


Sixth of October for Development and Investment Company "SODIC"
(An Egyptian Joint Stock Company)
Consolidated Interim Financial Statements
For The Financial Period Ended June 30, 2016
And Limited Review Report

 **Hazem Hassan**
Public Accountants & Consultants

| Contents | Page |
|--|-------------|
| Limited Review Report | 1 |
| Consolidated Interim Statement of Financial Position | 2 |
| Consolidated Interim Statement of Profit and Loss | 3 |
| Consolidated Interim Statement of Comprehensive Income | 4 |
| Consolidated Interim Statement of Changes in Equity | 5 |
| Consolidated Interim Statement of Cash Flows | 6 |
| Notes to the Consolidated Interim Financial Statements | 7 |

Hazem Hassan

Public Accountants & Consultants

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

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

Limited review report on consolidated interim financial statements

To: The Board of Directors of Sixth of October for Development and Investment Company
"SODIC"

Introduction

We have performed a limited review for the accompanying consolidated interim statement of financial position of Sixth of October for Development and Investment Company "SODIC" (S.A.E) as at June 30, 2016 and the related consolidated interim statements of profit and loss, interim comprehensive income statement, interim changes in equity statement, and interim cash flows statement for the six-month then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of these interim consolidated financial statements in accordance with Egyptian Accounting Standards. Our responsibility is to express a conclusion on these interim consolidated financial statements based on our limited review.

Scope of Limited Review

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

Conclusion

Based on our limited review, nothing has come to our attention that causes us to believe that the accompanying consolidated interim financial statements do not present fairly, in all material respects, the consolidated financial position of the Company as at June 30, 2016 and of its consolidated interim financial performance and its consolidated interim cash flows for the six-month then ended in accordance with Egyptian Accounting Standards.



KPMG Hazem Hassan
Public Accountants & Consultants

Cairo August 14, 2016

KPMG Hazem Hassan
Public Accountants and Consultants
4

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

| EGP | Note No. | 30 June 2016 | 31 December 2015 |
|---|----------|-----------------------|-----------------------|
| Non-current assets | | | |
| Property, plant, equipment | (23) | 135 244 097 | 135 868 140 |
| Projects under construction | (24) | 4 588 948 | 7 790 299 |
| Biological Assets under construction | (25) | 6 034 590 | 5 884 706 |
| Investments in associates and joint ventures | (26) | - | - |
| Investments - available for sale | (27) | 4 250 000 | 4 250 000 |
| Investment properties | (28) | 103 466 840 | 111 347 976 |
| Notes receivables | (29) | 5 001 417 079 | 4 657 536 773 |
| Total non-current assets | | 5 255 001 554 | 4 922 677 894 |
| Current assets | | | |
| Other assets | (15) | 5 233 758 | 8 839 274 |
| Completed units ready for sale | (16) | 7 021 614 | 8 278 559 |
| Works in process | (17) | 7 406 667 992 | 7035 868 781 |
| Trade and notes receivable | (18) | 2 489 616 931 | 2 228 734 891 |
| Debtors and other debit balances | (19) | 714 218 264 | 537 376 140 |
| Loans to Joint Ventures | (20) | - | - |
| Investments in treasury bills | (21) | 1 092 957 283 | 49 774 513 |
| Cash at banks and on hand | (22) | 949 669 392 | 1 966 531 631 |
| Total current assets | | 12 665 385 234 | 11 835 403 789 |
| Total assets | | 17 920 386 788 | 16 758 081 683 |
| Equity | | | |
| Issued & paid in capital | (30) | 1 355 638 292 | 1 355 638 292 |
| Legal reserve | (31) | 195 088 853 | 184 428 817 |
| Special reserve - share premium | (32) | 1 357 933 479 | 1 357 933 479 |
| Retained earnings | | 541 008 955 | 403 557 570 |
| Treasury shares | (33) | (12 833) | (10 162 833) |
| Profit from sale of treasury shares | (34) | 1 725 456 | 3 692 867 |
| Equity attributable to equity holders of the Company | | 3 451 382 202 | 3 295 088 192 |
| Non-controlling interests | (35) | 80 580 704 | 90 892 998 |
| Total equity | | 3 531 962 906 | 3 385 981 190 |
| Non-current liabilities | | | |
| Loans - long term | (36) | 1 064 891 474 | 996 163 619 |
| Notes payable - long term | (37) | 1 142 684 654 | 1 450 310 827 |
| Deferred tax liabilities | (13) | 12 749 | 823 372 |
| Total non-current liabilities | | 2 207 588 877 | 2 447 297 818 |
| Current liabilities | | | |
| Bank - credit facilities | (40) | 4 438 962 | 50 027 276 |
| Loans - Short term | (36) | 126 771 887 | 123 335 275 |
| Contractors, suppliers and notes payable | (42) | 849 644 789 | 842 833 944 |
| Advances - from customers | (41) | 10 151 655 000 | 8 882 124 887 |
| Creditors and other credit balances | (43) | 975 243 351 | 955 478 269 |
| Provision for completion | (38) | 66 815 453 | 64 945 785 |
| Provisions | (39) | 6 265 563 | 6 057 239 |
| Total current liabilities | | 12 180 835 005 | 10 924 802 675 |
| Total liabilities | | 14 388 423 882 | 13 372 100 493 |
| Total equity and liabilities | | 17 920 386 788 | 16 758 081 683 |

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

Financial & Administration
Executive Director

Hany Henry

Chief Financial Officer

Omar Elhamawy

Managing Director

Maged Sherif

Chairman

Hani Sarie El Din

"Limited review report attached"

Sixth of October for Development and Investment Company "SODIC"
(An Egyptian Joint Stock Company)
Consolidated interim statement of profit and loss
for the financial period

| EGP | Note | From 1/4/2016 Till 30/6/2016 | From 1/1/2016 Till 30/6/2016 | From 1/4/2015 Till 30/6/2015 | From 1/1/2015 Till 30/6/2015 |
|--|-----------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|
| Continuing operations | No | | | | |
| Revenues | | | | | |
| Sales of real estate and lands | (5) | 421 172 750 | 589 762 372 | 288 826 949 | 555 184 239 |
| Revenues of Beverly Hills Company for Management of Cities and Resorts | | 8 518 699 | 15 438 418 | 6 041 701 | 12 498 323 |
| Revenues of Edara for Services of Cities and Resorts Company | | 3 708 473 | 12 980 421 | 4 072 949 | 13 013 077 |
| Revenues from golf course | | 1 753 874 | 3 749 446 | 2 219 000 | 4 316 262 |
| Total operation revenues | | 435 153 796 | 621 930 657 | 301 160 599 | 585 011 901 |
| Cost of sales | | | | | |
| Cost of sales of real estate and lands | (6) | (265 207 874) | (356 798 962) | (169 507 691) | (308 742 664) |
| Costs of Beverly Hills Company for Management of Cities and Resorts | | (8 232 689) | (15 975 960) | (6 559 113) | (13 648 539) |
| costs of Edara for Services of Cities and Resorts Company | | (3 477 844) | (10 845 679) | (4 176 966) | (10 389 037) |
| Cost of golf course | | (3 249 580) | (6 220 359) | (4 791 585) | (8 384 902) |
| Total operation costs | | (280 167 987) | (389 840 960) | (185 035 355) | (341 165 142) |
| Gross profit | | 154 985 809 | 232 089 697 | 116 125 244 | 243 846 759 |
| Other operating revenues | (7) | 48 321 788 | 83 308 433 | 43 252 623 | 77 862 960 |
| Selling and marketing expenses | (8) | (35 852 713) | (57 328 241) | (28 576 804) | (53 034 598) |
| General and administrative expenses | (9) | (41 795 449) | (77 376 139) | (34 760 745) | (65 708 560) |
| Other operating expenses | (10) | (13 409 788) | (18 363 107) | (7 981 956) | (15 271 303) |
| Operating profit | | 112 249 647 | 162 330 643 | 88 058 362 | 187 695 258 |
| Finance income | (11) | 42 565 488 | 87 129 059 | 34 097 324 | 70 008 959 |
| Finance cost | (12) | (22 132 635) | (45 081 178) | (24 320 455) | (46 646 272) |
| Net finance income | | 20 432 853 | 42 047 881 | 9 776 869 | 23 362 687 |
| Net profit before tax | | 132 682 500 | 204 378 524 | 97 835 231 | 211 057 945 |
| Income tax | (13) | (29 553 295) | (46 594 408) | (24 857 203) | (58 769 983) |
| Profit from continuing operations | | 103 129 205 | 157 784 116 | 72 978 028 | 152 287 962 |
| Profit for the period | | 103 129 205 | 157 784 116 | 72 978 028 | 152 287 962 |
| Attributable to: | | | | | |
| Equity holders of the Company | | 96 956 503 | 148 111 421 | 70 183 764 | 145 746 885 |
| Non-controlling interests | (35) | 6 172 702 | 9 672 695 | 2 794 264 | 6 541 077 |
| Net Profit for the period | | 103 129 205 | 157 784 116 | 72 978 028 | 152 287 962 |
| Earnings per share from continuing operations (EGP / Share) | (14) | 0.29 | 0.44 | 0.21 | 0.43 |

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

Sixth of October for Development and Investment Company "SODIC"
(An Egyptian Joint Stock Company)
Consolidated interim statement of comprehensive income
for the financial period

| EGP | Note No | From 1/4/2016 Till 30/6/2016 | From 1/1/2016 Till 30/6/2016 | From 1/4/2015 Till 30/6/2015 | From 1/1/2015 Till 30/6/2015 |
|--|--------------------|---|---|---|---|
| Profit for the period | | 103 129 205 | 157 784 116 | 72 978 028 | 152 287 962 |
| Total other comprehensive income items for the period after income tax | | - | - | - | - |
| Total comprehensive income of the period | | 103 129 205 | 157 784 116 | 72 978 028 | 152 287 962 |
| Total comprehensive income is attributable to: | | | | | |
| Equity holders of the Company | | 96 956 503 | 148 111 421 | 70 183 764 | 145 746 885 |
| Non-controlling interests | (35) | 6 172 702 | 9 672 695 | 2 794 264 | 6 541 077 |
| Total comprehensive income for the period | | 103 129 205 | 157 784 116 | 72 978 028 | 152 287 962 |

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

Sixth of October for Development and Investment Company "SODIC"
(An Egyptian Joint Stock Company)
Consolidated interim statement of changes in Equity
for the financial period ended June 30, 2016

| EGP | Issued and paid in capital | Legal reserve | Special reserve- share premium | Retained earnings | Treasury shares | profit / (loss) from selling of treasury shares | Shares kept for bonus and incentive plan | Set aside amount for bonus and incentive plan | Total | Non-Controlling interests | Total equity |
|---|-------------------------------|---------------|-----------------------------------|----------------------|--------------------|---|--|--|---------------|------------------------------|---------------|
| Balance as at December 31, 2014 | 1 355 638 292 | 181 352 693 | 1 338 296 569 | 103 071 263 | - | 3 692 867 | (8 012 833) | 20 004 359 | 2 994 043 210 | 94 430 992 | 3 088 474 202 |
| Total comprehensive income | - | - | - | 145 746 885 | - | - | - | - | 145 746 885 | 6 541 077 | 152 287 962 |
| Net profit for the period | - | - | - | - | - | - | - | - | - | - | - |
| Other comprehensive income items | - | - | - | - | - | - | - | - | - | - | - |
| Total comprehensive income | - | - | - | 145 746 885 | - | - | - | - | 145 746 885 | 6 541 077 | 152 287 962 |
| Transactions with owners of the Company | - | - | - | - | - | - | - | - | - | - | - |
| Transferred to legal reserve | - | 3 076 124 | - | (3 076 124) | - | - | - | - | - | - | - |
| Purchasing of non controlling interests without change in control | - | - | - | (5 838 129) | - | - | - | - | (5 838 129) | (14 161 871) | (20 000 000) |
| Transferred to statement of profit and loss | - | - | - | - | - | - | - | 118 377 | 118 377 | - | 118 377 |
| Total transactions with owners of the Company | - | 3 076 124 | - | (8 914 253) | - | - | - | 118 377 | (5 719 752) | (14 161 871) | (19 881 623) |
| Balance at June 30, 2015 | 1 355 638 292 | 184 428 817 | 1 338 296 569 | 239 903 895 | - | 3 692 867 | (8 012 833) | 20 122 736 | 3 134 070 343 | 86 810 198 | 3 220 880 541 |
| Balance as at December 31, 2015 | 1 355 638 292 | 184 428 817 | 1 357 933 479 | 403 557 570 | (10 162 833) | 3 692 867 | - | - | 3 295 088 192 | 90 892 998 | 3 385 981 190 |
| Total comprehensive income | - | - | - | 148 111 421 | - | - | - | - | 148 111 421 | 9 672 695 | 157 784 116 |
| Net profit for the period | - | - | - | - | - | - | - | - | - | - | - |
| Other comprehensive income items | - | - | - | - | - | - | - | - | - | - | - |
| Total comprehensive income | - | - | - | 148 111 421 | - | - | - | - | 148 111 421 | 9 672 695 | 157 784 116 |
| Transactions with owners of the Company | - | - | - | - | - | - | - | - | - | - | - |
| Transferred to legal reserve | - | 10 660 036 | - | (10 660 036) | - | - | - | - | - | - | - |
| Dividends to non-controlling interests in subsidiaries | - | - | - | - | - | - | - | - | - | (19 984 989) | (19 984 989) |
| Selling of treasury shares | - | - | - | - | 10 150 000 | - | - | - | 10 150 000 | - | 10 150 000 |
| Loss from selling of treasury shares | - | - | - | - | - | (1 967 411) | - | - | (1 967 411) | - | (1 967 411) |
| Total transactions with owners of the Company | - | 10 660 036 | - | (10 660 036) | 10 150 000 | (1 967 411) | - | - | 8 182 589 | (19 984 989) | (11 802 400) |
| Balance at June 30, 2016 | 1 355 638 292 | 195 088 853 | 1 357 933 479 | 541 008 955 | (12 833) | 1 725 456 | - | - | 3 451 382 202 | 80 580 704 | 3 531 962 906 |

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

Sixth of October for Development and Investment Company "SODIC"
(An Egyptian Joint Stock Company)
Consolidated interim statement of cash flows
for the financial period ended June 30

| EGP | Note No | From 1/1/2016 Till 30/6/2016 | From 1/1/2015 Till 30/6/2015 |
|--|-------------|---------------------------------|---------------------------------|
| <u>Cash flows from operating activities</u> | | | |
| Net profit for the period before tax | | 204 378 524 | 211 057 945 |
| <u>Adjustments for:</u> | | | |
| Depreciation of fixed assets and investment properties | (23) , (28) | 13 640 793 | 9 944 111 |
| Capital gain | (7) | (154 834) | (6 758 894) |
| Return on investments in treasury bills | (11) | (40 569 782) | (17 768 789) |
| Impairment loss of debtors, trade receivables and loans to joint ventures | (10) | 37 167 | 2 506 267 |
| Provisions formed | (38) , (39) | 17 467 838 | 23 781 689 |
| Provisions no longer required | (7) , (39) | (67 000) | |
| <u>Changes in:</u> | | | |
| Other assets | | 3 605 516 | 71 270 |
| Finished units available for sale | | 8 656 877 | 3 395 900 |
| Works in process | | (371 954 411) | (459 456 887) |
| Trade and notes receivables | | (604 762 346) | (945 928 607) |
| Debtors and other debit balances | | (176 879 291) | (72 280 661) |
| Provisions used | (38) , (39) | (15 322 846) | (37 789 330) |
| Advances from customers | | 1 269 530 113 | 1 354 081 052 |
| Contractors, suppliers and notes payable | | (300 815 328) | (145 978 884) |
| Creditors and other credit balances | | (27 639 949) | 99 136 770 |
| Restricted cash | | 195 974 750 | (114 312 834) |
| Net cash generated from / (used in) operating activities | | 175 125 791 | (96 299 882) |
| <u>Cash flows from investing activities</u> | | | |
| Payments for purchase of fixed assets, projects under construction and biological assets | | (8 692 280) | (60 367 870) |
| Payments for Investments in treasury bills | | (1 839 093 379) | (771 766 217) |
| Proceeds from Investments in treasury bills | | 836 480 391 | 334 841 361 |
| Payments for acquiring additional shares in subsidiaries | | - | (20 000 000) |
| Proceeds from sale of fixed assets | | 518 235 | 5 454 |
| Net cash used in investing activities | | (1 010 787 033) | (517 287 272) |
| <u>Cash flows from financing activities</u> | | | |
| Bank - credit facilities | | (45 588 314) | (113 652 282) |
| Proceeds from short and long term loans | | 72 164 467 | 25 567 767 |
| Proceeds from sale of treasury shares | (33) | 8 182 589 | - |
| Dividends to non-controlling interests | | (19 984 989) | - |
| Net cash generated from / (used in) financing activities | | 14 773 753 | (88 084 515) |
| Net decrease in cash and cash equivalents | | (820 887 489) | (701 671 669) |
| Cash and cash equivalents at January 1 | | 1 662 027 865 | 1 774 960 974 |
| Cash and cash equivalents at June 30 | (22) | 841 140 376 | 1 073 289 305 |

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

Sixth of October for Development and Investment Company "SODIC"
(An Egyptian Joint Stock Company)
Notes to the consolidated interim financial statements
for the financial period ended June 30, 2016

1. Background and activities

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

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

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

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

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

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

1-5 The interim consolidated financial statements of Sixth of October for Development & Investment Company "SODIC" (the Parent Company) for the financial period ended June 30, 2016 comprise the financial statements of the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in the profit and loss of associates and joint ventures.

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

Sixth of October for Development and Investment Company "SODIC" - (An Egyptian Joint Stock Company)
Notes to the consolidated interim financial statements for the financial period ended June 30, 2016

2. Basis of preparation of consolidated interim financial statements

Compliance with accounting standards and laws

- The consolidated interim financial statements have been prepared in accordance with Egyptian Accounting Standards and applicable laws and regulations.
- The interim consolidated financial statements were approved by the Board of Directors on August 14, 2016.

3. Functional and presentation currency

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

4. Use of judgment and estimates

- In preparing the consolidated financial statements in accordance with Egyptian Accounting Standards (EAS), management has made judgments, estimates and assumptions that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. These estimates and assumptions are based on past experience and various factors. Actual results may differ from these estimates.
- Estimates and underlying assumptions are reviewed on an ongoing basis.
- The recognition of the change in accounting estimates in the 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 determines based on the market value of a financial instrument or similar financial instruments at the date of the financial statements without deducting any estimate future costs of sale. The financial asset values determine at current prices for the purchase of those assets, while determining the value of financial liabilities at current prices, which could be settled by those commitments.
- In the absence of an active market to determine the fair value of financial instruments, the fair value is estimated using various valuation techniques, taking into consideration the transactions price that has recently or be guided by the current fair value of other instruments which is substantially similar. Or the use of - discounted cash flow - or any other evaluating method that leads to results can rely on it.
- When using the discounted cash flow method as a way for the evaluation, the future cash flows are estimated based on the best estimates of management. And determined the discount rate used in the prevailing market price at the date of the financial statements of financial instruments are similar in nature and terms.

Sixth of October for Development and Investment Company "SODIC" - (An Egyptian Joint Stock Company)
Notes to the consolidated interim financial statements for the financial period ended June 30, 2016

5. Real estate and land sales

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

| | 30/6/2016 | 30/6/2015 |
|---|---------------------------|---------------------------|
| | <u>EGP</u> | <u>EGP</u> |
| Revenues from the sale of units in Allegría project | 44 941 496 | 139 890 078 |
| Revenues from the sale of units in Kattameya Plaza project | 9 771 675 | 44 794 143 |
| Revenues from the sale of units in Eastown Residence project | 132 593 030 | - |
| Revenues from the sale of units in The Strip project | 47 311 903 | 31 569 889 |
| Revenues from the sale of units in Forty West project | 51 907 020 | 52 003 892 |
| Revenues from the sale of units in CASA project | 4 244 900 | 5 494 291 |
| Revenues from the sale of units in Westown Residence project | 219 867 712 | 240 106 755 |
| Revenues from the sales of business units in Polygon project | 79 124 636 | 41 325 191 |
| | <u>589 762 372</u> | <u>555 184 239</u> |

6. Cost of real estate and land sold

| | 30/6/2016 | 30/6/2015 |
|--|---------------------------|---------------------------|
| | <u>EGP</u> | <u>EGP</u> |
| Cost of sales of units in Allegría project | 24 372 175 | 63 132 416 |
| Cost of sales of units in Kattameya Plaza project | 4 086 997 | 28 573 150 |
| Cost of sales of units in Eastown Residence project | 107 769 407 | - |
| Cost of sales of units in The Strip project | 20 112 295 | 12 380 989 |
| Cost of sales of units in Forty West project | 33 224 144 | 38 738 299 |
| Cost of sales of units in CASA project | 2 590 300 | 3 395 900 |
| Cost of sales of units in Westown Residence project | 119 531 412 | 134 328 474 |
| Cost of sales of business units in Polygon project | 45 112 232 | 28 193 436 |
| | <u>356 798 962</u> | <u>308 742 664</u> |

7. Other operating revenues

| | 30/6/2016 | 30/6/2015 |
|--|--------------------------|--------------------------|
| | <u>EGP</u> | <u>EGP</u> |
| Interest income realized from installments during the period | 35 736 732 | 39 067 821 |
| Assignment, cancellation dues and delay penalties | 40 906 658 | 22 302 986 |
| Other income | 2 208 749 | 3 877 982 |
| Dividends share from associate companies | 2 053 224 | 4 849 549 |
| Buildings leased revenue | 2 181 236 | 1 005 728 |
| Capital gain | 154 834 | 6 758 894 |
| Provisions no longer required | 67 000 | - |
| | <u>83 308 433</u> | <u>77 862 960</u> |

Sixth of October for Development and Investment Company "SODIC" - (An Egyptian Joint Stock Company)
Notes to the consolidated interim financial statements for the financial period ended June 30, 2016

8. Selling and marketing expenses

| | 30/6/2016 | 30/6/2015 |
|---------------------------------------|-------------------|-------------------|
| | <u>EGP</u> | <u>EGP</u> |
| Salaries and wages | 10 633 639 | 8 252 993 |
| Sales commissions | 21 087 569 | 17 793 817 |
| Advertising expenses | 15 590 441 | 14 563 140 |
| Conferences and Exhibitions | 3 665 241 | 1 915 890 |
| Advertising events | 1 711 252 | - |
| Rent | 1 333 919 | 6 443 241 |
| Donations | - | 203 750 |
| Maintenance, cleaning and agriculture | 989 521 | 1 031 098 |
| Travel, transportation and cars | 17 150 | 86 837 |
| Professional and consultants fees | 255 676 | 568 004 |
| Gifts | 114 226 | 146 284 |
| Depreciation | 378 704 | 167 777 |
| Employees vacations | 175 126 | - |
| Fees and stamps | 270 650 | 1 016 244 |
| Printing and photocopying | 869 521 | 477 700 |
| Others | 235 606 | 367 823 |
| | 57 328 241 | 53 034 598 |

9. General and administrative expenses

| | 30/6/2016 | 30/6/2015 |
|--|-------------------|-------------------|
| | <u>EGP</u> | <u>EGP</u> |
| Salaries, wages and bonuses (9-1) | 25 935 115 | 22 610 647 |
| Board of Directors' remunerations and allowances | 3 545 619 | 2 902 635 |
| Training, medical care, meals & uniforms | 2 075 226 | 3 179 480 |
| Employees' defined benefit plan | 2 660 555 | - |
| Maintenance, cleaning, agriculture, security and guarding | 14 368 792 | 8 560 256 |
| Professional and consultancy fees | 3 541 671 | 3 670 112 |
| Advertising, exhibitions and conferences | 1 281 022 | 593 546 |
| Donations and gifts | 2 010 181 | 1 550 902 |
| Administrative depreciation of fixed assets and rented units | 9 826 271 | 7 348 204 |
| Reception and hospitality | 991 631 | 616 750 |
| Printings and office supplies | 2 525 290 | 1 816 338 |
| Communication, electricity, telephone and water | 2 356 832 | 1 894 606 |
| Subscriptions and governmental dues | 959 078 | 969 805 |
| Rent | 730 997 | 5 105 316 |
| Travel and transportation | 985 895 | 702 320 |
| Bank charges | 1 407 822 | 2 042 030 |
| Employees vacations | 462 196 | 534 293 |
| Insurance installments | 279 940 | 288 276 |
| Others | 1 432 006 | 1 323 044 |
| | 77 376 139 | 65 708 560 |

Sixth of October for Development and Investment Company "SODIC" - (An Egyptian Joint Stock Company)
Notes to the consolidated interim financial statements for the financial period ended June 30, 2016

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

| | 30/6/2016 | 30/6/2015 |
|----------|-------------------------|-------------------------|
| | <u>EGP</u> | <u>EGP</u> |
| Salaries | 2 935 147 | 2 640 900 |
| | <u>2 935 147</u> | <u>2 640 900</u> |

10. Other operating expenses

| | 30/6/2016 | 30/6/2015 |
|---|--------------------------|--------------------------|
| | <u>EGP</u> | <u>EGP</u> |
| Discount for early payment | 14 240 124 | 8 867 924 |
| Provision of claims | 275 324 | 48 530 |
| Impairment losses of debtors and loans to joints ventures | 37 167 | 2 506 267 |
| Loss from liquidation of investments | 402 | 104 516 |
| Penalties | 9 516 | 167 481 |
| Operating expenses of Leased building | 3 800 574 | 3 576 585 |
| | <u>18 363 107</u> | <u>15 271 303</u> |

11. Finance income

| | 30/6/2016 | 30/6/2015 |
|---|--------------------------|--------------------------|
| | <u>EGP</u> | <u>EGP</u> |
| Interest income | 44 475 796 | 50 781 981 |
| Return on investment in treasury bills | 40 569 782 | 17 768 789 |
| Income from revaluation and sale of investments | 279 | - |
| Net foreign exchange translation | 2 083 202 | 1 458 189 |
| | <u>87 129 059</u> | <u>70 008 959</u> |

12. Finance cost

| | 30/6/2016 | 30/6/2015 |
|---|--------------------------|--------------------------|
| | <u>EGP</u> | <u>EGP</u> |
| Interest expense | 43 742 261 | 44 491 404 |
| Installments interest Sheikh Zayed land | 1 338 917 | 2 154 868 |
| | <u>45 081 178</u> | <u>46 646 272</u> |

13. Income tax expense

A- Items recognized in the profit and loss

| | 30/6/2016 | 30/6/2015 |
|---|--------------------------|--------------------------|
| | <u>EGP</u> | <u>EGP</u> |
| Current income tax | 45 714 004 | 59 690 576 |
| Income tax deducted on dividends | 1 691 028 | - |
| Deferred income tax (benefit) / expense | (810 624) | (920 593) |
| | <u>46 594 408</u> | <u>58 769 983</u> |

*Sixth of October for Development and Investment Company "SODIC" - (An Egyptian Joint Stock Company)
Notes to the interim consolidated financial statements for the financial period ended June 30, 2016*

B- Deferred tax assets and liabilities movement

June 30, 2016

| | Balance as at 1/1/2016 asset / (liability) <u>EGP</u> | Charged to profit and loss <u>EGP</u> | Deferred tax resulted in asset <u>EGP</u> | Balance as at 30/6/2016 Deferred tax resulted in (liability) <u>EGP</u> | Net deferred tax resulted in (Liability) / Asset <u>EGP</u> |
|-------------------------------|---|--|---|--|---|
| Property, plant and equipment | (881 027) | 810 623 | - | (70 404) | (70 404) |
| Provisions | 57 655 | - | 57 655 | - | 57 655 |
| Net | <u>(823 372)</u> | <u>810 623</u> | <u>57 655</u> | <u>(70 404)</u> | <u>(12 749)</u> |

December 31, 2015

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

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

D- Unrecognized deferred tax assets

| | 30/6/2016 <u>EGP</u> | 31/12/2015 <u>EGP</u> |
|----------------------------------|---------------------------|---------------------------|
| Temporary deductible differences | 130 343 664 | 130 239 675 |
| Tax carried forward losses | 35 997 069 | 35 105 304 |
| | <u>166 430 733</u> | <u>165 344 979</u> |

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

Sixth of October for Development and Investment Company "SODIC" - (An Egyptian Joint Stock Company)
Notes to the interim consolidated financial statements for the financial period ended June 30, 2016

14. Earnings per share

Earnings per share as at June 30, 2016 is calculated on based on the Parent Company's share in earnings for the period using the weighted average number of outstanding shares during the period as follows:

| | Six months ended as at 30/6/2016 <u>EGP</u> | Six months ended as at 30/6/2015 <u>EGP</u> |
|---|---|---|
| Net profit for the period (parent company share) | 148 111 421 | 145 746 885 |
| Employees share of profit | - | - |
| Board of directors' remunerations | - | - |
| Employees and board of directors share in subsidiaries and associates companies | - | - |
| | <u>148 111 421</u> | <u>145 746 885</u> |
| Weighted average number of shares outstanding during the period | 338 909 573 | 338 909 573 |
| Earnings per share (EGP / share) | <u><u>0.44</u></u> | <u><u>0.43</u></u> |

15. Other assets

| | 30/6/2016 <u>EGP</u> | 31/12/2015 <u>EGP</u> |
|--------------------------------------|-------------------------|--------------------------|
| Assets – companies under liquidation | 2 683 724 | 2 683 724 |
| Inventories and letters of credit | 2 550 034 | 6 155 550 |
| | <u><u>5 233 758</u></u> | <u><u>8 839 274</u></u> |

16. Completed units ready for sale

| | 30/6/2016 <u>EGP</u> | 31/12/2015 <u>EGP</u> |
|---|-------------------------|--------------------------|
| Cost of completed commercial units | 5 515 297 | 4 181 942 |
| Cost of units purchased for resale (16-1) | 1 506 317 | 4 096 617 |
| | <u><u>7 021 614</u></u> | <u><u>8 278 559</u></u> |

(16-1) This item represents the acquisition cost of 2 units in CASA project (Semi Finished) that were purchased from Royal Gardens Co. for Real Estate Investment – an associated company for the purpose of resale to others.

Sixth of October for Development and Investment Company "SODIC" - (An Egyptian Joint Stock Company)
Notes to the consolidated interim financial statements for the financial period ended June 30, 2016

17. Work in process

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

| | 30/6/2016 | 31/12/2015 |
|---|-----------------------------|-----------------------------|
| | <u>EGP</u> | <u>EGP</u> |
| Allegría project costs | 335 652 328 | 291 110 919 |
| Westown project costs | 879 646 727 | 814 319 057 |
| Kattamya Plaza project costs | 13 248 817 | 17 326 961 |
| Eastown project costs (17-1) | 1 912 910 680 | 1 819 227 446 |
| Villette project costs (17 -2) | 3 048 511 468 | 2 897 642 054 |
| Al Yosr for projects and agriculture development prc | 333 660 797 | 333 660 797 |
| Polygon project costs | 317 967 580 | 347 983 895 |
| Caesar project costs (3-17) | 264 835 446 | 207 229 617 |
| The Strip project costs | 45 464 080 | 62 838 882 |
| Northern expansions project costs (17-4) | 236 955 692 | 227 211 825 |
| Beverly Hills project costs | 17 814 377 | 17 317 328 |
| | <u>7 406 667 992</u> | <u>7 035 868 781</u> |

(17-1) Eastown project cost includes an amount representing the present value of the of the installments of the settlement agreement signed between one of the Company's subsidiaries and the Ministry of Housing and New Urban Communities Authority dated April 14, 2014. The settlement agreement stipulates that the subsidiary will pay EGP 900 million over 7 years in return for an extension in the development time frame by an additional 5 years.

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

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

Sixth of October for Development and Investment Company "SODIC" - (An Egyptian Joint Stock Company)
Notes to the consolidated interim financial statements for the financial period ended June 30, 2016

- (17-2) Villette project costs includes an amount of EGP 2.5 billion approximately related to the purchase of 301.48 acres that were obtained from New Urban communities authority by a subsidiary. The award letter was received on the 9th of June, 2014. .
- (17-3) Caesar project costs include cost of purchasing 172 000 m2 land plot in Ras-Elhekmah on the north coast amounted EGP 190 Million approximately.
- (17-4) Includes the acquisition cost of 30.998 acres plot in northern expansion in Sixth of October City.

18. Trade and notes receivable

| | 30/6/2016 | 31/12/2015 |
|--|----------------------|----------------------|
| | <u>EGP</u> | <u>EGP</u> |
| Trade receivable | 85 552 726 | 96 745 325 |
| Notes receivable | 2 420 181 893 | 2 150 338 683 |
| | 2 505 734 619 | 2 247 084 008 |
| <u>Deduct</u> : unamortized interest -- notes receivable | 15 854 661 | 18 086 090 |
| | 2 489 879 958 | 2 228 997 918 |
| <u>Deduct</u> : Impairment losses of trade and notes receivable | 263 027 | 263 027 |
| | 2 489 616 931 | 2 228 734 891 |

- The Group's exposure to credit and currency risks related to trade and notes receivable is disclosed in note no. (45).

19. Debtors and other debit balances

| | 30/6/2016 | 31/12/2015 |
|---|--------------------|--------------------|
| | <u>EGP</u> | <u>EGP</u> |
| Contractors and suppliers – advance payments | 287 392 253 | 244 408 788 |
| Due from related parties – Joint Venture | 35 191 620 | 35 191 620 |
| Accrued interest | 71 552 793 | 68 600 809 |
| Due from related parties | 6 523 612 | 6 523 612 |
| Prepaid expenses | 245 262 902 | 215 651 709 |
| Deposits with others | 1 942 352 | 2 029 214 |
| Tax Authority | 10 396 774 | 12 138 042 |
| Due from the bonus and incentives plan to employees and managers fund | 122 736 | 122 736 |
| Debtors from sale of investments (19-1) | 53 007 819 | 52 578 228 |
| Heliopolis Development and Housing Company (19-2) | 100 100 000 | - |
| Other debit balances | 12 380 521 | 10 212 418 |
| | 823 873 382 | 647 457 176 |
| <u>Deduct :-</u> | | |
| Impairment loss in debtors and other debit balances | 109 655 118 | 110 081 036 |
| | 714 218 264 | 537 376 140 |

Sixth of October for Development and Investment Company "SODIC" - (An Egyptian Joint Stock Company)
Notes to the interim consolidated financial statements for the financial period ended June 30, 2016

- (19-1) The amount represents the balance outstanding arising from the sale of the Group's share in the capital of "El Sheikh-Zayed for construction development "in 2010 to "Invesmart" and "EDA" for construction investment.
- (19-2) This item includes an amount of EGP 100 million representing the amount paid as a down payment to Heliopolis Development and Housing Company, this amount will settle with Heliopolis Development and Housing Company's revenue share in the co-development contract pertaining to New Heliopolis City. Accordingly, the Company will act as a real estate developer for the land plot owned to Heliopolis Development and Housing Company which amounted to 655 acres in New Heliopolis City and Heliopolis Development and Housing Company will earn a share of the revenue with guaranteed minimum amount equal EGP 5.01 billion.
- The two parties have been agreed that the Company at its own expense and under its responsibility will implementing, financing, marketing and sale the units of the project, and all its inclusions and components, and will provide the management and maintains itself or through third parties, the two parties will share the revenue for each component in the contract (according to the defined percentages in the contract), in addition, to project's all other revenues according to the defined percentages in the contract.
- The Group's exposure to credit and currency risks related to debtors and other debit balances is disclosed in note no. (45).

20. Loans to Joint Ventures

| | 30/6/2016 | 31/12/2015 |
|--|-------------------|-------------------|
| | <u>EGP</u> | <u>EGP</u> |
| This item represents the loan granted to the Joint Venture project by the Group on August 16, 2010 for a total amount of USD 19.5 million. The loan carries an interest rate of 8.5% per annum. The principal together with interest were scheduled for payment before June 30, 2011. The loan was renewed with an interest rate of 12.5% per annum. | 135 485 960 | 135 485 960 |
| This item represents the utilized amount of the bridge loan granted to the Joint Venture project on October 28, 2010 for a total amount of USD 7 887 766. The loan carries an interest rate of 8.5% per annum. | 54 910 414 | 54 660 833 |
| | <hr/> 190 396 374 | <hr/> 190 146 793 |
| Deduct :- | | |
| Impairment for loans to joint ventures | 190 396 374 | 190 146 793 |
| | <hr/> - | <hr/> - |

21. Investments in treasury bills

| | 30/6/2016 | 31/12/2015 |
|-----------------------------------|----------------------------|-------------------------|
| | <u>EGP</u> | <u>EGP</u> |
| Treasury bills at par value | 1 116 175 000 | 52 550 000 |
| Unearned return on treasury bills | (23 217 717) | (2 775 487) |
| | <hr/> 1 092 957 283 | <hr/> 49 774 513 |

-The Group's exposure to market risk related to the trading investments is disclosed in note no. (45).

*Sixth of October for Development and Investment Company "SODIC" - (An Egyptian Joint Stock Company)
Notes to the interim consolidated financial statements for the financial period ended June 30, 2016*

22. Cash at banks and on hand

| | 30/6/2016 | 31/12/2015 |
|-----------------------------|---------------------------|-------------------------|
| | <u>EGP</u> | <u>EGP</u> |
| Bank - time deposits (22-1) | 697 086 116 | 1 704 797 340 |
| Bank - current accounts | 224 198 361 | 242 749 807 |
| Checks under collection | 25 096 478 | 17 823 229 |
| Cash on hand | 3 288 437 | 1 161 255 |
| | <u>949 669 392</u> | <u>1 966 531</u> |

(22-1) Deposits include an amount of EGP 108 million restricted as a guarantee for the credit facility granted to the Parent Company and one of its subsidiaries from a commercial banks. In addition, it includes an amount of EGP 199 million representing the value of deposits collected from customers against of the regular maintenance expenses.

- For the purpose of preparing the consolidated statement of cash flows, cash and cash equivalents item is represented as follows:

| | 30/6/2016 | 30/6/2015 |
|--|---------------------------|-----------------------------|
| | <u>LE</u> | <u>EGP</u> |
| Cash at banks and on hand | 949 669 392 | 1 487 602 139 |
| <u>Less:</u> | | |
| Restricted-Time Deposits | 108 529 016 | 414 312 834 |
| Cash and cash equivalents in the consolidated statement of cash flows | <u>841 140 376</u> | <u>1 073 289 305</u> |

- The Group's exposure to interest rate risk and currency risk for cash on hands and at banks which is disclosed in note no. (45)

Sixth of October for Development and Investment Company "SODIC"

Notes to the consolidated interim financial statements for the financial period ended June 30, 2016

23 - Property, plant, equipment

| | Golf Course | Lands | Buildings and Constructions | Vehicles | Furniture and fixtures | Office equipment and communications | Generators, machinery and equipment | Leasehold improvements | Total |
|---|-------------|------------|--------------------------------|------------|---------------------------|---|---|---------------------------|-------------|
| | EGP | EGP | EGP | EGP | EGP | EGP | EGP | EGP | EGP |
| Cost | | | | | | | | | |
| Cost at January 1, 2015 | 93 628 961 | 23 700 259 | 10 367 941 | 15 431 824 | 19 085 754 | 18 678 979 | 23 573 559 | 13 400 255 | 217 867 532 |
| Additions during the year | - | 32 705 970 | 26 847 470 | 3 574 891 | 2 752 423 | 4 572 028 | 3 540 254 | 2 075 298 | 76 068 334 |
| Disposals during the year | - | - | - | (241 773) | - | (275 691) | (4 205 754) | (4 254 475) | (8 977 693) |
| Cost at December 31, 2015 | 93 628 961 | 56 406 229 | 37 215 411 | 18 764 942 | 21 838 177 | 22 975 316 | 22 908 059 | 11 221 078 | 284 958 173 |
| Cost at January 1, 2016 | 93 628 961 | 56 406 229 | 37 215 411 | 18 764 942 | 21 838 177 | 22 975 316 | 22 908 059 | 11 221 078 | 284 958 173 |
| Additions during the period | - | - | 2 322 474 | 3 384 817 | 4 053 959 | 1 076 854 | 595 683 | 309 960 | 11 743 747 |
| Disposals during the period | - | - | - | (613 554) | - | (38 350) | (232 815) | - | (884 719) |
| Balance at June 30, 2016 | 93 628 961 | 56 406 229 | 39 537 885 | 21 536 205 | 25 892 136 | 24 013 820 | 23 270 927 | 11 531 038 | 295 817 201 |
| Accumulated depreciation and impairment losses | | | | | | | | | |
| Accumulated depreciation and impairment losses at January 1, 2015 | 32 785 603 | - | 3 587 926 | 12 417 742 | 12 202 754 | 13 537 666 | 17 377 151 | 10 672 196 | 102 581 038 |
| Depreciation during the year | 1 823 248 | - | 9 523 903 | 1 480 283 | 2 388 793 | 3 391 416 | 3 396 682 | 2 828 208 | 24 832 533 |
| Accumulated depreciation of disposals during the year | - | - | - | (231 145) | - | (264 509) | (4 205 753) | (3 622 131) | (8 323 538) |
| Impairment losses during the year | 30 000 000 | - | - | - | - | - | - | - | 30 000 000 |
| Accumulated depreciation and impairment losses at December 31, 2015 | 64 608 851 | - | 13 111 829 | 13 666 880 | 14 591 547 | 16 664 573 | 16 568 080 | 9 878 273 | 149 090 033 |
| Accumulated depreciation and impairment losses at January 1, 2016 | 64 608 851 | - | 13 111 829 | 13 666 880 | 14 591 547 | 16 664 573 | 16 568 080 | 9 878 273 | 149 090 033 |
| Depreciation during the period | 911 623 | - | 5 078 636 | 892 034 | 1 308 567 | 1 715 487 | 783 049 | 1 314 993 | 12 004 389 |
| Accumulated depreciation of disposals during the period | - | - | - | (443 770) | - | (28 807) | (48 741) | - | (521 318) |
| Accumulated depreciation and impairment losses at June 30, 2016 | 65 520 474 | - | 18 190 465 | 14 115 144 | 15 900 114 | 18 351 253 | 17 302 388 | 11 193 266 | 160 573 104 |
| Net book value | | | | | | | | | |
| At January 1, 2015 | 60 843 358 | 23 700 259 | 6 780 015 | 3 014 082 | 6 883 000 | 5 141 313 | 6 196 408 | 2 728 059 | 115 286 494 |
| At December 31, 2015 | 29 020 110 | 56 406 229 | 24 103 582 | 5 098 062 | 7 246 630 | 6 310 743 | 6 339 979 | 1 342 805 | 135 868 140 |
| At June 30, 2016 | 28 108 487 | 56 406 229 | 21 347 420 | 7 421 061 | 9 992 022 | 5 662 567 | 5 968 539 | 337 772 | 135 244 097 |

* Property, plant, equipment include fully depreciated assets at a cost of EGP 54 301 835 at June 30, 2016

Sixth of October for Development and Investment Company "SODIC" - (An Egyptian Joint Stock Company)
Notes to the consolidated interim financial statements for the financial period ended June 30, 2016

24. Projects under construction

This item is represented as follows:

| | 30/6/2016 | 31/12/2015 |
|---|------------------|------------------|
| | <u>EGP</u> | <u>EGP</u> |
| Buildings and constructions | 3 979 774 | 6 271 054 |
| Advance payments -fixtures and purchasing of fixed assets | 609 174 | 1 519 245 |
| | <u>4 588 948</u> | <u>7 790 299</u> |

25. Biological asset under construction

On June 30, 2016, the balance of EGP 6 034 590 represents the cost of planting agricultural seedlings and the related costs, irrigation, water, wages, etc. (2015: EGP 5 884 706).

26. Investments in associates and joint ventures

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

| | Legal Form | Ownership Percentage | Carrying amount | |
|---|---------------|-------------------------|-----------------|------------|
| | | 30/6/2016 | 31/12/2015 | |
| | | <u>%</u> | <u>%</u> | |
| | | | | <u>EGP</u> |
| Royal Gardens for Investment Property Co. (A) | SAE | 20 | 20 | - |
| Palmyra SODIC Real Estate Development (B) | Syrian Ltd. | 50 | 50 | - |
| | | | | <u>-</u> |

Summary of financial information of associates and joint ventures:-

| | Assets | Liabilities | Equity | Revenues | Expenses |
|---|---------------|--------------------|---------------|-----------------|-----------------|
| | <u>EGP</u> | <u>EGP</u> | <u>EGP</u> | <u>EGP</u> | <u>EGP</u> |
| <u>June 30, 2016</u> | | | | | |
| Royal Gardens for Real Estate Investments Co. (A) | 330 463 327 | (299 454 739) | (31 008 588) | (288 643 101) | 276 779 179 |
| <u>December 31, 2015</u> | | | | | |
| Royal Gardens for Real Estate Investments Co. (A) | 521 120 330 | (476 977 020) | (44 143 310) | (278 759 490) | 251 549 733 |
| | <u>Assets</u> | <u>Liabilities</u> | <u>Equity</u> | <u>Revenues</u> | <u>Expenses</u> |
| | <u>EGP</u> | <u>EGP</u> | <u>EGP</u> | <u>EGP</u> | <u>EGP</u> |
| <u>June 30, 2016</u> | | | | | |
| Palmyra SODIC Real Estate Development (B) | 64 287 604 | (490 022 316) | 425 734 712 | - | 139 106 177 |
| <u>December 31, 2015</u> | | | | | |
| Palmyra SODIC Real Estate Development (B) | 79 960 952 | (436 780 148) | 356 819 196 | - | 184 068 833 |

(A) Royal Gardens for Investment Property Co. was established during the year 2006 in association with Palm Hills Developments and other shareholders. The cost of investment amounted to EGP 3 million which represents 50% of the Parent Company's participation in the share capital of Royal Gardens Co.

Sixth of October for Development and Investment Company "SODIC" - (An Egyptian Joint Stock Company)
Notes to the consolidated interim financial statements for the financial period ended June 30, 2016

The Parent Company's share in the unrealized gain resulting from the sale of land by the Parent Company to its associate during 2007 amounted to EGP 32 298 112 out of which only EGP 3 million has been eliminated to the extent of the Company's interest in the associate when preparing the consolidated financial statements.

(B) On June 15, 2010, SODIC Syria was established - a limited liability company – to acquire a 50% stake in Palmyra - SODIC Real Estate Development Co., Ltd. - a limited liability company - registered and operating in the Syrian Arab Republic. The direct investment cost amounts to EGP 243 million.

- Due to the current political circumstances in the Syrian Arab Republic and the confiscation of assets and documents related to Palmyra - SODIC Real Estate Development Co by the state government, the management of SODIC addressed the Embassy of the Syrian Arab Republic in Egypt and commissioned a law firm to handle the issue and protect the interest of SODIC's shareholders.

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

27. Available for sale investments

This item is represented as follows:

| | Legal Form | Ownership % | Paid amount of Participation % | Carrying amount as at 30/6/2016 <u>EGP</u> | Carrying amount as at 31/12/2015 <u>EGP</u> |
|--|---------------|--------------------|---|---|--|
| Egyptian Company for Development and Management of Smart Villages | S.A.E | 1.8 | 100 | 4 250 000 | 4 250 000 |
| | | | | <u>4 250 000</u> | <u>4 250 000</u> |

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

Sixth of October for Development and Investment Company "SODIC" - (An Egyptian Joint Stock Company)
Notes to the interim consolidated financial statements for the financial period ended June 30, 2016

28. Investment properties

The net carrying amount of the investment properties as at June 30, 2016 amounted to EGP 103 466 840. The amount includes commercial / residential units leased out to others. The movement of the investment properties and its associated depreciation during the period as follows:-

| <u>Description</u> | <u>Leased out units</u> <u>EGP</u> | <u>HUB Project's units</u> <u>EGP</u> | <u>Total</u> <u>EGP</u> |
|--|--|---|---|
| <u>Cost</u> | | | |
| At January 1, 2015 | 18 568 793 | - | 18 568 793 |
| Additions during the year | 8 664 293 | 86 733 319 | 95 397 612 |
| At December 31, 2015 | 27 233 086 | 86 733 319 | 113 966 405 |
| At January 1, 2016 | 27 233 086 | 86 733 319 | 113 966 405 |
| Additions during the period | 1 155 200 | - | 1 155 200 |
| Disposals during the period | (7 923 578) | - | (7 923 578) |
| At June 30, 2016 | 20 464 708 | 86 733 319 | 107 198 027 |
| <u>Less</u> | | | |
| <u>Accumulated depreciation</u> | | | |
| At January 1, 2015 | (616 504) | - | (616 504) |
| Depreciation for the year | (322 173) | (1 679 752) | (2 001 925) |
| At December 31, 2015 | (938 677) | (1 679 752) | (2 618 429) |
| At January 1, 2016 | 938 677 | 1 679 752 | 2 618 429 |
| Depreciation for the year | 155 572 | 1 480 832 | 1 636 404 |
| Accumulated Disposals during the period | (523 646) | - | (523 646) |
| At June 30, 2016 | 570 603 | 3 160 584 | 3 731 187 |
| Net carrying amount as at January 1, 2015 | 17 952 289 | - | 17 952 289 |
| Net carrying amount as at December 31, 2015 | 26 294 409 | 85 053 567 | 111 347 976 |
| Net carrying amount as at June 30, 2016 | 19 894 105 | 83 572 735 | 103 466 840 |

29. Notes receivable – Long-term

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

| | <u>30/6/2016</u> <u>EGP</u> | <u>31/12/2015</u> <u>EGP</u> |
|--|---|--|
| Notes receivable | 5 095 580 892 | 4 761 962 569 |
| <u>Deduct:</u> Unamortized interest | 94 163 813 | 104 425 796 |
| | 5 001 417 079 | 4 657 536 773 |

- The Group's exposure to credit, and currency risks related to trade and notes receivable is disclosed in note no. (45).

Sixth of October for Development and Investment Company "SODIC" - (An Egyptian Joint Stock Company)
Notes to the consolidated interim financial statements for the financial period ended June 30, 2016

30. Share capital

The authorized capital of the Company is EGP. 2.8 billion and the Company's issued and paid in capital is EGP 1 355 638 292 distributed over 338 909 573 shares with a par value of EGP 4 per share, the commercial register was notified on December 7, 2014.

The current capital structure for the holding company represented as follow:

| Shareholder | Number of shares | Share value EGP | Ownership percentage % |
|---|---------------------|------------------------|----------------------------------|
| Olayan Saudi Investment Company. | 43 121 432 | 172 485 728 | 12.72 |
| RA Six Holdings Limited | 31 992 544 | 127 970 176 | 9.44 |
| Rashed Abdelrahman Al Rashed & Sons Co | 15 586 983 | 62 347 932 | 4.60 |
| EFG Hermes Holdings Financial Group. | 15 183 111 | 60 732 444 | 4.48 |
| SCHRODER INTERNATIONAL SELECTION | 13 828 975 | 55 315 900 | 4.08 |
| Al- Majid Investments LLC. | 10 548 092 | 42 192 368 | 3.11 |
| NORGES Bank | 9 021 915 | 36 087 660 | 2.66 |
| Abdel Monem Rashed Abdel Rahman Al Rashed | 9 897 756 | 39 591 024 | 2.92 |
| Other shareholders | 189 728 765 | 758 915 060 | 55.99 |
| | 338 909 573 | 1 355 638 292 | 100 |

31. Legal Reserve

The balance as at June 30, 2016 is represented as follows:-

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

Sixth of October for Development and Investment Company "SODIC" - (An Egyptian Joint Stock Company)
Notes to the consolidated interim financial statements for the financial period ended June 30, 2016

32. Special reserve – share premium

The balance as at June 30, 2016 is represented in the following:

| <u>Description</u> | <u>EGP</u> |
|---|-----------------------------|
| Total value of the capital increase share premiums collected for the years 2006 and 2010 | 1 455 017 340 |
| <u>Add:</u> | |
| – Share premium of the employees' incentive and bonus plan issued during 2007. | 90 000 000 |
| – The value of selling 712 500 share which has been sold through beneficiaries of incentive and bonus plan during 2014 with EGP 30 per share (after split). | 21 375 000 |
| – The value of 200 000 shares converted to treasury shares during 2015 at par value, these shares were previously set aside for the benefit of the incentive and bonus plan with the capital increase in 2008 as a result of the termination of the program (Note no.52). | 2 150 000 |
| – The value received from the selling of offering rights for 737 500 shares during 2014, which were transferred from shares held for "incentive and bonus plan" as a result of the termination of the program (Note no.52). | 16 306 910 |
| – The value of accrued dividends for 737 500 shares which were transferred from the shares set aside for the incentive and bonus plan during 2015 as a result of the termination of the program (Note no.52). | 1 180 000 |
| <u>Deduct:</u> | |
| Amounts transferred to the legal reserve (Note no.31). | 167 855 516 |
| Capital increase – related expenses. | 55 240 255 |
| Amount used for share capital increase during 2008. | 5 000 000 |
| | <u>1 357 933 479</u> |

33. Treasury shares

- The balance of treasury shares at June 30, 2016 represents shares held by some subsidiary companies in the parent's company share capital.
- On February 1, 2015, the Company's Extraordinary General Assembly agreed on the termination of the current incentive and bonus plan for employees and executive directors of the company by the end of its duration as of March 31, 2015 and converting the remaining shares amounting to 737 500 shares on which its rights have not been exercised yet, into treasury shares in accordance with the related regulations, and the conversion of the shares into treasury shares has been executed on July 14, 2015, these shares carrying a book value of EGP 10 150 000 have been sold during the financial period ended June 30, 2016 with a selling value amounted to EGP 8 182 589 realizing a loss in the amount of EGP 1 967 411.

34. Profit from sale of treasury shares

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

Non-controlling interest balance as at June 30, 2016 represents the interest shares in subsidiary's equity as follows:

| | | Non-controlling interest | | | |
|--|-----------------|---|--|----------------------------------|-----------------------------------|
| | Percentage % | Profit / (loss) for the period <u>EGP</u> | excluding profit / (loss) for the period <u>EGP</u> | as at 30/6/2016 <u>EGP</u> | as at 31/12/2015 <u>EGP</u> |
| Sixth of October for Development and Real Estate Projects Co. "SOREAL" | 0.01 | 5 004 | 62 372 | 67 376 | 62 372 |
| Beverly Hills for Management of Cities and Resorts Co. | 53.25 | 118 164 | 28 518 808 | 28 636 972 | 28 518 808 |
| SODIC Garden City for Development and Investment Co. | 50 | 9 545 107 | 39 632 357 | 49 177 464 | 59 617 346 |
| El Yosr for Projects and Agriculture Development Co. | 0.001 | 8 | 26 988 | 26 996 | 26 988 |
| SODIC for Development and Real Estate Investment Co. | 0.001 | – | 20 | 20 | 20 |
| Tegara for Trading Centers Co. | 4.76 | 4 315 | 2 666 941 | 2 671 256 | 2 666 941 |
| Edara for Services of Cities and Resorts Co. | 0.003 | 97 | 519 | 616 | 519 |
| Fourteen for Real Estate Investment Co. | 0.004 | – | 2 | 2 | 2 |
| La Maison for Real Estate Investment Co. | 0.004 | – | 2 | 2 | 2 |
| | | 9 672 695 | 70 908 009 | 80 580 704 | 90 892 998 |

Sixth of October for Development and Investment Company "SODIC" - (An Egyptian Joint Stock Company)
Notes to the consolidated interim financial statements for the financial period ended June 30, 2016

36. Long-term loans

| | 30/6/2016 | 31/12/2015 |
|---|-------------------|-------------------|
| | <u>EGP</u> | <u>EGP</u> |
| On December 19, 2013 the company signed a medium-term syndicated loan contract with a group of banks represented by the Arab African International Bank "facility agent" with a total amount of EGP 900 million to finance the total debt outstanding on the company and to finance SODIC West projects located in Kilo 38 Cairo/Alex desert road -Giza- Egypt. | 313 384 742 | 407 083 911 |
| On May 6, 2015 the Company signed an addendum to the above mentioned loan agreement, adding land plots in SODIC WEST project and using the facility to refinance the outstanding debt to PIRAEUS Egypt bank. | | |
| <u>Guarantees:</u> | | |
| - 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). | | |
| <u>Grace period:</u> | | |
| 12 months from the date of the first drawdown, this applies to the principle amount of the debt only. | | |
| <u>Repayment:</u> | | |
| Commenced on March 31, 2015 and payable on (16) quarterly unequal installments. | | |
| On July 16, 2014 the company signed a medium-term loan contract with Commercial International Bank (CIB) for an amount of EGP 300 million as follows: Tranche (A) to refinance the total amount due to Solidere International following the settlement agreement and Tranche (B) to finance any deficit in the cash flows related to the development of specific blocks on Westown Residences in stage (B) tranche (B). | 189 347 800 | 189 347 800 |

Sixth of October for Development and Investment Company "SODIC" - (An Egyptian Joint Stock Company)
Notes to the interim consolidated financial statements for the financial period ended June 30, 2016

| | | |
|--|----------------------|----------------------|
| On July 3, 2014 a Company's subsidiary signed a medium term facility agreement with Arab African International Bank (AAIB) for a total amount of LE 950 million to finance the repayment of advance payments and installments due to the New Urban Communities Authority against the land of the project and finance part of the cost of the project through the funding of the Real Estate Development Model. | 688 930 819 | 523 067 183 |
| <u>Guarantees:</u> | | |
| - Corporate guarantee from Sixth of October for Development and Investment Company "SODIC" | | |
| - The company's commitment to assign all revenues arising from the project before or after the date of the facility for the benefit of the project. | | |
| - Accounts mortgage contracts: debt interest and all amounts deposited therein are pledged for the interest of the "guarantee agent", and pledge the project's account. | | |
| - Promissory note from the Company (the borrower). | | |
| <u>Availability period:</u> | | |
| Commences from the signing date until December 31, 2017. | | |
| <u>Grace period:</u> | | |
| Three months after the end of availability period, this applies to the principle amount of the debt only. | | |
| <u>Repayment:</u> | | |
| Commences at the end of the grace period, and is to be paid on 8 consecutive quarters ending, December 31, 2019. | | |
| Total | 1 191 663 361 | 1 119 498 894 |
| <u>Deduct: Current portion</u> | | |
| Syndicated loan from Arab African International Bank | 126 771 887 | 123 335 275 |
| | 1 064 891 474 | 996 163 619 |
| 37. <u>Long-term notes payable</u> | | |
| | 30/6/2016 | 31/12/2015 |
| | EGP | EGP |
| Total present value of the checks issued to New Urban Communities Authority which are payable till Jan. 1, 2021. | 600 000 000 | 650 000 000 |
| Total present value of the checks issued to New Urban Communities Authority which are payable till June 9, 2018. | 577 691 948 | 885 589 183 |
| Total present value of the checks issued to New Urban Communities Authority which are payable till September 8, 2019. | 171 734 763 | 171 734 763 |
| Unamortized interest | (206 742 057) | (257 013 119) |
| | 1 142 684 654 | 1 450 310 827 |
| The Company's exposure to credit risk related to long-term notes payable are disclosed in Note No. (45). | | |

Sixth of October for Development and Investment Company "SODIC" - (An Egyptian Joint Stock Company)
Notes to the consolidated interim financial statements for the financial period ended June 30, 2016

38. Provision for completion

| | Balance as at 1/1/2016 EGP | Formed during the period EGP | Used during the period EGP | Balance as at 30/6/2016 EGP |
|---|----------------------------------|------------------------------------|----------------------------------|-----------------------------------|
| Provision for completion of works (38-1) | 64 945 785 | 17 192 514 | (15 322 846) | 66 815 453 |
| | <u>64 945 785</u> | <u>17 192 514</u> | <u>(15 322 846)</u> | <u>66 815 453</u> |

(38-1) This provision is formed against the estimated costs expected to be incurred to complete the execution of the project in its final stage related to units delivered to customers, which are expected to be incurred in the following years.

39. Provisions

| | Balance as at 1/1/2016 EGP | Formed during the period EGP | Used during the period EGP | Provisions no longer required during the period EGP | Balance as at 30/6/2016 EGP |
|----------------------------------|----------------------------------|------------------------------------|-------------------------------------|--|-----------------------------------|
| Provision for expected claims | 6 057 239 | 275 324 | - | (67 000) | 6 265 563 |
| | <u>6 057 239</u> | <u>275 324</u> | <u>-</u> | <u>(67 000)</u> | <u>6 265 563</u> |

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

40. Bank - credit facilities

| | 30/6/2015 EGP | 31/12/2015 EGP |
|--|------------------|-------------------|
| Represents the amounts drawn down from the EGP 150 million fully secured overdraft facility signed between Bank Audi and SODIC. The facility is fully secured by deposits amounting to EGP 150 million. | - | 31 105 204 |
| Represents the amounts drawn down from the EGP 150 million fully secured overdraft facility signed with Bank Audi and one of the subsidiaries. The facility is fully secured by deposits amounting to EGP 150 million. | - | 17 203 930 |
| Represents the balance of the credit facility granted to one of the subsidiaries from the National Bank of Egypt with an amount of EGP 5 million, secured by the treasury bills kept at the bank. | - | 1 718 142 |
| Represents the amounts drawn down from the EGP 8 million fully secured overdraft facility signed with SAIB Bank and one of the subsidiaries. The facility is fully secured by deposits kept at the bank. | 4 438 962 | - |
| | <u>4 438 962</u> | <u>50 027 276</u> |

- Information regarding the Group's exposure to interest rate and liquidity risks is disclosed in note no. (45).

Sixth of October for Development and Investment Company "SODIC" - (An Egyptian Joint Stock Company)
Notes to the consolidated interim financial statements for the financial period ended June 30, 2016

41. Advances - from customers

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

| | 30/6/2016 | 31/12/2015 |
|---------------------------|-----------------------|----------------------|
| | EGP | EGP |
| Advances _ SODIC West | 3 190 156 231 | 2 821 472 769 |
| Advances _ SODIC East | 6 152 805 801 | 5 419 434 298 |
| Advances _ CAESAR PROJECT | 808 692 968 | 641 217 820 |
| | 10 151 655 000 | 8 882 124 887 |

42. Contractors, suppliers and notes payable

| | 30/6/2016 | 31/12/2015 |
|---|--------------------|--------------------|
| | EGP | EGP |
| Contractors | 108 739 345 | 98 967 412 |
| Suppliers | 3 144 132 | 2 860 981 |
| Notes payable (42-1) | 821 226 230 | 858 331 078 |
| | 933 109 707 | 960 159 471 |
| Deduct: Unamortized interest-notes payable | 83 464 918 | 117 325 527 |
| | 849 644 789 | 842 833 944 |

(42-1) Notes payable includes EGP 742 million which represents the amount due to the New Urban Communities Authority.

-The Group's exposure to currency and liquidity risks related to suppliers, contractors and notes payable is disclosed in note no. (45).

43. Creditors and other credit balances

| | 30/6/2016 | 31/12/2015 |
|--|--------------------|--------------------|
| | EGP | EGP |
| Amounts collected on account for management, operation and maintenance of projects | 615 530 447 | 515 906 444 |
| Due to related parties | 6 125 688 | 6 125 688 |
| Accrued expenses | 68 261 415 | 110 844 977 |
| Customers - Beverly Hills – capital contributions | 13 009 437 | 12 638 549 |
| Customers – credit balances | 28 354 109 | 37 973 566 |
| Tax Authority | 56 219 904 | 112 980 666 |
| Dividends payable | 91 643 | 91 643 |
| Accrued compensated absence | 2 208 345 | 1 428 692 |
| Insurance Deposits collected from customers – Against modification | 815 805 | 850 756 |
| Social insurance | 890 428 | 359 228 |
| Customers –down payments for sub-development (43-1) | 3 371 400 | 3 371 400 |
| Unearned revenue | 15 146 673 | 1 243 831 |
| Retentions | 8 466 244 | 9 084 075 |
| Due to beneficiaries from Incentive plan | 1 192 600 | 1 192 600 |
| Deposits from others | 18 069 061 | 16 635 432 |
| Premiums of club | 125 487 894 | 109 299 607 |
| Sundry creditors | 12 002 258 | 15 451 115 |
| | 975 243 351 | 955 478 269 |

(43-1) This amount represents sub-development from Sheikh Zayed for Real Estate Development, disclosed in note no. (17-1).

- The Group's exposure to currency and liquidity risks related to creditors is disclosed in note no. (45).

Sixth of October for Development and Investment Company "SODIC" - (An Egyptian Joint Stock Company)
Notes to the consolidated interim financial statements for the financial period ended June 30, 2016

44. Fair values

Fair values versus carrying values

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

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

Capital management

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

The Board of Directors of the Parent Company monitors the return on capital, which the Company defines as net profit for the period/year divided by total equity. The Board of Directors of the Parent Company also monitors the level of dividends to ordinary shareholders.

There were no changes in the Company's approach to capital management during the period / year. The Company is not subject to externally imposed capital requirements.

45. Financial risk management

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

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

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

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

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

a) Credit risk

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

Trade and other receivables

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

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

Sixth of October for Development and Investment Company "SODIC" - (An Egyptian Joint Stock Company)
Notes to the consolidated interim financial statements for the financial period ended June 30, 2016

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

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

Investments

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

Guarantees

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

b) Liquidity risk

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

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

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

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

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

c) Market risk

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

Sixth of October for Development and Investment Company "SODIC" - (An Egyptian Joint Stock Company)
Notes to the consolidated interim financial statements for the financial period ended June 30, 2016

d) Currency risk

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

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

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

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

e) Interest rate risk

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

f) Other market price risk

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

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

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

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

45-1 Credit risk

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

The maximum exposure to credit risk as at June 30, 2016 amounted to EGP 9 711 935 357 (December 31, 2015: EGP 8 979 041 233).

45-2 Liquidity risk

The following are the contractual maturities of financial liabilities:

| <u>June 30, 2016</u> | Carrying amount | Less than 1 year | 1-2 years | 2-5 years |
|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| | <u>EGP</u> | <u>EGP</u> | <u>EGP</u> | <u>EGP</u> |
| Banks – credit facilities | 4 438 962 | 4 438 962 | - | - |
| Short - term loans | 126 771 887 | 126 771 887 | - | - |
| Long – term loans | 1 064 891 474 | - | 368 649 757 | 696 241 717 |
| Contractors and suppliers | 111 883 477 | 111 883 477 | - | - |
| Other creditors | 975 243 351 | 556 192 847 | 403 809 894 | 15 240 610 |
| Notes payable –short term | 737 761 312 | 737 761 312 | - | - |
| Notes payable –long term | 1 142 684 654 | - | 725 227 059 | 417 457 595 |
| | <u>4 163 675 117</u> | <u>1 537 048 485</u> | <u>1 497 686 710</u> | <u>1 128 939 922</u> |

Sixth of October for Development and Investment Company "SODIC" - (An Egyptian Joint Stock Company)
Notes to the consolidated interim financial statements for the financial period ended June 30, 2016

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

45-3 Currency risk

Exposure to currency risk

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

June 30, 2016

| <u>Description</u> | <u>USD</u> | <u>Euro</u> |
|--------------------------------------|-------------------------|-----------------------|
| Cash at banks | 4 592 966 | 203 415 |
| Notes receivables | 10 574 371 | - |
| Advances - from customers | (12 364 203) | - |
| Creditors and other credit balances | (342 547) | - |
| Surplus of foreign currencies | <u>2 460 587</u> | <u>203 415</u> |

December 31, 2015

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

45-4 Interest rate risk

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

| | <u>Carrying amount</u> | |
|---|-------------------------------|-------------------------------|
| | <u>30/6/2016</u> | <u>31/12/2015</u> |
| <u>Financial instruments with a fixed rate</u> | <u>EGP</u> | <u>EGP</u> |
| Financial assets | 9 281 077 409 | 8 640 843 517 |
| Financial liabilities | (1 880 445 966) | (2 191 316 378) |
| | <u>7 400 631 443</u> | <u>6 449 527 139</u> |
| <u>Financial instruments with a fixed rate</u> | | |
| | (1 196 102 323) | (1 169 526 170) |
| Financial liabilities | <u>(1 196 102 323)</u> | <u>(1 169 526 170)</u> |

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

Sixth of October for Development and Investment Company "SODIC" - (An Egyptian Joint Stock Company)
Notes to the consolidated interim financial statements for the financial period ended June 30, 2016

46. Transactions with related parties

Related parties are represented in the Parent Company' shareholders, Board of Directors, executive directors and companies in which they own directly or indirectly shares giving them significant influence or control over the Group. The Parent Company made several transactions with related parties during the year and these transactions have been made in accordance with the terms determined by the Board of Directors of the Group and all transactions excluded added value. Summary of significant transactions concluded during the year and the resulting balances of the related parties at the consolidated balance sheet date were as follows:-

a) Transactions with related parties

| <u>Party / Relationship</u> | <u>Nature of transaction</u> | <u>30/6/2016</u> |
|--|----------------------------------|--|
| | | <u>Amount of transaction</u> <u>EGP</u> |
| Executive managers and Board of Directors (Parent Company) | Executive and Board of Directors | (See note No.9). |
| Palmyra – SODIC for Real Estate Development | Loan for joint projects | 249 580 |
| | Management fees | — |

b) Balances resulting from transactions with related parties

| <u>Party</u> | <u>Item as shown in the consolidated balance sheet</u> | <u>30/6/2016</u> <u>EGP</u> | <u>31/12/2015</u> <u>EGP</u> |
|---|---|--------------------------------|---------------------------------|
| Palmyra – SODIC for Real Estate Development | Loans to Joint Ventures | 190 396 374 | 190 146 793 |
| | *Accrued interest on loan under debtors caption | 65 482 130 | 65 482 130 |
| | Accrued on joint venture – related parties under debtor caption | 35 191 620 | 35 191 620 |

- * Impairment in dues from Palmyra – SODIC for Real Estate Development has been recorded as its described in note No.(19)

47. Tax status

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

Corporate tax

- A ten years corporate tax exemption period starting from the year following the date of the activity inception as of 1/1/1998 until 31/12/2007 according to Law No. 59 of 1979 concerning the New Urban Communities.
- During the month of January 2011, the Company submitted a request to the Tax Authority demanding the amendment of the tax exemption period to start from the date of the actual handing over of the units in the year 2002.
- On January 18, 2011, the Disputes Dispersal Committee of the Tax Authority considered and studied the Company's request in the light of the actual date of handing over of the units and the regulations applicable to similar companies. Accordingly, the committee decided to approve the

Sixth of October for Development and Investment Company "SODIC" - (An Egyptian Joint Stock Company)
Notes to the consolidated interim financial statements for the financial period ended June 30, 2016

Parent Company's request thus considering the date of the actual business activity of the Company to be the year 2002, hence, the Parent Company shall be entitled to tax exemption from 1/1/2003 to 31/12/2012, and the amendment of the new exemption period was registered in the Company's tax card. The amended tax return for year 2008 was submitted to the Tax Authority.

- Years from 1996 till 2004 has been tax inspected and the Company was notified with the tax inspection forms and tax differences has been paid and settled.
- Inspection has been notified for the year 2006, by the tax form (19) dated April 29, 2012 as an estimation, it has been appealed on May 3, 2012, re-inspection request has been submitted for the year 2006, and re-inspection is carried on.
- Inspection has been notified for the years 2007 and 2008, by the tax form (19) dated April 2, 2013 as an estimation, it has been appealed on April 9, 2013 and it has been returned to the appeal committee, which issued its decision to return the file to large tax payers for re-inspection, and re-inspection is carried on.
- Inspection has been notified for the years 2009 and 2010, by the tax form (19) dated April 7, 2015 as an estimation, it has been appealed on April 7, 2015 and the inspection is carried on.
- The Company has been notified for the tax period from 2011 till 2013, with the tax inspection form (32), dated May 3, 2015, and a request has been made to extend time limit on May 28, 2015 and a tax inspection has been notified again, with tax inspection form (32) dated August 24, 2015, and the inspection did not take place till the date.
- The Company has been notified for the tax year 2014 with the tax inspection form (32), dated March 1, 2016 and has been received on March 24, 2016 and a request has been made to extend time limit on April 3, 2016, and the inspection did not take place till the date.
- The Company submits its annual tax return on due dates in accordance with Law No. 91 of 2005.

Salary tax

- Tax inspection was carried out for the previous years till the year 2004 and the tax claims have been paid.
- Years from 2005 till 2012 are under inspection and the Company has not received any tax claims till the date of authorizing of these financial statements for issuance.
- The company pays the monthly salary tax on a regular basis.

Withholding tax

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

Stamp tax

- Tax inspection was carried out for the previous years till December 31, 2012 and tax differences have been fully paid.
- The Company provides stamp tax returns on a regular basis.

Sales tax

- The Company was inspected from inception till December 31, 2013 and tax differences were fully paid.
- Inspection has been notified for the years 2014 and 2015 on May 16, 2016 and the inspection did not take place till the date.
- The Company provides sales tax returns on a regular basis.

Sixth of October for Development and Investment Company "SODIC" - (An Egyptian Joint Stock Company)
Notes to the consolidated interim financial statements for the financial period ended June 30, 2016

Real estate property tax

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

48. Capital commitments

Capital commitments as at June 30, 2016 amounted EGP 2 025 250 is represented in contracted and unexecuted works (December 31, 2015: EGP 4 482 877).

49. 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 September 17, 2016.

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.

50. Basis of measurement

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

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

51. Comparative figures

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

Statement of financial position

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

Sixth of October for Development and Investment Company "SODIC" - (An Egyptian Joint Stock Company)
Notes to the consolidated interim financial statements for the financial period ended June 30, 2016

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

- On 16 October 2006, the Company's Extra - Ordinary General Assembly unanimously agreed to approve the incentive plan of the parent Company's employees and managers and authorizing the Company's board of directors to issue million shares with a fair value of EGP 100 per share (before splitting) and appointing an independent committee for supervising the execution of this plan formed by non – executive members in the board of directors, and the allocated shares for the plan had been increased by additional 500 000 shares.
- On February 1, 2015, the Company's Extra - Ordinary General Assembly has approved upon the following:
 - The current Bonus and incentive plan ended on March 31, 2015, and the company converted the remaining 737 500 shares which have its rights unexercised into treasury shares according to the relevant governing regulations.
 - Implementation of new Bonus and incentive plan through appropriating shares characterized by favorable conditions in respect of both employees and executive directors.
- On May 31, 2015, the Egyptian Financial Supervisory Authority notified the company that the authority has nothing against carrying out the procedures of converting the number of 737 500 shares out of the shares of the bonus and incentive plan system for employees to treasury shares with a new code both with Egyptian Stock Market, Misr for Clearing and Settlement and Central Depository (MCSD), applying the legal provisions and rules regarding dealing with treasury shares.
- On July 14, 2015, 737 500 shares out of the shares of the bonus and incentive plan system for employees, managers and executive directors have been converted into treasury shares.
- On September 3, 2015, the parent company extraordinary general assembly has approved the termination of the incentive and bonus plan system for employees, managers and executive board members of the parent company, which was authorized by the Extraordinary General Assembly of the parent company on February 1, 2015, and was not submitted to the Egyptian Financial Supervisory Authority for authorization, as well as canceling all its related effects.
- On January 20, 2016, the parent company extraordinary general assembly has approved the implementation of new bonus and incentive plan through appropriating shares with special conditions for employees, managers and executive directors in the parent company.

53. Significant accounting policies

53-1 Business combination

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

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

Notes to the consolidated interim financial statements for the financial period ended June 30, 2016

a) Subsidiaries

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

Subsidiaries are represented in the following:-

| <u>Subsidiary name</u> | <u>Country of Incorporation</u> | <u>Ownership</u> | |
|--|-------------------------------------|----------------------------|-----------------------------|
| | | <u>As at 30/6/2016</u> | <u>As at 31/12/2015</u> |
| | | <u>%</u> | <u>%</u> |
| 1- Sixth of October for Development and Real Estate Projects Company "SOREAL" - S.A.E | Egypt | 99.99 | 99.99 |
| 2- Beverly Hills for Management of Cities and Resorts Co. - S.A.E (*) | Egypt | 46.75 | 46.75 |
| 3- SODIC Garden City for Development and Investment Co. S.A.E | Egypt | 50 | 50 |
| 4- El Yosr for Projects and Agriculture Development Co. - S.A.E | Egypt | 99.99 | 99.99 |
| 5- SODIC for Development and Real Estate Investment Co. - S.A.E | Egypt | 99.99 | 99.99 |
| 6- SODIC SIAC for Real Estate Investment Co. - S.A.E | Egypt | 100 | 100 |
| 7- SODIC for Golf and Tourist Development Co. - S.A.E | Egypt | 100 | 100 |
| 8- Fourteen for Real Estate Investment Co. - S.A.E | Egypt | 99.99 | 99.99 |
| 9- La Maison for Real Estate Investment Co. - S.A.E | Egypt | 99.99 | 99.99 |
| 10- Tegara for Trading Centers Co. S.A.E | Egypt | 95.24 | 95.24 |
| 11- Edara for Services of Cities and Resorts Co. -S.A.E | Egypt | 99.97 | 99.97 |
| 12- Soreal for Real Estate Investment | Egypt | 99.99 | 99.99 |
| 13- SODIC for Securitization | Egypt | 99.99 | 99.99 |
| 14- SODIC Syria L.L.C (**) | Syria | 100 | 100 |
| 15- Tabrouk Development Company (D) | Egypt | 100 | 100 |

(*) The legal participation in Beverly Hills for Management of Cities and Resorts Co. amounts to 49.49 %, which includes 2.74 % transitory shares currently in the name of the Company. The title of these shares will be transferred to the ultimate shareholders (Owners of Beverly Hills Project units).

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

b) Non-controlling interests

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

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

c) Loss of control

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

Sixth of October for Development and Investment Company "SODIC" - (An Egyptian Joint Stock Company)
Notes to the consolidated interim financial statements for the financial period ended June 30, 2016

d) Investments accounted for equity method

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

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

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

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

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

e) Transaction elimination on consolidation

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

53-2 Foreign currency

a) Foreign currency transactions

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

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

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

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

Foreign currency differences are generally recognised in profit or loss.

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

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

b) Foreign Operations

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

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

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

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

When the Group disposes of only part of an associate or joint venture while retaining

Sixth of October for Development and Investment Company "SODIC" - (An Egyptian Joint Stock Company)
Notes to the consolidated interim financial statements for the financial period ended June 30, 2016

significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

53-3 Discontinued operation

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

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

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

53-4 Revenue recognition

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

a. Real estate and land sales

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

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

b. Service revenues

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

c. Rental income

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

d. Interest income

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

e. Commission revenue

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

f. Dividends

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

Sixth of October for Development and Investment Company "SODIC" - (An Egyptian Joint Stock Company)
Notes to the consolidated interim financial statements for the financial period ended June 30, 2016

53-5 Employee benefit

a) Short – term employee benefits

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

b) Share – based payment arrangements

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

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

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

c) Define contribution plans

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

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

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

Sixth of October for Development and Investment Company "SODIC" - (An Egyptian Joint Stock Company)
Notes to the consolidated interim financial statements for the financial period ended June 30, 2016

53-6 Finance income and finance costs

The Group's finance income and finance costs include:

- interest income
- interest expense
- Dividends income
- Dividends on preference shares issued classified as financial liabilities
- The net gain or loss on the disposal of available-for-sale financial assets
- The net gain or loss on financial assets at fair value through profit or loss
- The foreign currency gain or loss on financial assets and financial liabilities
- The gain on the remeasurement to fair value of any pre-existing interest in an acquire in a business combination
- The fair value loss on contingent consideration classified as a financial liability
- Impairment losses recognized on financial assets (other than trade receivables)
- The net gain or loss on hedging instruments that are recognized in profit or loss
- The reclassification of net gains previously recognized in OCI.

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

53-7 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 Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future.

Sixth of October for Development and Investment Company "SODIC" - (An Egyptian Joint Stock Company)
Notes to the interim consolidated financial statements for the financial period ended June 30, 2016

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

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

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

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

53-8 Biological assets

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

53-9 Units ready for sale

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

53-10 Work in process

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

53-11 Property, plant and equipment

a) Recognition and measurement

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

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

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

b) Subsequent expenditure

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

c) Depreciation

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

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

Sixth of October for Development and Investment Company "SODIC" - (An Egyptian Joint Stock Company)
Notes to the consolidated interim financial statements for the financial period ended June 30, 2016

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

53-12 Projects under construction

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

53-13 Intangible assets and goodwill

a) Recognition and measurement

I. Goodwill:

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

II. Research and development:

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

III. Other intangible assets:

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

b) Subsequent expenditure

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

c) Amortization

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

Goodwill is not amortised.

Sixth of October for Development and Investment Company "SODIC" - (An Egyptian Joint Stock Company)
Notes to the consolidated interim financial statements for the financial period ended June 30, 2016

53-14 Investment properties

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

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

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

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

53-15 Financial instruments

The Group 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 Group 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 Group 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 Group 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 Group is recognised as a separate asset or liability.

The Group 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 Group 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.

Sixth of October for Development and Investment Company "SODIC" - (An Egyptian Joint Stock Company)
Notes to the consolidated interim financial statements for the financial period ended June 30, 2016

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

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

Cash Flow Hedges

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

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

If the forecast transaction is no longer expected to occur, the hedge no longer meets the

Sixth of October for Development and Investment Company "SODIC" - (An Egyptian Joint Stock Company)
Notes to the consolidated interim financial statements for the financial period ended June 30, 2016

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

53-16 Share capital

1) Ordinary Shares

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

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

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

53-17 Impairment

1) Non-derivative financial assets

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

Objective evidence that financial assets are impaired includes:

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

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

Financial assets measured at amortised cost

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

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

Sixth of October for Development and Investment Company "SODIC" - (An Egyptian Joint Stock Company)
Notes to the consolidated interim financial statements for the financial period ended June 30, 2016

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

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

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

Available-for-sale financial assets

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

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

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

Equity-accounted investees

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

2) Non-financial Assets

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

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

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

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

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

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

Sixth of October for Development and Investment Company "SODIC" - (An Egyptian Joint Stock Company)
Notes to the consolidated interim financial statements for the financial period ended June 30, 2016

53-18 Provisions

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

Provision for completion

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

53-19 Operational lease

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

53-20 Sale and leaseback

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

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

53-21 Investments

a- Available for sale investments

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

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

b- Held for trading investments

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

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

53-22 Trade, notes receivable and debtors

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

Sixth of October for Development and Investment Company "SODIC" - (An Egyptian Joint Stock Company)
Notes to the consolidated interim financial statements for the financial period ended June 30, 2016

53-23 Cash and cash equivalents

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

53-24 Borrowing costs

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

53-25 Interest –bearing borrowings

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

53-26 Trade, contractors and other credit balances

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

53-27 Notes payable

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

53-28 Cost of sold lands

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

53-29 Expenses

Lease payments

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

53-30 Employees' profit sharing

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

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

53-31 Earnings / (losses) per share

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

Sixth of October for Development and Investment Company "SODIC" - (An Egyptian Joint Stock Company)
Notes to the consolidated interim financial statements for the financial period ended June 30, 2016

53-32 New Issues and Amendments issued to the Egyptian Accounting Standards (EAS) but not adopted.

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

In the following table, we shall present the most prominent amendments on the Egyptian Accounting Standards (EAS) that have been applied on the financial statements of June 30, 2016:

| New or Amended Standards | Summary of the Most Significant Amendments | Possible Impact on the Financial Statements |
|--|---|---|
| <u>EAS (1)</u> Presentation of Financial Statements | <p><u>Financial Position Statement</u></p> <ul style="list-style-type: none"> The Standard does not require to present the working capital presentation. The reference financial statements that was included in 2006 Standards was excluded; which presented the working capital presentation. A statement shall be added to the statement of financial position including balances of the beginning of the first presented comparative period in case of retrospective implementation or change in an accounting policy or reclassification carried out by the entity. <p><u>Income Statement (Profit or Loss)/ and Statement of Comprehensive Income</u></p> <p>The entity shall disclose all recognized income and expense captions during the financial period in two separate statements; one of them presents the profit or loss components (<i>Income Statement</i>) and the other one starts with the profit or loss and presents the other comprehensive income items (<i>Statement of Comprehensive Income</i>).</p> | <ul style="list-style-type: none"> All the presented financial statements, disclosures and their accompanying notes including the comparative figures had been represented to be in conformity with the required amendments to the Standard. <i>Statement of Comprehensive Income</i>, had been added for the current and comparative period. |
| <u>EAS (10)</u> Property, Plant and Equipment (PPE) and its depreciations | <ul style="list-style-type: none"> The option of using the revaluation model in the subsequent measurement of PPE has been canceled. The financial shall disclose a movement of the PPE and its depreciations in the notes accompanying the financial statements at the beginning and the end of the current period and the comparable period. | <p>The amendment does not apply retroactively, and the carrying amounts in the transitional date is the cost and the accumulated depreciation at the beginning of the application of this revised standard.</p> <p>The comparative figures relating to the PPE in the notes accompanying the financial statements had been re-presented to be in conformity with the required amendments on the standard.</p> |

Sixth of October for Development and Investment Company "SODIC" - (An Egyptian Joint Stock Company)
Notes to the consolidated interim financial statements for the financial period ended June 30, 2016

| New or Amended Standards | Summary of the Most Significant Amendments | Possible Impact on the Financial Statements |
|---|--|--|
| | <ul style="list-style-type: none"> • The strategic (major) spare parts and stand-by equipment can be classified as PPE when the entity expects to use them for more than one period (when the definition of PPE applies thereto). | |
| <u>Egyptian Standard No. (45)</u> Fair Value Measurement | <p>The new Egyptian Accounting Standard No. (45) "<i>Fair Value Measurement</i>" was issued and shall be applied when another Standard requires or allows measurement or disclosure to be made at fair value.</p> <p>This Standard aims the following:</p> <ol style="list-style-type: none"> (a) Defining the fair value (b) Laying down a framework to measure the fair value in one Standard and (c) Identifying the disclosure required for the fair value measurements. | <p>The standard had been applied prospectively in the preparation of interim financial statements in March 31, 2016, including the disclosure contained in this standard requirements.</p> |
| <u>Egyptian Standard No. (29)</u> Business Combination | <p>The purchase method was cancelled and replaced by the acquisition method; as results:</p> <ol style="list-style-type: none"> 1- Changing the acquisition cost to become the cash consideration transferred; and to be measured at fair value at the acquisition date. 2- Contingent consideration: the fair value of the contingent consideration shall be recognized at the acquisition date as a part of consideration transferred. 3- Changing the method of measuring goodwill in case of Step acquisition is made. <ul style="list-style-type: none"> • The transaction cost (the cost related to the acquisition): Shall be charged to the Income Statement as an expense in the period in which the costs incurred it and shall not be added to the cash consideration transferred; except for the costs of issuing equity instrument or debt instruments directly related to the acquisition process. | <p>This amended Standard has been applied for all business combinations which the acquisition was date on or after the beginning of January 2016, therefore no adjustment have been made to assets and liabilities arising from business combinations acquired before the beginning of January 2016.</p> |

Sixth of October for Development and Investment Company "SODIC" - (An Egyptian Joint Stock Company)
Notes to the consolidated interim financial statements for the financial period ended June 30, 2016

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

Sixth of October for Development and Investment Company "SODIC" - (An Egyptian Joint Stock Company)
Notes to the consolidated interim financial statements for the financial period ended June 30, 2016

| New or Amended Standards | Summary of the Most Significant Amendments | Possible Impact on the Financial Statements |
|---|---|--|
| <u>Egyptian Standard No. (18): Investments in Associates</u> | <p>The accounting treatment of the joint ventures shall be added to this standard, accordingly the Investments in associates and joint ventures shall be accounted for that investments using the equity method in the Consolidated and Individual Financial Statements.</p> <ul style="list-style-type: none"> • The entity shall discontinue to use the Equity method from the date when its investment ceases to be an associate or a joint venture provided that the retained interest shall be re-measured using the fair value and the difference shall be recognized in the Income Statement. • If an investment in an associate becomes an investment in a joint venture or vice versa, the entity continues to apply the Equity Method and does not re-measure the retained Interest. • If an entity's ownership interest in an associate or a joint venture reduced, but the entity continues to apply the Equity Method, the entity shall reclassify to profit or loss the proportions of the gain or loss that previously been recognized in OCI relating to that reduction in Ownership interest. | <p>All Comparative figures and all consolidated financial information presented has been modified</p> <p>There is no retroactive adjustment with respect to discontinued use of the equity method, if the date of discontinuation of the equity method occurred prior to the application of this revised standard. This also applies with respect to changes in the company's ownership rights in its associate company or joint venture, while continuing to use the equity method.</p> |
| <u>Egyptian Standard No. (44): Disclosure of Interests in Other Entities</u> | <ul style="list-style-type: none"> • A new Egyptian Accounting Standard No. (44) "Disclosure of Interests in Other Entities" was issued in order to comprise all the required disclosures pertaining to the investments in subsidiaries, associates, joint arrangements, and the unconsolidated Structured Entities. • The objective of this standard is to comply the entity to disclose the information that enable users of its financial statements to evaluate the nature and risks associated with its interests in other entities and the effects of those interests on its financial position, financial performance, and cash flows. | <p><u>In case of any impact on the financial statements due to applying the standard:</u></p> <p>All Comparative figures and disclosures have been modified</p> |
| <u>EAS (34) Investment Property</u> | <p>The option of using the fair value model in the measurement after recognition of the Property Investment has been canceled.</p> | <p><u>For companies which are applying the fair value model:</u></p> <p>The fair value of the investment at the beginning of the application of this standard (the date of transition to cost model) is the cost of that investment, for the purposes of subsequent accounting treatment according to Egyptian account standard</p> |

Sixth of October for Development and Investment Company "SODIC" - (An Egyptian Joint Stock Company)
Notes to the consolidated interim financial statements for the financial period ended June 30, 2016

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

Sixth of October for Development and Investment Company "SODIC" - (An Egyptian Joint Stock Company)
Notes to the consolidated interim financial statements for the financial period ended June 30, 2016

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