

Translation from Arabic

Sixth of October for Development and Investment Company "SODIC"
(An Egyptian Joint Stock Company)
Consolidated Financial Statements
For The Financial Period Ended September 30, 2013
And Limited Review Report

 **Hazem Hassan**
Public Accountants & Consultants

Contents	Page
Limited Review Report	1
Consolidated Balance Sheet	3
Consolidated Income Statement	4
Consolidated Statement of Changes in Equity	5
Consolidated Statement of Cash Flows	6
Notes to the Consolidated Financial Statements	7



Hazem Hassan

Public Accountants & Consultants

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

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

Translation from Arabic

Report on Limited Review of Interim Consolidated Financial Statements

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

Introduction

We have performed a limited review for the accompanying consolidated financial statements of Sixth of October for Development and Investment Company "SODIC" which comprise the consolidated balance sheet as of September 30, 2013 and the related consolidated statements of income, cash flows and changes in equity for the Nine-month then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of these interim consolidated financial statements in accordance with Egyptian Accounting Standards. Our responsibility is to express a conclusion on these interim consolidated financial statements based on our limited review.

Scope of Limited Review

We conducted our limited review in accordance with Egyptian Standard on Review Engagements (2410) "Limited Review of Interim Financial Statements Performed by the Independent Auditor of the Entity." A limited review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters in the Company, and applying analytical and other limited review procedures. A limited review is substantially less in scope than an audit conducted in accordance with Egyptian Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on these interim consolidated financial statements.

Conclusion

Based on our limited review, nothing has come to our attention that causes us to believe that the accompanying interim consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Company as at September 30, 2013, and of its consolidated financial performance and its consolidated cash flows for the Nine-month then ended in accordance with Egyptian Accounting Standards.

*Emphasis of matter**Without qualifying our opinion*

- Regarding to what has been mentioned in details in Note No.(47), the parent Company (Sixth of October for Development and Investment Company "SODIC") share in the total assets of the joint venture in The Arab Republic of Syria in addition to the balance of the loans granted to these joint venture amounting to approximately L.E 232 million as at September 30,2013. The Company was unable to obtain the appropriate data, which could enable it to disclose the effect of the current events on The Arab Republic of Syria on the values of the assets, liabilities and the results of operations in the foreseeable future, since these amounts and results may differ significantly in the foreseeable future when reliable indicators and signs become available, which enable the use of those indicators and signs in determining the extent and the impact of the current events on the carrying value of the assets and liabilities included in the financial statements.

The Company's management believes that its assets & investments in Syria are totally covered by the net value of the assets and properties of the joint venture in Syria.

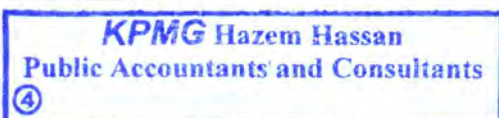
- As mentioned in details in Note No.(54-1) on March 29, 2012 Sixth of October for Development and Real Estate Projects Co. "SOREAL" (Subsidiary 99.99% owned to Sixth of October for Development and Investment Company "SODIC"), has received a letter from the Urban Communities Authority (New Cairo City) dated march 14, 2012 stating that the main real estate committee in its session No. 9 as at January 8, 2012 has decided to cancel the allocation of land plot No. 16 in the investees north extent area which is allocated to the company and revocation of the contract dated as March 13, 2005 and appendix dated September 3, 2006 and this is because of the fact that the Company has not committed to execute the project till to date. As shown in note no. (15) the total value of land in addition to the related expenses and costs amounts to EGP L.E 634 million as at September 30, 2013.

On November 4, 2013 the company received a letter issued by the New Urban Communities Authority stating that the main real estate committee in its session No. 37 as at October 24, 2013 has decided to cancel the allocation of land plot No. 16 in the investees southern investors east extension area which is allocated to the company and revocation of the contract with the council. On November 9, 2013 the judgment of administrative court has been released to stop the procedures taken by the General Secretariat of the Presidency of the Council of Ministers and the decision issued by the real estate committee on October 24, 2013 referred to above and to continue to implement the judgment

released in the urgent part of the lawsuit No. 48136 year 66 Judicial while resolving the matter of the lawsuit No. 6448/68 Judicial.

Therefore the Company's management doesn't believe that its Works in process need to be impaired.

- As mentioned in details in note (54-2) There is a legal dispute between Sixth of October for Development and Investment Company "SODIC" and Solidare – Egypt Company. The Company's management and its external legal consultant believe that the situation of Sixth of October for Development and Investment Company "SODIC" is positive in that dispute.


KPMG Hazem Hassan

Cairo, November 14, 2013

Sixth of October for Development and Investment Company "SODIC"
(An Egyptian Joint Stock Company)
Consolidated Balance Sheet
As at September 30, 2013

	Note No.	30/9/2013 L.E	31/12/2012 L.E
<u>Long - term assets</u>			
Fixed assets (Net)	(6)	135 910 162	212 879 307
Projects under construction	(7)	14 873 167	9 090 827
Biological Assets		3 309 909	2 419 959
Investments in associates	(8)	-	-
Investments - available for sale	(9)	4 250 000	4 250 000
Investment properties (Net)	(10)	370 714 769	390 938 481
Advance payment for investment properties		4 560 735	9 351 065
Trade, notes receivables and debtors (Net)	(11)	2 325 642 306	1 549 006 869
Total long - term assets		2 859 261 048	2 177 936 508
<u>Current assets</u>			
Other assets	(13)	3 795 059	4 962 175
Completed units ready for sale	(14)	47 277 755	47 277 755
Constructions in process		3 705 289	3 677 787
Works in process	(15)	2 894 255 667	2 845 423 337
Trade and notes receivable (Net)	(16)	1 036 151 732	1 011 631 836
Due from customers - constructions		98 695	-
Debtors and other debit balances (Net)	(17)	428 986 610	408 400 721
Loans to Joint Ventures	(18)	93 418 195	85 010 928
Investments in treasury bills	(19)	16 948 688	11 905 376
Cash at banks and on hand	(20)	456 534 766	319 968 597
Total current assets		4 981 172 456	4 738 258 512
<u>Current liabilities</u>			
Provision for completion	(21)	95 687 252	131 248 082
Provisions	(22)	19 267 633	23 078 752
Bank - lenders		537	11 524
Bank - credit facilities	(23)	141 388 033	35 651 373
Loans - Short term	(35)	226 976 481	142 732 070
Customers advances	(24)	4 460 483 049	3 527 871 427
Due to customers - constructions		952 562	1 153 201
Contractors, suppliers and notes payable	(25)	156 119 832	141 465 239
Creditors and other credit balances	(26)	420 497 681	416 053 868
Total current liabilities		5 521 373 060	4 419 265 536
Excess of current liabilities over current assets / Working capital		(540 200 604)	318 992 976
Total investments		2 319 060 444	2 496 929 484
These investments are financed as follows:			
<u>Equity</u>			
Issued & paid in capital	(28)	362 705 392	362 705 392
Legal reserve	(29)	181 352 693	181 352 693
Special reserve - share premium	(30)	1 316 921 569	1 316 921 569
Retained earnings		407 765 882	159 240 396
Profit from sale of treasury shares	(32)	3 692 867	3 692 867
Shares kept for incentive & bonus plan	(33)	(80 007 242)	(80 007 242)
Amount set aside for incentive & bonus plan	(34)	25 323 711	25 323 711
Net profit for the period		80 074 226	250 045 549
Cumulative translation adjustments of foreign operations	(31)	(241 382 474)	(106 071 083)
Total equity attributable to the Company		2 056 446 624	2 113 203 852
Non controlling interest	(27)	79 806 590	51 706 038
Total equity		2 136 253 214	2 164 909 890
<u>Long-term liabilities</u>			
Loans - long term	(35)	130 104 291	256 381 985
Notes payable	(36)	49 125 906	73 924 905
Deferred tax liabilities	(12)	3 577 033	1 712 704
Total long-term liabilities		182 807 230	332 019 594
Total equity and long - term liabilities		2 319 060 444	2 496 929 484

The accompanying notes from (1) to (55) are an integral part of these consolidated 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

Sixth of October for Development and Investment Company "SODIC"

(An Egyptian Joint Stock Company)

Consolidated Income Statement

For The Financial Period Ended September 30, 2013

	Note	From 1/1/2013 to 30/9/2013	Three month ended 30/9/2013	From 1/1/2012 to 30/9/2012	Three month ended 30/9/2012
	No.	L.E	L.E	L.E	L.E
Real estate and land sales	(37)	728 778 734	292 138 862	844 621 021	215 143 306
Executed construction contracts revenues		7 796 896	1 767 639	-	-
Service revenues of Beverly Hills City		13 203 337	4 446 589	11 432 957	4 001 142
Service revenues of Allegria project		1 680 200	583 484	2 570 987	1 476 619
Revenues from golf course		5 078 818	1 331 068	3 759 746	1 248 147
Total revenues		756 537 985	300 267 642	862 384 711	221 869 214
Cost of sales of real estate and land	(38)	(467 930 305)	(193 536 733)	(532 448 286)	(110 696 872)
Executed construction contracts cost		(8 396 160)	(3 731 170)	-	-
Service costs of Beverly Hills City		(15 366 379)	(5 210 269)	(15 403 253)	(5 632 133)
Service costs of Allegria project		(1 668 306)	(635 514)	(2 134 143)	(1 294 427)
Cost of golf course		(10 730 245)	(3 379 875)	(10 698 006)	(3 987 114)
Total costs		(504 091 395)	(206 493 561)	(560 683 688)	(121 610 546)
Gross profit		252 446 590	93 774 081	301 701 023	100 258 668
Other operating revenues	(39)	48 431 243	24 743 580	36 375 363	12 274 015
Selling and marketing expenses	(40)	(61 605 915)	(19 383 800)	(60 490 183)	(17 649 885)
General and administrative expenses	(41)	(99 528 087)	(31 652 745)	(113 561 864)	(38 665 378)
Other operating expenses	(42)	(26 342 558)	(10 173 380)	(16 539 019)	(4 781 513)
Operating profit		113 401 273	57 307 736	147 485 320	51 435 907
Finance income	(43)	63 965 672	1 923 951	34 395 827	10 966 900
Finance cost	(44)	(62 463 149)	(21 344 513)	(44 313 966)	(13 890 990)
Net finance income / (cost)		1 502 523	(19 420 562)	(9 918 139)	(2 924 090)
Net profit for the period before income tax		114 903 796	37 887 174	137 567 181	48 511 817
Income tax expense	(45)	(35 044 580)	(7 177 220)	(5 638 203)	(1 685 113)
Net profit for the Period		79 859 216	30 709 954	131 928 978	46 826 704
Share of the holding Company		80 074 226	28 504 876	127 802 378	46 419 235
Non controlling interest share in profits and losses of subsidiaries		(215 010)	2 205 078	4 126 600	407 469
Net profit for the Period		79 859 216	30 709 954	131 928 978	46 826 704
Earnings per share (L.E / Share)	(46)	0.88	0.31	1.42	0.52

The accompanying notes from (1) to (55) are an integral part of these consolidated financial statements and to be read therewith.

Sixth of October for Development and Investment Company "SODIC"
(An Egyptian Joint Stock Company)
Consolidated Statement of Changes in Equity
For The Financial Period Ended September 30, 2013

	Issued and paid in capital L.E	Legal reserve L.E	Special reserve-share premium L.E	Treasury shares L.E	Profit from selling of treasury share L.E	Shares kept for bonus and incentive plan L.E	Set aside amount for bonus and incentive plan L.E	Cumulative translation Adjustments of foreign operations L.E	Retained earnings L.E	Net profit for the period L.E	Equity attributable to the Company L.E	Non-controlling interest L.E	Total equity L.E
Balance as at December 31, 2011	362 705 392	181 352 693	1 316 921 569	(18 018 000)	-	(80 007 242)	25 267 256	(34 125 123)	347 956 204	(188 715 808)	1 913 336 941	43 047 944	1 956 384 885
Amount transferred to retained earnings	-	-	-	-	-	-	-	-	(188 715 808)	188 715 808	-	-	-
Cumulative translation adjustments of foreign operations	-	-	-	-	-	-	-	(55 357 799)	-	-	(55 357 799)	-	(55 357 799)
Returns of incentive and bonus plan of employee and managers dividends	-	-	-	-	-	-	56 455	-	-	-	56 455	-	56 455
Disposal of non controlling interests of unconsolidated subsidiaries	-	-	-	-	-	-	-	-	-	-	-	1 311 159	1 311 159
Treasury shares sold	-	-	-	18 018 000	-	-	-	-	-	-	18 018 000	-	18 018 000
Profit from sale of treasury shares	-	-	-	-	3 692 867	-	-	-	-	-	3 692 867	-	3 692 867
Net profit for the period	-	-	-	-	-	-	-	-	-	127 802 378	127 802 378	4 126 600	131 928 978
Balance as at september 30, 2012	362 705 392	181 352 693	1 316 921 569	-	3 692 867	(80 007 242)	25 323 711	(89 482 922)	159 240 396	127 802 378	2 007 548 842	48 485 703	2 056 034 545
Balance as at December 31, 2012	362 705 392	181 352 693	1 316 921 569	-	3 692 867	(80 007 242)	25 323 711	(106 071 083)	159 240 396	250 045 549	2 113 203 852	51 706 038	2 164 909 890
Amount transferred to retained earnings	-	-	-	-	-	-	-	-	250 045 549	(250 045 549)	-	-	-
Cumulative translation adjustments of foreign operations	-	-	-	-	-	-	-	(135 311 391)	-	-	(135 311 391)	-	(135 311 391)
Increase in non controlling interest	-	-	-	-	-	-	-	-	(1 520 063)	-	(1 520 063)	28 315 562	26 795 499
Net profit for the period	-	-	-	-	-	-	-	-	-	80 074 226	80 074 226	(215 010)	79 859 216
Balance as at september 30, 2013	362 705 392	181 352 693	1 316 921 569	-	3 692 867	(80 007 242)	25 323 711	(241 382 474)	407 765 882	80 074 226	2 056 446 624	79 806 590	2 136 253 214

* The accompanying notes from (1) to (55) are an integral part of these consolidated financial statements and to be read therewith.

Sixth of October for Development and Investment Company "SODIC"
(An Egyptian Joint Stock Company)
Consolidated Statement of Cash Flows
For The Financial Period Ended September 30, 2013

	Note No.	Nine month ended 30/9/2013 <u>L.E</u>	Nine month ended 30/9/2012 <u>L.E</u>
<u>Cash flows from operating activities</u>			
Net profit for the Period before income tax		114 903 796	137 567 181
<u>Adjustments :-</u>			
Depreciation of fixed assets and rented units		17 561 012	19 623 981
Capital gains		(152 662)	(90 556)
Capital losses		-	348 980
Foreign currency exchange		-	(399 329)
Provisions formed		24 379 832	43 540 173
Provisions no-longer required		(12 356 672)	(16 787 656)
Equity settled share – based payments		-	56 455
Operating profit before changes in working capital items		144 335 306	183 859 229
<u>Changes in working capital items</u>			
Change in other assets		1 167 116	(1 367 751)
Change in works in process		(48 832 330)	(70 487 310)
Change in investment properties		20 223 712	15 065 323
Change in advance payment to acquire investment properties		4 790 330	2 096 319
Change in constructions under process		(27 502)	(5 406 285)
Change in trade and notes receivables		(801 155 333)	(562 285 075)
Amount due from customers-construction		(98 695)	-
Change in debtors and other debit balances		(20 585 889)	(27 582 981)
Provisions used		(51 395 109)	(51 359 571)
Change in advances from customers		932 611 622	275 351 100
Amount due to customers-construction		(200 639)	678 471
Change in contractors, suppliers and notes payable		(10 144 406)	(6 030 091)
Change in creditors and other credit balances		(38 734 528)	82 940 754
Restricted cash		(37 462 500)	4 198 000
Net cash provided from (used in) operating activities		94 491 155	(160 329 868)
<u>Cash flows from investing activities</u>			
Payments for purchase of fixed assets, projects under construction and biological assets		(12 449 147)	(14 715 461)
Translation adjustments of fixed assets		7 698 931	3 519 576
Payments for investments in subsidiaries and under construction		-	250 000
Payments for Investments in treasury bills		(5 043 312)	(33 513 213)
Proceeds from Investments in treasury shares		-	100 000
Proceeds from sale of fixed assets		67 636 810	1 044 376
Net cash provided from / (used in) investing activities		57 843 282	(43 314 722)
<u>Cash flows from financing activities</u>			
Bank - lenders		(10 987)	-
Bank - credit facilities		105 736 660	(30 632 098)
Banks - long-term loans		(42 033 283)	(44 247 821)
Loans for joint ventures		(8 407 267)	(1 374 787)
proceeds from sale of treasury bills		-	21 710 867
Non-controlling interest		26 795 500	1 311 159
Net cash provided from / (used in) financing activities		82 080 623	(53 232 680)
Cumulative translation adjustments		(135 311 391)	(55 357 799)
Net change in cash and cash equivalents during the period		99 103 669	(312 235 069)
Cash and cash equivalents as at the beginning of the period		269 968 597	451 452 445
Cash and cash equivalents as at the end of the period	(20)	369 072 266	139 217 376

The accompanying notes from (1) to (55) are an integral part of these consolidated financial statements and to be read therewith.

Sixth of October for Development and Investment Company "SODIC"
(An Egyptian Joint Stock Company)
Notes to the consolidated financial statements
For the financial Period ended September 30, 2013

1. Background and activities

1-1 Sixth of October for Development and Investment Company "SODIC" (the Company) – An Egyptian Joint Stock Company – was incorporated in accordance with the provisions of Law No. 159 of 1981 and its Executive Regulations and considering the provisions of Law No. 95 of 1992 and its Executive Regulations and by virtue of the decree of the Minister of Economy 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:

- Working in the field of purchasing of lands for the purpose of providing utilities for them and making them ready for building, dividing these lands and selling or leasing them.
- Working in the field of construction, integrated construction and supplementary works for it.
- Planning, dividing and preparing lands for building according to modern building techniques.
- Building, selling and leasing all various kinds of real estate.
- Developing and reclaiming lands in the urban communities.
- Working in the field of tourist development and in all tourist establishments field including, building , managing, selling or utilizing hotels, motels and tourist villages in accordance with applicable Egyptian laws and regulations.
- Building, managing, selling and leasing – out of the residential, service, commercial, industrial and tourist projects.
- Importing and working as trade agents for that is permitted within the limits of the Company's purpose, .(Not with the purpose of trading)
- Financing lease in accordance with Law No. 95 of 1995.
- Working in all fields of information technology and systems, hardware and software (computer software and services).
- Working in all fields of services of communication systems, internet, space stations and transmission except for the field of satellites.
- Investing in the various activities related to petroleum, gas and petrochemicals.
- Working in the field of coordinating and planting the gardens, roads and squares and also providing security, steward - ship, maintenance and cleaning services.
- Working in the field of ownership and management of sporting, entertainment, medical, educational buildings and also ownership, management and operating of restaurants.
- In addition, the Company may have interest or participate in any manner whatsoever with companies or others which have similar activities or which may assist it to achieve its purposes in Egypt or abroad. Also it is entitled to merge into or acquire these companies or make them its subsidiaries in accordance with the provisions of law and its executive regulations.

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

- 1-4 The Parent Company is listed in the formal listing in Cairo and Alexandria Stock Exchange.
- 1-5 The consolidated financial statements of Sixth of October for Development Investment Company "SODIC" (the Parent Company) for the financial period ended September 30, 2013 comprise the financial statements of the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in the profit and loss of associates.
- The registered office of the Parent Company is located at Km. 38 Cairo / Alexandria Desert Road, Sheikh Zayed City. Mr. Hany Sarey Eldeen is the Chairman for the Parent company and Mr. Ahmed Demerdash Badrawy is the Board Member and managing director of the Parent Company.

2. Basis of preparation of the consolidated financial statements

2-1 Statement of compliance

- These consolidated 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 November 13, 2013

2-2 Basis of measurement

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

- Financial assets and liabilities recognized at fair values through profits and losses measured at fair value.
- Held for trading investments measured at fair value.
- Available for sale investments which have market value measured at fair value.
- Liabilities for cash settled share - based payments transactions measured at fair value.
- Assets and liabilities for Subsidiaries under liquidation measured at fair value.

2-3 Functional and presentation currency

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

2-4 Use of estimates and judgments

- The preparation of the consolidated financial statements in conformity with Egyptian Accounting Standards requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, 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 period or in the period of the revision and future periods if the revision affects both current and future periods.

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

- Provisions for expected claims
- Useful lives for fixed assets
- Deferred taxes
- Accruals
- Provision for completion
- Valuation of investment properties
- Impairment of fixed assets.
- Impairment of inventory
- Impairment of debtors and other debit balances

3. Significant accounting policies

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

3.1 Basis of consolidation

3.1.1 Subsidiaries

- The consolidated financial statements include all subsidiaries that are controlled by the parent company and which the management intends to continue to control. Control exists when the Group has the power to control the financial and operating policies of an entity so as to obtain benefits from its activities. Such control exists by owning more than 50% of the investees' voting rights. In assessing control, potential voting rights that presently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.
- Intergroup balances and transactions, including income, expenses and dividends, are eliminated in full. Profits and losses resulting from intergroup transactions that are recognized in assets, such as inventory and fixed assets, are eliminated in full. Intergroup losses may indicate an impairment that requires recognition in the consolidated financial statements. EAS (24) Income Taxes applies to temporary differences that arise from the elimination of profits and losses resulting from intergroup transactions.
- Non-controlling interests shall be presented in the consolidated balance sheet within equity, separately from the parent shareholder's equity. Non-controlling interests in the profit or loss of the group is also be separately disclosed.

Subsidiaries are represented in the following:-

<u>Subsidiary name</u>	<u>Country of Incorporation</u>	<u>Ownership</u>	
		<u>As at 30/9/2013</u>	<u>As at 31/12/2012</u>
		<u>%</u>	<u>%</u>
1- SODIC Property Services Co. - S.A.E "under liquidation"	Egypt	100	100
2- Sixth of October for Development and Real Estate Projects Company "SOREAL" - S.A.E	Egypt	99.99	99.99
3- Beverly Hills for Management of Cities and Resorts Co. - S.A.E (A)	Egypt	46.75	58.59
4- SODIC Garden City for Development and Investment Co. S.A.E (B)	Egypt	50	50
5- Move-In for Advanced Contracting Co. - S.A.E	Egypt	85	85
6- El Yosr for Projects and Agriculture Development Co. - S.A.E	Egypt	99.99	99.99
7- SODIC for Development and Real Estate Investment Co. - S.A.E	Egypt	99.99	99.99
8- SODIC SIAC for Real Estate Investment Co. - S.A.E	Egypt	86.67	86.67
9- SODIC for Golf and Tourist Development Co. - S.A.E	Egypt	100	100
10- Fourteen for Real Estate Investment Co. - S.A.E	Egypt	99.99	99.99
11- La Maison for Real Estate Investment Co. - S.A.E	Egypt	99.99	99.99
12- Tegara for Trading Centers Co. S.A.E	Egypt	97.50	97.50
13- Edara for Services of Cities and Resorts Co. -S.A.E	Egypt	99.97	99.97
14- SODIC Syria L.L.C (C)	Syria	100	100

- A. The legal participation in Beverly Hills for Management of Cities and Resorts Co. amounts to 50.72%, which includes 3.97%, represents transitory shares, which are currently in the name of the Company, and the title of these shares will be transferred to the real shareholders (Owners of the units).
- B. The Company participates in the share capital of SODIC Garden City for Development and Investment Co. in conjunction with some board members and their owned companies.

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

3.1.2 Associates

Associates are those entities in which the Group has significant influence, but not a control, over the financial and operating policies. It's supposed to have such influence by owning from 20% and less than 50% of voting rights of the investee.

Investments in associates are recorded using equity method. Under the equity method the investment in associates is initially recognize at cost and the carrying amount is increased or decreased to recognize the investor's share of the profit or loss of the associates after the date of acquisition. Dividends received from associates reduce the carrying amount of the investment.

Losses of an associate in excess of the Company's interest in that associate (are not recognized, unless the Company has incurred legal or constructive obligations or made payments on behalf of the associate.

Any excess of the cost of the acquisition over the Company's share of the net faire value of the identifiable assets, liabilities and contingent liabilities of the associate recognized at the date of acquisition is recognized as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment.

3.1.3 Jointly controlled entities

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

3.2 Foreign currency transactions

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

Financial statements of foreign operations

Foreign operation's financial statements maintained in foreign currencies are translated to Egyptian pound. Assets and liabilities of those operations are translated at foreign exchange rates prevailing at the consolidated balance sheet date. Revenues and expenses are translated at the average exchange rate used during the period/year. Equity items are translated using the historical exchange rate at the date of acquisition or incorporating the foreign operations. Foreign exchange differences arising on translation are recognized directly in a separate component of equity in the consolidated balance sheet in an item "Accumulated differences from Foreign currency transactions"

3.3 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 cumulative impairment losses resulted from impairment in the values of fixed assets (3-16) 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.

When parts of an item of fixed assets have different useful lives, they are accounted for as separate items (major components) of fixed assets.

Assets are stated in the construction phase for production or for rent or for administrative purposes at cost less cumulative impairment losses. Cost includes professional fees and all direct costs related to the asset. Depreciation of these assets starts when they are completed and prepared for use in a specific purpose, following the same practice with the rest of the foundations assets.

The cost of self-constructed assets includes the cost of materials, direct labor and any other costs directly attributable to bringing the asset to a working condition for its intended use.

b. Subsequent costs

The Company recognizes in the carrying amount of an item of Property, plant and equipment the cost of replacing part, after derecognized the replaced part, of such an item when that cost is incurred if it is probable that future economic benefits embodied with the item will flow to the Company and the cost can be measured reliably. All other costs are recognized in the income statement as an expense as incurred.

c. Depreciation

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of fixed assets (except Land is not depreciated). The estimated useful lives are as follows:

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

3.4 Intangible assets- Goodwill

Goodwill (positive and/or negative) represents amounts arising on acquisition of subsidiaries or joint ventures. As it represents the difference between the cost of the acquisition and the fair value of the net identifiable assets acquired at acquisition date.

Positive goodwill is stated at cost less impairment losses. While negative goodwill will be recognized directly in the income statement. Goodwill resulting from further acquisitions after control is obtained is determined on the basis of the cost of the additional investment and the carrying amount of net assets at the date of acquisition.

Goodwill is tested for impairment periodically and whenever there are events or changes in circumstances indicate the existence of goodwill impairment. Impairment loss of goodwill cannot be reversed subsequently.

3.5 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.

3.6 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.

3.7 Biological assets under construction

Biological assets under construction are measures at fair value less costs to sell, any change in costs will be recognized in profit or loss, costs to sell includes any costs incurred to sell the biological asset.

3.8 Investment properties

This item includes lands held and not allocated for a specific purpose, 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 (note No. 3-16). 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.

3.9 Investments

a. Available for sale investments

Financial instruments held by the Company and classified as available-for-sale investment are stated at cost and subsequently measured at fair value, unless this cannot be reliably measured. Changes in fair value are reported as a separate component in equity. When these investments are derecognized, the cumulative gain or loss previously recognized in equity is recognized in consolidated income statement. Except the impairment loss, 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. 3-16). Impairment loss is recognized directly in the consolidated 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.

b. Held for trading investments

Held for trading investments are classified as current assets and are stated at fair value. Any gain or loss resulted from the change in fair value or sale of such investment is recognized in the income statement. Treasury bills are stated at their net cost after deducting the amortized interest and the Impairment losses (note No. 3-16).

3.10 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 is determined based on the outcome of multiplying of the total area of the remaining completed units ready for sale at the consolidated balance sheet date by the average meter cost of these units (represents the cost of meter of land, utilities, building and other indirect expenses). Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and selling expenses.

3.11 Work in process

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

3.12 (Due from/Due to customers) Construction work

Construction work in progress represents the gross unbilled amount expected to be collected from customers according to contracts concluded to date.

The difference between the estimated revenue calculated based on the percentage of completion and the amount collected from the actual billing to the customer is recognized as "due from customers" within the current assets caption. In case that the actual collections from customers is exceeding the estimated revenues calculated based on percentage of completion the difference is recognized as a due to customers within the current liabilities.

3.13 Construction contracts cost

Construction contract costs include all direct costs such as material cost, supplies, equipment depreciation and labor cost also includes indirect costs incurred by company such as indirect labor and maintenance. Also the cost includes general and administrative expense directly attributable to such work.

Provisions for estimated losses relating to uncompleted contracts are formed in the year in which such losses are determined.

3.14 Trade, notes receivable and debtors

Trade and notes receivables, debtors and other debit balances, that do not carry an interest are stated at their nominal value and are reduced by impairment losses note No. (3-16), impairment losses are formed when there is objective evidence that the Company is not able to collect the due amounts according to the original terms of contracts, impairment represents the difference between book value and net recoverable amount which is represented in the future cash flows that the Company expects. Long-term trade and notes receivables are initially recognized at fair value and subsequently re-measured at amortized cost using effective interest rate method.

3.15 Cash and cash equivalents

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

3.16 Impairment of assets

a. Financial assets

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

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

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

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

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

b. Non-financial assets

The carrying amounts of the Company's non-financial assets, other than, investment properties, 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.

3.17 Provisions

Provisions are recognized when the Company has a legal or constructive obligation as a result of a past event and it's probable that a flow 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 amended (when necessary) to reflect the best current estimate.

Provision for completion

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

3.18 Borrowing costs

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

Borrowing costs related directly to acquire or constructing qualified assets, are capitalized until the date of having these assets available for use, capitalization is temporarily suspended during the periods in which construction of assets is temporarily suspended. Capitalization is permanently stopped when all essential activities to have the asset ready for use are completed according to the alternative accounting treatment stated in the EAS no. (14).

3.19 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.

3.20 Trade, contractors and other credit balances

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

3.21 Share capital

Common shares are classified in the owners' equity.

a. Issuance of share capital

Incremental costs directly attributable to issue 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 holding Company and 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.

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 become required to be resumed.

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

3.22 Share – based payments transactions

a. Equity settled share – based payments

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

b. Cash settled share - based payments

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

3.23 Notes payable – Long-term

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

3.24 Revenue recognition

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

a. Real estate and land sales

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

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

b. Construction contracts

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

The stage of completion is assessed by reference to surveys of work performed. When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognized only to the extent of contract costs incurred that are likely to be recoverable. For construction contracts under process a provision for expected losses, if any, is immediately recognized whenever such losses are determined

In the case of a cost plus contract, the outcome of a construction contract can be estimated reliably when all the following conditions are satisfied:

- It is probable that the economic benefits associated with the contract will flow to the entity.
- The contract costs attributable to the contract, whether or not specifically reimbursable, can be clearly identified and measured reliably.

c. **Service revenues**

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

d. **Rental income**

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

e. **Interest income**

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

f. **Commission revenue**

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

g. **Dividends**

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

3.25 **Cost of sold lands**

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

3.26 **Expenses**

a. **Lease payments**

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

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 and its amendment. Under this law, the employees and the employers contribute into the system on a fixed percentage-of-salaries basis. The Company's liability is confined to the amount of its contribution. Contributions are charged to consolidated income statement using the accrual basis.

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 by the Company's board of directors and after the approval of General Assembly Meeting which should not exceed the total employees' annual salaries.

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

c. Income tax

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

Current tax is the expected tax payable on the net taxable income for the year, using tax rates enacted at the consolidated 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 consolidated 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.

3.27 Earnings / (losses) per share

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

4. Determination of fair values

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

4.1 Fixed assets

The fair value of fixed assets recognized as a result of a business combination is based on market values. The fair value of fixed assets is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing where in the parties had each acted knowledgeably, prudently and without compulsion.

4.2 Investments in equity instruments

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

4.3 Trade, note receivables and other debtors

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

4.4 Investment properties

The fair value are based on market values, being the estimated amount for which property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

4.5 Share – based payment transactions

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

4.6 Assets and liabilities of subsidiaries under liquidation

Assets and liabilities of subsidiaries under liquidation is recorded with fair values and are included in current assets and/or current liabilities.

5. Financial risk management

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

- credit risk
- liquidity risk
- Market risk

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

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

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

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

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 Group's customer base, including the default risk of the industry which has less influence on credit risk.

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

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

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

Investments

The Company manages the risk via conducting 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's policy is to provide financial guarantees only to subsidiaries, it needed, and after the approval of the board of directors, At January 15, 2013 Company's Extra - Ordinary General Assembly agreed to grant a corporate guarantee of a loan granted to Sixth of October for Development & Real Estate Projects Co. "SOREAL" (Subsidiary 99.99% owned to Sixth of October for Development and Investment Company "SODIC").

5.2 Liquidity risk

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

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

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

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

- L.E 435 million as long-term loans guaranteed by a promissory note amounting to the whole amount of the loan. Interest would be payable at the rate of 2.85 % per annum above the CORRIDOR of borrowing rate declared by the Central Bank of Egypt.
- L.E 1.5 million as short-term bank facilities guaranteed treasury bills which are kept with the bank with an interest rate of 13.03%.
- A facility amounting to L.E 45.5 million covered by a guarantee of deposits amounting to L.E 50 million with an interest rate of 1.75%.
- A facility amounting to L.E 50 million. Interest would be payable at the rate of 2.75 % per annum above the CORRIDOR average and a minimum rate of 12.5%.
- A facility amounting to L.E 120 million. With interest rate of 1% less than the bank lending rate. Granted by Promissory note with full amount of the credit facility and joint guarantee from Sixth of October for Development and Investment Company "SODIC" to guarantee the debt due to the bank from the subsidiary and its related interest.
- A facility amounting to L.E 150 million. Interest would be payable at the rate of 3 % per annum above the CORRIDOR average and 0.75% commitment fees from the total facility amount.

5.3 Market risk

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

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

5.4 Currency risk

The Group is exposed to currency risk on sales and financial assets that are denominated in foreign currencies. Such risk is primarily represented in US\$ and Syrian lira.

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

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

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

5.5 Interest rate risk

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

5.6 Other market price risk

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

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

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

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

5.7 Capital management

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

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

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

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

Notes to the consolidated financial statements For the financial Period ended September 30, 2013 (Cont.)

6- Fixed assets

This item is represented as follows:-

	Golf course	Land (A)	Building and constructions	Vehicles	Furniture and fixtures	Office equipment and communications	Generators, machinery and equipment	Leasehold improvements	Total
	<u>L.E</u>	<u>L.E</u>	<u>L.E</u>	<u>L.E</u>	<u>L.E</u>	<u>L.E</u>	<u>L.E</u>	<u>L.E</u>	<u>L.E</u>
Cost as at January 1, 2013	93 628 961	59 513 895	55 796 910	14 208 462	18 852 836	17 395 925	27 530 393	15 355 187	302 282 569
Additions	-	2 515 659	12 000	293 182	670 428	1 244 828	258 980	781 780	5 776 857
Disposals	-	(24 210 813)	(45 664 014)	(153 500)	(4 896)	(200 870)	(1 848 377)	(1 655 894)	(73 738 364)
Translation adjustments	-	(7 232 564)	-	(320 542)	(484 145)	(43 284)	-	(534 015)	(8 614 550)
Cost as at September 30, 2013	<u>93 628 961</u>	<u>30 586 177</u>	<u>10 144 896</u>	<u>14 027 602</u>	<u>19 034 223</u>	<u>18 396 599</u>	<u>25 940 996</u>	<u>13 947 058</u>	<u>225 706 512</u>
Accumulated depreciation & impairment loss as at January 1, 2013	29 139 108	-	12 899 104	9 844 105	7 422 167	9 306 165	14 521 821	6 270 792	89 403 262
Depreciation	1 367 436	-	3 387 633	1 514 202	2 098 196	2 947 448	3 331 228	2 914 869	17 561 012
Accumulated depreciation of disposals	-	-	(13 334 330)	(110 561)	(1 573)	(171 525)	(1 187 740)	(1 446 576)	(16 252 305)
Translation adjustments	-	-	-	(305 272)	(137 361)	(41 121)	-	(431 865)	(915 619)
Accumulated depreciation and impairment loss as at september 30, 2013	<u>30 506 544</u>	<u>-</u>	<u>2 952 407</u>	<u>10 942 474</u>	<u>9 381 429</u>	<u>12 040 967</u>	<u>16 665 309</u>	<u>7 307 220</u>	<u>89 796 350</u>
Net book value as at September 30, 2013	<u>63 122 417</u>	<u>30 586 177</u>	<u>7 192 489</u>	<u>3 085 128</u>	<u>9 652 794</u>	<u>6 355 632</u>	<u>9 275 687</u>	<u>6 639 838</u>	<u>135 910 162</u>
Net book value as at December 31, 2012	<u>64 489 853</u>	<u>59 513 895</u>	<u>42 897 806</u>	<u>4 364 357</u>	<u>11 430 669</u>	<u>8 089 760</u>	<u>13 008 572</u>	<u>9 084 395</u>	<u>212 879 307</u>

Land caption includes an amount of L.E 6 847 990 represents land pledged as a guarantee for the islamic finance (Murabaha) granted to the company from Syrian International Islamic Bank. The company has benefited from the granted facilities then paid all of it at April 11, 2011. The pledge have not been cancelled till the issuing date of the financial statements. Also there is a blocking for two plots of land which amounted to L.E 6 585 916 for the benefit of one of the clients. The company's management believes that, the blocking which is mentioned in the real-estate journal doesn't affect the activity of the joint venture and its continuity and its not probable that the joint venture may incur any expenses related to this blocking, as this client has a credit balance amounted to L.E 152 901 which is included in receivables - advance payments and the joint venture is in a process to settle this balance.

Fixed assets include fully depreciated assets with an amount of L.E 11 922 232 as at September 30, 2013.

7. Projects under construction

This item is represented as follows:

	30/9/2013	31/12/2012
	<u>L.E</u>	<u>L.E</u>
Advance payments -fixtures and purchasing of fixed assets	8 605 316	2 005 850
Advance payments – Consultancies and Designs	585 821	531 052
Advance payment on account of the construction of electricity station	100 800	100 800
Buildings and constructions	5 581 230	6 453 125
	<u>14 873 167</u>	<u>9 090 827</u>

8. Investments in associates

The Group has the following investments in associates:

	Legal Form	Ownership percentage	Carrying amount	
		30/9/2013	31/12/2012	
		%	%	
				<u>L.E</u>
Royal Gardens for Investment Property Co. (A)	SAE	20	20	-
				-

Summary of financial information of associates:-

	Assets	Liabilities	Equity	Revenues	Expenses
	<u>L.E</u>	<u>L.E</u>	<u>L.E</u>	<u>L.E</u>	<u>L.E</u>
<u>September 30, 2013</u>					
Royal Gardens for Real Estate Investments Co. (A)	829 661 587	(781 814 576)	47 847 011	60 375 500	(47 316 814)
<u>December 31, 2012</u>					
Royal Gardens for Real Estate Investments Co. (A)	841 813 153	(807 024 826)	34 788 327	14 082 265	(3 346 690)

(A) Royal Gardens for Investment Property Co. was established during the year 2006 in conjunction with Palm Hills and other shareholders. The cost of investment amounted to L.E 3 million represents 50 % of the Company's participation in the share capital of Royal Gardens Co. The Company share in the unrealized gain resulted from the sale of land made by the Company to its associate during 2007 amounting to L.E 32 298 112 out of which only L.E 3 million was eliminated to the extent of the Company's interest in the associate when preparing the consolidated financial statements. Nonetheless, the Company's share in the associate's cumulative gain was not charged to the consolidated income statement with an amount of L.E 6 569 402 till September 30, 2013.

9. Available for sale investments

This item is represented as follows:

	Legal Form	Ownership %	Paid amount of Participation %	Carrying amount as at 30/9/2013 L.E	Carrying amount as at 31/12/2012 L.E
Egyptian Company for Development and Management of Smart Villages	S.A.E	1.8	100	4 250 000	4 250 000
				<u>4 250 000</u>	<u>4 250 000</u>

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

10. Investment properties

The net carrying amount of the investment properties as at September 30, 2013 amounting to L.E 370 714 769 and they are represented in commercial and residential units leased out to others and agricultural lands that its use has not been determined yet. Movement on the investment properties and its depreciation during the period are as follows:-

<u>Description</u>	Leased out units (a) L.E	Agricultural lands (b) L.E	Lands (c) L.E	Total L.E
As at 1/1/2013	10 349 431	326 229 579	55 367 737	391 946 747
Additions during the period	16 235 499	-	-	16 235 499
Disposals during the period	(8 818 217)	-	-	(8 818 217)
Translation adjustments	-	-	(28 363 587)	(28 363 587)
Total cost of investment properties as at September 30,2013	17 766 713	326 229 579	27 004 150	371 000 442
<u>Accumulated depreciation</u>				
As at 1/1/2013	(1 008 266)	-	-	(1 008 266)
Depreciation for the period	(100 441)	-	-	(100 441)
Accumulated depreciation for disposals	823 034	-	-	823 034
Accumulated depreciation as at 30/9/2013	(285 673)	-	-	(285 673)
Net carrying amount as at September 30, 2013	17 481 040	326 229 579	27 004 150	370 714 769
Net carrying amount as at December 31, 2012	9 341 165	326 229 579	55 367 737	390 938 481

- (a) The fair value of completed residential units leased out to others amounts to L.E 31 914 500 as at September 30, 2013.
- (b) This item includes an amount of L.E 29 982 000 representing the cost related to the approval of increasing the building percentage up to 7% out of the land area owned by one of the subsidiaries.
- (c) This item includes land pledged as a guarantee for the Islamic finance with an amount of L.E 1 607 186 equivalent to SYP 40 525 575. The company has benefited from the granted facilities then paid all of it at April 11, 2011. The pledge has not been cancelled till the issuing date of the financial statements. There is a blocking for a one plot of land which amounted to L.E 1 789 379 as at September 30, 2013 according to the execution of a finance minister's decision of The Arab Republic of Syria. The company's management believes that, that blocking is related to the partner of the joint venture and not related to the corporate body of the company therefore, the company's management and its legal consultant believes that, that blocking which is executed on that partner and which is mentioned in the real-estate journal doesn't affect the activity of the joint venture and its continuity and it's not probable that a company may incurs any expenses related to this blocking. Furthermore, There is a blocking for some plots of land which amounted to L.E 830 607 as at September 30, 2013 for the benefit of one of the clients of a joint venture. The company's management believes that, that blocking which is mentioned in the real-estate journal doesn't affect the activity of the joint venture and its going on and it's not probable that a company may incurs any expenses related to this blocking, as this client has a credit balance amounted to L.E 152 901 which is included in receivables balances - advance payments and the joint venture in a process to settle this balance.

11. Trade, notes receivables and debtors – Long-term

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

	30/9/2013	31/12/2012
	<u>L.E</u>	<u>L.E</u>
Trade receivable	13 598 796	22 257 094
Sundry debtors (11-1)	17 639 964	9 844 400
Notes receivable	2 350 418 627	1 564 923 047
	2 381 657 387	1 597 024 541
<u>Deduct:</u> Unamortized interest	(56 015 081)	(48 017 672)
	<u>2 325 642 306</u>	<u>1 549 006 869</u>

- 11-1. This balance represents the remaining amount from the sale value of the Group's quotes in the capital of El Sheikh Zaid for Real Estate Development Co. during year 2010. According to the sale agreement, this debit balance will be collected at any period after September 15, 2016
- The Group's exposure to credit, currency risks related to trade and notes receivable is disclosed in note no. (48).

12. Deferred tax assets and liabilities

	30/9/2013		31/12/2012	
	Assets	Liabilities	Assets	Liabilities
	<u>L.E</u>	<u>L.E</u>	<u>L.E</u>	<u>L.E</u>
Fixed assets	-	(3 794 536)	-	(1 895 461)
Provisions	126 918	-	89 884	-
Construction contracts	90 585	-	92 873	-
Total deferred tax (asset) / liability	<u>217 503</u>	<u>(3 794 536)</u>	<u>182 757</u>	<u>(1 895 461)</u>
Net deferred tax (asset) / liability	<u>-</u>	<u>(3 577 033)</u>	<u>-</u>	<u>(1 712 704)</u>

13. Other assets

	30/9/2013	31/12/2012
	<u>L.E</u>	<u>L.E</u>
Assets – Companies under liquidation (net)	2 440 115	3 726 036
Inventories and letters of credit	1 354 944	1 236 139
	<u>3 795 059</u>	<u>4 962 175</u>

14. Completed units ready for sale

	30/9/2013	31/12/2012
	<u>L.E</u>	<u>L.E</u>
Cost of completed commercial units	4 262 805	4 262 805
Cost of units purchased for resale (14-1)	43 014 950	43 014 950
	<u>47 277 755</u>	<u>47 277 755</u>

14-1. This item is represented in the purchasing cost of 63 units in Casa project (Semi Finished) that were purchased from Royal Gardens Co. for Real Estate Investment – an associate for the purpose of resale to others.

15. Work in process

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

	<u>Note</u> <u>No.</u>	<u>30/9/2013</u> <u>L.E</u>	<u>31/12/2012</u> <u>L.E</u>
<u>Allegria project costs</u>			
Cost of the Company's land intended for use		95 917 427	121 718 560
Planning , survey , supervision and soil researches		194 474 709	199 871 306
Building and utilities		443 558 869	470 842 415
Other costs		47 126 731	44 726 837
Price differences of repurchased units (A)		18 150 728	18 150 728
		<u>799 228 464</u>	<u>855 309 846</u>
<u>WESTOWN project costs</u>			
Cost of the Company's land intended for use		86 768 907	88 450 122
Planning ,survey, supervision and soil researches		85 569 973	76 517 910
Building and utilities		789 501 594	493 597 995
Other costs		29 406 466	24 196 274
		<u>991 246 940</u>	<u>682 762 301</u>
<u>Cost of the fourth phase (4A and 4B), showrooms and others</u>			
Cost of land		-	57 728 176
Planning ,survey, supervision and soil researches		13 163 874	11 726 187
Building and utilities		223 710 025	255 595 799
Cost of land of Dahshor' showrooms		20 261 089	25 313 372
A plot of land in the Fifth Community (plot No. 1) (B)		50 625 768	75 770 894
Expenses related to plot of land No. 1		70 336 816	58 374 205
A plot of land in the Fifth Community (plot No. 2) (C)	(54)	519 494 158	519 494 158
Expenses related to plot of land No. 2	(54)	113 966 989	114 404 202
		<u>1 011 588 719</u>	<u>1 118 406 993</u>
<u>Cost of projects in Syria (D)</u>			
		<u>92 191 544</u>	<u>188 944 197</u>
		<u>2 894 255 677</u>	<u>2 845 423 337</u>

(A) This item with the balance of L.E 18 150 728 (2012: L.E 18 150 728) represents the value of the additional cost for repurchasing some units of Allegria project.

(B) Plot No. (1)

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

(C) Plot No. (2)

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

- On February 16, 2010, a subsidiary of the Group concluded a sub-development agreement with El Sheikh Zaid for Real Estate Development Co. for the development of Block No. (8) of East town project measuring 7439 square meter, According to this agreement:-
- The subsidiary undertakes to sell the project to El Sheikh Zaid for Real Estate Development Coupon fulfillment of the conditions listed in this agreement.
- El Sheikh Zaid for Real Estate Development Co. is authorized to develop the project as an independent sub-developer and not as an agent in accordance with the master plan of the project.
- The subsidiary warrants that El Sheikh Zaid for Real Estate Development Co. is entitled as an independent sub-developer and not as an agent to develop and invest in the project in accordance with the conditions listed in this agreement. In addition, the subsidiary shall take all the necessary measures to allow and facilitate the development of the project by El Sheikh Zaid for Real Estate Development Co. in accordance with this agreement.
- The subsidiary undertakes to take all procedures to allow the transfer of ownership of the project to El Sheikh Zaid for Real Estate Development Co. upon the fulfillment of the conditions of the agreement.
- The sub-development price amounts to L.E 3 371 387 which was collected during year 2010 in full in accordance with the conditions of the agreement and this amount will be recorded as revenue upon the fulfillment of the conditions of the sub-development agreement.
- There is a legal dispute about the above referred plot shown in details in note no. (54-1)

(D) This item represents 50% of the investment properties under development acquired through the proportionate consolidation of the Joint Venture (Palmyra – SODIC for Real Estate Development LLC) as at September 30, 2013. Details are as follow:-

Project name	Carrying amount of the project L.E
Telal Al Yasameen project	50 048 384
Telal Al Zumorod project	9 715 753
The project of real estate # 70	29 746 170
Other projects	2 681 237
Total	92 191 544

- Land which Telal Al Yasmeen project is being constructed on is mortgaged as guarantee for the loan granted to the Joint Venture by Syrian Real Estate Bank to finance the construction of Telal Al Yasmeen project.
- There is a blocking for two plots of land which amounted to L.E 22 316 785 as at September 30, 2013 for the benefit of one of the clients of a joint venture. The company's management believes that, that blocking which is mentioned in the real-estate journal doesn't affect the activity of the joint venture and its going on and it's not probable that the joint venture may incurs any expenses related to this blocking, as this client has a credit balance amounted to L.E 152 901 which is included in receivables balances - advance payments and the joint venture in a process to settle this balance.

16. Trade and notes receivable - current

	30/9/2013	31/12/2012
	<u>L.E</u>	<u>L.E</u>
Trade receivable	132 510 893	130 943 141
Notes receivable	910 400 293	886 592 399
	<u>1 042 911 186</u>	<u>1 017 535 540</u>
<u>Deduct</u> : unamortized interest – notes receivable	(6 466 266)	(5 610 516)
	<u>1 036 444 920</u>	<u>1 011 925 024</u>
Impairment losses of trade and notes receivable	(293 188)	(293 188)
	<u>1 036 151 732</u>	<u>1 011 631 836</u>

- The Group's exposure to credit, currency risks related to trade and notes receivable is disclosed in note no. (48).

17. Debtors and other debit balances

	30/9/2013	31/12/2012
	<u>L.E</u>	<u>L.E</u>
Contractors and suppliers – advance payments	216 620 814	234 424 715
Due from Mr. Firas Tlaas (a partner in the Joint Venture)	7 290 046	14 947 085
Due from related parties – Joint Venture	15 298 021	10 038 452
Interests receivable	30 164 040	20 125 875
Due from related parties	5 000 096	4 839 580
Prepaid expenses	127 440 421	98 990 393
Deposits with others	2 711 861	2 854 811
Tax Authority	1 303 025	879 899
L / G 's margins	3 150 000	3 150 000
Accrued management fees	1 076 719	1 966 781
Due from the bonus and incentives plan to employees and managers fund (17-A)	5 323 710	5 323 710
Other debit balances	14 056 568	11 308 131
	429 435 321	408 849 432
Impairment loss on debtors and other debit balances	(448711)	(448 711)
	428 968 610	408 400 721

(17-A) This item is represents the amount due from the bonus and incentives plan to employees and managers fund which is represented in the value of dividends of the shares of the bonus and incentives plan for the financial year ended December 31, 2010 according to the resolution of the Ordinary General Assembly Meeting held on April 12, 2011, and the same as for the interest due for these dividends.

- The Group's exposure to credit and currency risks related to other debtors is disclosed in note no. (48).

18. Loans to Joint Ventures

	30/9/2013	31/12/2012
	<u>L.E</u>	<u>L.E</u>
This item represents 50% of the loan granted to the Joint Venture project by the Group with total amount of USD 19.5 million on August 16, 2010. The interest rate is equal to 8.5% per annum. The principal together with interest should be paid before june.30, 2011. A renewal of the loan term was made till December 31, 2013 with an interest rate of 12.5% per annum.	67 187 950	61 363 313
This item represents 50% of the amount paid from the bridge loan granted to the Joint Venture project with total amount of USD 7 612 900 on October 28, 2010. The interest rate is equal to 8.5% per annum. The principal together with interest should be paid before December 31, 2013.	26 230 245	23 647 615
	93 418 195	85 010 928

19. Investments in treasury bills

	30/9/2013	31/12/2012
	L.E	L.E
Treasury bills from (328) day to (358) day	17 500 000	13 075 000
Unearned return on treasury bills	(551 312)	(1 169 624)
	<u>16 948 688</u>	<u>11 905 376</u>

- The Group's exposure to market risk related to the held for trading investments is disclosed in note No. (48).

20. Cash at banks and on hand

	30/9/2013	31/12/2012
	L.E	L.E
Bank - time deposits (20-1)	201 305 271	126 149 613
Bank - current accounts	188 454 577	161 268 141
Bank - restricted accounts (20-2)	37 462 500	-
Checks under collection	27 518 842	31 305 975
Cash on hand	1 793 576	1 244 868
	<u>456 534 766</u>	<u>319 968 597</u>

- (20-1) Deposits include an amount of L.E 50 million restricted as a guarantee for the credit facilities granted to the parent company from some commercial banks.

- (20-2) The amount is represented in the amount deposited to complete the capital if Sodic Garden City for Development and Investment Co – subsidiary company- and this amount is restricted and will not be released till it is signed in the commercial register.

- The Group's exposure to interest rate risk for financial assets is disclosed in note No. (48).
- For the purpose of preparing the consolidated statement of cash flows, cash and cash equivalents item is represented as follows:

	30/9/2013	31/12/2012
	L.E	L.E
Cash at banks and on hand	456 534 766	319 968 597
Less:		
Blocked accounts	87 462 500	50 000 000
Cash and cash equivalents in the consolidated statement of cash flows	<u>369 072 266</u>	<u>269 968 597</u>

- The Group's exposure to interest rate risk for financial assets is disclosed in note No. (48).

21. Provision for completion

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

	Balance as at 1/1/2013 <u>L.E</u>	formed during the period <u>L.E</u>	used during the period <u>L.E</u>	Provision no longer required <u>L.E</u>	Balance as at 30/9/2013 <u>L.E</u>
Provision for completion of works (21-1)	131 248 082	24 021 705	(47 454 713)	(12 127 822)	95 687 252
	<u>131 248 082</u>	<u>24 021 705</u>	<u>(47 454 713)</u>	<u>(12 127 822)</u>	<u>95 687 252</u>

(21-1) This provision is formed against the estimated costs to complete the execution of the delivered works and expected to be incurred and finalize its expenditures in the future.

22. Provisions

	Balance as at 1/1/2013 <u>L.E</u>	formed during the period <u>L.E</u>	used during the period <u>L.E</u>	Translation differences <u>L.E</u>	Provision no longer required <u>L.E</u>	Balance as at 30/9/2013 <u>L.E</u>
Provision for expected claims	23 078 752	358 127	(3 976 623)	36 227	(228 850)	19 267 633
	<u>23 078 752</u>	<u>358 127</u>	<u>(3 976 623)</u>	<u>36 227</u>	<u>(228 850)</u>	<u>19 267 633</u>

- The provision is represented in some probable claims related to the company's activities from other parties, and The Company's management annually reviews the provisions and makes any amendments if needed according to the latest agreements and negotiations with these parties.
- The company has not disclosed 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.

23. Bank - credit facilities

This item is represented in the following:

	30/9/2013	31/12/2012
	<u>L.E</u>	<u>L.E</u>
The amount used from the credit facility granted to the Holding Company from Audi Bank totaled L.E 45.5 million and bears interest rate of 1.75% per annum above to the credit interest rate on the guarantying deposit. This facility is guaranteed by deposits amounting to L.E 50 million.	30 176 330	15 916 404
The amount used from the credit facility granted to the Holding company from Audi Bank with total amount of L.E 50 million and bears interest rate of 2.75% per annum above to the CORRIDOR average and a minimum rate of 12.5%	20 491 907	19 000 000
The amount used from the credit facility granted to one of the subsidiaries from the Arab African Bank with an amount of L.E 1.5 million and bears interest rate of 13.02% per annum. This facility is guaranteed by treasury bills kept with the bank.	1 338 585	734 969
On October 4, 2012 a subsidiary enters into a credit facility contract - current account with the Arab Investment Bank with the amount of L.E 120 million, with the following conditions and guarantees: - <u>Facility period</u> : - from the date of signing of the contract and ends and due at the end of December 2013 <u>Interest rate</u> : - The facility is subject to an interest rate of 1% On the debit balance less than the Bank's lending price. The interest and commission and all expenses are added monthly to the debit balance. The Bank has the right of monthly commission by 0.05% calculated on the maximum debit balance during a month. <u>Warranties</u> :- A- Guarantee joint contract from Sixth of October for Development and Investment Company "SODIC" to indemnify the subsidiary's Indebtedness due to the Arab Investment Bank and its related interest. B- Signing a promissory note with full amount of the credit facility amounted L.E 120 million.	89 381 211	-
	<u>141 388 033</u>	<u>35 651 373</u>

24. Advances from customers

This item is represented in the advance payments and contracting for units and lands as follows:

	30/9/2013	31/12/2012
	<u>L.E</u>	<u>L.E</u>
Advances – lands	676 599	1 462 403
Advances for booking , contracting and installments of residential units– Kattameya	344 641 213	421 100 031
Advances for booking , contracting and installments of residential units– Eastwon	990 738 979	-
Advances – commercial units - Auto Ville project	116 144 134	149 912 422
Advances – Allegría project	1 127 910 575	1 421 463 826
Advances – Forty West project	235 571 028	212 056 792
Advances – West town Residences	1 300 508 558	1 025 219 278
Advances – Telal Al Yasameen project	11 611 553	23 807 651
Advances – Casa	62 710 606	47 387 885
Advances – Polygon project	269 969 804	225 461 139
	<u>4 460 483 049</u>	<u>3 527 871 427</u>

25. Contractors, suppliers and notes payable

	30/9/2013	31/12/2012
	<u>L.E</u>	<u>L.E</u>
Contractors	86 500 574	98 785 554
Suppliers	16 684 645	11 931 164
Notes payable	57 060 516	33 695 840
	<u>160 245 735</u>	<u>144 412 558</u>
<u>Deduct:</u> Unamortized interest-notes payable	(4 125 903)	(2 947 319)
	<u>156 119 832</u>	<u>141 465 239</u>

The Group's exposure to currency and liquidity risks related to suppliers, contractors and notes payable is disclosed in note no. (48).

26. Creditors and other credit balances

	30/9/2013	31/12/2012
	<u>L.E</u>	<u>L.E</u>
Amounts collected on account for management, operation and maintenance of projects	159 168 773	141 814 773
Due to related parties	5 823 168	7 198 069
Accrued expenses	91 122 929	134 716 408
Liability for cash settled share-based payments transactions- Executives Managers	-	633 261
Customers - Beverly Hills – capital contributions	8 278 715	15 675 105
Customers – credit balances	14 096 719	28 900 680
Tax Authority	50 035 043	25 824 543
Dividends payable	91 643	91 643
Accrued compensated absence	2 552 633	2 939 074
Deposits collected from customers – Against modifications	169 600	172 600
Social insurance	1 025 618	2 305 956
Customers –down payments for sub-development (26-1)	3 371 400	3 371 400
Unearned revenue	2 726 816	964 392
Retentions	14 656 130	13 930 915
Due to Bonyan for development and trading Co.	891 305	3 413 456
Due to SIAC	7 770 928	4 151 880
Deposits from others	9 523 302	6 917 917
Deferred capital gain (26-2)	9 998 089	-
Premiums club Eastown	25 835 713	-
Sundry creditors	13 359 157	23 031 796
	<u>420 497 681</u>	<u>416 053 868</u>

(26-1) Represents the sub-development amount collected from El Sheikh Zaid for Real Estate Development Co.

(26-2) 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. (35-1)

- The Group's exposure to currency and liquidity risks related to creditors is disclosed in note no. (48).

27. Non-controlling interest

Non-controlling interest balance as at September 30, 2013 represents the interest shares in subsidiary's equity as follows:

	Non-controlling interest %	Non-controlling share in profit /(loss) for the period L.E	Non-controlling share in equity excluding (loss) for the period L.E	Non-controlling interest as at 30/9/2013 L.E	Non-controlling interest as at 31/12/2012 L.E
Sixth of October for Development and Real Estate Projects Co. "SOREAL"	0.01	2 474	47 611	50 085	47 612
Beverly Hills for Management of Cities and Resorts Co.	53.25	478 387	28 136 733	28 615 120	18 533 670
SODIC Garden City for Development and Investment Co.	50	533 810	29 623 083	30 156 893	10 910 583
Move-In for Advanced Contracting Co.	15	(1 216 319)	(807 588)	(2 023 907)	(807 588)
El Yosr for Projects and Agriculture Development Co.	0.001	(40)	27 098	27 059	27 098
SODIC for Development and Real Estate Investment Co.	0.001	-	20	20	20
SODIC SIAC for Real Estate Development Co.	13.33	15 287	20 358 450	20 373 737	20 358 450
Tegara for Trading Centers Co.	2.5	(28 679)	2 636 024	2 607 345	2 636 024
Edara for Services of Cities and Resorts Co.	0.003	70	165	234	165
Fourteen for Real Estate Investment Co.	0.004	-	2	2	2
La Maison for Real Estate Investment Co.	0.004	-	2	2	2
		(215 010)	80 021 600	79 806 590	51 706 038

28. Share capital

- The authorized capital was determined at L.E 2 800 million. The Company's issued capital was determined at L.E 362 705 392 fully paid and distributed on 90 676 348 shares of L.E 4 per share.
- On January 27, 2011, the Extra-ordinary General Assembly agreed on the stock split of the par value of the Company's share of L.E 10 to become L.E 4 per share.

On March 3, 2011, the Egyptian Financial Supervisory Authority, approved that the Company's management shall proceed with the procedures of issuing the Company's issued capital of a number of 90 676 348 common cash shares at a par value of L.E 4 each (after splitting) with an increase of L.E 2 to be paid from the legal reserve according to the Company's financial statements as at December 31, 2009. Thus, the issued and fully paid in capital has become L.E 362 705 392 distributed over 90 676 348 shares. Annotation was made to this effect in the Company's Commercial Register on June 16, 2011.

The current capital structure of the Company is as follows:

<u>Shareholder</u>	<u>Number of shares</u>	<u>Share value</u>	<u>Ownership percentage</u>
		<u>L.E</u>	<u>%</u>
October property development limited Co.	14 136 228	56 544 912	15.59
Alian saudian investments limited Co.	11 237 896	44 951 580	12.39
Incentive and bonus plan of the employees and managers	3 250 000	13 000 000	3.58
Other shareholders	62 052 224	248 208 900	68.44
	<u>90 676 348</u>	<u>362 705 392</u>	<u>100</u>

29. Legal reserve

According to the Holding Company' statutes, the Company are required to set aside 5% of annual net profit to form a legal reserve. This transfer to legal reserve ceases once the reserve reaches 50% of the issued share capital. The reserve balance as at September 30, 2013 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. 30).	123 409 151
Increase of the legal reserve with part of capital increase share premium during year 2007 with limits of half of the Company's issued share capital. (Note no. 30).	5 000 000
Increase of the legal reserve by 5% of the net profit for year 2008.	2 339 350
Increase of the legal reserve with part of the capital increase share premium with limits of half of the Company's issued share capital during year 2010 (Note No. 30)	39 446 365
<u>Deduct:</u>	
The amount used to increase the issued share capital during the year 2011 (Note No. 28).	(2)
	<u>181 352 693</u>

30. 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 credited 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 premium collected during 2006, 2010	1 455 017 340
<u>Add:</u>	
Share premium of the employees' incentive and bonus plan issued during year 2007	90 000 000
<u>Deduct:</u>	
Amounts transferred to the legal reserve	
Capital increase – related expenses	(167 855 516)
Amount used for share capital increase during 2008	(55 240 255)
	(5 000 000)
	<u>1 316 921 569</u>

31. Cumulative translation adjustments of foreign operations

The balance shown in the equity section at September 30, 2013 is represented in the cumulative translation adjustments resulting from translating the financial statements of subsidiaries from foreign currencies to Egyptian Pound for consolidating these statements in the consolidated financial statements for the financial period ended September 30, 2013 and also the Group share in cumulative translation adjustments included in the equity section of the Joint Venture.

32. Treasury shares

On August 14, 2011, the board of directors of the holding Company approved the purchase of one million as a 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 shares of the holding Company offered in the stock exchange and as at August 13, 2012 the Company's board of directors agreed to sell these shares and it has been sold with an amount of L.E 21 710 867 resulting in profit from selling treasury shares with an amount of L.E 3 692 867.

33. Shares kept for bonus and incentive plan

This item is represented in the remainder of the amount paid by the holding Company in return for issuing one million ordinary share with a fair value of L.E 100 per share (before splitting) under account and in favor of the incentive and bonus plan of the holding 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
<u>Add:</u>	
Treasury shares acquired during 2009 by subsidiaries	7 242
	<u>80 007 242</u>

34. Amount set aside for incentive and bonus plan

The balance is representing in the remaining balance from the difference between the grant date fair value of shares and the amount incurred by the beneficiary from the incentive and bonus plan for the Parent Company's managers and employees for the shares issued during year 2007 in addition to 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 incentive and bonus plan for one million share (allocated over 5 years) for 60 months and the agreed upon share price in accordance with the incentive and bonus plan as at December 31, 2012.	25 000 000
<u>Deduct:</u>	
The difference between the grant date fair value of the shares and the agreed upon share price in accordance with the incentive and bonus plan for 200 000 share that were sold in favor of the beneficiaries during December 2007.	5 000 000
<u>Add:</u>	20 000 000
The value of the share of the shares of the bonus and incentive plan to employees in the dividends declared in accordance with the resolution of the Ordinary General Assembly Meeting of the Parent Company held on April 12, 2011, L.E 4 each. *	5 200 000
Accrued returns amount of shares of bonus and incentive plan to employees in the dividends declared.	123 711
	<u>25 323 711</u>

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

35. Long-term loans

	30/9/2013	31/12/2012
	<u>L.E</u>	<u>L.E</u>
At the end of year 2010, the holding Company concluded an agreement with Alexandria Bank to obtain a medium-term loan of L.E 435 million for the purpose of financing part of the establishment of Allegría project and its infrastructure. By virtue of this agreement, the bank grants a new finance of L.E 350 million in addition to the amount of L.E 85 million that was previously granted by virtue of the facility agreement dated February 22, 2009 and at the end of year 2012, The medium-term loan agreement was amended according to the following conditions and guarantees :-	283 168 163	363 526 695
Loan term: - four years and nine months effective from the signing date on the loan agreement till June 30, 2015.		
Usage period: - starts at September 27, 2010 and ends at November 30, 2012.		
Grace period:- 30 days starting from the end of the usage period.		
Term of payment: - the loan is repayable on (11) unequal quarterly installments according to the mentioned schedule in the contract.		
Interest rate: - CORRIDOR rate for lending declared by Central Bank plus 2.85%.		
Guarantees:-		
a) Signing on a promissory note with the total amount of the loan which is amounting to L.E 435 million.		
b) Pledge the shares of El Yosr for Projects and Agriculture Development Co. (a subsidiary).		
c) The bank maintains the account of the revenue of Allegría project in name of the Company which is represented in commercial papers representing the incoming cash flows of the project with total amount of L.E 1.32 billion throughout the facility term.		
d) A first class mortgage on a plot of land located at km 43 Cairo – Alexandria desert road which equals 300 Fadden owned by El Yosr for Projects and Agriculture Development Co.		
This balance represents 50% of the used amount from the loan granted to the Joint Venture by Real Estate Bank with total amount of SYP 921 994 643 for the purpose of financing 70% of the project of Telal Al Yassamin in Kafar Kook – Syria . The loan bears a current interest rate of 10 % per annum and should be paid in equal quarterly installments during the period from February 15, 2011 until November 15, 2020. The loan is secured by mortgage of the project's land.	18 885 109	35 587 360
The Company has concluded an agreement with Arab African International Bank at July 4, 2013 to obtain a medium short term facility against check under collection – facility channel to finance the construction cost of Sodic West project with amount L.E. 150 million for 9 month from the first withdrawal date.	55 027 500	-
	<u>357 080 722</u>	<u>399 114 055</u>

Loan of joint venture	18 885 109	35 587 360
Loan of Alexandria bank	153 063 872	107 144 710
Loan of Arab African bank	55 027 500	-
	226 976 481	142 732 070
	130 104 291	256 381 985

35-1 The Holding Company has concluded a medium term financing contract (financial lease) with an amount of L.E 32 178 922 with financing percentage represents %75 out of the value of the assets sold to the financial lease Company, then, it has been rented with the virtue of two contracts related to each other and to be settled over 20 quarterly installment, the contract parties are as follows:

- 1-Perious Egypt Bank – Lender (first party)
- 2- Perious Company – for financial lease – the lessor and attorney of the guarantee (second party)
- 3-Six of October for development and investment Company "Sodic"

The purpose of the finance: using that finance to settle the capital expenditures the Company committed with

The period of the finance: 5 years

The return price: the Corridor price declared by the Central Bank for lending plus %2.75

The financing has been executed as a medium term loan as follows:

First: Concluding a primary sale contract with the date of 15 May 2013, for Perious Company for financial lease with the whole of the land plot and the buildings of the administrative building which exists on land plot No.(26) at the area (17) in West Town Project – Beverly Hells – Elsheikh Zayed – 6 of October City, Giza, with an area of 22 086 m², the book value of the land plot is amounting to L.E 8 675 157 at the date of the sale, the book value of the building is amounting to L.E 26 921 350 and their accumulated depreciation is amounting to L.E 11 640 063 at the date of the sale, the sale has to be with an amount of L.E 32 178 922 (which represents the medium term financing loan), referred to above.

Second: Concluding a financial lease contract with the date of May 15, 2013 between the "the Holding Company" and Perious Egypt Company for financial lease for the same asset previously sold in the contract referred to above, dated in the same date of the lease contract with a total lease value of L.E 43 497 954 (which represents the loan amount and its total related interests), which is paid in advance as L.E 2 174 898 quarterly during the contract lifetime, the rent shall be paid to the lessor in the 15th day every 3 months for (60) months, the Company shall account for the Financial lease assets according to the Egyptian Accounting Standard No.(20) as an operating lease.

As at September 15, 2013 the Company has requested from Perious- Egypt Company for financial lease to increase its finance (a med term loan), that had been previously given to, by the virtue of tri-finance contract in the limit of L.E 42 953 477 to become L.E 75 132 399 excluding returns, commissions and all expenses, and to apply on the whole finance all of guarantees, terms and provisions mentioned in the tri-finance contract dated on May 15, 2013.

At the same date an appendix has been concluded to amend the financial lease contract dated on May 15, 2013, as the Company and Perious- Egypt Company for financial lease have agreed to amend the description and the details of the leased money mentioned in second article of the financial lease contract dated on May 15, 2013 to be as follows:

First: The whole land and buildings of the administrative building existed on plot No.26 in the area 17 at West Town Project – Biverly Hells – El-Sheikh Zayed with a total space of 22086 m² approximately.

Second: The whole land and buildings of the sales building existed on plot Building 1 Block 1 the seventeenth avenue next to the desert road show rooms 38 km Cairo Alex desert road with a space of 4 977 m².

This lease has been for a total lease value of L.E 95 366 168.

36. Long-term notes payable

This item is represented in the follows:

	30/9/2013	31/12/2012
	<u>L.E</u>	<u>L.E</u>
Total nominal value of the checks issued to New Urban Communities Authority which are payable during the period from May 2, 2014 till May 2, 2016.	55 225 281	86 144 445
Other notes payable	572 327	1 144 656
Unamortized interest - notes payable	(6 671 702)	(13 364 196)
	<u>49 125 906</u>	<u>73 924 905</u>

- The Company's exposure to credit risk related to long-term notes payable is disclosed in note no.(48).

37. Real estate and land sales

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

	Nine Month Ended 30/9/2013	Nine Month Ended 30/9/2012
	<u>L.E</u>	<u>L.E</u>
Sales of villas in Allegria project	441 070 894	806 475 467
Sales in El katamia project	199 975 559	-
Sales in Auto ville project	8 348 435	28 455 641
Sales of land	82 383 848	9 689 913
	<u>731 778 736</u>	<u>844 621 021</u>
Sales return of villas – Allegria project	(3 000 002)	-
	<u>728 778 734</u>	<u>844 621 021</u>

38. Cost of real estate and land sold

	Nine Month Ended 30/9/2013 <u>L.E</u>	Nine Month Ended 30/9/2012 <u>L.E</u>
Cost of sales of villas in Allegría project	267 860 596	533 544 860
Cost of sales in El katamia project	156 675 334	-
Cost of sales in Auto ville project	3 822 214	12 757 692
Cost of sales of land	53 703 209	2 933 390
	<u>482 061 353</u>	<u>549 235 942</u>
Adjustment	(12 127 822)	(16 787 656)
Cost of sales return of villas	(2 003 226)	-
	<u>467 930 305</u>	<u>532 448 286</u>

39. Other operating revenues

	Nine Month Ended 30/9/2013 <u>L.E</u>	Nine Month Ended 30/9/2012 <u>L.E</u>
Interest income realized from installments during the period	17 443 634	12 001 531
Assignment, cancellation dues and delay penalties	17 763 225	14 757 930
Other income	9 814 034	6 868 440
Management fees – joint venture (39-1)	3 234 438	2 838 906
Capital gain	152 662	90 556
Provisions no longer required	23 250	-
	<u>48 431 243</u>	<u>36 375 363</u>

(39-1) This amount represents 50% of the management fees due to the Group for management works of Palmyra SODIC for Real Estate Development Company - a Syrian limited liability Company according to the Partners Agreement concluded with Palmyra – SODIC for Real Estate Development Company LTD dated June 16, 2010.

40. Selling and marketing expenses

	Nine Month Ended 30/9/2013	Nine Month Ended 30/9/2012
	<u>L.E</u>	<u>L.E</u>
Salaries and wages	14 672 469	13 032 065
Sales commissions	24 107 016	23 077 172
Advertising expenses	10 810 251	12 232 038
Conferences and Exhibitions	2 045 237	298 330
Rent	2 553 774	2 268 420
Donations	1 858 865	654 714
Maintenance, cleaning and agriculture	1 794 915	1 715 836
Travelling and transportation	573 601	699 069
Professional and consultants fees	1 187 893	1 195 509
Others	2 001 894	5 317 030
	<u>61 605 915</u>	<u>60 490 183</u>

41. General and administrative expenses

	Nine Month Ended 30/9/2013	Nine Month Ended 30/9/2012
	<u>L.E</u>	<u>L.E</u>
Salaries, wages and bonuses (41-1)	38 027 406	59 757 049
Board of directors' remunerations and allowances	3 858 600	7 061 262
Maintenance, cleaning and agriculture	15 363 679	12 328 542
Professional and consultancy fees	6 236 613	3 263 982
Advertising	358 431	309 870
Donations	1 655 044	1 945 899
Administrative depreciation of fixed assets and rented units	13 066 495	15 439 574
Subscriptions and governmental dues	519 891	3 204 298
Rent	6 722 604	2 961 847
Travelling and transportation	730 954	1 443 754
Others	12 988 370	5 845 787
	<u>99 528 087</u>	<u>113 561 864</u>

(41-1) This item includes salaries for the executive board of directors as follows:

	Nine Month Ended 30/9/2013 <u>L.E</u>	Nine Month Ended 30/9/2012 <u>L.E</u>
Salaries	10 453 531	5 625 062
Cash settled share-based payments (a)	665 079	2 205 333
	<u>11 118 610</u>	<u>7 830 395</u>

- a- On May 16, 2006, the Holding 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 holding Company from grant date until vesting date.

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

Party entitled	Grant date	Fair value of share at grant date (before splitting) <u>L.E</u>	Market value of share at 30/9/2013 <u>L.E</u>	Conditions
Some executive board members	1/4/2006	75	21.95	Vested after 6 months from grant date (salaries)

The amount of expense charged to the consolidated income statement during the period is amounts to L.E 665 079 and the liability balance amounts L.E Zero as at September 30, 2013

- b- The company has bonus and incentive plan for the share settled share based payment. as shown in note No.(53)

42. Other operating expenses

	Nine Month Ended 30/9/2013 <u>L.E</u>	Nine Month Ended 30/9/2012 <u>L.E</u>
Discount for early payment	25 866 447	14 913 396
Depreciation of leased out units	-	131 884
Provision of claims	201 732	223 506
Loss of investments liquidation and debtors impairment	274 379	921 253
Capital losses	-	348 980
	<u>26 342 558</u>	<u>16 539 019</u>

43. Finance income

	Nine Month Ended 30/9/2013 <u>L.E</u>	Nine Month Ended 30/9/2012 <u>L.E</u>
Interest income	15 114 067	9 671 471
Interest income from loans to Joint Venture	7 314 121	6 943 324
Amortization of discount - deferred interests	2 597 324	2 290 554
Revaluation and sale of investments income	1 559 448	9 781 743
Net foreign exchange differences	37 380 712	5 708 735
	<u>63 965 672</u>	<u>34 395 827</u>

44. Finance cost

	Nine Month Ended 30/9/2013 <u>L.E</u>	Nine Month Ended 30/9/2012 <u>L.E</u>
Interest expense	54 015 459	36 176 608
Interest expense of installments of Sheikh Zayed land	8 447 690	8 137 358
	<u>62 463 149</u>	<u>44 313 966</u>

45. Income tax expense

	Nine Month Ended 30/9/2013 <u>L.E</u>	Nine Month Ended 30/9/2012 <u>L.E</u>
Current income tax expense	33 180 253	6 395 659
Deferred income tax (benefit)	1 864 327	(757 456)
	<u>35 044 580</u>	<u>5 638 203</u>

46. Earnings per share

Earnings per share are calculated on September 30, 2013 based on holding Company share in earnings per share for the period, and also using weighted average method to number of shares outstanding during the period as follows:

	Nine Month Ended 30/9/2013 <u>L.E</u>	Nine Month Ended 30/9/2012 <u>L.E</u>
Net profit for the period	80 074 226	127 802 378
Weighted average number of shares outstanding during the period	90 676 348	89 761 280
Profit per share (L.E / share)	<u>0.88</u>	<u>1.42</u>

47. Jointly controlled projects

The consolidated financial statements as at September 30, 2013 include 50% of the net assets of the Joint Venture (Palmyra – SODIC for Real Estate Development LLC.) as it is before adjusting with eliminating entries as follows :

	Balance sheet	
	30/9/2013	31/12/2012
	<u>L.E</u>	<u>L.E</u>
<u>Assets</u>		
<u>Non – current assets</u>		
Properties and equipment	7 192 642	15 147 213
Investment properties	27 004 150	55 367 736
Advance payments for acquisition of investment properties	4 560 735	9 351 065
	<u>38 757 527</u>	<u>79 866 014</u>
<u>Current assets</u>		
Works in process	92 191 544	188 944 197
Due from related parties	7 350 216	15 070 455
Other current assets	197 698	738 875
Cash on hand and at banks	1 514	13 185
	<u>99 740 972</u>	<u>204 766 712</u>
	<u>138 498 499</u>	<u>284 632 726</u>
<u>Liabilities</u>		
Due to related parties included (Sodic Syria and Fourteen for Real Estate Investment Co.) loan	139 606 134	120 906 692
Current portions of long –term loans	18 885 110	35 587 361
Suppliers and other current liabilities	6 388 193	1 625 595
Advance payments from customers	11 611 553	23 807 651
	<u>176 490 990</u>	<u>181 927 299</u>
<u>Net assets</u>	<u>(37 922 491)</u>	<u>102 705 427</u>

	Income statement	
	L.E	L.E
General and administrative expenses	(4 755 058)	(3 698 236)
Other operating income	-	18 365
Finance income	(9 135 845)	(6 333 245)
Foreign currency differences	(101 577 545)	(19 994 834)
Marketing expenses	-	(430)
Net loss for the period	<u>(115 468 448)</u>	<u>(30 008 380)</u>

As it is detailed above, the Holding Company's share in the total assets of the projects under common control on Syria is amounting to L.E 138 498 499 as at September 30, 2013 beside an amount of L.E 93 418 195 classified as "loans for joint projects" in the balance sheet.

Considering the current situation in Arab republic of Syria, that has a significant impact on the economic sectors, in general, a matter which may lead to a decline in the economic activities. Therefore, there is a possibility that the above mentioned events will have a significant impact on the assets, liabilities, its recoverable/settlement amounts and the results of operations in the foreseeable future. At the present time, it is not possible to quantify the effect of the current situation on the assets and the liabilities included in the company's financial statements, since quantifying the effect of these events relies on the expected range and the time when these events, and its consequences, are expected to be finished.

Despite the events that The Arab Republic of Syria has encountered, which are mentioned in the previous paragraph, the management of the Company believes that its assets and investments with the projects and the companies in Syria are covered and fully recoverable, as the fair values of the assets and the properties of the projects in Syria are higher than its book value according to reports of valuation from an independent expert during October 2013, Also, generally, there is no restriction on the ownership transfer of these lands except for the pledge of some lands for the benefit of the lending banks, it is worth mentioned that the fair values of the assets of the project is adequate to settle all its liabilities and to cover the investments value and the Company has no information regards any problems related to the custody and ownership of these land.

48. Financial instruments

48.1 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, loans to joint venture and investments in trading securities.

The maximum exposure to credit risk as at September 30, 2013 is amounting to L.E 4 016 388 221 (December 31, 2012: L.E 3 060 615 415).

48.2 Liquidity risk

The following are the contractual maturities of financial liabilities:

September 30, 2013

	Carrying amount <u>L.E</u>	Less than 1 year <u>L.E</u>	1-2 years <u>L.E</u>	2-5 years <u>L.E</u>
Banks – lenders	537	537	-	-
Banks – credit facilities	141 388 033	141 388 033	-	-
Short – term loans	226 976 481	226 976 481	-	-
Contractors and suppliers	103 185 219	103 185 219	-	-
Long – term notes payable	49 125 906	-	25 197 992	23 927 914
Other creditors	420 497 681	333 671 847	83 668 036	3 157 798
Long – term loans	130 104 291	-	-	130 104 291
Short-term notes payable	52 934 613	52 934 613	-	-
	<u>1 124 212 761</u>	<u>858 156 730</u>	<u>108 866 028</u>	<u>157 190 003</u>

December 31, 2012

	Carrying amount <u>L.E</u>	Less than 1 year <u>L.E</u>	1-2 years <u>L.E</u>	2-5 years <u>L.E</u>
Banks – lenders	11 524	11 524	-	-
Banks – credit facilities	35 651 373	35 651 373	-	-
Short – term loans	142 732 070	142 732 070	-	-
Contractors and suppliers	110 716 718	110 716 718	-	-
Long – term notes payable	73 924 905	-	49 618 787	24 306 118
Other creditors	416 053 868	330 585 783	85 468 085	-
Long – term loans	256 381 985	-	-	256 381 985
Short-term notes payable	30 748 521	30 748 521	-	-
	<u>1 066 220 964</u>	<u>650 445 989</u>	<u>135 086 872</u>	<u>280 688 103</u>

48.3 Currency risk

Exposure to currency risk

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

September 30, 2013

Description	USD	Syrian lira
Loans to Joint Ventures	13 556 450	-
Other debtors	312 500	-
Cash at banks	4 264 425	-
Long – term loans	-	(476 192 465)
Surplus / (deficit) of foreign currencies	18 133 375	(476 192 465)

December 31, 2012

Description	USD	Syrian lira
Loans to Joint Ventures	13 507 347	-
Other debtors	312 500	-
Cash at banks	9 881 816	-
Long – term loans	-	(437 655 664)
Surplus / (deficit) of foreign currencies	23 701 663	(437 655 664)

48.4 Interest rate risk

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

	Carrying amount	
	30/9/2013	31/12/2012
<u>Fixed rate instruments</u>	<u>L.E</u>	<u>L.E</u>
Financial assets	3 361 794 038	2 560 638 705
Financial liabilities	(102 060 519)	(104 673 425)
	3 259 733 519	2 455 965 280
<u>Variable rate instruments</u>		
Financial liabilities	498 469 342	(434 776 952)

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

48.5 Fair values

Fair values versus carrying amounts

The main financial instruments for the Company represent in the balances of cash at banks, investments, trade and notes receivables, its associates, 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 followed evaluation basis in evaluating the Company's assets and liabilities the carrying amounts for these financial instruments shows reasonable evaluation for their fair values.

49. Transactions with related parties

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

a) Transactions with related parties

<u>Party / Relationship</u>	<u>Nature of transaction</u>	30/9/2013
		<u>Amount of transaction</u> <u>L.E</u>
Executive managers and board of directors (Holding Company)	Executive and board of directors	(See note No. 41).
Palmyra – SODIC for Real Estate Development	Loan for joint projects	8 407 267
	Management fees	3 234 438

b) Resulted balances from transactions with related parties

<u>Party</u>	<u>Item as shown in the consolidated balance sheet</u>	30/9/2013 <u>L.E</u>	31/12/2012 <u>L.E</u>
Executive and managers board of directors	Liability for cash settled share – based payments transactions included in creditors and other credit balances caption (note No. 26)	-	633 261
Bonyan Development and Trade Co.	Creditors and other credit balances	891 305	3 413 456
Mr. Firas Tallas(Partner in joint venture)	Debtors and other debit balances	7 290 046	14 947 085
Palmyra – SODIC for Real Estate Development	Loans to Joint Ventures	93 418 195	85 010 928
	Accrued interest on loan under debtors caption	29 812 696	19 957 157
	Accrued management fees under debtor caption	1 076 719	1 966 781

50. Legal status

There is a dispute between the Holding company and a party regarding the contract concluded between them on February 23, 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 Fadden 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 Holding 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 Holding company 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 several times and the last one will be held on January 6, 2014 The Company's legal counselor is of the opinion that the Company has the right to maintain and exploit this land under the contract as the said contract has not been effective 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 the court.

51. Tax status

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

Corporate tax

- A ten years corporate tax exemption period starting from the year following the date of the activity inception as of 1/1/1998 until 31/12/2007 has been previously granted to the Holding Company according to Law No. 59 of 1979 concerning the New Urban Communities.
During the month of January 2011, the Company submitted a request to the Tax Authority demanding the amendment of the tax exemption period to start from the date of the actual handing over of the units in the year 2002.
- On January 18, 2011, the Disputes Dispersal Committee of the Tax Authority considered and studied the Company's request in the light of the date of the actual handing over of the units and the regulations applicable to similar companies. Accordingly, the said committee decided to approve the holding Company's request thus considering the date of the actual business activity of the Company to be the year 2002, hence, the Holding 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.
- The Tax Authority assessed corporate profit tax and moveable income tax for the years from 1996 until 2000 on deemed basis. The Company was notified by the tax forms and has objected.
During the year, re-inspection was made for the said years and the Company has not received any tax claims till authorizing these financial statements for issuance.
- No tax inspection has been carried out for years from 2001, 2004 till authorizing these financial statements for issuance.

- The inspection of the period from 2006 till 2008 has been notified, and a notification by the form (19) as at April 29, 2012 for the year 2006 by estimation and has been appealed as at May 3, 2012 and re inspection for the year 2006 has been requested and re inspection is 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 for previous years until year 2001, the tax claims was paid according to the assessment of the Internal Committee, The resulting tax was paid according to the assessment of the Internal Committee during September 2004.
- Years from 2002 to 2004 were inspected and the Company paid the tax differences.
- Years from 2005 till 2010 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 for the previous years until the third quarter of 2013 and the Company did not receive any tax claims until authorizing these financial statements for issuance.

Stamp tax

Tax inspection was carried out for the previous years till 31/12/2010 and. The tax inspection was made and the resulting differences were paid.

Sales tax

- The Company was inspected from inception till August 2003 and tax differences were paid.
- The Company was inspected from August, 2003 till December, 2010 and tax differences and additional tax were paid.

Real estate property tax

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

52. Capital commitments

Capital commitments as at September 30, 2013 amounted LE 32 233 106 is represented in contracted and unexecuted works (2012 : L.E 21 949 817).

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

On October 16, 2006, the Parent Company's Extra - Ordinary General Assembly unanimously agreed to approve the incentive and bonus plan of the Parent Company, and authorizing the Parent 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 the Parent Company's employees, managers and executive board directors:

- The incentive and bonus plan works through allocation of shares for the Parent Company's employees, managers and executive board directors and to sell these shares in favor of them in preferential conditions.
- Duration of the plan is four years starting from the date of approval of the plan by the Parent Company's Shareholders meeting and each beneficiary is allocated during this year a specified number of shares each year over the plan years according to the allocated shares outlined in the appendix of this plan.
- The price of share was determined for the beneficiary at L.E 75 per share (before splitting).

- The Parent Company shall finance the issuance of the shares of the increase allocated in application of the plan and the value of shares due to the Parent Company will be paid from the proceeds of sale.
- The Company signed a custody agreement with Arab African International Bank on April 15, 2007, to save bonus and incentive shares. The shares of the plan were issued and financed by the holding Company. Annotation of this increase in the Commercial Registry was on July 5, 2007.
- On September 23, 2007, the Supervisory Committee of the incentive and bonus plan of the Parent Company's employees, executive directors and managers agreed to the selection of the beneficiaries and also the number of shares allocated to each one of them. Accordingly, the whole shares of the plan were allocated in full.
- During December 2007, a number of 200 000 shares from the incentive 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 period according to the incentive and bonus plan.
- 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 Parent Company's employees, executive directors approved the allocation of 495 000 shares of the total shares to some of the Parent Company's employees and executive directors. Allocation contracts for these shares were signed with the employees and the executive directors during October 2008.
- On December 7, 2009, the Parent Company's Extraordinary General Assembly agreed on the amendment of some articles of the bonus and incentives plan and the allocation contracts of the shares that were approved by the Egyptian Financial Supervisory Authority as follows:
 - Extension of the year of the exercise right stated in the bonus and incentive plan and the allocation contract to be ended on March 2015 instead of March 2011.
 - Amendment of the bonus and incentive plan and the allocation contract to enable the beneficiary from the plan to transfer the title of the shares allocated to him to be in his name after ending the prohibition period provided the payment of the share price stated in the plan and in this case, the beneficiary is entitled to all rights as determined on the Company's shares.
 - Amendment of article No. (11) of the bonus and incentive plan to give the board of directors the right – when necessary – to replace 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 of the amendments made on the bonus and incentive plan.

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

Party Entitled	Grant date	No. of shares in thousand	Fair value of share at grant date (before splitting) L.E	Exercising price (before splitting) L.E	Conditions
Managing director	28/3/2007	750	100	75	5 years working in the Company and exercise period from June 30, 2007 March 2015 – the beneficiary is not entitled to this right if the performance of the Company's share is below CASE 30 by more than 20% for 2 consecutive years during the vesting period.
Board of director	23/9/2007	75	100	75	According to performance measure and exercise period from June 30, 2007 till March 2015.
Some managers	23/9/2007	175	100	75	According to performance measure and exercise period from June 30, 2007 till March 2015.
Board of director	7/10/2008	25	73.34	75	According to performance measure and exercise period from June 30, 2007 till March 2015.
Some managers	7/10/2008	470	73.34	75	According to performance measure and exercise period from June 30, 2007 till March 2015.

54. Significant events

54-1 The land belongs to Sixth of October for Development and Real Estate Projects Co. "SOREAL"

- On March 29, 2012 the subsidiary Company had received a letter issued by the New Urban Communities Authority dated on March 14, 2012 stating that the main Real Estate Committee main in session No.(9) on January 8, 2012 had decided to cancel the allocation of plot No. (16) in the southern east extension area for investors which is allocated to the Company and the revocation of the contract dated on March 13, 2005 and the appendix signed on 3 September 2006, due to lack of commitment to execute the project to date, which led to the necessity of taking all the required legal procedures in this regard by the Company, including raising of lawsuit No. 48136 for the year 66 Juridical at the Administrative Court of the State Council against the Minister of Housing and others regarding the land of new Cairo, requesting admissibility of the case in form and stop the implementation and the abolition of the decision to cancel the allocation based on what is included in the appealed decision of error in the application of the law for violating the terms of the contract, which designated the commitment to provide the main facilities of the borders of the land and the

commitment of Community to authorize the drawings submitted to it, which has not been complied with by the Community, beside the validity of the land for the execution of the project before being cleared by armed forces , also, there is no reason justifies the issuance of the Community for its decision to cancel the allocation , especially with the company's commitment to settle the full price of the land and its permanent insuring of executing the project, and about the cancellation of the appealed decision and its consequent effects, and to bind the administration party to the expenses and the attorney's fees .

- The judgment was issued in the case referred to above No. 48136 of 66 juridical in the session on April 6 , 2013 of the Court of Administrative Justice in urgent incision and which stopping the implementation of the appealed decision with the consequent effects .
- On 4 November 2013 the company received a letter from the New Urban Communities Authority stating that the main Real Estate Committee decided in its session No. (37) on 24 October 2013 to cancel the allocation of the project's land on the grounds that the period of the project's execution has ended.
- The company has filed a lawsuit No. 6448 for the year 68 juridical at the Administrative Court , also submitted a request to the Court to stop the decision to cancel the allotment, and the court on November 9, 2013 has decided regarding the request of the company to stop the procedures taken by the Community and the authority the second and third and stop the issued decision from the Real Estate Committee on October 24, 2013 to cancel the allocation of plot No. (16) from the southern east extension area for investors and to continue to implement the judgment in urgent part of case No. 48136 for the year 66 juridical , until the judgment in case No. 6448 / for the year 68 juridical.
- Based on all the reasons, arguments and the documents relied upon by the company in its defense and in the light of the judgments of the Court of Administrative Justice in urgent part in the favor of the company in the session dated April 6, 2013 and November 9, 2013 to stop the implementation of the appealed decisions and the consequent effects, the company and its external legal counsel believe that the probabilities for a judgment in the matter of the appeal in favor of the company in this conflict is strong.
- Based on the foregoing , there is nothing that makes the company's management believes that the company 's Works in process need to be impaired.

54.2 The legal dispute with Solidare – Egypt Company

- During the year 2007 an agreement for cooperation had been signed between the Company and the Solidare International – Lebanon to establish properties project, the agreement includes an option for purchasing 250 000 m² from the company's land in West Town project in El-Sheikh Zayed.
- In the year 2008, Solidare International Company had activated the practice of the purchasing option through Solidare – Egypt Company for investment and properties development "Solidare – Egypt" - wholly owned Company to Solidare International Company -, and Solidare Egypt had paid the option value which amounts to L.E 162 million after early payment discount as a result of early payment.
- Until September 11, 2012, Solidare Egypt Company didn't develop the purchased land, accordingly didn't fulfill its contractual obligations, which makes SODIC Company takes the legal procedures as at September

11, 2012 toward Solidare International and Solidare Egypt Company after the Company submitted a request to Cairo Regional Center for International Commercial Arbitration under the No. of 849 for the year 2012 requesting a sentence admitting the revocation occurrence of the agreed contracts between the Company, Solidare International Company and Solidare Egypt Company because they didn't fulfill their contractual obligations beside requesting the necessary compensations because unfulfilled the agreements to perceive the Company's and its shareholders rights.

- As at September 19, 2012 the Company has been notified that Solidare Egypt for investment and properties development "Solidare Egypt" has raised arbitration claim on September 19, 2012 under the No. of 852 for the year 2012 following the Company's one for the same subject and the same dispute asking the Company to paid an amount of L.E 237.5 million (before early payment discount) in addition to interests and expenses.
- The management of the Company and its external legal consultant believes that:

The situation of SODIC Company in that dispute is positive beside that, SODIC Company has legal evidences to disproof the evidences and says of Solidare Egypt Company according to the common intention within the parties and the concluded contracts, as both cases still in their early stage, the financial effect which could result from the mentioned legal dispute can't be determined in the current time.

55. Comparative figures

Some numbers of comparison were reclassified so as to comply with the presentation of the Current financial statements.