

**Sixth of October for Development and Investment Company "SODIC"**  
**(An Egyptian Joint Stock Company)**  
**Separate Financial Statements**  
**For The Financial Year Ended December 31, 2018**  
**And Auditor's Report**

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

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## Hazem Hassan

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*Translation of audit report  
originally issued in Arabic*

### **Auditor's Report**

#### **To The Shareholders of Sixth of October for Development and Investment Company "SODIC"**

##### ***Report on the Separate Financial Statements***

We have audited the accompanying separate financial statements of Sixth of October for Development and Investment Company "SODIC" (S.A.E.), which comprise the separate statement of financial position as at December 31, 2018, and the separate statements of profit or loss, comprehensive income, changes in equity and cash flows for the financial year then ended, and a summary of significant accounting policies and other explanatory notes.

##### ***Management's Responsibility for the Separate Financial Statements***

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

##### ***Auditor's Responsibility***

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

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

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

**Opinion**

In our opinion, the separate financial statements referred to above present fairly, in all material respects, the separate financial position of Sixth of October for Development and Investment Company "SODIC", as at December 31, 2018, and of its separate financial performance and its separate cash flows for the year then ended in accordance with the Egyptian Accounting Standards and the Egyptian laws and regulations relating to the preparation of these financial statements.

**Report on Other Legal and Regulatory Requirements**

The Company maintains proper books of account, which include all that is required by law and by the statutes of the Company, the financial statements are in agreement thereto.

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

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



Cairo March 7<sup>th</sup>, 2019



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

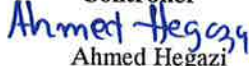
EGP	Note No.	31 December 2018	31 December 2017
<b>Non-current assets</b>			
Property, plant, equipment	(21)	275 226 558	287 072 739
Projects under construction		4 748 569	346 014
Investments in subsidiaries	(32)	1 715 332 466	1 707 842 466
Investments - available for sale	(23)	4 276 152	4 276 152
Investment properties	(22)	16 384 955	15 234 137
Notes receivables	(17)	2 824 146 088	2 871 388 018
<b>Total non-current assets</b>		<b>4 840 114 788</b>	<b>4 886 159 526</b>
<b>Current assets</b>			
Inventory	(15)	8 717 028	6 334 977
Work in process	(16)	2 660 479 548	1 736 841 419
Trade and notes receivable	(18)	1 292 624 909	1 361 780 906
Due from related parties	(35)	85 033 659	104 372 494
Debtors and other debit balances	(19)	866 348 768	818 006 736
Investments in treasury bills		706 415 448	58 642 216
Cash at banks and on hand	(20)	691 383 944	1 440 908 137
<b>Total current assets</b>		<b>6 311 003 304</b>	<b>5 526 886 885</b>
<b>Total assets</b>		<b>11 151 118 092</b>	<b>10 413 046 411</b>
<b>Equity</b>			
Issued & paid in capital	(24)	1 369 194 672	1 369 194 672
Legal reserve	(24)	213 930 055	206 217 101
Special reserve - share premium	(24)	1 389 595 728	1 389 595 728
Retained earnings		707 790 666	909 000 729
Profit from sale of treasury shares	(25)	1 725 456	1 725 456
Reserve for employee stock option plan		21 001 101	1 645 597
<b>Total equity</b>		<b>3 703 237 678</b>	<b>3 877 379 283</b>
<b>Non-current liabilities</b>			
Loans - long term	(26)	498 339 597	518 963 065
Notes payable - long term	(27)	84 141 759	47 903 700
Deferred tax liabilities	(13)	9 185 192	8 720 091
<b>Total non-current liabilities</b>		<b>591 666 548</b>	<b>575 586 856</b>
<b>Current liabilities</b>			
Loans - Short term	(26)	148 623 467	28 402 170
Contractors, suppliers and notes payable	(28)	630 744 787	211 482 602
Due to related parties	(35)	173 761 853	162 407 458
Advances - from customers	(29)	5 101 667 854	4 658 583 671
Creditors and other credit balances	(30)	722 342 742	802 180 998
Provision for completion	(31)	69 073 162	91 206 605
Provisions	(31)	10 000 001	5 816 768
<b>Total current liabilities</b>		<b>6 856 213 866</b>	<b>5 960 080 272</b>
<b>Total liabilities</b>		<b>7 447 880 414</b>	<b>6 535 667 128</b>
<b>Total equity and liabilities</b>		<b>11 151 118 092</b>	<b>10 413 046 411</b>

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

**Financial Manager**

  
Mohamed Samir


**Group Financial  
Controller**

  
Ahmed Hegazi

**Chief Financial Officer**

  
Omar Elhamawy

**Managing Director**

  
Magued Sherif

**Chairman**

  
Hani Sarie El Din

"Auditor's report attached"

**Sixth of October for Development and Investment Company "SODIC"**  
**(An Egyptian Joint Stock Company)**  
**Separate statement of profit or loss**  
**for the financial year ended December 31, 2018**

EGP	Note	2018	2017
<b>Continuing operations</b>	<b>No</b>		
Revenue	(5)	875 643 862	880 946 391
Cost of sales	(6)	( 421 097 774)	(455 662 368)
<b>Gross profit</b>		<b>454 546 088</b>	<b>425 284 023</b>
Other operating revenues	(7)	122 571 820	112 881 515
Selling and marketing expenses	(8)	( 187 723 585)	( 124 975 946)
General and administrative expenses	(9)	( 259 726 724)	( 267 461 640)
Other operating expenses	(10)	( 396 747 501)	( 54 468 274)
<b>Operating (loss) / profit</b>		<b>(267 079 902)</b>	<b>91 259 678</b>
Finance income	(11)	215 381 119	210 371 405
Finance cost	(12)	( 109 462 075)	( 99 553 891)
<b>Net finance income</b>		<b>105 919 044</b>	<b>110 817 514</b>
<b>Net (loss) / profit before tax</b>		<b>(161 160 858)</b>	<b>202 077 192</b>
Income tax	(13)	( 32 336 251)	(47 818 134)
<b>(Loss) / Profit from continuing operations</b>		<b>(193 497 109)</b>	<b>154 259 058</b>
<b>(Loss) / Profit for the year</b>		<b>(193 497 109)</b>	<b>154 259 058</b>
<b>(Losses) / Earnings per share from (loss) / profit of the year (EGP / Share)</b>	<b>(14)</b>	<b>-0.57</b>	<b>0.45</b>

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

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

**Separate statement of comprehensive income**  
**for the financial year ended December 31, 2018**

<b>EGP</b>	<b>2018</b>	<b>2017</b>
<b>(Loss) / Profit for the year</b>	<b>(193 497 109)</b>	<b>154 259 058</b>
<b>Other comprehensive income</b>		
<b>Total other comprehensive income after income tax</b>	<b>-</b>	<b>-</b>
<b>Total comprehensive income of the year</b>	<b>(193 497 109)</b>	<b>154 259 058</b>

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

Sixth of October for Development and Investment Company "SODIC"  
(An Egyptian Joint Stock Company)  
Separate statement of changes in Equity  
for the financial year ended December 31, 2018

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
-	-	-	154 259 058	-	-	-	154 259 058
-	-	-	-	-	-	-	-
-	-	-	154 259 058	-	-	-	154 259 058
13 556 380	-	(13 556 380)	-	-	-	-	-
-	11 128 248	-	(11 128 248)	-	-	-	-
-	-	28 588 105	-	-	-	-	28 588 105
-	-	16 630 524	-	-	-	(16 630 524)	-
13 556 380	11 128 248	31 662 249	(11 128 248)	-	-	(16 630 524)	28 588 105
1 369 194 672	206 217 101	1 389 595 728	909 000 729	1 725 456	-	1 645 597	3 877 379 283
1 369 194 672	206 217 101	1 389 595 728	909 000 729	1 725 456	-	1 645 597	3 877 379 283
-	-	-	(193 497 109)	-	-	-	(193 497 109)
-	-	-	-	-	-	-	-
-	-	-	(193 497 109)	-	-	-	(193 497 109)
-	-	-	-	-	-	-	-
-	7 712 954	-	(7 712 954)	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	19 355 504	19 355 504
-	-	-	-	-	-	-	-
-	7 712 954	-	(7 712 954)	-	-	19 355 504	19 355 504
1 369 194 672	213 930 055	1 389 595 728	707 790 666	1 725 456	-	21 001 101	3 703 237 678



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

EGP	Note No	2018	2017
<b><u>Cash flows from operating activities</u></b>			
Net (loss) / profit for the year before tax		(161 160 858)	202 077 192
<b><u>Adjustments for:</u></b>			
Depreciation of fixed assets and leased units	(21) , (22)	25 425 154	21 780 790
Capital gain		( 343 088)	( 1 184 541)
Employee stock option plan expense		19 355 504	-
Reversal of fixed assets impairment		( 1 822 590)	( 1 823 246)
Return on investments in treasury bills		( 159 355 748)	( 156 055 757)
Impairment loss of due from related parties		7 008 464	5 140 726
Provision for completion formed	( 31)	12 873 310	31 937 131
Provisions formed	( 31)	4 183 233	90 647
<b><u>Changes in:</u></b>			
Finished units available for sale and material inventory		(2 382 051)	1 334 888
Works in process		(923 638 129)	( 293 389 600)
Trade and notes receivables		116 397 927	(1 298 120 526)
Due from related parties		12 840 371	86 644 039
Debtors and other debit balances		(48 342 032)	( 367 343 514)
Provision of completion used	( 31)	(35 006 753)	( 20 993 040)
Provision used		-	-
Advances from customers		443 084 183	1 574 932 201
Notes payable - long term		36 238 059	-
Contractors, suppliers and notes payable		419 262 185	33 015 679
Due to related parties		3 354 395	18 250 819
Creditors and other credit balances		(79 838 256)	47 017 272
Restricted cash		-	49 000 000
<b>Cash (used in) / operating activities</b>		<b>(311 866 720)</b>	<b>(67 688 840)</b>
<b><u>Net cash flows from investing activities</u></b>			
Payments for purchase of fixed assets, projects under construction	( 21)	( 16 759 488)	( 44 755 160)
Payments for acquisition of investment properties		( 1 697 630)	( 187 226)
Payments for Investments in treasury bills		(2 259 131 579)	(3 936 065 616)
Proceeds from Investments in treasury bills		1 738 842 945	4 293 982 162
Proceeds from sale of fixed assets		1 490 450	2 080 668
<b>Net cash (used in) / generated from investing activities</b>		<b>(537 255 302)</b>	<b>315 054 828</b>
<b><u>Cash flows from financing activities</u></b>			
Change in short and long term loans		99 597 829	114 986 740
Proceeds from employee stock option plan		-	28 588 105
<b>Net cash generated from financing activities</b>		<b>99 597 829</b>	<b>143 574 845</b>
<b>Net (decrease) / increase in cash and cash equivalents</b>		<b>(749 524 193)</b>	<b>390 940 833</b>
Cash and cash equivalents at January 1		1 439 908 137	1 048 967 304
<b>Cash and cash equivalents at December 31</b>	( 20)	<b>690 383 944</b>	<b>1 439 908 137</b>

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

**Sixth of October for Development and Investment Company "SODIC"**  
**(An Egyptian Joint Stock Company)**  
**Notes to the separate financial statements**  
**for the financial year ended December 31, 2018**

**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.

*Sixth of October for Development and Investment Company "SODIC" (An Egyptian Joint Stock Company)  
Notes to the separate financial statements for the financial year ended December 31, 2018*

## **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 March 6, 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 year ended 31/12/2018 EGP</b>	<b>For the year ended 31/12/2017 EGP</b>
Revenues from the sale of units in <b>Allegría</b> project	237 688 055	149 932 441
Revenues from the sale of units in <b>Forty West</b> project	11 290 493	51 031 933
Revenues from the sale of units in <b>CASA</b> project	1 315 260	1 149 310
Revenues from the sale of units in <b>Westown Residences</b> project	13 831 587	437 288 994
Revenues from the sale of units in <b>Westown Courtyards</b> project	611 078 867	241 543 713
Revenues from the sale of units in <b>Beverly Hills</b> project	439 600	-
	<b>875 643 862</b>	<b>880 946 391</b>

*Sixth of October for Development and Investment Company "SODIC" (An Egyptian Joint Stock Company)  
Notes to the separate financial statements for the financial year ended December 31, 2018*

## 6. Cost of sales

	For the year ended 31/12/2018 EGP	For the year ended 31/12/2017 EGP
Cost of sales of units in <b>Allegria</b> project	74 166 369	67 779 146
Cost of sales of units in <b>Forty West</b> project	9 827 355	32 706 997
Cost of sales of units in <b>CASA</b> project	854 467	702 050
Cost of sales of units in <b>Westown Residences</b> project	6 841 675	200 695 458
Cost of sales of units in <b>Westown Courtyards</b> project	328 879 012	142 959 460
Cost of sales of units in <b>Beverly Hills</b> project	528 896	-
Cost of sales – provision to completion	-	10 819 257
	<b>421 097 774</b>	<b>455 662 368</b>

- Includes an amount of EGP 33 540 221 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 year ended 31/12/2018 EGP	For the year ended 31/12/2017 EGP
Interest income realized from installments during the year	52 573 659	56 024 234
Assignment, cancellation dues and delay penalties	61 042 196	47 940 147
Other income	1 318 492	597 219
Income from management & operation of the golf course	4 565 769	3 849 834
Income from management & operation of the Westtown club	527 653	-
Buildings leased revenue	378 373	1 462 294
Capital gain	343 088	1 184 541
Reversal of impairment losses of fixed assets	1 822 590	1 823 246
	<b>122 571 820</b>	<b>112 881 515</b>

## 8. Selling and marketing expenses

	For the year ended 31/12/2018 EGP	For the year ended 31/12/2017 EGP
Salaries and wages	33 537 846	24 975 938
Sales commissions	33 833 229	29 293 359
Advertising expenses	87 042 754	54 800 767
Conferences and exhibitions	14 953 660	5 190 683
Rent	3 148 188	2 855 669
Travel, transportation and cars	343 977	687 518
Maintenance, Cleaning, Agriculture and Security	2 591 585	1 602 224
Professional and consultants fees	2 561 642	2 669 287
Gifts	4 844 549	157 011
Printing and photocopying	1 336 897	883 710
Fees, Stamps and licenses	937 976	82 720
Depreciation – Marketing	660 802	678 255
Vacations	-	105 880
Employees training	-	48 500
Others	1 930 480	944 425
	<b>187 723 585</b>	<b>124 975 946</b>

*Sixth of October for Development and Investment Company "SODIC" (An Egyptian Joint Stock Company)  
Notes to the separate financial statements for the financial year ended December 31, 2018*

**9. General and administrative expenses**

	<b>For the year ended 31/12/2018 <u>EGP</u></b>	<b>For the year ended 31/12/2017 <u>EGP</u></b>
Salaries, wages and bonuses*	84 488 331	142 727 604
Board of Directors' remunerations and allowances	12 746 101	12 777 518
Employees Stock Option Plan	19 355 504	-
Compensation	-	6 780 200
Training and medical care	18 515 563	7 115 545
Professional and consultancy fees	17 000 110	14 639 610
Advertising	3 323 146	2 981 372
Donations	5 014 865	4 345 266
Golf course expenses	4 227 698	4 631 896
West tow club expenses	757 493	-
Maintenance, cleaning, agriculture, security and guarding	39 203 077	25 538 225
Administrative depreciation of fixed assets	24 215 961	19 650 528
Subscriptions and governmental dues	2 653 375	2 244 763
Rent	1 862 429	1 444 418
Travel and transportation	2 767 071	2 923 274
Communication and electricity	5 569 221	4 480 983
Stationary and computer supplies	5 633 500	4 528 732
Buffet , hospitality and reception	1 082 238	1 480 669
Bank charges	3 221 651	4 658 082
Employees benefits	2 542 691	32 786
Employees vacations	954 754	1 413 177
Gifts	2 616 580	2 153 142
Conferences and exhibitions	402 265	497 364
Insurance installments	411 050	353 714
Comprehensive medical insurance	1 094 555	-
Others	67 495	62 772
	<b><u>259 726 724</u></b>	<b><u>267 461 640</u></b>

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

	<b>For the year ended 31/12/2018 <u>EGP</u></b>	<b>For the year ended 31/12/2017 <u>EGP</u></b>
Salaries	11 196 000	11 710 390
	<b><u>11 196 000</u></b>	<b><u>11 710 390</u></b>

*Sixth of October for Development and Investment Company "SODIC" (An Egyptian Joint Stock Company)  
Notes to the separate financial statements for the financial year ended December 31, 2018*

**10. Other operating expenses**

	<b>For the year ended 31/12/2018 <u>EGP</u></b>	<b>For the year ended 31/12/2017 <u>EGP</u></b>
SODIC West Land adjustment*	357 588 833	-
Discount for early payment	14 360 273	37 352 594
Provision of claims	4 183 232	90 647
Depreciation of leased unites	546 812	1 452 007
Impairment losses of related parties	7 008 464	5 140 726
Golf course expenses	12 227 171	10 432 300
Westown club expenses	832 716	-
	<b><u>396 747 501</u></b>	<b><u>54 468 274</u></b>

(\*)Represents cost of sales for previous years of the company's land adjusting cost at El Sheikh Zayed as shown in details in note (16-1).

**11. Finance income**

	<b>For the year ended 31/12/2018 <u>EGP</u></b>	<b>For the year ended 31/12/2017 <u>EGP</u></b>
Interest income	54 374 629	54 315 648
Return on investment in treasury bills	159 355 748	156 055 757
Foreign exchange translation	1 650 742	-
	<b><u>215 381 119</u></b>	<b><u>210 371 405</u></b>

**12. Finance cost**

	<b>For the year ended 31/12/2018 <u>EGP</u></b>	<b>For the year ended 31/12/2017 <u>EGP</u></b>
Interest expense	109 462 075	98 432 959
Foreign exchange translation	-	1 120 932
	<b><u>109 462 075</u></b>	<b><u>99 553 891</u></b>

**13. Income tax**

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

	<b>For the year ended 31/12/2018 <u>EGP</u></b>	<b>For the year ended 31/12/2017 <u>EGP</u></b>
Current income tax	31 871 150	48 321 068
Deferred income tax	465 101	(502 934)
	<b><u>32 336 251</u></b>	<b><u>47 818 134</u></b>

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

	Statement of financial position		Statement of profit or loss	
	31/12/2018	31/12/2017	31/12/2018	31/12/2017
	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>
Property, plant and equipment	(945 874)	(480 773)	(465 101)	(914 335)
Foreign exchange translation	(8 239 318)	(8 239 318)	-	1 417 269
<b>Net deferred income tax</b>	<b>(9 185 192)</b>	<b>(8 720 091)</b>	<b>(465 101)</b>	<b>502 934</b>

**C- Unrecognized deferred tax assets**

	31/12/2018	31/12/2017
	<u>EGP</u>	<u>EGP</u>
Deductible temporary differences	157 453 378	156 286 557
	<b>157 453 378</b>	<b>156 286 557</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 year using the weighted average number of outstanding shares during the year as follows:

	For the year ended 31/12/2018 <u>EGP</u>	For the year ended 31/12/2017 <u>EGP</u>
Net (loss) / profit for the year	(193 497 109)	154 259 058
Employees share of profit	-	-
Board of directors' remunerations	-	-
	<b>(193 497 109)</b>	<b>154 259 058</b>
<b>Divided on:</b>		
Weighted average number of shares outstanding during the year	342 298 668	342 298 668
<b>(Losses) / earnings per share (EGP / share)</b>	<b>(0.57)</b>	<b>0.45</b>

**15. Inventory**

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

	For the year ended 31/12/2018 <u>EGP</u>	For the year ended 31/12/2017 <u>EGP</u>
Cost of completed commercial units	4 882 460	4 882 460
Cost of units purchased for resale	648 268	1 452 517
Communication devices	3 186 300	-
	<b>8 717 028</b>	<b>6 334 977</b>

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**16. Work in process**

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

	<b>For the year ended 31/12/2018 EGP</b>	<b>For the year ended 31/12/2017 EGP</b>
<b>Allegria project costs</b>	345 580 412	292 791 892
<b>Westown project costs</b>	1 351 409 629	1 076 273 333
<b>October Plaza project costs</b>	416 698 281	285 577 666
<b>Sodic East project costs</b>	41 087 950	24 144 362
<b>Beverly Hills project costs</b>	231 973	744 084
<b>Strip 2 project costs</b>	144 383 011	57 310 082
<b>HUP project costs</b>	469 840	-
<b>Sodic west Land adjusting (16-1)</b>	360 618 452	-
	<b>2 660 479 548</b>	<b>1 736 841 419</b>

(16-1) On September 21, 2015, an absentia judgment no. 2962 of year 2011 was issued by the criminal court of El Sayeda Zainab against the former Chairman of the Company, and in the presence of other defendants being non related parties to the Company on account of misappropriation of public funds and profiteering with respect to the Sheikh Zayed land of approximately 1,400 acres acquired by the Company by virtue of sale contract dated November 19, 1995.

On 21st of December 2016 a judgment was issued by the Court of Cassation confirming the former judgment issued, noting that the judgment and the penalties mentioned therein only concerns the accused persons in their personal capacity and does not involve the Company, in accordance with the provisions of law.

Based on the above judgments, and during the course of the recent investigation no.15 for year 2011 carried out by the Illicit Gains Authority ("IGA"), the Company was requested to respond to certain queries about the sale contract dated 19/11/1995, the Company attended such discussions to ascertain its solid legal position and that the issue of the case concerns the defendants in their personal capacities and that the company had not committed any violations and was not part of any of the criminal proceedings mentioned above noting that these issues relate to the contracts signed over 20 years ago. Nonetheless, the IGA insisted on the application of Article 18 of the Illicit Gaining Law No. 62 of 1975 (as amended) on the Company in relation to the aforementioned transactions and facts, claiming that the Company had gained illicitly, and that such gains must be returned with the possibility of settlement in accordance of the above mentioned law.

Noting that entering into lengthy legal disputes would have significant negative implications on the Company on the operation and its stakeholders, and that Company maintains a keen interest in keeping a stable operation. The Company is also keen to promptly settle any disputes with all judicial and its board of directors and with the objective of avoiding legal procedures against the Company that may result in negative implications on the operation. Accordingly, and acting in good faith, the Company has signed a final settlement agreement with the IGA, the Company accepted to pay a total settlement amount of eight hundred million Egyptian Pounds as a final and comprehensive settlement of all allegations raised against the Company with respect to this issue.



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As per the settlement agreement the company shall not be requested to pay any additional amounts with regards to the Sheikh Zayed plot of land of approximately 1,400 acres acquired by SODIC by virtue of sale contract dated November 19, 1995 and has been discharged from any claims with respect to the said matter. The accounting treatment settlement that agreed with the Egyptian accounting standards on the financial statements of the company will be allocated as follows:

- An amount of EGP 391 129 053 with a percentage of 52% approximately of the present value of the settlement amount is to be recognized on the profit or loss statement during the financial year 2018 which attributed to the portion of the project revenues that have already been recognized since 2002 till 2018 as follow:

	<b>For the year ended 31/12/2018 EGP</b>
Cost of sales	33 540 220
Other operating expenses	357 588 833
	<b>391 129 053</b>

An amount of EGP 360 618 452 with a percentage of 48% approximately of the present value settlement amount will be capitalized to work in progress as a cost element for the units which its related revenues will be recognized in the profit or loss statement for the coming years.

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

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

	<b>For the year ended 31/12/2018 EGP</b>	<b>For the year ended 31/12/2017 EGP</b>
Notes receivable *	2 914 961 284	2 932 717 133
<b>Deduct:</b> Unamortized interest-notes receivable	90 815 196	61 329 115
	<b>2 824 146 088</b>	<b>2 871 388 018</b>

- \* The balance includes an amount of EGP 1 095 913 788 which represents the net amount of notes receivable
  - long term related to SODIC East project with a gross amount of EGP 1 533 226 841 decreased by an amount of EGP 437 313 053 which represents Heliopolis Housing and Development Company's share of the residential units mentioned in the revenue share contract.
- The Company's exposure to credit and currency risk related to trade and notes receivable is disclosed in note (34).

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

	<b>For the year ended 31/12/2018 EGP</b>	<b>For the year ended 31/12/2017 EGP</b>
Trade receivable	76 873 887	81 421 320
Notes receivable *	1 234 399 845	1 300 897 994
	<b>1 311 273 732</b>	<b>1 382 319 314</b>
<b>Deduct :</b> unamortized interest – notes receivable	18 448 823	20 338 408
	<b>1 292 824 909</b>	<b>1 361 980 906</b>
Impairment losses of trade and notes receivable	(200 000)	(200 000)
	<b>1 292 624 909</b>	<b>1 361 780 906</b>

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- \* The balance includes an amount of EGP 261 575 064 that represents the net amount of notes receivable relating to SODIC East project with a gross amount of EGP 350 282 021. The gross amount was decreased by EGP 88 706 957 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>For the year ended 31/12/2018 EGP</b>	<b>For the year ended 31/12/2017 EGP</b>
Contractors and suppliers – advance payments	480 051 788	520 812 329
Heliopolis Housing and Development Company (19-1)	100 000 000	100 000 000
Restricted cash (19-2)	73 923 706	-
Prepaid expenses	175 088 283	142 375 311
Deposits with others	4 766 806	1 039 400
Due from the bonus and incentives plan to employees and managers fund	364 894	364 894
Withholding tax	5 688 662	38 158 735
Letters of credit	5 653 159	
Letter of guarantee cover	431 508	1 353 021
Other debit balances	20 735 119	14 258 203
	<b>866 703 925</b>	<b>818 361 893</b>
Impairment loss in debtors and other debit balances	(355 157)	(355 157)
	<b>866 348 768</b>	<b>818 006 736</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.

- (19-2) This balance represents the amount collected from customers in the shared accounts in banks which related to Sodic East projects, these balances could not be utilized till issuance of licenses for the launched stage according to the banks accounts contracts between the Company as a developer and the bank and the owner.

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

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

	<b>For the year ended 31/12/2018 <u>EGP</u></b>	<b>For the year ended 31/12/2017 <u>EGP</u></b>
Bank - time deposits *	514 210 710	1 234 380 717
Bank - current accounts	162 523 609	192 190 754
Checks under collection	11 680 987	13 967 388
Cash on hand	2 968 638	369 278
	<b><u>691 383 944</u></b>	<b><u>1 440 908 137</u></b>

\* 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 212 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:

	<b>For the year ended 31/12/2018 <u>EGP</u></b>	<b>For the year ended 31/12/2017 <u>EGP</u></b>
Cash at banks and on hand	691 383 944	1 440 908 137
<b><u>Less:</u></b>		
Restricted cash (facilities guarantee)	1 000 000	1 000 000
<b>Cash and cash equivalent according to separate statement of cash flows</b>	<b><u>690 383 944</u></b>	<b><u>1 439 908 137</u></b>

**21- Property, plant, equipment**

	EGP											
Cost												
Cost as at January 1, 2017	32 705 970	18 822 587	10 567 395	9 414 669	4 103 827	12 746 981	1 847 522	8 815 876	10 557 646	-	-	109 582 473
Transferred from investment properties at January 1,2017	-	-	-	-	-	-	-	-	-	-	-	99 377 533
Additions during the year	55 916 280	148 309 857	1 724 000	783 338	1 654 462	3 782 018	396 409	359 923	42 519 485	-	-	255 445 772
Disposals during the year	-	-	( 3 016 950)	-	( 2 750)	( 90 344)	-	-	-	-	-	(3 110 044)
Cost as at December 31, 2017	88 622 250	167 132 444	9 274 445	10 198 007	5 755 539	16 438 655	2 243 931	9 175 799	53 077 131	-	-	461 295 734
Cost as at January1, 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	-	-	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)
Balance 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	-	472 176 375
Accumulated depreciation												
Accumulated depreciation at January 1, 2017	-	14 550 864	8 036 346	5 978 903	3 848 648	8 080 316	1 079 508	7 519 913	9 459 344	-	-	58 553 842
Transferred from investment properties at January 1,2017	-	-	-	-	-	-	-	-	-	-	-	10 483 665
Depreciation during the year	-	6 313 181	680 641	992 612	256 287	2 139 837	189 397	687 251	7 246 330	-	-	20 328 783
Accumulated depreciation of disposals during the year	-	-	( 2 159 144)	-	( 1 545)	( 53 227)	-	-	-	-	-	(2 213 916)
Accumulated depreciation at December 31, 2017	-	20 864 045	6 557 843	6 971 515	4 103 390	10 166 926	1 268 905	8 207 164	16 705 674	-	-	87 152 374
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	-	-	87 152 374
Depreciation during the year	-	7 830 112	987 513	931 544	472 955	2 048 213	256 578	1 918 652	8 594 473	15 712	-	24 878 342
Accumulated depreciation of disposals during the year	-	-	( 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	-	111 701 786
Impairment of Golf course												
Transferred from investment properties at January 1,2017	-	-	-	-	-	-	-	-	-	-	-	88 893 868
Impairment reversal during the year	-	-	-	-	-	-	-	-	-	-	-	(1 823 247)
Accumulated impairment at December 31,2017	-	-	-	-	-	-	-	-	-	-	-	87 070 621
Impairment reversal during the year	-	-	-	-	-	-	-	-	-	-	-	(1 822 590)
Accumulated impairment at December 31,2018	-	-	-	-	-	-	-	-	-	-	-	85 248 031
Net book value												
At January 1, 2017	32 705 970	4 271 723	2 531 049	3 435 766	255 179	4 666 665	768 014	1 295 963	1 098 302	-	-	51 028 631
At December 31, 2017	88 622 250	146 268 399	2 716 602	3 226 492	1 652 149	6 271 729	975 026	968 635	36 371 457	-	-	287 072 739
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

\* Property, plant, equipment include fully depreciated assets at a cost of EGP 51,232,280 at December 31, 2018

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## 22. Investment properties

The net carrying amount of the investment properties as at December 31, 2018, amounted to EGP 16 384 955 the movement of investment property during the year is as follow:-

<u>Description</u>	<u>Leased out units EGP</u>
<u>Cost</u>	
At January 1, 2017	17 107 763
Additions during the year	187 226
<b>At December 31, 2017</b>	<b>17 294 989</b>
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>
<u>Less</u>	
<u>Accumulated depreciation</u>	
At January 1, 2017	608 845
Depreciation for the year	1 452 007
<b>At December 31, 2017</b>	<b>2 060 852</b>
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>Net carrying amount as at January 1, 2017</b>	<b>16 498 918</b>
<b>Net carrying amount as at December 31, 2017</b>	<b>15 234 137</b>
<b>Net carrying amount as at December 31, 2018</b>	<b>16 384 955</b>

## 23. Available for sale investments

	<u>Legal Form</u>	<u>Ownership %</u>	<u>Paid amount of Participation %</u>	<u>Carrying amount as at 31/12/2018 EGP</u>	<u>Carrying amount as at 31/12/2017 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.

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## 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 share option plan granted to the executives board members and the directors as per the option plan approved by the extra ordinary general assembly dated January 20, 2016, which have decided to apply the Employees Stock Option Plan for the executive board members and directors through assigning shares with certain conditions. The commercial register was modified on February 5, 2017.
- The 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	14.12
RA Six Holdings Limited	31 992 544	127 970 176	9.35
Rimco EGT Investment LL	25 484 739	101 938 956	7.45
EKUIITY Holding for Investments	17 677 593	70 710 372	5.16
Norges Bank	13 764 240	55 056 960	4.02
Ajeej Mena Fund	9 144 268	36 577 072	2.67
EFG Hermes Holdings Financial Group.	8 183 111	32 732 444	2.39
Financial Holdings International LTD	7 267 503	29 070 012	2.12
Walid Bin Seliman Bin AbdElmohssen Abanumey	6 301 380	25 205 520	1.84
Yazeid Bin Seliman Bin AbdElmohssen Abanumey	6 233 653	24 934 612	1.82
Al- Majid Investments LLC.	5 700 000	22 800 000	1.67
Moda bnt saleh bin abd allah el mosfr	4 897 091	19 588 364	1.43
Allianz for life Insurance Egypt	4 644 782	18 579 128	1.36
Egyptian Endowments Authority	4 369 750	17 479 000	1.28
KIA G309 DUET	4 357 634	17 430 536	1.27
Other shareholders	143 948 684	575 794 736	42.05
	<b>342 298 668</b>	<b>1 369 194 672</b>	<b>100</b>

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## 24.2. Reserves

### a. Legal Reserve

The balance as at December 31, 2018 is represented as follows:-

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

### b. Special reserve – share premium

The balance is represented in the following:

<u>Description</u>	<u>EGP</u>
Total value of the capital increase share premiums collected for the years 2006 and 2010	1 455 017 340
<b><u>Add:</u></b>	
Share premium of the employees' incentive and bonus plan issued during 2007.	90 000 000
The value of selling 712 500 share which has been sold through beneficiaries of incentive and bonus plan during 2014 with EGP 30 per share (after split).	21 375 000
The value of 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
Share premium for issuing 3 083 938 shares which were transferred to the incentive and bonus plan during 2017 as a result of execution.	16 630 524
<b><u>Deduct</u></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
	<b><u>1 389 595 728</u></b>

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**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**

	<b>For the year ended 31/12/2018 EGP</b>	<b>For the year ended 31/12/2017 EGP</b>
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).	104 141 290	132 543 460
<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 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:	444 821 774	384 821 775
- First tranche amount of EGP 243 Million to finance the total debt outstanding due to group of banks represented by Arab African International Bank.		
- Second tranche amount of EGP 1 057 Million to finance "SODIC West" projects located in Kilo 38 Cairo/Alex desert road -Giza- Egypt.		
<b><u>Guarantees:</u></b>		
- 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).		
<b><u>Grace period:</u></b>		
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.		
<b><u>Repayment:</u></b>		
Commenced on September 30, 2019, and repayable in (14) quarterly unequal installments.		
	<b>548 963 064</b>	<b>517 365 235</b>



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	For the year ended 31/12/2018 <u>EGP</u>	For the year ended 31/12/2017 <u>EGP</u>
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.	98 000 000	30 000 000

**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 110% the project's constructions in favor of the bank.

**Grace period:**

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

**Repayment:**

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

	<u>646 963 064</u>	<u>547 365 235</u>
<b><u>Deduct: Current portion</u></b>		
- Syndicated loan from Arab African International Bank	44 482 177	-
- Loan from CIB	104 141 290	28 402 170
<b>Total current portion</b>	<u>148 623 467</u>	<u>28 402 170</u>
	<u>498 339 597</u>	<u>518 963 065</u>

**27. Long-term notes payable**

This item is as follow:

	For the year ended 31/12/2018 <u>EGP</u>	For the year ended 31/12/2017 <u>EGP</u>
Total par value of the checks issued.	105 500 000	52 574 310
<b><u>Less:</u></b>		
Unamortized interest	<u>21 358 241</u>	<u>4 670 610</u>
	<u>84 141 759</u>	<u>47 903 700</u>

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

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## 28. Contractors, suppliers and notes payable

	For the year ended <u>EGP</u>	For the year ended <u>EGP</u>
Contractors	100 425 964	67 238 615
Suppliers	21 354 152	10 434 270
Notes payable *	539 070 769	140 233 406
	<u>660 850 885</u>	<u>217 906 291</u>
<u>Deduct:</u> Unamortized interest-notes payable	30 106 098	6 423 689
	<u>630 744 787</u>	<u>211 482 602</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:

	For the year ended 31/12/2018 <u>EGP</u>	For the year ended 31/12/2017 <u>EGP</u>
Advances for booking, contracting and installments of residential units (Fourth area)	248 200	676 599
Advances - <b>Allegria</b> project	111 991 326	171 607 327
Advances - <b>Forty West</b> project	351 857 715	368 477 132
Advances - <b>Westown Residences</b> project	772 259 412	618 226 968
Advances - <b>The Courtyards</b>	793 050 569	1 414 535 772
Advances - <b>Portal</b>	133 712 488	-
Advances - <b>Casa</b>	-	1 308 949
Advances - <b>The Polygon 9-10</b>	391 296 752	457 781 042
Advances - <b>October Plaza 1</b>	767 078 638	436 393 234
Advances - <b>Strip 2</b>	243 265 039	53 554 865
Advances - <b>Sodic East</b> phase *	1 536 907 715	1 136 021 783
	<u>5 101 667 854</u>	<u>4 658 583 671</u>

\* The balance represents the net of advances from customers with a total contractual value of EGP 2 200 539 623 reduced by an amount of EGP 663 631 908 which represents the portion of Heliopolis Housing and Development Company's share of the residential units mentioned in the joint operation contract (70% for the developer and 30% for the owner).

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### 30. Creditors and other credit balances

	For the year ended 31/12/2018 <u>EGP</u>	For the year ended 31/12/2017 <u>EGP</u>
Accrued expenses	47 201 362	121 844 329
Amounts collected on account for management, operation and maintenance of projects	452 698 560	387 050 346
Amounts collected on account of premiums of club	160 453 268	138 297 614
Creditors of gas and electricity installments	17 754 462	12 990 757
Insurance Deposits collected from customers – Against modifications	279 615	279 615
Customers-credit balances of <b>Polygon</b> project *	10 419 593	55 376 776
Customers-credit balances of <b>Hub</b> project	-	3 241 677
Customers-credit balances of <b>Strip 1</b> project	251 856	2 296 605
Customers - cancellation	6 350 018	11 576 224
Dividends payable	91 643	91 643
Tax Authority	12 943 539	59 115 866
Accrued compensated absence	4 171 172	3 737 771
Sundry creditors	6 014 671	3 974 529
Due to beneficiaries from Incentive plan	1 192 490	1 192 490
Advances-rents	2 520 493	1 114 756
	<u>722 342 742</u>	<u>802 180 998</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 1/1/2018 <u>EGP</u>	Formed during the year <u>EGP</u>	Used during the year <u>EGP</u>	Balance as at 31/12/2018 <u>EGP</u>
Provision for completion of works	91 206 605	12 873 310	35 006 753	69 073 162
	<u>91 206 605</u>	<u>12 873 310</u>	<u>35 006 753</u>	<u>69 073 162</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 years.

### Provisions

	Balance as at 1/1/2018 <u>EGP</u>	Formed during the year <u>EGP</u>	Used during the year <u>EGP</u>	Balance as at 31/12/2018 <u>EGP</u>
Provision for expected claims	5 816 768	4 183 233	-	10 000 001
	<u>5 816 768</u>	<u>4 183 233</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.

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- 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 31/12/2018 EGP	Carrying amount as at 31/12/2017 EGP
SODIC Property Services Co.	S.A.E	51	100	-	510 000
Sixth of October for Development and Real Estate Projects Co. (SOREAL)	S.A.E	99.99	100	807 334 516	807 334 516
SOREAL for Real Estate Investment Co.	S.A.E	99.99	100	499 999 970	499 999 970
SODIC for Development and Real Estate Investment Co.	S.A.E	99.99	100	299 999 980	299 999 980
Tabrouk Development Co.	S.A.E	99.99	100	99 998 000	99 998 000
SODIC for Management of Hotels and Clubs	S.A.E	40	100	8 000 000	-
				<b>1 715 332 466</b>	<b>1 707 842 466</b>

- The Ordinary General Assembly of SODIC for Real Estate Services decided on 22 April 2018 to approve the liquidation of the company as of 31 December 2017 and the company was liquidated and wiping of the Commercial Register on 30 October 2018.

### **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's 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 December 31, 2018, amounted to EGP 5 693 507 589 (At December 31, 2017 : EGP 6 512 977 362).

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### 34-8 Liquidity risk

The following are the contractual maturities of financial liabilities:

<u>December 31, 2018</u>	<u>Carrying amount</u> <u>EGP</u>	<u>Less than 1 year</u> <u>EGP</u>	<u>1-2 years</u> <u>EGP</u>	<u>2-5 years</u> <u>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>

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

### 34-9 Currency risk

#### Exposure to currency risk

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

	<u>31/12/2018</u> <u>Euro</u>	<u>31/12/2018</u> <u>USD</u>	<u>31/12/2017</u> <u>Euro</u>	<u>31/12/2017</u> <u>USD</u>
Description				
Notes receivable short / long - term	-	2 963 187	-	6 638 700
Advances - from customers	-	(12 262 002)	-	(12 262 002)
Maintenance creditors	-	(486 000)	-	(486 000)
Cash at banks	289 593	9 262 123	129 896	5 762 909
Surplus of foreign currencies	<u>289 593</u>	<u>(522 692)</u>	<u>129 896</u>	<u>(346 393)</u>

### 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>For the year ended 31/12/2018</u> <u>EGP</u>	<u>For the year ended 31/12/2017</u> <u>EGP</u>
<u>Financial instruments with a fixed rate</u>		
Financial assets	4 116 770 997	4 233 168 924
Financial liabilities	(593 106 430)	(181 713 417)
	<u>3 523 664 567</u>	<u>4 051 455 507</u>
<u>Financial instruments with a variable rate</u>		
Financial liabilities	(646 963 064)	(547 365 235)
	<u>(646 963 064)</u>	<u>(547 365 235)</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

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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.

**35. Related parties**

Related parties are represented in the Company' 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 year 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 year at the separate financial position date were as follows:

Party	Nature of relationship	Nature of transaction	31/12/2018 Amount of Transaction EGP
Beverly Hills Company for Management of Cities and Resorts	A subsidiary	Works of agriculture, maintenance and security services for Beverly Hills City.	2 220 051
Sixth of October for Development and Real Estate Projects (SOREAL)	A subsidiary	Payments on behalf of the Company	95 259 632
		Cash payments	140 580 851
Sodic Garden City for development and investment	A subsidiary	Payments on behalf of the Company	1 858 805
		Cash payments	1 497 501
Edara for Services of Cities and Resorts Company	A subsidiary	Works of agriculture, maintenance and security services for Allegria city	109 843 773
Tegara Company for trading centers	A subsidiary	Expenses on behalf of the company	28 251
SODIC for Golf and Tourist Development Company	A subsidiary	Payments on behalf of the Company	12 269 494
		Cash proceeds	74 467
		Cash payments	17 000 000
SODIC Polygon for Real estate investment Company	A subsidiary	Payments on behalf of the Company	52 196 622
		Cash proceeds	2 434 921
Al Yosr for Projects and Agriculture Development Company	A subsidiary	Payment on behalf of the company	997 807
Fourteen for real estate investment Company	A subsidiary	Payments on behalf of the Company	2 382 220
SODIC for development and Real estate investment	A subsidiary	Payments on behalf of the Company	245 936
SODIC – Syria Company	A subsidiary	Payments on behalf of the Company	53 205
La Maison for Real estate investment Company	A subsidiary	Payments on behalf of the Company	16 009 965
		Cash proceeds	10 671 387
SOREAL for Real estate investment Company	A subsidiary	Payments on behalf of the Company	58 574 544
		Cash payments	34 816 463
Tabrouk Development Company	A subsidiary	Payments on behalf of the Company	60 808 610
		Cash payments	58 041 153
Sodic for Securitization Company	A subsidiary	Payments on behalf of the Company	25 382
Sodic Property Services Company	A subsidiary	Payments on behalf of the Company	2 063 743
El Diwan for real estate development	A subsidiary	Payments on behalf of the Company	48 776
Sodic for Management of Hotels and Clubs	A subsidiary	Payments on behalf of the Company	79 523
Royal Gardens for Investment property	A subsidiary	Cash payments	49 015
Executive directors and board members			(Note No.9)



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

**a) Due from related parties**

	<b>31/12/2018</b>	<b>31/12/2017</b>
	<b><u>EGP</u></b>	<b><u>EGP</u></b>
SOREAL for Real Estate Company – a subsidiary.	34 169 325	10 411 243
Tabrouk Development Company – a subsidiary.	10 262 029	7 494 572
Greenscape for Agriculture and Reclamation Company – a subsidiary (under Liquidation)	3 651 668	6 680 529
Move-In for Advanced Contracting Company – a subsidiary	22 411 128	22 767 777
Al Yosr for Projects and Agriculture Development Company – a subsidiary	2 330 378	1 332 571
SODIC for Development and Real Estate Investment Company – a subsidiary	245 936	-
SODIC Polygon for Real Estate Investment Company – a subsidiary	-	43 669 884
SODIC Syria Company – a subsidiary	433 900 560	433 847 355
Fourteen for Real Estate Investment Company – a subsidiary	63 186 493	60 804 272
La Maison for Real Estate Investment Company - S.A.E	33 269 278	27 930 700
Edara for Services of Cities and Resorts Company – a subsidiary	3 367 058	5 690 713
Palmyra Real Estate Development Company – a Joint project	35 191 620	35 191 620
Tegara for Trading Centers Company – a subsidiary	-	3 738 925
SODIC Garden City for Development and Investment Company – a subsidiary	816 170	454 866
SODIC for Golf and Tourist Development Company – a subsidiary	55 804 371	51 148 331
El Diwan for real estate development	48 776	-
Other related companies	568 473	390 276
	<b>699 223 263</b>	<b>711 553 634</b>
Impairment of due from related parties (35- 1)	(614 189 604)	(607 181 140)
	<b>85 033 659</b>	<b>104 372 494</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 614 189 604 as at December 31, 2018.

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**b) Due to related parties**

	<b>For the year ended 31/12/2018 EGP</b>	<b>For the year ended 31/12/2017 EGP</b>
Sixth of October for Development and Real Estate Projects (SOREAL)	110 914 620	65 593 401
Move - In for Advanced Contracting Co. – a subsidiary	-	356 649
Green scape for Agriculture and Reclamation Co. – a subsidiary (under Liquidation).	-	3 028 861
SODIC Polygon for Real Estate Investment Company – a subsidiary	10 961 658	35 750 126
Tegara for Trading Centers Co. – a subsidiary	51 826 017	55 595 000
SODIC Property Services Co. – a subsidiary (under Liquidation)	-	2 063 742
Beverly Hills Co. for Management of Cities and Resorts	59 558	19 679
	<b>173 761 853</b>	<b>162 407 458</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 2017, 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.
- Years from 2013 till 2017 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 2017 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 2017 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.

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**Real estate property tax**

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

**37. Capital commitments**

Capital commitments as at December 31, 2018 amounted EGP 3 750 is represented in contracted and unexecuted works (December 31, 2017: EGP 53 750).

**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 and the coming one will be held on May 5, 2019.

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 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 share option plan, It was signed in the commercial register with the increase on January 8, 2019.

#### **41. Contingent liabilities**

The contingent liabilities as at December 31, 2018 amounting to EGP 40 Million which represent letters of guarantees were issued by banks on the account of the Group and in favor of others, which led to a seizing mortgage on treasury bills with a par value of EGP 8 Million.

#### **42. Significant accounting policies**

##### **42.1. 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.

##### **42.2. 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.

#### **42.3. 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.

#### **42.4. 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.

**42.5. 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.

**42.6. 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.

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

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences. The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the 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.

**42.7. 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.

**42.8. 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.

**42.9. Property, plant and equipment**

**a) Recognition and measurement**

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

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

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

**b) Subsequent expenditure**

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

**c) Depreciation**

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

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

<u>Asset</u>	<u>Years</u>
Buildings and construction works	5-10
Vehicles	5
Furniture and fixtures	10
Office and communications equipment	5
Generators, machinery and equipment	5
Solar power stations	25
Leasehold improvements	5 years or lease term whichever is lower

**42.10. 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.

**42.11. 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.

**42.12. 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 its foreign currency and interest rate risk exposures. Embedded derivatives are separated from the host contract and accounted for separately if certain criteria are met.

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

**Cash Flow Hedges:**

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

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

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

#### **42.13. 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.

#### **42.14. 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.

**42.15. 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.

**42.16. 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.

**42.17. 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.

**42.18. 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.

**42.19. 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.

**42.20. 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.

**42.21. 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.

**42.22. 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.

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

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

**42.24. Notes payable**

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

**42.25. 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.

**42.26. 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.

**42.27. 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.

**42.28. 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.

**43. Subsequent events**

With reference to the possibility of cooperation between the Sixth of October for Development and Investment Company "SODIC" and Nasr City Housing and Development Company by way of either acquisition or merger, it was announced on October 13, 2018, the company preliminarily intends to launch a mandatory tender offer on the shares of Madinet Nasr for Housing & Development "MNHD" through a direct share swap.

The company had announced on January 22, 2019 it does not have intention to make a mandatory tender offer on the shares of Madinet Nasr for Housing & Development "MNHD" and that no agreement was reached with Madinet Nasr for Housing & Development "MNHD" about swap.

(Appendix no. 1)

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

**Statement of the proposed profit distribution**  
**Under the approval of the shareholder general assembly**

	<b>EGP</b>
Retained earnings as at December 31, 2018	901 287 774
Net loss for the year	<u>( 193 497 109)</u>
Profits available for distribution	<b>707 790 665</b>
Employees share of profit	( 45 095 660)
Board of directors' remunerations	-
Shareholders dividends	<u>( 174 589 436)</u>
Remaining profits will transfer to coming year	<b><u>488 105 569</u></b>