

**Sixth of October for Development and Investment Company "SODIC"**  
**(An Egyptian Joint Stock Company)**  
**Separate Interim Financial Statements**  
**For The Financial Period Ended June 30, 2019**  
**And Limited Review Report**

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

<b>Contents</b>	<b>Page</b>
Limited Review Report	1
Separate Interim Statement of Financial Position	2
Separate Interim Statement of Profit or Loss	3
Separate Interim Statement of Comprehensive Income	4
Separate Interim Statement of Changes in Equity	5
Separate Interim Statement of Cash Flows	6
Notes to the Separate Interim Financial Statements	7



**Hazem Hassan**  
Public Accountants & Consultants

*Translation of review report  
originally issued in Arabic*

B (105) – Avenue (2) – Smart Village  
Km 28 Cairo – Alex Desert Road  
Giza – Cairo – Egypt  
Postal Code : 12577

Telephone : (202) 35 37 5000 – 35 37 5005  
E-mail : Egypt@kpmg.com.eg  
Fax : (202) 35 37 3537  
P.O. Box : (5) Smart Village

**Limited review report on separate interim financial statements**  
**To: The Board of Directors of Sixth of October for Development and Investment**  
**Company "SODIC"**

***Introduction***

We have performed a limited review for the accompanying separate interim statement of financial position of Sixth of October for Development and Investment Company "SODIC" (S.A.E) as at June 30, 2019, and the related separate interim statements of profit or loss, comprehensive income, changes in equity and cash flows statement for the six-month then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of these separate interim financial statements in accordance with Egyptian Accounting Standards. Our responsibility is to express a conclusion on these separate interim financial statements based on our limited review.

***Scope of Limited Review***

We conducted our limited review in accordance with Egyptian Standard on Review Engagements (no. 2410), "Limited Review of Interim Financial Statements Performed by the Independent Auditor of the Entity." A limited review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters in the Company, and applying analytical and other limited review procedures. A limited review is substantially less in scope than an audit conducted in accordance with Egyptian Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on these separate interim financial statements.

***Conclusion***

Based on our limited review, nothing has come to our attention that causes us to believe that the accompanying separate interim financial statements do not present fairly, in all material respects, the separate financial position of the Company as at June 30, 2019, and of its separate interim financial performance and its separate interim cash flows for the six-month then ended in accordance with Egyptian Accounting Standards.

**KPMG Hazem Hassan**

**Public Accountants & Consultants**

Cairo August 7, 2019



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

**(An Egyptian Joint Stock Company)**

**Separate interim statement of financial position**


EGP	Note No.	30 June 2019	31 December 2018
<b>Non-current assets</b>			
Property, plant, equipment	(21)	267 864 511	275 226 558
Projects under construction		5 307 360	4 748 569
Investments in subsidiaries	(32)	1 715 332 466	1 715 332 466
Investments - available for sale	(23)	4 276 152	4 276 152
Investment properties	(22)	16 014 289	16 384 955
Notes receivables	(17)	3 085 047 930	2 824 146 088
<b>Total non-current assets</b>		<b>5 093 842 708</b>	<b>4 840 114 788</b>
<b>Current assets</b>			
Inventory	(15)	6 958 106	8 717 028
Work in process	(16)	3 044 743 412	2 660 479 548
Trade and notes receivable	(18)	1 325 533 186	1 292 624 909
Due from related parties	(35)	31 447 588	85 033 659
Debtors and other debit balances	(19)	1 355 794 028	866 348 768
Investments in treasury bills		470 837 906	706 415 448
Cash at banks and on hand	(20)	1 387 354 163	691 383 944
<b>Total current assets</b>		<b>7 622 668 389</b>	<b>6 311 003 304</b>
<b>Total assets</b>		<b>12 716 511 097</b>	<b>11 151 118 092</b>
<b>Equity</b>			
Issued & paid in capital	(24)	1 396 715 488	1 369 194 672
Legal reserve	(24)	213 930 055	213 930 055
Special reserve - share premium	(24)	1 392 418 060	1 389 595 728
Retained earnings		448 260 670	707 790 666
Profit from sale of treasury shares	(25)	1 725 456	1 725 456
Reserve for employee stock option plan		32 521 438	21 001 101
<b>Total equity</b>		<b>3 485 571 167</b>	<b>3 703 237 678</b>
<b>Non-current liabilities</b>			
Loans - long term	(26)	1 143 857 420	498 339 597
Notes payable - long term	(27)	89 202 625	84 141 759
Deferred tax liabilities	(13)	9 206 780	9 185 192
<b>Total non-current liabilities</b>		<b>1 242 266 825</b>	<b>591 666 548</b>
<b>Current liabilities</b>			
Loans - Short term	(26)	281 035 000	148 623 467
Contractors, suppliers and notes payable	(28)	582 863 643	630 744 787
Due to related parties	(35)	659 953 821	173 761 853
Advances - from customers	(29)	5 663 173 785	5 101 667 854
Creditors and other credit balances	(30)	741 717 593	722 342 742
Provision for completion	(31)	49 929 262	69 073 162
Provisions	(31)	10 000 001	10 000 001
<b>Total current liabilities</b>		<b>7 988 673 105</b>	<b>6 856 213 866</b>
<b>Total liabilities</b>		<b>9 230 939 930</b>	<b>7 447 880 414</b>
<b>Total equity and liabilities</b>		<b>12 716 511 097</b>	<b>11 151 118 092</b>

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

**Financial Director**

  
Mohamed Samir


**Group Financial**

**Controller**  
  
Ahmed Hegazi

**Chief Financial**

**Officer**  
  
Omar Elhamawy

**Managing Director**

  
Magued Sherif

**Chairman**

  
Hani Sarie El Din

"Limited review report attached"

**Sixth of October for Development and Investment Company "SODIC"**  
**(An Egyptian Joint Stock Company)**  
**Separate interim statement of profit or loss**  
**for the financial period ended June 30, 2019**

EGP	Note No.	from 2019/4/1 to 2019/6/30	from 2019/1/1 to 2019/6/30	from 2018/4/1 to 2018/6/30	from 2018/1/1 to 2018/6/30
<b>Continuing operations</b>					
Revenue	(5)	266 569 749	424 136 617	183 131 515	421 123 449
Cost of sales	(6)	( 145 270 638)	( 242 809 459)	( 84 220 274)	( 174 957 258)
<b>Gross profit</b>		<b>121 299 111</b>	<b>181 327 158</b>	<b>98 911 241</b>	<b>246 166 191</b>
Other operating revenues	(7)	29 211 627	61 488 625	34 085 438	69 369 547
Selling and marketing expenses	(8)	( 38 617 538)	( 85 955 251)	( 59 673 632)	( 94 240 828)
General and administrative expenses	(9)	( 89 792 202)	( 152 605 202)	( 59 778 107)	( 111 598 802)
Other operating expenses	(10)	( 24 156 327)	( 34 550 599)	( 10 112 217)	( 20 942 118)
<b>Operating profit</b>		<b>(2 055 329)</b>	<b>(30 295 269)</b>	<b>3 432 723</b>	<b>88 753 990</b>
Finance income	(11)	47 800 211	95 888 400	53 137 814	106 110 387
Finance cost	(12)	( 54 054 111)	( 94 363 134)	( 26 518 649)	( 55 771 333)
<b>Net finance income</b>		<b>(6 253 900)</b>	<b>1 525 266</b>	<b>26 619 165</b>	<b>50 339 054</b>
<b>Net (Loss) profit before tax</b>		<b>(8 309 229)</b>	<b>(28 770 003)</b>	<b>30 051 888</b>	<b>139 093 044</b>
Income tax	(13)	(4 945 970)	( 11 074 895)	(6 022 085)	( 32 324 724)
<b>(Loss) Profit from continuing operations</b>		<b>(13 255 199)</b>	<b>(39 844 898)</b>	<b>24 029 803</b>	<b>106 768 320</b>
<b>(Loss) Profit for the period</b>		<b>(13 255 199)</b>	<b>(39 844 898)</b>	<b>24 029 803</b>	<b>106 768 320</b>
<b>Earnings per share from (loss) profit of the period (EGP / Share)</b>	(14)	<b>(0.04)</b>	<b>(0.11)</b>	<b>0.07</b>	<b>0.31</b>

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

**Sixth of October for Development and Investment Company "SODIC"**  
**(An Egyptian Joint Stock Company)**  
**Separate interim statement of comprehensive income**  
**for the financial period ended June 30, 2019**

EGP	2019/4/1 2019/6/30	2019/1/1 2019/6/30	2018/4/1 2018/6/30	2018/1/1 2018/6/30
(Loss) Profit for the period	( 13 255 199)	( 39 844 898)	24 029 803	106 768 320
Other comprehensive income				
Total other comprehensive income before income tax	-	-	-	-
Income tax				
Total other comprehensive income after income tax	-	-	-	-
Total comprehensive income of the period	<u>(13 255 199)</u>	<u>(39 844 898)</u>	<u>24 029 803</u>	<u>106 768 320</u>

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

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

Separate interim statement of changes in Equity  
for the financial period ended June 30, 2019

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, 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
<b>Total comprehensive income</b>								
Net profit for the period	-	-	-	106 768 320	-	-	-	106 768 320
Other comprehensive income items	-	-	-	-	-	-	-	-
<b>Total comprehensive income</b>	-	-	-	106 768 320	-	-	-	106 768 320
<b>Transactions with owners of the Company</b>								
Transferred to legal reserve	-	7 712 954	-	(7 712 954)	-	-	-	-
<b>Total transactions with owners of the Company</b>		7 712 954		(7 712 954)				
Balance as at June 30, 2018	1 369 194 672	213 930 055	1 389 595 728	1008 056 095	1 725 456	-	1 645 597	3 984 147 603
Balance as at December 31, 2018	1 369 194 672	213 930 055	1 389 595 728	707 790 666	1 725 456	-	21 001 101	3 703 237 678
<b>Total comprehensive income</b>								
Net (loss) for the period	-	-	-	(39 844 898)	-	-	-	(39 844 898)
Other comprehensive income items	-	-	-	-	-	-	-	-
<b>Total comprehensive income</b>	-	-	-	(39 844 898)	-	-	-	(39 844 898)
<b>Transactions with owners of the Company</b>								
Increase in capital	27 520 816	-	(27 520 816)	-	-	-	-	-
Dividends	-	-	-	(219 685 098)	-	-	1 760 444	(217 924 654)
Transferred to Special reserve- share premium	-	-	30 343 148	-	-	-	-	30 343 148
Set aside for employee stock option plan	-	-	-	-	-	-	9 759 893	9 759 893
<b>Total transactions with owners of the Company</b>	27 520 816	-	2 822 332	(219 685 098)	-	-	11 520 337	(177 821 613)
Balance as at June 30, 2019	1 396 715 488	213 930 055	1 392 418 060	448 260 670	1 725 456	-	32 521 438	3 485 571 167

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

(An Egyptian Joint Stock Company)Separate interim statement of cash flows  
for the financial period ended June 30,

EGP	Note No	2019	2018
<b><u>Cash flows from operating activities</u></b>			
Net (loss) / profit for the period before tax		(28 770 003)	139 093 044
<b><u>Adjustments for:</u></b>			
Depreciation of fixed assets and leased units	(21) , (22)	13 238 448	12 702 154
Capital gain		( 1 138)	
Employee stock option plan expense		9 759 893	-
Reversal of fixed assets impairment		( 911 295)	( 911 295)
Return on investments in treasury bills		( 55 266 538)	( 79 033 469)
Impairment loss of due from related parties		7 817 653	2 176 038
Provision for completion formed	( 31)	1 857 707	11 600 316
Provisions formed	( 31)	-	-
<b><u>Changes in:</u></b>			
Finished units available for sale and material inventory		1 758 922	( 1 525 759)
Works in process		(384 263 864)	( 269 471 284)
Trade and notes receivables		(293 810 119)	( 70 626 937)
Due from related parties		45 768 418	( 5 621 917)
Debtors and other debit balances		(489 445 260)	( 23 585 221)
Provision of completion used	( 31)	(21 001 607)	( 14 463 787)
Advances from customers		561 505 931	382 485 697
Notes payable - long term		5 060 866	-
Contractors, suppliers and notes payable		(47 881 144)	( 37 767 484)
Due to related parties		486 191 968	100 932 319
Creditors and other credit balances		8 321 544	( 29 284 395)
<b>Net Cash (used in) / generated from operating activities</b>		<b>(180 069 618)</b>	<b>116 698 020</b>
<b><u>Net cash flows from investing activities</u></b>			
Payments for purchase of fixed assets, projects under construction	( 21)	( 5 158 279)	( 6 819 565)
Payments for Investments in treasury bills		( 322 478 632)	(1 101 980 740)
Proceeds from Investments in treasury bills		613 322 712	224 311 545
Proceeds from sell of employee stock option plan		30 343 148	-
Proceeds from sale of fixed assets		6 186	-
<b>Net cash generated from / (used in) investing activities</b>		<b>316 035 135</b>	<b>(884 488 760)</b>
<b><u>Cash flows from financing activities</u></b>			
Change in short and long term loans		777 929 356	7 899 458
Dividends paid		(217 924 654)	-
<b>Net cash generated from financing activities</b>		<b>560 004 702</b>	<b>7 899 458</b>
<b>Net (decrease) / increase in cash and cash equivalents</b>		<b>695 970 219</b>	<b>(759 891 282)</b>
Cash and cash equivalents at January 1		690 383 944	1 439 908 137
<b>Cash and cash equivalents at June 30</b>	( 20)	<b>1 386 354 163</b>	<b>680 016 855</b>

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



**Sixth of October for Development and Investment Company "SODIC"**  
**(An Egyptian Joint Stock Company)**  
**Notes to the separate interim financial statements**  
**For the financial period ended June 30, 2019**

**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 purpose of the Company 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.

**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 August 7, 2019.

*Sixth of October for Development and Investment Company "SODIC" (An Egyptian Joint Stock Company)  
Notes to the separate interim financial statements for the financial period ended June 30, 2019*

### **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 period in which the change in estimate, if the change affects only that period, or in the period of change and future periods if the change affects both.

#### **Measurement of fair value**

- The fair value of financial instruments is determined based on the market value of the financial instrument or a similar financial instruments at the date of the financial statements without deducting any estimate for the future costs of sale. The financial asset values is determined at current prices at the date of 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 recent transaction prices or is guided by the current fair value of other instruments which are substantially similar. Or the use of - discounted cash flow - or any other evaluating method that leads to reliable results.
- When using the discounted cash flow method as a way of evaluation, the future cash flows are estimated based on the best estimates of management. And the discount rate used is determined based on the prevailing market price at the date of the financial statements of financial instruments that 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:

	<b>For the six months ended 30/06/2019</b>	<b>For the six months ended 30/06/2018</b>
	<b><u>EGP</u></b>	<b><u>EGP</u></b>
Revenues from the sale of units in <b>Allegrgia</b> project	33 747 926	129 335 859
Revenues from the sale of units in <b>Forty West</b> project	25 660 498	11 246 353
Revenues from the sale of units in <b>CASA</b> project	-	1 315 260
Revenues from the sale of units in <b>Westown Residences</b> project	3 423 640	11 951 151
Revenues from the sale of units in <b>Westown Courtyards</b> project	249 396 811	266 835 226
Revenues from the sale of units in <b>Polygon 9,10</b>	111 907 742	-
Revenues from the sale of units in <b>Beverly Hills</b> project	-	439 600
	<b><u>424 136 617</u></b>	<b><u>421 123 449</u></b>

*Sixth of October for Development and Investment Company "SODIC" (An Egyptian Joint Stock Company)  
Notes to the separate interim financial statements for the financial period ended June 30, 2019*

## 6. Cost of sales

	For the six months ended 30/06/2019 <u>EGP</u>	For the six months ended 30/06/2018 <u>EGP</u>
Cost of sales of units in <b>Allegria</b> project	27 917 281	24 307 176
Cost of sales of units in <b>Forty West</b> project	18 262 142	9 397 137
Cost of sales of units in <b>CASA</b> project	-	804 250
Cost of sales of units in <b>Westown Residences</b> project	1 847 422	5 481 700
Cost of sales of units in <b>Westown Courtyards</b> project	139 546 027	134 454 883
Cost of sales of units in <b>Polygon 9,10</b> project	55 236 587	-
Cost of sales of units in <b>Beverly Hills</b> project	-	512 112
	<u>242 809 459</u>	<u>174 957 258</u>

- Includes an amount of EGP 17 924 100 representing the adjustment to the cost of land for the SODIC West, El Sheikh Zayed plot as shown in details in note (16-1).

## 7. Other operating revenues

	For the six months ended 30/06/2019 <u>EGP</u>	For the six months ended 30/06/2018 <u>EGP</u>
Interest income realized from installments during the period	40 435 648	35 201 057
Assignment, cancellation dues and delay penalties	9 763 540	30 422 843
Other income	6 610 179	221 372
Income from management & operation of the golf course	2 325 771	2 396 157
Income from management & operation of the Westtown club	829 142	76 623
Buildings leased revenue	613 050	140 200
Reversal of impairment losses of fixed assets	911 295	911 295
	<u>61 488 625</u>	<u>69 369 547</u>

## 8. Selling and marketing expenses

	For the six months ended 30/06/2019 <u>EGP</u>	For the six months ended 30/06/2018 <u>EGP</u>
Salaries and wages	25 542 741	16 051 685
Sales commissions	17 858 033	14 954 725
Advertising expenses	25 953 884	38 909 384
Conferences and exhibitions	11 275 410	12 402 388
Golf course expenses	-	1 169 693
Rent	2 079 705	2 218 687
Travel, transportation and cars	594 584	228 426
Maintenance, cleaning, agriculture and security	108 610	856 149
Professional and consultants fees	307 338	1 161 950
Gifts	345 876	3 399 968
Printing and photocopying	531 237	627 559
Fees, Stamps and licenses	530 740	462 760
Depreciation – Marketing	358 468	321 363
Vacations	-	536 394
Employees training	200 703	-
Others	267 922	939 697
	<u>85 955 251</u>	<u>94 240 828</u>

*Sixth of October for Development and Investment Company "SODIC" (An Egyptian Joint Stock Company)  
Notes to the separate interim financial statements for the financial period ended June 30, 2019*

## 9. General and administrative expenses

	For the six months ended 30/06/2019	For the six months ended 30/06/2018
	<u>EGP</u>	<u>EGP</u>
Salaries, wages and bonuses*	45 149 833	43 176 634
Board of Directors' remunerations and allowances	6 249 783	6 391 733
Employees Stock Option Plan	9 759 893	-
Training and medical care	10 002 843	8 190 990
Professional and consultancy fees	16 286 089	8 051 688
Advertising	968 702	1 798 472
Donations	1 593 365	999 050
Golf course expenses	2 196 122	1 247 369
Algeria club expenses	3 477 906	-
Maintenance, cleaning, agriculture, security and guarding	17 785 524	19 381 535
Administrative depreciation of fixed assets	12 509 314	12 107 441
Subscriptions and governmental dues	1 472 929	1 865 174
Rent	1 407 809	705 014
Travel and transportation	1 934 575	1 076 942
Communication and electricity	5 043 424	1 287 799
Stationary and computer supplies	3 544 167	1 594 215
Buffet , hospitality and reception	766 159	632 940
Bank charges	3 144 617	1 226 493
Employees benefits	3 673 428	-
Employees vacations	2 589 756	346 966
Gifts	1 284 895	1 213 384
Conferences and exhibitions	92 798	55 965
Insurance installments	473 749	200 129
Comprehensive medical insurance	1 102 088	-
Others	95 434	48 869
	<u>152 605 202</u>	<u>111 598 802</u>

(\*) This item includes salaries of the executive Board of Directors as follows:

	For the six months ended 30/06/2019	For the six months ended 30/06/2018
	<u>EGP</u>	<u>EGP</u>
Salaries	5 754 911	5 598 000
	<u>5 754 911</u>	<u>5 598 000</u>

**10. Other operating expenses**

	<b>For the six months ended 30/06/2019 EGP</b>	<b>For the six months ended 30/06/2018 EGP</b>
Discount for early payment	17 666 032	12 605 256
Depreciation of leased unites	370 667	273 350
Impairment losses of related parties	7 817 653	2 176 038
Golf course expenses	7 423 780	5 678 846
Westown club expenses	1 272 467	208 628
	<b>34 550 599</b>	<b>20 942 118</b>

**11. Finance income**

	<b>For the six months ended 30/06/2019 EGP</b>	<b>For the six months ended 30/06/2018 EGP</b>
Interest income	40 621 862	25 971 149
Return on investment in treasury bills	55 266 538	79 033 469
Foreign exchange translation	-	1 105 769
	<b>95 888 400</b>	<b>106 110 387</b>

**12. Finance cost**

	<b>For the six months ended 30/06/2019 EGP</b>	<b>For the six months ended 30/06/2018 EGP</b>
Interest expense	82 358 095	55 771 333
Foreign exchange translation	12 005 039	-
	<b>94 363 134</b>	<b>55 771 333</b>

**13. Income tax**

**A- Items recognized in the profit or loss**

	<b>For the six months ended 30/06/2019 EGP</b>	<b>For the six months ended 30/06/2018 EGP</b>
Current income tax	11 053 307	31 960 406
Deferred income tax	21 588	364 318
	<b>11 074 895</b>	<b>32 324 724</b>

*Sixth of October for Development and Investment Company "SODIC" (An Egyptian Joint Stock Company)  
Notes to the separate interim financial statements for the financial period ended June 30, 2019*

## B- Deferred tax assets and liabilities movement

	Statement of financial position		Statement of profit or loss	
	30/06/2019	31/12/2018	30/06/2019	30/06/2018
	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>
Property, plant and equipment	(967 462)	(945 874)	21 588	364 318
Foreign exchange translation	(8 239 318)	(8 239 318)	-	-
<b>Net deferred income tax</b>	<b>(9 206 780)</b>	<b>(9 185 192)</b>	<b>21 588</b>	<b>364 318</b>

## C- Unrecognized deferred tax assets

	30/06/2019	31/12/2018
	<u>EGP</u>	<u>EGP</u>
Deductible temporary differences	159 007 309	157 453 378
	<b>159 007 309</b>	<b>157 453 378</b>

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

## 14. (Losses) / earnings per share

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

	For the six months ended 30/06/2019 <u>EGP</u>	For the six months ended 30/06/2018 <u>EGP</u>
Net (loss) / profit for the period	(39 844 898)	106 768 320
Employees share of profit	-	-
Board of directors' remunerations	-	-
	<b>(39 844 898)</b>	<b>106 768 320</b>
<b>Divided on:</b>		
Weighted average number of shares outstanding during the period	349 178 872	349 178 872
<b>(Losses) / earnings per share (EGP / share)</b>	<b>(0.11)</b>	<b>0.31</b>

- The average number of shares outstanding was calculated taking into account the increase in the issued share capital by LE 27 520 816 distributed over the number of 6 880 204 shares to the beneficiaries of the employees stock option plan, who were registered in the Company's Commercial Register on January 8, 2018.

## 15. Inventory

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

	30/06/2019	31/12/2018
	<u>EGP</u>	<u>EGP</u>
Cost of completed commercial units	4 882 460	4 882 460
Cost of units purchased for resale	648 268	648 268
Communication devices	1 427 378	3 186 300
	<b>6 958 106</b>	<b>8 717 028</b>

**16. Work in process**

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

	<b>30/06/2019</b>	<b>31/12/2018</b>
	<b><u>EGP</u></b>	<b><u>EGP</u></b>
<b>Allegria</b> project costs	383 063 714	345 580 412
<b>Westown</b> project costs	1 407 757 341	1 351 409 629
<b>October Plaza</b> project costs	599 341 475	416 698 281
<b>Sodic East</b> project costs	88 151 161	41 087 950
500 Hector project cost	253 258	-
<b>Beverly Hills</b> project costs	231 973	231 973
<b>Strip 2</b> project costs	199 051 479	144 383 011
<b>HUP</b> project costs	769 288	469 840
Sodic west Land adjusting (16-1)	366 123 723	360 618 452
	<b>3 044 743 412</b>	<b>2 660 479 548</b>

(16-1) The balance includes approximately EGP 366 million representing the present value of the share of the work under construction from the settlement amount of the Company's land in Sheikh Zayed as a component of the cost of the units whose revenues will be recognized in the statement of income or losses for future periods, this amount represents the remainder of the present value of a total settlement amount of EGP 800 million with the Illicit Gains Authority ("IGA").

**17. Trade and note receivable – long term**

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

	<b>30/06/2019</b>	<b>31/12/2018</b>
	<b><u>EGP</u></b>	<b><u>EGP</u></b>
Notes receivable *	3 170 094 429	2 914 961 284
<b><u>Deduct:</u></b> Unamortized interest-notes receivable	85 046 499	90 815 196
	<b>3 085 047 930</b>	<b>2 824 146 088</b>

\* The balance includes an amount of EGP 968 125 745 which represents the net amount of notes receivable long term related to SODIC East project with a gross amount of EGP 1 359 884 696 has been deducted by an amount of EGP 391 758 951 representing the share of Heliopolis Housing and Development Company of the residential units mentioned as per the revenue share agreement.

The Company's exposure to credit and currency risk related to trade and notes receivable is disclosed in note (34).

*Sixth of October for Development and Investment Company "SODIC" (An Egyptian Joint Stock Company)  
Notes to the separate interim financial statements for the financial period ended June 30, 2019*

# **18. Trade and notes receivable – short term**

	<b>30/06/2019</b>	<b>31/12/2018</b>
	<b><u>EGP</u></b>	<b><u>EGP</u></b>
Trade receivable	68 943 222	76 873 887
Notes receivable *	1 270 425 902	1 234 399 845
	<b>1 339 369 124</b>	<b>1 311 273 732</b>
<b>Deduct</b> : unamortized interest – notes receivable	13 635 938	18 448 823
	<b>1 325 733 186</b>	<b>1 292 824 909</b>
Impairment losses of trade and notes receivable	(200 000)	(200 000)
	<b>1 325 533 186</b>	<b>1 292 624 909</b>

\* The balance includes an amount of EGP 271 448 959 that represents the net amount of notes receivable relating to SODIC East project with a gross amount of EGP 361 445 448 has been deducted by EGP 89 996 489 representing the share of Heliopolis Housing and Development Company of the residential units mentioned as per the revenue share agreement.

The Company's exposure to credit and currency risks related to trade and notes receivable is disclosed in note no. (34).

# **19. Debtors and other debit balances**

	<b>30/06/2019</b>	<b>31/12/2018</b>
	<b><u>EGP</u></b>	<b><u>EGP</u></b>
Contractors and suppliers – advance payments	627 539 583	480 051 788
Heliopolis Housing and Development Company (19-1)	165 064 814	100 000 000
New Urban Communities (19-2)	300 000 000	-
Restricted cash	7 478 274	73 923 706
Prepaid expenses	191 364 637	175 088 283
Deposits with others	4 808 736	4 766 806
Due from the bonus and incentives plan to employees and managers fund	1 921 094	364 894
Withholding tax	13 405 000	5 688 662
Letters of credit	-	5 653 159
Letter of guarantee cover	31 650 000	431 508
Other debit balances	12 917 047	20 735 119
	<b>1 356 149 185</b>	<b>866 703 925</b>
Impairment loss in debtors and other debit balances	(355 157)	(355 157)
	<b>1 355 794 028</b>	<b>866 348 768</b>

(19-1) This item represents the amount paid as a down payment to Heliopolis Housing and Development Company, this amount will be settled 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 by Heliopolis Housing and Development Company with an area of 655 acres in New Heliopolis City and Heliopolis Housing and Development Company will earn a share of the revenue with minimum guarantee amounting to 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.



*Sixth of October for Development and Investment Company "SODIC" (An Egyptian Joint Stock Company)  
Notes to the separate interim financial statements for the financial period ended June 30, 2019*

(19-2) On March 21, 2019, a co-development contract was signed between the Company and the New Urban Communities Authority ("NUCA") to establish of an integrated urban project with an area of 500 acres with a maximum total value of EGP 15,327 billion including of EGP 300 million in advance payment and annual cash installments over the duration of the contract amounting to EGP 8,518 billion in addition to a share of the projected revenues amounting to EGP 6,509 billion, a bank check was issued with the value of the advance payment on April 1, 2019.

The Company's exposure to credit and currency risks related to debtors and other debit balances is disclosed in note no. (34).

## 20. Cash at banks and on hand

	30/06/2019	31/12/2018
	<u>EGP</u>	<u>EGP</u>
Bank - time deposits *	625 317 750	514 210 710
Bank - current accounts	734 611 734	162 523 609
Checks under collection	23 204 032	11 680 987
Cash on hand	4 220 647	2 968 638
	<u>1 387 354 163</u>	<u>691 383 944</u>

\* 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 244 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. (34).

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

	30/06/2019	31/12/2018
	<u>EGP</u>	<u>EGP</u>
Cash at banks and on hand	1 387 354 163	691 383 944
<u>Less:</u>		
Restricted cash (facilities guarantee)	1 000 000	1 000 000
<b>Cash and cash equivalent according to separate statement of cash flows</b>	<u>1 386 354 163</u>	<u>690 383 944</u>

Sixth of October for Development and Investment Company "SODIC"

Notes to the separate interim financial statements for the financial period ended June 30, 2019\*

21. Property, plant, equipment

EGP

Cost	Lands	Buildings of the Company's premises	Vehicles	Furniture and fixtures	Generators, machinery and equipment	Computers and Printers	Communication devices	Computer Software's	Leasehold improvements	Solar power stations	Golf Course	Total
Cost as at January 1, 2018	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
Additions during the year	-	362 556	2 589 800	745 566	533 351	3 318 525	187 245	4 223 876	-	396 014	-	12 356 933
Adjustments during the year	-	( 856 292)	-	-	-	-	-	-	-	-	-	( 856 292)
Disposals during the year	-	-	( 620 000)	-	-	-	-	-	-	-	-	( 620 000)
Cost as at December 31, 2018	88 622 250	166 638 708	11 244 245	10 943 573	6 288 890	19 757 180	2 431 176	13 399 675	53 077 131	396 014	99 377 533	472 176 375
Cost as at January 1, 2019	88 622 250	166 638 708	11 244 245	10 943 573	6 288 890	19 757 180	2 431 176	13 399 675	53 077 131	396 014	99 377 533	472 176 375
Additions during the period	-	-	-	114 778	351 626	3 127 393	-	1 005 691	-	-	-	4 599 488
Disposals during the period	-	-	-	-	-	( 28 440)	-	-	-	-	-	( 28 440)
Balance at June 30, 2019	88 622 250	166 638 708	11 244 245	11 058 351	6 640 516	22 856 133	2 431 176	14 405 366	53 077 131	396 014	99 377 533	476 747 423
Accumulated depreciation	-	-	-	-	-	-	-	-	-	-	-	-
Accumulated depreciation at January 1, 2018	-	20 864 045	6 557 843	6 971 515	4 103 390	10 166 926	1 268 905	8 207 164	16 705 674	-	12 306 912	87 152 374
Transferred from investment properties at January 1, 2018	-	-	-	-	-	-	-	-	-	-	-	-
Depreciation during the period	-	7 830 112	987 513	931 544	472 955	2 048 213	256 578	1 918 652	8 594 473	15 712	1 822 590	24 878 342
Accumulated depreciation of disposals during the period	-	-	( 328 930)	-	-	-	-	-	-	-	-	( 328 930)
Accumulated depreciation at December 31, 2018	-	28 694 157	7 216 426	7 903 059	4 576 345	12 215 139	1 525 483	10 125 816	25 300 147	15 712	14 129 502	111 701 786
Accumulated depreciation at January 1, 2019	-	28 694 157	7 216 426	7 903 059	4 576 345	12 215 139	1 525 483	10 125 816	25 300 147	15 712	14 129 502	111 701 786
Depreciation during the period	-	3 925 084	548 180	446 862	281 555	1 338 031	135 198	990 712	4 282 945	7 920	911 295	12 867 782
Accumulated depreciation of disposals during the period	-	-	-	-	-	( 23 392)	-	-	-	-	-	( 23 392)
Accumulated depreciation at June 30, 2019	-	32 619 241	7 764 606	8 349 921	4 857 900	13 529 778	1 660 681	11 116 528	29 583 092	23 632	15 040 797	124 546 176
Impairment of Golf course	-	-	-	-	-	-	-	-	-	-	-	-
Transferred from investment properties at January 1, 2018	-	-	-	-	-	-	-	-	-	-	87 070 621	87 070 621
Impairment reversal during the period	-	-	-	-	-	-	-	-	-	-	( 1 822 590)	( 1 822 590)
Accumulated impairment at December 31, 2018	-	-	-	-	-	-	-	-	-	-	85 248 031	85 248 031
Impairment reversal during the period	-	-	-	-	-	-	-	-	-	-	( 911 295)	( 911 295)
Accumulated impairment at June 30, 2019	-	-	-	-	-	-	-	-	-	-	84 336 736	84 336 736
Net book value	-	-	-	-	-	-	-	-	-	-	-	-
At January 1, 2018	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
At December 31, 2018	88 622 250	137 944 551	4 027 819	3 040 514	1 712 545	7 542 041	905 693	3 273 859	27 776 984	380 302	-	275 226 558
At June 30, 2019	88 622 250	134 019 467	3 479 639	2 708 430	1 782 616	9 326 355	770 495	3 288 838	23 494 039	372 382	-	267 864 511

\* Property, plant, equipment include fully depreciated assets at a cost of EGP 53,362,916 at June 30, 2019

*Sixth of October for Development and Investment Company "SODIC" (An Egyptian Joint Stock Company)  
Notes to the separate interim financial statements for the financial period ended June 30, 2019*

## 22. Investment properties

The net carrying amount of the investment properties as at June 30, 2019, amounted to EGP 16 014 289 the movement of investment property during the period is as follow:-

<u>Description</u>	<u>Leased out units EGP</u>
<u>Cost</u>	
At January 1, 2018	17 294 989
Additions during the year	1 697 630
<b>At December 31, 2018</b>	<b>18 992 619</b>
At January 1, 2019	18 992 619
Additions during the period	-
<b>At June 30, 2019</b>	<b>18 992 619</b>
<u>Less</u>	
<u>Accumulated depreciation</u>	
At January 1, 2018	2 060 852
Depreciation for the year	546 812
<b>At December 31, 2018</b>	<b>2 607 664</b>
<b>At January 1, 2019</b>	<b>2 607 664</b>
Depreciation for the period	370 666
<b>At June 30 2019</b>	<b>2 978 330</b>
<b>Net carrying amount as at January 1, 2018</b>	<b>15 234 137</b>
<b>Net carrying amount as at December 31, 2018</b>	<b>16 384 955</b>
<b>Net carrying amount as at June 30, 2019</b>	<b>16 014 289</b>

## 23. Available for sale investments

	<u>Legal Form</u>	<u>Ownership %</u>	<u>Paid amount of Participation %</u>	<u>Carrying amount as at 30/06/2019 EGP</u>	<u>Carrying amount as at 31/12/2018 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
				<b>4 277 402</b>	<b>4 277 402</b>
Impairment of available for sale investments				(1 250)	(1 250)
				<b>4 276 152</b>	<b>4 276 152</b>

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

## 24. Share capital and reserves

### 24.1. 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 Stock 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 Board of Directors have decided on the meeting dated October 23, 2018 to increase the issued capital from EGP 1 369 194 672 to become EGP 1 396 715 488 by an amount of EGP 27 520 816 divided on 6 880 204 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 for the second and third sections from the sections of Employees Stock 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, and delegate the Board of Directors to execute the procedures of the required increase to issue new shares to be utilize in the Employees Stock Option Plan. The commercial register was modified on January 8, 2019 for this increase.
- The current capital structure for the holding company represented as follow:

Shareholder	Number of shares	Share value EGP	Ownership percentage %
Olayan Saudi Investment Company.	48 331 696	193 326 784	13.84
RA Six Holdings Limited	31 992 544	127 970 176	9.16
Rimco EGT Investment LL	25 484 739	101 938 956	7.30
EKUIITY Holding for Investments	17 709 093	70 836 372	5.07
Norges Bank	9 032 000	36 128 000	2.59
EFG Hermes Holdings Financial Group.	8 183 111	32 732 444	2.34
Financial Holdings International LTD	7 267 503	29 070 012	2.08
Walid Bin Seliman Bin AbdElmohssen Abanumey	6 301 380	25 205 520	1.80
Yazeid Bin Seliman Bin AbdElmohssen Abanumey	6 233 653	24 934 612	1.79
Al- Majid Investments LLC.	5 700 000	22 800 000	1.63
FIDELITY INVESTMENT TRUST	5 034 100	20 136 400	1.44
Moda bnt saleh bin abd allah el mosfr	4 897 091	19 588 364	1.40
Other shareholders	173 011 962	692 047 848	49.56
	<b>349 178 872</b>	<b>1 396 715 488</b>	<b>100</b>

*Sixth of October for Development and Investment Company "SODIC" (An Egyptian Joint Stock Company)  
Notes to the separate interim financial statements for the financial period ended June 30, 2019*

## 24.2. Reserves

### a. Legal Reserve

The balance as at June 30, 2019 is represented as follows:-

	<b>EGP</b>
Legal reserve 5% form the Company's net profit till year 2016	33 734 213
<b>Add:</b>	
Increase of the legal reserve with the difference between the par value of the treasury shares and its actual cost (according to the Company's Extra-Ordinary General Assembly Meeting held on July 10, 2003).	4 627 374
Increase of the legal reserve with part of capital increase share premium with limits of half of the Company's issued share capital during 2006.	123 409 151
Increase of the legal reserve with part of capital increase share premium during 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 2017.	7 712 954
<b>Deduct:</b>	
The amount used to increase the issued share capital during 2011.	2
	<b>213 930 055</b>

### b. Special reserve – share premium

The balance is represented in the following:

<b>Description</b>	<b>EGP</b>
Total value of the capital increase share premiums collected for the years 2006 and 2010	1 455 017 340
<b>Add:</b>	
Share premium of the employees' incentive and bonus plan issued during 2007.	90 000 000
The value of selling 712 500 share which has been sold through beneficiaries of incentive and bonus plan during 2014 with EGP 30 per share (after split).	21 375 000
The value of 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 Stock Option Plan during the year by average EGP 9.27 per share.	28 588 105
The value received from the selling of 3 083 938 shares which had been sold by the beneficiaries of the Employees Stock Option Plan during 2017 as a result of execution.	16 630 524
The value received from the sale of 3 273 263 shares which had been sold by beneficiaries of the Employees Stock Option Plan during the year by average EGP 9.27 per share.	30 343 148
<b>Deduct</b>	
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
Amount used for share capital increase during 2019	27 520 816
	<b>1 392 418 060</b>

*Sixth of October for Development and Investment Company "SODIC" (An Egyptian Joint Stock Company)  
Notes to the separate interim financial statements for the financial period ended June 30, 2019*

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

## 26. Long-term loans

On July16, 2014, Sixth of October for Development and Investment Company "SODIC" signed a medium-term loan contract with Commercial International Bank (CIB) for an amount of EGP 300 Million to finance the total amount due to Solidere International following the settlement agreement Tranche (A) to finance any deficit in the cash flows related to the development of specific blocks on Westown Residences in stage (B) tranche (B).

### Guarantees:

- The Company committed to deposit all revenues from the sale of the project.
- The Company shall sign a mortgage and a first degree right of transfer on the project in favor of the bank.
- The Company shall get insurance cover the project's constructions in favor of the bank.

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:

- 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.

### 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.

	30/06/2019	31/12/2018
	<u>EGP</u>	<u>EGP</u>
On July16, 2014, Sixth of October for Development and Investment Company "SODIC" signed a medium-term loan contract with Commercial International Bank (CIB) for an amount of EGP 300 Million to finance the total amount due to Solidere International following the settlement agreement Tranche (A) to finance any deficit in the cash flows related to the development of specific blocks on Westown Residences in stage (B) tranche (B).	52 070 645	104 141 290

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:	1 144 821 775	444 821 774
---	---------------	-------------

	1 196 892 420	548 963 064
--	---------------	-------------

*Sixth of October for Development and Investment Company "SODIC" (An Egyptian Joint Stock Company)  
Notes to the separate interim financial statements for the financial period ended June 30, 2019*

	<b>30/06/2019</b>	<b>31/12/2018</b>
	<b><u>EGP</u></b>	<b><u>EGP</u></b>
	<b>1 196 892 420</b>	<b>548 963 064</b>
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.	228 000 000	98 000 000
<b><u>Guarantees:</u></b>		
- The Company committed to deposit all revenues from the sale of the project.		
- The Company shall sign a mortgage and a first degree right of transfer on the project in favor of the bank.		
- The Company shall get insurance cover 110% the project's constructions in favor of the bank.		
<b><u>Grace period:</u></b>		
Three years and six months applied on the principal of the loan only from the date of first drawdown.		
<b><u>Repayment:</u></b>		
Commenced on March 2021, and repayable in (13) quarterly unequal installments.		
	<b>1 424 892 420</b>	<b>646 963 064</b>
<b><u>Deduct: Current portion</u></b>		
- Syndicated loan from Arab African International Bank	228 964 355	44 482 177
- Loan from CIB	52 070 645	104 141 290
<b>Total current portion</b>	<b>281 035 000</b>	<b>148 623 467</b>
	<b>1 143 857 420</b>	<b>498 339 597</b>

## **27. Long-term notes payable**

This item is as follow:

	<b>30/06/2019</b>	<b>31/12/2018</b>
	<b><u>EGP</u></b>	<b><u>EGP</u></b>
Total par value of the checks issued.	105 500 000	105 500 000
<b><u>Less:</u></b>		
Unamortized interest	16 297 375	21 358 241
	<b>89 202 625</b>	<b>84 141 759</b>

The Company's exposure to credit risk related to long-term notes payable are disclosed in Note No. (34).

*Sixth of October for Development and Investment Company "SODIC" (An Egyptian Joint Stock Company)  
Notes to the separate interim financial statements for the financial period ended June 30, 2019*

## 28. Contractors, suppliers and notes payable

	30/06/2019	31/12/2018
	<u>EGP</u>	<u>EGP</u>
Contractors	139 684 029	100 425 964
Suppliers	19 243 879	21 354 152
Notes payable *	433 357 217	539 070 769
	<u>592 285 125</u>	<u>660 850 885</u>
<b><u>Deduct:</u></b> Unamortized interest-notes payable	9 421 482	30 106 098
	<u>582 863 643</u>	<u>630 744 787</u>

\* Notes payable includes EGP 52 574 310 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. (34).

## 29. Advances from customers

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

	30/06/2019	31/12/2018
	<u>EGP</u>	<u>EGP</u>
Advances for booking, contracting and installments of residential units (Fourth area)	248 200	248 200
Advances - <b>Allegria</b> project	89 797 569	111 991 326
Advances - <b>Forty West</b> project	350 666 433	351 857 715
Advances - <b>Westown Residences</b> project	1 361 340 584	772 259 412
Advances - <b>The Courtyards</b>	528 395 205	793 050 569
Advances - <b>Portal</b>	356 360 974	133 712 488
Advances - <b>The Polygon 9-10</b>	292 344 413	391 296 752
Advances - <b>October Plaza 1</b>	910 177 434	767 078 638
Advances - <b>Strip 2</b>	242 834 754	243 265 039
Advances - <b>Sodic East</b> phase *	1 531 008 219	1 536 907 715
	<u>5 663 173 785</u>	<u>5 101 667 854</u>

\* The balance represents the net of advances from customers with a total contractual value of EGP 2 185 255 941 which has been reduced by EGP 654 247 722 representing 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).



*Sixth of October for Development and Investment Company "SODIC" (An Egyptian Joint Stock Company)  
Notes to the separate interim financial statements for the financial period ended June 30, 2019*

### 30. Creditors and other credit balances

	30/06/2019	31/12/2018
	<u>EGP</u>	<u>EGP</u>
Accrued expenses	13 252 557	47 201 362
Amounts collected on account for management, operation and maintenance of projects	487 715 483	452 698 560
Amounts collected on account of premiums of club	161 643 712	160 453 268
Creditors of gas and electricity installments	22 922 672	17 754 462
Insurance Deposits collected from customers – Against modifications	279 615	279 615
Customers-credit balances of <b>Polygon</b> project *	3 393 039	10 419 593
Customers-credit balances of <b>Strip 1</b> project	1 047 813	251 856
Customers - cancellation	12 389 784	6 350 018
Dividends payable	4 937 718	91 643
Tax Authority	22 236 215	12 943 539
Accrued compensated absence	3 321 215	4 171 172
Sundry creditors	4 019 609	6 014 671
Due to beneficiaries from Incentive plan	1 077 107	1 192 490
Advances-rents	3 481 054	2 520 493
	<u>741 717 593</u>	<u>722 342 742</u>

\* 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. (34).

### 31. Provision for completion

	Balance as at 1/1/2019	Formed during the period	Used during the period	Balance as at 30/06/2019
	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>
Provision for completion of works	69 073 162	1 857 707	21 001 607	49 929 262
	<u>69 073 162</u>	<u>1 857 707</u>	<u>21 001 607</u>	<u>49 929 262</u>

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 periods.

### Provisions

	Balance as at 1/1/2019	Formed during the period	Used during the period	Balance as at 30/06/2019
	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>
Provision for expected claims	10 000 001	-	-	10 000 001
	<u>10 000 001</u>	<u>-</u>	<u>-</u>	<u>10 000 001</u>

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

### 32. Investments in subsidiaries

	Legal Form	Ownership %	Paid amount of Participation %	Carrying amount as at 30/06/2019 EGP	Carrying amount as at 31/12/2018 EGP
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
SODIC for Management of Hotels and Clubs	S.A.E	40	100	8 000 000	8 000 000
				<b>1 715 332 466</b>	<b>1 715 332 466</b>

### 33. 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.

### **34. 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.

#### **34-1 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).

#### **34-2 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 period including the cost of servicing financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

In addition, the 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.

#### **34-3 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.

#### **34-4 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.

#### **34-5 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.

#### **34-6 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 as held for trading because their performance is actively monitored and they are managed on a fair value basis.

#### **34-7 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 June 30, 2019, amounted to EGP 7 167 920 402 (At December 31, 2018 : EGP 5 693 507 689).

*Sixth of October for Development and Investment Company "SODIC" (An Egyptian Joint Stock Company)  
Notes to the separate interim financial statements for the financial period ended June 30, 2019*

### 34-8 Liquidity risk

The following are the contractual maturities of financial liabilities:

<u>June 30, 2019</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	281 035 000	281 035 000	-	-
Long – term loans	1 143 857 420	-	843 434 154	300 423 266
Contractors and suppliers	158 927 907	158 927 907	-	-
Other creditors	741 717 593	427 111 101	303 164 446	11 442 046
Notes payable –short term	423 935 736	423 935 736	-	-
Notes payable –long term	89 202 625	-	89 202 625	-
	<u>2 838 276 281</u>	<u>1 291 009 744</u>	<u>1 235 801 225</u>	<u>311 865 312</u>

<u>December 31, 2018</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	148 623 467	148 623 467	-	-
Long – term loans	498 339 597	-	310 293 065	188 046 532
Contractors and suppliers	121 780 116	121 780 116	-	-
Other creditors	722 342 742	449 092 700	263 312 105	9 937 937
Notes payable – short term	508 964 671	508 964 671	-	-
Notes payable – long term	84 141 192	-	84 141 192	-
	<u>2 084 191 785</u>	<u>1 228 460 954</u>	<u>657 746 362</u>	<u>197 984 469</u>

### 34-9 Currency risk

#### Exposure to currency risk

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

	<u>30/06/2019</u>	<u>30/06/2019</u>	<u>31/12/2018</u>	<u>31/12/2018</u>
<u>Description</u>	<u>Euro</u>	<u>USD</u>	<u>Euro</u>	<u>USD</u>
Notes receivable short / long - term	-	1 385 469	-	2 963 187
Advances - from customers	-	(12 262 002)	-	(12 262 002)
Maintenance creditors	-	(486 000)	-	(486 000)
Cash at banks	8 341	10 280 798	289 593	9 262 123
<b>Surplus of foreign currencies</b>	<b>8 341</b>	<b>(1 081 735)</b>	<b>289 593</b>	<b>(522 692)</b>

### 34-10 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>30/06/2019</u>	<u>31/12/2018</u>
	<u>EGP</u>	<u>EGP</u>
<b><u>Financial instruments with a fixed rate</u></b>		
Financial assets	4 410 581 115	4 116 770 997
Financial liabilities	(513 138 361)	(593 106 430)
	<u>3 897 442 754</u>	<u>3 523 664 567</u>
<b><u>Financial instruments with a variable rate</u></b>		
Financial liabilities	(1 424 892 420)	(646 963 064)
	<u>(1 424 892 420)</u>	<u>(646 963 064)</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 interim financial statements date would not affect the statement of profit or loss.

*Sixth of October for Development and Investment Company "SODIC" (An Egyptian Joint Stock Company)  
Notes to the separate interim financial statements for the financial period ended June 30, 2019*

### 35. 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 interim financial position date were as follows:

Party	Nature of relationship	Nature of transaction	30/06/2019 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.	1 174 078
Sixth of October for Development and Real Estate Projects (SOREAL)	A subsidiary	Payments on behalf of the Company	106 233 731
		Cash payments	447 194 150
Sodic Garden City for development and investment	A subsidiary	Payments on behalf of the Company	267 927
		Cash payments	913 487
Edara for Services of Cities and Resorts Company	A subsidiary	Works of agriculture, maintenance and security services for Allegria city	54 258 432
Tegara Company for trading centers	A subsidiary	Expenses on behalf of the company	7 598
SODIC for Golf and Tourist Development Company	A subsidiary	Payments on behalf of the Company	9 952 382
		Cash payments	11 000 000
SODIC Polygon for Real estate investment Company	A subsidiary	Payments on behalf of the Company	16 262 812
		Cash proceeds	50 866 311
Al Yosr for Projects and Agriculture Development Company	A subsidiary	Payment on behalf of the company	807 241
Fourteen for real estate investment Company	A subsidiary	Payments on behalf of the Company	839 943
SODIC – Syria Company	A subsidiary	Payments on behalf of the Company	26 805
La Maison for Real estate investment Company	A subsidiary	Payments on behalf of the Company	5 774 715
		Cash proceeds	8 608 525
SOREAL for Real estate investment Company	A subsidiary	Payments on behalf of the Company	17 000 864
		Cash payments	48 461 404
Tabrouk Development Company	A subsidiary	Payments on behalf of the Company	6 222 382
		Cash payments	20 338 404
Sodic for Securitization Company	A subsidiary	Payments on behalf of the Company	9 967
SODIC for Development and Real Estate Investment Company	A subsidiary	Payments on behalf of the Company	55 400
Executive directors and board members			(Note No.9)

*Sixth of October for Development and Investment Company "SODIC" (An Egyptian Joint Stock Company)  
Notes to the separate interim financial statements for the financial period ended June 30, 2019*

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

**a) Due from related parties**

	<b>31/12/2019</b>	<b>31/12/2018</b>
	<b><u>EGP</u></b>	<b><u>EGP</u></b>
SOREAL for Real Estate Company – a subsidiary.	2 708 784	34 169 325
Tabrouk Development Company – a subsidiary.	-	10 262 029
Greenscape for Agriculture and Reclamation Company – a subsidiary (under Liquidation)	3 651 668	3 651 668
Move-In for Advanced Contracting Company – a subsidiary	22 411 128	22 411 128
Al Yosr for Projects and Agriculture Development Company – a subsidiary	3 137 618	2 330 378
SODIC for Development and Real Estate Investment Company – a subsidiary	301 335	245 936
SODIC Syria Company – a subsidiary	433 927 365	433 900 560
Fourteen for Real Estate Investment Company – a subsidiary	64 026 436	63 186 493
La Maison for Real Estate Investment Company - S.A.E	30 435 468	33 269 278
Edara for Services of Cities and Resorts Company – a subsidiary	-	3 367 058
Palmyra Real Estate Development Company –a Joint project	35 191 620	35 191 620
SODIC Garden City for Development and Investment Company – a subsidiary	170 611	816 170
SODIC for Golf and Tourist Development Company – a subsidiary	56 851 989	55 804 371
El Diwan for real estate development	58 234	48 776
Other related companies	582 589	568 473
	<b>653 454 845</b>	<b>699 223 263</b>
Impairment of due from related parties (35- 1)	(622 007 257)	(614 189 604)
	<b>31 447 588</b>	<b>85 033 659</b>

(35-1) 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 622 007 257 as at June 30, 2019.

*Sixth of October for Development and Investment Company "SODIC" (An Egyptian Joint Stock Company)  
Notes to the separate interim financial statements for the financial period ended June 30, 2019*

**b) Due to related parties**

	<b>30/06/2019</b>	<b>31/12/2018</b>
	<b><u>EGP</u></b>	<b><u>EGP</u></b>
Sixth of October for Development and Real Estate Projects (SOREAL)	451 665 915	110 914 620
SODIC Polygon for Real Estate Investment Company – a subsidiary	135 517 031	10 961 658
Tegara for Trading Centers Co. – a subsidiary	51 822 631	51 826 017
Tabrouk Development Company	3 853 992	-
Edara for Services of Cities and Resorts Company – a subsidiary	16 839 015	-
Beverly Hills Co. for Management of Cities and Resorts	255 237	59 558
	<b><u>659 953 821</u></b>	<b><u>173 761 853</u></b>

**36. Tax status**

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

**Corporate tax**

- Years from 1996 till 2005 have been tax inspected and tax differences has been paid and settled.
- Year from 2006 till 2014 have been inspected and settlement of accrued tax differences is under way for those years.
- Year from 2015 till 2018, have not been inspected and no tax claims have been received till the date of authorizing of these financial statements for issuance.
- The Company submits its annual tax return on due dates in accordance with Law No. 91 of 2005.

**Salary tax**

- Year from 1996 till 2012 have been inspected and tax differences has been paid and settled.
- The years 2013 to 2015 the company received form 38 salaries on 29/1/2019 and was objected to and was determined internal committee for re-examination.
- Years from 2016 till 2018 have not been inspected and no tax claims have been received till the date of authorizing of these financial statements for issuance.
- The Company pays the monthly salary tax on a regular basis.

**Withholding tax**

- Tax inspection has been carried out 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 2018 have not been inspected and no tax claims have been received till the date of authorizing of these financial statements for issuance.
- The Company provides stamp tax returns on a regular basis.

**Sales tax**

- The Company was inspected from inception till December 31, 2015, and tax differences has been paid and settled.

**The value added tax**

- Years from 2016 till 2018 have not been inspected and no tax claims have been received till the date of authorizing of these financial statements for issuance.
- The Company submits the value add tax returns on a regular basis and pay the accrued taxes on the legal dates.



Sixth of October for Development and Investment Company "SODIC" (An Egyptian Joint Stock Company)  
Notes to the separate interim financial statements for the financial period ended June 30, 2019

**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.

**37. Capital commitments**

Capital commitments as at June 30, 2019 amounted EGP 3 750 is represented in contracted and unexecuted works (December 31, 2018: EGP 3 750).

**38. 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 The hearing was scheduled for August 5, 2019, at which the court decided to appoint an expert and the hearing session has not been determined yet.

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.

**39. 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.

**40. 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

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

Notes to the separate interim financial statements for the financial period ended June 30, 2019

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 Stock 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 Board of Directors have decided on the meeting dated October 23, 2018 to increase the issued capital from EGP 1 369 194 672 to become EGP 1 396 715 488 by an amount of EGP 27 520 816 divided on 6 880 204 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 for the second and third sections from the sections of Employees Stock 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, and delegate the Board of Directors to execute the procedures of the required increase to issue new shares to be utilize in the Employees Stock Option Plan, The commercial register was modified on January 8, 2019.

**41. Significant accounting policies**

**41.1. 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.
- 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.

#### **41.2. 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.

#### **41.3. 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.

#### **41.4. 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.

**41.5. 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.

**41.6. 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.

**41.7. 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.

**41.8. 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.

**41.9. 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.

*Sixth of October for Development and Investment Company "SODIC" (An Egyptian Joint Stock Company)  
Notes to the separate interim financial statements for the financial period ended June 30, 2019*

**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
Solar power stations	25
Leasehold improvements	5 years or lease term whichever is lower

**41.10. 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.

**41.11. 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.

**41.12. 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.

#### **41.13. 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.

#### **41.14. 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.

### **41.15. 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 period until finalization of all the project works.

**41.16. 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 period on a time pattern basis and accrued base.

**41.17. 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.

**41.18. 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.

**41.19. 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.

**41.20. 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.

**41.21. Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of the qualifying asset, which require a long period to be prepared for use in its intended purposes or sold as part of the cost of the asset, and other borrowing costs are charged as an expense in the period in which they are incurred. The borrowing costs represent in the interest and other costs incurred by the Company to borrow the funds.

**41.22. 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.

**41.23. Trade, contractors and other credit balances**

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

**41.24. Notes payable**

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

**41.25. 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.

**41.26. 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.

**41.27. 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 period at which the declaration has been authorized.

**41.28. 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.

*Sixth of October for Development and Investment Company "SODIC" (An Egyptian Joint Stock Company)  
Notes to the separate interim financial statements for the financial period ended June 30, 2019*

**42. Significant accounting policies**

On March 18, 2019, the Minister of Investment and International Cooperation introduced amendments to some provisions of the Egyptian Accounting Standards issued thereby by virtue of Decree No. 110 of 2015 , which include some new accounting standards as well as introducing amendments to certain existing standards. The most prominent amendments are as follows:

<b><u>New or Amended Standards</u></b>	<b><u>A Summary of the Most Significant Amendments</u></b>	<b><u>The Possible Impact on the Financial Statements</u></b>	<b><u>Date of Implementation</u></b>
The new Egyptian Accounting Standard No. (47) "Financial Instruments"	<p>1-The new Egyptian Accounting Standard No. (47), "Financial Instruments", supersedes the corresponding related issues included in the Egyptian Accounting Standard No. (26), "Financial Instruments: Recognition and Measurement". Accordingly, Egyptian Accounting Standard No. 26 was amended and reissued after cancelling the paragraphs pertaining to the issues addressed in the new Standard No. (47) and the scope of the amended Standard No. (26) was specified and intended to deal only with limited cases of Hedge Accounting according to the choice of the enterprise.</p> <p>1- Pursuant to the requirements of the Standard, financial assets are classified based on their subsequent measurement whether at amortized cost, or fair value through other comprehensive income or at fair value through profit or loss, in accordance with the enterprise business model for managing financial assets and the contractual cash flow characteristics of the financial asset.</p> <p>2- When measuring the impairment of financial assets the Incurred Loss Model is replaced by the Expected Credit Loss (ECL)Models, which requires measuring the impairment of all financial assets measured at amortized cost and financial instruments measured at fair value through other comprehensive income from their initial recognition date regardless whether there is any indication of the occurrence of loss event.</p>	The Management is currently assessing the potential impact of implementing the amendment of the standard on the financial statements.	This standard applies to financial periods beginning on or after January1st, 2020, and the early implementation thereof is permitted; provided that the amended Egyptian Accounting Standards Nos. (1), (25), (26) and (40) are to be simultaneously applied.

*Sixth of October for Development and Investment Company "SODIC" (An Egyptian Joint Stock Company)  
Notes to the separate interim financial statements for the financial period ended June 30, 2019*

<u>New or Amended Standards</u>	<u>A Summary of the Most Significant Amendments</u>	<u>The Possible Impact on the Financial Statements</u>	<u>Date of Implementation</u>
	<p>3- based on the requirements of this standard the following standards were amended :</p> <p>-Egyptian Accounting Standard No. (1)"Presentation of Financial Statements" as amended in 2019 ]</p> <p>2-Egyptian Accounting Standard No. (4) -"Statement of Cash Flows".</p> <p>3-Egyptian Accounting Standard No. (25) -"Financial Instruments: Presentation.</p> <p>4-Egyptian Accounting Standard No. (26) - "Financial Instruments: Recognition and Measurement".</p> <p>5- Egyptian Accounting Standard - EAS No. (40) - "Financial Instruments: Disclosures "</p>		-These ammendments are effective as of the date of implementing Standard No. (47) ]
<p>The new Egyptian Accounting Standard No. (48) - "Revenue from Contracts with Customers"</p>	<p>The new Egyptian Accounting Standard No. (48) - "Revenue from Contracts with Customers" shall supersede the following standards and accordingly such standards shall be deemed null and void:</p> <p>Egyptian Accounting Standard No. (8) - "Construction Contracts" as amended in 2015.</p> <p>Egyptian Accounting Standard No. (11) - "Revenue" as amended in 2015.</p> <p>For revenue recognition, Control Model is used instead of Risk and Rewards Model.</p> <p>incremental costs of obtaining a contract with a customer are recognized as an asset if the enterprise expects to recover those costs and the costs of fulfilling the contract are to be recognized as an asset when certain conditions are met</p> <p>the standard requires that contract must have a commercial substance in order for revenue to be recognized</p> <p>Expanding in the presentation and disclosure requirements</p>	<p>The Management is currently assessing the potential impact of implementing the amendment of the standard on the financial statements</p>	<p>Standard No(48) applies to financial periods beginning on or after January1st, 2020, and the early implementation thereof is permitted</p>

*Sixth of October for Development and Investment Company "SODIC" (An Egyptian Joint Stock Company)  
Notes to the separate interim financial statements for the financial period ended June 30, 2019*

<b><u>New or Amended Standards</u></b>	<b><u>A Summary of the Most Significant Amendments</u></b>	<b><u>The Possible Impact on the Financial Statements</u></b>	<b><u>Date of Implementation</u></b>
The new Egyptian Accounting Standard No. (49) "Lease Contracts"	<p>The new Egyptian Accounting Standard No. (49) "Lease Contracts" shall supersede and revoke Standard No. (20), "Accounting Rules and Standards related to Financial Leasing" issued in 2015</p> <p>The Standard introduces a single accounting model for the lessor and the lessee where the lessee recognizes the usufruct of the leased asset as part of the company's assets and recognizes a liability that represents the present value of the unpaid lease payments under the company's liabilities, taking into account that the lease contracts are not classified in respect of the lessee as operating or finance lease contracts</p> <p>As for the lessor, he shall classify each lease contract either as an operating lease or a finance lease contract.</p> <p>As for the finance lease, the lessor must recognize the assets held under a finance lease contract in the Statement of Financial Position and present them as amounts receivable with an amount equivalent to the amount of the net investment in the lease contract.</p> <p>As for operating leases, the lessor must recognize the lease payments of operating lease contracts as income either based on the straight-line method or based on any other regular basis.</p>	The Management is currently assessing the potential impact of implementing the amendment of the standard on the financial statements.	<p>This standard No. (49) applies to financial periods beginning on or after January 1st, 2020, and the early implementation thereof is permitted if Egyptian Accounting Standard No. (48) "Revenue from Contracts with Customers" is simultaneously applied.</p> <p>Except for the above-mentioned date of enforcement, Standard No. (49) applies to lease contracts that were subjected to Finance Lease Law No. 95 of 1995 and its amendments and were treated according to Egyptian Accounting Standard No. 20, "Accounting rules and standards related to financial leasing" as well as the finance lease contracts that arise under and are subjected to Law No. 176 of 2018 to the effect of regulating both financial leasing and factoring activities starting from the beginning of the annual reporting period in which Law No. (95) of 1995 was revoked and Law No. (176) of 2018 was issued.</p>

<b><u>New or Amended Standards</u></b>	<b><u>A Summary of the Most Significant Amendments</u></b>	<b><u>The Possible Impact on the Financial Statements</u></b>	<b><u>Date of Implementation</u></b>
Egyptian Accounting Standard No. (38) as amended "Employees Benefits "	A number of paragraphs were introduced and amended in order to amend the Accounting Rules of Settlements and Curtailments of Benefit Plans	The Management is currently assessing the potential impact of implementing the amendment of the standard on the financial statements.	This standard No. (38) applies to financial periods beginning on or after January 1st, 2020, and the early implementation thereof is permitted.
Egyptian Accounting Standard No. (42) as amended " Consolidated Financial Statements"	Some paragraphs related to the exclusion of the Investment Entities from the consolidation process were added . This amendment has resulted in introducing an amendment to some of the standards related to the subject of the Investment Entities. The standards that were amended are as follows: (ESA 15) Related Party Disclosures (ESA 17) Consolidated and Separate Financial Statements (ESA 18) Investments in Associates (ESA 24) Income Taxes (ESA 29) Business Combinations ESA( 30) Periodical Financial Statements EAS (44) Disclosure of Interests in Other Entities.	The Management is currently assessing the potential impact of implementing the amendment of the standard on the financial statements.	This standard applies to financial periods beginning on or after January 1st, 2020, and the early implementation thereof is permitted. -The new or amended paragraphs pertaining to the amended standards concerning the investment entities shall apply on the effective date of Egyptian Accounting Standard No. (42) "Consolidated Financial Statements", as amended and issued in 2019.
Issuance of Egyptian Accounting Interpretation No.(1)"Public Service Privileges Arrangements" ...	This interpretation provides guidance on the accounting by operators of public service privileges arrangements from a public entity to a private entity for the construction, operation and maintenance of the infrastructure for public utilities such as roads, bridges, tunnels, hospitals, airports, water supply facilities, power supplies and communications networks. ..., etc This interpretation gives the option of continuing to apply the prior treatment of public service privileges arrangements that prevailed prior to January 1st, 2019 on entities that used to recognize and measure the assets of these arrangements as fixed assets in	The Management is currently assessing the potential impact of implementing the amendment of the standard on the financial statements	Interpretation No.(1) applies to financial periods beginning on or after January 1st, 2019,

<u>New or Amended Standards</u>	<u>A Summary of the Most Significant Amendments</u>	<u>The Possible Impact on the Financial Statements</u>	<u>Date of Implementation</u>
	accordance with Egyptian Accounting Standard No. 10 "Fixed Assets and Depreciation "until their useful lives are expired .		
Egyptian Accounting Standard No. (22) as ammended " Earnings per Share	The scope of implementation of the Standard was amended to be applied to the separate, or consolidated financial statements issued to all enterprises.	The Management is currently assessing the potential impact of implementing the amendment of the standard on the financial statements	This amendment is introduced and shall apply to financial periods beginning on or after January 1st, 2019.
Egyptian Accounting Standard No. (34) as ammended " Real Estate Investment	The Fair Value Model option for all enterprises is no longer used when the subsequent measurement of their real estate investments is made and compliance shall apply only to the Cost Model. while only real estate investment funds are obliged to use the Fair Value Model, upon the subsequent measurement of all their real estate assets. Based on this amendment, the following standards were ammended : Egyptian Accounting Standard No. (32) Non-current Assets Held for Sale and Discontinued Operation Egyptian Accounting Standard No. (31) Impairment of Assets	The Management is currently assessing the potential impact of implementing the amendment of the standard on the financial statements	This amendment is introduced and shall apply to financial periods beginning on or after January 1st, 2019.
Egyptian Accounting Standard No. (4) as ammended " Statemnet of Cash Flows"	This standard requires the entity to provide disclosures that enable users of the financial statements to assess changes in liabilities arising from finance activities, including both changes arising from cash flows or non-cash flows .	The Management is currently assessing the potential impact of implementing the amendment of the standard on the financial statements	This amendment is introduced and shall apply to financial periods beginning on or after January 1st, 2019.