

Translation from Arabic

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

**Consolidated Financial Statements**

**For The Financial Year Ended December 31, 2010**

**And Auditor’s Report**

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**Auditor's Report**

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

We have audited the accompanying consolidated financial statements of Sixth of October for Development and Investment Company "SODIC" S.A.E, which comprise the consolidated balance sheet as at December 31, 2010, and the consolidated income statement, consolidated statement of changes in equity and consolidated statement of cash flows for the financial year then ended, and a summary of significant accounting policies and other explanatory notes.

***Management's Responsibility for the Consolidated Financial Statements***

These consolidated financial statements are the responsibility of Company's management. Management is responsible for the preparation and fair presentation of these 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 consolidated financial statements based on our audit. We conducted our audit in accordance with the Egyptian Standards on Auditing and in the light of the prevailing Egyptian laws. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

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

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

***Opinion***

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Sixth of October for Development and Investment Company "SODIC" Company as of December 31, 2010, and of its consolidated financial performance and its consolidated 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 consolidated financial statements.

**KPMG Hazem Hassan**

Cairo, March 16, 2011

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

Consolidated Balance Sheet  
As at December 31, 2010

|   | Note No. | 31-12-2010<br>L.E    | 31-12-2009<br>L.E    |
|---|----------|----------------------|----------------------|
| <b>Long - term assets</b>   |          |                      |                      |
| Fixed assets  | (6)      | 88 395 860           | 51 154 157           |
| Intangible assets   | (7)      | -                    | 19 435               |
| Projects under construction   | (8)      | 43 030 434           | 12 380 561           |
| Investments in associates   | (9)      | 250 000              | -                    |
| Available for sale investments  | (10)     | 4 350 000            | 4 280 500            |
| Amounts paid on account of investments in companies under establishment                       | (11)     | -                    | 25 799 500           |
| Investment properties   | (12)     | 420 019 673          | 306 209 710          |
| Advance payment to acquire investment properties  |          | 14 191 343           | -                    |
| Customers, debtors & notes receivables  | (13)     | 1 260 276 872        | 1 114 762 514        |
| Deferred tax assets   | (14)     | 1 444 974            | 48 678 703           |
| <b>Total long - term assets</b>   |          | <b>1 831 959 156</b> | <b>1 563 285 080</b> |
| <b>Current assets</b>   |          |                      |                      |
| Completed units ready for sale  | (15)     | 3 997 225            | 493 910              |
| Inventories & letters of credit   |          | 2 800 129            | 898 361              |
| Construction works in process   |          | -                    | 197 059              |
| Works in process  | (16)     | 2 675 287 375        | 1 710 147 591        |
| Amounts due from customers - constructions  |          | 12 185 177           | 8 659 435            |
| Trade & notes receivable  | (17)     | 858 603 246          | 739 777 423          |
| Debtors & other debit balances  | (18)     | 499 979 928          | 391 612 469          |
| Loans to Joint Ventures   | (19)     | 70 958 476           | -                    |
| Held for trading investments  | (20)     | 86 988 915           | 119 045 460          |
| Investments in treasury bills   |          | 5 127 992            | -                    |
| Cash at banks & on hand   | (21)     | 853 254 210          | 482 296 480          |
| <b>Total current assets</b>   |          | <b>5 069 182 673</b> | <b>3 453 128 188</b> |
| <b>Current liabilities</b>  |          |                      |                      |
| Provisions  | (22)     | 134 876 866          | 99 413 603           |
| Bank - credit facilities  | (23)     | 86 903 632           | 97 347 618           |
| Long - term loans - current portions  | (37)     | 3 111 463            | -                    |
| Islamic finance ( Murabha)  | (24)     | 1 379 736            | -                    |
| Advances from customers   | (25)     | 3 653 293 954        | 2 613 222 040        |
| Amounts due to customers - constructions  |          | 1 683 528            | 1 071 874            |
| Contractors, suppliers & notes payable  | (26)     | 116 325 884          | 87 834 220           |
| Creditors & other credit balances   | (27)     | 310 053 870          | 213 253 332          |
| <b>Total current liabilities</b>  |          | <b>4 307 628 933</b> | <b>3 112 142 687</b> |
| <b>Working capital</b>  |          | <b>761 553 740</b>   | <b>340 985 501</b>   |
| <b>Total investments</b>  |          | <b>2 593 512 896</b> | <b>1 904 270 581</b> |
| <b>These investments are financed as follows:</b>   |          |                      |                      |
| <b>Equity</b>   |          |                      |                      |
| Authorized share capital  | (29)     | 2 800 000 000        | 500 000 000          |
| Issued & fully paid in capital and share premium  | (29)     | 362 705 390          | 284 133 960          |
| Amounts paid on account of share capital increase and share premium                           |          | -                    | 83 070 956           |
| Legal reserve   | (30)     | 181 352 695          | 141 906 330          |
| Special reserve - share premium   | (31)     | 1 316 921 569        | 912 439 354          |
| Retained earnings   |          | 377 624 935          | 491 764 307          |
| Treasury shares   | (33)     | ( 80 007 242)        | ( 80 007 242)        |
| Amount set aside for incentive & bonus plan   | (34)     | 18 750 000           | 13 750 000           |
| Net profit (loss) for the year  |          | 134 561 956          | ( 114 382 871)       |
| Cumulative translation adjustments of foreign operations                                      | (32)     | ( 483 446)           | -                    |
| <b>Total equity attributable to equity holders of the Company</b>                             |          | <b>2 311 425 857</b> | <b>1 732 674 794</b> |
| <b>Minority interest</b>  | (28)     | 96 048 697           | 25 759 079           |
| <b>Total equity</b>   |          | <b>2 407 474 554</b> | <b>1 758 433 873</b> |
| <b>Long-term liabilities</b>  |          |                      |                      |
| Long - term loans   | (36)     | 42 007 752           | -                    |
| Amounts due to the General authority for Rehabilitation Projects and Agricultural Development | (37)     | 22 500 000           | -                    |
| Notes payable   | (38)     | 121 530 590          | 145 836 708          |
| <b>Total long-term liabilities</b>  |          | <b>186 038 342</b>   | <b>145 836 708</b>   |
| <b>Total equity and long - term liabilities</b>   |          | <b>2 593 512 896</b> | <b>1 904 270 581</b> |

\* The accompanying notes on pages form (5) to (55) are an integral part of these consolidated financial statements and to be read therewith.

Financial & Administrative Manager

Board Member

Vice Chairman  
& Managing Director

Hany Henery

Ahmed Badrawy

Maher Maksoud

\* Auditor's Report " attached "  
KPMG Hazem Hassan

Sixth of October for Development and Investment Company "SODIC"

(An Egyptian Joint Stock Company)

Consolidated Income Statement

For The Financial Year Ended December 31, 2010

|  | Note | 2010                 | 2009                 |
|--|------|----------------------|----------------------|
|  | No.  | L.E                  | L.E                  |
| Real estate & land sales   | (39) | 468 147 496          | 742 265              |
| Construction contracts revenues                                  |      | 39 210 602           | 21 500 449           |
| Real estate consultancy, promotion & marketing services revenues |      | 944 479              | 1 816 619            |
| Service revenues of Beverly Hills City                           |      | 9 169 667            | 6 621 404            |
| Service revenues of Allegria project                             |      | 790 878              | -                    |
| Other revenues   |      | 1 265 388            | -                    |
| <b>Total revenues</b>  |      | <b>519 528 510</b>   | <b>30 680 737</b>    |
| Cost of real estate & land sold                                  | (40) | (206 777 651)        | ( 704 590)           |
| Construction contracts cost                                      |      | (33 756 858)         | (15 683 980)         |
| Cost of real estate consultancy, promotion & marketing services  |      | ( 742 607)           | (1 049 742)          |
| Service costs of Beverly Hills City                              |      | (20 865 965)         | (15 517 538)         |
| Service costs of Allegria project                                |      | ( 916 356)           | -                    |
| Other costs  |      | (3 150 905)          | -                    |
| <b>Total costs</b>   |      | <b>(266 210 342)</b> | <b>(32 955 850)</b>  |
| <b>Gross profit ( loss)</b>                                      |      | <b>253 318 168</b>   | <b>(2 275 113)</b>   |
| Other operating revenues   | (41) | 62 148 134           | 46 176 478           |
| Gain on sale of investments in subsidiaries                      | (42) | 32 027 272           | -                    |
| Selling & marketing expenses                                     | (43) | (69 627 730)         | (45 897 846)         |
| General & administrative expenses                                | (44) | (128 984 865)        | (112 213 520)        |
| Other operating expenses   | (45) | (16 858 090)         | (22 802 519)         |
| <b>Operating profit (loss)</b>                                   |      | <b>132 022 889</b>   | <b>(137 012 520)</b> |
| Finance income   | (46) | 85 155 753           | 19 683 218           |
| Finance expenses   | (47) | (26 716 488)         | (20 580 537)         |
| <b>Net finance income (expenses)</b>                             |      | <b>58 439 265</b>    | <b>( 897 319)</b>    |
| Share in profits in associates                                   | (9)  | -                    | -                    |
| <b>Net profit (loss) for the year before income tax</b>          |      | <b>190 462 154</b>   | <b>(137 909 839)</b> |
| <b>Deduct :</b> Income tax expense (benefit)                     | (48) | 55 167 577           | (25 366 113)         |
| <b>Net profit ( loss) for the year</b>                           |      | <b>135 294 577</b>   | <b>(112 543 726)</b> |
| <b>Net profit (loss) for the year attributable to:</b>           |      |                      |                      |
| Equity holders of the Company                                    |      | 134 561 956          | (114 382 871)        |
| Minority share in profits & losses of subsidiaries               |      | 732 621              | 1 839 145            |
| <b>Net profit (loss) for the year</b>                            |      | <b>135 294 577</b>   | <b>(112 543 726)</b> |
| <b>Earnings (Losses) per share (L.E / Share)</b>                 | (49) | <b>3.28</b>          | <b>(4.03)</b>        |

\* The accompanying notes on pages form (5) to (55) are an integral part of these consolidated financial statements and to be read therewith.

**Sixth of October for Development and Investment Company "SODIC"  
(An Egyptian Joint Stock Company)  
Consolidated Statement of Changes in Equity  
For The Financial Year Ended December 31, 2010**

|   | Note No. | Issued & paid up capital<br>L.E | Amounts paid on account of share capital increase and share premium<br>L.E | Legal reserve<br>L.E | Special reserve-share premium<br>L.E | Treasury shares<br>L.E | Set aside amount for bonus & incentive plan<br>L.E | Foreign currency translation adjustments of foreign operations<br>L.E | Retained earnings<br>L.E | Net profit (loss) for the year<br>L.E | Equity attributable to equity holders of the Company<br>L.E | Minority interest<br>L.E | Total equity<br>L.E  |
|---|----------|---------------------------------|--|----------------------|--------------------------------------|------------------------|--|---|--------------------------|---------------------------------------|---|--------------------------|----------------------|
| <b>Balance as at January 1, 2009</b>                                |          | <b>284 133 960</b>              | -  | <b>139 566 980</b>   | <b>912 439 354</b>                   | <b>(80 000 000)</b>    | <b>8 750 000</b>                                   | -   | <b>465 586 930</b>       | <b>27 255 076</b>                     | <b>1 757 732 300</b>  | <b>24 590 711</b>        | <b>1 782 323 011</b> |
| Amounts paid on account of share capital increase and share premium |          | -                               | 83 070 956   | -                    | -                                    | -                      | -  | -   | -                        | -                                     | 83 070 956  | -                        | 83 070 956           |
| Amount transferred to legal reserve                                 |          | -                               | -  | 2 339 350            | -                                    | -                      | -  | -   | (2 339 350)              | -                                     | -   | -                        | -                    |
| Amount transferred to retained earnings                             |          | -                               | -  | -                    | -                                    | -                      | -  | -   | 27 255 076               | (27 255 076)                          | -   | -                        | -                    |
| Set aside amount for bonus & incentive plan during the year         |          | -                               | -  | -                    | -                                    | -                      | 5 000 000  | -   | -                        | -                                     | 5 000 000   | -                        | 5 000 000            |
| Treasury shares acquired  |          | -                               | -  | -                    | -                                    | ( 7 242)               | -  | -   | -                        | -                                     | ( 7 242)  | -                        | ( 7 242)             |
| Minority interest   |          | -                               | -  | -                    | -                                    | -                      | -  | -   | -                        | -                                     | -   | ( 63 032)                | ( 63 032)            |
| Gain on acquisition of minority interest                            |          | -                               | -  | -                    | -                                    | -                      | -  | -   | 653 906                  | -                                     | 653 906   | -                        | 653 906              |
| Gain on dilution of minority interest                               |          | -                               | -  | -                    | -                                    | -                      | -  | -   | 607 745                  | -                                     | 607 745   | ( 607 745)               | -                    |
| Net loss for the year   |          | -                               | -  | -                    | -                                    | -                      | -  | -   | -                        | (114 382 871)                         | (114 382 871)   | 1 839 145                | ( 112 543 726)       |
| <b>Balance as at December 31, 2009</b>                              |          | <b>284 133 960</b>              | <b>83 070 956</b>  | <b>141 906 330</b>   | <b>912 439 354</b>                   | <b>(80 007 242)</b>    | <b>13 750 000</b>                                  | -   | <b>491 764 307</b>       | <b>(114 382 871)</b>                  | <b>1 732 674 794</b>  | <b>25 759 079</b>        | <b>1 758 433 873</b> |
| Share capital increase & share premium                              | (29)     | -                               | 466 929 054  | -                    | -                                    | -                      | -  | -   | -                        | -                                     | 466 929 054   | -                        | 466 929 054          |
| Amount transferred to retained earnings                             |          | -                               | -  | -                    | -                                    | -                      | -  | -   | (114 382 871)            | 114 382 871                           | -   | -                        | -                    |
| Share capital increase  | (29)     | 78 571 430                      | (78 571 430)   | -                    | -                                    | -                      | -  | -   | -                        | -                                     | -   | -                        | -                    |
| Amount transferred to legal reserve                                 | (30)     | -                               | (39 446 365)   | 39 446 365           | -                                    | -                      | -  | -   | -                        | -                                     | -   | -                        | -                    |
| Amount transferred to special reserve-share premium                 | (31)     | -                               | (431 982 215)  | -                    | 404 482 215                          | -                      | -  | -   | -                        | -                                     | (27 500 000)  | -                        | (27 500 000)         |
| Amount set aside for incentive & bonus plan during the year         | (34)     | -                               | -  | -                    | -                                    | -                      | 5 000 000  | -   | -                        | -                                     | 5 000 000   | -                        | 5 000 000            |
| Minority interest   |          | -                               | -  | -                    | -                                    | -                      | -  | -   | -                        | -                                     | -   | 69 800 496               | 69 800 496           |
| Foreign currency translation adjustments of foreign operations      | (32)     | -                               | -  | -                    | -                                    | -                      | -  | ( 483 446)  | -                        | -                                     | ( 483 446)  | -                        | ( 483 446)           |
| Gain on acquisition of minority interest                            | (35)     | -                               | -  | -                    | -                                    | -                      | -  | -   | 243 499                  | -                                     | 243 499   | ( 243 499)               | -                    |
| Net profit for the year   |          | -                               | -  | -                    | -                                    | -                      | -  | -   | -                        | 134 561 956                           | 134 561 956   | 732 621                  | 135 294 577          |
| <b>Balance as at December 31, 2010</b>                              |          | <b>362 705 390</b>              | -  | <b>181 352 695</b>   | <b>1 316 921 569</b>                 | <b>(80 007 242)</b>    | <b>18 750 000</b>                                  | <b>( 483 446)</b>   | <b>377 624 935</b>       | <b>134 561 956</b>                    | <b>2 311 425 857</b>  | <b>96 048 697</b>        | <b>2 407 474 554</b> |

\* The accompanying notes on pages form (5) to (55) are an integral part of these consolidated financial statements and to be read therewith.

**Sixth of October for Development and Investment Company "SODIC"**  
**(An Egyptian Joint Stock Company)**  
**Consolidated Statement of Cash Flows**  
**For The Financial Year Ended December 31, 2010**

|  | Note<br>No. | 2010<br>L.E           | 2009<br>L.E           |
|--|-------------|-----------------------|-----------------------|
| <b><u>Cash flows from operating activities</u></b>   |             |                       |                       |
| Net profit (loss) for the year before income tax   |             | 190 462 154           | (137 909 839)         |
| <b><u>Adjustments for:-</u></b>  |             |                       |                       |
| Depreciation of fixed assets & rented units  |             | 9 585 429             | 6 055 683             |
| Amortization of other assets   |             | 19 455                | 19 433                |
| Investments income   |             | ( 350 247)            | -                     |
| Capital gain   |             | ( 58 245)             | ( 60 988)             |
| Capital loss   |             | 277 654               | -                     |
| Gain on sale of investments in subsidiaries  |             | (32 027 272)          | -                     |
| Gain on sale of held for trading investments   |             | ( 851 137)            | -                     |
| Unrealized gain on held for trading investments  |             | (5 104 201)           | (4 943 361)           |
| Provisions formed  | (22)        | 39 218 989            | 52 048                |
| Provisions no-longer required  |             | ( 1 853 738)          | -                     |
| Excess of the Company's share in the fair value of net assets of the Joint Venture over the consideration paid | (41)        | (33 892 480)          | -                     |
| Impairment loss on debtors & other debit balances  |             | -                     | 3 000                 |
| Equity - settled share - based payment transactions  | (34),(56)   | 5 000 000             | 5 000 000             |
| <b>Operating profit (loss) before changes in working capital items</b>   |             | <b>170 426 361</b>    | <b>(131 784 024)</b>  |
| <b><u>Changes in working capital items</u></b>   |             |                       |                       |
| Change in inventories & letters of credit  |             | ( 5 405 082)          | 186 480               |
| Change in works in process   |             | ( 965 139 784)        | (404 633 014)         |
| Change in investment properties  |             | ( 113 986 327)        | -                     |
| Change in net assets and liabilities of the Joint Venture  |             | 276 094 978           | -                     |
| Change in advance payment to acquire investment properties   |             | ( 14 191 343)         | -                     |
| Change in due from customers - constructions   |             | ( 3 525 742)          | ( 6 684 633)          |
| Change in construction works in process  |             | 197 059               | 262 354               |
| Change in trade & notes receivables  |             | ( 229 992 010)        | 40 660 182            |
| Change in debtors & other debit balances   |             | ( 108 367 459)        | 28 723 502            |
| Provisions used  | (22)        | ( 1 901 988)          | ( 4 216 341)          |
| Change in advances from customers  |             | 1 040 071 914         | 649 586 146           |
| Amount due to customers-construction   |             | 611 654               | 1 071 874             |
| Change in contractors, suppliers & notes payable   |             | 4 185 546             | 16 367 190            |
| Change in creditors & other credit balances  |             | 111 393 690           | 40 312 843            |
| Blocked deposits & other credit balances   |             | 2 522 819             | -                     |
| Cash of companies under establishment at the beginning of the period   |             | 25 799 500            | -                     |
| Restricted cash  | (21),(29)   | 82 563 079            | ( 71 143 956)         |
| Change in saving certificates (due within three years)   |             | 7 600 000             | 1 000 000             |
| <b>Net cash provided from operating activities</b>   |             | <b>278 956 865</b>    | <b>159 708 603</b>    |
| <b><u>Cash flows from investing activities</u></b>   |             |                       |                       |
| Payments for purchase of fixed assets & projects under construction  |             | (78 093 794)          | ( 24 174 566)         |
| Payments on account of investments in companies under establishment  | (11)        | -                     | ( 25 799 500)         |
| Payments for acquisition of investments in subsidiaries sold   |             | ( 3 320 899)          | ( 4 900)              |
| Proceeds from sale of investments in subsidiaries  |             | 1 000 000             | -                     |
| Payments for acquisition of investments in associates  |             | ( 250 000)            | -                     |
| Payments for acquisition of interests of Joint Ventures (net of cash acquired)                                 |             | ( 155 453 975)        | -                     |
| Payments for acquisition of additional interests of Joint Ventures   |             | ( 86 748 524)         | -                     |
| Payments for loans to Joint Ventures   | (19)        | ( 70 958 476)         | -                     |
| Payments for acquisition of available -for - sale investments  |             | ( 69 500)             | ( 30 500)             |
| Dividends received from available -for - sale investments  |             | 350 247               | -                     |
| Proceeds from sale of held for trading investments   |             | 98 887 699            | -                     |
| Payments for purchase of held for trading investments  |             | ( 60 875 816)         | ( 114 102 099)        |
| Payments for purchase of treasury bills  |             | ( 5 127 992)          | -                     |
| Proceeds from sale of fixed assets   |             | 573 724               | 489 591               |
| <b>Net cash used in investing activities</b>   |             | <b>( 360 087 306)</b> | <b>( 163 621 974)</b> |
| <b><u>Cash flows from financing activities</u></b>   |             |                       |                       |
| Bank - credit facilities   |             | 34 675 229            | 96 049 111            |
| Payments for islamic finance   |             | 1 379 736             | -                     |
| Amounts collected on account of share capital increase & share premium   | (29)        | 467 172 553           | 83 070 956            |
| Payments for issuance expenses of share capital increase   | (31)        | ( 27 500 000)         | -                     |
| Minority interest  |             | 69 556 997            | 595 773               |
| Payments for purchase of treasury shares   |             | -                     | ( 7 242)              |
| Dividends paid for employees   |             | ( 27 000)             | ( 1 624 992)          |
| <b>Net cash provided from financing activities</b>   |             | <b>545 257 515</b>    | <b>178 083 606</b>    |
| Foreign currency translation differences   |             | ( 483 446)            | -                     |
| <b>Net movement in cash &amp; cash equivalents during the year</b>   |             | <b>463 643 628</b>    | <b>174 170 235</b>    |
| Cash & cash equivalents as at January 1, 2010  |             | 382 827 705           | 208 657 470           |
| <b>Cash &amp; cash equivalents as at December 31, 2010</b>   | (21)        | <b>846 471 333</b>    | <b>382 827 705</b>    |

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

**Notes to the consolidated financial statements  
For the financial year ended December 31, 2010**

**1. Background and activities**

- Sixth of October for Development and Investment Company “SODIC” (the Company) – An Egyptian Joint Stock Company – was incorporated in accordance with the provisions of Law No. 159 of 1981 and its Executive Regulations and considering the provisions of Law No. 95 of 1992 and its Executive Regulations and by virtue of the decree of the Minister of Economy & 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.
- The Company’s purpose is represented in the following:
  - Working in the field of purchasing of lands for the purpose of providing utilities for them and making them ready for building, dividing these lands and selling or leasing them.
  - Working in the field of construction, integrated construction and supplementary works for it.
  - Planning, dividing and preparing lands for building according to modern building techniques.
  - Building, selling and leasing all various kinds of real estate.
  - Developing and reclaiming lands in the urban communities.
  - Working in the field of tourist development and in all tourist establishments field including, building , managing , selling or utilizing hotels, motels and tourist villages in accordance with applicable Egyptian laws & regulations.
  - Building, managing, selling and leasing – out of the residential, service, commercial, industrial and tourist projects.
  - Importing and working as trade agents for that is permitted within the limits of the Company’s purpose.
  - Financing lease in accordance with Law No. 95 of 1995.
  - Working in all fields of information technology and systems, hardware and software (computer software & services).
  - Working in all fields of services 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.
  - Working in the field of coordinating and planting the gardens, roads and squares and also providing security, steward - ship, maintenance and cleaning services.
  - Working in the field of ownership and management of sporting, entertainment, medical, educational buildings and also ownership, management and operating of restaurants (not leasing them).

In addition, the Company may have interest or participate in any manner whatsoever with companies or others which have similar activities or which may assist it to achieve its purposes in Egypt or abroad.

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

- The Company's duration is 50 years starting from the date of registration in the Commercial Registry.
- The Parent Company is listed in the formal listing in Cairo & Alexandria Stock Exchange.
- The consolidated financial statements of Sixth of October for Development Investment Company "SODIC" (the Parent Company) for the financial year ended December 31, 2010 comprise the financial statements of the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in associates.
- The registered office of the Parent Company is located at Km. 38 Cairo / Alexandria Desert Road, Sheikh Zayed City. Mr. Mohamed Magdy Rasekh is the Chairman of the Parent Company.

## 2. Basis of preparation

### a. Statement of compliance

- These consolidated financial statements have been prepared in accordance with Egyptian Accounting Standards and relevant Egyptian laws and regulations.
- These consolidated financial statements were authorized for issuance by the Board of Directors of the Company on March 15, 2011.

### b. Basis of measurement

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

- 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.

### c. Functional and presentation currency

The consolidated financial statements are presented in Egyptian Pound, which is the Group's functional currency.

### d. Use of estimates and judgments

- The preparation of the consolidated 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 period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

### 3. Significant accounting policies

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

#### 3.1 Basis of consolidation

##### 3.1.1 Subsidiaries

Subsidiaries are entities controlled by the Parent Company. Control exists when the Parent Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Subsidiaries are represented in the following:-

| <u>Subsidiary name</u>   | <u>Country of Incorporation</u> | <u>Ownership</u>               |                                |
|--|---------------------------------|--------------------------------|--------------------------------|
|  |                                 | <u>As at December 31, 2010</u> | <u>As at December 31, 2009</u> |
|  |                                 | <u>%</u>                       | <u>%</u>                       |
| SODIC Property Services Co. - S.A.E  | Egypt                           | 100                            | 100                            |
| Sixth of October for Development & Real Estate Projects Company "SOREAL" - S.A.E | Egypt                           | 99.99                          | 99.99                          |
| Beverly Hills for Management of Cities & Resorts Co. - S.A.E *                   | Egypt                           | 58.59                          | 58.59                          |
| SODIC Garden City for Development & Investment Co. **                            | Egypt                           | 50                             | 50                             |
| Move-In for Advanced Contracting Co. - S.A.E                                     | Egypt                           | 70                             | 55                             |
| Greenscape for Agriculture & Reclamation Co. - S.A.E                             | Egypt                           | 51                             | 51                             |
| El Yosr for Projects and Agriculture Development Co. - S.A.E                     | Egypt                           | 99.99                          | 99.99                          |
| SODIC for Development & Real Estate Investment Co. - S.A.E                       | Egypt                           | 99.99                          | 99.99                          |
| SODIC SIAC for Real Estate Investment Co. - S.A.E                                | Egypt                           | 80                             | -                              |
| SODIC for Golf & Tourist Development Co. - S.A.E                                 | Egypt                           | 100                            | -                              |
| Polygon for Real Estate Development Co.- L.L.C                                   | Egypt                           | 100                            | -                              |
| WESTOWN for Real Estate Co. - L.L.C  | Egypt                           | 100                            | -                              |
| WESTOWN for Real Estate Development Co. - L.L.C                                  | Egypt                           | 100                            | -                              |
| Fourteen for Real Estate Investment Co. S.A.E                                    | Egypt                           | 99.99                          | -                              |
| La maison for Real Estate Investment Co. S.A.E                                   | Egypt                           | 99.99                          | -                              |
| Ceremony for Real Estate Investment Co. S.A.E                                    | Egypt                           | 99.99                          | -                              |
| Tegara for Trading Centers Co. S.A.E   | Egypt                           | 50.00004                       | -                              |
| Edara for Services of Cities & Resorts Co. - S.A.E                               | Egypt                           | 99.97                          | -                              |
| SODIC Allegria for Real Estate Investment Co. S.A.E                              | Egypt                           | 99.99                          | -                              |
| SODIC Syria L.L.C ***  | Syria                           | 100                            | -                              |

- \* The legal participation in Beverly Hills for Management of Cities and Resorts Co. amounts to 74.8%, which includes 16.21%, represents transitory shares, which are currently in the name of the Company, and the title of these shares will be transferred to the real shareholders (Owners of the units).
- \*\* The Company participates in the share capital of SODIC Garden City for Development & Investment Co. in conjunction with some board members and their owned companies.
- \*\*\* On June 15, 2010, SODIC Syria Co. a Syrian limited liability Co. was established for the purpose of acquiring a stake of 50 % in the share capital of Palmyra - SODIC for Real Estate Development L.L.C, a limited liability company that is registered and operating in Syria.

### **3.1.2 Associates**

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. The consolidated financial statements include the Group's share of the total recognized gains and losses of associates on an equity accounted basis, from the date that significant influence commences until the date that significant influence ceases.

### **3.1.3 Jointly controlled entities**

Joint ventures are those entities over whose activities the Group has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions. Jointly controlled entities are accounted for using the proportionate consolidation. The consolidated financial statements include the Group's share jointly controlled entities from the date that joint control commences until the date that joint control ceases.

### **3.1.4 Transactions eliminated on consolidation**

Intra-group balances and any unrealized gains and losses or income and expenses arising from intra group transactions, are eliminated in preparing the consolidated financial statements. Unrealized gains arising from transactions with associates and jointly controlled entities are eliminated to the extent of the Group's interest in the entity. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

### **3.2 Foreign currency transactions**

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the consolidated balance sheet date are translated to Egyptian Pound at the foreign exchange rate in effect at that date. Foreign exchange differences arising on translation are recognized in the consolidated 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.

### **Financial statements of foreign operations**

Subsidiaries' financial statements maintained in foreign currencies are translated to Egyptian pound. Assets and liabilities of those companies are translated at foreign exchange rates ruling at the consolidated balance sheet date. Revenues and expenses are translated at the average exchange rate used during the period. Foreign exchange differences arising on translation are recognized directly in a separate component of equity.

### **3.3 Fixed assets & depreciation**

#### **a. Recognition and measurement**

Fixed assets are stated at cost less accumulated depreciation (note No. 3-3-c) and impairment losses (note No. 3-13).

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs 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.

Where parts of an item of fixed assets have different useful lives, they are accounted for as separate items of fixed assets.

#### **b. Subsequent costs**

The Company recognizes in the carrying amount of an item of Property, plant and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that future economic benefits embodied with the item will flow to the Company 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 part of property, plant and equipment. The estimated useful lives are as follows:

| <u>Asset</u>                       | <u>Years</u>                    |
|------------------------------------|---------------------------------|
| Buildings & constructions          | 10-20                           |
| Caravans                           | 5-10                            |
| Vehicles                           | 5                               |
| Furniture & fixtures               | 4-10                            |
| Office & communications equipment  | 5                               |
| Generators, machinery & equipment  | 2-5                             |
| Kitchen utensils                   | 10                              |
| Wells, pumps & networks            | 4                               |
| Leasehold improvements from others | 5                               |
| Leasehold improvements             | Lesser of 5 years or lease term |

### **3.4 Intangible assets**

#### **3.4.1 Goodwill**

Goodwill represents the excess of the cost of acquisition over the Parent Company's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquire. Goodwill is stated at cost less any accumulated impairment losses. Impairment of goodwill is not reversed subsequently. When the excess is negative (negative goodwill) it is recognized immediately in the income statement.

### **3.4.2 Other intangible assets**

#### **a. Recognition**

Identifiable non-monetary assets acquired for business purposes and from which future benefits are expected to flow are treated as tangible assets. Intangible assets consist of trademarks & soft wares.

#### **b. Measurement**

Intangible assets are measured at cost, being the cash price at recognition date. If payment is deferred beyond the normal credit terms the difference between the cash price equivalent and the total payment is recognized as interest over the period of credit. Intangible assets are presented net of amortization (note No. 3-4-2-d) and impairment (note No.3-13)

#### **c. Subsequent expenditure**

Subsequent expenditure on capitalized intangible assets is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

#### **d. Amortization**

Amortization is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Intangible assets with an indefinite useful life are systematically tested for impairment at each balance sheet date. Intangible assets are amortized from the date they are available for use. The estimated useful lives of these intangible assets range between 2 to 7 years.

### **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 property**

This item includes lands held and not allocated for a specific purpose, or lands held for sale for long periods 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 the value of any increase in the net book value of these investments over their recoverable amount "impairment". The fair value of these investments shall be disclosed at the consolidated 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 disclosure shall be made to this effect.

### **3.7 Investments**

#### **a. Available for sale investments**

Financial instruments held by the Company are classified as being available-for-sale and are stated at cost and subsequently measured at fair value, unless this cannot be reliably measured. Changes in fair value are reported as a separate component in equity. When these investments are derecognized, the cumulative gain or loss previously recognized in equity is recognized in consolidated income statement, except for impairment losses. Investments in unquoted equity securities are stated at cost less impairment losses (note No. 3-13).

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

**b. Held for trading investments**

Held for trading investments are classified as current assets and are stated at fair value, with any resultant gain or loss recognized in the income statement.

**3.8 Residential units ready for sale**

Residential units ready for sale are stated at the consolidated balance sheet date at lower of cost or net releasable value .The cost is determined based on the outcome of multiplying of the total area of the remaining completed residential units ready for sale at the consolidated balance sheet date by the average meter cost of these units (represents the cost of meter of land, utilities, building and other indirect expenses).

**3.9 Works in process**

All expenditures directly attributable to works in process are included in work in process account till the completion of these works. They are transferred to completed residential units ready for sale caption when they are completed. Works in process are stated at the consolidated balance sheet date at lower of cost and net realizable value.

**3.10 Construction work in progress**

Construction work in progress (due from customers) represents the gross unbilled amount expected to be collected from customers for contract work performed to date. It is measured at cost plus profit recognized to date less progress billings and recognized losses. Costs include all expenditures related directly to specific projects and allocation of fixed and variable overheads incurred in the Group's contract activities based on normal operating capacity.

Provisions for estimated losses on incomplete contracts are made in the period in which such losses are determined.

Construction work in progress is presented as part of current assets in the consolidated balance sheet. If payments received from customers exceed the income recognized, then the difference is presents as (due to customers) in the consolidated balance sheet as current liabilities.

**3.11 Trade, notes receivable and debtors**

Trade, notes receivable and debtors are recognized and carried at original invoice amount less an allowance for any uncollectible amounts. An estimate of doubtful debts is made when collections of the full amount is no longer probable. Bad debts are written off when identified. Other debit balances are stated at cost less impairment losses (note No. 3-13). Long-term trade and notes receivables are initially recognized at fair value and subsequently re-measured at amortized cost using effective interest rate method.

**3.12 Cash and cash equivalents**

Cash and cash equivalents comprise cash at banks and on hand, time deposits, investments in treasury bills that have maturity date less than three months from the purchase date. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for preparing the statement of cash flows.

### **3.13 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 original 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 consolidated income statement. Any cumulative loss in respect of an available-for-sale financial asset recognized previously in equity is transferred to consolidated 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 consolidated 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 residential 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.

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 consolidated 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 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, if no impairment loss had been recognized.

### **3.14 Provisions**

A provision is recognized in the consolidated 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.

#### **Provision for completion of works**

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

### **3.15 Borrowing costs**

Borrowing costs are recognized as expense in the income statement when incurred.

### **3.16 Trade, contractors and other credit balances**

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

### **3.17 Share capital**

#### **a. Ordinary shares**

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

#### **b. Repurchase of share capital**

When share capital recognized as equity is repurchased, the amount of consideration paid, including directly attributable costs, is recognized as a change in 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**

Financing of the shares issued for the purpose of the incentive and bonus plan of the Company's employees & managers which are kept in a bank which works as a trustee (agent) are presented as treasury shares until the terms of granting the shares to the beneficiaries are realized. The resulting outcome from sale of these shares is recognized in equity.

### **3.18 Share – based payments transactions**

#### **a. Equity – settled share – based payments**

The difference between the grant date fair value of shares and the amount incurred by the beneficiary of the employees & managers bonus & incentive plan is recognized in the income statement over the period that the beneficiaries become unconditionally entitled to these shares. The expected number of beneficiaries from the plan and the extent of their benefit are reviewed at the consolidated financial statements date. Necessary changes are made for the expense to reflect the best estimate and the corresponding amount is included in equity.

#### **b. Cash settled share - based payments**

Share Appreciation Rights are granted to some of the Company's directors as part of their salaries and compensation package that entitles them to future cash payments based on the increase in the share price of the Company over determined level for certain period of time. The amount or the value of the purchased services and incurred liabilities is measured at the fair value of the said liability and until the settlement of such liability, the Company re-measures the fair value of the liability at the consolidated financial statements date and at settlement date and takes into account any changes in the recognized fair value of the liability in the income statement.

### **3.19 Long-term notes payable**

Long-term notes payable are stated at amortized cost using the effective interest rate method.

### **3.20 Revenue recognition**

#### **a. Real estate & land sales**

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

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

#### **b. Construction contracts**

- Contract revenue includes the initial amount agreed in the contract plus any variations in contract work, claims and incentive payments to the extent that is probable that they will result in revenue and can be measured reliably. As soon as the outcome of a construction contract can be estimated reliably, contract revenue and expenses are recognized in profit or loss in proportion to the stage of completion of the contract.

The stage of completion is assessed by reference to surveys of work performed. When the outcome of a construction contract can not be estimated reliably, contract revenue is recognized only to the extent of contract costs incurred that are likely to be recoverable. An expected loss on contract is recognized immediately in profit or loss.

- In the case of a cost plus contract, the outcome of a construction contract can be estimated reliably when all the following conditions are satisfied:
  - It is probable that the economic benefits associated with the contract will flow to the entity.
  - The contract costs attributable to the contract, whether or not specifically reimbursable, can be clearly identified and measured reliably.

**c. Service revenues**

Revenue from services is recognized in the consolidated income statement when the service is rendered.

**d. Rental income**

Rental income is recognized in the consolidated income statement on a straight-line basis over the terms of the lease.

**e. Interest income**

Interest income is recognized as it accrues in the consolidated income statement, according to the accrual basis of accounting.

**f. Commission revenue**

Commission revenue is recognized in consolidated income statement according to the accrual basis of accounting.

**g. Dividends**

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

**3.21 Cost of sold lands**

The cost of 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 in the open area.

**3.22 Expenses**

**a. Lease payments**

Payments under leases are recognized in the consolidated income statement on a straight-line basis over the terms of the lease.

**b. Interest expense**

Interest expense on interest-bearing borrowings is recognized in the consolidated income statement using the effective interest rate method.

**c. Employees' pension**

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 and its amendment. 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 consolidated income statement using the accrual basis of accounting.

**d. Income tax**

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognized in the consolidated 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 period, using tax rates enacted at the consolidated balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability 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 provided is measured using tax rates enacted or substantively enacted at the consolidated balance sheet date.

A deferred tax asset is 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.

**3.23 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 year.

**3.24 Segment reporting**

A segment is a distinguishable component of the Company that is engaged either in providing related products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

#### **4. Determination of fair values**

A number of the Group'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 Fixed assets**

The fair value of fixed assets recognized as a result of a business combination is based on market values. The fair value of fixed assets is the estimated amount for which a 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 where in the parties had each acted knowledgeably, prudently and without compulsion.

##### **4.2 Intangible assets**

The fair value of intangible assets is based on the discounted cash flows expected to be derived from the use and eventual sale of the assets.

##### **4.3 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 consolidated financial statement date.

##### **4.4 Trade, note receivables & other debtors**

The fair value of trade, note receivables & other debtors is estimated as the present value of future cash flows, discounted at the market rate of interest at the consolidated financial statement date.

##### **4.5 Investment property**

The present value are 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 market wherein the parties had each acted knowledgeably , prudently and without compulsion.

##### **4.6 Share – based payment transactions**

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

#### **5. Financial risk management**

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

- credit risk
- liquidity risk
- Market risk.

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

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

The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

## **5.1 Credit risk**

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's customers and other receivables.

### **Trade & other receivables**

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

Approximately 100 percent of the Group's revenues is attributable to sales transaction with a vast group of customers. Therefore, geographically, there is no concentration of credit risk.

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

Sales of residential 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 Group limits its exposure to credit risk by only investing in liquid securities and the Company's management does not expect any counterparties to fail to meet its obligations.

### **Guarantees**

The Group's policy is to provide financial guarantees only to wholly owned subsidiaries. At December 31, 2010, no guarantees were outstanding.

## **5.2 Liquidity risk**

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

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

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

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

- L.E 85 million as short-term bank facilities guaranteed by a promissory note amounting to the whole amount of facility. Interest would be payable at the rate of 2% per annum above the borrowing and discount rate declared by the Central Bank of Egypt.

- L.E 450 thousand as short-term bank facilities guaranteed by a blocked deposit amounting to L.E 500 thousand. Interest would be payable at the rate of 9.75 % per annum and a commission of 1.5 per mille above the highest debit balance during the month.
- L.E 4 million as short-term bank facilities guaranteed by platinum saving certificates amounting to L.E 5.5 million. Interest would be payable at the rate of 10.5 % per annum and a commission of 0.75 per mille above the highest debit balance during the month.
- L.E 5 million as short-term bank facilities guaranteed by platinum saving certificates amounting to L.E 6 275 000. Interest would be payable at the rate of 11.59 % per annum and a commission of 2 per mille above the highest debit balance during the month.

### **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 Group's income or the value of its holding 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 Group is exposed to currency risk on sales and financial assets that are denominated in a currency other than the respective functional currencies of Company entities, primarily the US Dollar.

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

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

### **5.5 Interest rate risk**

The Group adopts a policy of ensuring that there is no exposure to changes in interest rates on borrowings on a fixed rate basis. Therefore, the Group does not enter into interest rate swaps.

### **5.6 Other market price risk**

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

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

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

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

## **5.7 Capital management**

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

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

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

## **6- Fixed assets (net)**

## 7. Intangible assets

This item is represented as follows:

|          | <u>Cost</u><br><u>as at</u><br><u>1/1/2010</u><br><u>L.E</u> | <u>Accumulated</u><br><u>amortization</u><br><u>as at</u><br><u>1/1/2010</u><br><u>L.E</u> | <u>Amortization</u><br><u>for</u><br><u>the year</u><br><u>L.E</u> | <u>Accumulated</u><br><u>amortization</u><br><u>as at</u><br><u>31/12/2010</u><br><u>L.E</u> | <u>Carrying</u><br><u>amount</u><br><u>as at</u><br><u>31/12/2010</u><br><u>L.E</u> |
|----------|--|--|--|--|---|
| Software | 106 090  | 86 655   | 19 435   | 106 090  | -   |
|          | <u>106 090</u>   | <u>86 655</u>  | <u>19 435</u>  | <u>106 090</u>   | <u>-</u>  |

## 8. Projects under construction

This item is represented as follows:

|  | <u>31/12/2010</u><br><u>L.E</u> | <u>31/12/2009</u><br><u>L.E</u> |
|--|---------------------------------|---------------------------------|
| Lands *  | 7 266 748                       | 7 089 510                       |
| Advance payments for purchasing of machinery and equipment – Joint Venture | 1 253 273                       | 1 172 023                       |
| Advance payments for fixtures and purchasing of fixed assets               | 10 109 045                      | 1 329 007                       |
| Advance payments for purchasing of house building for employees **         | 4 100 000                       | -                               |
| Advance payment on account of the construction of electricity station      | 100 800                         | -                               |
| Buildings & constructions  | 20 003 759                      | 2 536 125                       |
| Wells under construction   | 196 809                         | 253 896                         |
|  | <u>43 030 434</u>               | <u>12 380 561</u>               |

\* This item representing the acquisition cost of a vacant plot of land with an area of 2 363.17 square meter for the purpose of the construction of administrative offices for the Company.

\*\* This item represents the value of purchasing a building of an area of 1 121.70 square meter for the purpose of using it as a house building for the Company's employees.

## 9. Investments in associates

This Group has the following investments in associates:

|   | <u>Legal</u><br><u>form</u> | <u>Ownership</u>              |                               | <u>Carrying amount</u>          |                                 |
|---|-----------------------------|-------------------------------|-------------------------------|---------------------------------|---------------------------------|
|   |                             | <u>31/12/2010</u><br><u>%</u> | <u>31/12/2009</u><br><u>%</u> | <u>31/12/2010</u><br><u>L.E</u> | <u>31/12/2009</u><br><u>L.E</u> |
| Royal Gardens for Investment Property Co. *                     | SAE                         | 20                            | 20                            | -                               | -                               |
| Green Point for Importing and Trading of Garden Supplies Co. ** | SAE                         | 25.50                         | -                             | 250 000                         | -                               |
|   |                             |                               |                               | <u>250 000</u>                  | <u>-</u>                        |

Summary of financial information on associates – 100 percent:-

|   | <u>Assets</u><br>L.E  | <u>Liabilities</u><br>L.E | <u>Equity</u><br>L.E | <u>Revenues</u><br>L.E | <u>Expenses</u><br>L.E |
|---|---|---------------------------|----------------------|------------------------|------------------------|
| <b><u>December 31, 2010</u></b>               |   |                           |                      |                        |                        |
| Royal Gardens for Real Estate Investments Co. | No financial statements have been issued for the financial year ended December 31,2010 yet. |                           |                      |                        |                        |
| <b><u>December 31, 2009</u></b>               |   |                           |                      |                        |                        |
| Royal Gardens for Real Estate Investments Co. | 640 953 341   | (622 901 689)             | 18 051 652           | 15 675 198             | (7 020 478)            |

\* Royal Gardens for Investment Property Co. was established during the year 2006 in conjunction with Palm Hills and other shareholders. The cost of investment amounted to L.E 3 million represents 50 % of the Parent Company's participation in the share capital of Royal Gardens Co. The Parent Company share in the unrealized gain resulted from the sale of land made by the Parent Company to its associate during 2007 amounted to L.E 32 298 112 out of which only L.E 3 million was eliminated to the extent of the Parent Company's interest in the associate when preparing the consolidated financial statements.

Nonetheless, the Parent Company' share in the associate's cumulative losses was not charged to the consolidated income statement with an amount of L.E 610 330 till December 31, 2009 as the carrying amount of the investment balance is nil in the consolidated financial statement as at December 31, 2009.

\*\* Green Point for Importing and Trading of Garden Supplies Co. was established on September 30, 2010 in conjunction with some board of directors' members.

**10. Available -for- sale investments**

This item is represented as follows:

|   | <u>Legal Form</u> | <u>Ownership %</u> | <u>Paid amount of participation %</u> | <u>Carrying Amount as at 31/12/2010</u><br>L.E | <u>Carrying amount as at 31/12/2009</u><br>L.E |
|---|-------------------|--------------------|---------------------------------------|--|--|
| United Company for Real Estate Services                         | S.A.E             | 10                 | 100                                   | 100 000  | 30 000   |
| SODIC for Golf & Tourist Development Co.                        | S.A.E             | 0.0025             | 10                                    | -  | 500  |
| Egyptian Company for Development & Management of Smart Villages | S.A.E             | 1.8                | 100                                   | 4 250 000                                      | 4 250 000                                      |
|   |                   |                    |                                       | 4 350 000                                      | 4 280 500                                      |

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

## 11. Amounts paid on account of investments in companies under establishment

|   | <u>Legal Form</u> | <u>Ownership %</u> | <u>Paid amount Of participation %</u> | <u>31/12/2010 L.E</u> | <u>31/12/2009 L.E</u> |
|---|-------------------|--------------------|---------------------------------------|-----------------------|-----------------------|
| SODIC for Golf & Tourist Development Co.        | S.A.E             | 99.997             | 10                                    | -                     | 19 999 500            |
| Polygon for Real Estate Development Co.         | LLC               | 100                | 100                                   | -                     | 250 000               |
| El Sheikh Zaid for Real Estate Development Co.* | LLC               | 100                | 100                                   | -                     | 250 000               |
| WESTOWN for Real Estate Development Co.         | LLC               | 100                | 100                                   | -                     | 250 000               |
| WESTOWN Real Estate Co.                         | LLC               | 100                | 100                                   | -                     | 250 000               |
| SODIC SIAC for Real Estate Investment Co.       | S.A.E             | 80                 | 100                                   | -                     | 4 800 000             |
| Edara for Services of Cities & Resorts Co.      | S.A.E             | 100                | 100                                   | -                     | -                     |
|   |                   |                    |                                       | -                     | 25 799 500            |

\* On January 27, 2010, the Group established El Sheikh Zaid for Real Estate Development Co. with initial capital of L.E 250 000. During the year, the capital of the company was increased by L.E 3 121 400 to become L.E 3 371 400. On March 4, 2010, this company having a book value of L.E 3 371 400 was sold for total amount of L.E 54 222 000 resulting in realized gain on sale amounting to L.E 32 027 272.

## 12. Investment properties

The carrying amount of the investment properties as at December 31, 2010 amounted to L.E 420 019 673 and is represented in commercial & residential units leased out to others and agricultural lands. Movement on the investment property account and its depreciation during the year is as follows:-

| <u>Description</u>  | <u>Leased out units* L.E</u> | <u>Agricultural lands L.E</u> | <u>lands L.E</u> | <u>Total L.E</u> |
|---|------------------------------|-------------------------------|------------------|------------------|
| <b><u>Cost</u></b>  |                              |                               |                  |                  |
| At 1/1/2010   | 10 349 431                   | 296 247 579                   | -                | 306 597 010      |
| Investment properties acquired through proportionate consolidation of the Joint Venture** | -                            | -                             | 84 016 952       | 84 016 952       |
| Other costs***  | -                            | 30 000 000                    | -                | 30 000 000       |
| Total cost of investment property as at December 31, 2010                                 | 10 349 431                   | 326 247 579                   | 84 016 952       | 420 613 962      |
| <b><u>Accumulated depreciation</u></b>  |                              |                               |                  |                  |
| At 1/1/2010   | 387 300                      | -                             | -                | 387 300          |
| Depreciation for the year   | 206 989                      | -                             | -                | 206 989          |
| Carrying amount as at December 31, 2010   | <b>9 755 142</b>             | <b>326 247 579</b>            | 84 016 952       | 420 019 673      |
| Carrying amount as at December 31, 2009   | <b>9 962 131</b>             | 296 247 579                   | -                | 306 209 710      |

- \* The fair value of completed residential units leased out to others amounts to L.E 25 278 520 as at December 31, 2010.
- \*\* This item includes lands pledged as guarantee for the islamic finance (Murabha) with an amount of L.E 15 757 511 equivalent to SYP 128 502 500 (note No.24).
- \*\*\* This item is represented in the amount payable to the General Authority for Rehabilitation Projects and Agricultural Development in return for the building land (increase of the building percentage to 7%) as detailed in note No. (37) below.

### 13. Customers, debtors & notes receivables

This item is represented in the present value of long-term trade & notes receivable balance as follows:-

|                                     | <u>31/12/2010</u>    | <u>31/12/2009</u>    |
|-------------------------------------|----------------------|----------------------|
|                                     | <u>L.E</u>           | <u>L.E</u>           |
| Customers                           | 101 897 295          | 219 797 711          |
| Sundry debtors *                    | 9 844 400            | -                    |
| Notes receivable                    | <u>1 215 722 638</u> | <u>922 820 249</u>   |
|                                     | 1 327 464 333        | 1 142 617 960        |
| <b>Deduct:</b> Unamortized discount | <u>67 187 461</u>    | <u>27 855 446</u>    |
|                                     | <u>1 260 276 872</u> | <u>1 114 762 514</u> |

- \* This balance represents the remaining amount from the sale value of the Group's quotes in the capital of El Sheikh Zaid for Real Estate Development Co. as detailed in note No. (11) above after the collection of L.E 1 000 000 on the effective date of the agreement and the remainder was collected by cross post dated checks with the following maturities :

| <u>Amount</u>     | <u>Maturity date</u> |
|-------------------|----------------------|
| <u>L.E</u>        |                      |
| 9 844 400         | 15/9/2012            |
| 9 844 400         | 15/9/2013            |
| 9 844 400         | 15/9/2014            |
| 9 844 400         | 15/9/2015            |
| <u>39 377 600</u> |                      |

According to the agreement, this debit balance will be collected by final check after a year from September 15, 2015

- The Group's exposure to credit, currency risks and impairment losses related to trade & notes receivable is disclosed in note no. (51).

### 14. Deferred tax assets

|                                       | <u>31/12/2010</u>  |                    | <u>31/12/2009</u>   |                    |
|---------------------------------------|--------------------|--------------------|---------------------|--------------------|
|                                       | <u>Assets</u>      | <u>Liabilities</u> | <u>Assets</u>       | <u>Liabilities</u> |
|                                       | <u>L.E</u>         | <u>L.E</u>         | <u>L.E</u>          | <u>L.E</u>         |
| Fixed assets                          | -                  | 941473             | -                   | 1 365 263          |
| Provisions                            | (2 025 424)        | -                  | (21 085 654)        | -                  |
| Construction contracts                | -                  | 536 599            | -                   | -                  |
| Tax losses                            | (897 622)          | -                  | (2 750 000)         | -                  |
| Other items                           | -                  | -                  | (26 208 312)        | -                  |
| Total deferred tax (asset)/ liability | <u>(2 923 046)</u> | <u>1 478 072</u>   | <u>(50 043 966)</u> | <u>1 365 263</u>   |
| Net deferred tax asset                | <u>(1 444 974)</u> | <u>-</u>           | <u>(48 678 703)</u> | <u>-</u>           |

## 15. Completed units ready for sale

This item consists of the cost of the completed units ready for sale from the first phase of the project and is represented as follows:

|  | <u>31/12/2010</u> | <u>31/12/2009</u> |
|--|-------------------|-------------------|
|  | L.E               | L.E               |
| Cost of completed commercial units in 3/B area   | 493 910           | 493 910           |
| Cost of repurchased commercial units in 3/B area | 3 503 315         | -                 |
|  | <u>3 997 225</u>  | <u>493 910</u>    |

## 16. Work in process

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

|  | <u>31/12/2010</u>    | <u>31/12/2009</u>    |
|--|----------------------|----------------------|
|  | L.E                  | L.E                  |
| <b><u>Allegria project costs</u></b>   |                      |                      |
| Cost of the Company's land intended for use                                  | 247 910 689          | 274 138 821          |
| Planning , survey , supervision & soil researches                            | 170 205 285          | 98 094 429           |
| Building & utilities   | 731 073 839          | 407 037 632          |
| Other costs  | 25 417 614           | 11 448 151           |
|  | <u>1 174 607 427</u> | <u>790 719 033</u>   |
| <b><u>WESTOWN project costs</u></b>  |                      |                      |
| Cost of the Company's land intended for use                                  | 76 202 118           | 45 897 023           |
| Planning , survey , supervision & soil researches                            | 82 050 917           | 35 877 641           |
| Building & utilities   | 66 946 213           | -                    |
| Other costs  | 16 138 904           | 9 928 294            |
|  | <u>241 338 152</u>   | <u>91 702 958</u>    |
| <b><u>Golf course &amp; club project costs</u></b>                           |                      |                      |
| Cost of the Company's land intended for use                                  | 29 468 923           | 29 468 923           |
| Planning , survey , supervision & soil researches                            | 16 446 306           | 16 020 174           |
| Building & utilities   | 80 635 873           | 73 883 384           |
| Other costs  | 4 944 903            | 5 664 265            |
|  | <u>131 496 005</u>   | <u>125 036 746</u>   |
| <b><u>Cost of the fourth phase (4A &amp; 4B), showrooms &amp; others</u></b> |                      |                      |
| Cost of land *   | 74 313 604           | 3 913 598            |
| Planning , survey , supervision & soil researches                            | 9 403 666            | 1 219 288            |
| Building & utilities   | 45 282 532           | 20 309 901           |
| Cost of land of Dahshor' showrooms   | 25 313 372           | 25 313 372           |
| A plot of land in the Fifth Community (plot No. 1)                           | 75 770 894           | 75 770 894           |
| Expenses related to plot of land No. 1                                       | 29 093 645           | 19 214 255           |
| A plot of land in the Fifth Community (plot No. 2)                           | 519 494 158          | 519 494 158          |
| Expenses related to plot of land No. 2                                       | 73 100 918           | 37 453 388           |
|  | <u>851 772 789</u>   | <u>702 688 854</u>   |
|  | <u>276 073 002</u>   | <u>-</u>             |
| <b><u>Cost of projects in Syria *</u></b>                                    | <u>2 675 287 375</u> | <u>1 710 147 591</u> |

- Works in process item includes a total amount of L.E 95 400 005 representing the value of repurchased lands from customers during the year.
- This item represents 50% of the development properties acquired through the proportionate consolidation of the Joint Venture (Palmyra – SODIC for Real Estate Development LLC) as at December 31, 2010. Details are as follow:-

| <u>Project name</u>             | <u>Carrying amount<br/>of the project<br/>L.E</u> |
|---------------------------------|---|
| Telal Al Yasameen project       | 148 884 002                                       |
| Deheat Al Sindean project       | 3 906 647   |
| Telal Al Zumorod project        | 30 231 880  |
| Tela Al Shams project           | 4 431 127   |
| Auareet project                 | 4 383   |
| Ganayen Al Ghar                 | 873   |
| The project of real estate # 70 | 88 614 090  |
|                                 | 276 073 002                                       |

Land which Telal Al Yasameen project is being constructed is mortgaged as guarantee for the loan granted to the Joint Venture by Syrian Real Estate Bank to finance the construction of Telal Al Yasameen project.

**(1) Plot No. (1)**

The fair value of the vacant plot of land owned by Sixth of October for Development & Real Estate Projects Company "SOREAL", subsidiary Company in the Investors Zone, plot No. (24 a) with an area of 30 feddens that is equivalent to 125 993.55 square meter according to the handover minute, dated November 9, 2006 located at the communities east to the Ring Road, (New Cairo City), the land ownership was transferred to the Company by virtue of the assignment given by Picorp Holding (the main shareholder), and a decision was issued by the Main Real Estate Committee in its session No.37 dated August 13, 2006 concerning the approval of the said assignment.

**(2) Plot No. (2)**

The fair value of the vacant plot of land owned by Sixth of October for Development & Real Estate Projects Company "SOREAL" a subsidiary Company with an area of 204.277 feddens that is equivalent to 857 963.40 square meter, according to the handover minute dated November 7, 2006 located in the Future Extension of New Cairo City, the ownership of the land was transferred to the Company by virtue of the assignment given by Picorp Holding Company (the main shareholder) to the subsidiary Company, the Main Real Estate Committee issued its decision concerning the approval of the said assignment in its session No. 37 dated August 13, 2006.

- On February 16, 2010, a subsidiary of the Group concluded a sub-development agreement with El Sheikh Zaid for Real Estate Development Co. for the development of Block No. (8) of Eastown project measuring 7439 square meter, According to this agreement:
- The subsidiary undertakes to sell the project to El Sheikh Zaid for Real Estate Development Co upon fulfillment of the conditions listed in this agreement.
- El Sheikh Zaid for Real Estate Development Co. is authorized to develop the project as an independent sub-developer and not as an agent in accordance with the master plan of the project.
- The subsidiary warrants and represents that El Sheikh Zaid for Real Estate Development Co. is entitled as an independent sub-developer and not as an agent to develop and invest in the project in accordance with the conditions listed in this agreement. In addition, the subsidiary shall take all the

necessary measures to allow and facilitate the development of the project by El Sheikh Zaid for Real Estate Development Co. in accordance with this agreement.

- The subsidiary undertakes to take all measures to allow the transfer of ownership of the project to El Sheikh Zaid for Real Estate Development Co. upon the fulfillment of the conditions of the agreement.
- The sub-development price amounts to L.E 3 371 387 which was collected during the year in full in accordance with the conditions of of the agreement and this amount will be recorded as revenue upon the fulfillment of the conditions of the sub-development agreement.

#### 17. Trade & notes receivable

|   | <u>31/12/2010</u> | <u>31/12/2009</u> |
|---|-------------------|-------------------|
|   | <b>L.E</b>        | <b>L.E</b>        |
| Trade receivable                              | 194 736 841       | 86 211 775        |
| Notes receivable                              | 672 215 557       | 661 123 357       |
|   | <hr/>             | <hr/>             |
|   | 866 952 398       | 747 335 132       |
| <b>Deduct</b> : unamortized discount          | 8 146 152         | 7 357 709         |
|   | <hr/>             | <hr/>             |
|   | 858 806 246       | 739 977 423       |
| Impairment losses of trade & notes receivable | (203 000)         | (200 000)         |
|   | <hr/>             | <hr/>             |
|   | 858 603 246       | 739 777 423       |

- The Group's exposure to credit, currency risks and impairment losses related to trade & notes receivable is disclosed in note no. (51).

#### 18. Debtors & other debit balances

|   | <u>31/12/2010</u> | <u>31/12/2009</u> |
|---|-------------------|-------------------|
|   | <b>L.E</b>        | <b>L.E</b>        |
| Contractors & suppliers – advance payments  | 313 415 806       | 299 599 896       |
| Amount due from Mr. Firas Tlaas ( a partner in the Joint Venture )                  | 22 745 665        | -                 |
| Corporate profit tax paid in excess *   | 227 256           | -                 |
| Due from related parties – Joint Venture  | 473 964           | -                 |
| Interests receivable  | 4 382 235         | 1 959 751         |
| Due from Land Masters Co.   | 486 960           | -                 |
| Due from Green Point for Importing and Trading of Garden Supplies Co.- an associate | 176 512           | -                 |
| Due from SIAC Co.   | 4 905 574         | -                 |
| Prepaid expenses **   | 142 290 050       | 85 816 267        |
| Deposits with others  | 1 212 476         | 929 393           |
| Tax Authority   | 812 996           | 596 635           |
| L / G 's margins  | 3 150 000         | -                 |
| Due from SODIC for Golf & Tourist Development Co.                                   | -                 | 1 001 288         |
| Accrued management fees ***   | 2 896 250         | -                 |
| Other debit balances  | 3 159 341         | 2 064 396         |
|   | <hr/>             | <hr/>             |
|   | 500 335 085       | 391 967 626       |
|   | <hr/>             | <hr/>             |
| Impairment loss on debtors & other debit balances                                   | (355 157)         | (355 157)         |
|   | <hr/>             | <hr/>             |
|   | 499 979 928       | 391 612 469       |

- \* This item is represented in the amount due to the Parent Company from the Tax Authority – Corporate Profit Tax which represents the tax paid in excess according to the amended tax return for year 2008 of L.E 12 973 398 after deducting the income tax payable for the financial year ended December 31, 2010 of L.E 12 746 142 as detailed in note No. (54) below.
- \*\* This balance includes an amount of L.E 28 930 419 (2009: L.E 18 911 521) which represents the capitalized amount for the amounts paid to some customers who booked residential units in Allegria project and assigned their contracts to the Company. The balance will be capitalized until the resale and the recognition of revenues related to these units. This balance also includes an amount of L.E 7 million representing prepaid advisory fee paid to EFG – Herms for Promoting & Underwriting Co. in return for its services rendered to the Company for the fund raising of a long –term loan during 2011.
- \*\*\* This amount represents 50% of the management fees due to the Group for management works of Palmyra Real Estate Development Company - a Syrian limited liability Company according to the Partners Agreement concluded with Palmyra – SODIC for Real Estate Development Company LTD dated June 16, 2010.
- The Group's exposure to credit & currency risks related to other debtors is disclosed in note no. (51).

## **19. Loans to Joint Ventures**

|   | <b><u>31/12/2010</u></b> |
|---|--------------------------|
|   | <b>L.E</b>               |
| This item represents 50% of the loan amount granted to the Joint Venture by the Group with total amount of USD 19.5 million on September 16, 2010. The interest rate is equal to 8.5% per annum. The principal together with interest should be paid before March 31, 2011. | 56 477 226               |
| This item represents 50% of the amount paid from the bridge loan granted to the Joint Venture with total amount of USD 5 million on October 28, 2010.   | 14 481 250               |
| The balance as at December 31, 2010   | 70 958 476               |

## **20. Held for trading investments**

|   | <b><u>31/12/2010</u></b> | <b><u>31/12/2009</u></b> |
|---|--------------------------|--------------------------|
|   | <b>L.E</b>               | <b>L.E</b>               |
| Investment instruments - Themar Fund          | -                        | 98 036 562               |
| Investment instruments - Alexandria Bank Fund | 86 988 915               | 21 008 898               |
|   | 86 988 915               | 119 045 460              |

- The Group's exposure to market risk related to held for trading investments is disclosed in note No. (51).

## **21. Cash at banks & on hand**

|                                       | <b><u>31/12/2010</u></b> | <b><u>31/12/2009</u></b> |
|---------------------------------------|--------------------------|--------------------------|
|                                       | <b>L.E</b>               | <b>L.E</b>               |
| Bank - time deposits *                | 700 101 893              | 244 694 620              |
| Demand deposits                       | 11 933 495               | -                        |
| Saving certificates (3 year maturity) | 6 275 000                | 13 875 000               |
| Bank - current accounts               | 125 328 962              | 209 867 066              |
| Bank - blocked accounts **            | -                        | 2 022 819                |
| Checks under collection               | 8 416 298                | 11 330 993               |
| Cash on hand                          | 1 198 562                | 505 982                  |
|                                       | 853 254 210              | 482 296 480              |

- \* This item includes an amount of L.E 507 877 representing in a blocked deposit as guarantee for the facility agreement granted from a bank.
- \*\* These amounts have been released after the full payment of the value of the land to the Urban Communities Authority.
- For the purpose of preparing the consolidated statement of cash flows, cash & cash equivalents item is represented as follows:

|   | <u>31/12/2010</u>  | <u>31/12/2009</u>  |
|---|--------------------|--------------------|
|   | <u>L.E</u>         | <u>L.E</u>         |
| Cash at banks & on hand   | 853 254 210        | 482 296 480        |
| <b>Less:</b>  |                    |                    |
| Saving certificates (3 year maturity)                               | 6 275 000          | 13 875 000         |
| Restricted cash for share capital increase and share premium        | 507 877            | 83 070 956         |
| Blocked accounts  | -                  | 2 522 819          |
| Cash & cash equivalents in the consolidated statement of cash flows | <u>846 471 333</u> | <u>382 827 705</u> |

- The Group's exposure to interest rate risk & sensitivity analysis for financial assets is disclosed in note No. (51).

## 22. Provisions

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

|                                     | <u>Balance as at 1/1/2010</u> | <u>Provisions formed during the year</u> | <u>Provisions used during the year</u> | <u>Provisions no – longer required</u> | <u>Provisions acquired through the Joint Venture</u> | <u>Balance as at 31/12/2010</u> |
|-------------------------------------|-------------------------------|--|--|--|--|---------------------------------|
|                                     | <u>L.E</u>                    | <u>L.E</u>                               | <u>L.E</u>                             | <u>L.E</u>                             | <u>L.E</u>   | <u>L.E</u>                      |
| Provision for completion of works * | 95 224 449                    | 36 393 759                               | (1 647 494)                            | (1 784 275)                            | -  | 128 186 439                     |
| Provision for claims **             | 4 189 154                     | 2 505 445                                | (254 494)                              | (69 463)                               | 319 785  | 6 690 427                       |
|                                     | <u>99 413 603</u>             | <u>38 899 204</u>                        | <u>(1 901 988)</u>                     | <u>(1 853 738)</u>                     | <u>319 785</u>                                       | <u>134 876 866</u>              |

- \* This provision is formed for the estimated costs to complete the execution of the delivered works and expected to be incurred and finalized during the following years.

- \*\* This provision is formed for probable taxes, lawsuits and some other expected liabilities.

### 23. Bank - credit facilities

This item is represented in the following:

|  | <u>31/12/2010</u> | <u>31/12/2009</u> |
|--|-------------------|-------------------|
|  | L.E               | L.E               |
| The amount used from the credit facility granted to the Parent Company from Alexandria Bank totaled L.E 85 million and bears interest rate of 2% per annum over borrowing and discount rate declared by the Central Bank of Egypt. This facility is guaranteed by a promissory note amounting to L.E 85 million. This facility has been restructured and considered part of the medium – long loan totaled L.E 435 million granted to the Parent Company during 2011 from the same bank. | 85 951 368        | 84 917 118        |
| The amount used from the credit facility granted to the Parent Company from Audi Bank totaled L.E 50 million and bears interest rate of 1.5% per annum over the average corridor rate. This facility is guaranteed by a promissory note amounting to L.E 50 million. The facility account was repaid and closed during the year.   | -                 | 10 991 037        |
| The amount used from the bank facility granted to the Company from Al Watany Bank of Egypt totaled L.E 450 000 and guaranteed by a blocked deposit (note no. 21) and bears interest rate of 14% per annum and a commission of 1.5 per mille above the highest debit balance during the month.  | -                 | 403 631           |
| The amount used from the bank facility granted from Arab African Bank totaled L.E 5 million and guaranteed by platinum saving certificates amounting to L.E 6 275 000 and bears interest rate of 11.59% and a commission of 2 per mille above the highest debit balance during the month.  | 952 264           | -                 |
| The amount used from the bank facility granted to the Company from National Bank of Egypt totaled L.E 4 million and guaranteed by saving certificates amounting to L.E 5.5 million (note no 21) and bears interest rate of 10.5% and a commission of 0.75 per mille above the highest debit balance. The facility account was repaid and closed on September 16, 2010.   | -                 | 1 035 832         |
| Balance as at December 31, 2010  | <u>86 903 632</u> | <u>97 347 618</u> |

### 24. Islamic finance ( Murabaha)

This balance represents 50% from the Islamic finance (Murabaha) granted to the Joint Venture from the Syrian International Islamic Bank on June 10, 2009 for financing the purchase of materials necessary for building activities at a financing limit amounting to SYP 150 million with a finance cost of 7.88% of the financed amount. The facility is repayable in 12 month for each financed amount and is guaranteed by the pledge of some plots of lands included under investment properties and works in process (notes no. 12&16).

**25. Advances from customers**

This item is represented in the following:-

|  | <u>31/12/2010</u>    | <u>31/12/2009</u>    |
|--|----------------------|----------------------|
|  | L.E                  | L.E                  |
| Advances - lands   | 30 399 099           | 27 133 596           |
| Advances for booking , contracting<br>& installments of residential units– Kattameya Plaza project | 230 546 177          | 25 888 308           |
| Advances – commercial unites - Auto Ville project  | 110 175 300          | -                    |
| Advances – Allegria project  | 2 846 593 355        | 2 435 480 001        |
| Advances – Forty West project  | 275 300 584          | 124 720 135          |
| Advances – Telal Al Yasameen project   | 36 491 315           | -                    |
| Advances – Polygon project   | 123 788 124          | -                    |
|  | <u>3 653 293 954</u> | <u>2 613 222 040</u> |

**26. Contractors, suppliers & notes payable**

|   | <u>31/12/2010</u>  | <u>31/12/2009</u> |
|---|--------------------|-------------------|
|   | L.E                | L.E               |
| Contractors                                     | 63 493 800         | 25 876 267        |
| Suppliers                                       | 6 896 762          | 7 488 979         |
| Notes payable                                   | 50 417 497         | 59 698 178        |
|   | <u>120 808 059</u> | <u>93 063 424</u> |
| <b><u>Deduct:</u></b> discount on notes payable | 4 482 175          | 5 229 204         |
|   | <u>116 325 884</u> | <u>87 834 220</u> |

- The Group's exposure to currency & liquidity risks related to suppliers & contractors is disclosed in note no. (51).

**27. Creditors & other credit balances**

|   | <u>31/12/2010</u>  | <u>31/12/2009</u>  |
|---|--------------------|--------------------|
|   | L.E                | L.E                |
| Amounts collected on account of management, operation & maintenance of Allegria project                                   | 57 156 117         | 49 426 136         |
| Amounts collected on account of management, operation & maintenance of Forty West project                                 | 6 030 077          | 2 858 379          |
| Amounts collected on account of management, operation & maintenance of Polygon project                                    | 12 621 623         | 12 869 820         |
| Amounts collected on account of management, operation & maintenance of Auto Ville project                                 | 1 005 169          | -                  |
| Due to related parties of Joint Venture   | 45 932             | -                  |
| Accrued expenses  | 129 753 557        | 113 237 033        |
| Liability for cash settled share-based payments transactions– Executive directors *                                       | 1 237 181          | 778 555            |
| Amounts collected on account of the participation in the share capital of Beverly Hills Co.                               | 12 584 052         | 5 059 911          |
| Customers – credit balances   | 9 352 746          | 4 817 059          |
| Tax Authority   | 14 174 787         | 4 890 359          |
| Dividends payable   | 91 643             | 118 643            |
| Accrued compensated absence   | 1 165 820          | 880 469            |
| Amount due to Rabyia for Agricultural & Urban Development Co.   | 68 210             | 56 669             |
| Deposits collected from customers   | 8 001 034          | 7 658 934          |
| Amount due to United Company for Rear Estate Services & Development Co.   | -                  | 60 691             |
| Accrued costs of works in process   | 25 248 105         | 825 684            |
| Customers –down payments for sub-development **   | 3 371 400          | -                  |
| Amounts collected on account of management , operation & maintenance of Kattameya Plaza project                           | 7 240 509          | 551 720            |
| Retentions for guarantee of works   | 4 477 742          | -                  |
| Amounts due to General Authority for Rehabilitation Projects and Agricultural Development - current portion (note No. 37) | 7 500 000          | -                  |
| Deposits from others  | 2 084 142          | 691 400            |
| Other creditors   | 6 844 024          | 8 471 870          |
|   | <u>310 053 870</u> | <u>213 253 332</u> |

\* Represents the amount due to some of the executive board of directors of the Parent Company as detailed in note no. (44).

\*\* Represents the collected amount from El Sheikh Zaid for Real Estate Development Co in return for the sub-development as detailed in the note no. (11) above.

- The Group's exposure to currency & liquidity risks related to creditors is disclosed in note no. (51).

## 28. Minority interest

Minority interest balance as at December 31, 2010 represents the minority interest' shares in subsidiary's equity as follows:

|  | <u>Minority interest</u> | <u>Minority share in profit (loss) for the year</u> | <u>Minority share in equity excluding profit (loss) for the year</u> | <u>Minority interest as at 31/12/2010</u> | <u>Minority interest as at 31/12/2009</u> |
|--|--------------------------|---|--|---|---|
|  | %                        | L.E   | L.E  | L.E                                       | L.E                                       |
| Sixth of October for Development & Real Estate Projects Co. "SOREAL" | 0.01                     | 1 572   | 46 183   | 47 755                                    | 46 183                                    |
| Beverly Hills for Management of Cities & Resorts Co.                 | 47.69                    | 202 909   | 17 411 871   | 17 614 780                                | 17 411 871                                |
| SODIC Garden City for Development & Investment Co.                   | 50                       | 358 368   | 3 149 294  | 3 507 662                                 | 3 149 294                                 |
| Move-In for Advanced Contracting Co.                                 | 30                       | 761 461   | 885 997  | 1 647 458                                 | 1 328 996                                 |
| Greenscape for Agriculture & Reclamation Co.                         | 49                       | (1 729 920)   | 3 795 494  | 2 065 574                                 | 3 795 494                                 |
| El Yosr for Projects and Agriculture Development Co.                 | 0.001                    | (43)  | 27 221   | 27 178                                    | 27 221                                    |
| SODIC for Development & Real Estate Investment Co.                   | 0.001                    | -   | 20   | 20  | 20  |
| SODIC SIAC for Real Estate Development Co.                           | 20                       | 242 023   | 20 000 000   | 20 242 023                                | -   |
| Tegara for Trading Centers Co.                                       | 49.99                    | 896 288   | 49 999 960   | 50 896 248                                | -   |
| Edara for Services of Cities & Resorts Co.                           | 0.003                    | (37)  | 30   | (7)                                       | -   |
| Fourteen for Real Estate Investment Co.                              | 0.004                    | -   | 2  | 2   | -   |
| La maison for Real Estate Investment Co.                             | 0.004                    | -   | 2  | 2   | -   |
| Ceremony for Real Estate Investment Co.                              | 0.004                    | -   | 2  | 2   | -   |
|  |                          | <u>732 621</u>                                      | <u>95 316 076</u>  | <u>96 048 697</u>                         | <u>25 759 079</u>                         |

## 29. Share capital

- a - The Parent Company's authorized capital before increase was determined at L.E 500 million (five hundred million Egyptian pounds).
- b - The Parent Company's issued share capital before the increase amounted to L.E 167 981 070 (only hundred sixty seven million nine hundred eighty one thousand and seventy Egyptian Pounds) distributed over 16 798 107 shares at a par value of L.E 10 per share fully paid, and annotation was made in the Parent Company's Commercial Registry to this effect.
- c - On July 10, 2003, the Parent Company's Extraordinary General Assembly Meeting decided to reduce the Parent Company's issued capital with an amount L.E 8 134 750 (eight million hundred thirty four thousand seven hundred and fifty Egyptian Pounds) representing the par value of the treasury shares – according to article 48 of law No. 159 of 1981 to L.E 159 846 320 (hundred fifty nine million eight hundred forty six thousand and three hundred and twenty Egyptian Pounds) distributed over 15 984 632 shares (fifteen million nine hundred eighty four thousand six hundred and thirty two shares). Capital Market Authority issued its letter No. 6610 on 9 October 2003 approving the reduction of the Parent Company's issued capital, and annotation was made in the Parent Company's Commercial Registry to this effect.

On October 16, 2006, the Parent Company's Extraordinary General Assembly Meeting has unanimously decided to:

- Approve the Parent Company's board of directors resolution made on 10/9/2006 regarding the increase in the issued capital through offering 9 million shares to new shareholders in a

private placement and increasing the shares offered in the private placement with 2 million to be allocated to the original shareholders with the same conditions and terms. Accordingly, the increase in the issued capital from L.E 159 846 320 to L.E 269 846 320 shall be within the limits of the authorized share capital amounting to L.E 500 million by issuing 11 million ordinary shares at a fair value of L.E 100 per share (representing a par value of L.E 10 in addition to a share premium of L.E 90) as determined by the Parent Company and prepared according to the average share price at Cairo & Alex Stock Exchange prevailing during the two years (a week and two months, average share price for a week and two months) prior to the date of publishing the approval of the Parent Company's board of directors on the capital increase made on 11/9/2006. Subscription in the increase introduced to the new shareholders in a private offering shall be made as a deduction from the credit balances of these new shareholders directly paid to the Parent Company before the date of the shareholders' meeting, and the credit balances set aside in the escrow account in favor of the Parent Company as well as the credit balances that shall be transferred to the Parent Company's account within three weeks from holding the shareholders' meeting on condition that the total of those credit balances should be added to the capital participation provided that the original shareholders shall be allowed to make subscriptions in the private offering of 2 million additional shares at the same terms and conditions (2 million shares of the increase shares) within a week after the lapse of 15 days from publishing the invitations of original shareholders to make the subscriptions. In addition to the above, the shareholders meeting approved the board of directors resolution regarding the increase in the issued capital with one million shares where the board of directors of the Parent Company shall be authorized to issue these shares at the same value in order to finance the employees and managers incentive and bonus plan.

- Approve assigning the preemption right of the original shareholders to subscribe in the issued capital increase by issuing 9 million shares to be allocated to the new shareholders, and authorize the board of directors of the Parent Company to issue one million shares allocated for the employees and managers incentive and bonus plan at a fair value of L.E 100 per share, without applying the preemption right of the original shareholders stated in the Parent Company's Articles of Association, and in light of using the credit balances to finance the purchase of 99.99 % of the Capital of Sixth of October Company for Real Estate Development and the reasons of limiting the private placement to new shareholders, as well as the Parent Company's expansion plan explained in detail at the shareholders meeting.
- An amount equivalent to L.E 900 million was collected from the new shareholders of which L.E 90 million represents the par value of the increase shares 9 million shares, and the remaining L.E 810 million represent share premium of these shares as shown in note No. (31). Annotation was made in the Parent Company's Commercial Registry on 18/12/2006.
- On 24/10/2006, convocation was made for the original shareholders to subscribe to 2 million shares at a fair value of L.E 100 per share. The amount subscribed to and paid till 20/11/2006 (the date of closing the subscription) is L.E 192 876 400 for 1 928 764 shares of which L.E 19 287 640 represents the par value of the shares subscribed to and L.E 173 588 760 represents share premium as stated in the Egyptian Gulf Bank certificate dated 26 / 11 / 2006.
- Accordingly, the Parent Company's issued capital after the increase shall become L.E 269 133 960 (only two hundred sixty nine million, hundred thirty three thousand and nine hundred sixty Egyptian Pounds) distributed over a number of 26 913 396 shares at par value of L.E 10 per share fully paid, and annotation was made in the Parent Company's Commercial Registry on 18/12 / 2006.

- On May 16, 2007 the Parent Company's board of directors decided to approve the increase of the issued capital through the issuance of one million ordinary shares in favor of and under the account of incentive & bonus thus, in line with implementing the Extraordinary General Assembly decision dated October 16, 2006. Capital Market Authority made its decision on June 28, 2007 regarding the approval of issuing the shares of the capital increase in the amount of one million ordinary nominal share with nominal value of L.E 10 for each share, and the total amount of the issuance is L.E 10 million that is fully paid in cash and equivalent to 100 % of the increase amount in addition to L.E 90 million as share premium to be transferred to the reserves, according to the certificate of Arab African International Bank's Head office as at June 5, 2007. Annotation was made in the Parent Company's Commercial Registry on 5/7/2006.

Accordingly, the issued capital of the Parent Company after the increase is amounting to L.E 279 133 960 (only two hundred seventy nine million one hundred thirty three thousands, and nine hundred and sixty Egyptian Pound) distributed over 27 913 396 cash share with nominal value of L.E 10 per share fully paid.

- On April 6, 2008, the Parent Company's Extra-ordinary General Assembly Meeting agreed the approval of the Parent Company's board of director's decision issued on August 6, 2007 regarding the increase of the Parent Company's capital with additional 500 000 shares (only five hundred thousand shares) of the Parent Company's shares to be issued on nominal value and to be allocated for the incentive and bonus plan of the Parent Company's employees, directors and executive board members. Accordingly, the share capital will amount L.E 284 133 960 (only two hundred eighty four million one hundred thirty three thousand, and nine hundred and sixty Egyptian Pound) distributed over 28 413 396 share instead of L.E 279 133 960 (only two hundred seventy nine million and one hundred thirty three thousand and nine hundred and sixty Egyptian Pound) provided that the finance of such increase will be made by utilizing the reserves with the assignment of the preemptive right of the old shareholders to subscribe in the said increase. Accordingly, the allocated shares for this plan will become 1.5 million shares instead of one million only.
- On June 11, 2008, Capital Market Authority approved the issuance of the shares of the share capital increase of 500 000 ordinary nominal share with nominal value of L.E 10 per share with total amount of the issuance of L.E 5 million as additional shares to be allocated for the incentive and bonus plan of the Parent Company's employees, directors and executive board members and fully paid from the special reserve according to the financial position as at December 31, 2007. Accordingly, the Parent Company's total issued share capital become L.E 284 133 960 (only two hundred eighty four million one hundred thirty three thousand and nine hundred and sixty Egyptian Pound) distributed over 28 413 396 shares (twenty eight million four hundred thirteen thousand and three hundred and ninety six shares) with a nominal value of L.E 10 per share which are fully paid. Annotation was made in the Parent Company's Commercial Registry on June 18, 2008.
- On December 7, 2009, the Parent Company's Extraordinary General Assembly Meeting agreed to increase the authorized capital to become L.E 2 800 000 000 (Two billion and eight hundred Egyptian Pound). Annotation was made in the Parent Company's Commercial Registry to reflect such increase on March 4, 2010.

- On November 4, 2009, the Board of Directors of the Parent Company discussed increasing the issued capital of the Company within the limit of the authorized capital and determining the offering price of the capital increase shares as proposed in the report of the independent financial advisor who was appointed pursuant to the resolution issued by the Board of Directors of the Parent Company in its meeting held on October 12th, 2009 which resolved that the fair value of the Company's share shall be EGP 153.50 per share, and recommended in its report that the increase price shall range between EGP 65 and 75 per share, accordingly, the Board of Directors of the Parent Company approved that the offering price shall be EGP 70 per share that is in agreement with the average share price during the last six months and applying a discount rate at 54.4 % of the fair value per share as determined in the report of the fair value in order to encourage the Company's old shareholders to subscribe in the Company's shares.

Based on the aforementioned, the Board of Directors of the Parent Company approved the increase of the Company's issued capital within the limits of the Company's authorized capital with an increase amounted from EGP 284 133 960 to EGP 362 705 390 that represents a nominal increase of EGP 78 571 430 through the issuance of 7 857 143 shares in which subscription is made at the value approved by the Board of Directors amounting to EGP 70 per share, accordingly, the total value of the increase in the Company's issued capital according to the value approved by the Company's Board of Directors shall become EGP 550 000 010 including the share premium, provided that the difference between the par value and the issuance price of the increase shares shall be transferred to a reserve account pursuant to article (17) or the Executive Regulations of the Capital Market Law No. (95) of the year 1992. This increase shall be fully allocated to the benefit of the Company's old shareholders and the purchaser of the share till the date specified in the prospectus. An amount EGP 83 070 956 was paid under the account of the increase in the Company's issued capital till December 31, 2009. Subscription was made in these shares in full and the value of the increase was deposited at the bank based on the certificate of deposit of Bank of Alexandria – Cairo Branch, dated January 24th, 2010. On March 4th, 2010 annotation was made in the Company's Commercial Registry to the effect of the increase, accordingly, the Parent Company's issued capital amounting to EGP 362 705 390 was paid in full.

### 30. Legal reserve

According to the Parent Company's statutes, the Parent Company are required to set aside 5% of annual net profit to form a legal reserve. This transfer to legal reserve ceases once the reserve reaches 50% of the issued share capital. The reserve balance as at December 31, 2010 is represented as follows:-

|   | <b>L.E</b>  |
|---|-------------|
| Legal reserve balance as at 1/1/2003  | 6 530 455   |
| <b><u>Add:</u></b>  |             |
| Increase of the legal reserve with the difference between the par value of the treasury shares and its actual cost (according to the Parent 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 Parent Company's issued share capital during 2006. (note No. 31).  | 123 409 151 |
| Increase of the legal reserve with part of capital increase share premium during year 2007 with limits of half of the Parent Company's issued share capital. (Note no. 31).   | 5 000 000   |
| Increase of the legal reserve by 5% of the net profit for year 2008.  | 2 339 350   |
| Balance as at December 31, 2009   | 141 906 330 |
| <b><u>Add:</u></b>  |             |
| Increase of the legal reserve with part of the capital increase share premium with limits of half of the Company's issued share capital during the year (Note No. 31 )  | 39 446 365  |
| Balance as at December 31, 2010   | 181 352 695 |

### 31. Special reserve – share premium

This balance is represented in the remaining amount of capital increase share premium for a number of 11 million shares during 2006 and share premium increase of one million share for the incentive and bonus plan during 2007 after deducting the amounts that have been credited to the legal reserve, and after deducting the issuance expenses of such increase in addition to the amount credited to the share capital according to the Extra-ordinary General Assembly Meeting decision as follows:

| <u>Description</u>  | <u>L.E</u>    |
|---|---------------|
| Total value of the capital increase share premium collected during 2006   | 983 588 760   |
| <u>Deduct:</u>  |               |
| Amounts credited to the legal reserve according to the provision of Article No. (94) of the executive regulations of law No. 159 of 1981 related to the addition of the share premium to the legal reserve until equal to half of the issued capital.                 | 123 409 151   |
| Total issuance expenses attributable to the issuance of the shares of capital increase during 2006.   | 27 740 255    |
| <u>Add:</u>   |               |
| Share premium of the employees' incentive and bonus plan issued during year 2007  | 90 000 000    |
| <u>Deduct</u>   |               |
| Amounts credited to the legal reserve according to the provision of Article No. (94) of the Executive Regulations of Law No. 159 of 1981 related to the addition of the share premium to the legal reserve until equal to half of the issued capital.                 | 5 000 000     |
| Amounts credited to the share capital during the year according to the Extra-Ordinary General Assembly Meeting held on 6/4/2008. (note No. 29)  | 5 000 000     |
| Balance as at December 31, 2009   | 912 439 354   |
| <u>Add:</u>   |               |
| Total share premium of the increase in share capital collected during the year  | 471 428 580   |
| <u>Deduct:</u>  |               |
| Amounts credited to the legal reserve during the year according to the provision of Article No. (94) of the executive regulations of law No. 159 of 1981 related to the addition of the share premium to the legal reserve until equal to half of the issued capital. | 39 446 365    |
| <u>Deduct:</u>  |               |
| Total issuance expenses attributable to the issuance of the shares of capital increase during the year.   | 27 500 000    |
| Balance as at December 31, 2010   | 1 316 921 569 |

### 32. Cumulative translation adjustments of foreign operations

The balance shown in the equity section at December 31, 2010 is represented in the cumulative translation adjustments resulting from translating the financial statements of subsidiaries from foreign currencies to Egyptian Pound for consolidating these statements in the consolidated financial statements for the financial year ended December 31, 2010 and also the Group share in cumulative translation adjustments included in the equity section of the Joint Venture.

### 33. Treasury shares

This item is represented in the remainder of the amount paid by the Parent Company in return for issuing one million ordinary share with a fair value of L.E 100 per share under the account and in favor of the incentive and bonus plan of the Parent Company's employees and managers which are kept in Arab African International Bank as detailed in note No. (29) as follows:

| <u>Description</u>   | <u>L.E</u>  |
|--|-------------|
| For financing of one million shares from the incentive & bonus plan with a fair value of L.E 100 per share during year 2007.   | 100 000 000 |
| <b><u>Deduct:</u></b>  |             |
| The value of 200 000 shares sold by the beneficiaries from the incentive & bonus plan during December 2007 out of which an amount of L.E 15 million was paid to the Company of L.E 75 per share. | 20 000 000  |
| <b><u>Add:</u></b>   |             |
| Treasury shares acquired by subsidiaries during 2009.  | 7 242       |
| Balance as at December 31, 2010  | 80 007 242  |

### 34. Amount set aside for incentive & bonus plan

The balance is representing in the remaining balance from the difference between the grant date fair value of shares and the amount incurred by the beneficiary from the incentive & bonus plan for the Parent Company's managers & employees for the shares issued during year 2007 as follows:-

| <u>Description</u>  | <u>L.E</u> |
|---|------------|
| Represents the difference between the fair value of the shares granted to the beneficiaries from the incentive & bonus plan for one million share (allocated over 5 years) for 57 months and the agreed upon share price in accordance with the incentive & bonus plan as at December 31, 2010. | 23 750 000 |
| <b><u>Deduct:</u></b>   |            |
| The difference between the grant date fair value of the shares and the agreed upon share price in accordance with the incentive & bonus plan for 200 000 share that were sold in favor of the beneficiaries during December 2007.   | 5 000 000  |
| Balance as at December 31, 2010   | 18 750 000 |

### 35. Gain on acquisition of minority interest

During the year, the Group acquired 30 000 shares representing 15% of the share capital of Move-In for Advanced Contracting Co.- a subsidiary - and this amount represents the difference between the consideration paid to acquire these shares of L.E 199 500 and its book value in December 31, 2009 which amounted to L.E 442 999. Since the group has control over this company before this transaction, this amount has been included in retained earning, as this transaction represents equity transaction.

### 36. Long-term loans

This balance represents 50% of the used amount from the loan granted to the Joint Venture by Real Estate Bank with total amount of SYP 680 822 319 for the purpose of financing 70% of the project of Telal Al Yassamin in Kafar Kook - Syria . The loan bears a current interest rate of 10 % per annum and should be paid in equal quarterly installments during the year from February 15, 2011 until November 15, 2020. The loan has been structured against the lands of the project, which was pledged as collateral for the loan.

The Company's share in the current portion of this loan as at December 31, 2010 totaled L.E 3 111 463 equivalent to SYP 50 427 681 and was included in current portion of long - term loan item under current liabilities.

### 37. Amounts Due to General authority for Rehabilitation Projects and Agricultural Development

On December 30, 2010, a letter was received from the General Authority for Rehabilitation Projects and Agricultural Development notifying the Group of the resolution made by the Authority's board of directors during its 13<sup>th</sup> meeting of the year 2010 regarding the approval of paying the amounts due for the value of buildings (increasing the building area to 7%) on installments basis provided that 25% is to be paid as a down payment and the remaining amounts to be paid on four equal annual installments in addition to their interest rate as declared by the Central Bank, and provided that the paid amounts shall be considered under account of the building's land area until on site inspection is carried out and the amount of L.E 7 500 000 is claimed to be paid by the Company as the down payment .

On January 5, 2011, the said amount that represents 25 % was paid as a part of the total amount required to increase the building area to 7%.The outstanding balance as at December 31, 2010 is represented in the following:-

|   | <u>31/12/2010</u> | <u>31/12/2009</u> |
|---|-------------------|-------------------|
|   | L.E               | L.E               |
| Total fees due to the Authority for building area of land | 30 000 000        | -                 |
| Deduct :- current portion (note No. 27)                   | 7 500 000         | -                 |
| Balance as at December 31, 2010                           | <u>22 500 000</u> | <u>-</u>          |

### 38. Long-term notes payable

This item is represented in the value of checks issued to New Urban Communities Authority – Sheikh Zayed City Organization. These checks are due from 2/5/2012 until 2/5/2016 as follows:

|  | <u>31/12/2010</u>  | <u>31/12/2009</u>  |
|--|--------------------|--------------------|
|  | L.E                | L.E                |
| Total nominal value of the issued checks | 154 595 816        | 192 128 025        |
| Discount on notes payable                | (33 065 226)       | (46 291 317)       |
|  | <u>121 530 590</u> | <u>145 836 708</u> |

- The Company's exposure to credit risk related to long-term notes payable is disclosed in note no. (51).

### 39. Real estate & land sales

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

|  | <u>2010</u>        | <u>2009</u>    |
|--|--------------------|----------------|
|  | L.E                | L.E            |
| Sale of residential units & villas from the second phase | -                  | 742 265        |
| Sale of villas of Allegria project                       | 249 781 053        | -              |
| Sale of lands  | 218 366 443        | -              |
|  | <u>468 147 496</u> | <u>742 265</u> |

### 40. Cost of real estate & land sold

|   | <u>2010</u> | <u>2009</u> |
|---|-------------|-------------|
|   | L.E         | L.E         |
| Cost of villas & residential units sold from the second phase | -           | 704 590     |

|   |                    |                |
|---|--------------------|----------------|
| Cost of villas sold of Allegria project | 186 605 812        | -              |
| Cost of lands sold                      | 20 171 839         | -              |
|   | <u>206 777 651</u> | <u>704 590</u> |

**41. Other operating revenues**

|  | <u>2010</u><br><u>L.E</u> | <u>2009</u><br><u>L.E</u> |
|--|---------------------------|---------------------------|
| Interest income realized from installments during the year | 11 935 602                | 35 432 789                |
| Management fees – Joint Venture                            | 2 896 250                 | -                         |
| Other income *   | 33 892 480                | -                         |
| Sundry income  | 11 511 819                | 10 575 164                |
| Provisions no - longer required                            | 1 853 738                 | 98 425                    |
| Gain on sale of fixed assets                               | 58 245                    | 70 100                    |
|  | <u>62 148 134</u>         | <u>46 176 478</u>         |

\* This item represents the Company's share in the excess of the fair value of the Joint Venture net assets on the acquisition date over the consideration paid at that date.

**42. Gain on sale of investments in subsidiaries**

This item is represented in the resulting gain on the sale of the Group' quotes representing 100% of the capital of El Sheikh Zaid for Real Estate Development Co. as detailed in note No. (11) above.

**43. Selling & marketing expenses**

|                                   | <u>2010</u><br><u>L.E</u> | <u>2009</u><br><u>L.E</u> |
|-----------------------------------|---------------------------|---------------------------|
| Salaries & wages                  | 14 300 632                | 7 898 656                 |
| Sales commissions                 | 237 475                   | 84 823                    |
| Customer insurance – Contact      | 332 134                   | 359 213                   |
| Collection fees of Contact checks | 7 897 317                 | 657 689                   |
| Advertising                       | 32 624 533                | 23 861 806                |
| Printouts & photocopy             | 249 270                   | 176 422                   |
| Conferences & exhibitions         | 4 969 626                 | 5 487 851                 |
| Rent                              | 2 497 494                 | 1 789 078                 |
| Travel and transportation         | 2 010 733                 | -                         |
| Others                            | 4 508 516                 | 5 582 308                 |
|                                   | <u>69 627 730</u>         | <u>45 897 846</u>         |

#### 44. General & administrative expenses

|  | <u>2010</u><br>L.E | <u>2009</u><br>L.E |
|--|--------------------|--------------------|
| Salaries, wages & bonuses *                                    | 78 275 508         | 88 180 660         |
| Board of directors remunerations & allowances **               | 7 264 617          | 5 969 359          |
| Training   | 1 553 642          | 510 333            |
| Professional & consultancy fees                                | 5 494 149          | 3 320 884          |
| Advertising  | 4 095 598          | 2 250 661          |
| Donations  | 4 457 430          | 470 279            |
| Maintenance of gardens   | 2 398 145          | 4 040 066          |
| Administrative depreciation of fixed assets & leased out units | 4 873 227          | 3 432 816          |
| Amortization of other assets                                   | -                  | 99 307             |
| Subscriptions & governmental dues                              | 833 615            | 538 583            |
| Rent   | 1 105 712          | 469 925            |
| Per-operating costs of Golf course & club                      | 9 428 346          | -                  |
| Travel and transportation                                      | 1 733 466          | 995 968            |
| Communication and electricity                                  | 2 050 483          | 1 122 486          |
| Others   | 5 420 927          | 812 193            |
|  | <u>128 984 865</u> | <u>112 213 520</u> |

\* On March 15, 2011, the Parent Company's board of directors approved bonuses for employees and for the executive board members with total amount of L.E 34 120 397 (2009: L.E 56 681 286). The board has delegated the incentive & performance committee to distribute the said amount between employees and the executive board members. This item also includes salaries for the executive board of directors as follows:

|   | <u>2010</u><br>L.E | <u>2009</u><br>L.E |
|---|--------------------|--------------------|
| Salaries                                  | 7 555 994          | 6 718 933          |
| Cash settled share - based payments (a)   | 4 488 885          | 2 633 475          |
| Equity settled share - based payments (b) | 5 000 000          | 5 000 000          |
|   | <u>17 044 879</u>  | <u>14 352 408</u>  |

(a) On May 16, 2006, the Company's board of directors decided to grant share appreciation rights to some executive board members that entitle them to future cash payments as part of their salaries & bonuses packages. The amount of the cash payment is determined based on the increase in the share price of the Company from grant date until vesting date.

The terms and conditions of the grants that are settled in cash to beneficiaries are as follows:

| <u>Employees entitled</u>    | <u>Grant date</u> | <u>Number of shares in thousands</u> | <u>Fair value of share at grant date</u><br>L.E | <u>Market value of share at 31/12/2010</u><br>L.E | <u>Conditions</u>                                |
|------------------------------|-------------------|--------------------------------------|---|---|--|
| Some executive board members | 1/4/2006          | -                                    | 75  | 107.67  | Vested after 6 months from grant date (salaries) |

The amount of expense charged to the income statement during the year amounted to L.E 4 488 885 and the liability balance amounted to L.E 1 237 181 as at December 31, 2010 was included under creditors & other credit balances caption in the unconsolidated balance sheet.

(b) This item is represented in the difference between the grant date fair value of the shares granted to the executive directors and the agreed upon share price in accordance with the bonus & incentive plan as shown in note No.(51) as follows:

- On May 16, 2006, the Company's board of directors approved some other benefits to the Company's managing director which are represented in granting him share appreciation rights for a number of 750 thousand of the Company's shares with exercise price of L.E 75 per share effective from 1/4/2006 and for five years year provided that achieving certain terms and conditions.
  - On March 28, 2007, the board of directors agreed on the monthly salary and the additional benefits granted to the managing director within the employees' incentive and bonus plan note No. (51) Starting from 1/4/2006.
  - On September 23, 2007, the Supervisory Committee of the bonus & incentive plan of employees & executive board members agreed on the allocation of 75 thousand shares to board members as detailed in note No. (51) below. Accordingly, total shares allocated to the board members & executive directors from the bonus & incentive plan reached 1 000 000 shares as at December 31, 2010.
- \*\* This item includes an amount of L.E 600 000 representing the salary of the chairman and an amount of L.E 2 745 500 as bonus for the chairman according to the resolution of the Company's Ordinary General Assembly meeting held on May 5, 2010.

**45. Other operating expenses**

|                                      | <u>2010</u>       | <u>2009</u>       |
|--------------------------------------|-------------------|-------------------|
|                                      | L.E               | L.E               |
| Discount for early payment           | 13 898 607        | 22 599 246        |
| Depreciation of leased out units     | 176 364           | 176 364           |
| Provision for claims                 | 2 505 445         | 14 797            |
| Impairment loss on trade receivables | -                 | 3 000             |
| Loss on sale of fixed assets         | 277 674           | 9 112             |
|                                      | <u>16 858 090</u> | <u>22 802 519</u> |

**46. Finance income**

|   | <u>2010</u>       | <u>2009</u>       |
|---|-------------------|-------------------|
|   | L.E               | L.E               |
| Interest income                                 | 65 315 536        | 14 739 857        |
| Interest income from loans to Joint Venture     | 1 177 805         | -                 |
| Amortization of discount - deferred interests   | 5 383 420         | -                 |
| Unrealized gain on held for trading investments | 5 104 201         | 4 943 361         |
| Income from available – for sale investments    | 350 274           | -                 |
| Gain on sale of held for trading investments    | 851 137           | -                 |
| Investment income from treasury bills           | 144 827           | -                 |
| Investment income from investment funds         | 80 935            | -                 |
| Net foreign exchange differences                | 6 747 618         | -                 |
|   | <u>85 155 753</u> | <u>19 683 218</u> |

**47. Finance expenses**

|   | <b><u>2010</u></b> | <b><u>2009</u></b> |
|---|--------------------|--------------------|
|   | <b>L.E</b>         | <b>L.E</b>         |
| Interest charges                                      | 11 560 088         | 4 304 944          |
| Interest expense of installments of Sheikh Zayed land | 13 973 120         | 15 644 750         |
| Net foreign exchange differences                      | 1 183 280          | 630 843            |
|   | <u>26 716 488</u>  | <u>20 580 537</u>  |

**48. Income tax expense**

|   | <b><u>2010</u></b> | <b><u>2009</u></b>  |
|---|--------------------|---------------------|
|   | <b>L.E</b>         | <b>L.E</b>          |
| Current income tax expense                  | 20 907 246         | 806 907             |
| Deferred income tax expense (benefit)       | 47 233 729         | (26 173 020)        |
| Income tax expense for the year             | <u>68 140 975</u>  | <u>(25 366 113)</u> |
| Tax adjustments related to previous years * | (12 973 398)       | -                   |
|   | <u>55 167 577</u>  | <u>(25 366 113)</u> |

\* This amount is represented in the charge back of part of the current income tax expense amount charged to the consolidated income statement in year 2008 as a result of the amendment of the tax exemption period of the Parent Company as detailed in note No. (54) below.

**49. Earnings (Losses) per share**

The calculation of earnings (losses) per share at December 31, 2010 was based on the profits (losses) attributable to ordinary shareholders of the Parent Company for the financial year and a weighted average number of ordinary shares outstanding during the year as follows:-

|   | <b><u>2010</u></b> | <b><u>2009</u></b>   |
|---|--------------------|----------------------|
|   | <b>L.E</b>         | <b>L.E</b>           |
| Net profit (loss) for the year                                  | 134 561 956        | (114 382 871)        |
| Employees' share in profit                                      | (20 000 000)       | -                    |
| Shareholders' share in profit                                   | <u>114 561 956</u> | <u>(114 382 871)</u> |
| <b><u>Divided by:-</u></b>                                      |                    |                      |
| Weighted average number of shares outstanding during the year * | 34 914 375         | 28 413 396           |
| Earnings (losses) per share (L.E / share)                       | <u>3.28</u>        | <u>(4.03)</u>        |

\* The weighted average number of shares during the year was calculated as follows:-

|   | <b><u>2010</u></b> | <b><u>2009</u></b> |
|---|--------------------|--------------------|
|   | <b>L.E</b>         | <b>L.E</b>         |
| Issued share capital before capital increase                  | 28 413 396         | 28 413 396         |
| Effect of share capital increase during the year              | 6 500 979          | -                  |
| Weighted average number of shares outstanding during the year | <u>34 914 375</u>  | <u>28 413 396</u>  |

## 50. Jointly controlled entities

The consolidated financial statements as at December 31, 2010 include 50% of the net assets of the Joint Venture ( Palmyra – SODIC for Real Estate Development LLC.) as follows :

### Balance sheet

|   | <b>L.E</b>        |
|---|-------------------|
| <b><u>Assets</u></b>                                      |                   |
| <b>Non – current assets</b>                               |                   |
| Properties and equipment                                  | 22 571 593        |
| Works in process  | 1 253 273         |
| Investment properties                                     | 84 016 951        |
| Developing properties                                     | 276 073 002       |
| Advance payments for acquisition of investment properties | 14 191 343        |
|   | <hr/> 398 106 162 |
| <b>Current assets</b>                                     |                   |
| Due to related parties                                    | 22 791 596        |
| Other current assets                                      | 3 897 826         |
| Cash on hand and at banks                                 | 9 555 747         |
|   | <hr/> 36 245 169  |
|   | <hr/> 434 351 331 |
| <b><u>Liabilities</u></b>                                 |                   |
| Long – term loans   | 42 007 752        |
| Due to related parties                                    | 473 564           |
| Short – term loans (SODIC Syria)                          | 70 958 566        |
| Current portions of long –term loans                      | 3 111 463         |
| Islamic finance (Murabha)                                 | 1 379 736         |
| Suppliers and other current liabilities                   | 5 317 454         |
| Advance payments from customers                           | 36 491 315        |
|   | <hr/> 159 739 850 |
| <b>Net assets</b>   | <hr/> 274 611 481 |

### Income statement

|                                     | <b>L.E</b>        |
|-------------------------------------|-------------------|
| Other income                        | 8 554             |
| Administrative and general expenses | (5 876 107)       |
| Financing charges                   | (1 638 123)       |
| Finance income                      | 79 049            |
| Depreciation                        | (127 107)         |
| Marketing expenses                  | (908 974)         |
| Foreign exchange differences        | (878 169)         |
| Net loss for the year               | <hr/> (9 340 877) |

## 51. Financial instruments

### 51.1 Credit risk

#### Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the consolidated financial statements was:

|                                     | Note       | <u>31/12/2010</u>    | <u>31/12/2009</u>    |
|-------------------------------------|------------|----------------------|----------------------|
|                                     | <u>No.</u> | <u>L.E</u>           | <u>L.E</u>           |
| Long-term trade & notes receivable  | (13)       | 1 260 276 872        | 1 114 762 514        |
| Short-term trade & notes receivable | (17)       | 858 405 196          | 739 777 423          |
| Other debtors                       | (18)       | 44 274 072           | 6 196 306            |
| Loans to Joint Ventures             | (19)       | 70 958 386           | -                    |
| Held for trading investments        | (20)       | 86 988 915           | 119 045 460          |
| Cash & cash equivalents             | (21)       | 852 055 979          | 481 790 498          |
|                                     |            | <u>3 172 959 420</u> | <u>2 461 572 201</u> |

### 51.2 Liquidity risk

The following are the contractual maturities of financial liabilities:

#### December 31, 2010

|                          | <u>Carrying amount</u> | <u>6 months or less</u> | <u>6-12 months</u> | <u>1-2 years</u>  | <u>2-5 years</u>   | <u>More than 5 years</u> |
|--------------------------|------------------------|-------------------------|--------------------|-------------------|--------------------|--------------------------|
|                          | <u>L.E</u>             | <u>L.E</u>              | <u>L.E</u>         | <u>L.E</u>        | <u>L.E</u>         | <u>L.E</u>               |
| Bank – credit facilities | 86 903 632             | 86 903 632              | -                  | -                 | -                  | -                        |
| Contractors, suppliers   | 69 903 986             | 22 944 406              | 46 959 580         | -                 | -                  | -                        |
| Other creditors          | 310 053 870            | 185 668 475             | 64 821 326         | 50 069 611        | 9 494 458          | -                        |
| Long – term loans        | 42 007 752             | 17 062 155              | 2 108 769          | 5 997 630         | 1 992 890          | 14 846 308               |
| Short-term notes payable | 48 210 082             | 48 210 082              | -                  | -                 | -                  | -                        |
| Long-term notes payable  | 121 530 590            | -                       | -                  | 7 605 325         | 89 619 147         | 24 306 118               |
|                          | <u>678 609 912</u>     | <u>360 788 750</u>      | <u>113 889 675</u> | <u>63 672 566</u> | <u>101 106 495</u> | <u>39 152 426</u>        |
|                          | =====                  | =====                   | =====              | =====             | =====              | =====                    |

**December 31, 2009**

|                          | <b><u>Carrying<br/>amount</u></b> | <b><u>6 months<br/>or less</u></b> | <b><u>6-12 months</u></b> | <b><u>1-2 years</u></b> | <b><u>2-5 years</u></b> | <b><u>More than<br/>5 years</u></b> |
|--------------------------|-----------------------------------|------------------------------------|---------------------------|-------------------------|-------------------------|-------------------------------------|
|                          | <b>L.E</b>                        | <b>L.E</b>                         | <b>L.E</b>                | <b>L.E</b>              | <b>L.E</b>              | <b>L.E</b>                          |
| Bank – credit facilities | 97 347 618                        | 97 347 618                         | -                         | -                       | -                       | -                                   |
| Contractors, suppliers   | 33 365 246                        | 28 006 562                         | 5 358 684                 | -                       | -                       | -                                   |
| Other creditors          | 213 253 332                       | 145 901 034                        | 11 987 118                | 27 404 110              | 27 961 070              | -                                   |
| Short-term notes payable | 54 468 974                        | 59 698 178                         | -                         | -                       | -                       | -                                   |
| Long-term notes payable  | 145 836 708                       | -                                  | -                         | -                       | 72 918 354              | 72 918 354                          |
|                          | <u>544 271 878</u>                | <u>330 953 392</u>                 | <u>17 345 802</u>         | <u>27 404 110</u>       | <u>100 879 424</u>      | <u>72 918 354</u>                   |
|                          | =====                             | =====                              | =====                     | =====                   | =====                   | =====                               |

**51.3 Currency risk**

**Exposure to currency risk**

The Group's exposure to foreign currency risk was as follows based on notional amounts:

**December 31, 2010**

| <b>Description</b>      | <b>L.E</b>         | <b>USD</b>        | <b>Syrian Pound</b> |
|-------------------------|--------------------|-------------------|---------------------|
| Loans to Joint Ventures | -                  | 12 250 000        | -                   |
| Cash at banks           | 784 224 889        | 11 917 017        | -                   |
| Islamic finance         | -                  | -                 | 11 180 729          |
| Long – term loans       | -                  | -                 | 340 411 160         |
| Other creditors         | (304 131 966)      | (1 022 340)       | -                   |
| Net exposure            | <u>480 092 923</u> | <u>23 144 677</u> | <u>351 591 889</u>  |

**December 31, 2009**

| <b>Description</b> | <b>L.E</b>         | <b>USD</b>       | <b>Syrian Pound</b> |
|--------------------|--------------------|------------------|---------------------|
| Cash at banks      | 465 760 599        | 3 023 013        | -                   |
| Other creditors    | (195 801 616)      | (908 870)        | -                   |
| Net exposure       | <u>269 958 983</u> | <u>2 114 143</u> | <u>-</u>            |

The following significant exchange average rates applied during the year:-

| <b><u>L.E</u></b> | <b><u>Average rate</u></b> |                    | <b><u>Reporting date spot rate</u></b> |                          |
|-------------------|----------------------------|--------------------|--|--------------------------|
|                   | <b><u>2010</u></b>         | <b><u>2009</u></b> | <b><u>31/12/2010</u></b>               | <b><u>31/12/2009</u></b> |
| USD               | 5.65                       | 5.52               | 5.79                                   | 5.49                     |
| SYP               | 0.1221                     | -                  | 0.1234                                 | -                        |

#### 51.4 Sensitivity analysis

A 10 % strengthening of the USD against the following currencies at December 31, 2010 would have increased (decreased) profit & loss by the amounts shown below.

This analysis assumes that all other variables, in particular interest rates are constant. The analysis is performed on the same basis for year 2009.

|                          | <u>Profit &amp; loss</u> |
|--------------------------|--------------------------|
|                          | L.E                      |
| <u>December 31, 2010</u> |                          |
| USD                      | 6 310 741                |
| <u>December 31, 2009</u> |                          |
| USD                      | 1 156 436                |

A 10 percent weakening of the USD against the above currencies at December 31, 2010 would have had the equal but the opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

#### 51.5 Interest rate risk

At the consolidated financial statements, the interest rate profile of the Group's interest bearing financial instruments was-

|                                  | <u>Carrying amount</u> |                      |
|----------------------------------|------------------------|----------------------|
|                                  | <u>31/12/2010</u>      | <u>31/12/2009</u>    |
|                                  | L.E                    | L.E                  |
| <u>Fixed rate instruments</u>    |                        |                      |
| Financial assets                 | 2 118 682 068          | 1 854 539 937        |
| Financial liabilities            | (251 756 543)          | (200 305 682)        |
|                                  | <u>1 866 925 525</u>   | <u>1 654 234 255</u> |
| <u>Variable rate instruments</u> |                        |                      |
| Financial liabilities            | (86 903 632)           | (97 347 618)         |
|                                  | <u>(86 903 632)</u>    | <u>(97 347 618)</u>  |

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

## 51.6 Fair values

### Fair values versus carrying amounts

The fair values of financial assets and liabilities, together with the carrying amounts in the consolidated balance sheet are as follows:

|   | <u>31/12/2010</u>             |                          | <u>31/12/2009</u>             |                          |
|---|-------------------------------|--------------------------|-------------------------------|--------------------------|
|   | <u>Carrying amount</u><br>L.E | <u>Fair value</u><br>L.E | <u>Carrying amount</u><br>L.E | <u>Fair value</u><br>L.E |
| Trade & notes receivable                  | 2 118 682 068                 | 2 118 682 068            | 1 854 539 937                 | 1 854 539 937            |
| Loans to Joint Ventures                   | 70 958 386                    | 70 958 386               | -                             | -                        |
| Cash and cash equivalents                 | 853 254 210                   | 853 254 210              | 482 296 480                   | 482 296 480              |
| Islamic finance<br>(Murabaha)             | (1 379 736)                   | (1 379 736)              | -                             | -                        |
| Contractors, suppliers &<br>notes payable | (118 114 068)                 | (118 114 068)            | (87 834 220)                  | (87 834 220)             |
| Long – term loans                         | (42 007 752)                  | (42 007 752)             | -                             | -                        |
| Other creditors                           | (310 053 870)                 | (310 053 870)            | (213 253 332)                 | (213 253 332)            |
| Notes payable                             | (121 530 590)                 | (121 530 590)            | (145 836 708)                 | (145 836 708)            |
|   | <u>2 449 808 648</u>          | <u>2 449 808 648</u>     | <u>1 889 912 157</u>          | <u>1 889 912 157</u>     |

The basis for determining fair values is disclosed in note no. (4) above.

## 52. Transactions with related parties

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

### a) Transactions with related parties

| <u>Party / Relationship</u>  | <u>Nature of transaction</u>    | <u>2010</u>                         | <u>2009</u>                         |
|--|---------------------------------|-------------------------------------|-------------------------------------|
|  |                                 | <u>Amount of transaction</u><br>L.E | <u>Amount of transaction</u><br>L.E |
| Executive board of directors (Parent Company)  | (See note No. 44).              |                                     |                                     |
| Bright Living for Trading Co. (a company in which the chairman of Move-In for Advanced contracting Co. has participation of 15.5% in its issued share capital) | Decorations & finalizing works. | -                                   | 713 053                             |

|   |   |            |           |
|---|---|------------|-----------|
| Feorosema Co. (a company in which the chairman of Greenscape for Agriculture & Reclamation Co. has participation of 4% in its issued share capital)             | Supply of imported marbles  | 1 230 732  | 701 286   |
|   | Payments for imported marbles   | 935 000    | -         |
| Bonyan Development and Trade Co. (a company in which the chairman of Move-In for Advanced contracting Co. has participation of 15% in its issued share capital) | Metal works.  | 278 837    | 266 380   |
|   | Decorations & finishing's works.                                      | 24 018 400 | 1 283 025 |
|   | Isolation & landscaping works.  | -          | 2 929 765 |
| Donato farm Co. (a company in which the chairman of Greenscape for Agriculture & Reclamation Co. has participation of 20% in its issued share capital)          | Supplies  | 1 309 014  | 1 524 122 |
| Land Masters Co. (a company in which the chairman of Greenscape for Agriculture & Reclamation Co. has participation of 20% in its issued share capital)         | Expenses paid by Greenscape Co. on behalf of the Company.             | 155 936    | 119 338   |
|   | Advance payments for purchasing of a rig and rent of equipment        | -          | 529 863   |
|   | Purchase of a rig   | -          | 555 242   |
|   | Expenses paid by Land Masters Co. on behalf of the Company.           | 480 888    | 1 730 658 |
|   | Advance payments by Land Masters as a main contractor of the Company. | 1 293 152  | 2 315 592 |
|   | Proceeds from Land Masters Co.  | -          | 61 787    |
|   | Contracts of agriculture, coordination and roads                      | 1 764 469  | -         |
| EFG-Hermes for Promotion & Underwriting - a shareholder   | Securing of underwriting of share capital increase                    | 27 500 000 | -         |
|   | Advisory fees for obtaining loan                                      | 7 000 000  | -         |
| El Sheikh Zaid for Real Estate Development Co. - a subsidiary which was sold during the year.   | Sub-development agreement price                                       | 3 371 400  | -         |
| Palmyra – SODIC for Real Estate Development LLC.  | Loans to Joint Ventures   | 70 958 565 | -         |
|   | Management fees   | 2 896 250  | -         |
|   | Interest charges  | 1 516 219  | -         |

**b) Resulting balances from these transactions**

| <u>Party</u>                                | <u>Item as shown in the consolidated balance sheet</u>   | <u>31/12/2010</u><br>L.E | <u>31/12/2009</u><br>L.E |
|---|--|--------------------------|--------------------------|
| Royal Gardens for Investment Property       | Trade & notes receivable (note No. 13 & 17)  | 52 640 723               | 96 740 723               |
| Executive directors                         | Liability for cash settled share – based payments transactions included in creditors & other credit balances caption (note No. 27) | 1 237 181                | 778 555                  |
| Bright Living for Trading Co.               | Amounts due from customers   | -                        | 749 731                  |
| Land Masters Co.                            | Amounts due to customers   | 1 911 325                | -                        |
|   | Debtors and other debit balances   | 486 960                  | -                        |
| Feorosema Co.                               | Creditors and other credit balances  | 975 732                  | -                        |
| Bonyan Development and Trade Co.            | Amounts due from customers   | 4 641 183                | 1 691 433                |
| Palmyra – SODIC for Real Estate Development | Loans to Joint Ventures  | 70 958 565               | -                        |

**53. Legal position**

There is a dispute between the Company and a party regarding the contract concluded between them on 23/2/1999 which is related to delivering this party a plot of land as a usufruct right for indefinite year of time and a return for an annual rental with a minimal amount for a total of 96 feddan approximately and which has not been delivered up till this date as the management of this party did not abide by the detailed conditions of the contract. There are exchanged notifications concerning this land between the management of the Company and the management of this party. During 2009, this party raised a claim No. 3 of 2009 Civil 6<sup>th</sup> of October against the Company asking it for the delivery of the allocated land. A preliminary award was issued by the court in its session held on February 2010 to refer this matter to Experts and to delegate the Experts Office of the Ministry of Justice to embark this claim and set a session to be held on April 26, 2010 for the expert to present his report .The session was postponed several times and the last one will be held on March 28, 2011.The Company's legal counselor 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 before court.

**54. Tax status**

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

**Corporate profit tax**

- A ten – year corporate tax exemption period starting from the year following the date of the activity inception as of 1/1/1988 until 31/12/2007 has been previously determined to the Parent Company according to Law No. 59 of 1979 concerning the New Urban Communalities.

During the month of January 2011, the Company submitted a request to the Tax Authority demanding the amendment of the tax exemption period to start from the date of the actual handing over of the units in year 2002.

On January 18<sup>th</sup>, 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 Parent 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. Accordingly, the amended tax returns for the years 2008 and 2009 are currently in process to be submitted to the Tax Authority.

- The Tax Authority assessed corporate profit tax and moveable income tax for the years from 1996 until 2000 on deemed basis. The Company was notified by the tax forms and has objected on such assessment and the dispute is still regarded on the Internal Committee. During the year , are – inspection was made for the said years and the Company has not received any tax claims till authorizing these financial statements for issuance.
- No tax inspection has been carried out for year 2001 till authorizing these financial statements for issuance.
- The Company submits its annual tax return on due dates in accordance with Law No. 91 of 2005.

#### **Salary tax**

- Tax inspection was carried out until year 2001, the tax claims was paid according to the assessment of the Internal Committee, the years from 2000: 2001 were inspected, and the differences were taken to the Internal Committee. The resulting tax differences were paid according to the assessment of the Internal Committee in September 2004.
- Years from 2002 to 2004 were inspected & the Company did not receive any tax claims till authorizing these financial statements for issuance.

#### **Withholding tax**

Tax inspection was carried out for the previous years until the second quarter of 2007 & the Company did not receive any tax claims until authorizing these financial statements for issuance.

#### **Stamp tax**

Tax inspection was carried out for the previous years till 31/7/2006. The tax inspection was made and was referred to Internal Committee and the resulting differences were paid.

#### **Sales tax**

- The Company was inspected from inception till August 2003 and tax differences were paid.
- No tax inspection for the following years has been carried out till authorizing these financial statements for issuance.

#### **Real estate property tax**

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

### **55. Capital commitments**

The contracts concluded with others with respect to the construction works and furnishings of the administrative building and sale office amounts to to L.E 28 145 664 (2009:- L.E 1 658 132) and the executed part of these contracts amounted to L.E 21 492 519 as at December 31, 2010 (2009:- L.E 615 954). Contributions in long-term investments that have not been requested until the consolidated balance sheet date amounted to L.E 210.015 million approximately. (December 31, 2009: L.E 3.27 million approximately).

## **56. Incentive and bonus plan of the Parent Company's employees and managers**

On October 16, 2006, the Parent Company's Extra - Ordinary General Assembly unanimously agreed to approve the incentive & bonus plan of the Parent Company's employees and managers by setting it in the Parent Company's statutes according to the proposal suggested by the Parent Company's board of directors, and authorizing the Parent Company's board of directors to issue million share with a fair value of L.E 100 per share in application the incentive & bonus plan of the Parent Company's employees and managers, and appointing an independent committee for supervising the execution of this plan formed by non – executive members in the board of directors , as well as delegating the Parent Company's managing director to amend the provisions of the Parent Company' statutes and which is related to capital's increase and applying the incentive and bonus plan of the Parent Company's employees and managers.

The articles of the Parent Company' statues were amended on 24/10/2006. Procedures and discussions are still on going with Capital Market Authority in this regard

The following are the main features of the incentive and bonus plan of the Parent Company's employees, managers and executive board directors:

- The incentive and bonus plan works through allocation of shares for the Parent Company's employees, managers and executive board directors and to sell these shares in favor of them in preferential conditions.
  - Duration of the plan is four years starting from the date of approval of the plan by the Parent Company's Shareholders meeting and each beneficiary is allocated during this year a specified number of shares each year over the plan years according to the allocated shares outlined in the appendix of this plan.
  - The price of share was determined for the beneficiary at L.E 75 per share.
  - The Parent Company shall finance the issuance of the shares of the increase allocated in application of the plan and the value of shares due to the Parent Company will be paid from the proceeds of sale.
- On March 28, 2007 the board of directors of the Parent Company approved the agreement of marinating the shares of the incentive and bonus plan of employees, managers and executive board directors with Arab African International Bank. The agreement concluded between the Parent Company and Arab African International Bank was signed on April 15, 2007. As detailed in note No.(29), the shares of the plan were issued and financed by the Parent Company. Annotation of this increase was registered in the Commercial Registry on July 5, 2007.
- On September 23, 2007, the Supervisory Committee of the incentive & bonus plan of the Parent Company's employees, executive directors and managers agreed to the selection of the beneficiaries and also the number of shares allocated to each one of them. Accordingly, the whole shares of the plan were allocated in full.
- During December 2007, a number of 200 000 shares from the incentive & bonus plan were exercised with average selling price of L.E 226.63 per share. The amounts due to beneficiaries were set aside in special account held by Arab African International Bank until the completion of the prohibition year according to the incentive & bonus plan provisions.
- The number of shares allocated to the plan was increased by 500 000 additional shares as detailed in note No. (29)
- On July 3, 2008 the Supervisory Committee of the incentive & bonus plan of the Parent Company's employees, executive directors approved the allocation of 495 000 shares of the total shares to some of the Parent Company's employees and executive directors. Allocation

contracts for these shares were signed with the employees and the executive directors during October 2008.

- On October 12, 2009, the Parent Company's board of directors decided the following:
  - The extension of the contract of the managing director to be ended on March 30, 2015 instead of March 30, 2011.
  - The recommendation to extend the exercise right in the current bonus & incentive plan to be ended on March 2015 instead of March 2011.
  - The recommendation to amend Article No. (11) of the bonus & incentive plan with respect to the management of the plan to give the board the right to assign an alternative member in case of death or resignation of any member of the Supervisory Committee.
  - The delegation of the chairman to call for an Extra-Ordinary Assembly Meeting to convene to approve the amendment of some articles of the current bonus & incentive plan.
- On December 7, 2009, the Parent Company's Extraordinary General Assembly agreed on the amendment of some articles of the bonus and incentives plan and the allocation contracts of the shares that were approved by the Egyptian Financial Supervisory Authority as follows:
  - Extension of the year of the exercise right stated in the bonus and incentive plan and the allocation contract to be ended on March 2015 instead of March 2011.
  - Amendment of the bonus and incentive plan and the allocation contract to enable the beneficiary from the plan the possibility to transfer the title of the shares allocated to him to be in his name after ending the prohibition period provided the payment of the share price stated in the plan and in this case, the beneficiary is entitled to all rights as determined on the Company' shares.
  - Amendment of article No. (11) of the bonus and incentive plan with respect to the management of the plan to give the board of directors the right – when necessary – of the replacement of a Supervisory Committee member with another one provided that this member to be from non-executive members.
- On April 26, 2010, the Company was notified by the consent of the Egyptian Financial Supervisory Authority on the approval and the amendments made on the bonus and incentive plan.

Beneficiaries, extent & vesting conditions of granting of shares in accordance with this plan are as follows:

| <u>Employees entitled</u> | <u>Grant date</u> | <u>No. of shares in thousand</u> | <u>Fair value of share at grant date</u><br>L.E | <u>Exercising price</u><br>L.E | <u>Conditions</u>  |
|---------------------------|-------------------|----------------------------------|---|--------------------------------|--|
| Managing director         | 28/3/2007         | 750                              | 100   | 75                             | Additional benefits for 5 years working in the Company and exercise period from 31/3/2007 till 31/3/2011 extended to March 2015 – the beneficiary is not entitled to this right if the performance of the Company's share is below CASE 30 by more than 20% for 2 consecutive years during the vesting period. |
| Board of director         | 23/9/2007         | 75                               | 100   | 75                             | According to performance measure and exercise period from 31/3/2007 till 31/3/2011 extended to 31 March 2015.  |

|                     |           |     |       |    |   |
|---------------------|-----------|-----|-------|----|---|
| Some managers       | 23/9/2007 | 175 | 100   | 75 | According to performance measure and exercise period from 31/3/2007 till 31/3/2011 extended to 31 March 2015. |
| Board of director   | 7/10/2008 | 25  | 73.34 | 75 | According to performance measure and exercise period from 31/3/2007 till 31/3/2011 extended to 31 March 2015. |
| Executive directors | 7/10/2008 | 470 | 73.34 | 75 | According to performance measure and exercise period from 31/3/2007 till 31/3/2011 extended to 31 March 2015. |

#### **57. Subsequent event**

- a) On January 27, 2011, the Extra-ordinary General Assembly meeting of the Company agreed on the proposition of the Company's board of directors meeting held on December 15, 2010 with respect to the stock split of the par value of the Company' share of L.E 10 to become L.E 4 per share in the light of the consent of the Egyptian Financial Supervisory Authority issued on December 14, 2010.
- b) Subsequent to the consolidated financial statements date, the Group has obtained a medium – term loan from a bank with an amount of L.E 435 million (including the rescheduling of one of the outstanding credit facility amounting to L.E 85 million as at December 31, 2010). This loan has been guaranteed by the pledge of the shares of a subsidiary whose book value amounted to L.E 318 307 001 as at the consolidated financial statements date.

#### **58. Comparative figures**

Some comparative figures were re-classified to comply with the presentation of the current financial year. Items affected by the reclassification are listed below:

| <b><u>Consolidated balance sheet</u></b> | <b>L.E</b>  |
|--|-------------|
| Works in process                         | (4 276 301) |
| Debtors & other debit balances           | 4 276 301   |
| Advances from customers                  | 12 480 197  |
| Creditors & other credit balances        | 12 480 197  |