

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

Separate Financial Statements
For The Financial Year Ended December 31, 2014

And Auditor's Report

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Hazem Hassan
Public Accountants & Consultants

Translation of financial statements

originally issued in Arabic

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Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of Sixth of October for Development and Investment Company "SODIC", which comprise the separate balance sheet as at December 31, 2014, and the separate statements of income, changes in equity and cash flows for the financial year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

Opinion

In our opinion, the separate financial statements referred to above present fairly, in all material respects, the separate financial position of Sixth of October for Development and Investment Company "SODIC" as of December 31, 2014, and of its separate financial performance and its separate cash flows for the year then ended in accordance with the Egyptian Accounting Standards and the Egyptian laws and regulations relating to the preparation of these separate financial statements.

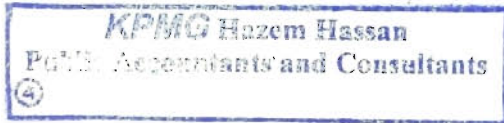
Report on Other Legal and Regulatory Requirements

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

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

KPMG Hazem Hassan

Cairo, March 5, 2014



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

Separate Balance Sheet

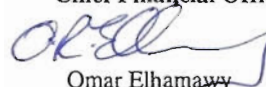
As at Decemeber 31, 2014


	Note No.	31/12/2014 <u>L.E</u>	31/12/2013 <u>L.E</u>
<u>Long - term assets</u>			
Fixed assets (net)	(6)	15 791 262	20 470 778
Investments in subsidiaries	(7)	1310 844 466	520 844 496
Investments - available for sale (net)	(8)	4 276 152	4 276 152
Investment properties (net)	(9)	78 076 695	80 158 600
Investment property - advances	(10)	145 000 482	131 952 429
Trade and notes receivable (net)	(11)	1 606 815 468	1484 343 651
Total long - term assets		3 160 804 525	2 242 046 106
<u>Current assets</u>			
Inventory - Materials		204 205	204 205
Completed units ready for sale	(12)	15 486 539	31 478 756
Works in process	(13)	1 274 222 117	1 277 213 613
Trade & notes receivable (net)	(14)	1 075 358 927	953 211 044
Due from related parties (net)	(15)	888 887 464	1 072 881 475
Debtors & other debit balances (net)	(16)	189 318 215	228 372 105
Cash at banks & on hand	(17)	1 199 609 801	285 965 532
Total current assets		4 643 087 268	3 849 326 730
<u>Current liabilities</u>			
Provision for completion	(18)	65 256 733	86 894 388
Provisions	(19)	8 054 123	9 365 212
Bank - Overdraft		643 013	-
Bank - Credit facilities	(20)	101 170 177	31 411 767
Loans - Short term	(31)	78 117 009	223 397 759
Advances from customers	(21)	2 832 854 178	2 582 221 757
Contractors, suppliers & notes payable	(22)	94 931 686	122 642 765
Due to related parties	(23)	212 650 292	198 093 013
Creditors & other credit balances	(24)	602 426 539	439 787 211
Total current liabilities		3 996 103 750	3 693 813 872
Working Capital		646 983 518	155 512 858
Total investments		3 807 788 043	2 397 558 964
These investments are financed as follows:-			
<u>Shareholders' equity</u>			
Issued & fully paid in capital	(25)	1 355 638 292	362 705 392
Legal reserve	(26)	181 352 693	181 352 693
Special reserve - share premium	(27)	1 338 296 569	1 316 921 569
Retained earnings		282 317 925	802 786 772
Profit from sale of treasury shares	(28)	3 692 867	3 692 867
Shares kept for bonus & incentive plan	(29)	(8 000 000)	(80 000 000)
Set aside amount for bonus & incentive plan	(30)	20 004 359	25 323 711
Net profit / (Loss) for the year		61 522 472	(520 468 847)
Total shareholders' equity		3 234 825 177	2 092 314 157
<u>Long-term liabilities</u>			
Loans - long term	(31)	545 214 175	88 011 726
Long-term creditors	(24-1)	-	165 849 864
Notes payable	(32)	24 306 118	48 612 236
Deferred tax liabilities	(33)	3 442 573	2 770 981
Total long-term liabilities		572 962 866	305 244 807
Total shareholders' equity & long - term liabilities		3 807 788 043	2 397 558 964

* The accompanying notes from (1) to (51) are an integral part of these separate financial statements and to be read therewith.

**Financial & Administration
Executive Director**

Hany Henry

Chief Financial Officer

Omar Elhamawy

Managing Director

Ahmed Demerdash Badrawi

Chairman

Hani Sarie El Din

* Auditor's report attached.

**Sixth of October for Development and Investment Company “SODIC”
(An Egyptian Joint Stock Company)
Separate Income Statement
For The Financial Year Ended December 31, 2014**

	Note <u>No.</u>	2014 <u>L.E</u>	2013 <u>L.E</u>
Sales (net)	(34)	848 892 788	816 686 392
Cost of sales	(35)	(509 697 099)	(562 947 372)
Gross profit		339 195 689	253 739 020
Other operating revenues	(36)	79 463 315	85 324 298
Selling and marketing expenses	(37)	(90 896 277)	(84 112 579)
General and administrative expenses	(38)	(160 445 840)	(127 613 203)
Other operating expenses	(39)	(50 443 155)	(574 538 819)
Operating profit / (loss)		116 873 732	(447 201 283)
Finance income	(40)	37 205 132	66 176 700
Finance cost	(41)	(76 798 137)	(138 129 902)
Net finance cost		(39 593 005)	(71 953 202)
Net profit for the year - before income tax		77 280 727	(519 154 485)
Income tax	(42)	(15 758 255)	(1 314 362)
Net profit for the year		61 522 472	(520 468 847)
Earnings per share (L.E / Share)	(43)	0.57	(5.74)

The accompanying notes from (1) to (51) are an integral part of these separate financial statements and to be read therewith.

Sixth of October for Development and Investment Company "SODIC"
(An Egyptian Joint Stock Company)
Separate Statement of Changes in Equity
For The Financial Year Ended December 31, 2014

	Issued & paid in capital L.E	Legal reserve L.E	Special reserve- share premium L.E	Profit from sale of treasury shares L.E	Shares set aside amount for bonus & incentive plan L.E	Set aside amount for bonus & incentive plan L.E	Retained earnings L.E	Net (loss) / profit for the year L.E	Total L.E
Balance as at January 1, 2013	362 705 392	181 352 693	1 316 921 569	3 692 867	(8 000 000)	25 323 711	512 544 423	290 242 351	2 612 783 004
Transfer to retained earnings	-	-	-	-	-	-	290 242 351	(290 242 351)	-
Net profit for the year	-	-	-	-	-	-	-	(520 468 847)	(520 468 847)
Balance as at December 31, 2013	362 705 392	181 352 693	1 316 921 569	3 692 867	(8 000 000)	25 323 711	802 786 772	(520 468 847)	2 092 314 157
Capital increase	992 932 900	-	-	-	-	-	-	-	992 932 900
Transfer to retained earnings	-	-	-	-	-	-	(520 468 847)	520 468 847	-
Exercised from bonus & incentive plan	-	-	21 375 000	-	72 000 000	-	-	-	93 375 000
Amortized from Set aside amount for bonus & incentive plan	-	-	-	-	-	(5 319 352)	-	-	(5 319 352)
Net profit for the year	-	-	-	-	-	-	-	61 522 472	61 522 472
Balance as at December 31, 2014	1 355 638 292	181 352 693	1 338 296 569	3 692 867	(8 000 000)	20 004 359	282 317 925	61 522 472	3 234 825 177

• The accompanying notes from (1) to (51) are an integral part of these separate financial statements and to be read therewith.

**Sixth of October for Development and Investment Company "SODIC"
(An Egyptian Joint Stock Company)
Separate Statement of Cash Flows
For The Financial year Ended December 31, 2014**

	Note No.	<u>2014</u> <u>L.E</u>	<u>2013</u> <u>L.E</u>
<u>Cash flows from operating activities</u>			
Net profit (loss) for the year - before income tax		77 280 727	(519 154 485)
<u>Adjustments for :</u>			
Depreciation of fixed assets and investment properties		9 515 319	13 683 690
Capital Gain		(7 790)	(1 251 708)
Provisions no longer required		-	(12 127 822)
Impairment losses for due from related parties		17 843 080	545 961 473
Impairment losses for debtors and other debit balances		-	4 342 500
Impairment losses for investments available for sale		-	1 250
Provision for completion - formed	(18)	34 941 225	45 733 895
Provisions formed	(19)	90 647	90 647
Operating profit before changes in working capital items		139 663 208	77 279 440
<u>Changes in working capital items</u>			
Change in completed units ready for sale		15 992 217	15 798 999
Change in works in process		2 991 496	33 584 118
Change in investment properties		-	(16 311 499)
Change in trade & notes receivables		(244 619 700)	(156 064 003)
Change in due from related parties		166 150 931	(110 506 553)
Change in debtors & other debit balances		39 053 890	28 268 764
Provisions - used	(18-19)	(57 980 615)	(87 054 393)
Change in advances from customers		250 632 420	(125 368 427)
Change in contractors, suppliers & notes payable		(52 017 197)	(36 290 965)
Change in due to related parties		14 557 279	92 196 586
Change in creditors & other credit balances		(18 297 199)	323 367 322
Income tax paid		-	(5 260 259)
Net cash flow provided from operating activities		256 126 730	33 639 130
<u>Cash flows from investing activities</u>			
Payments for purchase of fixed assets & projects under construction		(2 806 458)	(1 214 229)
Payment for acquisition of investment in subsidiaries.		(789 999 970)	-
Payments for acquisition of investment properties	(10)	(13 048 054)	(26 429 169)
Proceeds from sale of fixed assets		60 351	66 829 718
Net cash flow (used in) / provided from investing activities		(805 794 131)	39 186 320
<u>Cash flows from financing activities</u>			
Credit Banks & facilities	(20)	69 758 410	(3 516 161)
Net change in short-term and long-term Loans		311 921 699	(52 117 210)
Proceeds from capital increase		992 932 900	-
Proceeds from bonus & incentive plan		88 055 648	-
Net cash flow provided from / (used in) financing activities		1 462 668 657	(55 633 371)
Net change in cash & cash equivalents during the year		913 001 256	17 192 079
Cash & cash equivalents at the beginning of the year		285 965 532	268 773 453
Cash & cash equivalents at the end of the year		1 198 966 788	285 965 532
<u>Deduct:</u>			
Restricted cash (Facilities guarantee)		150 000 000	50 000 000
Cash available at the end of the year	(17)	1 048 966 788	235 965 532

* The accompanying notes from (1) to (51) are an integral part of these separate financial statements and to be read therewith.

**Sixth of October for Development and Investment Company “SODIC”
(An Egyptian Joint Stock Company)
Notes to the separate financial statements
For the financial year ended December 31, 2014**

1- Background and activities

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

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

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

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

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

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

1-5 The registered office of the Parent Company is located at Km. 38 Cairo / Alexandria Desert Road, Sheikh Zayed City. Dr. Hany Sarie El Din is the Chairman for the Parent company and Mr. Ahmed Demerdash Badrawi is a Board Member and the Managing Director

2- Basis of preparation of the financial statements

2-1 Statement of compliance

- These separate financial statements have been prepared in accordance with Egyptian Accounting Standards and relevant Egyptian laws and regulations.
- The financial statements have been authorized by Company's board of directors as March 4, 2015

2-2 Basis of measurement

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

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

2-3 Functional currency and presentation currency

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

2-4 Use of estimates and judgments

The preparation of the separate financial statements in conformity with Egyptian Accounting Standards requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about the carrying values of assets and liabilities that are readily apparent from other sources. Actual results may differ from these estimates.

- The estimates and underlying assumptions are reviewed on a going basis.
- Revisions to accounting estimates are recognized in the year in which the estimate is revised if the revision affects only that year or in the year of the revision and future years if the revision affects both current and future years.

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

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

2-5 Consolidated financial statement

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

3- Significant accounting policies

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

3-1 Foreign currency transactions

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

3-2 Fixed assets and depreciation

a) Recognition and measurement

- Fixed assets that are used in production, providing goods and services or for administrative purposes are stated at historical cost less accumulated depreciation and impairment losses (note No. 3-11). Cost includes expenditures that are directly attributable to the acquisition of the asset and necessary to have the asset ready for use in the purpose for which the asset was acquired.
- Where parts of an item of fixed assets have different useful lives, they are accounted for as separate items of property, plant and equipment.
- The assets under construction for production or rent or administrative purposes are registered at their cost less impairment losses, where the cost includes professional fees and all other direct expenditures that are directly attributable to the acquisition of the asset. Thus, calculation of depreciation begins when the asset is substantially completed and ready for its intended use.
- The cost of self-constructed assets includes the cost of materials, direct labor and any other cost directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located.

b) Subsequent costs

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

c) Depreciation

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

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

3-3 Operating Lease

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

3-4 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.

3-5 Investment properties

a) Initial recognition and measurement

This item includes lands held and not allocated for a specific purpose and/or lands held for sale on long term as well as the lands and buildings leased to others (by virtue of operating leases). Real estate investments are valued at cost less the accumulated depreciation and "impairment"(3-11). The fair value of these investments are disclosed at the balance sheet date unless if there are cases where the fair value of these investments are difficult to be determined in a reliable manner. In this case such fact shall be disclosed.

b) Depreciation

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

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

3-6 Investments

a) Investments in subsidiaries

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

Investments in subsidiaries are stated – when acquired – at its acquisition cost. If a decline in the recoverable amount exists for any investment below the carrying amount "Impairment" (note No. 3-11), the carrying amount of the investment will be adjusted by the amount of such impairment and will be charged to the income statement for each investment.

b) Available -for- sale investments

Financial instruments held by the Company and classified as available-for-sale investment are initially stated at cost and subsequently measured at fair value (unless this cannot be reliably measured). Changes in fair value are reported as a separate component in equity. When these investments are derecognized, the cumulative gain or loss previously recognized in equity is recognized in income statement except impairment losses. Investments in unlisted securities or where the fair value of investment cannot be determined in a reliable manner such investments are stated at cost less impairment losses (note No. 3-11). Impairment loss is recognized directly in the income statement.

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

- c) **Held for trading investments**
Held for trading investments are classified as current assets and are stated at fair value. Any gain or loss resulting from the change in fair value or sale of such investment is recognized in the income statement.
Treasury bills are recognized by the net value less amortization and impairment losses (note No. 3-11).
- 3-7 **Units ready for sale**
Units ready for sale are stated at the consolidated balance sheet date at lower of cost or net releasable value. The cost of the units includes land, utilities, construction, construction related professional fees, labor cost and other direct and indirect expenses. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and selling expenses.
- 3-8 **Work in process**
All costs relating to uncompleted works are recorded in work in process account until the completion of works. Work in process is stated in the balance sheet at cost or net realizable value whichever is lower. Costs include directly attributable cost needed to bring the units to the selling status.
- 3-9 **Trade and notes receivables, debtors and other debit balances**
Trade and notes receivables are non- interest bearing and are stated at their nominal value and reduced by impairment losses note (3-11). Impairment is recognized when there is objective evidence that the Company is not able to collect the due amounts according to the original terms of the contracts. Impairment is the difference between the book value and the recoverable amount which represents the expected cash in flow for the Company.
Long term trade and notes receivables are initially recognized at fair value and subsequently re-measured at amortized cost using the effective interest rate method.
- 3-10 **Cash and cash equivalents**
For the purpose of preparing statement of cash flows, cash and cash equivalents comprise cash at banks and on hand, time deposits and Cheques under collection which have maturity date less than three months from the purchase date. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management.
- 3-11 **Impairment of assets**
a) **Financial assets**
A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.
An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its current fair value.
Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.
All impairment losses are recognized in the income statement. Any cumulative loss in respect of an available-for-sale financial asset recognized previously in equity is transferred to the income statement.
An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized for financial assets measured at amortized cost and available-for-sale financial assets that are debt securities, the reversal is recognized in income statement. For available-for-sale financial assets that are equity securities, the reversal is recognized directly in equity.

b) Non-financial assets

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

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

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

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognized in prior years are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

3-12 Provisions

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

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

a- Provision for completion

A provision for completion of work is formed at the estimated value of the completion of the projects (relating to the units delivered to customers and the completed units according to the contractual terms and conditions and the completed units for which contracts were not concluded) this is based on technical studies and measurement to estimate the cost, which are prepared by the Company's technical departments. The necessary provision is reviewed at the end of each reporting period until finalization of all the project works.

3-13 Borrowing costs

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

3-14 Interest –bearing borrowings

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

3-15 Suppliers, contractors and other credit balances

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

3-16 Share capital

Common shares are classified in the owners' equity.

a) Issuance of ordinary shares

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

b) Treasury shares

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

c) Dividends

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

d) Finance of the incentive and bonus plan

- Equity shares issued for the purpose of the incentive and bonus plan of the Company's employees and managers which are financed by the Company are presented as shares kept for incentive and bonus plan and are included in equity. The resulting outcome from sale of these shares is recognized in equity. On February 1, 2015 extraordinary general assembly approved the end of current incentive and bonus plan for employees and managers and B.O.D members and Implementation of new bonus and incentive plan as its disclosed at note No.51.

e) Reserves

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

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

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

3-17 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 beneficiaries is recognized in the income statement as an expense over the year that the beneficiaries become unconditionally entitled to those shares. The expected number of beneficiaries from the plan and the extent of their benefit are reviewed at the financial statements date. Necessary changes are made for the expense to reflect the best estimate and the corresponding amount is included in equity under "set aside amount for the bonus and incentive plan" caption.

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 packages that entitles them to future cash payments based on the increase in the share price of the Company over a pre-determined level for a certain year 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 each financial position date and at settlement date and takes into account any changes in the recognized fair value of the liability in the income statement.

3-18 Notes payable

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

3-19 Revenue recognition

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

a) Sales revenue

Revenue from sale of residential units, offices, commercial, service units and villas for which contracts were concluded is recorded when all the ownership risks and rewards are transferred to customers upon the actual delivery of these villas and units whether the said villas and units have been completed or semi – completed. Revenue from sale of lands is recorded upon the delivery of the sold land to customers and the transfer of all the ownership rewards and risks to buyer. Net revenue from sales are recorded after deducting discounts and sales returns. Net sales are represented in the selling value of units and lands delivered to customers after excluding the future interests that have not been realized till the balance sheet date and after deducting the value of sales returns (represented in the saleable value of the sales returns less unrealized interests that have been previously excluded from the saleable value), and also, after excluding the value of any given discounts to the customers. The discounts are recognized as other operating expenses.

b) Rental income

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

c) Construction contracts revenue:

It includes revenue from construction contracts initial value of each contract as well as contract change orders, incentives or subsequent claims subject to the availability of predicted values.

When the outcome of a contract can be estimated reliably revenue is recognized according to parentage of completion method, and the percentage of completion is determined through actual performance of the contract. In case of inability to determine the exact result of the contract, revenue will be recognized up to cost incurred and expected to be recovered. Expected losses provision is formed during the financial period those losses are estimated.

Cost-plus revenues are recognized when the final outcome can be estimated and includes the following criteria :

Its possible for the entity to achieve economic benefits resulting from that contract.

All the costs relating to the contract whether recoverable or non- recoverable can be identified and measured.

d) Interest income

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

e) Dividends

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

3-20 Cost of sold lands

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

3-21 Expenses

a) Lease payments

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

b) Employees' pension

1. Pension obligations

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

2. Employees' profit sharing

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

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

3-22 Income tax

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

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

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

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

3-23 Earnings / (losses) per share

Earnings / (loss) per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period/year in which financial statements are prepared.

4- Determination of fair values

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

4-1 Investments in equity instruments

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

4-2 Trade, note receivables and other debtors

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

4-3 Investment property

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

4-4 Share – based payment transactions

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

5- Financial risk management

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

- Credit risk
- Liquidity risk
- Market risk

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

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

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

5-1 Credit risk

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

Trade and other receivables

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

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

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

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

Investments

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

Guarantees

The group extends corporate guarantees to subsidiaries, when needed, after the approval of the extraordinary general assembly (EGM). The following corporate guarantees were provided:

- On the 15th of January, 2013, Six of October Development and Investment Company's "SODIC" EGM approved extending a corporate guarantee to Sixth of October for Development & Real Estate Projects Co. "SOREAL" (99% owned by SODIC) for a loan provided by Arab Investment Bank to finance Kattameya Plaza project. The loan was fully paid in 2014.
- On the 1st of February, 2015, Six of October Development and Investment Company's "SODIC" EGM approved extending a corporate guarantee to SOREAL For Real Estate Investments (99% owned by SODIC) for a loan provided by Arab African International Bank to finance Vilette project. .

5-2 Liquidity risk

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

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

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

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

- A facility amounting to L.E 150 million. The facility is fully secured by deposits amounting to L.E 150 million with an interest rate of 1.25% above the deposit rate achieved.
- A medium term loan in the amount of L.E 900 million. with an annual interest rate of 3% above the Central Bank of Egypt's lending rate.
- A medium term loan in the amount of L.E 300 million with an annual interest rate of 2.5% above the Central Bank of Egypt's lending rate.

5-3 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income and expenses or the value of its holdings of financial instruments.

The objective of market risk management is to manage and control market risk exposure within acceptable parameters, while optimizing the return.

5-4 Currency risk

The Company is exposed to currency risk on sales and financial assets 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 other foreign currencies, the Company ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short- term imbalances.

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

5-5 Interest rate risk

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

5-6 other market price risk

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

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

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

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

5-7 Capital management

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

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

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

Sixth of October for Development and Investment Company "SODIC"

"An Egyptian Joint Stock Company"

Notes to the separate financial statements (Cont.)

For The Financial Year Ended December 31, 2014

Translation of financial statements
originally issued in Arabic

6- Fixed assets

This item is represented as follows:

	Buildings of the Company's premises	Vehicles	Furniture and office fixtures	Office equipments and communication	Generators, machinery and equipment	Leasehold improvements	Total
	L.E	L.E	L.E	L.E	L.E	L.E	L.E
Cost as at 1/1/2014	1 135 286	7 644 706	8 999 520	16 929 494	3 634 913	12 426 863	50 770 782
Additions during the year	180 000	-	77 439	2 509 369	39 650	-	2 806 458
Disposals during the year	-	-	-	(103 954)	-	-	(103 954)
Reclassification	-	-	-	(2 624 556)	2 624 556	-	-
Cost as at 31/12/2014	1 315 286	7 644 706	9 076 959	16 710 353	6 299 119	12 426 863	53 473 286
Accumulated depreciation as at 1/1/2014	584 458	7 103 662	3 265 829	11 430 466	2 269 564	5 646 025	30 300 004
Depreciation during the year	139 818	330 002	887 591	2 724 532	866 096	2 485 375	7 433 414
Accumulated depreciation for disposals	-	-	-	(51 394)	-	-	(51 394)
Reclassification	-	-	-	(2 239 567)	2 239 567	-	-
Accumulated depreciation as at 31/12/2014	724 276	7 433 664	4 153 420	11 864 037	5 375 227	8 131 400	37 682 024
Net book value as at December 31, 2014	591 010	211 042	4 923 539	4 846 316	923 892	4 295 463	15 791 262
Net book value as at December 31, 2013	550 828	541 044	5 733 691	5 499 028	1 365 349	6 780 838	20 470 778

- Fixed assets include fully depreciated assets costing L.E 14 701 123 as at December 31, 2014

7- Investments in subsidiaries

	Legal Form	Ownership %	Paid amount of Participation %	Carrying amount as at 31/12/2014 L.E	Carrying amount as at 31/12/2013 L.E
SODIC Property Services Co.	S.A.E	51	100	510 000	510 000
Sixth of October for Development and Real Estate Projects Co. (SOREAL)	S.A.E	99.99	100	807 334 516	517 334 516
SOREAL for Real Estate Investment Co. (7-1)	S.A.E	99.99	100	499 999 970	-
SODIC for Development and Real Estate Investment Co.	S.A.E	99.99	100	2 999 980	2 999 980
				1 310 844 466	520 844 496

(7-1) SOREAL for Real estate investment was established on June 23, 2014 with an issued and paid in capital of LE 100 million distributed over 10 million shares (ten million) with a par value of LE 100 per share.. On November 27, 2014 the Board of Directors agreed to increase the issued capital with an amount of LE 400 to reach LE 500 million and to be fully allocated to Sixth of October for Development and Investment Company "SODIC". The capital increase has been 100% paid

8- Investments – available for sale

	Legal Form	Ownership %	Paid amount of Participation %	Carrying amount as at 31/12/2014 L.E	Carrying amount as at 31/12/2013 L.E
Egyptian Company for Development and Management of Smart Villages	S.A.E	1.08	100	4 250 000	4 250 000
SODIC for Golf and Tourist Development Co.	S.A.E	0.0025	25	1 250	1 250
Beverly Hills Co. for Management of Cities and Resorts	S.A.E	0.06	100	26 152	26 152
				4 277 402	4 277 402
Impairment of available for sale investments				(1 250)	(1 250)
				4 276 152	4 276 152

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

9- Investment properties

The net carrying amount of the investment properties as at December 31, 2014 amounted to L.E 78 076 695. Following is the movement on the investment properties account and its associated depreciation during the year:-

<u>Description</u>	<u>Units leased out to others</u>	<u>Golf course</u>	<u>Total</u>
<u>Cost</u>	<u>L.E</u>	<u>L.E</u>	<u>L.E</u>
At January 1, 2014	17 842 713	99 377 533	117 220 246
At December 31, 2014	17 842 713	99 377 533	117 220 246
<u>Accumulated depreciation</u>			
At January 1, 2014	350 719	5 013 927	5 364 646
Depreciation for the year	258 659	1 823 246	2 081 905
At December 31, 2014	609 378	6 837 173	7 446 551
<u>Deduct:</u>			
Impairment of investment properties (a)	-	31 697 000	31 697 000
Net value as at December 31, 2014	17 233 335	60 843 360	78 076 695
Net value as at December 31, 2013	17 491 994	62 666 606	80 158 600

(a) This item represents the impairment of the golf course by L.E 31 697 000 which shows the increase in its book value over its recoverable amount which has been measured by the value in use.

- There is a difficulty in determining the fair value of the investment properties of the golf course reliably for the purpose of disclosure because of the rarity of such business in Egypt and due to the unavailability of an active market.
- The fair value of units leased out to others amounts to L.E 35 314 300 as at December 31, 2014.

10- Investment properties advances

This item amounted to L.E 145 000 482 as at December 31, 2014 (2013: L.E 131 952 429). It shows the amounts paid to SODIC - SIAC for Real Estate Investment Co. (a subsidiary) on account of the acquisition of building No. (1) of the **Polygon project**, to be leased out for others, with total value of L.E 139 705 020 according to the contract concluded between the Company and SODIC SIAC for Real Estate Investment Co. dated January 5, 2010. The building will be received during a maximum period of three years from the contract date. This item includes an amount of L.E 5 295 462 representing the amount paid under maintenance, management and operation expenses of the project's public utilities related to the building for three years.

11- Long - term trade and notes receivable

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

	<u>31/12/2014</u>	<u>31/12/2013</u>
	<u>L.E</u>	<u>L.E</u>
Trade receivables	14 956 506	31 198 796
Notes receivable	1 661 242 988	1 512 653 263
	1 676 199 494	1 543 852 059
<u>Deduct:</u> unamortized interest – Notes receivable	69 384 026	59 508 408
	1 606 815 468	1 484 343 651

- The Company's exposure to credit and currency risks - related to trade and notes receivable is disclosed in note No.(44).

12- Completed units ready for sale

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

	31/12/2014	31/12/2013
	<u>L.E</u>	<u>L.E</u>
Cost of completed commercial units	5 348 572	4 262 805
Cost of units purchased for resale (12-1)	10 137 967	27 215 951
	15 486 539	31 478 756

12-1 This item represents the acquisition cost of 15 units in Casa project (Semi Finished) that were purchased from Royal Gardens Co. for Real Estate Investment – an associated company for the purpose of resale to others.

13- Work in process

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

	31/12/2014	31/12/2013
	<u>L.E</u>	<u>L.E</u>
Allegria project cost (13-1)	464 998 581	588 948 981
Westown project cost	799 302 539	678 467 265
Fourth phase costs (4A, 4B), showrooms and others	9 920 997	9 797 367
	1 274 222 117	1 277 213 613

13-1 This item includes an amount of L.E 11 285 712 in December 31, 2014 (Year 2013: L. E 16 037 713) and representing the additional costs related to the re-acquisition of some units in Allegria project.

14- Trade and notes receivable - Current

	31/12/2014	31/12/2013
	<u>L.E</u>	<u>L.E</u>
Trade receivables (14-1)	127 716 953	170 293 267
Notes receivable	956 746 982	789 991 293
	1 084 463 935	960 284 560
<u>Deduct:</u> Unamortized interest – notes receivables	8 905 008	6 873 516
	1 075 558 927	953 411 044
Impairment loss of trade and notes receivables	(200 000)	(200 000)
	1 075 358 927	953 211 044

14-1 This item includes an amount of L.E 7.3 million which represents the amount due from SODIC Garden City for Development and Investment Co. (subsidiary).

- The Company's exposure to credit and currency risks related to trade and notes receivable is disclosed in note No. (44).

15- Due from related parties

	31/12/2014	31/12/2013
	<u>L.E</u>	<u>L.E</u>
Sixth of October for Development and Real Estate Projects (SOREAL) – a subsidiary	21 764 284	476 348 788
SOREAL for Real Estate Co – a subsidiary.	200 534 320	-
SODIC for securitization – a subsidiary.	69 429	-
Greenscape for Agriculture and Reclamation Co. – a subsidiary (under Liquidation)	6 219 961	4 768 376
Move-In for Advanced Contracting Co. – a subsidiary	23 094 187	16 305 713
El Yosr for Projects and Agriculture Development Co. – a subsidiary	43 171 855	41 612 350
SODIC for Development and Real Estate Investment Co. – a subsidiary	268 297 628	273 163 528
SODIC SIAC for Real Estate Investment Co. – a subsidiary	247 539 834	194 008 012
SODIC Syria Co. – a subsidiary	433 717 351	433 660 458
Fourteen for Real Estate Investment Co. – a subsidiary	56 822 299	54 514 314
La Maison for Real Estate Investment Co. - S.A.E	76 951 309	59 360 964
Edara for Services of Cities and Resorts Co. – a subsidiary	18 104 284	18 186 528
Palmyra Real Estate Development Co. – a Joint project	35 191 620	30 849 120
Tegara for Trading Centers Co. – a subsidiary	3 640 373	3 169 449
SODIC Garden City for Development and Investment Co. – a subsidiary	55 036	163 570
SODIC for Golf and Tourist Development Co. – a subsidiary	20 631 695	12 500 305
Other related companies	1 229 053	231 473
	1 457 034 518	1 618 842 948
Impairment of due from related parties (15- 1)	(568 147 054)	(545 961 473)
	888 887 464	1 072 881 475

(15-1) Due to the current political circumstances in the Syrian Arab Republic and the confiscation of assets and documents related to Palmyra - SODIC Real Estate Development Co by the state government in 2014, the management of SODIC addressed the Embassy of the Syrian Arab Republic in Egypt and commissioned a law firm to handle the issue and protect the interest of SODIC's shareholders. This situation, coupled with the unstable political environment witnessed in Syria led SODIC's Board of Directors to take the view that the invested amounts in Syria are non-recoverable. As such, the Board of Directors of Sixth of October Development and Investment "SODIC" saw that the assets of the investee company all become contentious with the State Government mentioned, which requires to recognize a loss arising from an inability to recover its investments and therefore the Board of Directors decided on 16 April 2014 reduction due to related parties relating to investments that have been injected for projects in the Syrian Arab Republic in addition to an impairment for dues from related party accounts related to amounts not expected to be collected amounting to L.E 568 147 054 as of December 31, 2014.

16- Debtors and other debit balances

	31/12/2014	31/12/2013
	<u>L.E</u>	<u>L.E</u>
Contractors and suppliers – advance payments	66 499 805	143 466 354
Prepaid expenses	90 321 192	68 537 729
Accrued management fees (16-1)	-	4 342 500
Deposits with others	1 402 898	2 242 898
Due from the bonus and incentive plan to employees and managers fund (16-2)	18 004 359	5 323 710
Advanced Lease rent	3 615 682	3 615 682
Other debit balances	9 829 436	5 540 889
	189 673 372	233 069 762
Impairment loss on debtors and other debit balances	(355 157)	(4 697 657)
	189 318 215	228 372 105

(16-1) The Company undertakes the management of SODIC - Palmyra Real Estate Development Company - a Syrian limited liability Company which SODIC Syria Co. – a subsidiary has a participation of 50% according to the Partners Agreement concluded between this subsidiary and SODIC - Palmyra Real Estate Development Company LTD dated June 16, 2010 and an impairment loss has been recorded on accrued management fees of SODIC - Palmyra Real Estate Development Company as its above disclosed in note (15-1) during 2013 .

(16-2) This item represents the amount due from the bonus and incentives plan to employees and managers. The amount represents the value of dividends of the shares of the bonus and incentives plan for the financial year ended December 31, 2010 as per the resolution of the Ordinary General Assembly Meeting held on April 12, 2011, and the interest due for these dividends and the value of issue rights of bonus and incentive plan relating to employees and executive managers as its disclosed at note No.(30) .

- The Company's exposure to credit and currency risks related to other debtors is disclosed in note No. (44).

17- Cash at banks and on hand

	31/12/2014	31/12/2013
	<u>L.E</u>	<u>L.E</u>
Bank – time deposits (17-1)	1 139 800 161	172 370 000
Bank – current accounts	40 669 402	88 174 557
Cheques under collection	18 374 164	24 543 329
Cash on hand	766 074	877 646
	1 199 609 801	285 965 532

17-1 Deposits include L.E 150 million restricted as a guarantee for the credit facility granted to the Company from a commercial bank. In addition, it includes an amount of L.E 80 million representing the value of deposits collected from customers on account of the regular maintenance expenses

- The Company's exposure to interest rate risk for financial assets is disclosed in note No. (44).

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

	31/12/2014	31/12/2013
	<u>L.E</u>	<u>L.E</u>
Cash at banks and on hand	1 199 609 801	285 965 532
<u>Less:</u>		
Bank - Overdraft	643 013	-
Cash and cash equivalent according to separate statement of cash flows	1 198 966 788	285 965 532
Restricted cash (facilities guarantee)	150 000 000	50 000 000
Cash available at the end of the year	1 048 966 788	235 965 532

18- Provision for completion

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

	Balance as at 1/1/2014	Provision formed during the year	Provision used during the year	Balance as at 31/12/2014
	<u>L.E</u>	<u>L.E</u>	<u>L.E</u>	<u>L.E</u>
Provision for completion	86 894 388	34 941 225	(56 578 880)	65 256 733
	86 894 388	20 738 159	(56 578 880)	65 256 733

Formed to face estimated cost to finish projects that delivered and estimated to be incurred and to complete spending on it during next years.

19- Provisions

	Balance as at 1/1/2014	Provision formed during the year	Provision used during the year	Balance as at 31/12/2014
	<u>L.E</u>	<u>L.E</u>	<u>L.E</u>	<u>L.E</u>
Provision for expected claims	9 365 212	90 647	(1 401 735)	8 054 124
	9 365 212	90 647	(1 401 735)	8 054 124

The provision is formed in relation to existing claims on the company's transactions with other parties. The Company's management reviews the provisions annually and makes any amendments if needed according to the latest agreements and negotiations with those parties.

The Company did not disclose all of the information required by the Egyptian accounting standards with those parties as the management assumes that the disclosure of such information shall seriously affect the company's negotiations with those parties

20- Bank – credit facilities

This item represents the following:

	31/12/2014	31/12/2013
	<u>L.E</u>	<u>L.E</u>
Represents the amounts drawn down from the LE 150 million fully secured overdraft facility signed between Bank Audi and SODIC. The facility is fully secured by deposits amounting to L.E 150 million with an interest rate of 1.25% above the deposit rate achieved.	101 170 177	12 697 761
Represents the balance of Bank Audi's facility to finance Forty West project. The facility had a total value of LE 50 million with an interest rate of 2.75% above the CBE's lending rate. The facility was fully paid in 2014.	-	18 714 006
	101 170 177	31 411 767

21- Advances from customers

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

	31/12/2014	31/12/2013
	<u>L.E</u>	<u>L.E</u>
Advances for booking , contracting and installments of residential units (Fourth area)	676 599	676 599
Advances – Allegria project	627 582 283	880 922 502
Advances – Forty West project	103 161 786	224 503 266
Advances – Westown Residences project	1 891 624 173	1 436 421 287
Advances _ The Courtyards	194 580 148	-
Advances – Casa	15 229 188	39 698 103
	2 832 854 177	2 582 221 757

22- Contractors, suppliers and notes payable

	31/12/2014	31/12/2013
	<u>L.E</u>	<u>L.E</u>
Contractors	56 975 065	66 698 202
Suppliers	8 345 285	20 176 063
Notes payable (22-1)	31 084 928	37 978 887
	96 405 278	124 853 152
<u>Deduct:</u> Unamortized interest - notes payable	1 473 592	2 210 387
	94 931 686	122 642 765

(22-1) This amount includes LE 28 714 814 which represents the amount due to the New Urban Communities Authority Sheikh Zayed.

23- Due to related parties

	31/12/2014	31/12/2013
	<u>L.E</u>	<u>L.E</u>
Sixth of October for Development and Real Estate Projects (SOREAL)	67 242 986	64 503 879
Move - In for Advanced Contracting Co. – a subsidiary	898 413	840 479
Green scape for Agriculture and Reclamation Co. – a subsidiary (under Liquidation).	2 748 260	2 748 260
SODIC SIAC Co. for Real Estate Investment – a subsidiary	81 388 628	67 840 575
Tegara for Trading Centers Co. – a subsidiary	55 595 000	55 600 000
SODIC Property Services Co. – a subsidiary (under Liquidation)	2 702 660	2 702 660
Edara for Services of Cities and Resorts Co. – a subsidiary	1 413 590	3 172 720
Beverly Hills Co. for Management of Cities and Resorts	660 755	684 440
	212 650 292	198 093 013

24- Creditors and other credit balances

	31/12/2014	31/12/2013
	<u>L.E</u>	<u>L.E</u>
Accrued expenses	72 515 342	112 428 186
Amounts collected on account for management, operation and maintenance	138 671 482	109 259 917
Deposits collected from customers – against improvements	149 615	169 600
Customers-credit balances of Polygon project	341 174 801	98 209 235
Bonyan for development and trading Co.	107	529 955
Customers - cancellation	8 840 657	19 503 802
Dividends payable	91 643	91 643
Tax Authority	20 271 801	9 180 047
Accrued compensated absence	3 632 525	2 865 194
Sundry creditors	9 220 109	7 672 188
Accrued to Solidere International Egypt (24-1)	-	71 078 513
Accrued to beneficiaries from incentive plan	1 192 600	-
Capital gain-Deferred (24-2)	6 665 857	8 798 931
	602 426 539	439 787 211

(24-1) During 2014 the amount due to Solidere International based on the settlement agreement signed between the Company and Solidere International has been paid through a mixture of internally generated funds and a medium term loan from Commercial International Bank (CIB) as detailed in note No (31).

(24-2) The amount represents the capital gain resulted from the sale of the land and the buildings of the administrative building, which is deferred and amortized over the lifetime of the financial lease contract as it is shown in details in note No.(31-1) above.

- The Company's exposure to currency and liquidity risks related to creditors is disclosed in note No. (44).

25- Share capital

The authorized capital of the Company is L.E. 2 800 000 000.

At the beginning of 2014, the Company had an issued and paid in capital of L.E 362 705 392 distributed over 90 676 348 shares with a par value of LE 4 per share.

On July 13, 2014 the Extra-Ordinary General Assembly Meeting approved increasing the issued capital from LE 362 705 392 distributed over 90 676 348 shares with a par value of LE 4 per share to LE 1 362 705 392 distributed over 340 678 348 shares with a par value of LE 4 per share. As such the additional increase in capital is equivalent to L.E. 1 billion distributed over 250 million shares. The capital increase was allocated to existing shareholders according to their original ownership pre the capital increase. Existing shareholders had the right to trade the subscription right according to the Extra Ordinary General Assembly Meeting and subsequent Egyptian Financial Supervisory Authority approval.

The subscription period began on October 1, 2014 and ended on October 30, 2014. The capital increase was 99.2% subscribed and as such the additional issued shares amounted to 248 233 225 shares. The increase was notarized in the commercial register as of December 7, 2014.

As of December 31, 2014 the Company had an issued and paid in capital of L.E 1,355,638,292 distributed over 338,909,573 shares with a par value of L.E 4 per share.

The capital structure is as follows:

Shareholder	Number of shares	Share value	Ownership percentage
		L.E	%
Olayan Saudi Investment Company.	43 121 432	172 485 728	12.72
RA Six Holdings Limited	31 992 544	127 970 176	9.44
Rashed Al Rashed & Sons Co.	15 586 983	62 347 932	4.60
EFG Hermes Holdings Financial Group.	15 183 111	60 732 444	4.48
NORGES Bank	13 888 392	55 553 568	4.10
Juma Al- Majid Investments LLC.	11 148 092	44 592 368	3.29
Abdel Monem Rashed Abdel Rahman Al Rashed	9 897 756	39 591 024	2.92
Incentive and bonus plan of employees and managers	737 500	2 950 000	0.22
Other shareholders	197 353 763	789 415 052	58.23
	338 909 573	1 355 638 292	100

26- Legal reserve

According to the Company' statutes, the Company is required to set aside 5 % of annual net profit to form a legal reserve, transfer to the legal reserve may be suspended once the reserve reaches 50% of the Company's issued capital. The reserve balance as at December 31, 2014 is represented as follows:

	<u>L.E</u>
Legal reserve balance as at 1/1/2003	6 530 455
<u>Add:</u>	
Increase of the legal reserve with the difference between the par value of the treasury shares and its actual cost (according to the Company's Extra-Ordinary General Assembly Meeting held on July 10, 2003).	4 627 374
Increase of the legal reserve with part of capital increase share premium with limits of half of the Company's issued share capital during 2006. (Note No. 27).	123 409 151
Increase of the legal reserve with part of capital increase share premium during 2007 with limits of half of the Company's issued share capital. (Note No. 27).	5 000 000
Increase of legal reserve with a 5% of the net profit for year 2008.	2 339 350
Increase in legal reserve with a part of the capital share premium during 2010 with limits of half of the Company's issued share capital (Note No. 27)	39 446 365
<u>Deduct:</u>	
The amount used to increase the issued share capital during the year 2011 (Note No. 25).	2
	181 352 693

27- Special reserve – share premium

The 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 share premium increase of 7 857 143 shares during 2010 after deducting the amounts transferred to the legal reserve, and also 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 premiums collected during 2006 and 2010	1 455 017 340
<u>Add:</u>	
Share premium of the employees' incentive and bonus plan issued during 2007	90 000 000
The value of selling 712 500 share which has been sold through beneficiaries of incentive and bonus plan during 2014 with LE 30 per share (after split)	21 375 000
<u>Deduct:</u>	
- Amounts transferred to the legal reserve	167 855 516
- Capital increase – related expenses	55 240 255
- Amount used for share capital increase during 2008	5 000 000
	1 338 269 569

28- Profit from sale of treasury shares

On August 14, 2011, the board of directors of the Company approved the purchase of one million treasury shares at L.E 18 per share (the par value is L.E 4 per share) with a total amount of L.E 18 018 000 from the Egyptian stock exchange. On August 13, 2012 the Company's board of directors agreed to sell these shares for a total value of L.E 21 710 867 resulting in a profit of L.E 3 692 867 .

29- Shares kept for bonus and incentive plan

This item is represented in the remainder of the amount paid by the Company in return for issuing one million ordinary shares with a fair value of L.E 40 per share (before splitting) under account and in favor of the incentive and bonus plan of the Company's employees and managers which are kept in Arab African International Bank.

<u>Description</u>	<u>L.E</u>
For financing of one million shares from the bonus and incentive plan with a fair value of L.E 100 per share (before splitting) during 2007.	100 000 000
<u>Deduct:</u>	
The value of 200 000 shares sold by the beneficiaries from the bonus and incentive plan during December 2007 out of which an amount of L.E 15 million was paid to the Company for L.E 75 per share (before splitting).	20 000 000
	72 000 000
<u>Deduct:-</u>	
The value of 1.8 million shares exercised by the beneficiaries from the bonus and incentive plan during 2014 out of which an amount of LE 54 million for L.E 30 per share (after splitting).	
	8 000 000

30- Set aside amount for bonus and incentive plan

The balance represents the remaining balance from the difference between the grant date fair value of shares and the amount incurred by the beneficiary from the incentive and bonus plan for the Company's managers and employees for the shares issued during 2007 in addition to the share of the shares of the incentive plan in dividends 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 bonus and incentive plan for one million share (allocated over 5 years) for 60 months and the agreed upon share price in accordance with the bonus and incentive plan as at December 31, 2012.	25 000 000
<u>Deduct:</u>	
The difference between the fair value of the shares at the grant date and the agreed upon share price in accordance with the incentive and bonus plan for 200 000 shares that were sold in favor of the beneficiaries during December 2007.	5 000 000
	20 000 000
<u>Add:</u>	
The value of the share of the bonus and incentive plan to employees in the dividends declared in accordance with the resolution of the Ordinary General Assembly Meeting held on April 12, 2011, L.E 4 each *	5 200 000
Accrued interest on the dividends relating to the shares of bonus and incentive plan to employees.	517 447
Value of selling of issue rights of the bonus and incentive plan at capital increase that has been sold according to the bonus and incentive plan committee on October 26, 2014	16 306 912
<u>Deduct:</u>	
Difference between the fair value at grant date and the agreed value for bonus and incentive plan for 1.8 million shares (after splitting) that have been sold to beneficiaries during September, 2014.	18 000 000
Value of the dividends attributed to the sold shares in accordance to the decisions of the general assembly meeting dated April 12, 2011	4 020 000
	20 004 359

- * According to the incentive and bonus plan for employees, managers and executive board of directors, the exercise price of the share vested to the beneficiaries amounts to L.E 75 (before splitting) is reduced by the value of the distributed dividends to shareholders during plan term.

31- Long-term loans

	<u>31/12/2014</u>	<u>31/12/2013</u>
Represents the non-current balance of a medium-term loan amounting to LE 435 million granted by the Bank of Alexandria to finance Allegria project. The facility was refinanced via a syndicated loan agreement with the Arab African International Bank "facility agent" and a group of banks, referred to below	-	256 381 985
On July 4, 2013 the company signed a bridge loan contract with Arab African International Bank for a total value of LE 150 million. . The facility was refinanced via a syndicated loan agreement with the Arab African International Bank "facility agent" and a group of banks, referred to below.	-	55 027 500
On December 19, 2013 the company signed a medium-term syndicated loan contract with a group of banks represented by the Arab African International Bank "facility agent" with a total amount of LE 900 million to finance SODIC West project including the following developments Allegria, Westown Residences, Polygon, Forty West, Westown Hub, and other areas located in SODIC West.	433 983 384	-
<u>Guarantees:</u>		
- First degree real estate mortgage on Al Yosr land plot		
- Share pledge on Al Yosr Company shares in favor of the security agent		
- Assignment of receivables generated from sale and lease contracts		
- Pledge of project account, associated sub accounts, and debt service account in favor of the security agent		
- Promissory notes		
<u>Interest:</u>		
- 3% above the CBE's lending rate per annum.		
- Interest is paid monthly.		
- Administrative fee of 0.05% on the highest outstanding balance per quarter.		
<u>Grace period:</u> 12 months from the date of the first drawdown		
<u>Repayment:</u> 4 years after the end of the grace period.		
On July16, 2014 the company signed a medium-term loan contract with Commercial International Bank (CIB) for a total amount of LE 300 million to finance specific areas in Westown previously owned by Solidere International.	189 347 800	-
	623 331 184	311 409 485
Deduct: Current portion		
Bank of Alexandria (short term)	-	168 370 259
Arab African International Bank	78 117 009	55 027 500
	78 117 009	223 397 759
	545 214 175	88 011 72

31-1 The Company has signed a medium term facility agreement (sale and lease back - financial lease) with an amount of L.E 75 132 399 with financing percentage representing 75% out of the value of the assets sold to the financial lease company, the lease with a total amount of L.E 95 366 168 to be settled over (20) quarterly installment, following are the contract terms:

1- PIRAEUS Bank Egypt – Lender (first party)

2- PIRAEUS Company “for financial lease” – the lessor and security agent of the guarantee (second party)

3-Sixth of October for Development and Investment Company "SODIC" (Third party)

- The purpose of the finance: using that finance to settle the capital expenditures the Company committed with
- The period of finance: 5 years
- Interest rate: corridor lending rate announced by the Central Bank of Egypt plus 2.75%

And the above-mentioned financing operation has proceeded by the sale to PIRAEUS Company for financial lease and lease it back.

- 1- The whole land and buildings of the administrative building located on plot No.26 in the area 17 at Westown Project – Beverly Hills – El-Sheikh Zayed – 6th of October city – Giza, with a total area of 22 086 m², sold for an amount of L.E 32 178 922.
- 2- The whole land and buildings of the sales building located on plot Building 1 Block 1 the seventeenth avenue next to the desert road show rooms 38 km Cairo Alex desert road with an area of 4 977 m², sold for an amount of L.E 42 953 477.

The Company is accounting for the Financial lease assets according to the Egyptian Accounting Standard No.(20) as an operating lease.

32- Long-term notes payable

This item is represented in the following:

	<u>31/12/2014</u>	<u>31/12/2013</u>
	<u>L.E</u>	<u>L.E</u>
Total nominal value of the checks issued to SODIC SIAC for Real Estate Investment Co. which are payable on May 2, 2016.	26 510 466	55 225 281
<u>Deduct:</u>		
Unamortized interest	2 204 348	6 613 045
	24 306 118	48 612 236

- The Company's exposure to credit risk related to long-term notes payable is disclosed in note No. (44)

33- Deferred tax liabilities

	<u>31/12/2014</u>	<u>31/12/2013</u>
	<u>L.E</u>	<u>L.E</u>
Fixed assets	3 442 573	2 770 981
Tax raised to liability	3 442 573	2 770 981

34- Sales

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

	2014	2013
	<u>L.E</u>	<u>L.E</u>
Sale of Allegria project	449 128 428	840 013 522
Revenue from executed contracts Allegria project	46 548	3 643 546
Sales of Forty West project	184 306 533	47 916 011
Sales of Casa project	27 854 148	25 259 407
Sales of Westtown Residences project	192 788 297	69 698 612
Sale of lands	-	75 743 328
	854 123 954	1 062 274 426
Sales returns – Land	-	(242 588 032)
Sales returns - Allegria project	(5 231 166)	(3 000 002)
	848 892 788	816 686 392

35- Cost of sales

	2014	2013
	<u>L.E</u>	<u>L.E</u>
Cost of sales of Allegria project	239 762 485	480 243 934
Cost of executed contracts Allegria project	173 057	3 969 361
Cost of sales of Forty West project	148 551 089	40 857 668
Cost of sales of Casa project	17 078 000	15 799 000
Cost of sales of Westtown Residences project	105 218 234	39 992 257
Cost of lands sold	-	58 359 956
	510 782 865	639 222 176
Cost of sales returns – Land	-	(62 143 756)
Cost of sales returns – Allegria project	(1 085 766)	(2 003 226)
Adjustments	-	(12 127 822)
	509 697 099	562 947 372

36- Other operating revenues

	2014	2013
	<u>L.E</u>	<u>L.E</u>
Interest income realized from installments during the year	29 764 162	11 764 053
Assignment, cancellation dues and delay penalties	41 873 085	57 190 783
Sundry income	2 360 047	4 707 968
Management fees	-	8 622 312
Income from management & operation of the golf course	1 200 000	1 200 000
Buildings rental income	2 125 155	587 474
Capital income	2 140 866	1 251 708
	79 463 315	85 324 298

37- Selling and marketing expenses

	2014	2013
	<u>L.E</u>	<u>L.E</u>
Salaries and wages	16 601 977	19 422 326
Sales commissions	26 292 961	32 708 376
Advertising expenses	22 066 633	12 822 318
Conferences and exhibitions	4 738 674	2 705 454
Rent	15 738 053	6 220 954
Travel, transportation & vehicles	19 778	795 891
Donations	156 740	2 012 490
Maintenance, Cleaning, Agriculture and Security	2 526 480	2 789 600
Professional fees and consultancy	696 000	1 494 447
Gifts	207 204	822 728
Others	1 851 777	2 317 995
	90 896 277	84 112 579

38- General and administrative expenses

	2014	2013
	<u>L.E</u>	<u>L.E</u>
Salaries, wages and bonuses (38-1)	76 891 879	46 986 483
Board of directors' remunerations and allowances	9 034 628	4 338 600
Medical treatment and employee's training	5 055 754	4 147 830
Consultancy and professional fees	13 966 761	9 232 785
Advertising	349 193	658 431
Donations	3 089 984	2 164 496
Maintenance, Cleaning, Agriculture & Security	16 378 347	26 161 095
Administrative depreciation of fixed assets and Rented Units.	9 335 173	13 683 690
Subscriptions and governmental dues	1 343 162	264 426
Rents	10 679 351	9 251 002
Travelling and transportation	1 195 878	1 775 635
Communication and electricity	3 628 778	2 369 500
Stationary and computer supplies	3 262 090	2 602 260
Hospitality	1 153 641	1 049 823
Bank charges	2 333 667	1 219 314
Vacations	317 828	543 053
Gifts	701 053	683 323
Conferences and exhibitions	330 012	100 215
Insurance installments	264 112	341 043
Others	1 134 549	40 199
	160 445 840	127 613 203

38-1 This item includes salaries for the executive manager's members of the Board as follows:

	2014	2013
	<u>L.E</u>	<u>L.E</u>
Salaries	4 670 550	11 503 981
Cash settled share-based payments (a)	-	665 079
	4 670 550	12 169 060

- (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 and 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 which are settled in cash to beneficiaries are as follows:

Parties entitled	Grant date	Number of shares in thousands	Fair value of share at grant date (after splitting) <u>L.E</u>	Market value of share at 31/12/2014 <u>L.E</u>	Conditions
Some executive board members	1/4/2006	-	30	14.24	Vested after 6 months from grant date

The company has a bonus and incentive plan as shown in Note No.(49), current plan has been ended and implementation of a new plan as its disclosed in note No.(51)

39- Other operating expenses

	2014	2013
	<u>L.E</u>	<u>L.E</u>
Discount for early payment	32 509 428	24 142 949
Provision for claims	90 647	90 647
Impairment losses on Investments available for sale	-	1 250
Impairment losses on due to related parties	17 843 080	550 303 973
	50 443 155	574 538 819

40- Finance income

	2014	2013
	<u>L.E</u>	<u>L.E</u>
Interest income	37 205 132	12 918 819
Net foreign exchange differences	-	53 257 881
	37 205 132	66 176 700

41- Finance cost

	2014	2013
	<u>L.E</u>	<u>L.E</u>
Interest expense	65 628 900	52 842 638
Finance cost Solidere land	-	74 936 489
Installments interest expense of Sheikh Zayed land	5 277 395	10 350 775
Net foreign exchange differences	5 891 842	-
	76 798 137	138 129 902

42- Income tax expense

	2014	2013
	<u>L.E</u>	<u>L.E</u>
Current income tax expense	15 086 663	-
Deferred income tax expense	671 592	1 314 362
	15 758 255	1 314 362

43- Earnings per share

Earnings per share are calculated on the basis of net profits of the year using the weighted average number of shares outstanding during the year as follows:

	2014	2013
	<u>L.E</u>	<u>L.E</u>
Net profit for the year	61 522 472	(520 468 847)
<u>Divided by:</u>		
Weighted average number of shares outstanding during the year	107 678 624	90 676 348
Earnings / (loss) per share (L.E/share)	0.57	(5.74)

44- Financial instruments

44-1 Credit risk

Exposure to credit risk

The carrying amount of financial assets represented in the balances of trade and notes receivables, debtors and cash and cash equivalent represent the maximum credit exposure. These balances amounting to LE 3 919 713 155 as at December 31, 2014 (December 31, 2013 : L.E 2 751 193 318).

44-2 Liquidity risk

This note represents the contractual terms of financial liabilities:

December 31, 2014

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

December 31, 2013

	Carrying amount	Less than 1	1-2 years	2-5 years
		year		
		<u>L.E</u>		
Banks – credit facility	31 411 767	31 411 767	-	-
Short-term loans	223 397 759	223 397 759	-	-
Long-term loans	88 011 726	-	-	88 011 726
Contractors and suppliers	86 874 265	86 874 265	-	-
Other creditors	439 787 211	238 455 399	194 009 497	7 322 315
Notes payable – short term	35 768 500	35 768 500	-	-
Notes payable – long term	48 612 236	-	24 306 118	24 306 118
Total	953 863 464	615 907 690	218 315 615	119 640 159

44-3 Currency risk

Exposure to currency risk

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

Description	31/12/2014		31/12/2013	
	<u>EUR</u>	<u>USD</u>	<u>EUR</u>	<u>USD</u>
Cash at banks	273 963	1 944 671	-	2 934 697
Other debtors	-	-	-	625 000
Surplus of foreign currencies	273 963	1 944 671	-	3 559 697

44-4 Interest rate risk

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

	Carrying amount	
	31/12/2014	31/12/2013
	<u>L.E</u>	<u>L.E</u>
<u>Fixed rate instruments</u>		
Financial assets	2 682 174 395	2 437 554 695
Financial liabilities	(53 917 454)	(84 380 736)
	<u>2 628 256 941</u>	<u>2 353 173 959</u>
<u>Variable rate instruments</u>		
Financial liabilities	(724 501 361)	(342 821 252)
	<u>(724 501 361)</u>	<u>(342 821 252)</u>

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

44-5 Fair values

Fair values versus carrying amounts

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

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

45- Transactions with related parties

Related parties are represented in the Company's shareholders, board of directors, executive directors and companies in which they own directly or indirectly shares giving them significant influence or controls over the Group. The Company made several transactions during the year with related parties and these transactions have been done in accordance with the terms determined by the board of directors of the Company and were approved by the Company's Ordinary General Assembly and all transactions excluded added value.

Summary of significant transactions concluded during the year at the separate balance sheet date were as follows:-

Party	Nature of relationship	Nature of transaction	31/12/2014 Amount of Transaction <u>L.E</u>
Beverly Hills Co. for Management of Cities and Resorts	A subsidiary	Works of agriculture, maintenance and security services for Beverly Hills City.	2 871 614
Sixth of October for Development and Real Estate Projects (SOREAL)	A subsidiary	Payments on behalf of the Company	216 989 871
		Cash payments	516 295 073
Garden City for development and investment	A subsidiary	Payments on behalf of the Company	735 166
		Cash receivables	843 700
			31/12/2014

Party	Nature of relationship	Nature of transaction	Amount of Transaction
Move-In for Advanced Contracting Co.	A subsidiary	Completion and furnishing works	1 756 895
		Rent of managerial Units	84 900
		Cash payments	8 024 078
Edara for Services of Cities and Resorts Co.	A subsidiary	Works of agriculture, maintenance and security services for Allegria City.	19 829 755
Tegara CO. for trading centers	A subsidiary	Expenses on behalf of the company	475 924
SODIC for Golf and Tourist Development Co.	A subsidiary	Payments on behalf of the Company.	1 583 105
		Revenue from management and operation of the golf course and club	1 200 000
		Expenses recovery	1 559 158
		Cash payments	6 250 000
SODIC SIAC for Real estate investment	A subsidiary	Payments on behalf of the Company.	102 506 372
		Cash receivable	48 963 901
		Works of SODIC SIAC building No.(1)	13 048 054
		Customer receivable and notes receivable	199 290 337
Green scape for Agriculture and Reclamation Co.	A subsidiary	Payment on behalf of the company	1 452 001
El Yosr for Projects and Agriculture Development Co.	A subsidiary	Payment on behalf of the company	709 505
		Cash payments	850 000
Fourteen Co. for Real estate investment	A subsidiary	Payments on behalf of the company	2 307 985
SODIC for development and Real estate investment	A subsidiary	Payments on behalf of the Company	482 751
		Cash payments	5 348 651
Royal Gardens Co.	A subsidiary	Payments on behalf of the company	721 964
SODIC – Syria	A subsidiary	Payments on behalf of the company	56 892
La maison Co. for Real estate investment	A subsidiary	Payments on behalf of the Company	17 590 345
Soreal Co. for Real estate investment	A subsidiary	Payments on behalf of the Company	534 320
		Cash payments	245 000 000
Sodic Co. for securitization	A subsidiary	Payments on behalf of the Company	69 429
Executive managers & board members			(Note No. 38)

46- Legal status

There is a dispute between the Company and another party regarding the contract concluded between them on 23/2/1999 which is related to delivering this party a plot of land as a usufruct right for indefinite year of time and a return for an annual rental with a minimal amount for a total of 96 acres approximately and which has not been delivered up till this date as the management of this party did not abide by the detailed conditions of the contract. There are exchanged notifications concerning this land between the management of the Company and the management of the third party. During 2009, this party raised a court case No. 3 of 2009 Civil 6th of October against the Company asking it for the delivery of the allocated land. A preliminary sentence was issued by the court in its session held on February 22, 2010 to refer this matter to Experts and to delegate the Experts Office of the Ministry of Justice to embark this case and set a session to be held on April 26, 2010 for the expert to present his report. The session was postponed by the court several times and the last one will be held on November 24, 2014. The Company's legal counsel is of the opinion that the Company has the right to maintain and exploit this land under the contract as the said contract has not been affected and no usufruct right has been arisen to this party since its effect was based on conditions that have not been met. In addition, in case of any dispute raised by this party to possess the land, the Company has the

actual and physical possession of the land and hence it has the right to continue in possessing the land till settlement of this dispute in front of court. On November 24, 2014 6 of October partial court decided to dissuade its decline decree of previous proof procedures dated February 22, 2010.

47- Tax status

On June 2, 2014, Law No. (22) for the year 2014 has been issued to impose a temporary three year additional tax amounting to (5%) starting from the current taxable period. This additional tax is imposed on the tax pool over an amount of One Million Egyptian pounds by individuals or corporates as stipulated in the articles of the Income tax Law. This additional tax should be assessed and collected according to those articles. This law became into force starting from June 5, 2014.

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

1. Imposing a tax on Dividends.

2. Imposing a tax on the capital gains resulted from sale of capital contribution shares and securities.

As the executive regulations related to the previously mentioned law has not been issued yet, that may result in inconsistency in interpreting the articles of the new law, the company's management has assessed and quantified the impact of application of the tax law according to its interpretation, never the less, this assessment and quantification may differ upon issuance of the executive regulations of this law

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

Corporate tax

- A ten – year corporate tax exemption year starting from the year following the date of the activity inception as of 1/1/1998 until 31/12/2007 has been previously granted according to Law No. 59 of 1979 concerning the New Urban Communalities.
- During January 2011, the Company submitted a request to the Tax Authority demanding the amendment of the tax exemption year to start from the date of the actual handing over of the units in the year 2002.
- On January 18, 2011, the Disputes Dispersal Committee of the Tax Authority considered and studied the Company's request in the light of the date of the actual handing over of the units and the regulations applicable to similar companies. Accordingly, the said committee decided to approve the Company's request thus considering the date of the actual business activity of the Company to be the year 2002, hence, the Company shall be entitled to tax exemption from 1/1/2003 to 31/12/2012, and the amendment was annotated in the Company's tax card.
- The amended tax return for year 2008 was submitted to the Tax Authority.
- Years from 1996 till 2001 has been inspected and the company were notified and tax differences are under settlement.
- Years from 2002 till 2004 has been inspected and the company were not notified by any tax claims till the issuance of these financial statements, deemed basis has been notified by the tax authority and it has been challenged by the company and this years has been transferred to internal committee which issued its decision of re-investigation for this years.
- Inspection was notified for the years from 2006 till 2008 and was notified by form (19) on 29 April 2012 for the year 2006 approximately and was appealed on May 3, 2012 and a request was submitted for re-inspection in 2006 and re-inspection is being carried on.
- 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 2004 and the tax claims.
- Years from 2002 till 2004 were inspected and the Company has paid the tax differences.
- Years from 2005 till 2012 are under inspection and the Company has not received any tax claims till authorizing these financial statements for issuance.

Withholding tax

Tax inspection was carried out till the third quarter of 2014 till the issuance of these financial statements.

Stamp tax

- Tax inspection was carried out for the previous year till December 31, 2010 and the tax differences were paid.
- Years from 2011 till 2012 are under tax inspection and no claims has been issued till now.
- The company regularly provides stamp tax returns.

Sales tax

- The Company was inspected from inception till December, 2013 and tax differences were paid.

Real estate property tax

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

48- Capital commitments

Capital commitment as at December 31, 2014 is represented in contracted and unexecuted works amounting to L.E. 587 374 (2013 : L.E. 588 605)

49- Bonus and incentive plan of the Company's employees and managers

- On 16 October 2006, the Company's Extra - Ordinary General Assembly unanimously agreed to approve the incentive plan of the Company's employees and managers and authorizing the Company's board of directors to issue million share with a fair value of L.E 100 per share (before splitting) and appointing an independent committee for supervising the execution of this plan formed by non – executive members in the board of directors.

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

- The bonus and incentive plan works through allocation of shares for the employees, managers and executive board directors.
 - Duration of the plan is four years starting from the date of approval of the plan by the 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. (before splitting)
 - The 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 Company will be paid from the proceeds of sale.
- The Company signed a custody agreement with Arab African International Bank on 15 April 2007 to save bonus and incentive shares. The shares of the plan were issued and financed by the Company. Annotation of this increase was registered in the Commercial Registry on July 5, 2007.

- On September 23, 2007, the Supervisory Committee of the bonus and incentive plan of the 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 and 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 bonus and incentive plan provisions.
- The number of shares allocated to the plan was increased by 500 000 additional shares.
- On July 3, 2008 the Supervisory Committee of the incentive and bonus plan of the Company's employees, executive directors approved the allocation of 495 000 shares of the total shares to some of the Company's employees and executive directors. Allocation contracts for these shares were signed with the employees and the executive directors during October 2008.
- On December 7, 2009, the 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 year 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.
- Beneficiaries, extent and vesting conditions of granting of shares in accordance with this plan are as follows plan till the extraordinary general assembly at its disclosed at note No. (51).

<u>Employees entitled</u>	<u>Grant date</u>	<u>No. of shares in thousands</u>	<u>Fair value of share at grant date</u> <u>L.E</u>	<u>Exercising price</u> (before split) <u>L.E</u>	<u>Conditions</u>
Previous- Managing director	28/3/2007	750	100	75	Working from the Company for five years and exercise period from 31/3/2007 till 31/3/2015 – 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 two consecutive years during the vesting year.
Previous- Board of director	23/9/2007	75	100	75	According to performance measure and exercise period from 31/3/2007 till 31/3/2015.
Some managers	23/9/2007	175	100	75	According to performance measure and exercise period from 31/3/2007 till 31/3/2015.
Board of director	7/10/2008	25	73.34	75	According to performance measure and exercise period from 31/3/2007 till 31/3/2015.
Some managers	7/10/2008	470	73.34	75	According to performance measure and exercise period from 31/3/2007 till 31/3/2015.

50- Comparative Figure

- The comparative figures has been restated to conform to the classification of the present financial statements.

<u>balance</u>	
<u>LE</u>	
(165 849 864)	Creditors and other credit balances
165 849 864	Long-term creditors

51- Subsequent events

On February 1, 2015 the extra ordinary general assembly agreed on the following:

- Issuing solidarity guarantee in favor to Arab African international bank to grant and guarantee all "Soreal for real estate investment" liabilities regarding loan between "Soreal for real estate investment" and Arab African international bank dated July 3, 2014 that "Soreal for real estate investment" obtained which is amounting to LE 950 million from the bank
- End of current bonus and incentive plan for employees and executive managers by the end of March 31, 2015 "expired" and changing the remaining shares amounting to 737 500 shares that has not been exercised to treasury shares according to its related regulations.
- Implementation of new bonus and incentive plan through allocation of shares with special conditions to employees and board of director's members.