

CAIRO FOR INVESTMENT AND REAL ESTATE DEVELOPMENT

COMMUNICATION ON PROGRESS 2011



STATEMENT OF CONTINUING SUPPORT

In November 2003, Cairo for Investment and Real Estate Development (CIRA) became a signatory to the United Nations' Global Compact, assuring its full compliance with the Ten Principles in every aspect of its operations. Furthermore, the company has taken serious steps in supporting non-governmental organizations, especially those working in the field of education and development.

The CIRA Group focused its investments in various licensed sectors, thus achieving a stable, diversified investment portfolio. CIRA Group is well-positioned to drive future growth with the managerial and technical resources allocated during the past 19 years of operations. The CIRA Group's affiliated companies achieve excellence in each sector they operate in, through solid experience, technical capability, and continuous investment in new products' growth.

Due to its firm belief in specialization, the company has founded several sister companies, thus sharpening its focus and honing its services. This approach has guaranteed better utilization of our efforts and has further enhanced the professional experience in the required fields. Education, being our prime field of operation, we focus on educational institutions management and setup. We also focus on educational technology and information technology solutions, keeping a stronghold on the fast-paced and broad-spectrum of technological development. We strive to deploy new and emerging technologies to further enhance the performance and service to our established business-base.

It is with pleasure that we reaffirm our commitment to the UN Global Compact. In order to meet our commitment to report on progress to our stakeholders, we have prepared this Communications on Progress.

Dr. Hassan El-Kalla

Chairman,

Cairo for Investment and Real Estate Development

OVERVIEW

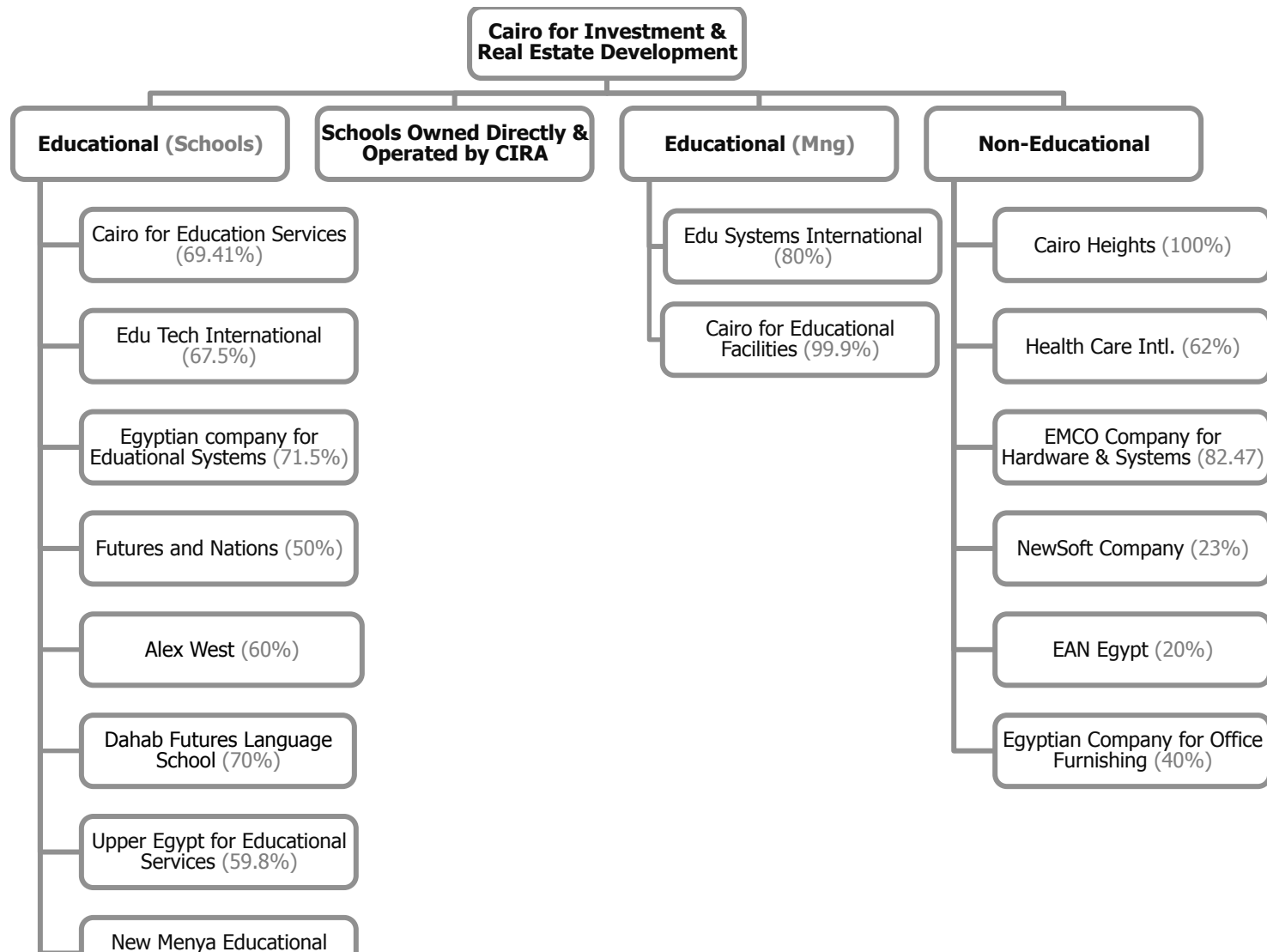
Cairo for Investment and Real Estate Development (CIRA) was founded in 1992. The company's primary purpose and core competency is to invest in and manage educational systems. This includes building, owning, and operating schools throughout Egypt. However, the company is also involved with other related (and unrelated) activities such as real estate investment, engineering & construction, information technology, automatic data capturing, professional training, retail gas stations, and healthcare development.

Despite current events and political instability within the Egyptian government, CIRA has continued to thrive and achieve financial success. Its net consolidated operating profits have grown steadily the past several years from about 2.4m LE in 2004 to 44.3 m LE in 2010.

CIRA holds more than 15 affiliate companies, with Futures Educational Systems (FES) being its flagship business. FES is now the largest chain of schools in Egypt, with 19 schools and five diverse education systems. The schools serve more than 14,000 students around Greater Cairo and three other governorates, and aims for wider national coverage. The first school was established in Nasr City in 1993. The chain has now expanded into 16 schools in 7 different districts within the Greater Cairo metropolis, and 3 schools in Hurghada, Dahab, and Suez respectively; totaling 19 schools. FES has developed schools around various educational systems including the National Egyptian Curriculum, American System, IGSC, French System, and German System.

Recently CIRA received new funding for the expansion of 9 new *Greenfield K-12* schools with combined capacity of 14,980 students from the International Finance Corporation (IFC). Prior to providing the funding, the IFC performed an Environment and Social Assessment (EASA) on CIRA. They found no major breaches of policy and have provided a list of recommended points of improvement which we have incorporated into our action plan for this year and included under the corresponding points below. The company also has plans to further expand to Assuit, Alexandria, Minya, and Shorouq. The goal is to have 170,000 students by the year 2020.

The following chart depicts the Company's educational and non-educational subsidiaries, and respective ownership structure;



CIRA's educational investment portfolio includes seven schools, wholly owned by the Company, and an additional eleven schools indirectly, through controlled joint ventures with its respective educational subsidiaries.

The following table lists all 19 schools along with CIRA's percentage of ownership, respectively, as they were accounted for in the valuation exercise:

CIRA 100% Owned Schools	Joint Venture Schools		Rented Schools
FLS Girls (K-6)	FLS Girls (7-12)	69.4%	FLS Boys
Othman Ibn Affan	FLS El-Mokattam	69.4%	
FLS El-Rehab	FLS Maadi	69.4%	
L'Ecole De l'Avenir	FLS American	69.4%	
Deutsche Schule	LCF Maadi	69.4%	
FLS Fustat	Futures Tech	67.5%	
FLS Suez	Futures International (3)	71.5%	
	FLS Hurghada	50.0%	
	FLS Dahab	70.0%	

The company imbues a strong vision and was founded with the intent of improving the educational standards in Egypt. These strong corporate principles are still evident in the company today and firmly espoused by the Chairman/CEO and other Board members. These principles have made a significant contribution to CIRA's success and provide a promising foundation for future sustainability.

OUR GOVERNANCE SYSTEM

Continuing with the efforts of the past few years and working closely with the IFC to restructure our governance system and mold it towards sustainable practices, we are currently operating with 3 independent, 3 executive, and 3 shareholder board members. The gender balance on our board is around 20%, from the original level of 0%.

**"CIRA WAS FEATURED
AMONG THE SUCCESSFUL
GOVERNANCE CASE
STUDIES IN THE MENA
REGION BY IFC IN 2010"**

[Click Here See Case Study](#)

We have just launched a new company website at <http://cairoyinvest.com.eg> with information about our governance system, our financials, and investor relations information for increased transparency. CIRA strives to set a successful and innovative model in all its endeavors.

SUBSIDIARIES

Futures Educational Systems



Futures Educational Systems was initiated with a mission to help enhance quality and equity in education as a whole, by establishing an educational model which would be replicable, affordable, and economically viable. The Futures Foundation is a network of educational institutions with a mandate to develop instructional practices that help students excel in all educational systems including the National Egyptian Curriculum, American System, IGCSE, French, and German System. Futures Educational Systems has 12 schools in 7 different districts within the Greater Cairo metropolis, and 4 schools in Hurghada, Dahab, Marsa Alam, and Suez respectively; totaling 16 schools.

<http://www.futuresnet.net>

Egyptian Academy for Human Development



The Egyptian Academy for Human Development (EAHD) was founded to help professionals and students seek their highest potential in their different fields and become partners in the nation's development. EAHD is the outcome of an American-Egyptian project between the Futures Foundation and Edusystems organization, which is a U.S.-based company with more than 25 years of experience in the Arab World. The labs in the Egyptian Academy for Human Development offer students of all ages an introduction to a new technological era. It embodies a number of educational technology opportunities for example:

Growing-Up Ready Lab, Action Lab & Ellis Lab. EAHD also offers a variety of trainings including computer, professional development, and teacher trainings.

<http://www.eahd.org>

Edu Systems International



Edu Systems International (ESI) is a leading provider of professional services and products that assist in the enhancement of quality education across the globe. ESI assists organizations in achieving effectiveness and agility in a changing and collaborative world. The company primarily focuses on both the Egyptian national and international educational institutions and aims to improve student achievement and overall organizational development by implementing a number of strategies. ESI is a leader in the development of high standards and supporting products that result in high levels of quality and productivity.

<http://www.esi.edu.eg>

EMCO for Computers and Systems



EMCO for Computers and Systems specializes in providing integrated advanced Arabic/Latin computer solutions for the Egyptian market. EMCO for Computer and Systems provides its services to the major sectors in the Egyptian market namely: Business, Energy, Health, Government, Industry, and Education.

<http://www.emco-co.com>

Health Care International



Health Care International (HCI) was founded in 1992 with a mission to assist public, private, and community organizations achieve their strategic objectives and improve their performance and outcomes. HCI has years of development expertise in Egypt and other countries (Jordan, Lebanon, Yemen, Saudi Arabia, Sultanate of Oman, Sudan, Iraq, Syria, UAE, Morocco, Cyprus, and Turkey). HCI plays both a facilitating as well as an implementing role in bridging the cultural gap between various partners, donors and recipients in order to make development cost-effective.

Moreover, HCI manages unique health maintenance programs (HMP) with a clear focus on health promotion and raising awareness and practices towards healthy lifestyles. HCI is leading unique and well-built WHO-funded programs in Egypt and in other Eastern Mediterranean Region (EMR/WHO) countries. HCI is leading various national initiatives and assuming the role of Local Partner in many consortia responsible for undertaking bi-lateral and international improvement programs funded by US-AID, WB, EC, UNDCCP, UNESCO, UNFPA, and Governments of the Netherlands and Finland.

<http://www.hci.com.eg>

HUMAN RIGHTS

PRINCIPLE 1: *Businesses should support and respect the protection of internationally proclaimed human rights.*

- CIRA's policies and strategies assure supporting and preserving the human rights of its employees. We are keen on carrying-out regular impact assessments, assuring full compliance with human rights principals.
- Although we do not have an employee association, necessary measures are in place to allow for adequate communication. *Further discussed in Principle 3.*
- We are developing new policies and procedures to ensure that the design, construction and operation of new school buildings complies with the Egyptian and at least one other international life and fire safety standard.
- All new facilities will be equipped for ease of mobility for disabled persons including ramps and rails.
- New procedures are being implemented regarding land acquisition and compensation for all new facilities.
- Furthermore, CIRA ensures that its business partners uphold the same values, regarding human rights, before conducting any dealings.

PRINCIPLE 2: *Businesses should make sure that they are not complicit in human rights abuses.*

- CIRA conducts its business under well-established regulations in which fundamental human rights are well protected.
- Health care insurance is provided to all CIRA staff. We also have several primary health care centres in our different premise that provide medical services for our staff.
- We have contracted with the Societe Generale Bank for Life Insurance for all employees. Upon death, the beneficiary will receive a lump sum of 20x the salary of the employee paid by the company.
- We have a well-established Child Care Centre that caters to the needs of our employees and their families. Breast feeding rooms are also available for our postnatal female staff in 80 % of our premises.

- A recent board resolution is designating \$35,000 USD per year towards philanthropic activities within the schools.
- We secure a discount of up to 50% on educational fees for our staff, thus assuring the development and well-being of not only our staff, but their families as well.
- An allotment was made of 3% of turnover to be used as financial aid for tuition fees for families with kids facing financial difficulties because of recent economic events.
- In order to comply with a fair work schedule, we operate on a 9–5 schedule, which amounts to 40 hours per week. We ensure that extra hours are properly compensated, and that no one is forced to work on either a scheduled vacation or a national holiday.
- To assure optimal personnel development, 2% of our current budget is designated to providing training opportunities to our staff in different fields of interest.

LABOUR STANDARDS

PRINCIPLE 3: *Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.*

- Currently there is no employee association inside CIRA.
- CIRA implemented an open door policy to ensure open channels of communication between management and the employees.
- A secure and confidential complaint box is available in all CIRA companies, assuring honest employee feedback.
- CIRA conducts monthly meetings with heads of departments to review each department's employee-needs and feedback. To further guarantee that the employees' voices are heard, regular comprehensive staff meetings are convened.

PRINCIPLE 4: *Businesses should uphold the elimination of all forms of forced and compulsory labour.*

- There are no incidents of compulsory or forced labor inside the system.
- CIRA's employees are hired with contracts that are governed by the labor rules and regulations of the Egyptian Government.

- Our contracts clearly state each employee's duties and responsibilities, and the appropriate measures to be taken in case the wish to leave.

PRINCIPLE 5: *Businesses should uphold the effective abolition of child labour.*

- We take extensive measures to assure the abolition of child labor. The minimum age of employment at CIRA is above 18 years old, and there have been no incidents of violations of such rule.
- Furthermore, CIRA ensures that its business partners uphold the same values, regarding child labor, before conducting any dealings.

PRINCIPLE 6: *Businesses should uphold the elimination of discrimination in respect of employment and occupation.*

- CIRA assures the abolition of glass ceilings, and that no employee is discriminated against based on gender, age, or race. An employee is selected on the basis of their ability to do the job and there is no distinction, exclusion or preference made on other grounds.
- CIRA is aware of the gender wage gap, and assures that employees of either gender are treated equally, and not discriminated against based on gender. Current gender balance on the board is 20%, in upper management at the company level is 15%, and upper management at the school level is 85%.
- Due to the nature of our prime sector of operation, education, and because of the prevalence of female teachers, the ratio of females hired by CIRA is higher than that of males. Our employment ratio is 70% female to 30% male.

ENVIRONMENT

PRINCIPLE 7: *Businesses should support a precautionary approach to environmental challenges.*

- Due to the nature of education, CIRA uses large amounts of paper, which is why we employ strict recycling policies to assure maximum utilization of our supplies, and to adhere to an eco-friendly approach.
- Before approaching any construction endeavors, CIRA conducts an environmental impact study of the area of construction to assure the feasibility of construction with minimal damage to the environment.

PRINCIPLE 8: *Businesses should undertake initiatives to promote greater environmental responsibility.*

- In efforts to extend our responsibilities to our stakeholders, CIRA firmly believes in complying with UN and ICLEI's Triple Bottom Line of Sustainable Development, and is currently working on incorporating within its policies and procedures.
- Currently, CIRA has a policy of allocating 35 % green space in all of its school premises.
- Through our schools and the Skool Learning Portal (<http://www.skool.com.eg>), we encourage students to delve further into sciences and spread awareness about eco-friendly practices for the environment.
- As part of the list of recommendations from the EASA, we are taking steps to measure our energy efficiency and water consumption in an attempt to create better environmental friendly buildings.

PRINCIPLE 9: *Businesses should encourage the development and diffusion of environmentally friendly technologies.*

- As previously mentioned, we have a policy of allocating 35% green space in all of our school premises.
- As mentioned under Principle 7, we employ firm recycling policies in all our schools.
- We assure that our gas station follows the safety and environmental guidelines implemented by Chevron Corporation, the parent company of Caltex.

ANTI-CORRUPTION

PRINCIPLE 10: *Businesses should work against corruption in all its forms, including extortion and bribery.*

- CIRA has implemented a new company website including an investor relations page that discloses all financials, ownership and governance transparency, and improving overall communication with all investors and stakeholders.

- CIRA is developing a formalized Community Grievance Mechanism (CGM) to record, review, and respond to community grievances. This CGM will be available through the company website as well as at the schools location.
- We are currently upgrading our current audit practices, and developing an internal whistle blowing protection system.

ANNEX I

AUDITED CONSOLIDATED INCOME STATEMENT 2010 (EGP)

Total Revenue	108,296,347
Total Cost of Goods Sold	63,926,386
Gross Profit	44,369,961
General & Administrative Expenses (G&A)	
General & Administrative Expenses (G&A)	(12,169,580)
Net Operating Income	32,200,381
Other Income	2,855,311
Other Expenses	(8,680,721)
Net profit before Income tax	26,374,971
Income Tax	(5,017,084)
Net profit after tax	21,357,887

ANNEX II

AUDITED CONSOLIDATED INCOME STATEMENT Q2-2011 (EGP)

Total Revenue	46,414,796
Total Cost of Goods Sold	34,098,023
Gross Profit	12,316,773
General & Administrative Expenses (G&A)	
General & Administrative Expenses (G&A)	(5,395,779)
Net Operating Income	6,920,994
Other Income	1,571,302
Other Expenses	(3,573,217)
Net profit before Income tax	4,919,079
Income Tax	(2,361,271)
Net profit after tax	2,557,808