note No. 30)	39 446 365
Deduct:	
The amount used to increase the issued share capital during the year 2011 (Note No.28).	2
	<u>181 352 693</u>

30. Special reserve – share premium

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

<u>Description</u>	<u>L.E</u>
Total value of the capital increase share premium collected during 2006, 2010	1 455 017 340
Add:	
Share premium of the employees' incentive and bonus plan issued during year 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 LE 30 per share (after split)	21 375 000
Deduct:	
Amounts transferred to the legal reserve	(167 855 516)
Capital increase – related expenses	(55 240 255)
Amount used for share capital increase during 2008	(5 000 000)
	<u>1 338 296 569</u>

31. Profit from sales of treasury shares

On August 14, 2011, the Board of Directors of the Parent Company approved the purchase of one million treasury shares at L.E 18 per share (the par value is L.E 4 per share) with a total amount of L.E 18 018 000 from the Egyptian Exchange. On August 13, 2012 the Company's Board of Directors agreed to sell these shares for a total value of L.E 21 710 867 resulting in a profit of L.E 3 692 867.

32. Shares kept for bonus and incentive plan

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

<u>Description</u>	<u>L.E</u>
For financing of one million shares from the bonus and incentive plan with a fair value of L.E 100 per share (before splitting) during 2007.	100 000 000
<u>Deduct:</u>	
The value of 200 000 shares exercised by the beneficiaries from the bonus and incentive plan during December 2007 out of which an amount of L.E 15 million was paid to the Company for L.E 75 per share (before splitting).	20 000 000
<u>Deduct:</u>	
The value of 1.8 million shares exercised by the beneficiaries from the bonus and incentive plan during 2014 out of which an amount of LE 54 million for L.E 30 per share (before splitting).	72 000 000
<u>Add</u>	
Acquired treasury shares through subsidiaries during 2009	7 242
Acquired treasury shares through subsidiaries during 2014	5 591
	<u>8 012 833</u>

33. Amount set aside for incentive and bonus plan

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

<u>Description</u>	<u>L.E</u>
Represents the difference between the fair value of the shares granted to the beneficiaries from the incentive and bonus plan for one million share (allocated over 5 years) for 60 months and the agreed upon share price in accordance with the incentive and bonus plan as at December 31, 2012.	25 000 000
<u>Deduct:</u>	
The difference between the fair value of the shares at the grant date and the agreed upon share price in accordance with the incentive and bonus plan for 200 000 shares that were sold in favor of the beneficiaries during December 2007.	5 000 000
<u>Add:</u>	<u>20 000 000</u>
The value of the employee's share of the bonus and incentive plan in the declared dividends in accordance with the resolution of the Ordinary General Assembly Meeting of the Parent Company held on April 12, 2011, L.E 4 each. *	5 200 000
Accrued interest on the dividends relating to the shares of bonus and incentive plan to employees.	517 447
Value of selling of issue rights of the bonus and incentive plan at capital increase that has been sold according to the bonus and incentive plan committee on October 26, 2014	16 306 912
<u>Deduct:</u>	
Difference between the fair value at grant date and the agreed value for bonus and incentive plan for 1.8 million share (after splitting) that have been sold to beneficiaries during September, 2014.	18 000 000
Value of dividends attributed to the sold shares in accordance to the decisions of the general assembly meeting dated April 12, 2011	4 020 000
	<u>20 004 359</u>

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

34. Long-term loans

	31/12/2014 <u>L.E</u>	31/12/2013 <u>L.E</u>
Represents the non-current balance of a medium-term loan amounting to LE 435 million granted by the Bank of Alexandria to finance Allegría project. The facility was refinanced via a syndicated loan agreement with the Arab African International Bank "facility agent" and a group of banks, referred to below.	-	256 381 985
On July 4, 2013 the company signed a bridge loan contract with Arab African International Bank for a total value of LE 150 million. . The facility was refinanced via a syndicated loan agreement with the Arab African International Bank "facility agent" and a group of banks, referred to below.	-	55 027 500
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 LE 900 million to finance SODIC West project including the following developments Allegría, Westown Residences, Polygon, Forty West, Westown Hub, and other areas located in SODIC West.	433 983 384	-
<u>Guarantees:</u>		
- First degree real estate mortgage on Al Yosr land plot - Share pledge on Al Yosr Company shares in favor of the security agent - Assignment of receivables generated from sale and lease contracts - Pledge of project account, associated sub accounts, and debt service account in favor of the security agent - Promissory notes		
<u>Interest:</u>		
- 3% above the CBE's lending rate per annum. - Interest is paid monthly. - Administrative fee of 0.05% on the highest outstanding balance per quarter.		
<u>Grace period:</u> 12 months from the date of the first drawdown <u>Repayment:</u> 4 years after the end of the grace period.		
On July16, 2014 the company signed a medium-term loan contract with Commercial International Bank (CIB) for a total amount of LE 300 million to finance specific areas in Westown previously owned by Solidere International.	189 347 800	-
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 LE 950 million to finance Villette projects' cost.	415 823 248	-

Guarantees:

- Assignment of receivables generated from sale and lease contracts
- Pledge of project account, associated sub accounts, and debt service account in favor of the security agent
- Promissory notes
- Corporate guarantee from SODIC for the total loan value plus associated interest and fees

Interest:

- 2.75% above CBE's lending rate
- Interest is paid on a quarterly basis
- Administrative fee of 0.05% on the highest outstanding balance per quarter.

Availability period:

Commences from the signing date till December 31, 2017.

Grace period:

3 months after the end of availability period,

Repayment:

For 8 consecutive quarters after the end of the grace period.

Deduct: Current portion

Bank of Alexandria (short term)	-	168 370 259
Arab African International Bank	78 117 009	55 027 500
	<u>78 117 009</u>	<u>223 397 759</u>
	<u>961 037 423</u>	<u>88 011 726</u>

34-1 The Company has concluded a medium term financing contract (sale and lease back - financial lease) with an amount of L.E 75 132 399 with financing percentage representing 75% out of the value of the assets sold to the financial lease Company, the lease with a total amount of L.E 95 366 168 is to be settled over 20 quarterly installment, the contract terms are as follows:

1- PIRAEUS Bank Egypt – Lender (first party)

2- PIRAEUS Company "for financial lease" – the lessor and attorney of the guarantee (second party)

3-Sixth of October for Development and Investment Company "SODIC" (Third party)

- The purpose of the finance: using that finance to settle the capital expenditures the Company committed with
- The period of finance: 5 years
- Interest rate: corridor lending rate announced by the Central Bank plus 2.75%

In addition, the above-mentioned financing operation has proceeded by the sale to PIRAEUS Company "for financial lease":

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

The Company shall account for the financial lease assets according to the Egyptian Accounting Standard No. (20) as an operating lease.

35. Long-term notes payable

This item is represented as follows:

	31/12/2014	31/12/2013
	<u>L.E</u>	<u>L.E</u>
Total present value of the checks issued to New Urban Communities Authority which are due as of May 2, 2016	26 510 466	55 225 281
Total present value of the checks issued to New Urban Communities Authority which are payable during the period from Jan 1, 2016 till Jan. 1, 2021.	750 000 000	-
Total present value of the checks issued to New Urban Communities Authority which are payable during the period from March 9, 2016 till June 9, 2018.	1 540 327 440	-
Other notes payable	-	131 040
Unamortized interest - notes payable	(395 836 904)	(6 660 425)
	<u>1 921 001 002</u>	<u>48 695 896</u>

- The Company's exposure to credit risk related to long-term notes payable are disclosed in Note No. (46).

36. 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:

	2014	2013
	<u>L.E</u>	<u>L.E</u>
Revenues from the sale of units in Allegria	449 174 975	840 013 522
Revenues from the sale of units in Kattameya Plaza project	181 265 083	332 213 483
Revenues from the sale of units in The Strip	102 398 003	45 345 081
Revenues from the sale of units in Forty West	184 306 533	47 916 011
Revenues from the sale of units in CASA	27 854 148	25 259 407
Revenues from the sale of units in Westown Residences	192 788 297	69 698 612
Revenues from the sales of Polygon	183 737 704	97 088 710
Revenues from the sales of Land	-	72 538 208
	<u>1 321 524 743</u>	<u>1 530 073 034</u>
Revenue returns of previously sold land	-	(242 588 032)
Revenue returns of previously sold residential and administrative units	(11 219 690)	(3 000 002)
	<u>1 310 305 053</u>	<u>1 284 485 000</u>

37. Cost of real estate and land sold

	2014	2013
	<u>L.E</u>	<u>L.E</u>
Cost from the sale of units in Allegría	239 935 542	483 458 490
Cost from the sale of units in Kattameya Plaza	150 085 993	253 178 817
Cost from the sale of units in The strip	42 931 667	17 319 179
Cost from the sale of units in Forty West	148 551 089	40 857 668
Cost from the sale of units in CASA	17 078 000	15 799 000
Cost from the sale of units in Westown Residences	105 218 235	39 992 257
Cost from the sales of Polygon	133 844 028	85 651 944
Cost from the sales of Land	-	55 944 297
	837 644 554	992 201 652
Adjustments	-	(12 127 822)
Cost reversal of previously sold land	-	(62 143 756)
Cost reversal of previously sold residential and administrative units	(7 583 624)	(2 003 226)
	830 060 930	915 926 848

38. Other operating revenues

	2014	2013
	<u>L.E</u>	<u>L.E</u>
Interest income realized from installments during the year	43 979 165	19 667 977
Assignment, cancellation dues and delay penalties	47 150 929	52 972 407
Other income	6 431 803	9 349 212
Management fees – joint venture	-	4 311 156
Dividends share from sister companies	5 348 651	-
Capital gain	2 710 845	1 663 950
Provisions no longer required and impairment reversal of trade receivables	16 697	86 173
	105 638 090	88 050 875

39. Selling and marketing expenses

	2014	2013
	<u>L.E</u>	<u>L.E</u>
Salaries and wages	16 866 554	19 580 224
Sales commissions	39 801 772	49 413 530
Advertising expenses	24 708 452	13 333 519
Conferences and Exhibitions	4 738 674	2 705 454
Rent	15 738 053	6 220 954
Donations	156 740	2 012 490
Maintenance, cleaning and agriculture	1 951 005	2 789 600
Travel, transportation and cars	19 778	795 891
Professional and consultants fees	696 000	1 494 447
Gifts	207 204	822 728
Depreciation	180 147	-
Employees vacation	149 409	210 422
Others	1 596 674	2 144 314
	<u>106 810 462</u>	<u>101 523 573</u>

40. General and administrative expenses

	2014 <u>L.E</u>	2013 <u>L.E</u>
Salaries, wages and bonuses (40-1)	84 995 682	60 388 147
Board of Directors' remunerations and allowances	10 302 379	4 338 600
Training, medical care, meals & uniforms	5 307 375	3 545 387
Maintenance, cleaning, agriculture, security and guarding	16 829 716	16 530 051
Professional and consultancy fees	16 816 571	16 444 499
Advertising, exhibitions and conferences	823 176	758 647
Donations and gifts	3 858 155	3 886 201
Administrative depreciation of fixed assets and rented units	11 303 490	16 910 303
Reception and hospitality	1 334 263	1 193 469
Printings and office supplies	3 875 569	3 359 580
Communication, electricity, telephone and water	5 059 570	3 629 180
Subscriptions and governmental dues	1 869 093	707 984
Rent	10 982 817	9 656 841
Travel and transportation	1 408 903	1 875 640
Bank charges	2 957 661	2 000 902
Employees vacation	338 474	543 053
Insurance installments	395 315	467 048
Others	3 503 189	3 365 497
	<u>181 961 398</u>	<u>149 601 029</u>

40-1 This item includes salaries for the executive Board of Directors as follows:

	2014 <u>L.E</u>	2013 <u>L.E</u>
Salaries	4 670 550	13 422 648
Cash settled share-based payments (a)	-	665 079
	<u>4 670 550</u>	<u>14 087 727</u>

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

The Parent Company has bonus and incentive plan for the share settled share based payment as shown in note No. (51), the current plan has been ended and a new plan will be implemented as its disclosed at note No. (53).

41. Other operating expenses

	2014	2013
	<u>L.E</u>	<u>L.E</u>
Discount for early payment	48 883 317	37 429 609
Provision of claims	171 305	214 498
Loss from liquidation of investments	4 370 826	295 847
Penalties	521 473	—
Impairment loss of trade receivables debtors and loans to joints ventures	7 223 157	293 223 056
	61 170 078	331 163 010

42. Finance income

	2014	2013
	<u>L.E</u>	<u>L.E</u>
Interest income	52 691 701	19 157 322
Interest income from loans to Joint Venture	—	10 112 142
Income from revaluation and sale of investments income	2 901 898	2 280 258
	55 593 599	31 549 722

43. Finance cost

	2014	2013
	<u>L.E</u>	<u>L.E</u>
Interest expense	74 438 334	65 930 031
Finance cost Solidere land	—	74 936 488
Installments interest Sheikh Zayed land	5 277 395	10 350 775
Net foreign exchange translation	6 026 349	159 087 178
	85 742 078	310 304 472

44. Income tax expense

	2014	2013
	<u>L.E</u>	<u>L.E</u>
Current income tax expense	45 200 962	23 405 347
Deferred income tax (benefit)	773 351	1 122 623
	<u>45 974 313</u>	<u>24 527 970</u>

45. Earnings per share

Earnings per share are calculated on December 31, 2014 based on the Parent Company's share in earnings per share for the year using the weighted average number of shares outstanding during the year as follows:

	2014	2013
	<u>L.E</u>	<u>L.E</u>
Net profit / (loss) for the year	142 443 522	(447 138 141)
Weighted average number of shares outstanding during the year	107 678 624	90 676 348
Profit / (loss) per share (L.E / share)	<u>1.32</u>	<u>(4.93)</u>

46. Financial instruments

46.1 Credit risk

Exposure to credit risk

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

The maximum exposure to credit risk as at December 31, 2014 is amounting to L.E 7 012 644 813 (December 31, 2013: L.E 4 105 421 417).

46.2 Liquidity risk

The following are the contractual maturities of financial liabilities:

<u>December 31, 2014</u>	Carrying amount	Less than 1 year	1-2 years	2-5 years
	<u>L.E</u>	<u>L.E</u>	<u>L.E</u>	<u>L.E</u>
Banks – credit facilities	158 845 076	158 845 076	–	–
Banks – overdraft	1 373 763	1 373 763	–	–
Short-term loans	78 117 009	78 117 009	–	–
Long – term loans	961 037 423	–	225 671 359	735 366 064
Contractors and suppliers	89 252 372	89 252 372	–	–
Other creditors	594 964 708	354 286 261	213 023 249	27 655 198
Notes payable – long term	1 921 001 002	–	679 044 377	1 241 956 625
Notes payable – short term	634 347 950	634 347 950	–	–
	<u>4 438 939 303</u>	<u>1 316 222 431</u>	<u>1 117 738 985</u>	<u>2 004 977 887</u>

December 31, 2013

	Carrying amount <u>L.E</u>	Less than 1 year <u>L.E</u>	1-2 years <u>L.E</u>	2-5 years <u>L.E</u>
Banks – credit facilities	107 118 313	107 118 313	-	-
Short – term loans	223 397 759	223 397 759	-	-
Contractors and suppliers	111 660 903	111 660 903	-	-
Long – term notes payable	48 695 896	-	24 767 982	23 927 914
Other creditors	564 396 146	477 570 307	83 668 036	3 157 803
Long – term loans	88 011 726	-	-	88 011 726
Short-term notes payable	29 307 346	29 307 346	-	-
	<u>1 172 588 089</u>	<u>949 054 628</u>	<u>108 436 018</u>	<u>115 097 443</u>

46.3 Currency risk

Exposure to currency risk

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

December 31, 2014

Description	<u>USD</u>	<u>Euro</u>
Cash at banks	1 944 671	273 963
Surplus of foreign currencies	<u>1 944 671</u>	<u>273 963</u>

December 31, 2013

Description	<u>USD</u>
Cash at banks	2 934 697
Surplus of foreign currencies	<u>2 934 697</u>

46.4 Interest rate risk

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

	Carrying amount	
	31/12/2014	31/12/2013
<u>Fixed rate instruments</u>	<u>L.E</u>	<u>L.E</u>
Financial assets	4 858 949 871	3 603 525 878
Financial liabilities	(2 555 348 952)	(78 003 242)
	<u>2 303 600 919</u>	<u>3 525 522 636</u>
<u>Variable rate instruments</u>		
Financial liabilities	<u>(1 199 373 271)</u>	<u>(418 527 798)</u>

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or 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 income statement.

46.5 Fair values

Fair values versus carrying amounts

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

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

47. 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>31/12/2014</u>
		<u>Amount of transaction</u> <u>L.E</u>
Executive managers and Board of Directors (Parent Company)	Executive and Board of Directors	(See note No. 40).
Palmyra – SODIC for Real Estate Development	Loan for joint projects	—
	Management fees	—

b) Balances resulting from transactions with related parties

<u>Party</u>	<u>Item as shown in the consolidated balance sheet</u>	<u>31/12/2014</u> <u>L.E</u>	<u>31/12/2013</u> <u>L.E</u>
Bonyan Development and Trade Co.	Creditors and other credit balances	107	529 955
Palmyra – SODIC for Real Estate Development	Loans to Joint Ventures	189 625 843	188 700 868
	Accrued interest on loan under debtors caption	65 482 130	65 482 130
	Accrued management fees under debtor caption	4 342 500	4 342 500

- Impairment in dues from Palmyra – SODIC for Real Estate Development has been recorded as its described in note No.(8)

48. Legal status

There is a dispute between the Parent Company and a party regarding the contract concluded between them on February 23, 1999 which is related to delivering this party a plot of land as a usufruct right for indefinite period of time in return for an annual rental with a minimal amount for a total of 96 Fadden 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 the third party. During 2009, this party raised a court case No. 3 of 2009 Civil 6th of October against the Parent Company 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 several times and the last one will be held on November 24, 2014. The Company's legal counselor is of the opinion that the Company has the right to maintain and exploit this land under the contract as the said contract has not been effective and no usufruct right has been arisen to this party since its effect was based on conditions that have not been met. In addition, in case of any dispute raised by this party to possess the land, the Company has the actual and physical possession of the land and hence it has the right to continue in possessing the land until settlement of this dispute in front of the court.

On November 24, 2014 6 of October partial court decided to dissuade its decline decree of previous proof procedures dated February 22, 2010.

49. Tax status

On June 2, 2014, Law No. (22) for the year 2014 has been issued to impose a temporary three year additional tax amounting to (5%) starting from the current taxable period. This additional tax is imposed on the tax pool over an amount of One Million Egyptian pounds by individuals or corporates as stipulated in the articles of the Income tax Law. This additional tax should be assessed and collected according to those articles. This law came into force starting from June 5, 2014.

On June 30, 2014, Law No. (53) For the year 2014 has been issued by a presidential decree. This law included amendments for some articles of Law No. (91) For the year 2005. The most important amendments are as follows:

1. Imposing a tax on Dividends.
2. Imposing a tax on the capital gains resulted from sale of capital contribution shares and securities.

As the executive regulations related to the previously mentioned law has not been issued yet, that may result in inconsistency in interpreting the articles of the new law, the Parent Company's management has assessed and quantified the impact of application of the tax law according to its interpretation, never the less, this assessment and quantification may differ upon issuance of the executive regulations of this law. Summary of the Parent Company's tax status at the consolidated 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 has been previously granted to the Parent Company 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 date of the actual handing over of the units and the regulations applicable to similar companies. Accordingly, the said committee decided to approve the 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 was annotated in the Company's tax card. The amended tax return for year 2008 was submitted to the Tax Authority.
- Years from 1996 till 2001 has been inspected and the company were notified and tax differences are under settlement.
- The inspection has been carried out for years from 2002 till 2004 and it has been linked by estimation by Tax Authority, the company was not notified by any claims and has been appealed on the forms and these years have been delivered to the internal committee which decided to send back the file to the head office to repeat inspection for these years.
- The inspection of the period from 2006 till 2008 has been notified, and a notification by the form (19) as at April 29, 2012 for the year 2006 by estimation and has been appealed as at May 3, 2012 and re inspection for the year 2006 has been requested and re inspection is carried on.
- The Company submits its annual tax return on due dates in accordance with Law No. 91 of 2005.

Salary tax

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

Withholding tax

Tax inspection was carried out for the previous years until the third quarter of 2014 and the Company did not receive any tax claims until authorizing these financial statements for issuance.

Stamp tax

- Tax inspection was carried out for the previous years till 31/12/2010 and. The tax inspection was made and the resulting differences were paid.
- Years from 2011 till 2012 are under tax inspection and no claims has been issued till now.
- The company regularly provides stamp tax returns.

Sales tax

- The Company was inspected from inception till August 2003 and tax differences were paid.
- The Company was inspected from August, 2003 till December, 2013 and tax differences and additional tax were paid.

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.

50. Capital commitments

Capital commitments as at December 31, 2014 amounted LE 13 725 010 is represented in contracted and unexecuted works (2013: L.E 24 676 241).

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

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

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

- The incentive and bonus plan works through allocation of shares for the Parent Company's employees, managers and executive board directors and to sell these shares in favor of them in preferential conditions.
- Duration of the plan is four years starting from the date of approval of the plan by the Parent Company's Shareholders meeting and each beneficiary is allocated during this year a specified number of shares each year over the plan years according to the allocated shares outlined in the appendix of this plan.
- The price of share was determined for the beneficiary at L.E 75 per share (before splitting).
- The Parent Company shall finance the issuance of the shares of the increase allocated in application of the plan and the value of shares due to the Parent Company will be paid from the proceeds of sale.
- The Company signed a custody agreement with Arab African International Bank on April 15, 2007, to save bonus and incentive shares. The shares of the plan were issued and financed by the Parent Company. Annotation of this increase in the Commercial Registry was on July 5, 2007.
- On September 23, 2007, the Supervisory Committee of the incentive and bonus plan of the Parent Company's employees, executive directors and managers agreed to the selection of the beneficiaries and also the number of shares allocated to each one of them. Accordingly, the whole shares of the plan were allocated in full.
- During December 2007, a number of 200 000 shares from the incentive and bonus plan were exercised with average selling price of L.E 226.63 per share. The amounts due to beneficiaries were set aside in special account held by Arab African International Bank until the completion of the prohibition period according to the incentive and bonus plan.
- The number of shares allocated to the plan was increased by 500 000 additional shares.
- On July 3, 2008 the Supervisory Committee of the incentive and bonus plan of the Parent Company's employees, executive directors approved the allocation of 495 000 shares of the total shares to some of the Parent Company's employees and executive directors. Allocation contracts for these shares were signed with the employees and the executive directors during October 2008.
- On December 7, 2009, the Parent Company's Extraordinary General Assembly agreed on the amendment of some articles of the bonus and incentives plan and the allocation contracts of the shares that were approved by the Egyptian Financial Supervisory Authority as follows:
 - Extension of the year of the exercise right stated in the bonus and incentive plan and the allocation contract to be ended on March 2015 instead of March 2011.
 - Amendment of the bonus and incentive plan and the allocation contract to enable the beneficiary from the plan to transfer the title of the shares allocated to him to be in his name after ending the prohibition period provided the payment of the share price stated in the plan and in this case, the beneficiary is entitled to all rights as determined on the Company' shares.
 - Amendment of article No. (11) of the bonus and incentive plan to give the Board of Directors the right – when necessary – to replace a Supervisory Committee member with another one provided that this member to be from non-executive members.

- On April 26, 2010, the Company was notified by the consent of the Egyptian Financial Supervisory Authority on the approval of the amendments made on the bonus and incentive plan till the date of the extraordinary general assembly as its disclosed at note No. (53).

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

Party Entitled	Grant date	No. of shares in thousand	Fair value of share at grant date (before splitting) <u>L.E</u>	Exercising price (before splitting) <u>L.E</u>	Conditions
(Former) Managing director	28/3/2007	750	100	75	5 years working in the Company and exercise period from June 30,2007 March 2015 – the beneficiary is not entitled to this right if the performance of the Company's share is below CASE 30 by more than 20% for 2 consecutive years during the vesting period.
(Former) Board of director	23/9/2007	75	100	75	According to performance measure and exercise period from June 30, 2007 till March 2015.
Some managers	23/9/2007	175	100	75	According to performance measure and exercise period from June 30,2007till March 2015.
Board of director	7/10/2008	25	73.34	75	According to performance measure and exercise period from June 30,2007till March 2015.
Some managers	7/10/2008	470	73.34	75	According to performance measure and exercise period from June 30, 2007 till March 2015.

52. Comparative Figures

Comparative figures has been modified to be conformed with current financial statement classification

<u>Balance Sheet</u>	
<u>LE</u>	
(165 849 864)	Creditors and other credit balances
165 849 864	Long- term Creditors
<u>Income Statement</u>	
<u>LE</u>	
3 311 386	Other operating revenue
(3 311 386)	Finance income

53. Subsequent Events

On February 1, 2015 the extra ordinary general assembly agreed on the following:

- Issuing solidarity guarantee in favor to Arab African international bank to grant and guarantee all "Soreal for real estate investment" liabilities regarding loan between "Soreal for real estate investment" and Arab African international bank dated July 3, 2014 that "Soreal for real estate investment" obtained which is amounting to LE 950 million from the bank
- End of current bonus and incentive plan for employees and executive managers by the end of March 31, 2015 "expired" and changing the remaining shares amounting to 737 500 shares that has not been exercised to treasury shares according to its related regulations.
- Implementation of new bonus and incentive plan through allocation of shares with special conditions to employees and Board of Director's members