


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

**Separate Financial Statements
For The Financial Year Ended December 31, 2015**

And Auditor's Report

 **Hazem Hassan**
Public Accountants & Consultants

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Translation of financial statements

Originally issued in Arabic

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Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of Sixth of October for Development and Investment Company "SODIC", which comprise the separate balance sheet as at December 31, 2015, and the separate statements of income, changes in equity and cash flows for the financial year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

Estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

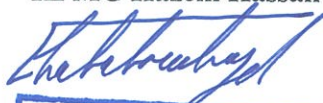
In our opinion, the separate financial statements referred to above present fairly, in all material respects, the separate financial position of Sixth of October for Development and Investment Company "SODIC" as of December 31, 2015, and of its separate financial performance and its separate cash flows for the year then ended in accordance with the Egyptian Accounting Standards and the Egyptian laws and regulations relating to the preparation of these separate financial statements.

Report on Other Legal and Regulatory Requirements

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

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

KPMG Hazem Hassan



KPMG Hazem Hassan
Public Accountants and Consultants
④

Cairo, March 16, 2016

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

Separate Balance Sheet

As at Decemeber 31, 2015

	Note No.	31/12/2015 L.E	31/12/2014 L.E
<u>Long - term assets</u>			
Fixed assets (net)	(6)	56 380 528	15 791 262
Investments in subsidiaries	(7)	1 707 842 466	1310 844 466
Investments - available for sale (net)	(8)	4 276 152	4 276 152
Investment properties (net)	(9)	53 155 878	78 076 695
Investment property - advances	(10)	148 224 050	145 000 482
Trade and notes receivable (net)	(11)	1 499 422 614	1 606 815 468
Total long - term assets		3 469 301 688	3 160 804 525
<u>Current assets</u>			
Inventory - Materials		-	204 205
Completed units ready for sale	(12)	8 278 560	15 486 539
Works in process	(13)	1 350 528 719	1 274 222 117
Trade & notes receivable (net)	(14)	1 145 112 984	1 075 358 927
Due from related parties (net)	(15)	401 964 100	888 887 464
Debtors & other debit balances (net)	(16)	234 830 272	189 318 215
Treasury stock investments		20 750 123	-
Cash at banks & on hand	(17)	1 277 086 732	1 199 609 801
Total current assets		4 438 551 490	4 643 087 268
<u>Current liabilities</u>			
Provision for completion	(18)	64 080 385	65 256 733
Provisions	(19)	5 635 474	8 054 124
Bank - Overdraft		-	643 013
Bank - Credit facilities	(20)	31 105 204	101 170 177
Loans - Short term	(32)	123 335 275	78 117 009
Advances from customers	(21)	2 497 567 579	2 832 854 177
Contractors, suppliers & notes payable	(22)	132 511 954	94 931 686
Due to related parties	(23)	146 540 962	212 650 292
Creditors & other credit balances	(24)	844 303 467	602 426 539
Total current liabilities		3 845 080 300	3 996 103 750
Working Capital		593 471 190	646 983 518
Total investments		4 062 772 878	3 807 788 043
These investments are financed as follows:-			
<u>Shareholders' equity</u>			
Issued & fully paid in capital	(25)	1 355 638 292	1 355 638 292
Legal reserve	(26)	184 428 817	181 352 693
Special reserve - share premium	(27)	1 357 933 479	1 338 296 569
Retained earnings		340 764 273	282 317 925
Profit from sale of treasury shares	(28)	3 692 867	3 692 867
Treasury shares	(29)	(10 150 000)	-
Shares kept for bonus & incentive plan	(30)	-	(8 000 000)
Set aside amount for bonus & incentive plan	(31)	-	20 004 359
Net profit for the year		213 200 723	61 522 472
Total shareholders' equity		3 445 508 451	3 234 825 177
<u>Long-term liabilities</u>			
Loans - long term	(32)	473 096 436	545 214 175
Notes payable - long term	(33)	143 711 099	24 306 118
Deferred tax liabilities	(34)	456 892	3 442 573
Total long-term liabilities		617 264 427	572 962 866
Total shareholders' equity & long - term liabilities		4 062 772 878	3 807 788 043

* The accompanying notes from (1) to (50) are an integral part of these separate financial statements and to be read therewith.

Financial & Administration

Executive Director

Hany Henry
Hany Henry

Chief Financial Officer

Omar Elhamawy
Omar Elhamawy

Managing Director

Maged Sherif
Maged Sherif

Chairman

Hani Sarie El Din
Hani Sarie El Din

* Auditor's report attached.

Sixth of October for Development and Investment Company "SODIC"
(An Egyptian Joint Stock Company)
Separate Income Statement
For The Financial Year Ended December 31, 2015

	Note <u>No.</u>	2015 <u>L.E</u>	2014 <u>L.E</u>
Sales (net)	(35)	1 157 062 339	848 892 788
Cost of sales	(36)	(642 468 417)	(509 697 099)
Gross profit		514 593 922	339 195 689
Other operating revenues	(37)	91 429 788	79 463 315
Selling and marketing expenses	(38)	(96 475 226)	(90 896 277)
General and administrative expenses	(39)	(161 060 649)	(160 445 840)
Other operating expenses	(40)	(66 368 043)	(50 443 155)
Operating profit		282 119 792	116 873 732
Finance income	(41)	93 147 982	37 205 132
Finance cost	(42)	(90 552 287)	(76 798 137)
Net finance incom / (cost)		2 595 695	(39 593 005)
Net profit for the year - before income tax		284 715 487	77 280 727
Income tax	(43)	(71 514 764)	(15 758 255)
Net profit for the year		213 200 723	61 522 472
Earnings per share (L.E / Share)	(44)	0.63	0.57

* The accompanying notes from (1) to (50) are an integral part of these separate financial statements and to be read therewith.

Sixth of October for Development and Investment Company "SODIC"
 (An Egyptian Joint Stock Company)
 Separate Statement of Changes in Equity
 For The Financial Year Ended December 31, 2015

	Issued & paid in capital L.E.	Legal reserve L.E.	Special reserve- share premium L.E.	Profit from sale of treasury shares L.E.	Shares set aside amount for bonus & incentive plan L.E.	Set aside amount for bonus & incentive plan L.E.	Treasury shares L.E.	Retained earnings L.E.	Net profit for the year L.E.	Total L.E.
Balance as at January 1, 2014	362 705 392	181 352 693	1 316 921 569	3 692 867	(80 000 000)	25 323 711	-	802 786 772	(520 468 847)	2 092 314 157
Capital Increase	992 932 900	-	-	-	-	-	-	-	-	992 932 900
Transfer to retained earnings	-	-	-	-	-	-	-	(520 468 847)	520 468 847	-
Exercised from bonus & incentive plan	-	-	21 375 000	-	72 000 000	-	-	-	-	93 375 000
Amortized from Set aside amount for bonus & incentive plan	-	-	-	-	-	(5 319 352)	-	-	-	(5 319 352)
Net profit for the year	-	-	-	-	-	-	-	-	61 522 472	61 522 472
Balance as at December 31, 2014	1 355 638 292	181 352 693	1 338 296 569	3 692 867	(8 000 000)	20 004 359	-	282 317 925	61 522 472	3 234 825 177
Transfer to retained earnings	-	-	-	-	-	-	-	61 522 472	(61 522 472)	-
Transfer to legal reserve	-	3 076 124	-	-	-	-	-	(3 076 124)	-	-
Transfer to share premium	-	-	17 436 910	-	-	(17 486 910)	-	-	-	-
Transfer to Income Statement	-	-	-	-	-	(2 517 449)	-	-	-	(2 517 449)
Transfer to treasury shares	-	-	2 150 000	-	8 000 000	-	(10 150 000)	-	-	-
Net profit for the year	-	-	-	-	-	-	-	-	213 200 723	213 200 723
Balance as at December 31, 2015	1 355 638 292	184 428 817	1 357 933 479	3 692 867	-	-	(10 150 000)	340 764 273	213 200 723	3 445 508 451

* The accompanying notes from (1) to (50) are an integral part of these separate financial statements and to be read therewith.

Sixth of October for Development and Investment Company "SODIC"
(An Egyptian Joint Stock Company)
Separate Statement of Cash Flows
For The Financial year Ended December 31, 2015

	Note No.	2015 L.E	2014 L.E
<u>Cash flows from operating activities</u>			
Net profit for the year - before income tax		284 715 487	77 280 727
<u>Adjustments for :</u>			
Depreciation of fixed assets and leased units		18 896 959	9 515 319
Capital Gain		(6 126 695)	(7 790)
Credit interest transferred from set aside for bonus & incentive plane		(517 449)	-
Share based payment		(2 000 000)	-
Return on investments in treasury bills		(44 885 170)	-
Impairment losses from real Estate investement		30 000 000	-
Impairment losses due from related parties		18 224 174	17 843 080
Provision for completion - formed	(18)	63 660 323	34 941 225
Provisions formed	(19)	90 647	90 647
Operating profit before changes in working capital items		362 058 276	139 663 208
<u>Changes in working capital items</u>			
Change in completed units ready for sale & Inventory - Materials		7 412 184	15 992 217
Change in real estate investements		(7 188 627)	-
Change in works in process		(76 306 603)	2 991 496
Change in trade & notes receivables		37 638 798	(244 619 700)
Change in due from related parties		468 699 191	166 150 931
Change in debtors & other debit balances		(45 512 057)	39 053 890
Provisions - used		(67 345 967)	(57 980 615)
Change in advances from customers		(334 870 038)	250 632 420
Change in contractors, suppliers & notes payable		156 985 248	(52 017 197)
Change in due to related parties		(66 109 330)	14 557 279
Change in creditors & other credit balances		187 797 591	(18 297 199)
Income tax paid		(14 710 974)	-
Restricted cash		-	(100 000 000)
Net cash flow provided from operating activities		608 547 692	156 126 730
<u>Cash flows from investing activities</u>			
Payments for purchase of fixed assets & projects under construction		(58 020 310)	(2 806 458)
Payment for acquisition of investment in subsidiaries.	(7)	(396 998 000)	(789 999 970)
Payments for acquisition of investment properties	(10)	(3 223 568)	(13 048 054)
Payments for Investments in treasury bills		(1786 638 257)	-
Proceeds from sale of Investments in treasury bills		1810 773 304	-
Proceeds from sale of fixed assets		643 529	60 351
Net cash flow (used in) investing activities		(433 463 302)	(805 794 131)
<u>Cash flows from financing activities</u>			
Bank - credit facilities	(20)	(70 064 973)	69 758 410
Banks -loans		(26 899 473)	311 921 699
Proceeds from capital increase		-	992 932 900
Proceeds from bonus & incentive plan		-	88 055 648
Net cash flow (used in) / provided from financing activities		(96 964 446)	1 462 668 657
Net change in cash & cash equivalents during the year		78 119 944	813 001 256
Cash & cash equivalents at the beginning of the year		1048 966 788	235 965 532
Cash & cash equivalents at the end of the year	(17)	1 127 086 732	1 048 966 788

* The accompanying notes from (1) to (50) are an integral part of these separate financial statements and to be read therewith.

Sixth of October for Development and Investment Company “SODIC”
(An Egyptian Joint Stock Company)
Notes to the separate financial statements
For the financial year ended December 31, 2015

1- Background and activities

1-1 Sixth of October for Development and Investment Company “SODIC” – An Egyptian Joint Stock Co. – 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 Register.

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

1-5 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 a Board Member and the Managing Director

2- Basis of preparation of the financial statements

2-1 Statement of compliance

- These separate financial statements have been prepared in accordance with Egyptian Accounting Standards and relevant Egyptian laws and regulations.
- The financial statements have been authorized by Company's board of directors as March 15, 2016

2-2 Basis of measurement

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

- Financial assets and liabilities recognized at fair values through profits and losses.
- Held for trading investments measured at fair values.
- Available-for-sale investments measured at fair values.
- Liabilities for cash settled share - based payments transactions measured at fair values.

2-3 Functional currency and presentation currency

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

2-4 Use of estimates and judgments

The preparation of the separate financial statements in conformity with Egyptian Accounting Standards requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about the carrying values of assets and liabilities that are readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on a going basis. Revisions to accounting estimates are recognized in the year in which the estimate is revised if the revision affects only that year or in the year of the revision and future years if the revision affects both current and future years.

The following are the most significant items for which estimates and judgments are used:

- Provisions for claims
- Fixed assets useful life
- Deferred tax
- Accruals
- Provision for completion
- Valuation of investment in subsidiaries
- Valuation of investment properties
- Impairment of debtors and other debit balances
- Impairment of fixed assets

2-5 Consolidated financial statement

The Company has subsidiaries and according to the Egyptian Accounting Standards No. (17) "consolidated and separate financial statements" and Article 188 of the executive regulations for Companies' law No. 159 of 1981, the Company is preparing consolidated financial statements for the Group which should be used as a reference to understand the financial position, financial performance and cash flows for the group as a whole.

3- Significant accounting policies

The accounting policies set out below have been applied consistently to all Period / years presented in these financial statements:-

3-1 Foreign currency transactions

Transactions in foreign currencies are translated at the foreign exchange rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to Egyptian Pounds at the foreign exchange rate in effect at that date. Foreign exchange differences arising from translation are recognized in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using exchange rate at the date of the transaction.

3-2 Fixed assets and depreciation

a) Recognition and measurement

- Fixed assets that are used in production, providing goods and services or for administrative purposes are stated at historical cost less accumulated depreciation and impairment losses (note No. 3-12). Cost includes expenditures that are directly attributable to the acquisition of the asset and necessary to have the asset ready for use in the purpose for which the asset was acquired.
- Where parts of an item of fixed assets have different useful lives, they are accounted for as separate items of property, plant and equipment.
- The assets under construction for production or rent or administrative purposes are registered at their cost less impairment losses, where the cost includes professional fees and all other direct expenditures that are directly attributable to the acquisition of the asset. Thus, calculation of depreciation begins when the asset is substantially completed and ready for its intended use.
- The cost of self-constructed assets includes the cost of materials, direct labor and any other cost directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located.

b) Subsequent costs

The Company recognizes the cost of replacing part of an item in the carrying amount of such an item of fixed assets, after disposal of the cost of this replacing part, when that cost is incurred and if it is probable that future economic benefits will flow to the Company as a result of replacing this part of such an item and the cost can be measured reliably. All other costs are recognized in the income statement as an expense as incurred.

c) Depreciation

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each component of Property, plant and equipment. The estimated useful lives are as follows: (Land is not depreciated)

<u>Asset</u>	<u>Years</u>
Buildings of the Company's premises	5 – 10
Vehicles	5
Furniture and office equipment	10
Office equipment and communications	5
Generators, machinery and equipment	5
Leasehold improvements	5 or lease term whichever is lower

3-3 Operating Lease

Payments made under Operating Lease (net of any incentives obtained from the lessor) are charged to the income statement based on accrual basis.

3-4 Sell and lease back

If a company makes a finance lease and that finance ownership has transferred to the lessee from the company by a contract conditioning to a financial lease contract, any profits or loss resulted from the difference between sale price and net carrying amount of the asset should be deferred and amortized over the lease term.

When the asset is re-purchased again, any profits or loss that have not been amortized on the date of purchasing are charged to profit or loss statement.

3-5 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 are ready for their intended use.

3-6 Investment properties

a) Initial recognition and measurement

This item includes lands held and not allocated for a specific purpose and/or lands held for sale on long term as well as the lands and buildings leased to others (by virtue of operating leases). Real estate investments are valued at cost less the accumulated depreciation and "impairment" (3-12). The fair value of these investments are disclosed at the balance sheet date unless if there are cases where the fair value of these investments are difficult to be determined in a reliable manner. In this case such fact shall be disclosed.

b) Depreciation

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

<u>Asset</u>	<u>Years</u>
Leased out units	50
Constructions of golf course	20
Irrigation networks	15
Golf course tools and equipment	15

3-7 Investments

a) Investments in subsidiaries

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

Investments in subsidiaries are stated – when acquired – at its acquisition cost. If a decline in the recoverable amount exists for any investment below the carrying amount "Impairment" (note No. 3-12), the carrying amount of the investment will be adjusted by the amount of such impairment and will be charged to the income statement for each investment.

b) Available -for- sale investments

Financial instruments held by the Company and classified as available-for-sale investment are initially 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 income statement except impairment losses. Investments in unlisted securities or where the fair value of investment cannot be determined in a reliable manner such investments are stated at cost less impairment losses (note No. 3-12).

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

c) Held for trading investments

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

Treasury bills are recognized by the net value less amortization and impairment losses (note No. 3-12).

3-8 Units ready for sale

Units ready for sale are stated at the consolidated balance sheet date at lower of cost or net releasable value. 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.

3-9 Work in process

All costs relating to uncompleted works are recorded in work in process account until the completion of works. Work in process is stated in the 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 or its determined purpose.

3-10 Trade and notes receivables, debtors and other debit balances

Trade and notes receivables are non- interest bearing and are stated at their nominal value and reduced by impairment losses note (3-12). Impairment is recognized 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 is the difference between the book value and the recoverable amount which represents the expected cash in flow for the Company.

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.

3-11 Cash and cash equivalents

For the purpose of preparing statement of cash flows, cash and cash equivalents comprise cash at banks and on hand, time deposits and Checks under collection which have maturity date less than three months from the purchase date. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management.

3-12 Impairment of assets

a) Financial assets

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its current fair value.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognized in the income statement. Any cumulative loss in respect of an available-for-sale financial asset recognized previously in equity is transferred to the income statement.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized for financial assets measured at amortized cost and available-for-sale financial assets that are debt securities, the reversal is recognized in income statement. For available-for-sale financial assets that are equity securities, the reversal is recognized directly in equity.

b) Non-financial assets

The carrying amounts of the Company's non-financial assets, other than, investment property, units ready for sale and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, recoverable amount is estimated at each reporting date.

An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognized in the income statement.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are 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.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognized in prior years are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. 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 amortization, if no impairment loss had been recognized.

3-13 Provisions

Provision is recognized in the balance sheet when the Company has a present legal or constructive obligation as a result of past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and, where appropriate, the risks specific to the liability.

Provisions are reviewed at the balance sheet date, and revised - when necessary - to reflect the current best estimate.

Provision for completion

A provision for completion of work is formed at the estimated value of the completion of the projects (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) this is based on technical studies and measurement to estimate the cost, which are prepared by the Company's technical departments. The necessary provision is reviewed at the end of each reporting period until finalization of all the project works.

3-14 Borrowing costs

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

3-15 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 income statement over the period of the borrowing using the effective interest rate.

3-16 Suppliers, contractors and other credit balances

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

3-17 Share capital

Common shares are classified in the owners' equity.

a) Issuance of ordinary shares

Incremental costs directly attributable to the issuance of new ordinary shares are recognized as a deduction from equity net of income tax, if any.

b) Treasury shares

In case of repurchase of the Company's own shares, the amounts paid for repurchase includes all the direct costs attributable to the repurchase and such amount is classified as treasury shares deducted from the shareholders equity.

c) Dividends

Dividends are recognized as a liability in the period in which they are declared.

d) Finance of the incentive and bonus plan

- Equity shares issued for the purpose of the incentive and bonus plan of the Company's employees and managers which are financed by the Company are presented as shares kept for incentive and bonus plan and are included in equity.

e) Reserves

As per the Companies' law and the Company's articles of incorporation, 5% of the net profit of the year is set aside to form the legal reserve.

Transfer to the legal reserve may be suspended once the reserve reaches 50% of the Company's issued capital. However, if the reserve balance falls below 50% of the Company's issued capital then transfers to the legal reserve are required to be resumed by setting aside at least 5% of the net profit for the year.

The transferred amount can be recorded at the period in which the general assembly authorized such transfer.

3-18 Equity settled share – based payments

The difference between the grant date fair value of shares and the amount incurred by the beneficiaries is recognized in the income statement as an expense over the year that the beneficiaries become unconditionally entitled to those shares. The expected number of beneficiaries from the plan and the extent of their benefit are reviewed at the financial statements date. Necessary changes are made for the expense to reflect the best estimate and the corresponding amount is included in equity under "set aside amount for the bonus and incentive plan" caption.

3-19 Notes payable

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

3-20 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 associated with the transaction will flow to the company and the amount of the revenue can be measured reliably. No revenue is recognized if there are uncertainties regarding the recovery of the consideration due or associated costs.

a) Sales revenue

Revenue from sale of residential units, offices, commercial, service units and villas for which contracts were concluded is recorded when all the ownership risks and rewards are transferred to customers 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 buyer. Net revenue from sales are recorded after deducting discounts and sales returns. 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 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), and also, after excluding the value of any given discounts to the customers. The discounts are recognized as other operating expenses.

b) Rental income

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

c) Interest income

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

d) Dividends

Dividends income is recognized in the income statement on the date the Company's right to receive payments is established.

3-21 Cost of sold lands

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

3-22 Expenses

a) Lease payments

Payments under leases are recognized in the income statement (less any discounts), on a straight-line basis over the terms of the lease, using the accrual basis of accounting.

b) Employees' pension

1. Pension obligations

The Company contributes to the government social insurance system for the benefit of its personnel in accordance with the social insurance law No. 79 of 1975 as amended. Under this law, the employees and the employers contribute into the system on a fixed percentage-of-salaries basis. The Company's liability is confined to the amount of its contribution. Contributions are charged to income statement using the accrual basis.

The company also contributes to 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 installments. Contributions are charged to income statement using the accrual basis.

2. 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 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 a liability in the financial year at which the declaration has been authorized by the shareholders.

3-23 Income tax

Income tax on the profit or loss for the period/year comprises current and deferred tax. Income tax is recognized in the income statement except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax is the expected tax payable on the net taxable income for the year, using tax rates enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax assets/liabilities provided is determined using tax rates enacted at the balance sheet date.

Deferred tax assets are recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized in the future years.

3-24 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/year in which financial statements are prepared.

3-25 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 review the most prominent amendments on the Egyptian Accounting Standards (EAS) that may have a significant impact on the financial statements of the company at the beginning of the implementation thereof:

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

New or Amended Standards	Summary of the Most Significant Amendments	Possible Impact on the Financial Statements
	<p><u>Income Statement (Profit or Loss)/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>	
EAS (10) Property, Plant and Equipment (<i>PPE</i>)	<ul style="list-style-type: none"> The option of using the revaluation model in the subsequent measurement of PPE has been canceled. 	<p><u>In case the company previously revaluated its assets; due to a restructuring process (merger or demerger,...), the note shall be as follows:</u></p> <p>Currently, the management is assessing the potential impacts on its financial statements resulting from application of the standard.</p> <p><u>In case the company did not revaluated its assets before, the note shall be as follows:</u></p> <p>The amendment on the standard has no impact on the figures presented in the financial statements.</p>
	<ul style="list-style-type: none"> The financial shall disclose a reconciliation of the carrying amount – 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 strategic (major) spare parts and stand-by equipment</p>	<p>Re-presenting the comparative figures related to the PPE in the notes accompanying the financial statements to be in conformity with the required amendments on the standard.</p>

New or Amended Standards	Summary of the Most Significant Amendments	Possible Impact on the Financial Statements
	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>EAS (34)</u> Investment Property	The option of using the fair value model in the measurement after recognition of the Property Investment has been canceled.	<u>For the companies that applied the fair value model, the note shall be as follows:</u> The fair value of the investment at the beginning of the implementation of this Standard shall be considered deemed cost of that investment for the purposes of the subsequent accounting treatment according to EAS (10) "PPE".
<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.	<u>For the companies that applied the benchmark treatment, the note shall be as follows:</u> The entity shall apply this Standard to the borrowing costs attributable to the qualifying assets, where the start date of capitalization falls within or after the date of the implementation of this Standard.
<u>EAS (38)</u> Employee Benefits	<u>Actuarial Gains and Losses</u> <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. <u>The Cost of Past Service</u> An entity shall recognize past service cost as an expense at the earlier of the following dates:	Retroactive amendments on the employee benefits that that exist on the date of implementing this amended Standard and on all presented comparative figures.

New or Amended Standards	Summary of the Most Significant Amendments	Possible Impact on the Financial Statements
	<p>(a) When the plan amendment or curtailment occurs; and</p> <p>(b) When the entity execute a significant restructuring plan ; it should recognize the related restructuring costs that include paying the termination benefits (Provisions Standard).</p>	
<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> <ul style="list-style-type: none"> 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. 	Re-presenting any financial instrument meets all the conditions including all the presented comparative 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 shall be carried out.
<u>Egyptian Standard No. (45)</u> Fair Value Measurement	The new Egyptian Accounting Standard No. (45) " <i>Fair Value Measurement</i> " was issued and shall be applied when another Standard requires or allows	Currently, the management is assessing the potential impacts on its financial statements resulting from application of the standard.

New or Amended Standards	Summary of the Most Significant Amendments	Possible Impact on the Financial Statements
	<p>measurement or disclosure to be made at fair value. This Standard aims the following:</p> <ul style="list-style-type: none"> (a) Defining the fair value (b) Laying down a framework to measure the fair value in one Standard and (c) Identifying the disclosure required for the fair value measurements. 	
<p><u>Egyptian Standard No. (29)</u> Business Combination</p>	<p>The purchase method was cancelled and replaced by the acquisition method; as results:</p> <ul 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 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. • The transaction cost (the cost related to the acquisition): Shall be charged to the Income Statement as an expense in which the costs incurred it and shall not be added to the cash consideration transferred; except for the costs of issuing equity as debt instruments directly related to the acquisition process. 	<p>Currently, the management is assessing the potential impacts on its consolidated financial statements resulting from application of the standard.</p>
<p><u>Egyptian -Standard No.(42):</u> The Consolidated Financial Statements</p>	<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 	<p>Retroactive amendment to all the comparative figures of the consolidated financial statements and financial information presented.</p>

New or Amended Standards	Summary of the Most Significant Amendments	Possible Impact on the Financial Statements
	<p>become "<i>The Separate Financial Statements</i>".</p> <p>Pursuant to the new Egyptian Accounting Standard No. (42) "<i>The Consolidated Financial Statements</i>"</p> <p>The control model has changed to determine the investee entity that must be consolidated.</p>	
	<ul style="list-style-type: none"> Accounting for the changes in the equity of the parent company in a subsidiary are accounted for as transactions with equity holders in their capacity as equity holders. Any Investment 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. Losses applicable to the Non-Controlling Interest "NCI" in a subsidiary including 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>Currently, the management is assessing the potential impacts on its consolidated financial statements resulting from application of the standard.</p>
<p><u>Egyptian Standard No.(43):</u> Joint Arrangements</p>	<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). 	<p>Amendment shall be applied starting from the prior period to the application of this standard (i.e. first of January 2015), and all the comparative figures of the financial statements and financial information.</p>

New or Amended Standards	Summary of the Most Significant Amendments	Possible Impact on the Financial Statements
	<p>As such, action depends on the substance of the arrangement and not only its legal form.</p> <ul style="list-style-type: none"> • In case the arrangement is classified as a joint venture, each party of the arrangement parties shall account for that investment using the equity method only (as the proportionate consolidation method was eliminated) whether in the Consolidated or Individual Financial Statements issued thereby. 	
<p><u>Egyptian Standard No. (18): Investments in Associates</u></p>	<p>The accounting treatment of the joint ventures shall be added to this standard, accordingly the Investments in associates and joint ventures shall be accounted for that investments using the equity method in the Consolidated and Individual Financial Statements.</p>	<p>Retroactive amendment to all the comparative figures and financial information presented.</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 continue 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 	<p>Currently, the management is assessing the potential impacts on its consolidated financial statements resulting from application of the standard.</p>

New or Amended Standards	Summary of the Most Significant Amendments	Possible Impact on the Financial Statements
	proportions of the gain or loss that previously been recognized in OCI relating to that reduction in Ownership interest.	
<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. 	Retroactive amendment to all the comparative figures for the disclosures presented.

4- Determination of fair values

The Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and / or disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

4-1 Investments in equity instruments

The fair value of held for trading investments and available -for- sale investment is determined by reference to market value declared to these shares in stock market at the financial statements date.

4-2 Trade, note receivables and other debtors

The fair value of trade, notes receivable and other debtors is estimated as the present value of future cash flows, discounted at the market rate of interest at the financial statements date.

4-3 Investment property

The fair value is based on market values, being the estimated amount for which property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably , prudently and in free well.

4-4 Share – based payment transactions

The fair value is determined by reference to market value declared at the balance sheet date without deducting the cost related to transactions.

5- Financial risk management

The Company has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

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

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The management also identifies and analyzes the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits.

The Company, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations. The Board of Directors of the Company is assisted in its oversight role by the Audit Committee and Internal Audit. Internal Audit undertakes both regular and sudden reviews of risk management controls and procedures, the result of which are reported to the Board of Directors.

5-1 Credit risk

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

Trade and other receivables

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

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

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

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

Investments

The Company manages the risk via conducting a detailed investment studies which 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 Board of directors. The following corporate guarantees were provided:

- On the 1st of February, 2015, Six of October Development and Investment Company's "SODIC" EGM approved extending a corporate guarantee to SOREAL For Real Estate Investments (99.99% owned by SODIC) a loan provided.

5-2 Liquidity risk

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

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

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

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

- A facility amounting to L.E 150 million. The facility is fully secured by deposits amounting to L.E 150 million.
- A medium term loan in the amount of L.E 900 million.
- A medium term loan in the amount of L.E 300 million.

5-3 Market risk

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

5-4 Currency risk

The Company is exposed to currency risk on sales and financial assets, primarily the US dollar.

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

The Company's investments in its subsidiaries are not hedged as those currency positions are considered to be long-term in nature. The Company does not enter into currency risk hedging contracts.

5-5 Interest rate risk

The company adopts a policy to limit the company's exposure to interest rate risk, therefore the Company's management evaluate the available alternatives for finance and negotiates with banks to obtain the best available interest rates and 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.

5-6 Other market price risk

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

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

5-7 Capital management

The Board'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 monitors the return on capital, which the Company defines as net profit for the period / year divided by total shareholders' equity. The Board of Directors 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.

Sixth of October for Development and Investment Company "SODIC"
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Notes to the separate financial statements For The Financial Year Ended December 31, 2015 (Cont.)

6- Fixed assets

This item is represented as follows:

	Lands	Buildings of the Company's premises	Vehicles	Furniture and office fixtures	Office equipments and communication	Generators, machinery and equipment	Leasehold improvements	Total
	L.E	L.E	L.E	L.E	L.E	L.E	L.E	L.E
Cost as at 1/1/2015	-	1 315 286	7 644 706	9 076 959	16 710 353	6 299 119	12 426 863	53 473 286
Additions during the year	32 705 970	17 507 301	1 504 000	99 928	3 834 156	293 658	2 075 298	58 020 311
Disposals during the year	-	-	(230 000)	-	(266 641)	(8 000)	(4 254 475)	(4 759 116)
Cost as at 31/12/2015	32 705 970	18 822 587	8 918 706	9 176 887	20 277 868	6 584 777	10 247 686	106 734 481
Accumulated depreciation as at 1/1/2015	-	724 276	7 433 664	4 153 420	11 864 037	5 375 227	8 131 400	37 682 024
Depreciation during the year	-	9 034 991	210 047	866 282	3 058 502	789 486	2 828 208	16 787 516
Accumulated depreciation for disposals	-	-	(229 998)	-	(255 459)	(7 999)	(3 622 131)	(4 115 587)
Accumulated depreciation as at 31/12/2015	-	9 759 267	7 413 713	5 019 702	14 667 080	6 156 714	7 337 477	50 353 953
Net book value as at December 31, 2015	32 705 970	9 063 320	1 504 993	4 157 185	5 610 788	428 063	2 910 209	56 380 528
Net book value as at December 31, 2014	-	591 010	211 042	4 923 539	4 846 316	923 892	4 295 463	15 791 262

- Fixed assets include fully depreciated assets costing L.E 19,696,070 as at December 31, 2015

-On May 20, 2015 the company repurchased the sales building and the administrative building as it disclosed in financial statements notes (32-1)

7- Investments in subsidiaries

	Legal Form	Ownership %	Paid amount of Participation %	Carrying amount as at 31/12/2015 L.E	Carrying amount as at 31/12/2014 L.E
SODIC Property Services Co.	S.A.E	51	100	510 000	510 000
Sixth of October for Development and Real Estate Projects Co. (SOREAL)	S.A.E	99.99	100	807 334 516	807 334 516
SOREAL for Real Estate Investment Co.	S.A.E	99.99	100	499 999 970	499 999 970
SODIC for Development and Real Estate Investment Co.(7-1)	S.A.E	99.99	100	299 999 980	2 999 980
Tabrook Development Co. (7-2)	S.A.E	99.99	100	99 998 000	-
				1 707 842 466	1 310 844 466

(7-1) on June 24, 2015 the Extraordinary General Meeting of Sodic for Development and Real Estate Investment approved the increase of the issued capital by an amount of 297 million Egyptian pounds (two hundred ninety seven million Egyptian pounds) to be after increase 300 million Egyptian pounds (three hundred million Egyptian pounds) distributed over 30 million shares (thirty million) with a value of 10 Egyptian pounds per share (ten pounds). This increase will be allocated in full for the benefit of Sixth of October for development and investment "Sodic", and 100% of the increase has been paid.

(7-2) During March, 2015, Tabrook for Development was acquired by the Company and on June 28, 2015, the Extraordinary General Meeting of Tabrook approved to increase the issued and paid in capital for the company with the amount of 70 million pounds to be 100 million Egyptian pounds, distributed over 100,000 share with a value of 1 000 L.E per share (One thousand Egyptian pounds), that increase will be allocated in full for the benefit of sixth of October development and investment "Sodic", and 100% of the increase has been paid.

8- Investments – available for sale

	Legal Form	Ownership %	Paid amount of Participation %	Carrying amount as at 31/12/2015 L.E	Carrying amount as at 31/12/2014 L.E
Egyptian Company for Development and Management of Smart Villages	S.A.E	1.08	100	4 250 000	4 250 000
SODIC for Golf and Tourist Development Co.	S.A.E	0.0025	25	1 250	1 250
Beverly Hills Co. for Management of Cities and Resorts	S.A.E	0.06	100	26 152	26 152
				4 277 402	4 277 402
Impairment of available for sale investments				(1 250)	(1 250)
				4 276 152	4 276 152

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

9- Investment properties

The net carrying amount of investment properties as at December 31, 2015 amounted to L.E 53 155 878, following is the movement on the investment properties during the Year:-

Description	Units leased out to others	Golf course	Total
<u>Cost</u>	<u>L.E</u>	<u>L.E</u>	<u>L.E</u>
At January 1, 2015	17 842 713	99 377 533	117 220 246
Additions during the year	7 188 627	-	7 188 627
At December 31, 2015	25 031 340	99 377 533	124 408 873
<u>Accumulated depreciation</u>			
At January 1, 2015	609 378	6 837 173	7 446 551
Depreciation for the year	286 198	1 823 246	2 109 444
At December 31, 2015	895 576	8 660 419	9 555 995
<u>Deduct:</u>			
Impairment of investment properties (a)			
At January 1, 2015	-	31 697 000	31 697 000
Impairment during the year	-	30 000 000	30 000 000
At December 31, 2015	-	61 697 000	61 697 000
Net value as at December 31, 2015	24 135 764	29 020 114	53 155 878
Net value as at December 31, 2014	17 233 335	60 843 360	78 076 695

(a) This item represents the impairment of the golf course by L.E 61 697 000 which shows the increase in its book value over its recoverable amount which has been measured by the value in use.

- There is a difficulty in determining the fair value of the investment properties of the golf course reliably for the purpose of disclosure because of the rarity of such business in Egypt and due to the unavailability of an active market.
- The fair value of units leased out to others amounted to L.E 59 867 000 as at December 31, 2015.

10- Investment properties advances

This item amounted to L.E 148 224 050 as at December 31, 2015 (2014: L.E 145 000 482), represented in the amounts paid to SODIC - Polygon for Real Estate Investment Co. (a subsidiary) on account of the acquisition of building No. (1) of the **Polygon project**, to be leased out to others, with total value of L.E 142 928 588 according to the contract concluded between the Company and SODIC Polygon for Real Estate Investment Co. dated January 5, 2010. In addition to the amount of L.E 5 295 462 representing the amount paid under maintenance, management and operation expenses of the project's public utilities related to the building for three years.

11- Long - term trade and notes receivable (Net)

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

	31/12/2015	31/12/2014
	<u>L.E</u>	<u>L.E</u>
Trade receivables	-	14 956 506
Notes receivable	1 576 938 290	1 661 242 988
	1 576 938 290	1 676 199 494
<u>Deduct:</u> unamortized interest – Notes receivable	77 515 676	69 384 026
	1 499 422 614	1 606 815 468

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

12- Completed units ready for sale

This item represents the cost of the completed units ready for sale as follows:

	31/12/2015	31/12/2014
	<u>L.E</u>	<u>L.E</u>
Cost of completed commercial units	4 181 943	5 348 572
Cost of units purchased for resale (12-1)	4 096 617	10 137 967
	<u>8 278 560</u>	<u>15 486 539</u>

12-1 This item represents the acquisition cost of 6 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.

13- Work in process

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

	31/12/2015	31/12/2014
	<u>L.E</u>	<u>L.E</u>
Allegria project cost	291 440 773	464 998 581
Westown project cost	814 319 057	799 302 539
Northern expansions land cost (13-1)	227 211 825	-
Fourth phase costs (4A, 4B), showrooms and others	17 557 064	9 920 997
	<u>1 350 528 719</u>	<u>1 274 222 117</u>

(13-1) Includes the acquisition cost of a 30.998 acres plot in Sixth of October City.

14- Trade and notes receivable – Current (Net)

	31/12/2015	31/12/2014
	<u>L.E</u>	<u>L.E</u>
Trade receivables	76 021 276	127 716 953
Notes receivable	1 082 222 634	956 746 982
	<u>1 158 243 910</u>	<u>1 084 463 935</u>
<u>Deduct:</u> Unamortized interest – notes receivables	12 930 926	8 905 008
	<u>1 145 312 984</u>	<u>1 075 558 927</u>
Impairment loss of trade and notes receivables	(200 000)	(200 000)
	<u>1 145 112 984</u>	<u>1 075 358 927</u>

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

15- Due from related parties

	31/12/2015	31/12/2014
	<u>L.E</u>	<u>L.E</u>
Sixth of October for Development and Real Estate Projects (SOREAL) – a subsidiary	17 559 573	21 764 284
SOREAL for Real Estate Co – a subsidiary.	10 037 404	200 534 320
Tabrook Development Co. – a subsidiary.	37 435 385	-
SODIC for securitization – a subsidiary.	8 185	69 429
Greenscape for Agriculture and Reclamation Co. – a subsidiary (under Liquidation)	6 219 961	6 219 961
Move-In for Advanced Contracting Co. – a subsidiary	22 406 500	23 094 187
El Yosr for Projects and Agriculture Development Co. – a subsidiary	3 505	43 171 855
SODIC for Development and Real Estate Investment Co. – a subsidiary	9 710 061	268 297 628
SODIC Polygon for Real Estate Investment Co. – a subsidiary	305 250 879	247 539 834
SODIC Syria Co. – a subsidiary	433 744 901	433 717 351
Fourteen for Real Estate Investment Co. – a subsidiary	57 543 905	56 822 299
La Maison for Real Estate Investment Co. - S.A.E	10 461 903	76 951 309
Edara for Services of Cities and Resorts Co. – a subsidiary	32 954	18 104 284
Palmyra Real Estate Development Co. –a Joint project	35 191 620	35 191 620
Tegara for Trading Centers Co. – a subsidiary	3 692 099	3 640 373
SODIC Garden City for Development and Investment Co. – a subsidiary	340 334	55 036
SODIC for Golf and Tourist Development Co. – a subsidiary	38 444 095	20 631 695
Other related companies	252 064	1 229 053
	988 335 328	1 457 034 518
Impairment of due from related parties (15- 1)	(586 371 228)	(568 147 054)
	401 964 100	888 887 464

(15-1) 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 Syrian Arab Republic government in 2014, the management of SODIC addressed the Embassy of the Syrian Arab Republic in Egypt to protect all of its interest from these acts and commissioned a law firm for trying to reserve its interest, accordingly, the Board of Directors of Sixth of October Development and Investment "SODIC" saw that the assets of the investee company all become in dispute with the mentioned country's government, which requires to recognize a loss arising from an inability to recover its investments and therefore the Board of Directors decided on 16 April 2014 to impair due from related parties relating to investments that have been injected for projects in the Syrian Arab Republic in addition to an impairment for due from some related party related to debts unexpected to be collected which are amounting to L.E 586 371 228 as of December 31, 2015.

16- Debtors and other debit balances (Net)

	31/12/2015	31/12/2014
	<u>L.E</u>	<u>L.E</u>
Contractors and suppliers – advance payments	148 964 312	66 499 805
Prepaid expenses	69 795 857	90 321 192
Deposits with others	1 140 687	1 402 898
Due from the bonus and incentive plan to employees and managers fund	122 737	18 004 359
Prepaid financial lease	-	3 615 682
Withholding tax	8 951 656	584 793
Other debit balances	6 210 180	9 244 643
	235 185 429	189 673 372
Impairment loss on debtors and other debit balances	(355 157)	(355 157)
	234 830 272	189 318 215

- The Company's exposure to credit and currency risks related to other debtors is disclosed in note no. (45).

17- Cash at banks and on hand

	31/12/2015	31/12/2014
	<u>L.E</u>	<u>L.E</u>
Bank – time deposits (17-1)	1 158 418 000	1 139 800 161
Bank – current accounts	108 622 334	40 669 402
Checks under collection	9 210 185	18 374 164
Cash on hand	836 213	766 074
	1 277 086 732	1 199 609 801

- 17-1** Deposits include L.E 150 million restricted as a guarantee for the credit facility granted for the Company from a commercial banks. In addition, it includes an amount of L.E 140million representing the value of deposits collected from customers on account of the regular maintenance expenses.

- The Company's exposure to interest rate risk for financial assets is disclosed in note no. (45).

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

	31/12/2015	31/12/2014
	<u>L.E</u>	<u>L.E</u>
Cash at banks and on hand	1 277 086 732	1 199 609 801
Less:		
Bank – Overdraft	-	643 013
Restricted cash (facilities guarantee)	150 000 000	150 000 000
Cash and cash equivalent according to separate statement of cash flows	1 127 086 732	1 048 966 788

18- Provision for completion

Movement on provision during the year is represented as follows:-

	Balance as at 1/1/2015 <u>L.E</u>	Provision formed during the year <u>L.E</u>	Provision used during the year <u>L.E</u>	Balance as at 31/12/2015 <u>L.E</u>
Provision for completion of works	65 256 733	63 660 322	(64 836 670)	64 080 385
	<u>65 256 733</u>	<u>63 660 322</u>	<u>(64 836 670)</u>	<u>64 080 385</u>

This provision is formed against the estimated costs expected to be incurred to complete the execution of the delivered units.

19- Provisions

	Balance as at 1/1/2015 <u>L.E</u>	Provision formed during the year <u>L.E</u>	Provision used during the year <u>L.E</u>	Balance as at 31/12/2015 <u>L.E</u>
Provision for expected claims	8 054 124	90 647	(2 509 297)	5 635 474
	<u>8 054 124</u>	<u>90 647</u>	<u>(2 509 297)</u>	<u>5 635 474</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 adjustments 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.

20- Bank – credit facilities

This item represents in the following:

	31/12/2015 <u>L.E</u>	31/12/2014 <u>L.E</u>
The amount used from the LE 150 million overdraft facility from Bank Audi. The facility is fully secured by deposits amounting to L.E 150 million.	31 105 204	101 170 177
	<u>31 105 204</u>	<u>101 170 177</u>

21- Advances from customers

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

	31/12/2015 <u>L.E</u>	31/12/2014 <u>L.E</u>
Advances for booking , contracting and installments of residential units (Fourth area)	676 599	676 599
Advances – Allegria project	343 303 921	627 582 283
Advances – Forty West project	119 178 174	103 161 786
Advances – Westown Residences project	1 176 889 435	1 891 624 173
Advances _ The Courtyards	743 142 701	194 580 148
Advances _ Block 41	92 832 159	-
Advances – Casa	6 139 847	15 229 188
Advances – Polygon 9–10	15 404 743	-
	<u>2 497 567 579</u>	<u>2 832 854 177</u>

22- Contractors, suppliers and notes payable

	31/12/2015	31/12/2014
	<u>L.E</u>	<u>L.E</u>
Contractors	41 651 123	56 975 065
Suppliers	1 886 246	8 345 285
Notes payable (22-1)	102 615 983	31 084 928
	352146 153	96 405 278
<u>Deduct:</u> Unamortized interest - notes payable	13 641 398	1 473 592
	132 511 954	94 931 686

(22-1) This amount includes LE 93 069 609 which represents the amount due to the New Urban Communities Authority.

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

23- Due to related parties

	31/12/2015	31/12/2014
	<u>L.E</u>	<u>L.E</u>
Sixth of October for Development and Real Estate Projects (SOREAL)	-	67 242 986
Move - In for Advanced Contracting Co. - a subsidiary	596 307	898 413
Green scape for Agriculture and Reclamation Co. - a subsidiary (under Liquidation).	2 748 261	2 748 260
SODIC SIAC Co. for Real Estate Investment - a subsidiary	84 605 176	81 388 628
Tegara for Trading Centers Co. - a subsidiary	55 595 000	55 595 000
SODIC Property Services Co. - a subsidiary (under Liquidation)	2 252 660	2 702 660
Edara for Services of Cities and Resorts Co. - a subsidiary	743 558	1 413 590
Beverly Hills Co. for Management of Cities and Resorts	-	660 755
	146 540 962	212 650 292

24- Creditors and other credit balances

	31/12/2015	31/12/2014
	<u>L.E</u>	<u>L.E</u>
Accrued expenses	92 923 232	72 515 342
Amounts collected on account for management, operation and maintenance	194 060 058	138 671 482
Deposits collected from customers - against improvements	149 615	149 615
Customers-credit balances of Polygon project	454 769 148	341 174 801
Bonyan for development and trading Co.	107	107
Customers - cancellation	7 913 877	8 840 657
Dividends payable	91 643	91 643
Tax Authority	79 218 857	20 271 801
Accrued compensated absence	1 301 774	3 632 525
Sundry creditors	12 265 996	9 220 109
Accrued to beneficiaries from incentive plan	1 192 600	1 192 600
Advances-rents	416 560	-
Capital gain-Deferred	-	6 665 857
	844 303 467	602 426 539

- The Company's exposure to currency and liquidity risks related to creditors is disclosed in note no. (45).
- 24-1) The balance represents the amount due to Polygon Co. for Real Estate Investment -a subsidiary-, the value of notes receivables the company collects it for and on behalf of Sodid polygon.

25- Share capital

- The authorized capital of the Company is L.E. 2,8 billion.
- The Company issued and paid in capital is L.E 1.355 billion distributed over 338 909 573 share with a par value of L.E 4 per share, commercial register notation has taken place on December 7, 2014.

The currently capital structure is as follows:

Shareholder	Number of shares	Share value L.E	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 Abd El- Rhman Rashed & Sons Co.	15 586 983	62 347 932	4.60
EFG Hermes Holdings Financial Group.	15 183 111	60 732 444	4.48
NORGES Bank	12 838 392	51 353 568	3.79
Juma Al- Majid Investments LLC limited liability Co.	11 148 092	44 592 368	3.29
Abdel Monem Rashed Abdel Rahman Al Rashed	9 897 756	39 591 024	2.92
Other shareholders	199 141 263	796 565 052	58.76
	338 909 573	1 355 638 292	100

26- Legal reserve

- . The balance as at December 31, 2015 is represented as follows:

	L.E
Legal reserve balance as at 1/1/2003	6 530 455
Add:	
Increase of the legal reserve with the difference between the par value of the treasury shares and its actual cost (according to the Company's Extra-Ordinary General Assembly Meeting held on July 10, 2003).	4 627 374
Increase of the legal reserve with part of capital increase share premium with limits of half of the Company's issued share capital during 2006. (Note No. 27).	123 409 151
Increase of the legal reserve with part of capital increase share premium during 2007 with limits of half of the Company's issued share capital. (Note No. 27).	5 000 000
Increase of legal reserve with a 5% of the net profit for year 2008.	2 339 350
Increase in legal reserve with a part of the capital share premium during 2010 with limits of half of the Company's issued share capital (Note No. 27)	39 446 365
Increase of the legal reserve with 5% of the net profit for the year 2014	3 076 124
Deduct:	
The amount used to increase the issued share capital during the year 2011.	2
	184 428 817

27- Special reserve – share premium

The balance is represented in the following:

<u>Description</u>	<u>L.E</u>
Total value of the capital increase share premiums collected for the years 2006 and 2007	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 LE 30 per share (after split)	21 375 000
- - The value of 200 000 shares converted to treasury shares during the year 2015 at par value, these shares were previously set aside for the benefit of the incentive and bonus plan at the time of the capital increase in 2008 (Note no.50).	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.50).	16 306 910
- The value of accrued dividends for 737 500 share 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.50).	1 180 000
<u>Deduct:</u>	
Amounts transferred to the legal reserve	167 855 516
Capital increase – related expenses	55 240 255
Amount used for share capital increase during 2008	5 000 000
	<u>1 357 933 479</u>

28- 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 L.E 18 per share (the par value is L.E 4 per share) with a total amount of L.E 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 L.E 21 710 867 resulting in a profit from the sale of treasury shares with an amount of L.E 3 692 867.

29- Treasury shares

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, The conversion of these shares into treasury shares has been executed on July 14, 2015.

30- Shares kept for bonus and incentive plan

This item represents in the remainder of the amount paid by the Company in return for issuing 2.5 million ordinary shares with a fair value of L.E 40 per share (after splitting) under account and in favor of the incentive and bonus plan of the Company's employees and managers which are kept in Arab African International Bank, The conversion of these shares into treasury shares has been executed on July 14, 2015, according to the decision of Extraordinary General Assembly dated February 1, 2015 as mentioned above (Note 29).

31- Set aside amount for bonus and incentive plan

The balance is represented in the following:

<u>Description</u>	<u>L.E</u>
Balance as of January 1, 2015	20 004 359
<u>Deduct:</u>	
- The value of the offering rights for 737 500 shares transferred to share premium during 2015, as a result of the termination of the incentive and bonus plan (Note 50)	16 306 910
- The value of accrued dividends for 737 500 shares transferred to share premium during 2015, as a result of the termination of the incentive and bonus plan (Note 50)	1 180 000
- The value of the interest realized on the current account of the incentive and bonus plan, which was recognized as interest earned in the income statement during the year.	517 449
- The value of the reversal of set aside for incentive and bonus plan for 200 000 shares which no longer required due to the termination of the incentives and bonus plan (Note 50) which have been deducted from wages and salaries expenses in the income statement during the year.	2 000 000
	<hr/>

32- Long-term loans

	<u>31/12/2015</u> <u>L.E</u>	<u>31/12/2014</u> <u>L.E</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 LE 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.	407 083 911	433 983 384
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 LE 300 million as follows: Tranche (A) to refinance the total amount due to Solidere International following the settlement agreement and Tranche (B) to finance the development of specific blocks on Westown Residences and The Courtyards project.	189 347 800	189 347 800
	<hr/>	<hr/>
	596 431 711	623 331 184
<u>Deduct:</u> Current portion		
Arab African International Bank loan	123 335 275	78 117 009
	<hr/>	<hr/>
	473 096 436	545 214 175

- 32-1 The Company has signed a medium term financing contract (sale and lease back - financial lease) with PIRAEUS bank Egypt and PIRAEUS company "for financial lease" in the amount of L.E 75 132 399 which includes land plot and buildings value of both the administration and sales buildings.
- On May 20, 2015 the company signed a contract with PIRAEUS company "for financial lease" to buy the aforementioned two buildings and the associated lands for an amount of 50 213 271 L.E. This amount has been paid in full and the medium term financial lease contract ended accordingly. Those assets have been recorded as fixed assets during the financial December 31, 2015.

33- Long-term notes payable

This item is represented in the following:

	<u>31/12/2015</u> <u>L.E</u>	<u>31/12/2014</u> <u>L.E</u>
Total present value of the checks issued to New Urban Communities, which are payable on May 2, 2016.	-	26 510 466
Total present value of the checks issued to New Urban Communities, which are payable by September 8, 2019.	171 734 763	-
<u>Deduct:</u>		
Unamortized interest	28 023 664	2 204 348
	<u>143 711 099</u>	<u>24 306 118</u>

- The Company's exposure to credit risk related to long-term notes payable is disclosed in note no.(45)

34- Deferred tax liabilities

	<u>31/12/2015</u> <u>L.E</u>	<u>31/12/2014</u> <u>L.E</u>
Fixed assets	456 892	3 442 573
Net Deferred tax (liability)	<u>456 892</u>	<u>3 442 573</u>

35- Sales

- The Company's operations are considered to fall into one broad class of business represented in sale of real estate units and lands and hence, segmental analysis of assets and liabilities is not considered meaningful. Revenues could be analyzed as follows:

	<u>2015</u> <u>L.E</u>	<u>2014</u> <u>L.E</u>
Revenues from the sale of units in Allegria	311 008 691	449 128 428
Revenue from executed contracts Allegria project	-	46 548
Revenues from the sale of units in Forty West	106 112 718	184 306 533
Revenues from the sale of Casa project	9 835 894	27 854 148
Revenues from the sale of Block 41 project	1 206 472	-
Revenues from the sale of Block 2 project	48 157 808	-
Revenues from the sales of Westown	680 740 756	192 788 297
	<u>1 157 062 339</u>	<u>854 123 954</u>
Sales returns - Allegria project	-	(5 231 166)
	<u>1 157 062 339</u>	<u>848 892 788</u>

36- Cost of sales

	2015	2014
	<u>L.E</u>	<u>L.E</u>
Cost of sales of units in Allegria	155 287 094	239 762 485
Cost of sales of executed contracts Allegria project	-	173 057
Cost of sales of units in Forty West	78 084 236	148 551 089
Cost of sales of units in CASA	6 041 350	17 078 000
Cost of sales of Block 41 project	151 431	-
Cost of sales of Block 2 project	5 969 537	-
Cost of sales of Westown	396 934 769	105 218 234
	642 468 417	510 782 865
Cost of sales returns - Allegria project	-	(1 085 766)
	642 468 417	509 697 099

37- Other operating revenues

	2015	2014
	<u>L.E</u>	<u>L.E</u>
Interest income realized from installments during the Year	37 799 339	29 764 162
Assignment, cancellation dues and delay penalties	44 691 179	41 873 085
Sundry income	743 061	2 360 047
Income from management & operation of the golf course	1 200 000	1 200 000
Buildings rental income	869 515	2 125 155
Capital gain	6 126 694	2 140 866
	91 429 788	79 463 315

38- Selling and marketing expenses

	2015	2014
	<u>L.E</u>	<u>L.E</u>
Salaries and wages	16 839 183	16 601 977
Sales commissions	39 152 449	26 292 961
Advertising expenses	20 132 241	22 066 633
Conferences and exhibitions	1 630 444	4 738 674
Rent	8 081 637	15 738 053
Travel, transportation and vehicles	148 791	19 778
Donations	203 750	156 740
Maintenance, Cleaning, Agriculture and Security	2 790 872	2 526 480
Professional fees and consultancy	1 200 754	696 000
Gifts	287 019	207 204
Fees, Stamps and licenses	3 491 761	38 776
Depreciation of fixed assets marketing.	405 497	180 147
Vacation	154 590	149 409
Communication and electricity	829 251	627 033
Stationary and computer supplies	665 337	564 219
Insurance	136 478	200 184
Others	325 172	92 009
	96 475 226	90 896 277

39- General and administrative expenses

	2015	2014
	<u>L.E</u>	<u>L.E</u>
Salaries, wages and bonuses (39-1)	76 073 878	76 891 879
Board of directors' remunerations and allowances	7 264 195	9 034 628
Medical insurance and training	6 844 730	5 055 754
Consultancy and professional fees	5 941 080	13 966 761
Advertising	1 340 491	349 193
Donations	2 397 560	3 089 984
Maintenance, Cleaning, Agriculture & Security	17 942 550	16 378 347
Administrative depreciation of fixed assets and Rented Units.	18 491 463	9 335 173
Subscriptions and governmental dues	1 297 675	1 343 162
Rents	5 630 376	10 679 351
Travelling and transportation	1 707 050	1 195 878
Communication and electricity	3 020 301	3 628 778
Stationary and computer supplies	2 931 732	3 262 090
Hospitality	1 267 612	1 153 641
Defined employees benefit contribution	3 639 081	-
Bank charges	3 190 353	2 333 667
Vacation expense	639 148	317 828
Gifts	1 033 623	701 053
Conferences and exhibitions	94 644	330 012
Insurance premiums	271 265	264 112
Others	41 842	1 134 549
	<u>161 060 649</u>	<u>160 445 840</u>

(39-1) This item includes salaries for the executive manager's members of the Board as follows:

	2015	2014
	<u>L.E</u>	<u>L.E</u>
Salaries	5 387 324	4 670 550
share based transactions (*)	(2 000 000)	-
	<u>3 387 324</u>	<u>4 670 550</u>

The company has a bonus and incentive plan for the share settled share based payment and current plan has been ceased as mentioned (note no.50) of the notes to the financial statements.

(*)The value of reversal of set aside for incentive and bonus plan for 200 000 shares which no longer required due to the termination of the incentives and bonus plan (Note 50) which have been deducted from wages and salaries expenses in the income statement during the year.

40- Other operating expenses

	2015	2014
	<u>L.E</u>	<u>L.E</u>
Discount for early payment	18 053 222	32 509 428
Provision for claims	90 647	90 647
Impairment losses from the Real Estate investment	30 000 000	-
Impairment of related parties	18 224 174	17 843 080
	66 368 043	50 443 155

41- Finance income

	2015	2014
	<u>L.E</u>	<u>L.E</u>
Interest income	47 178 732	37 205 132
Treasury stock investment income	44 885 170	-
Net foreign exchange differences	1 084 080	-
	93 147 982	37 205 132

42- Finance cost

	2015	2014
	<u>L.E</u>	<u>L.E</u>
Interest expense	87 286 186	65 628 900
Installments interest expense of Sheikh Zayed land	3 266 101	5 277 395
Net foreign exchange differences	-	5 891 842
	90 552 287	76 798 137

43- Income tax expense

	2015	2014
	<u>L.E</u>	<u>L.E</u>
Current income tax expense	74 500 445	15 086 663
Deferred income tax (benefit)/expense	(2 985 681)	671 592
	71 514 764	15 758 255

44- Earnings per share

Earnings per share are calculated based on the net profit of the Year and the weighted average number of outstanding shares during the Year as follows:

	2015	2014
	<u>L.E</u>	<u>L.E</u>
Net profit for the Year	213 200 723	61 522 472
Divided by:		
Weighted average number of shares outstanding during the Year	338 909 573	107 678 624
Earnings per share (L.E/share)	0.63	0.57

45- Financial instruments

45-1 Credit risk

Exposure to credit risk

The carrying amount of financial assets represented in the balances of trade and notes receivables, debtors and cash and cash equivalent represent the maximum credit exposure. These balances amounted to LE 3 937 211 377 as at December 31, 2015 (December 31, 2014: L.E 3 919 713 155).

45-2 Liquidity risk

This note represents the contractual terms of financial liabilities:

December 31, 2015

	Carrying amount <u>L.E</u>	Less than 1 year <u>L.E</u>	1-2 years <u>L.E</u>	2-5 years <u>L.E</u>
Banks – credit facility	31 105 204	31 105 204	-	-
Long-term loans	473 096 436	-	225 671 359	247 425 077
Short-term loans	123 335 275	123 335 275	-	-
Contractors and suppliers	43 537 370	43 537 370	-	-
Other creditors	844 303 467	555 470 959	278 327 847	10 504 662
Notes payable – short term	88 974 585	88 974 585	-	-
Notes payable – long term	143 711 099	-	47 903 700	95 807 399
Total	1 748 063 436	842 423 392	551 902 906	353 737 138

December 31, 2014

	Carrying amount <u>L.E</u>	Less than 1 year <u>L.E</u>	1-2 years <u>L.E</u>	2-5 years <u>L.E</u>
Banks – credit facility	101 170 177	101 170 177	-	-
Bank – overdraft	643 013	643 013	-	-
Long-term loans	545 214 175	-	225 671 359	319 542 816
Short-term loans	78 117 009	78 117 009	-	-
Contractors and suppliers	65 320 353	65 320 353	-	-
Other creditors	602 426 539	395 333 584	199 561 111	7 531 844
Notes payable – short term	29 611 336	29 611 336	-	-
Notes payable – long term	24 306 118	-	24 306 118	-
Total	1 446 808 720	670 195 472	449 538 588	327 074 660

45-3 Currency risk

Exposure to currency risk

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

	31/12/2015		31/12/2014	
Description	<u>EUR</u>	<u>USD</u>	<u>EUR</u>	<u>USD</u>
Notes receivables short/long term	-	11 767 591	-	-
Cash at banks	295 048	2 188 586	273 963	1 944 671
Surplus of foreign currencies	295 048	13 956 177	273 963	1 944 671

45-4 Interest rate risk

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

	Carrying amount	
	31/12/2015	31/12/2014
	<u>L.E</u>	<u>L.E</u>
<u>Fixed rate instruments</u>		
Financial assets	2 644 535 598	2 682 174 395
Financial liabilities	(232 685 684)	(53 917 454)
	<u>2 411 849 914</u>	<u>2 628 256 941</u>
<u>Variable rate instruments</u>		
Financial liabilities	(627 536 915)	(724 501 361)
	<u>(627 536 915)</u>	<u>(724 501 361)</u>

The Company does not account for any fixed rate financial assets and liabilities at fair value through income statement, 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 financial statements date would not affect the income statement.

45-5 Fair values

Fair values versus carrying amounts

The main financial instruments for the Company are represented in the balances of cash at banks, investments, trade and notes receivables, its associates and Subsidiaries, suppliers, contractors, notes payables, creditors and other credit balances and the monetary items included in debtors and creditors. The main purpose of these instruments is to finance the Company's activities.

According to the applied evaluation basis in evaluating the Company's assets and liabilities the carrying amounts for these financial instruments shows reasonable evaluation for their fair values.

46- Transactions with related parties

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

Party	Nature of relationship	Nature of transaction	31/12/2015 Amount of Transaction <u>L.E</u>
Beverly Hills Co. for Management of Cities and Resorts	A subsidiary	Works of agriculture, maintenance and security services for Beverly Hills City.	3 952 607
Sixth of October for Development and Real Estate Projects (SOREAL)	A subsidiary	Payments on behalf of the Company	130 777 217
		Cash Proceeds	179 748 264
Sodic Garden City for development and investment	A subsidiary	Payments on behalf of the Company	377 797
		Cash Proceeds	92 500
Move-In for Advanced Contracting Co.	A subsidiary	Rent of managerial Units	600
		Cash Proceeds	1 104 941
		Cash Proceeds	550 000
Edara for Services of Cities and Resorts Co.	A subsidiary	Works of agriculture, maintenance and security services for Allegria City.	33 662 181
Tegara CO. for trading centers	A subsidiary	Expenses on behalf of the company	52 128
SODIC for Golf and Tourist Development Co.	A subsidiary	Payments on behalf of the Company.	1 168 365

		Revenue from management and operation of the golf course and club.	1 200 000
		Expenses recovery	1 163 560
SODIC Polygon for Real estate investment	A subsidiary	Payments on behalf of the Company.	100 418 602
		Cash receivable	42 707 557
		Works of SODIC SIAC building No.(1)	3 223 568
		Customer receivable and notes receivable	113 594 347
El Yosr for Projects and Agriculture Development Co.	A subsidiary	Payment on behalf of the company	993 440
		Cash payments	800 000
		Cash Proceeds	45 049 389
Fourteen for real estate investment.	A subsidiary	Payments on behalf of the Company	721 606
SODIC for development and Real estate investment	A subsidiary	Payments on behalf of the Company	42 777 817
		Cash Proceeds	301 365 384
Royal Gardens Co	A subsidiary	Payments on behalf of the Company	836 309
		Cash Proceeds	1 361 378
SODIC – Syria	A subsidiary	Payments on behalf of the Company	27 550
La maison Co. for Real estate investment	A subsidiary	Payments on behalf of the Company	21 564 946
		Cash Proceeds	88 054 352
Soreal Co. for Real estate investment	A subsidiary	Payments on behalf of the Company	40 767 387
		Cash Proceeds	231 264 303
SODIC CO.for securitization.		Payments on behalf of the Company	8 040
		Cash Proceeds	69 429
Tabrook Development Co	A subsidiary	Payments on behalf of the Company	189 979 801
		Cash Proceeds	152 544 418
Executive directors & board members			(Note No. 38)

47- Legal status

There is a dispute between the Company and third 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 indefinitely in return for a minimal (nominal) annual rental for a total of 96 acres approximately, which has not been delivered to date as the management of the third party did not abide by the detailed conditions of the contract. There are exchanged notifications concerning this land between the management of the Company and the management of the third party. During 2009, this party raised a court case No. 3 of 2009 Civil 6th of October against the 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. A session was held on April 26, 2010 for the expert to present his report, and 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 last one will be held on March 19, 2016.

The Company's legal counsel is of the opinion that the 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 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.

48- Tax status

On June 4, 2014, Law No. (44) For the year 2014 has been issued to impose a temporary three year additional tax amounting to (5%) starting from the current taxable period. This additional tax is imposed on the tax pool over an amount of One Million Egyptian pounds by individuals or corporates as stipulated in the articles of the Income tax Law. This additional tax should be assessed and collected according to those articles. This law became into force starting from June 5, 2014.

On June 30, 2014, Law No. (53) For the year 2014 has been issued by a presidential decree. This law included amendments for some articles of Law No. (91) For the year 2005. The most important amendments are as follows:

1. Imposing a tax on Dividends.
2. Imposing a tax on the capital gains resulted from sale of capital contribution shares and securities.
 - On August 20, 2015, Law No.(96) For the year 2015 has been issued by a presidential decree. This law included amendments for some articles of Law No.(91) For the year 2005, and law No.(44) for the year 2014 to impose a temporary additional income tax, and to be forced the day following to the day to be published.

Following is the most significant amendments included in the decision:

1. Decrease the income tax rate to be 22.5% of net annual profit.
2. Adjusting the period of imposing the temporary tax 5%
3. Adjusting the tax on Dividends.
4. Stop forcing the tax on the capital gains resulted from sale of capital contribution shares and securities for two years started from May 17, 2015.

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

Corporate tax

- A ten – year corporate tax exemption year starting from the year following the date of the activity inception as of 1/1/1998 until 31/12/2007 has been previously granted according to Law No. 59 of 1979 concerning the New Urban Communalities.
- During January 2011, the Company submitted a request to the Tax Authority demanding the amendment of the tax exemption year 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 date of the actual handing over of the units and the regulations applicable to similar companies. Accordingly, the said committee decided to approve the Company's request thus considering the date of the actual business activity of the Company to be the year 2002, hence, the Company shall be entitled to tax exemption from 1/1/2003 to 31/12/2012, and the amendment was annotated in the Company's tax card.
- The amended tax return for the year 2008 was submitted to the Tax Authority.
- Years from 1996 till 2004 has been inspected and the company were notified and tax differences are under settlement.
- Inspection has been notified for the year 2006, by the tax form (19) with the date of April 29, 2012 as an estimation, it has been appealed as of May 3, 2012, re-inspection request has been submitted for the year 2006, and re-inspection is carried on and no claims have been informed to the company till the date of the authorization of the financial statements.
- On April 2, 2013 The Company has been notified by form (19) for 2007, 2008 approximately, on April 9, 2013 the company has appealed 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 no claims have been informed to the company till the date of the authorization of the financial statements.
- On April 7, 2015 The Company has been notified by form (19) for the inspection of the years 2009, 2010 approximately, on April 7, 2015 the company has appealed, and the inspection has been carried out and no claims have been informed to the company till the date of the authorization of the financial statements.
- The company has been notified for the for the tax period from 2011 till 2013, with the tax inspection form (32), 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 up to 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 issuing the financial statements.

Withholding Tax

- Tax inspection has been carried out till the Third quarter of the year 2015, and the Company has not received any tax claims till the date of issuing the financial statements.

Stamp tax

- Tax inspection was carried out for the previous year up to December 31, 2012 and tax differences have been fully paid.
- The company regularly provides stamp tax returns.

Sales tax

- The Company was inspected from inception up to December, 2013 and tax differences were paid.
- The company regularly provides sales tax returns.

Real estate property tax

The Company submitted the Real Estate Tax returns for 2009 on due dates in accordance with Law No. 196 of 2008.

49- Capital commitments

Capital commitment as at December, 31, 2015 is represented in contracted and unexecuted works amounting to L.E. 253 259 (2014: L.E. 587 374).

50- Bonus and incentive plan of the 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 Company's employees and managers and authorizing the Company's board of directors to issue million share with a fair value of L.E 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 share.
- On February 1, 2015, the 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 in accordance with the relevant governing regulations.
- Implementation of new Bonus and incentive plan through allocating shares at favorable terms to employees and executive directors.
- On May 31, 2015, the Egyptian Financial Supervisory Authority notified the company that the authority does not object carrying out the procedures of converting 737 500 shares from the bonus and incentive plan system for employees to treasury shares with a new code with Egyptian Stock Market and Misr for Clearing, Settlement and Central Depository (MCSD), applying the legal provisions and rules related to trading on treasury shares.
- On July 14, 2015, 737 500 share have been converted from shares of the incentive and bonus plan of employees and executive directors into treasury shares.
- On September 3, 2015, the company's extraordinary general assembly has approved the termination of the incentive and bonus plan system for employees, managers and executive board members of the company, which was authorized by the Extraordinary General Assembly of the 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 Company's extraordinary general assembly has approved the implementation of new Bonus and incentive plan through allocating shares with special conditions to the employees, managers and executive directors in the company.