

**Sixth of October for Development and Investment Company "SODIC"
(An Egyptian Joint Stock Company)
Separate Financial Statements
For The Financial Year Ended December 31, 2017
And Auditor's Report**

 **Hazem Hassan**
Public Accountants & Consultants

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Hazem Hassan

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 Separate Financial Statements

We have audited the accompanying separate financial statements of Sixth of October for Development and Investment Company "SODIC" (S.A.E.), which comprise the separate statement of financial position as at December 31, 2017, and the separate 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 Separate Financial Statements

These separate financial statements are the responsibility of Company's management. Management is responsible for the preparation and fair presentation of these separate 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 separate 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 separate 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 separate financial statements.



Hazem Hassan

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Opinion

In our opinion, the separate financial statements referred to above present fairly, in all material respects, the separate financial position of Sixth of October for Development and Investment Company "SODIC", as at December 31, 2017, and of its separate financial performance and its separate 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 Company maintains proper books of account, which include all that is required by law and by the statutes of the Company, the financial statements are in agreement thereto.

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.

**KPMG Hazem Hassan
Public Accountants & Consultants**

Cairo March 1st, 2018

**KPMG Hazem Hassan
Public Accountants and Consultants**

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

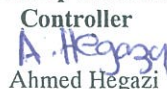
EGP	Note No.	31 December 2017	31 December 2016
Non-current assets			
Property, plant, equipment	(21)	287 072 739	51 028 631
Projects under construction	(23)	346 014	211 036 626
Investments in subsidiaries	(34)	1 707 842 466	1 707 842 466
Investments - available for sale	(24)	4 276 152	4 276 152
Investment properties	(22)	15 234 137	16 498 918
Trade and notes receivables	(17)	2 871 388 018	1 873 745 246
Total non-current assets		4 886 159 526	3 864 428 039
Current assets			
Completed units ready for sale	(15)	6 334 977	7 669 865
Works in process	(16)	1 736 841 419	1 443 451 819
Trade and notes receivable	(18)	1 361 780 906	1 061 303 152
Due from related parties	(36)	104 372 494	196 157 259
Debtors and other debit balances	(19)	818 006 736	450 663 222
Investments in treasury bills		58 642 216	260 503 005
Cash at banks and on hand	(20)	1 440 908 137	1 098 967 304
Total current assets		5 526 886 885	4 518 715 626
Total assets		10 413 046 411	8 383 143 665
Equity			
Issued & paid in capital	(25)	1 369 194 672	1 355 638 292
Legal reserve	(25)	206 217 101	195 088 853
Special reserve - share premium	(25)	1 389 595 728	1 357 933 479
Retained earnings		909 000 729	765 869 919
Profit from sale of treasury shares	(26)	1 725 456	1 725 456
Reserve for employee stock option plan		1 645 597	18 276 121
Total equity		3 877 379 283	3 694 532 120
Non-current liabilities			
Loans - long term	(27)	518 963 065	262 738 475
Notes payable - long term	(28)	47 903 700	95 807 399
Deferred tax liabilities	(13)	8 720 091	9 223 025
Total non-current liabilities		575 586 856	367 768 899
Current liabilities			
Loans - Short term	(27)	28 402 170	169 640 020
Contractors, suppliers and notes payable	(29)	211 482 602	130 563 224
Due to related parties	(36)	162 407 458	144 156 639
Advances - from customers	(30)	4 658 583 671	3 083 651 470
Creditors and other credit balances	(31)	802 180 998	706 842 658
Provision for completion	(32)	91 206 605	80 262 514
Provisions	(32)	5 816 768	5 726 121
Total current liabilities		5 960 080 272	4 320 842 646
Total liabilities		6 535 667 128	4 688 611 545
Total equity and liabilities		10 413 046 411	8 383 143 665

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

Financial Manager


Mohsen Mostafa

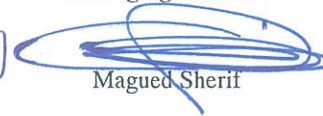
Group Financial

Controller

Ahmed Hegazi

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)

**Separate statement of profit or loss
for the financial year ended December 31,**

EGP	Note	2017	2016
Continuing operations	No		
Revenue	(5)	880 946 391	1 025 169 291
Cost of sales	(6)	(455 662 368)	(511 964 002)
Gross profit		425 284 023	513 205 289
Other operating revenues	(7)	112 881 515	101 209 360
Selling and marketing expenses	(8)	(124 975 946)	(107 006 711)
General and administrative expenses	(9)	(267 461 640)	(223 941 484)
Other operating expenses	(10)	(54 468 274)	(71 562 891)
Operating profit		91 259 678	211 903 563
Finance income	(11)	210 371 405	185 960 233
Finance cost	(12)	(99 553 891)	(85 003 391)
Net finance income		110 817 514	100 956 842
Net profit before tax		202 077 192	312 860 405
Income tax	(13)	(47 818 134)	(90 295 446)
Profit from continuing operations		154 259 058	222 564 959
Profit for the year		154 259 058	222 564 959
Earnings per share from profit of the year (EGP / Share)	(14)	0.45	0.65

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

Sixth of October for Development and Investment Company "SODIC"

(An Egyptian Joint Stock Company)

**Separate statement of comprehensive income
for the financial year ended December 31,**

EGP	2017	2016
Profit for the year	<u>154 259 058</u>	<u>222 564 959</u>
Total other comprehensive income	<u>-</u>	<u>-</u>
Total comprehensive income of the year	<u><u>154 259 058</u></u>	<u><u>222 564 959</u></u>

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

Sixth of October for Development and Investment Company "SODIC"
(An Egyptian Joint Stock Company)
Separate statement of changes in Equity
for the financial year ended December 31, 2017

EGP	Issued and paid in capital	Legal reserve	Special reserve- share premium	Retained earnings	Profit from selling of treasury shares	Treasury shares	Reserve for employee stock option plan	Total
Balance as at December 31, 2015	1 355 638 292	184 428 817	1 357 933 479	553 964 996	3 692 867	(10 150 000)	-	3 445 508 451
Total comprehensive income								
Net profit for the year	-	-	-	222 564 959	-	-	-	222 564 959
Other comprehensive income items	-	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	222 564 959	-	-	-	222 564 959
Transactions with owners of the Company								
Transferred to legal reserve	-	10 660 036	-	(10 660 036)	-	-	-	-
Selling of treasury shares	-	-	-	-	-	10 150 000	-	10 150 000
Loss from selling of treasury shares	-	-	-	-	(1 967 411)	-	-	(1 967 411)
Reserve for employee stock option plan	-	-	-	-	-	-	18 276 121	18 276 121
Total transactions with owners of the Company	-	10 660 036	-	(10 660 036)	(1 967 411)	10 150 000	18 276 121	26 458 710
Balance as at December 31, 2016	1 355 638 292	195 088 853	1 357 933 479	765 869 919	1 725 456	-	18 276 121	3 694 532 120
Total comprehensive income								
Net profit for the year	-	-	-	154 259 058	-	-	-	154 259 058
Other comprehensive income items	-	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	154 259 058	-	-	-	154 259 058
Transactions with owners of the Company								
Increase in capital	13 556 380	-	(13 556 380)	-	-	-	-	-
Transferred to legal reserve	-	11 128 248	-	(11 128 248)	-	-	-	-
Transferred to Special reserve- share premium	-	-	28 588 105	-	-	-	-	28 588 105
Reserve for employee stock option plan	-	-	16 630 524	-	-	-	(16 630 524)	-
Total transactions with owners of the Company	13 556 380	11 128 248	31 662 249	(11 128 248)	-	-	(16 630 524)	28 588 105
Balance as at December 31, 2017	1 369 194 672	206 217 101	1 389 595 728	909 000 729	1 725 456	-	1 645 597	3 877 379 283

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

Sixth of October for Development and Investment Company "SODIC"
(An Egyptian Joint Stock Company)
Separate statement of cash flows
for the financial year ended December 31.

EGP	Note No	2017	2016
<u>Cash flows from operating activities</u>			
Net profit for the year before tax		202 077 192	312 860 405
<u>Adjustments for:</u>			
Depreciation of fixed assets and leased units	(21) , (22)	21 780 790	13 719 411
Capital gain		(1 184 541)	(519 152)
Reserve for employee stock option plan		-	18 276 121
Impairment losses from real estate investments		-	27 196 868
Reversal of impairment of investment properties		(1 823 246)	-
Return on investments in treasury bills		(156 055 757)	(104 190 240)
Impairment loss of due from related parties		5 140 726	15 669 186
Provision for completion formed	(32)	31 937 131	45 793 688
Provisions formed	(32)	90 647	90 647
<u>Changes in:</u>			
Finished units available for sale and material inventory		1 334 888	1 942 050
Works in process		(293 389 600)	(92 923 100)
Trade and notes receivables		(1 298 120 526)	(290 512 800)
Due from related parties		86 644 039	189 957 752
Debtors and other debit balances		(367 343 514)	(215 832 950)
Provision of completion used	(32)	(20 993 040)	(29 611 559)
Advances from customers		1 574 932 201	586 083 891
Contractors, suppliers and notes payable		33 015 679	(49 852 430)
Due to related parties		18 250 819	(2 204 420)
Creditors and other credit balances		47 017 272	(218 990 122)
Restricted cash		49 000 000	100 000 000
Net cash (used in) / generated from operating activities		(67 688 840)	306 953 246
<u>Cash flows from investing activities</u>			
Payments for purchase of fixed assets, projects under construction	(21) , (23)	(44 755 160)	(69 136 047)
Payments for acquisition of investment properties		(187 226)	6 066 576
Payments for Investments in treasury bills		(3 936 065 616)	(3 184 757 952)
Proceeds from Investments in treasury bills		4 293 982 162	3 049 195 310
Proceeds from sale of fixed assets		2 080 668	535 270
Net cash generated from / (used in) investing activities		315 054 828	(198 096 843)
<u>Cash flows from financing activities</u>			
Bank - credit facilities		-	(31 105 204)
Change in short and long term loans		114 986 740	(164 053 216)
Proceeds from sale of treasury shares		-	8 182 589
Proceeds from employee stock option plan		28 588 105	-
Net cash generated from / (used in) financing activities		143 574 845	(186 975 831)
Net (decrease) in cash and cash equivalents		390 940 833	(78 119 428)
Cash and cash equivalents at January 1		1 048 967 304	1 127 086 732
Cash and cash equivalents at December 31	(20)	1 439 908 137	1 048 967 304

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

Sixth of October for Development and Investment Company "SODIC"
(An Egyptian Joint Stock Company)
Notes to the separate financial statements
for the financial year ended December 31, 2017

1. Background and activities

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

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

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

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

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

1-5 The registered office of the Company is located at Km. 38 Cairo / Alexandria Desert Road, Sheikh Zayed City. Dr. Hany Sarie El Din is the Chairman for the Company and Mr. Magued Sherif is the Managing Director of the Company.

*Sixth of October for Development and Investment Company "SODIC" (An Egyptian Joint Stock Company)
Notes to the separate financial statements for the financial year ended December 31, 2017*

2. Basis of preparation of separate financial statements

Compliance with accounting standards and laws

- The separate financial statements have been prepared in accordance with Egyptian Accounting Standards and applicable laws and regulations.
- The separate financial statements were approved by the Board of Directors on February 28, 2018.

3. Functional and presentation currency

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

4. Use of judgment and estimates

- In preparing the separate financial statements in accordance with Egyptian Accounting Standards (EAS), management has made judgments, estimates and assumptions that affect the application of the Company'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.

5. Revenues

The Company'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 Company's revenues can be analyzed as follows:

	<u>2017</u> <u>EGP</u>	<u>2016</u> <u>EGP</u>
Revenues from the sale of units in Allegria project	149 932 441	189 398 096
Revenues from the sale of units in Forty West project	51 031 933	72 561 434
Revenues from the sale of units in CASA project	1 149 310	4 244 900
Revenues from the sale of units in Westown Residences project	437 288 994	764 613 985
Revenues from the sale of units in Westown Courtyards project	241 543 713	-
	880 946 391	1 030 818 415
Less: sales returns	-	5 649 124
	880 946 391	1 025 169 291

*Sixth of October for Development and Investment Company "SODIC" (An Egyptian Joint Stock Company)
Notes to the separate financial statements for the financial year ended December 31, 2017*

6. Cost of sales

	<u>2017</u> <u>EGP</u>	<u>2016</u> <u>EGP</u>
Cost of sales of units in Allegria project	67 779 146	83 937 197
Cost of sales of units in Forty West project	32 706 997	47 138 937
Cost of sales of units in CASA project	702 050	2 590 300
Cost of sales of units in Westown Residences project	200 695 458	381 802 417
Cost of sales of units in Westown Courtyards project	142 959 460	-
Cost of sales – Provision for completion (6-1)	10 819 257	-
	455 662 368	515 468 851
Less: sales returns	-	3 504 849
	455 662 368	511 964 002

(6-1) This amount represents the estimated cost of completion of units that were previously delivered in the past years to both Beverly Hills and Casa projects.

7. Other operating revenues

	<u>2017</u> <u>EGP</u>	<u>2016</u> <u>EGP</u>
Interest income realized from installments during the year	56 024 234	47 209 641
Assignment, cancellation dues and delay penalties	47 940 147	49 798 085
Other income	597 219	1 614 401
Income from management & operation of the golf course	3 849 834	1 200 000
Buildings leased revenue	1 462 294	868 081
Capital gain	1 184 541	519 152
Reversal of impairment losses of property, plant, and equipment	1 823 246	-
	112 881 515	101 209 360

8. Selling and marketing expenses

	<u>2017</u> <u>EGP</u>	<u>2016</u> <u>EGP</u>
Salaries and wages	24 975 938	20 773 450
Sales commissions	29 293 359	34 868 654
Advertising expenses	54 800 767	34 228 682
Conferences and Exhibitions	5 190 683	4 550 966
Rent	2 855 669	2 774 947
Travel, transportation and cars	687 518	29 699
Maintenance, Cleaning, Agriculture and Security	1 602 224	3 840 648
Professional and consultants fees	2 669 287	1 072 676
Gifts	157 011	372 816
Printing and photocopying	883 710	1 344 121
Fees, Stamps and licenses	82 720	1 162 240
Depreciation – Marketing	678 255	604 731
Vacations	105 880	341 690
Employees training	48 500	288 500
Others	944 425	752 891
	124 975 946	107 006 711

*Sixth of October for Development and Investment Company "SODIC" (An Egyptian Joint Stock Company)
Notes to the separate financial statements for the financial year ended December 31, 2017*

9. General and administrative expenses

	2017	2016
	<u>EGP</u>	<u>EGP</u>
Salaries, wages and bonuses (9-1)	142 727 604	105 221 472
Board of Directors' remunerations and allowances	12 777 518	9 901 191
Reserve for employee stock option plan	-	18 276 121
Compensations	6 780 200	-
Training and medical care	7 115 545	8 613 193
Professional and consultancy fees	14 639 610	13 248 152
Advertising	2 981 372	2 753 501
Donations	4 345 266	3 302 868
Gulf course expenses	4 631 896	-
Maintenance, cleaning, agriculture, security and guarding	25 538 225	24 690 030
Administrative depreciation of fixed assets and rented units	19 650 528	11 054 518
Subscriptions and governmental dues	2 244 763	2 157 527
Rent	1 444 418	1 443 784
Travel and transportation	2 923 274	2 253 794
Communication and electricity	4 480 983	5 490 042
Stationary and computer supplies	4 528 732	3 421 819
Buffet , hospitality and reception	1 480 669	1 308 905
Bank charges	4 658 082	2 341 820
Employees' defined benefit plan	32 786	5 489 505
Employees vacations	1 413 177	775 460
Gifts	2 153 142	1 135 238
Conferences and exhibitions	497 364	665 853
Insurance installments	353 714	327 408
Others	62 772	69 283
	267 461 640	223 941 484

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

	2017	2016
	<u>EGP</u>	<u>EGP</u>
Salaries	11 710 390	7 283 677
	11 710 390	7 283 677

10. Other operating expenses

	2017	2016
	<u>EGP</u>	<u>EGP</u>
Discount for early payment	37 352 594	26 546 029
Provision of claims	90 647	90 647
Depreciation of leased unites	1 452 007	2 060 161
Impairment losses from real estate investments	-	27 196 868
Impairment losses of related parties	5 140 726	15 669 186
Gulf course expenses	10 432 300	-
	54 568 274	71 562 891

11. Finance income

	2017 EGP	2016 EGP
Interest income	54 315 648	39 133 517
Return on investment in treasury bills	156 055 757	104 190 240
Net foreign exchange translation	-	42 636 476
	210 371 405	185 960 233

12. Finance cost

	2017 EGP	2016 EGP
Interest expense	98 432 959	83 664 474
Installments interest Sheikh Zayed land	-	1 338 917
Foreign exchange translation	1 120 932	-
	99 553 891	85 003 391

13. Income tax

A- Items recognized in the profit or loss

	2017 EGP	2016 EGP
Current income tax	(48 321 068)	(81 529 313)
Deferred income tax expense / (benefit)	502 934	(8 766 133)
	47 818 134	(90 295 446)

B- Deferred tax assets and liabilities movement

	Statement of financial position		Statement of profit or loss	
	31/12/2017 EGP	31/12/2016 EGP	2017 EGP	2016 EGP
Property, plant and equipment	(480 773)	433 562	(914 335)	890 45
Foreign exchange translation	(8 239 318)	(9 656 587)	1 417 269	(9 656 587)
Net deferred income tax	(8 720 091)	(9 223 025)	502 934	(8 766 133)

C- Unrecognized deferred tax assets

	31/12/2017 EGP	31/12/2016 EGP
Deductible temporary differences	156 286 557	155 540 124
	156 286 557	155 540 124

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.

*Sixth of October for Development and Investment Company "SODIC" (An Egyptian Joint Stock Company)
Notes to the separate financial statements for the financial year ended December 31, 2017*

14. Earnings per share

Earnings per share is calculated based on the net profit of the year using the weighted average number of outstanding shares during the year as follows:

	2017	2016
	EGP	EGP
Net profit for the year	154 259 058	222 564 959
Employees share of profit	-	-
Board of directors' remunerations	-	-
	154 259 058	222 564 959
Divided on:		
Weighted average number of shares outstanding during the year	342 298 668	342 298 668
Earnings per share (EGP / share)	0.45	0.65

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

15. Completed units ready for sale

This item represents the total costs related to completed units ready for sale. Details of these works are as follows:

	31/12/2017	31/12/2016
	EGP	EGP
Cost of completed commercial units	4 882 460	5 515 298
Cost of units purchased for resale (15-1)	1 452 517	2 154 567
	6 334 977	7 669 865

(15-1) This item represents the acquisition cost of 2 units in Casa project (Semi Finished) that were purchased from Royal Gardens Co. for Real Estate Investment – an associated company for the purpose of resale to others.

16. Work in process

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

	31/12/2017	31/12/2016
	EGP	EGP
Allegria project costs	292 791 892	271 745 914
Westown project costs	1 076 273 333	896 596 317
October Plaza project costs (16-1)	285 577 666	249 786 240
Sodic East project costs	24 144 362	4 454 893
Beverly Hills project costs	744 084	1 634 819
Strip 2 project costs	57 310 082	19 233 636
	1 736 841 419	1 443 451 819

(16-1) The cost of **October Plaza** includes the acquisition cost of a 30.998 acres plot in the northern expansions area in Sixth of October City.

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17. Trade and note receivable – long term

This item represents the present value of trade and note receivable long-term balances as follow:

	31/12/2017	31/12/2016
	<u>EGP</u>	<u>EGP</u>
Notes receivable (17-1)	2 932 717 133	1 956 881 387
Deduct: Unamortized interest-notes receivable	61 329 115	83 136 141
	<u>2 871 388 018</u>	<u>1 873 745 246</u>

(17-1) The balance includes an amount of EGP 846 595 820 which represents the net amount of notes receivable – long term related to SODIC East project with a gross amount of EGP 1 209 422 600 decreased by an amount of EGP 362 826 780 which represents Heliopolis Housing and Development Company's share of the residential units mentioned in the revenue share contract (70% for the developer and 30% for the owner).

The Company's exposure to credit and currency risk related to trade and notes receivable is disclosed in note (35).

18. Trade and notes receivable – short term

	31/12/2017	31/12/2016
	<u>EGP</u>	<u>EGP</u>
Trade receivable	81 421 320	76 448 496
Notes receivable (18-1)	1 300 897 994	1 002 298 517
	<u>1 382 319 314</u>	<u>1 078 747 013</u>
Deduct : unamortized interest – notes receivable	20 338 408	17 243 861
	<u>1 361 980 906</u>	<u>1 061 503 152</u>
Impairment losses of trade and notes receivable	(200 000)	(200 000)
	<u>1 361 780 906</u>	<u>1 061 303 152</u>

(18-1) The balance includes an amount of EGP 159 471 203 that represents the net amount of notes receivable relating to SODIC East project with a gross amount of EGP 227 816 004. The gross amount was decreased by EGP 68 344 801 representing the share of Heliopolis Housing and Development Company of the residential units mentioned as per the revenue share agreement (70% for the developer and 30% for the owner).

The Company's exposure to credit and currency risks related to trade and notes receivable is disclosed in note no. (35).

19. Debtors and other debit balances

	31/12/2017	31/12/2016
	<u>EGP</u>	<u>EGP</u>
Contractors and suppliers – advance payments	520 812 329	233 301 066
Heliopolis Housing and Development Company (19-1)	100 000 000	100 100 000
Prepaid expenses	142 375 311	81 758 528
Deposits with others	1 039 400	1 033 135
Due from the bonus and incentives plan to employees and managers fund	364 894	122 736
Withholding tax	38 158 735	24 854 435
Letter of guarantee cover	1 353 021	-
Other debit balances	14 258 203	9 848 479
	<u>818 361 893</u>	<u>451 018 379</u>
Impairment loss in debtors and other debit balances	(355 157)	(355 157)
	<u>818 006 736</u>	<u>450 663 222</u>

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(19-1) This item representing the amount paid as a down payment to Heliopolis Housing and Development Company, this amount will settle with Heliopolis Housing and Development and 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 Housing and Development Company which amounted to 655 acres in New Heliopolis City and Heliopolis Housing and Development 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 Company's exposure to credit and currency risks related to debtors and other debit balances is disclosed in note no. (35).

20. Cash at banks and on hand

	31/12/2017	31/12/2016
	<u>EGP</u>	<u>EGP</u>
Bank - time deposits (20-1)	1 234 380 717	1 018 100 000
Bank - current accounts	192 190 754	68 542 759
Checks under collection	13 967 388	10 914 028
Cash on hand	369 278	1 410 517
	<u>1 440 908 137</u>	<u>1 098 967 304</u>

(20-1) Deposits include an amount of EGP 1 million restricted as a guarantee for the credit facilities granted from a group of commercial banks. In addition, it includes an amount of EGP 158 million representing the value of deposits collected from customers against of the regular maintenance expenses.

The Company's exposure to interest rate risk for financial assets which is disclosed in note no. (35).

For the purpose of preparing the separate statement of cash flows, cash and cash equivalents items is represented as follows:

	31/12/2017	31/12/2016
	<u>EGP</u>	<u>EGP</u>
Cash at banks and on hand	1 440 908 137	1 098 967 304
<u>Less:</u>		
Restricted cash (facilities guarantee)	1 000 000	50 000 000
Cash and cash equivalent according to separate statement of cash flows	<u>1 439 908 137</u>	<u>1 048 967 304</u>

21 - Property, plant, equipment

EGP	Lands	Buildings of the Company's premises	Vehicles	Furniture and fixtures	Generators, machinery and equipment	Computers and Printers	Communication devices	Computer Software	Leasehold improvements	Golf Course	Total
<u>Cost</u>											
Cost as at January 1, 2016	32 705 970	18 822 587	8 918 706	9 176 887	6 584 777	11 132 830	1 079 162	8 065 876	10 247 686	-	106 734 481
Additions during the year	-	-	1 650 950	237 782	9 356	2 597 063	768 360	750 000	309 960	-	6 333 471
Disposals during the year	-	-	(2 261)	-	(2 490 306)	(982 912)	-	-	-	-	(3 475 479)
Cost as at December 31, 2016	32 705 970	18 822 587	10 567 395	9 414 669	4 103 827	12 746 981	1 847 522	8 815 876	10 557 646	-	109 582 473
Cost as at January 1, 2017	32 705 970	18 822 587	10 567 395	9 414 669	4 103 827	12 746 981	1 847 522	8 815 876	10 557 646	-	109 582 473
Transferred from investment properties at January 1, 2017	-	-	-	-	-	-	-	-	-	99 377 533	99 377 533
Additions during the year	55 916 280	148 309 857	1 724 000	783 338	1 654 462	3 782 018	396 409	359 923	42 519 485	-	255 445 772
Disposals during the year	-	-	(3 016 950)	-	(2 750)	(90 344)	-	-	-	-	(3 110 044)
Balance at December 31, 2017	88 622 250	167 132 444	9 274 445	10 198 007	5 755 539	16 438 655	2 243 931	9 175 799	53 077 131	99 377 533	461 295 734
<u>Accumulated depreciation</u>											
Accumulated depreciation at January 1, 2016	-	9 759 267	7 413 713	5 019 702	6 156 714	7 715 843	996 562	5 954 675	7 337 477	-	50 353 953
Depreciation during the year	-	4 791 597	624 894	959 201	180 906	1 332 601	82 946	1 565 238	2 121 867	-	11 659 250
Accumulated depreciation of disposals during the year	-	-	(2 261)	-	(2 488 972)	(968 128)	-	-	-	-	(3 459 361)
Accumulated depreciation at December 31, 2016	-	14 550 864	8 036 346	5 978 903	3 848 648	8 080 316	1 079 508	7 519 913	9 459 344	-	58 553 842
Accumulated depreciation at January 1, 2017	-	14 550 864	8 036 346	5 978 903	3 848 648	8 080 316	1 079 508	7 519 913	9 459 344	-	58 553 842
Transferred from investment properties at January 1, 2017	-	-	-	-	-	-	-	-	-	10 483 665	10 483 665
Depreciation during the year	-	6 313 181	680 641	992 612	256 287	2 139 837	189 397	687 251	7 246 330	1 823 247	20 328 783
Accumulated depreciation of disposals during the year	-	-	(2 159 144)	-	(1 545)	(53 227)	-	-	-	-	(2 213 916)
Accumulated depreciation at December 31, 2017	-	20 864 045	6 557 843	6 971 515	4 103 390	10 166 926	1 268 905	8 207 164	16 705 674	-	87 152 374
<u>Impairment of Golf course</u>											
Transferred from investment properties at January 1, 2017	-	-	-	-	-	-	-	-	-	88 893 868	88 893 868
Impairment reversal during the year	-	-	-	-	-	-	-	-	-	(1 823 247)	(1 823 247)
Accumulated impairment at December 31, 2017	-	-	-	-	-	-	-	-	-	87 070 621	87 070 621
<u>Net book value</u>											
At January 1, 2016	32 705 970	9 063 320	1 504 993	4 157 185	428 063	3 416 987	82 600	2 111 201	2 910 209	-	56 380 528
At December 31, 2016	32 705 970	4 271 723	2 531 049	3 435 766	255 179	4 666 665	768 014	1 295 963	1 098 302	-	51 028 631
At December 31, 2017	88 622 250	146 268 399	2 716 602	3 226 492	1 652 149	6 271 729	975 026	968 635	36 371 457	-	287 072 739

* Property, plant, equipment include fully depreciated assets at a cost of EGP 44 588 728 at December 31, 2017

22. Investment properties

The net carrying amount of the investment properties as at December 31, 2017, amounted to EGP 15 234 137 the movement of investment property during the year is as follow:-

<u>Description</u>	<u>Leased out units EGP</u>
<u>Cost</u>	
At January 1, 2016	25 031 340
Disposals during the year	(7 923 577)
At December 31, 2016	17 107 763
At January 1, 2017	17 107 763
Additions during the year	187 226
At December 31, 2017	17 294 989
<u>Less</u>	
<u>Accumulated depreciation</u>	
At January 1, 2016	895 576
Depreciation for the year	236 915
Accumulated Depreciation of Disposals during the year	(523 646)
At December 31, 2016	608 845
At January 1, 2017	608 845
Depreciation for the year	1 452 007
At December 31, 2017	2 060 852
Net carrying amount as at January 1, 2016	24 135 764
Net carrying amount as at December 31, 2016	16 498 918
Net carrying amount as at December 31, 2017	15 234 137

23. Projects under construction

This items represents the down payment to construct a solar power station to provide the necessary electricity power.

24. Available for sale investments

	<u>Legal Form</u>	<u>Ownership %</u>	<u>Paid amount of Participation %</u>	<u>Carrying amount as at 31/12/2017 EGP</u>	<u>Carrying amount as at 31/12/2016 EGP</u>
Egyptian Company for Development and Management of Smart Villages	S.A.E	1.08	100	4 250 000	4 250 000
SODIC for Golf and Tourist Development Co.	S.A.E	0.0025	25	1 250	1 250
Beverly Hills for Management of Cities and Resorts Co.	S.A.E	0.06	100	26 152	26 152
				4 277 402	4 277 402
Impairment of available for sale investments				(1 250)	(1 250)
				4 276 152	4 276 152

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.

25. Share capital and reserves

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

Shareholder	Number of shares	Share value EGP	Ownership percentage %
Olayan Saudi Investment Company.	43 121 432	172 485 728	12.60
RA Six Holdings Limited	31 992 544	127 970 176	9.35
Rimco EGT Investment LLC	25 484 739	101 938 956	7.45
EFG Hermes Holdings Financial Group.	15 183 111	60 732 444	4.44
Norges Bank	13 154 301	52 617 204	3.84
Al- Majid Investments LLC.	10 548 092	42 192 368	3.08
Ismail Omar Elshetawy Gherghar	8 863 755	35 455 020	2.59
Schroder International Selection Fund	7 908 443	31 633 772	2.31
Financial Holdings International LTD	7 267 503	29 070 012	2.12
Walid Bin Seliman Bin AbdElmohssen Abanumey	6 301 380	25 205 520	1.84
Yazeid Bin Seliman Bin AbdElmohssen Abanumey	6 233 653	24 934 612	1.82
Mohamed Bin Seliman Bin AbdElmohssen Abanumey	5 968 118	23 872 482	1.74
Other shareholders	160 271 597	641 086 388	46.82
	342 298 668	1 369 194 672	100

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25.2. Reserves

a. Legal Reserve

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

	<u>EGP</u>
Legal reserve 5% form the Company's net profit till year 2015	22 605 965
Add:	
Increase of the legal reserve with the difference between the par value of the treasury shares and its actual cost (according to the Company's Extra-Ordinary General Assembly Meeting held on July 10, 2003).	4 627 374
Increase of the legal reserve with part of capital increase share premium with limits of half of the Company's issued share capital during 2006.	123 409 151
Increase of the legal reserve with part of capital increase share premium during 2007 with limits of half of the Company's issued share capital.	5 000 000
Increase in legal reserve with a part of the capital share premium during 2010 with limits of half of the Company's issued share capital.	39 446 365
Increase of the legal reserve with 5% of the net profit for the year 2016.	11 128 248
Deduct:	
The amount used to increase the issued share capital during 2011.	2
	<u>206 217 101</u>

b. Special reserve – share premium

The balance 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
Add:	
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 537 500 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.	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.	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.	1 180 000
The value received from the sale of 3 083 938 shares which had been sold by beneficiaries of the employees' incentive and bonus plan during the year by average EGP 9.27 per share.	28 588 105
Share premium for issuing 3 083 938 shares which were transferred to the incentive and bonus plan during 2017 as a result of execution.	16 630 524
Deduct	
Amounts transferred to the legal reserve	167 855 516
Capital increase – related expenses	55 240 255
Amount used for share capital increase during 2008	5 000 000
Amount used for share capital increase during 2017	13 556 380
	<u>1 389 595 728</u>

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26. 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. (25). accordingly, the profit from sale of treasury shares reserve becomes EGP 1 725 456.

27. Long-term loans

	31/12/2017 EGP	31/12/2016 EGP
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.	-	243 030 695
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.		
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).	132 543 460	189 347 80
On April 4, 2017, Sixth of October for Development and Investment Company "SODIC" signed a medium-term syndicated loan contract with group of banks represented by Arab African International Bank "facility agent" with a total amount of EGP 1 300 million on two tranches:	384 821 775	-
- First tranche amount of EGP 243 million to finance the total debt outstanding due to group of banks represented by Arab African International Bank.		
- Second tranche amount of EGP 1 057 million to finance "SODIC West" projects located in Kilo 38 Cairo/Alex desert road -Giza- Egypt.		
	517 365 235	432 378 49

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31/12/2017	31/12/2016
<u>EGP</u>	<u>EGP</u>
517 365 235	432 378 49

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:

Thirty months from the date of the signature, or September 30, 2019, which is earlier, and this period shall apply to the principal of loan only.

Repayment:

Commenced on September 30, 2019, and repayable in (14) quarterly unequal installments.

On August 30, 2017, Sixth of October for Development and Investment Company "SODIC" signed a medium-term loan contract with Commercial International Bank "CIB" with a total amount of EGP 270 million to finance the development cost of October Plaza Project which will be established on area of 31 acres in northern expansions at sixth of October city.

30 000 000

-

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.
- "SODIC" Committed to conclude insurance policy covered a 110% of all constructions at project in favor of "CIB"

Grace period:

Three years and six months applied on the principal of the loan only from the date of first withdrawal.

Repayment:

Commenced on March 2021, and repayable in (13) quarterly unequal installments.

Total

547 365 235

432 378 49

Deduct: Current portion

- Syndicated loan from Arab African International Bank
- Loan from CIB

-

112 835 68

28 402 170

56 804 34

Total current portion

28 402 170

169 640 02

518 963 065

262 738 47

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28. Long-term notes payable

This item is as follow:

	31/12/2017	31/12/2016
	<u>EGP</u>	<u>EGP</u>
Total fair value of the checks issued to New Urban Communities Authority which are payable till September 8, 2019.	52 574 310	109 819 232
Less:		
Unamortized interest	4 670 610	14 011 833
	<u>47 903 700</u>	<u>95 807 399</u>

The Company's exposure to credit risk related to long-term notes payable are disclosed in Note No. (35).

29. Contractors, suppliers and notes payable

	31/12/2017	31/12/2016
	<u>EGP</u>	<u>EGP</u>
Contractors	67 238 615	69 466 777
Suppliers	10 434 270	3 180 374
Notes payable (29-1)	140 233 406	71 083 356
	<u>217 906 291</u>	<u>143 730 507</u>
Deduct: Unamortized interest-notes payable	6 423 689	13 167 283
	<u>211 482 602</u>	<u>130 563 224</u>

(29-1) Notes payable includes EGP 57 244 921 which represents the amount due to the New Urban Communities Authority.

The Company's exposure to currency and liquidity risks related to suppliers, contractors and notes payable is disclosed in note no. (36).

30. Advances from customers

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

	31/12/2017	31/12/2016
	<u>EGP</u>	<u>EGP</u>
Advances for booking, contracting and installments of residential units (Fourth area)	676 599	676 599
Advances - Allegria project	171 607 327	275 873 614
Advances - Forty West project	368 477 132	415 626 576
Advances - Westown Residences project	618 226 968	592 619 631
Advances - The Courtyards	1 414 535 772	1 644 701 347
Advances - Casa	1 308 949	2 343 330
Advances - The Polygon 9-10	457 781 042	151 810 373
Advances - October Plaza 1	436 393 234	-
Advances - Strip 2	53 554 865	-
Advances - Sodic East phase (I) (30-1)	1 136 021 783	-
	<u>4 658 583 671</u>	<u>3 083 651 470</u>

(30-1) The balance represents the net of advances from customers with a total contractual value of EGP 1 615 971 818 reduced by an amount of EGP 479 950 035 which represents the portion of Heliopolis Housing and Development Company's share of the residential units mentioned in the joint operation contract (70% for the developer and 30% for the owner).

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31. Creditors and other credit balances

	31/12/2017	31/12/2016
	EGP	EGP
Accrued expenses	121 844 329	112 590 875
Amounts collected on account for management, operation and maintenance of projects	387 050 346	232 048 293
Amounts collected on account of premiums of club	138 297 614	66 698 957
Creditors of gas and electricity installments	12 990 757	9 374 741
Insurance Deposits collected from customers – Against modifications	279 615	199 615
Customers-credit balances of Polygon project (31-1)	55 376 776	195 610 773
Customers-credit balances of Hub project	3 241 677	-
Customers-credit balances of Strip 1 project	2 296 605	-
Customers - cancellation	11 576 224	3 087 677
Dividends payable	91 643	91 643
Tax Authority	59 115 866	78 451 802
Accrued compensated absence	3 737 771	2 806 247
Sundry creditors	3 974 529	4 062 486
Due to beneficiaries from Incentive plan	1 192 490	1 192 600
Advances-rents	1 114 756	626 949
	802 180 998	706 842 658

(31-1) The balance represents the amount due to Polygon Co. for Real Estate Investment -a subsidiary, the value of notes receivables the Company collects it for and on behalf of Sodic polygon.

The Company's exposure to currency and liquidity risks related to creditors is disclosed in note no. (35).

32. Provision for completion

	Balance as at 1/1/2017	Formed during the year	Used during the year	Balance as at 31/12/2017
	EGP	EGP	EGP	EGP
Provision for completion of works	80 262 514	31 937 131	20 993 040	91 206 605
	80 262 514	31 937 131	20 993 040	91 206 605

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.

Provisions

	Balance as at 1/1/2017	Formed during the year	Used during the year	Balance as at 31/12/2017
	EGP	EGP	EGP	EGP
Provision for expected claims	5 726 121	90 647	-	5 816 768
	5 726 121	90 647	-	5 816 768

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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33. Investments in subsidiaries

	Legal Form	Ownership %	Paid amount of Participation %	Carrying amount as at 31/12/2017 EGP	Carrying amount as at 31/12/2016 EGP
SODIC Property Services Co.	S.A.E	51	100	510 000	510 000
Sixth of October for Development and Real Estate Projects Co. (SOREAL)	S.A.E	99.99	100	807 334 516	807 334 516
SOREAL for Real Estate Investment Co.	S.A.E	99.99	100	499 999 970	499 999 970
SODIC for Development and Real Estate Investment Co.	S.A.E	99.99	100	299 999 980	299 999 980
Tabrouk Development Co.	S.A.E	99.99	100	99 998 000	99 998 000
				1 707 842 466	1 707 842 466

34. Fair values

Capital management

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

The Board of Directors of the 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.

Fair values versus carrying values

Financial instruments are represented, in cash at banks and on hand, investments, customers, notes receivable and investments in subsidiaries, and associates, 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 Company.

According to the valuation techniques used to evaluate the assets and liabilities of the Company, the carrying value of these financial instruments represent a reasonable estimate of their fair value.

35. Financial risk management

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

- A. Credit risk
- B. Liquidity risk
- C. Market risk

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

35-1 Credit risk

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

Trade and other receivables

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

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

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

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

Investments

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

Guarantees

The Company 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).

35-2 Liquidity risk

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

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

The Company ensures that it has sufficient cash on demand to meet expected operational expenses for an appropriate year 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 Company maintains the following lines of credit:

- A medium term loan in the amount of EGP 1.3 billion.
- A medium term loan in the amount of EGP 300 million.
- A medium term loan in the amount of EGP 270 million.

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36-3 Market risk

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

35-4 Currency risk

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

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

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

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

35-5 Interest rate risk

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

35-6 Other market price risk

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

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

35-7 Credit risk

The carrying amount of financial assets represented in the balances of trade and notes receivables, debtors and cash and cash equivalent the maximum of credit risk exposure, the balances as at December 31, 2017, amounted to EGP 6 971 033 832 (At December 31, 2016 : EGP 4 434 678 924).

35-8 Liquidity risk

The following are the contractual maturities of financial liabilities:

December 31, 2017	Carrying amount EGP	Less than 1 year EGP	1-2 years EGP	2-5 years EGP
Short - term loans	28 402 170	28 402 170	-	-
Long – term loans	518 963 065	-	142 623 467	376 339 598
Contractors and suppliers	77 672 885	77 672 885	-	-
Other creditors	802 180 998	519 948 871	271 967 517	10 264 610
Notes payable –short term	133 809 717	133 809 717	-	-
Notes payable –long term	47 903 700	-	47 903 700	-
	1 608 932 535	759 833 643	462 494 684	386 604 208

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<u>December 31, 2016</u>	<u>Carrying amount EGP</u>	<u>Less than 1 year EGP</u>	<u>1-2 years EGP</u>	<u>2-5 years EGP</u>
Short - term loans	169 640 020	169 640 020	-	-
Long – term loans	262 738 475	-	158 597 185	104 141 290
Contractors and suppliers	72 647 151	72 647 151	-	-
Other creditors	706 842 658	435 803 113	261 182 003	9 857 542
Notes payable – short term	57 916 073	57 916 073	-	-
Notes payable – long term	95 807 399	-	47 903 700	47 903 699
	<u>1 365 591 776</u>	<u>736 006 357</u>	<u>467 682 888</u>	<u>161 902 531</u>

35-9 Currency risk

Exposure to currency risk

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

<u>Description</u>	<u>31/12/2017 Euro</u>	<u>31/12/2017 USD</u>	<u>31/12/2016 Euro</u>	<u>31/12/2016 USD</u>
Notes receivable short / long - term	-	6 638 700	-	8 571 731
Advances - from customers	-	(12 262 002)	-	(12 262 002)
Maintenance creditors	-	(486 000)	-	(486 000)
Cash at banks	129 896	5 762 909	2 208	4 635 180
Surplus of foreign currencies	<u>129 896</u>	<u>(346 393)</u>	<u>2 208</u>	<u>458 909</u>

35-10 Interest rate risk

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

	<u>Carrying amount</u>	
	<u>31/12/2017 EGP</u>	<u>31/12/2016 EGP</u>
<u>Financial instruments with a fixed rate</u>		
Financial assets	4 233 168 924	2 935 048 398
Financial liabilities	(181 713 416)	(153 723 472)
	<u>4 051 455 508</u>	<u>2 781 324 971</u>
<u>Financial instruments with a variable rate</u>		
Financial liabilities	(547 365 235)	(432 378 495)
	<u>(547 365 235)</u>	<u>(432 378 395)</u>

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

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36. Related parties

Related parties are represented in the Company's shareholders, board of directors, executive directors and Companies in which they own directly or indirectly shares giving them significant influence over these Companies. The Company made several transactions during the period with related parties and these transactions have been done in accordance with the terms determined by the Company's management, excluded added value, and have been approved by the Company's Ordinary General Assembly. A summary of significant transactions concluded during the period at the separate financial position date were as follows:

Party	Nature of relationship	Nature of transaction	31/12/2017 Amount of Transaction EGP
Beverly Hills Company for Management of Cities and Resorts	A subsidiary	Works of agriculture, maintenance and security services for Beverly Hills City.	2 055 244
		Patronage right	82 281
Sixth of October for Development and Real Estate Projects (SOREAL)	A subsidiary	Payments on behalf of the Company	57 815 281
		Cash payments	83 440 505
Sodic Garden City for development and investment	A subsidiary	Payments on behalf of the Company	1 029 494
		Cash payments	1 302 722
Move-In for Advanced Contracting Company	A subsidiary	Cash payments	351 454
		Cash payments	773 200
Greenscape for Agriculture and Reclamation Company	A subsidiary	Cash payments	171 664
		Cash payments	40 747
		Payments on behalf of the Company	266 263
Edara for Services of Cities and Resorts Company	A subsidiary	Works of agriculture, maintenance and security services for Allegria City.	80 883 821
		Other reclamation works	3 262 117
		Advance payments	5 261 320
Tegara Company for trading centers	A subsidiary	Expenses on behalf of the company	31 471
SODIC for Golf and Tourist Development Company	A subsidiary	Payments on behalf of the Company	15 034 843
		Cash proceeds	3 849 834
		Cash payments	14 045 125
SODIC Polygon for Real estate investment Company	A subsidiary	Payments on behalf of the Company	26 960 516
		Cash proceeds	24 940 849
		Proceeds from customers	108 460 135
Al Yosr for Projects and Agriculture Development Company	A subsidiary	Payment on behalf of the company	3 287 103
		Cash proceeds	654 810
Fourteen for real estate investment Company	A subsidiary	Payments on behalf of the Company	2 037 290
SODIC for development and Real estate investment	A subsidiary	Payments on behalf of the Company	703 044
		Cash proceeds	655 938
SODIC – Syria Company	A subsidiary	Payments on behalf of the Company	78 631
La Maison for Real estate investment Company	A subsidiary	Payments on behalf of the Company	18 441 705
		Cash proceeds	10 813 900
SOREAL for Real estate investment Company	A subsidiary	Payments on behalf of the Company	46 606 326
		Cash payments	42 917 791
Tabrouk Development Company	A subsidiary	Payments on behalf of the Company	8 865 880
		Cash payments	16 857 080
Sodic for Secrete Company	A subsidiary	Payments on behalf of the Company	27 369
		Cash payments	27 369
Executive directors and board members			(Note No.9)

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The following is the balances of related parties at the date of the financial statements

a) Due from related parties

	31/12/2017	31/12/2016
	<u>EGP</u>	<u>EGP</u>
Sixth of October for Development and Real Estate Projects (SOREAL) – a subsidiary	-	7 129 431
SOREAL for Real Estate Company – a subsidiary.	10 411 243	6 722 709
Tabrouk Development Company – a subsidiary.	7 494 572	6 331 071
Greenscape for Agriculture and Reclamation Company – a subsidiary (under Liquidation)	6 680 529	6 283 349
Move-In for Advanced Contracting Company – a subsidiary	22 767 777	23 189 522
Al Yosr for Projects and Agriculture Development Company – a subsidiary	1 332 571	-
SODIC for Development and Real Estate Investment Company – a subsidiary	-	32 662
SODIC Polygon for Real Estate Investment Company – a subsidiary	43 669 884	147 444 932
SODIC Syria Company – a subsidiary	433 847 355	433 768 723
Fourteen for Real Estate Investment Company – a subsidiary	60 804 272	58 766 982
La Maison for Real Estate Investment Company - S.A.E	27 930 700	20 106 605
Edara for Services of Cities and Resorts Company – a subsidiary	5 690 713	286 214
Palmyra Real Estate Development Company –a Joint project	35 191 620	35 191 620
Tegara for Trading Centers Company – a subsidiary	3 738 925	3 707 454
SODIC Garden City for Development and Investment Company – a subsidiary	454 866	727 994
SODIC for Golf and Tourist Development Company – a subsidiary	51 148 331	48 386 466
Other related companies	390 276	121 939
	711 553 634	798 197 673
Impairment of due from related parties (36- 1)	(607 181 140)	(602 040 414)
	104 372 494	196 157 259

(37-1) Due to the current political circumstances in the Syrian Arab Republic which affected a significant impact on the economic sectors in general, and the confiscation of assets and documents related to Palmyra - SODIC Real Estate Development Company by the Syrian Arab Republic government, the management of SODIC addressed the Embassy of the Syrian Arab Republic in Egypt to protect all of its interest from these acts and commissioned a law firm for trying to reserve its interest.

Accordingly, the Board of Directors of Sixth of October Development and Investment "SODIC" saw that the assets of the investee company all become in dispute with the mentioned country's government, which requires to recognize a loss arising from an inability to recover its investments and therefore the Board of Directors decided on April 16, 2014 to impair the due from related parties relating to investments that have been injected for projects in the Syrian Arab Republic in addition to an impairment for due from some subsidiaries related to debts unexpected to be collected which are amounted to EGP 607 181 140 as at December 31, 2017.

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b) Due to related parties

	31/12/2017	31/12/2016
	EGP	EGP
Sixth of October for Development and Real Estate Projects (SOREAL)	65 593 401	47 097 625
Move - In for Advanced Contracting Co. – a subsidiary	356 649	356 649
Green scape for Agriculture and Reclamation Co. – a subsidiary (under Liquidation).	3 028 861	3 028 861
SODIC Polygon for Real Estate Investment Company – a subsidiary	35 750 126	35 750 126
Tegara for Trading Centers Co. – a subsidiary	55 595 000	55 595 000
SODIC Property Services Co. – a subsidiary (under Liquidation)	2 063 742	2 278 738
Beverly Hills Co. for Management of Cities and Resorts	19 679	19 679
Al Yosr for Projects and Agriculture Development Company – a subsidiary	-	29 961
	162 407 458	144 156 639

37. Tax status

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

Corporate tax

- Years from 1996 till 2010 has been tax inspected and tax differences has been paid and settled..
- Year from 2011 till 2014 has been inspected and no tax claims have been received till the date of authorizing of these financial statements for issuance.
- Year from 2015 till 2016, the Company has been informed by tax inspection order, a request submitted on December 27, 2017, to postpone tax inspection.
- The Company submits its annual tax return on due dates in accordance with Law No. 91 of 2005.

Salary tax

- Year from 1996 till 2012 has been inspected and tax differences has been paid and settled.
- Years from 2013 till 2016 the Company has been informed by tax inspection order, a request submitted on December 27, 2017 to postpone tax inspection.
- The Company pays the monthly salary tax on a regular basis.

Withholding tax

- Tax inspection has been carried out from 1996 till the first quarter of the year 2017, and the Company has not received any tax claims till the date of authorizing of these financial statements for issuance.
- The Company pays the tax quarterly according to withholding and add on tax forms on a regular basis.

Stamp tax

- Tax inspection was carried out from 1996 till December 31, 2014, and tax differences have been fully paid.
- Years from 2015 till 2016 has 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 has 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.
- Year 2016 has not been inspected and no tax claims have been received till the date of authorizing of these financial statements for issuance.
- The Company provides sales tax returns on a regular basis.

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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.
- According to article 10 has been issued at the official journal and has been started to confession with that law from the day one had been published in the journal.

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.

38. Capital commitments

Capital commitments as at December 31, 2017 amounted EGP 1 511 161 is represented in contracted and unexecuted works (December 31, 2016: EGP 462 050).

39. 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 17, 2018.

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.

40. Basis of measurement

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

- Financial assets and liabilities recognized at fair values through profits and losses.
- Held for trading investments are valued at fair value.
- Available for sale investments, which have market values are valued at fair value.
- Transactions liabilities of share based payments, which paid in cash, are valued at fair value.

41. Comparative figures

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

Statement of financial position

	EGP
Deferred tax liabilities- Non-Current	9 656 587
Creditors and other credit balances	(9 656 587)

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

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

43. Contingent liabilities

In addition of amounts taken into account through the financial position items there are contingent liabilities as at December 31, 2017 amounting to EGP 182 million (2016 : Nil) which represent the uncovered portion of the letters of guarantee that were issued by banks on the account of the company and in favor of third parties , which led to a seizing mortgage on treasury bills with a par value of EGP 48 million.

44. Significant accounting policies

44.1. Consolidated financial statement

- The Company has subsidiaries and according to the Egyptian Accounting Standards No. (42) "consolidated financial statements" and Article 188 of the executive regulations for Companies' law No. 159 of 1981 , the Company is preparing consolidated financial statements for the Group which should be used as a reference to understand the financial position, financial performance and cash flows for the group as a whole.
- 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 in recognized profit or loss immediately.

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- Transaction cost are expensed as incurred, except if related to the issue of debt or equity securities.
- The consideration transferred does not include amounts related to the settlement of pre-existing relationship. Such amounts are generally recognised in profit or loss.
- Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that met the definition of financial instrument is classified as equity, then it is not re-measured and settlement is accounted for within equity. Otherwise, other contingent consideration is re-measured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognized in profit or loss.

44.2. Foreign currency transactions

- Transactions in foreign currencies are translated at the foreign exchange rate prevailing at the date of the transaction.
- Monetary assets and liabilities denominated in foreign currencies 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.

44.3. 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. Sales revenue

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 statement of financial position 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. Return on investments

Return on investments is recognized in the statement of profit or loss at the date when the Company has the right to collect the amount.

c. Rental income

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

44.4. 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 Company 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 re-measured 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 Company 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 Company's commitment is limited to the value of their contribution. And the Company'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 or loss using the accrual basis. During 2017, the Company suspended the charging profit or loss statement for one year only and will resume charging to profit or loss statement during 2018.

44.5. Finance income and finance costs

The Company's finance income and finance costs include:

- Interest income
- Interest expense
- The foreign currency gain or loss on financial assets and financial liabilities
- The net gain or loss on hedging instruments that are recognized in profit or loss

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 Company's right to receive payment is established.

44.6. Income Tax

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

a) Current income tax

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

b) Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- Taxable temporary differences arising on the initial recognition of goodwill.,
- Temporary differences on the initial recognition of assets or liabilities in a transaction that is not:

a. A business combination.

b. And not affects neither accounting nor taxable profit or loss.

- Temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Company 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 Company 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.

44.7. 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.

44.8. 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 statement of financial position at cost or net realizable value whichever is lower. Costs include directly attributable cost needed to bring the units to the selling status.

44.9. 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 Company.

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	5-10
Vehicles	5
Furniture and fixtures	10
Office and communications equipment	5
Generators, machinery and equipment	5
Leasehold improvements	5 years or lease term whichever is lower

44.10. 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.

44.11. 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 or 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	20
Golf course constructions	20
Irrigation networks	15
Golf course equipment and tools	15

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.

44.12. Financial instruments

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

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

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

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

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

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

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

2) Non-derivative financial assets – Measurement

Financial assets at fair value through profit or loss:

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

Held-to-maturity financial assets:

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

Loans and receivables:

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

Available-for-sale financial assets:

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

3) Non-derivative financial liabilities – Measurement:

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

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

4) Derivative financial instruments and hedge accounting:

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

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

Cash Flow Hedges:

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

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

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

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

44.13. 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.

44.14. 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 Company on terms that the Company 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 Company considers a decline of 20% to be significant and a period of nine months to be prolonged.

Financial assets measured at amortised cost

The Company 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 Company 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 Company 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.

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

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

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

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

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

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

44.15. 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.

44.16. 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.

44.17. 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.

44.18. Investments

a- Investments in subsidiaries

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

Investments in subsidiaries are stated – when acquired – at its acquisition cost. If a decline in the recoverable amount exists for any investment below the carrying amount "Impairment", the carrying amount of the investment will be adjusted by the amount of such impairment and will be charged to the statement of profit or loss for each investment.

b- 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 the statement of profit or 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.

c- 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 or loss.

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

44.19. 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.

44.20. 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 Company's cash management.

44.21. Borrowing costs

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

44.22. 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 or loss over the period of the borrowing using the effective interest rate.

44.23. Trade, contractors and other credit balances

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

44.24. Notes payable

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

44.25. Cost of sold lands

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

44.26. Expenses

Lease payments

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

44.27. 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.

44.28. 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.