


Sixth of October for Development and Investment Company "SODIC"
(An Egyptian Joint Stock Company)
Consolidated Financial Statements
For The Financial Year Ended December 31, 2016
And Auditor's Report

 **Hazem Hassan**
Public Accountants & Consultants

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Public Accountants & Consultants

Translation of audit report
originally issued in Arabic

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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 statement of financial position as at December 31, 2016, and the consolidated statements of profit or loss, comprehensive 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 consolidated 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 consolidated 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

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Opinion

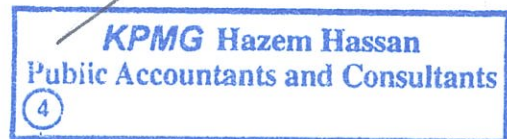
In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Sixth of October for Development and Investment Company "SODIC", as at December 31, 2016, and of its consolidated financial performance and its consolidated 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 financial statements.

Report on Other Legal and Regulatory Requirements

The financial information included in the Board of Directors' report, prepared in accordance with Law No. 159 of 1981 and its executive regulations, is in agreement with the Company's books of account, according to the limits of this information in books.

Cairo February 27, 2017


KPMG Hazem Hassan
Public Accountants & Consultants



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

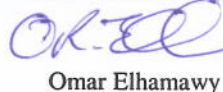
EGP	Note No.	31 December 2016	31 December 2015
Non-current assets			
Property, plant, equipment	(24)	107 276 928	135 868 140
Projects under construction	(25)	160 661 837	7 790 299
Biological Assets under construction	(26)	6 408 365	5 884 706
Investments in associates and joint ventures	(27)	-	-
Investments - available for sale	(28)	4 250 000	4 250 000
Investment properties	(29)	101 864 178	111 347 976
Notes receivables	(30)	6 657 311 976	4 657 536 773
Total non-current assets		7 037 773 284	4 922 677 894
Current assets			
Other assets	(16)	5 201 605	8 839 274
Completed units ready for sale	(17)	7 669 865	8 278 559
Works in process	(18)	7 194 030 716	7035 868 781
Trade and notes receivable	(19)	3 093 930 806	2 228 734 891
Debtors and other debit balances	(20)	866 211 339	537 376 140
Loans to Joint Ventures	(21)	-	-
Investments in treasury bills	(22)	298 249 707	49 774 513
Cash at banks and on hand	(23)	2 272 843 670	1 966 531 631
Total current assets		13 738 137 708	11 835 403 789
Total assets		20 775 910 992	16 758 081 683
Equity			
Issued & paid in capital	(31)	1 355 638 292	1 355 638 292
Legal reserve	(32)	195 088 853	184 428 817
Special reserve - share premium	(33)	1 357 933 479	1 357 933 479
Retained earnings		822 185 185	403 557 570
Treasury shares	(34)	(12 833)	(10 162 833)
Profit from sale of treasury shares	(35)	1 725 456	3 692 867
Reserve for employee stock option plan	(53)	18 276 121	-
Equity attributable to equity holders of the Company		3 750 834 553	3 295 088 192
Non-controlling interests	(36)	70 180 204	90 892 998
Total equity		3 821 014 757	3 385 981 190
Non-current liabilities			
Loans - long term	(37)	1 022 542 421	996 163 619
Notes payable - long term	(38)	775 224 846	1 450 310 827
Deferred tax liabilities	(14)	353 305	823 372
Total non-current liabilities		1 798 120 572	2 447 297 818
Current liabilities			
Bank - credit facilities	(41)	3 405 400	50 027 276
Loans - Short term	(37)	169 640 020	123 335 275
Contractors, suppliers and notes payable	(43)	849 986 725	842 833 944
Advances - from customers	(42)	12 619 201 231	8 882 124 887
Creditors and other credit balances	(44)	1 421 697 260	955 478 269
Provision for completion	(39)	86 429 141	64 945 785
Provisions	(40)	6 415 886	6 057 239
Total current liabilities		15 156 775 663	10 924 802 675
Total liabilities		16 954 896 235	13 372 100 493
Total equity and liabilities		20 775 910 992	16 758 081 683

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

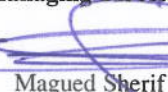
Financial & Administration
Executive Director


Hany Henry

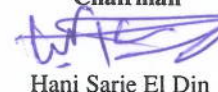
Chief Financial Officer


Omar Elhamawy

Managing Director


Magued Sherif

Chairman


Hani Sarie El Din

"Auditor's report attached"

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

EGP	Note	2016	2015
Continuing operations	No		
Revenues			
Sales of real estate and lands	(5)	1 974 388 145	1 401 379 964
Revenues of Beverly Hills Company for Management of Cities and Resorts		36 723 896	26 312 532
Revenues of Edara for Services of Cities and Resorts Company		41 619 734	34 923 618
Revenue of rental of real state		6 728 247	1 365 782
Revenues from golf course		7 635 671	8 276 632
Total operation revenues		2 067 095 693	1 472 258 528
Cost of sales			
Cost of sales of real estate and lands	(6)	(1 184 616 380)	(789 448 230)
Costs of Beverly Hills Company for Management of Cities and Resorts		(37 910 950)	(29 478 521)
Costs of Edara for Services of Cities and Resorts Company		(34 520 556)	(26 888 819)
Costs of rental of real state		(4 844 145)	(4 918 318)
Cost of golf course		(13 324 295)	(16 126 262)
Total operation costs		(1 275 216 326)	(866 860 150)
Gross profit		791 879 367	605 398 378
Other operating revenues	(7)	165 940 114	138 069 306
Selling and marketing expenses	(8)	(152 965 366)	(116 773 850)
General and administrative expenses	(9)	(262 329 807)	(188 934 692)
Losses from reversal of sale of investments	(10)	(50 850 600)	-
Other operating expenses	(11)	(82 942 070)	(56 880 225)
Operating profit		408 731 638	380 878 917
Finance income	(12)	278 971 841	128 946 296
Finance cost	(13)	(85 630 047)	(91 801 129)
Net finance income		193 341 794	37 145 167
Net profit before tax		602 073 432	418 024 084
Income tax	(14)	(160 741 240)	(96 692 718)
Profit from continuing operations		441 332 192	321 331 366
Profit for the year		441 332 192	321 331 366
Attributable to:			
Equity holders of the Company		429 287 651	310 707 489
Non-controlling interests	(36)	12 044 541	10 623 877
Net Profit for the year		441 332 192	321 331 366
Earnings per share from continuing operations (EGP / Share)	(15)	1.27	0.92

* The accompanying notes form 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 comprehensive income
for the financial year ended December 31,

EGP	<u>Note No</u>	2016	2015
Profit for the year		441 332 192	321 331 366
Total other comprehensive income items for the year after income tax		-	-
Total comprehensive income of the year		<u><u>441 332 192</u></u>	<u><u>321 331 366</u></u>
Total comprehensive income is attributable to:			
Equity holders of the Company		429 287 651	310 707 489
Non-controlling interests	(36)	12 044 541	10 623 877
Total comprehensive income for the year		<u><u>441 332 192</u></u>	<u><u>321 331 366</u></u>

* The accompanying notes form 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, 2016

EGP	Issued and paid in capital	Legal reserve	Special reserve-share premium	Retained earnings	Treasury shares	profit / (loss) from selling of treasury shares	Shares kept for bonus and incentive plan	Set aside amount for bonus and incentive plan	Total	Non-Controlling interests	Total equity
Balance as at December 31, 2014	1 355 638 292	181 352 693	1 338 296 569	103 071 263	-	3 692 867	(8 012 833)	20 004 359	2 994 043 210	94 430 992	3 088 474 202
Total comprehensive income	-	-	-	-	-	-	-	-	-	-	-
Net profit for the year	-	-	-	310 707 489	-	-	-	-	310 707 489	10 623 877	321 331 366
Other comprehensive income items	-	-	-	-	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	310 707 489	-	-	-	-	310 707 489	10 623 877	321 331 366
Transactions with owners of the Company	-	-	-	-	-	-	-	-	-	-	-
Transferred to legal reserve	-	3 076 124	-	(3 076 124)	-	-	-	-	-	-	-
Employees' interim distributions	-	-	-	(1 306 929)	-	-	-	-	(1 306 929)	-	(1 306 929)
Purchasing of non controlling interests without change in control	-	-	-	(5 838 129)	-	-	-	-	(5 838 129)	(14 161 871)	(20 000 000)
Transferred to special reserve-share premium	-	-	17 486 910	-	-	-	-	(17 486 910)	-	-	-
Transferred to statement of profit and loss	-	-	-	-	-	-	-	(2 517 449)	(2 517 449)	-	(2 517 449)
Transferred to treasury shares	-	-	2 150 000	-	(10 162 833)	-	8 012 833	-	-	-	-
Total transactions with owners of the Company	-	3 076 124	19 636 910	(10 221 182)	(10 162 833)	-	8 012 833	(20 004 359)	(9 662 507)	(14 161 871)	(23 824 378)
Balance as at December 31, 2015	1 355 638 292	184 428 817	1 357 933 479	403 557 570	(10 162 833)	3 692 867	-	-	3 295 088 192	90 892 998	3 385 981 190
Total comprehensive income	-	-	-	-	-	-	-	-	-	-	-
Net profit for the year	-	-	-	429 287 651	-	-	-	-	429 287 651	12 044 541	441 332 192
Other comprehensive income items	-	-	-	-	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	429 287 651	-	-	-	-	429 287 651	12 044 541	441 332 192
Transactions with owners of the Company	-	-	-	-	-	-	-	-	-	-	-
Transferred to legal reserve	-	10 660 036	-	(10 660 036)	-	-	-	-	-	-	-
Set aside amount for bonus and incentive plan	-	-	-	-	-	-	-	18 276 121	18 276 121	-	18 276 121
Dividends to non-controlling interests in subsidiaries	-	-	-	-	-	-	-	-	-	(32 757 335)	(32 757 335)
Selling of treasury shares	-	-	-	-	10 150 000	-	-	-	10 150 000	-	10 150 000
Loss from selling of treasury shares	-	-	-	-	-	(1 967 411)	-	-	(1 967 411)	-	(1 967 411)
Total transactions with owners of the Company	-	10 660 036	-	(10 660 036)	10 150 000	(1 967 411)	-	18 276 121	26 458 710	(32 757 335)	(6 298 625)
Balance at December 31, 2016	1 355 638 292	195 088 853	1 357 933 479	822 185 185	(12 833)	1 725 456	-	18 276 121	3 750 834 553	70 180 204	3 821 014 757

* The accompanying notes form 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.

EGP	Note No	2016	2015
<u>Cash flows from operating activities</u>			
Net profit for the year before tax		602 073 432	418 024 084
<u>Adjustments for:</u>			
Depreciation of fixed assets and investment properties	(24) , (29)	22 938 359	26 834 458
Capital gain	(7)	(686 591)	(6 116 169)
Return on investments in treasury bills	(12)	(114 189 691)	(48 743 435)
Impairment loss of debtors, trade receivables and loans to joint ventures	(11)	6 462 307	3 289 828
Interest revenue transferred from set aside amount for bounce and incentive plan		-	(517 449)
Reverse of impairment loss of debtors		(150 550)	-
Provisions formed	(39) , (40)	53 259 526	63 983 491
Provisions no longer required	(7)	(67 000)	(191 524)
Impairment of property, plant and equipment	(24)	27 196 868	30 000 000
Reserve of employee stock option plan	(9) , (52)	18 276 121	(2 000 000)
<u>Changes in:</u>			
Other assets		3 637 669	(4 333 985)
Finished units available for sale		8 008 626	7 207 980
Works in process		(288 460 254)	(891 560 295)
Trade and notes receivables		(2 864 971 118)	(2 027 321 793)
Debtors and other debit balances		(335 146 956)	(213 308 843)
Provisions used	(39) , (40)	(31 350 523)	(69 728 201)
Advances from customers		3 737 076 344	2 817 409 486
Contractors, suppliers and notes payable		(667 933 200)	(351 456 553)
Creditors and other credit balances		305 007 684	234 463 640
Restricted cash		195 799 774	(4 503 766)
Net cash generated from / (used in) operating activities		676 780 827	(18 569 046)
<u>Cash flows from investing activities</u>			
Payments for purchase of fixed assets, projects under construction and biological assets		(42 931 028)	(73 496 259)
Payments for Investments in treasury bills		(3 610 040 999)	(1 844 021 161)
Proceeds from Investments in treasury bills		3 475 755 496	1 871 613 315
Payments for acquiring additional shares in subsidiaries		-	(20 000 000)
Proceeds from sale of fixed assets		1 060 592	13 380
Net cash used in investing activities		(176 155 939)	(65 890 725)
<u>Cash flows from financing activities</u>			
Bank - credit facilities		(46 621 876)	(108 817 800)
Proceeds from short and long term loans		72 683 547	80 344 462
Proceeds from sale of treasury shares	(34)	8 182 589	-
Dividends to non-controlling interests		(32 757 335)	-
Net cash generated from / (used in) financing activities		1 486 925	(28 473 338)
Net decrease in cash and cash equivalents		502 111 813	(112 933 109)
Cash and cash equivalents at January 1		1 662 027 865	1 774 960 974
Cash and cash equivalents at December 31	(23)	2 164 139 678	1 662 027 865

* The accompanying notes form 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, 2016

1. Background and activities

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

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

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

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

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

1-4 The Company is listed on the Egyptian Exchange.

1-5 The consolidated financial statements of Sixth of October for Development & Investment Company "SODIC" (the Parent Company) for the financial year ended December 31, 2016 comprise the financial statements of the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in the profit and loss of associates and joint ventures.

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

Sixth of October for Development and Investment Company "SODIC" - (An Egyptian Joint Stock Company)
Notes to the consolidated financial statements for the financial year ended December 31, 2016

2. Basis of preparation of consolidated interim financial statements

Compliance with accounting standards and laws

- The consolidated financial statements have been prepared in accordance with Egyptian Accounting Standards and applicable laws and regulations.
- The consolidated financial statements were approved by the Board of Directors on February 27, 2017.

3. Functional and presentation currency

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

4. Use of judgment and estimates

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

Measurement of fair value

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

Sixth of October for Development and Investment Company "SODIC" - (An Egyptian Joint Stock Company)
Notes to the consolidated financial statements for the financial year ended December 31, 2016

5. Real estate and land sales

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

	2016	2015
	<u>EGP</u>	<u>EGP</u>
Revenues from the sale of units in Allegria project	189 398 097	311 008 691
Revenues from the sale of units in Kattameya Plaza project	20 701 599	75 541 804
Revenues from the sale of units in Eastown Residence project	656 257 064	-
Revenues from the sale of units in The Strip project	64 528 533	54 177 412
Revenues from the sale of units in Forty West project	72 561 434	106 112 718
Revenues from the sale of units in CASA project	4 244 900	9 835 894
Revenues from the sale of units in Westown Residence project	760 469 137	730 105 036
Revenues from the sales of business units in Polygon project	211 876 506	115 276 515
	1 980 037 270	1 402 058 070
Less: sales returns of residential and business unites	(5 649 125)	(678 106)
	<u>1 974 388 145</u>	<u>1 401 379 964</u>

6. Cost of real estate and land sold

	2016	2015
	<u>EGP</u>	<u>EGP</u>
Cost of sales of units in Allegria project	83 937 198	155 287 095
Cost of sales of units in Kattameya Plaza project	11 733 875	44 496 087
Cost of sales of units in Eastown Residence project	504 234 376	-
Cost of sales of units in The Strip project	29 515 927	24 705 475
Cost of sales of units in Forty West project	47 138 938	78 084 236
Cost of sales of units in CASA project	2 590 300	6 041 351
Cost of sales of units in Westown Residence project	381 802 416	403 055 736
Cost of sales of business units in Polygon project	127 168 199	78 311 658
	1 188 121 229	789 981 638
Less: sales returns of residential and business unites	(3 504 849)	(533 408)
	<u>1 184 616 380</u>	<u>789 448 230</u>

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, 2016

7. Other operating revenues

	2016	2015
	<u>EGP</u>	<u>EGP</u>
Interest income realized from installments during the year	72 606 004	64 060 477
Assignment, cancellation dues and delay penalties	83 536 241	59 494 559
Other income	5 439 777	3 357 028
Dividends share from associate companies	3 453 951	4 849 549
Capital gain	686 591	6 116 169
Provisions no longer required and reversal of impairment of debtors	217 550	191 524
	<u>165 940 114</u>	<u>138 069 306</u>

8. Selling and marketing expenses

	2016	2015
	<u>EGP</u>	<u>EGP</u>
Salaries and wages	21 144 508	17 040 919
Sales commissions	65 549 755	47 498 256
Advertising expenses	43 338 648	26 805 098
Conferences and Exhibitions	4 550 966	1 630 444
Advertising events	4 231 157	3 595 629
Rent	2 774 947	8 135 862
Donations	110 000	203 750
Maintenance, cleaning and agriculture	3 103 294	2 140 861
Travel, transportation and cars	29 699	148 791
Professional and consultants fees	1 758 333	1 683 832
Gifts	785 646	860 064
Depreciation	766 899	494 732
Employees vacations	341 690	154 590
Fees and stamps	2 107 327	4 116 788
Printing and photocopying	1 623 931	1 372 413
Others	748 566	891 821
	<u>152 965 366</u>	<u>116 773 850</u>

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, 2016

9. General and administrative expenses

	2016	2015
	<u>EGP</u>	<u>EGP</u>
Salaries, wages and bonuses (9-1)	116 301 211	85 015 281
Board of Directors' remunerations and allowances	10 652 524	7 457 195
Training, medical care, meals & uniforms	8 921 478	7 133 623
Reserve for employee stock option plan (9-2)	18 276 121	-
Employees' defined benefit plan	5 489 505	3 639 081
Maintenance, cleaning, agriculture, security and guarding	35 640 791	21 186 587
Professional and consultancy fees	15 034 556	9 035 695
Advertising, exhibitions and conferences	3 434 455	1 435 135
Donations and gifts	4 854 889	3 500 148
Administrative depreciation of fixed assets and rented units	14 687 577	20 022 278
Reception and hospitality	1 526 546	1 535 609
Printings and office supplies	4 481 614	3 654 472
Communication, electricity, telephone and water	7 958 392	5 414 414
Subscriptions and governmental dues	2 612 698	2 197 715
Rent	1 759 098	5 772 295
Travel and transportation	2 607 121	1 949 240
Bank charges	3 086 665	4 087 424
Employees vacations	775 460	639 148
Insurance installments	619 403	596 832
Others	3 609 703	4 662 520
	<u>262 329 807</u>	<u>188 934 692</u>

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

	2016	2015
	<u>EGP</u>	<u>EGP</u>
Salaries	7 764 010	5 387 324
Share based transaction (*)	-	(2 000 000)
	<u>7 764 010</u>	<u>3 387 324</u>

* Reversal of the provisional amount related to 200 000 shares under the terminated incentives and bonus plan. The amount has been formerly deducted from wages and salaries expenses in the profit and loss statement during previous year.

(9-2) This item represents the change in fair value of the employee's stock options, granted to managers and the executive Board of Directors, at grant date as mentioned in note no. (53).

Sixth of October for Development and Investment Company "SODIC" - (An Egyptian Joint Stock Company)
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10. Losses from the sale of investments

On March 4, 2010, the Group sold its share in "EL Sheikh Zayed for Construction Development" with a book value amounting to 3 371 400 at total sales value of EGP 54 221 000 which resulted in a gain of EGP 50 850 600 recognized on the Company's profit and loss statement in previous years. On December 31, 2016, the Group signed an agreement to cancel the sale of the "EL Diwan for Construction Development", "Formerly Sheikh Zayed for Construction Development", considering that it is impossible to implement the sub-development contract concluded with it and the development of block No. 8 in the EasTown project owned by the Group with an area of 7 439 square meters, Accordingly, the Group recorded a loss from the reversal of sale of investment which amounted to EGP 50 850 600 and represents the reversal of the previously recognized gain. In addition the book value of the investment which amounted to EGP 3 371 400 has been recognized as debtors from the purchase of investments in debtors and other debt balances (note 20) until obtaining the minutes of shareholders' meeting of El Diwan that approve the transfer of the shares and completion of the share transfer process.

11. Other operating expenses

	<u>2016</u> <u>EGP</u>	<u>2015</u> <u>EGP</u>
Discount for early payment	48 098 670	22 781 500
Provision of claims	425 647	200 854
Impairment losses of fixed assets (*)	27 196 868	30 000 000
Impairment losses of debtors and loans to joints ventures	6 462 307	3 289 828
Loss from liquidation of investments	780	594 001
Penalties	757 798	14 042
	<u>82 942 070</u>	<u>56 880 225</u>

(*)This item represents is the impairment in the golf course resulting from the book value exceeding the assets recoverable value, Following this impairment the net book value of golf course amounts to zero

12. Finance income

	<u>2016</u> <u>EGP</u>	<u>2015</u> <u>EGP</u>
Interest income	96 249 382	78 480 062
Return on investment in treasury bills	114 189 691	48 743 435
Income from revaluation and sale of investments	10 945	-
Net foreign exchange translation	68 521 823	1 722 799
	<u>278 971 841</u>	<u>128 946 296</u>

13. Finance cost

	<u>2016</u> <u>EGP</u>	<u>2015</u> <u>EGP</u>
Interest expense	84 291 130	88 535 028
Installments interest Sheikh Zayed land	1 338 917	3 266 101
	<u>85 630 047</u>	<u>91 801 129</u>

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Notes to the consolidated financial statements for the financial year ended December 31, 2016

14. Income tax expense

A- Items recognized in the profit and loss

	2016	2015
	<u>EGP</u>	<u>EGP</u>
Current income tax	158 740 630	99 300 288
Income tax deducted on dividends	2 470 677	-
Deferred income tax (benefit)	(470 067)	(2 607 570)
	<u>160 741 240</u>	<u>96 692 718</u>

B- Deferred tax assets and liabilities movement

	<u>December 31, 2016</u>		<u>Balance as at 31/12/2016</u>		
	Balance as at 1/1/2016 asset / (liability) <u>EGP</u>	Charged to profit and loss <u>EGP</u>	Deferred tax resulted in asset <u>EGP</u>	Deferred tax resulted in (liability) <u>EGP</u>	Net deferred tax resulted in (Liability) / Asset <u>EGP</u>
Property, plant and equipment	(881 027)	456 978	-	(424 049)	(424 049)
Provisions	57 655	13 089	70 744	-	70 744
Net	<u>(823 372)</u>	<u>470 067</u>	<u>70 744</u>	<u>(424 049)</u>	<u>(353 305)</u>

	<u>December 31, 2015</u>		<u>Balance as at 31/12/2015</u>		
	Balance at 1/1/2015 asset / (liability) <u>EGP</u>	Charged to profit and loss <u>EGP</u>	Deferred tax resulted in asset <u>EGP</u>	Deferred tax resulted in (liability) <u>EGP</u>	Net deferred tax resulted in (Liability) / Asset <u>EGP</u>
Property, plant and equipment	(3 498 562)	2 617 535	-	(881 027)	(881 027)
Provisions	67 620	(9 965)	57 655	-	57 655
Net	<u>(3 430 942)</u>	<u>2 607 570</u>	<u>57 655</u>	<u>(881 027)</u>	<u>(823 372)</u>

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

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D- Unrecognized deferred tax assets

	31/12/2016	31/12/2015
	<u>EGP</u>	<u>EGP</u>
Temporary deductible differences	181 357 439	130 239 675
Tax losses carried forward	28 406 347	35 105 304
	<u>209 763 786</u>	<u>165 344 979</u>

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

15. Earnings per share

Earnings per share as at December 31, 2016 is calculated based on the Parent Company's share in earnings for the year using the weighted average number of outstanding shares during the year as follows:

	2016	2015
	<u>EGP</u>	<u>EGP</u>
Net profit for the year (parent company share)	429 287 651	310 707 48
Employees share of profit	-	-
Board of directors' remunerations	-	-
Employees and board of directors share in subsidiaries and associates companies	-	-
	<u>429 287 651</u>	<u>310 707 489</u>
Weighted average number of shares outstanding during the year	338 909 573	338 909 573
Earnings per share (EGP / share)	<u>1.27</u>	<u>0.92</u>

16. Other assets

	31/12/2016	31/12/2015
	<u>EGP</u>	<u>EGP</u>
Assets – companies under liquidation	2 683 724	2 683 724
Inventories and letters of credit	2 517 881	6 155 550
	<u>5 201 605</u>	<u>8 839 274</u>

17. Completed units ready for sale

	31/12/2016	31/12/2015
	<u>EGP</u>	<u>EGP</u>
Cost of completed commercial units	5 515 298	4 181 942
Cost of units purchased for resale (17-1)	2 154 567	4 096 617
	<u>7 669 865</u>	<u>8 278 559</u>

(17-1) This item represents the acquisition cost of 3 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.

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, 2016

18. Work in process

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

	31/12/2016	31/12/2015
	<u>EGP</u>	<u>EGP</u>
Allegria project costs	271 416 059	291 110 919
Westown project costs	896 596 317	814 319 057
Kattamya Plaza project costs	6 573 637	17 326 961
Eastown project costs (18-1)	1 649 285 154	1 819 227 446
Villette project costs (18 -2)	3 271 920 910	2 897 642 054
Al Yosr for projects and agriculture development project costs	333 846 272	333 660 797
Polygon project costs	109 356 636	347 983 895
Caesar project costs (18 -3)	341 447 377	207 229 617
The Strip project costs	38 718 503	62 838 882
October Plaza project costs (18-4)	254 241 133	227 211 825
Beverly Hills project costs	20 628 718	17 317 328
	<u>7 194 030 716</u>	<u>7 035 868 781</u>

(18-1) Eastown project cost includes an amount representing the present value of the of the installments of the settlement agreement signed between one of the Company's subsidiaries and the Ministry of Housing and New Urban Communities Authority dated April 14, 2014. The settlement agreement stipulates that the subsidiary will pay EGP 900 million over 7 years in return for an extension in the development time frame by an additional 5 years.

(18-2) Villette project costs includes an amount of EGP 2.5 billion approximately related to the purchase of 301.48 acres that were obtained from New Urban communities authority by a subsidiary. The award letter was received on the 9th of June, 2014. .

(18-3) Caesar project costs include cost of purchasing 172 000 m2 land plot in Ras-Elhekmah on the north coast amounting to approximately EGP 190 Million.

(18-4) Includes the acquisition cost of 30.998 acres plot in northern expansion in Sixth of October City.

19. Trade and notes receivable

	31/12/2016	31/12/2015
	<u>EGP</u>	<u>EGP</u>
Trade receivable	106 467 845	96 745 325
Notes receivable	3 015 978 510	2 150 338 683
	<u>3 122 446 355</u>	<u>2 247 084 008</u>
<u>Deduct</u> : unamortized interest – notes receivable	28 247 395	18 086 090
	<u>3 094 198 960</u>	<u>2 228 997 918</u>
<u>Deduct</u> : Impairment losses of trade and notes receivable	268 154	263 027
	<u>3 093 930 806</u>	<u>2 228 734 891</u>

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

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, 2016

20. Debtors and other debit balances

	31/12/2016	31/12/2015
	<u>EGP</u>	<u>EGP</u>
Contractors and suppliers – advance payments	432 844 349	244 408 788
Due from related parties – Joint Venture	35 191 620	35 191 620
Accrued interest	72 321 985	68 600 809
Due from related parties	6 523 612	6 523 612
Prepaid expenses	283 293 285	215 651 709
Deposits with others	2 188 977	2 029 214
Tax Authority	29 678 969	12 138 042
Due from the bonus and incentives plan to employees and managers fund	122 736	122 736
Debtors from sale of investments (20-1)	-	52 578 228
Debtors from purchase of investments (20-1)	3 371 400	-
Heliopolis Development and Housing Company (20-2)	100 100 000	-
Other debit balances	15 987 605	10 212 418
	<hr/> 981 624 538	<hr/> 647 457 176
<u>Deduct :-</u>		
Impairment loss in debtors and other debit balances	115 413 199	110 081 036
	<hr/> 866 211 339	<hr/> 537 376 140

(20-1) The balance at 31 December 2015 represents the remaining amount from the sale of the Group's shares in the capital of "El Sheikh Zayed for Construction Development" during 2010 to both of "Investmart" and "ADA for Construction Development" On 31 December 2016, the Group signed an agreement to cancel the sale of "El Diwan for Construction Development" formerly "El Sheikh Zayed for Construction Development" and recorded the a loss from the reversal of sale of investment which amounted to EGP 50 850 600. The book value of the investment amounting to EGP 3 371 400 was recorded as Debtors of the purchase of investments until the completion of the share ownership transfer to the Group (note 10)

(20-2) This item includes an amount of EGP 100 million representing the amount paid as a down payment to Heliopolis Development and Housing Company, this amount will settle with Heliopolis Development and Housing Company's revenue share in the co-development contract pertaining to New Heliopolis City. Accordingly, the Company will act as a real estate developer for the land plot owned to Heliopolis Development and Housing Company which amounted to 655 acres in New Heliopolis City and Heliopolis Development and Housing Company will earn a share of the revenue with guaranteed minimum amount equal EGP 5.01 billion.

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

- The Group's exposure to credit and currency risks related to debtors and other debit balances is disclosed in note no. (46).

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Notes to the consolidated financial statements for the financial year ended December 31, 2016

21. Loans to Joint Ventures

	31/12/2016	31/12/2015
	<u>EGP</u>	<u>EGP</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 September 30, 2011. The loan was renewed 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 7 926 766. The loan carries an interest rate of 8.5% per annum.	55 580 734	54 660 833
	<hr/>	<hr/>
	191 066 694	190 146 793
Deduct :-		
Impairment for loans to joint ventures	191 066 694	190 146 793
	<hr/>	<hr/>
	-	-

22. Investments in treasury bills

	31/12/2016	31/12/2015
	<u>EGP</u>	<u>EGP</u>
Treasury bills at par value	301 148 792	52 550 000
Unearned return on treasury bills	(2 899 085)	(2 775 487)
	<hr/>	<hr/>
	298 249 707	49 774 513

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

23. Cash at banks and on hand

	31/12/2016	31/12/2015
	<u>EGP</u>	<u>EGP</u>
Bank - time deposits (23-1)	2 061 791 704	1 704 797 340
Bank - current accounts	181 013 101	242 749 807
Checks under collection	27 956 242	17 823 229
Cash on hand	2 082 623	1 161 255
	<hr/>	<hr/>
	2 272 843 670	1 966 531 631

(23-1) Deposits include an amount of EGP 108.7 million restricted as a guarantee for the credit facility granted to the Parent Company and one of its subsidiaries from a commercial banks. In addition, it includes an amount of EGP 333.15 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:

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Notes to the consolidated financial statements for the financial year ended December 31, 2016

	31/12/2016	31/12/2015
	<u>EGP</u>	<u>EGP</u>
Cash at banks and on hand	2 272 843 670	1 966 531 631
<u>Less:</u>		
Restricted-Time Deposits	108 703 992	304 503 766
Cash and cash equivalents in the consolidated statement of cash flows	<u>2 164 139 678</u>	<u>1 662 027 865</u>

The Group's exposure to interest rate risk and currency risk for cash on hands and at banks which is disclosed in note no. (46)

Sixth of October for Development and Investment Company "SODIC"

Notes to the consolidated financial statements for the financial year ended December 31, 2016

Translation of consolidated financial statements
originally issued in Arabic

24 - Property, plant, equipment

	Golf Course	Lands	Buildings and Constructions	Vehicles	Furniture and fixtures	Office equipment and communications	Generators, machinery and equipment	Leasehold improvements	Total
	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP
Cost									
Cost at January 1, 2015	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
Additions during the year	-	32 705 970	26 847 470	3 574 891	2 752 423	4 572 028	3 540 234	2 075 298	76 068 334
Disposals during the year	-	-	-	(241 773)	-	(275 691)	(4 205 754)	(4 254 475)	(8 977 693)
Cost at December 31, 2015	93 628 961	56 406 229	37 215 411	18 764 942	21 838 177	22 975 316	22 908 059	11 221 078	284 958 173
Cost at January 1, 2016	93 628 961	56 406 229	37 215 411	18 764 942	21 838 177	22 975 316	22 908 059	11 221 078	284 958 173
Additions during the year	-	-	2 277 572	3 910 187	3 772 930	4 724 298	3 666 802	309 960	18 661 749
Disposals during the year	-	-	-	(627 559)	-	(986 932)	(2 723 121)	-	(4 337 612)
Balance at December 31, 2016	93 628 961	56 406 229	39 492 983	22 047 570	25 611 107	26 712 682	23 851 740	11 531 038	299 282 310
Accumulated depreciation and impairment losses									
Accumulated depreciation and impairment losses at January 1, 2015	32 785 603	-	3 587 926	12 417 742	12 202 754	13 537 666	17 377 151	10 672 196	102 581 038
Depreciation during the year	1 823 248	-	9 523 903	1 480 283	2 388 793	3 391 416	3 396 682	2 828 208	24 832 533
Accumulated depreciation of disposals during the year	-	-	-	(231 145)	-	(264 509)	(4 205 753)	(3 622 131)	(8 323 538)
Impairment losses during the year	30 000 000	-	-	-	-	-	-	-	30 000 000
Accumulated depreciation and impairment losses at December 31, 2015	64 608 851	-	13 111 829	13 666 880	14 591 547	16 664 573	16 568 080	9 878 273	149 090 033
Accumulated depreciation and impairment losses at January 1, 2016	64 608 851	-	13 111 829	13 666 880	14 591 547	16 664 573	16 568 080	9 878 273	149 090 033
Depreciation during the year	1 823 242	-	5 823 315	1 907 204	2 262 349	3 311 395	3 805 823	748 764	19 682 092
Accumulated depreciation of disposals during the year	-	-	-	(456 543)	-	(969 355)	(2 537 713)	-	(3 963 611)
Impairment losses during the year	27 196 868	-	-	-	-	-	-	-	27 196 868
Accumulated depreciation and impairment losses at December 31, 2016	93 628 961	-	18 935 144	15 117 541	16 853 896	19 006 613	17 836 190	10 627 037	192 005 382
Net book value									
At January 1, 2015	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
At December 31, 2015	29 020 110	56 406 229	24 103 582	5 098 062	7 246 630	6 310 743	6 339 079	1 342 805	135 868 140
At December 31, 2016	-	56 406 229	20 557 839	6 930 029	8 757 211	7 706 069	6 015 550	904 001	107 276 928

* Property, plant, equipment include fully depreciated assets at a cost of EGP 61 678 648 at December 31, 2016

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25. Projects under construction

This item is represented as follows:

	31/12/2016	31/12/2015
	<u>EGP</u>	<u>EGP</u>
Buildings and constructions	160 442 022	6 271 054
Advance payments -fixtures and purchasing of fixed assets	219 815	1 519 245
	<u>160 661 837</u>	<u>7 790 299</u>

26. Biological asset under construction

On December 31, 2016, the balance of EGP 6 408 365 represents the cost of planting agricultural seedlings and the related costs, irrigation, water, wages, etc. (2015: EGP 5 884 706).

27. Investments in associates and joint ventures

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

	Legal Form	Ownership Percentage	Carrying amount	
		31/12/2016	31/12/2015	
		<u>%</u>	<u>%</u>	
		<u>EGP</u>	<u>EGP</u>	
Royal Gardens for Investment Property Co. (A)	SAE	20	20	-
Palmyra SODIC Real Estate Development (B)	Syrian Ltd.	50	50	-
				<u>-</u>

Summary of financial information of associates and joint ventures:-

	Assets <u>EGP</u>	Liabilities <u>EGP</u>	Equity <u>EGP</u>	Revenues <u>EGP</u>	Expenses <u>EGP</u>
<u>December 31, 2016</u>					
Royal Gardens for Real Estate Investments Co. (A)	264 986 294	(237 193 152)	(27 793 142)	(87 358 570)	79 167 212

December 31, 2015

Royal Gardens for Real Estate Investments Co. (A)	330 463 327	(299 454 739)	(31 008 588)	(288 643 101)	276 779 179
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December 31, 2016

Palmyra SODIC Real Estate Development (B)	121 084 245	(1 039 794 344)	918 710 099	-	381 482 317
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December 31, 2015

Palmyra SODIC Real Estate Development (B)	79 960 952	(436 780 148)	356 819 196	-	184 068 833
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- (A) Royal Gardens for Investment Property Co. was established during the year 2006 in association with Palm Hills Developments and other shareholders. The cost of investment amounted to EGP 3 million which represents 50% of the Parent Company's participation in the share capital of Royal Gardens Co. The Parent Company's share in the unrealized gain resulting from the sale of land by the Parent Company to its associate during 2007 amounted to EGP 32 298 112 out of which only EGP 3 million has been eliminated to the extent of the Company's interest in the associate when preparing the consolidated financial statements.
- (B) On June 15, 2010, SODIC Syria was established - a limited liability company - to acquire a 50% stake in Palmyra - SODIC Real Estate Development Co., Ltd. - a limited liability company - registered and operating in the Syrian Arab Republic. The direct investment cost amounts to EGP 243 million.
- Due to the current political circumstances in the Syrian Arab Republic and the confiscation of assets and documents related to Palmyra - SODIC Real Estate Development Co by the state government, the management of SODIC addressed the Embassy of the Syrian Arab Republic in Egypt and commissioned a law firm to handle the issue and protect the interest of SODIC's shareholders.

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

28. Available for sale investments

This item is represented as follows:

	Legal Form	Ownership %	Paid amount of Participation %	Carrying amount as at 31/12/2016 EGP	Carrying amount as at 31/12/2015 EGP
Egyptian Company for Development and Management of Smart Villages	S.A.E	1.8	100	4 250 000	4 250 000
				4 250 000	4 250 000

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

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29. Investment properties

The net carrying amount of the investment properties as at December 31, 2016 amounted to EGP 101 864 178. The amount includes commercial / residential units leased out to others.

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

<u>Description</u>	<u>Leased out EGP</u>	<u>HUB Project's units EGP</u>	<u>Total EGP</u>
<u>Cost</u>			
At January 1, 2015	18 568 793	-	18 568 793
Additions during the year	8 664 293	86 733 319	95 397 612
At December 31, 2015	27 233 086	86 733 319	113 966 405
At January 1, 2016	27 233 086	86 733 319	113 966 405
Additions during the year	1 172 401	-	1 172 401
Disposals during the year	(7 923 578)	-	(7 923 578)
At December 31, 2016	20 481 909	86 733 319	107 215 228
<u>Less</u>			
<u>Accumulated depreciation</u>			
At January 1, 2015	616 504	-	616 504
Depreciation for the year	322 173	1 679 752	2 001 925
At December 31, 2015	938 677	1 679 752	2 618 429
At January 1, 2016	938 677	1 679 752	2 618 429
Depreciation for the year	294 603	2 961 664	3 256 267
Accumulated Disposals during the year	(523 646)	-	(523 646)
At December 31, 2016	709 634	4 641 416	5 351 050
Net carrying amount as at January 1, 2015	17 952 289	-	17 952 289
Net carrying amount as at December 31, 2015	26 294 409	85 053 567	111 347 976
Net carrying amount as at December 31, 2016	19 772 275	82 091 903	101 864 178

30. Notes receivable – Long-term

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

	31/12/2016 EGP	31/12/2015 EGP
Notes receivable	6 775 293 620	4 761 962 569
<u>Deduct:</u> Unamortized interest	117 981 644	104 425 796
	6 657 311 976	4 657 536 773

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

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, 2016

31. Share capital

- The authorized capital of the Company is EGP. 2.8 billion
- The Company's issued and paid in capital is EGP 1 355 638 292 distributed over 338 909 573 shares with a par value of EGP 4 per share, the commercial register was notified on December 7, 2014.
- The Board of Directors of the Company decided in its session held on 30 November 2016 to increase the issued capital of the company from 1 355 638 292 Egyptian Pounds to 1 369 194 672 Egyptian Pounds, an increase of LE 13,556,380 distributed over 3 389 095 shares at a par value of LE 4 per share. These shares are financed through a special reserve - share premium, In accordance with the regulations approved by the Extraordinary General Assembly of the Company held on 20 January 2016, which approved the implementation of the system of incentive and bonus plan of employees, managers and executive board members through the allocation of shares on special terms for their benefit. Procedures are currently being completed to register the increase.
- The current capital structure for the holding company is represented as follow:

Shareholder	Number of shares	Share value <u>EGP</u>	Ownership percentage <u>%</u>
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 Abdelrahman 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
Al- Majid Investments LLC.	10 548 092	42 192 368	3.11
Abdel Monem Rashed Abdel Rahman Al Rashed	9 897 756	39 591 024	2.92
NORGES Bank	9 746 829	38 987 316	2.88
Financial Holdings International LTD	7 267 503	29 070 012	2.14
Other shareholders	195 565 323	782 261 292	57.71
	338 909 573	1 355 638 292	100

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32. Legal Reserve

The balance as at December 31, 2016 is represented as follows:-

	<u>EGP</u>
Legal reserve equal 5% of the Company's net profit till year 2014	11 945 929
<u>Add:</u>	
Increase of the legal reserve with the difference between the par value of the treasury shares and its actual cost (according to the Company's Extra-Ordinary General Assembly Meeting held on July 10, 2003).	4 627 374
Increase of the legal reserve with part of capital increase share premium with limits of half of the Company's issued share capital during 2006.	123 409 151
Increase of the legal reserve with part of capital increase share premium during year 2007 with limits of half of the Company's issued share capital.	5 000 000
Increase of the legal reserve with part of the capital increase share premium with limits of half of the Company's issued share capital during 2010.	39 446 365
Increase in legal reserve by 5% of 2015 net profit.	10 660 036
<u>Deduct:</u>	
The amount used to increase the issued share capital during 2011.	2
	<u>195 088 853</u>

33. Special reserve – share premium

The balance as at December 31, 2016 is represented in the following:

<u>Description</u>	<u>EGP</u>
Total value of the capital increase share premiums collected for the years 2006 and 2010	1 455 017 340
<u>Add:</u>	
Share premium of the employees' incentive and bonus plan issued during 2007.	90 000 000
The value of selling 712 500 share which has been sold through beneficiaries of incentive and bonus plan during 2014 with EGP 30 per share (after split).	21 375 000
The value of 200 000 shares converted to treasury shares during 2015 at par value, these shares were previously set aside for the benefit of the incentive and bonus plan with the capital increase in 2008 as a result of the termination of the program (Note no.53).	2 150 000
The value received from the selling of offering rights for 737 500 shares during 2014, which were transferred from shares held for "incentive and bonus plan" as a result of the termination of the program (Note no.53).	16 306 910
The value of accrued dividends for 737 500 shares which were transferred from the shares set aside for the incentive and bonus plan during 2015 as a result of the termination of the program (Note no.53).	1 180 000
<u>Deduct:</u>	
Amounts transferred to the legal reserve (Note no.32).	167 855 516
Capital increase – related expenses.	55 240 255
Amount used for share capital increase during 2008.	5 000 000
	<u>1 357 933 479</u>

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34. Treasury shares

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

35. Profit from sale of treasury shares

- On August 14, 2011, the board of directors of the Company approved the purchase of one million treasury shares at EGP 18 per share (the par value is EGP 4 per share) with a total amount of EGP 18 018 000 from the Company's shares offered on the Egyptian stock exchange. On August 13, 2012 the Company's board of directors agreed to sell these shares for a total value of EGP 21 710 867 resulting in a profit from the sale of treasury shares with an amount of EGP 3 692 867.
- During March 2016 treasury shares which were transferred from incentive and bonus plan for employees and executive directors of the company according to the Extraordinary General Assembly meeting held on February 1st 2015 were sold resulting in an actual loss amounting to EGP 1 967 411 as mentioned in note no. (32). Accordingly, the profit from sale of treasury shares reserve becomes EGP 1 725 456.

36. Non-controlling interest

Non-controlling interest balance as at December 31, 2016 represents the interest shares in subsidiary's equity as follows:

	Non-controlling interest				
	Percentage	Profit / (loss)	excluding	as at	as at
	%	for the year	profit/ (loss)	31/12/2016	31/12/2015
		EGP	EGP	EGP	EGP
Sixth of October for Development and Real Estate Projects Co. "SOREAL"	0.01	18 870	62 372	81 242	62 372
Beverly Hills for Management of Cities and Resorts Co.	53.25	37 716	28 518 808	28 556 524	28 518 808
SODIC Garden City for Development and Investment Co.	50	11 980 584	26 860 011	38 840 595	59 617 346
El Yosr for Projects and Agriculture Development Co.	0.001	45	26 988	27 033	26 988
SODIC for Development and Real Estate Investment Co.	0.001	-	20	20	20
Tegara for Trading Centers Co.	4.76	7 201	2 666 941	2 674 142	2 666 941
Edara for Services of Cities and Resorts Co.	0.003	125	519	644	519
Fourteen for Real Estate Investment Co.	0.004	-	2	2	2
La Maison for Real Estate Investment Co.	0.004	-	2	2	2
		12 044 541	58 135 663	70 180 204	90 892 998

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Notes to the consolidated financial statements for the financial year ended December 31, 2016

37. Long-term loans

	31/12/2016	31/12/2015
	<u>EGP</u>	<u>EGP</u>
	243 030 695	407 083 911

On December 19, 2013 the company signed a medium-term syndicated loan contract with a group of banks represented by the Arab African International Bank "facility agent" with a total amount of EGP 900 million to finance the total debt outstanding on the company and to finance SODIC West projects located in Kilo 38 Cairo/Alex desert road -Giza- Egypt.

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

Guarantees:

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

Grace period:

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

Repayment:

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

On July16, 2014 the company signed a medium-term loan contract with Commercial International Bank (CIB) for an amount of EGP 300 million as follows: Tranche (A) to refinance the total amount due to Solidere International following the settlement agreement and Tranche (B) to finance any deficit in the cash flows related to the development of specific blocks on Westown Residences in stage (B) tranche (B).

	189 347 800	189 347 800
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On July 3, 2014 a Company's subsidiary signed a medium term facility agreement with Arab African International Bank (AAIB) for a total amount of EGP 950 million to finance the repayment of advance payments and installments due to the New Urban Communities Authority against the land of the project and finance part of the cost of the project through the funding of the Real Estate Development Model.

759 803 946

523 067 183

Guarantees:

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

Availability period:

Commences from the signing date until December 31, 2017.

Grace period:

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

Repayment:

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

Total

1 192 182 441

1 119 498 894

Deduct: Current portion

112 835 680

123 335 275

Syndicated loan from Arab African International Bank

56 804 340

-

Loan from CIB

Total current portion

169 640 020

123 335 275

1 022 542 421

996 163 619

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Notes to the consolidated financial statements for the financial year ended December 31, 2016

38. Long-term notes payable

	31/12/2016	31/12/2015
	<u>EGP</u>	<u>EGP</u>
Total present value of the checks issued to New Urban Communities Authority which are payable till Jan. 1, 2021.	525 000 000	650 000 000
Total present value of the checks issued to New Urban Communities Authority which are payable till June 9, 2018.	282 378 711	885 589 183
Total present value of the checks issued to New Urban Communities Authority which are payable till September 8, 2019.	109 819 232	171 734 763
Unamortized interest	(141 973 097)	(257 013 119)
	<u>775 224 846</u>	<u>1 450 310 827</u>

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

39. Provision for completion

	Balance as at 1/1/2016	Formed during the year	Used during the year	Balance as at 31/12/2016
	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>
Provision for completion of works (39-1)	64 945 785	52 833 879	(31 350 523)	86 429 141
	<u>64 945 785</u>	<u>52 833 879</u>	<u>(31 350 523)</u>	<u>86 429 141</u>

(39-1) This provision is formed against the estimated costs expected to be incurred to complete the execution of the project in its final stage related to units delivered to customers, which are expected to be incurred in the following years.

40. Provisions

	Balance as at 1/1/2016	Formed during the year	Used during the year	Provisions no longer required during the year	Balance as at 31/12/2016
	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>
Provision for expected claims	6 057 239	425 647	-	(67 000)	6 415 886
	<u>6 057 239</u>	<u>425 347</u>	<u>-</u>	<u>(67 000)</u>	<u>6 415 886</u>

- 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.

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Notes to the consolidated financial statements for the financial year ended December 31, 2016

41. Bank - credit facilities

	31/12/2016	31/12/2015
	EGP	EGP
Represents the amounts drawn down from the EGP 150 million fully secured overdraft facility signed between Bank Audi and SODIC. The facility is fully secured by deposits amounting to EGP 150 million.	-	31 105 204
Represents the amounts drawn down from the EGP 150 million fully secured overdraft facility signed with Bank Audi and one of the subsidiaries. The facility is fully secured by deposits amounting to EGP 150 million.	-	17 203 930
Represents the balance of the credit facility granted to one of the subsidiaries from the National Bank of Egypt with an amount of EGP 5 million, secured by the treasury bills kept at the bank.	-	1 718 142
Represents the amounts drawn down from the EGP 8 million fully secured overdraft facility signed with SAIB Bank and one of the subsidiaries. The facility is fully secured by deposits kept at the bank.	3 405 400	-
	3 405 400	50 027 276

Information regarding the Group's exposure to interest rate and liquidity risks is disclosed in note no. (46).

42. Advances - from customers

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

	31/12/2016	31/12/2015
	EGP	EGP
Advances _ SODIC West	3 189 362 401	2 821 472 769
Advances _ SODIC East	8 108 527 804	5 419 434 298
Advances _ CAESAR PROJECT	1 321 311 026	641 217 820
	12 619 201 231	8 882 124 887

43. Contractors, suppliers and notes payable

	31/12/2016	31/12/2015
	EGP	EGP
Contractors	120 807 380	98 967 412
Suppliers	4 362 246	2 860 981
Notes payable (43-1)	816 499 412	858 331 078
	941 669 038	960 159 471
Deduct: Unamortized interest-notes payable	91 682 313	117 325 527
	849 986 725	842 833 944

(43-1) Notes payable includes EGP 712 million which represents the amount due to the New Urban Communities Authority.

The Group's exposure to currency and liquidity risks related to suppliers, contractors and notes payable is disclosed in note no. (46).

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Notes to the consolidated financial statements for the financial year ended December 31, 2016

44. Creditors and other credit balances

	31/12/2016	31/12/2015
	EGP	EGP
Amounts collected on account for management, operation and maintenance of projects	755 358 645	515 906 444
Due to related parties	5 811 157	6 125 688
Accrued expenses	142 512 563	110 844 977
Customers - Beverly Hills – capital contributions	13 602 226	12 638 549
Customers – credit balances	26 170 399	37 973 566
Tax Authority	170 010 206	112 980 666
Dividends payable	91 643	91 643
Accrued compensated absence	2 871 655	1 428 692
Insurance Deposits collected from customers – Against modifications	835 805	850 756
Social insurance	2 699 066	359 228
Customers –down payments for sub-development (44-1)	-	3 371 400
Creditors of purchasing investments (44-2)	1 000 000	-
Unearned revenue	10 733 237	1 243 831
Retentions	16 671 859	9 084 075
Due to beneficiaries from Incentive plan	1 192 600	1 192 600
Deposits from others	22 758 959	16 635 432
Premiums of club	237 578 148	109 299 607
Sundry creditors	11 799 092	15 451 115
	1 421 697 260	955 478 269

(44-1) The amount represents the sub-development from El Sheikh Zayed for Real Estate Development, previously disclosed in note no. (18-1).

(44-2) The balance represents the amount due to both of Investmart Investment Company and ADA for Construction Development as a result of the sale of the shares of Al-Diwan for Construction development (Formerly El-Sheikh Zayed Real Estate Development) until the completion of the share ownership transfer process to the Group as detailed in (20-1) above.

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

45. Fair values

Fair values versus carrying values

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

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

Capital management

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

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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.

46. Financial risk management

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

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

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

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

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

a) Credit risk

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

Trade and other receivables

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

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

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

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

Investments

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

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Guarantees

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

b) Liquidity risk

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

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

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

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

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

c) Market risk

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

d) Currency risk

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

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

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

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

e) Interest rate risk

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

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f) Other market price risk

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

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

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

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

46-1 Credit risk

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

The maximum exposure to credit risk as at December 31, 2016 amounted to EGP12 470 327 241 (December 31, 2015: EGP 8 979 041 233).

46-2 Liquidity risk

The following are the contractual maturities of financial liabilities:

<u>December 31, 2016</u>	Carrying amount	Less than 1 year	1-2 years	2-5 years
	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>
Banks – credit facilities	3 405 400	3 405 400	-	-
Short - term loans	169 640 019	169 640 019	-	-
Long – term loans	1 022 542 421	-	564 053 131	458 489 290
Contractors and suppliers	125 169 626	125 169 626	-	-
Other creditors	1 421 697 260	998 416 621	407 886 181	15 394 457
Notes payable –short term	724 817 099	724 817 099	-	-
Notes payable –long term	775 224 846	-	571 077 120	204 147 726
	<u>4 242 496 671</u>	<u>2 021 448 765</u>	<u>1 543 016 432</u>	<u>678 031 473</u>

<u>December 31, 2015</u>	Carrying amount	Less than 1 year	1-2 years	2-5 years
	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>
Banks – credit facilities	50 027 276	50 027 276	-	-
Short - term loans	123 335 275	123 335 275	-	-
Long – term loans	996 163 619	-	225 671 359	770 492 260
Contractors and suppliers	101 828 393	101 828 393	-	-
Other creditors	923 278 621	634 446 112	278 327 847	10 504 662
Notes payable – short terr	741 005 551	741 005 551	-	-
Notes payable – long term	1 450 310 827	-	730 439 473	719 871 354
	<u>4 385 949 562</u>	<u>1 650 642 607</u>	<u>1 234 438 679</u>	<u>1 500 868 276</u>

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, 2016

46-3 Currency risk

Exposure to currency risk

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

December 31, 2016

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

December 31, 2015

Description	USD	Euro
Cash at banks	2 552 111	295 048
Notes receivables	11 767 591	-
Advances - from customers	(12 364 203)	-
Creditors and other credit balances	(338 856)	-
Surplus of foreign currencies	1 616 643	295 048

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:-

	<u>Carrying amount</u>	
	31/12/2016	31/12/2015
<u>Financial instruments with a fixed rate</u>	<u>EGP</u>	<u>EGP</u>
Financial assets	12 111 284 193	8 640 843 517
Financial liabilities	(1 500 041 945)	(2 191 316 378)
	10 611 242 248	6 449 527 139
<u>Financial instruments with a fixed rate</u>		
Financial liabilities	(1 195 587 840)	(1 169 526 170)
	(1 195 587 840)	(1 169 526 170)

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

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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

		31/12/2016
<u>Party / Relationship</u>	<u>Nature of transaction</u>	<u>Amount of transaction</u>
		EGP
Executive managers and Board of Directors (Parent Company)	Executive and Board of Directors	(See note No.9).
Palmyra – SODIC for Real Estate Development	Loan for joint projects	919 000

b) Balances resulting from transactions with related parties

		31/12/2016	31/12/2015
<u>Party</u>	<u>Item as shown in the consolidated balance sheet</u>	<u>EGP</u>	<u>EGP</u>
Palmyra – SODIC for Real Estate Development	Loans to Joint Ventures	191 066 694	190 146 793
	Accrued interest on loan under debtors caption	65 482 130	65 482 130
	Accrued on joint venture – related parties under debtor caption	35 191 620	35 191 620

- * Impairment in dues from Palmyra – SODIC for Real Estate Development has been recorded as its described in note No.(20)

48. Tax status

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

Corporate tax

- A ten years corporate tax exemption period starting from the year following the date of the activity inception as of 1/1/1998 until 31/12/2007 according to Law No. 59 of 1979 concerning the New Urban Communities.
- During the month of January 2011, the Company submitted a request to the Tax Authority demanding the amendment of the tax exemption period to start from the date of the actual handing over of the units in the year 2002.
- On January 18, 2011, the Disputes Dispersal Committee of the Tax Authority considered and studied the Company's request in the light of the actual date of handing over of the units and the regulations applicable to similar companies. Accordingly, the committee decided to approve the Parent Company's request thus considering the date of the actual business activity of the Company to be the year 2002, hence, the Parent Company shall be entitled to tax exemption from 1/1/2003 to 31/12/2012, and the amendment of the new exemption period was registered in the Company's tax card. The amended tax return for year 2008 was submitted to the Tax Authority.
- Years from 1996 till 2005 has been tax inspected and tax differences have been paid and settled.

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- Years from 2006 till 2010 have been inspected thus no tax claims have been received till the date of authorizing of these financial statements for issuance.
- Years from 2011 till 2014 have not been inspected and no tax claims have been received till the date of authorizing of these financial statements for issuance.
- The Company submits its annual tax return on due dates in accordance with Law No. 91 of 2005.

Salary tax

- Tax inspection was carried out for the previous years till 2012 and tax differences have been paid and settled.
- Years from 2013 till 2015 have not been inspected and no tax claims have been received till the date of authorizing of these financial statements for issuance.
- The Company pays the monthly salary tax on a regular basis.

Withholding tax

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

Stamp tax

- Tax inspection was carried out for the previous years till December 31, 2012 and tax differences have been fully paid.
- Years from 2013 till 2015 have not been inspected and no tax claims have been received till the date of authorizing of these financial statements for issuance.
- The Company provides stamp tax returns on a regular basis.

Sales tax

- The Company was inspected from inception till December 31, 2013 and tax differences have been paid and settled.
- Years from 2014 and 2015 has not been inspected and no tax claims have been received till the date of authorizing of these financial statements for issuance.
- The Company provides sales tax returns on a regular basis.

The value added tax

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

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.

49. Capital commitments

Capital commitments as at December 31, 2016 amounted EGP 462 050 is represented in contracted and unexecuted works (December 31, 2015: EGP 4 482 877).

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50. Legal status

There is a dispute between the parent Company and another party regarding the contract concluded between them on 23/2/1999 which is related to delivering this party a plot of land as a usufruct right for indefinite year of time and a return for an annual rental with a minimal amount for a total of 96 acres approximately and which has not been delivered up till this date as the management of this party did not abide by the detailed conditions of the contract. There are exchanged notifications concerning this land between the management of the parent Company and the management of this party. During 2009, this party raised a court case No. 3 of 2009 Civil 6th of October against the parent Company asking it for the delivery of the allocated land. A preliminary sentence was issued by the court in its session held on February 22, 2010 to refer this matter to Experts and to delegate the Experts Office of the Ministry of Justice to embark this case and set a session to be held on April 26, 2010 for the expert to present his report. The session was postponed by the court several times On November 24, 2014, 6 of October partial court decided to dissuade its decline decree of previous proof procedures dated February 22, 2010 and the coming one will be held on March 19, 2017.

The parent Company's legal counsel is of the opinion that the parent Company has the right to maintain and exploit this land under the contract as the said contract has not been affected and no usufruct right has been arisen to this party since its effect was based on conditions that have not been met. In addition, in case of any dispute raised by this party to possess the land, the parent Company has the actual and physical possession of the land and hence it has the right to continue in possessing the land till settlement of this dispute in front of court.

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51. Basis of measurement

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

- Financial assets and liabilities recognized at fair values through profits and losses.
- Held for trading investments are valued at fair value.
- Available for sale investments, which have market values are valued at fair value.

52. Comparative figures

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

Statement of financial position

	<u>EGP</u>
Advances - from customers	32 199 648
Creditors and other credit balances	(32 199 648)

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

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

54. Significant accounting policies

54-1 Business combination

- The Group accounts for business combination using the acquisition method when control is transferred to the Group.
- The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired.
- Any goodwill that arises is tested annually for Impairment. Any gain on a bargain purchase is recognized profit or loss immediately.
- Transaction cost are expensed as incurred, except if related to the issue of debt or equity securities.
- The consideration transferred does not include amounts related to the settlement of pre-existing relationship. Such amounts are generally recognised in profit or loss.

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- Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that met the definition of financial instrument is classified as equity, then it is not re-measured and settlement is accounted for within equity. Otherwise, other contingent consideration is re-measured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognized in profit or loss.

a) Subsidiaries

- Subsidiaries are entities controlled by the Group.
- The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.
- The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Subsidiaries are represented in the following:-

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

(*) The legal participation in Beverly Hills for Management of Cities and Resorts Co. amounts to 49.01 %, which includes 2.26 % transitory shares currently in the name of the Company. The title of these shares will be transferred to the ultimate shareholders (Owners of Beverly Hills Project units).

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

b) Non-controlling interests

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

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

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c) Loss of control

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

d) Investments accounted for equity method

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

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

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

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

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

e) Transaction elimination on consolidation

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

54-2 Foreign currency

a) Foreign currency transactions

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

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

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

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

Foreign currency differences are generally recognised in profit or loss.

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

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

b) Foreign Operations

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

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

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

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

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

54-3 Discontinued operation

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

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

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

54-4 Revenue recognition

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

a. Real estate and land sales

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

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

b. Service revenues

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

c. Rental income

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

d. Interest income

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

e. Commission revenue

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

f. Dividends

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

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54-5 Employee benefit

a) Short – term employee benefits

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

b) Share – based payment arrangements

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

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

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

c) Define contribution plans

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

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

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

54-6 Finance income and finance costs

The Group's finance income and finance costs include:

- interest income
- interest expense
- The foreign currency gain or loss on financial assets and financial liabilities

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

54-7 Income Tax

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

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a) Current income tax

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

b) Deferred tax

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

Deferred tax is not recognised for:

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

Temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future. Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on business plans for individual subsidiaries in the Group. deferred tax assets are reassessed at each reporting date, and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

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

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

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

54-8 Biological assets

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

54-9 Units ready for sale

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

54-10 Work in process

All costs relating to uncompleted works are recorded in work in process account until the completion of the works. Work in process is stated in the consolidated balance sheet at cost or net realizable value whichever is lower. Costs include directly attributable cost needed to bring the units to the selling status.

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54-11 Property, plant and equipment

a) Recognition and measurement

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

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

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

b) Subsequent expenditure

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

c) Depreciation

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

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

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

54-12 Projects under construction

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

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54-13 Intangible assets and goodwill

a) Recognition and measurement

I. Goodwill:

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

II. Research and development:

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

III. Other intangible assets:

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

b) Subsequent expenditure

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

c) Amortization

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

Goodwill is not amortised.

54-14 Investment properties

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

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

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

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

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3) Non-derivative financial liabilities – Measurement

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

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

4) Derivative financial instruments and hedge accounting

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

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

Cash Flow Hedges

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

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

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

If the forecast transaction is no longer expected to occur, then the amount accumulated in equity is reclassified to profit or loss

54-16 Share capital

1) Ordinary Shares

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

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

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

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54-17 Impairment

1) Non-derivative financial assets

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

Objective evidence that financial assets are impaired includes:

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

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

Financial assets measured at amortised cost

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

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

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

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

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

Available-for-sale financial assets

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

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

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

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Equity-accounted investees

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

2) Non-financial Assets

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

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

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

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

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

An impairment loss in respect of goodwill is not reversed in the subsequent period. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) if no impairment loss had been recognised in previous years.

54-18 Provisions

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

Provision for completion

A provision for completion of work is formed at the estimated value of the completion of the projects' utility works (relating to the units delivered to customers and the completed units according to the contractual terms and conditions and the completed units for which contracts were not concluded) in their final form as determined by the Company's technical department. The necessary provision is reviewed at the end of each reporting year until finalization of all the project works.

54-19 Operational lease

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

54-20 Sale and leaseback

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

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

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54-21 Investments

a- Available for sale investments

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

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

b- Held for trading investments

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

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

54-22 Trade, notes receivable and debtors

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

54-23 Cash and cash equivalents

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

54-24 Borrowing costs

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

54-25 Interest –bearing borrowings

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

54-26 Trade, contractors and other credit balances

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

54-27 Notes payable

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

54-28 Cost of sold lands

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

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54-29 Expenses

Lease payments

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

54-30 Employees' profit sharing

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

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

54-31 Earnings / (losses) per share

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

54-32 New Issues and Amendments issued to the Egyptian Accounting Standards (EAS) and it have been applied from January 01, 2016

During the year 2015, a modified version of the Egyptian Accounting Standards (EAS) was issued including some of the new accounting standards and the amendments to some existing standards provided that they shall come into force for the financial periods that start after January 1, 2016, while taking into consideration that the early implementation of these standards is not permissible.

In the following table, we shall present the most prominent amendments on the Egyptian Accounting Standards (EAS) that have been applied on the financial statements of December 31, 2016:

New or Amended Standards	Summary of the Most Significant Amendments	Possible Impact on the Financial Statements
<u>EAS (1)</u> Presentation of Financial Statements	<p><u>Financial Position Statement</u></p> <ul style="list-style-type: none"> The Standard does not require to present the working capital presentation. The reference financial statements that was included in 2006 Standards was excluded; which presented the working capital presentation. A statement shall be added to the statement of financial position including balances of the beginning of the first presented comparative period in case of retrospective implementation or change in an accounting policy or reclassification carried out by the entity. 	<ul style="list-style-type: none"> All the presented financial statements, disclosures and their accompanying notes including the comparative figures had been represented to be in conformity with the required amendments to the Standard. <i>Statement of Comprehensive Income</i>, had been added for the current and comparative period.
	<p><u>Income Statement (Profit or Loss)/ and Statement of Comprehensive Income</u></p> <p>The entity shall disclose all recognized income and expense captions during the financial period in two separate statements; one of them presents the profit or loss components (<i>Income Statement</i>) and the</p>	

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Notes to the consolidated financial statements for the financial year ended December 31, 2016

New or Amended Standards	Summary of the Most Significant Amendments	Possible Impact on the Financial Statements
	other one starts with the profit or loss and presents the other comprehensive income items (<i>Statement of Comprehensive Income</i>).	
<u>EAS (10)</u> Property, Plant and Equipment (PPE) and its depreciations	<ul style="list-style-type: none"> • The option of using the revaluation model in the subsequent measurement of PPE has been canceled. • The financial shall disclose a movement of the PPE and its depreciations in the notes accompanying the financial statements at the beginning and the end of the current year and the comparable year. • The strategic (major) spare parts and stand-by equipment can be classified as PPE when the entity expects to use them for more than one year (when the definition of PPE applies thereto). 	<p>The amendment does not apply retroactively, and the carrying amounts in the transitional date is the cost and the accumulated depreciation at the beginning of the application of this revised standard.</p> <p>The comparative figures relating to the PPE in the notes accompanying the financial statements had been re-presented to be in conformity with the required amendments on the standard.</p>
<u>Egyptian Standard No. (45)</u> Fair Value Measurement	<p>The new Egyptian Accounting Standard No. (45) "<i>Fair Value Measurement</i>" was issued and shall be applied when another Standard requires or allows measurement or disclosure to be made at fair value. This Standard aims the following:</p> <ul style="list-style-type: none"> (a) Defining the fair value (b) Laying down a framework to measure the fair value in one Standard and (c) Identifying the disclosure required for the fair value measurements. 	<p>The standard had been applied prospectively in the preparation of interim financial statements in March 31, 2016, including the disclosure contained in this standard requirements.</p>
<u>Egyptian Standard No. (29)</u> Business Combination	<p>The purchase method was cancelled and replaced by the acquisition method; as results:</p> <ol style="list-style-type: none"> 1- Changing the acquisition cost to become the cash consideration transferred; and to be measured at fair value at the acquisition date. 2- Contingent consideration: the fair value of the contingent consideration shall be recognized at the acquisition date as a part of consideration transferred. 3- Changing the method of measuring goodwill in case of Step acquisition is made. 	<p>This amended Standard has been applied for all business combinations which the acquisition was date on or after the beginning of January 2016, therefore no adjustment have been made to assets and liabilities arising from business combinations acquired before the beginning of January 2016.</p>

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New or Amended Standards	Summary of the Most Significant Amendments	Possible Impact on the Financial Statements
<u>Egyptian -Standard No. (42):</u> The Consolidated Financial Statements	<ul style="list-style-type: none"> • The transaction cost (the cost related to the acquisition): Shall be charged to the Income Statement as an expense in the period in which the costs incurred it and shall not be added to the cash consideration transferred; except for the costs of issuing equity instrument or debt instruments directly related to the acquisition process. • The new Egyptian Accounting Standard No. (42) "<i>The Consolidated Financial Statements</i>" was issued and accordingly Egyptian Accounting Standard No. (17) "<i>The Consolidated and Separate Financial Statements</i>" has changed to become "<i>The Separate Financial Statements</i>". Pursuant to the new Egyptian Accounting Standard No. (42) "<i>The Consolidated Financial Statements</i>" <p>The control model has changed to determine the investee entity that must be consolidated.</p>	<p>Comparative figures and all consolidated presented financial information has been modified.</p> <p>There is no impact to the comparative figures in the financial statements.</p>
	<ul style="list-style-type: none"> • Accounting for the changes in the equity of the parent company in a subsidiary which don't lead to loss of control are accounted for as transactions of equity. • Any Investment quotes retained in a former subsidiary re-measured at fair value at the date when control is lost and recognize any resulting difference in the Income Statement. • In case of losses applicable to the Non-Controlling Interest "NCI" in a subsidiary are more than its share in equity including all component of Other Comprehensive Income are allocated to the owners of the holding entity and the NCI even if this causes the NCI to have a deficit balances. • The new Egyptian Accounting Standard No. (43) "<i>Joint Arrangements</i>" was issued and accordingly Egyptian Accounting Standard No. (27) "<i>Interests in Joint Ventures</i>" was replaced. • According to the new Egyptian Accounting Standard No. (43) "<i>Joint Arrangements</i>" a new model for the joint arrangements was laid down in order to classifies and determine their kind whether (Joint Venture) or (Joint Operation). <p>As such, action depends on the substance of the arrangement and not only its legal form.</p> <ul style="list-style-type: none"> • In case the arrangement is classified as a joint venture, each party of the arrangement parties shall account for that investment using the 	<p>This amendment doesn't apply retroactively</p> <p>All Comparative figures and all consolidated financial information presented has been modified from the beginning of previous period January 1, 2015 to apply this standard.</p>
<u>Egyptian Standard No.(43):</u> Joint Arrangements		

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New or Amended Standards	Summary of the Most Significant Amendments	Possible Impact on the Financial Statements
<u>Egyptian Standard No. (18): Investments in Associates</u>	<p>equity method only (as the proportionate consolidation method was eliminated) whether in the Consolidated or separate Financial Statements issued thereby.</p> <p>The accounting treatment of the joint ventures shall be added to this standard, accordingly the Investments in associates and joint ventures shall be accounted for that investments using the equity method in the Consolidated and Individual Financial Statements.</p> <ul style="list-style-type: none"> • The entity shall discontinue to use the Equity method from the date when its investm⁴³ent ceases to be an associate or a joint venture provided that the retained interest shall be re-measured using the fair value and the difference shall be recognized in the Profit and loss statement. • If an investment in an associate becomes an investment in a joint venture or vice versa, the entity continues to apply the Equity Method and does not re-measure the retained Interest. • If an entity's ownership interest in an associate or a joint venture reduced, but the entity continues to apply the Equity Method, the entity shall reclassify to profit or loss the proportions of the gain or loss that previously been recognized in OCI relating to that reduction in Ownership interest. 	<p>All Comparative figures and all consolidated financial information presented has been modified</p> <p>There is no retroactive adjustment with respect to discontinued use of the equity method, if the date of discontinuation of the equity method occurred prior to the application of this revised standard. This also applies with respect to changes in the company's ownership rights in its associate company or joint venture, while continuing to use the equity method.</p>
<u>Egyptian Standard No. (44): Disclosure of Interests in Other Entities</u>	<ul style="list-style-type: none"> • A new Egyptian Accounting Standard No. (44) "Disclosure of Interests in Other Entities" was issued in order to comprise all the required disclosures pertaining to the investments in subsidiaries, associates, joint arrangements, and the unconsolidated Structured Entities. • The objective of this standard is to comply the entity to disclose the information that enable users of its financial statements to evaluate the nature and risks associated with its interests in other entities and the effects of those interests on its financial position, financial performance, and cash flows. 	<p><u>In case of any impact on the financial statements due to applying the standard:</u></p> <p>All Comparative figures and disclosures have been modified</p>

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New or Amended Standards	Summary of the Most Significant Amendments	Possible Impact on the Financial Statements
<u>EAS (34)</u> Investment Property	The option of using the fair value model in the measurement after recognition of the Property Investment has been canceled.	<p><u>For companies which are applying the fair value model:</u></p> <p>The fair value of the investment at the beginning of the application of this standard (the date of transition to cost model) is the cost of that investment, for the purposes of subsequent accounting treatment according to Egyptian account standard No. (10) Property, Plant and Equipment (<i>PPE</i>) and its depreciations</p> <p>-Revaluation surplus related to investment property recorded in owners equity at the date of transferring to cost model, resulting from the reclassification of the property from a fixed assets to investment property , this surplus is then transferred to retained earnings / (carried forward losses) when this property is disposed of, taking into account the tax impact of this transferring.</p>
<u>EAS (14)</u> Borrowing Costs	Elimination of the previous benchmark treatment that recognized the borrowing cost directly attributable to the acquisition, construction or production of a qualifying asset in the Income Statement without being capitalized on the asset.	<p><u>For companies which apply the standard treatment:</u></p> <p>This standard has been applied on borrowing costs related to qualified assets for which the capitalization date was at or after 1/1/2016.</p>
<u>EAS (38)</u> Employee Benefits	<p><u>Actuarial Gains and Losses</u></p> <ul style="list-style-type: none"> • All the accumulated actuarial gains and losses shall be immediately recognized as part of the defined benefit liabilities and charged to the other Comprehensive Income items. <p><u>The Cost of Past Service</u></p> <p>An entity shall recognize past service cost as an expense at the earlier of the following dates:</p> <p>(a) When the plan amendment or curtailment occurs; and</p> <p>(b) When the entity executes a significant restructuring plan; it should recognize the related restructuring costs that include paying the termination benefits (Provisions Standard).</p>	<p><u>In case of any impact on the financial statements due to applying the standard:</u></p> <p>Employee benefits have been modified at the date of applying the modified standard and also all presented consolidated comparative figures</p>

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New or Amended Standards	Summary of the Most Significant Amendments	Possible Impact on the Financial Statements
<u>EAS (25)</u> Financial Instruments: Presentation	Any financial instrument with a resale right shall be classified as an equity instrument instead of classifying it as a financial liability; if it meets the conditions in accordance with the paragraphs (16 A or 16 b) or paragraphs (16 c and 16 d) of the same Standard, from the date the instrument has all the features and meets all the conditions set out in those paragraphs. An entity shall re-classify the financial instrument from the date the instrument ceases to have all the features or meet all conditions set out in those paragraphs.	Any financial instrument that has been re-presented in which these conditions apply including all comparative figures for the presented years.
<u>EAS (40)</u> Financial Instruments: Disclosures	<ul style="list-style-type: none"> • A new Egyptian Accounting Standard No. (40) "<i>Financial Instruments: Disclosures</i>" was issued including all the disclosures required for the financial instruments. • Accordingly, EAS (25) was amended by separating the disclosures from it. The name of the Standard became "<i>Financial Instruments: Presentation</i>" instead of "Financial Instruments: Presentation and Disclosure" 	Retroactive amendment to all the comparative figures of the presented disclosures carried out.