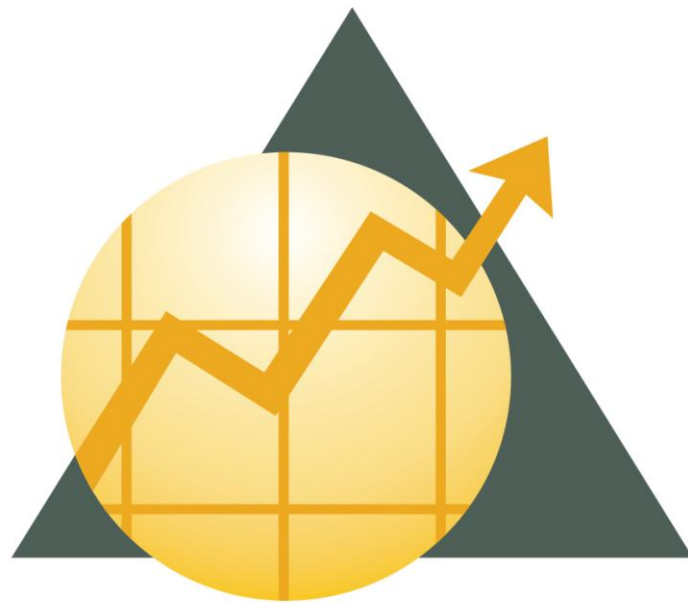


# CAIRO FOR INVESTMENT AND REAL ESTATE DEVELOPMENT

COMMUNICATION ON PROGRESS 2010



C A I R O

For Investment & Real Estate  
Development S.A.E.

## **STATEMENT OF CONTINUING SUPPORT**

On 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 18 years of operations. The CIRA Group's affiliated companies achieved 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 technological development. We strive to deploy new and emerging technologies to further enhance the performance of our established business-base and our approach to servicing said 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.

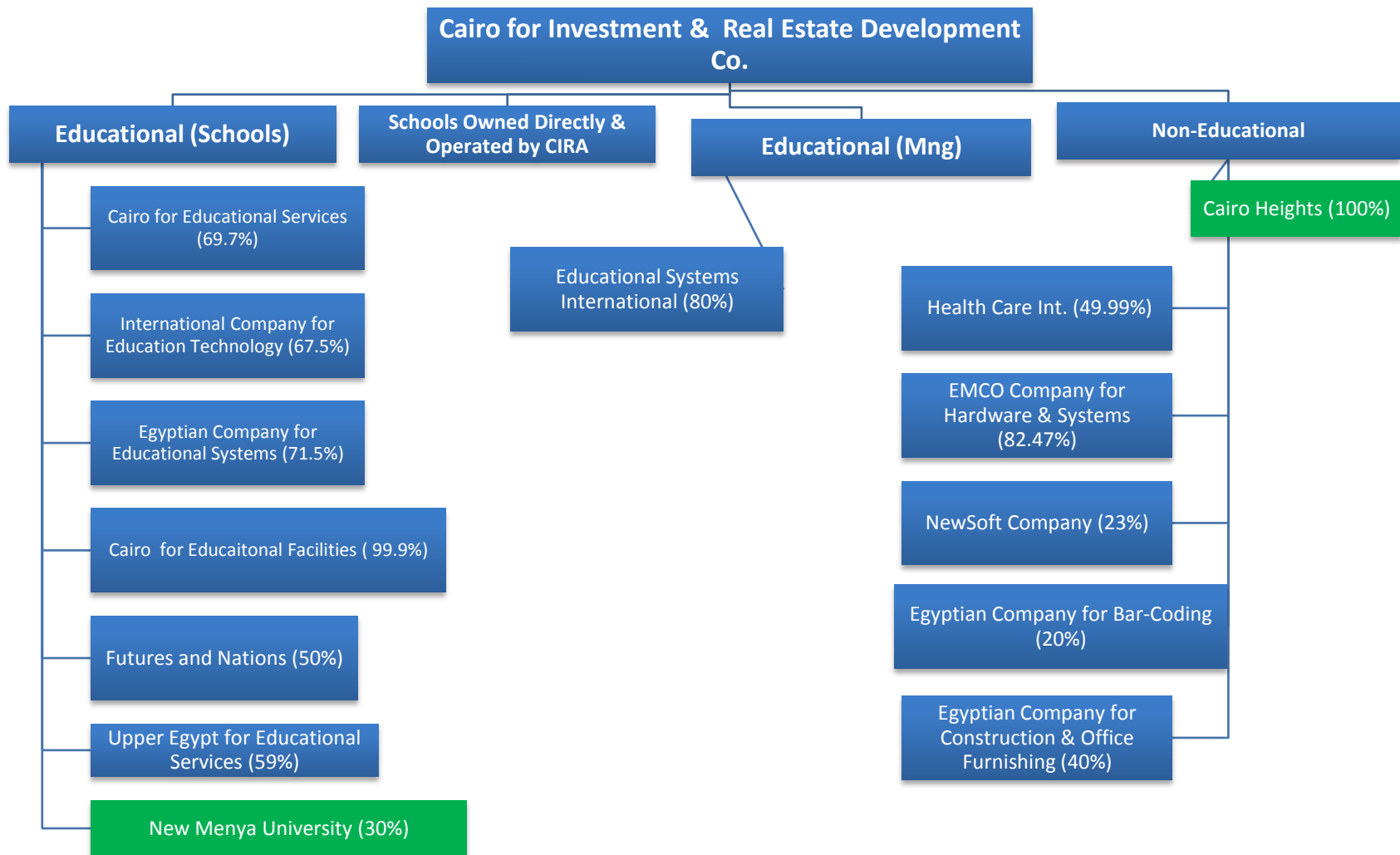
CIRA has enjoyed financial success in recent years. Its net consolidated operating profits have grown steadily the past several years from about 2.4m LE in 2004 to 23.3m LE in 2007 to 30 m LE in 2009. The stock price of CIRA has risen steadily the past year from a range of about 10LE to 15LE in May 2007 to a range of 25LE to 40LE in May 2008. Its share value in the Egyptian stock market is 190 EGP<sup>1</sup> and has investments of 350 million Egyptian pounds.

CIRA holds more than 10 affiliate companies, with Futures Educational Systems (FES) being its flagship business. FES is now the largest chain of schools in Egypt, with 16 schools and five diverse education systems. The schools serve more than 12,000 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 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. FES has developed schools around various educational systems including the National Egyptian Curriculum, American System, IGSC, French System, and German System. The company has plans to further expand its outreach to Upper Egypt and Alexandria.

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

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<sup>1</sup> Value calculated based on the stock value of 25 LE at the Egyptian stock exchange on 26/12/2007



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

The following table lists all 16 schools along with CIRA's percentage of ownership, respectively, as they were accounted for in the valuation exercise:

<b>CIRA 100% Owned Schools</b>	<b>Joint Venture Schools</b>	<b>Rented Schools</b>
FLS Girls (KG)	FLS Girls (Prep/Sec)	69.7% FLS Boys
FLS Girls (Primary)	FLS El-Moqattam	69.7%
FLS El-Rehab	FLS Maadi	69.7%
L'Ecole De l'Avenir	Othman Ibn Affan	50%
Deutsche Schule	Futures Tech	67.5%
FLS Fustat	Futures International	71.5%
FLS Suez	FLS Hurghada	50%
	FLS Dahab	66.7%
	FLS Marsa Allam	80 %

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.

CIRA has undergone a substantial amount of restructuring in the past few years, molding itself towards enhanced governance and sustainable practices. In attempts to further consolidate development efforts, CIRA worked closely with the International Finance Corporation (IFC) in order to develop a Corporate Governance Assessment of the company. 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>

## GS1 Egypt



GS1 Egypt is an independent non-profit organization aiming at standardizing identification and communication systems for businesses therefore providing a common language for international trade and commerce. Formerly known as EAN Egypt, GS1 Egypt is the sole numbering authority in Egypt. With over 1400 companies in Egypt forming part of our membership database, GS1 Egypt offers its clients a unique identification system for their products and/ or services and incorporates them in an international online database. Through the global GS1 System standards set for supply chain management, Egyptian business sectors will become more efficient and gain a stronger competitive edge.

<http://www.gs1eg.org>

## 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.

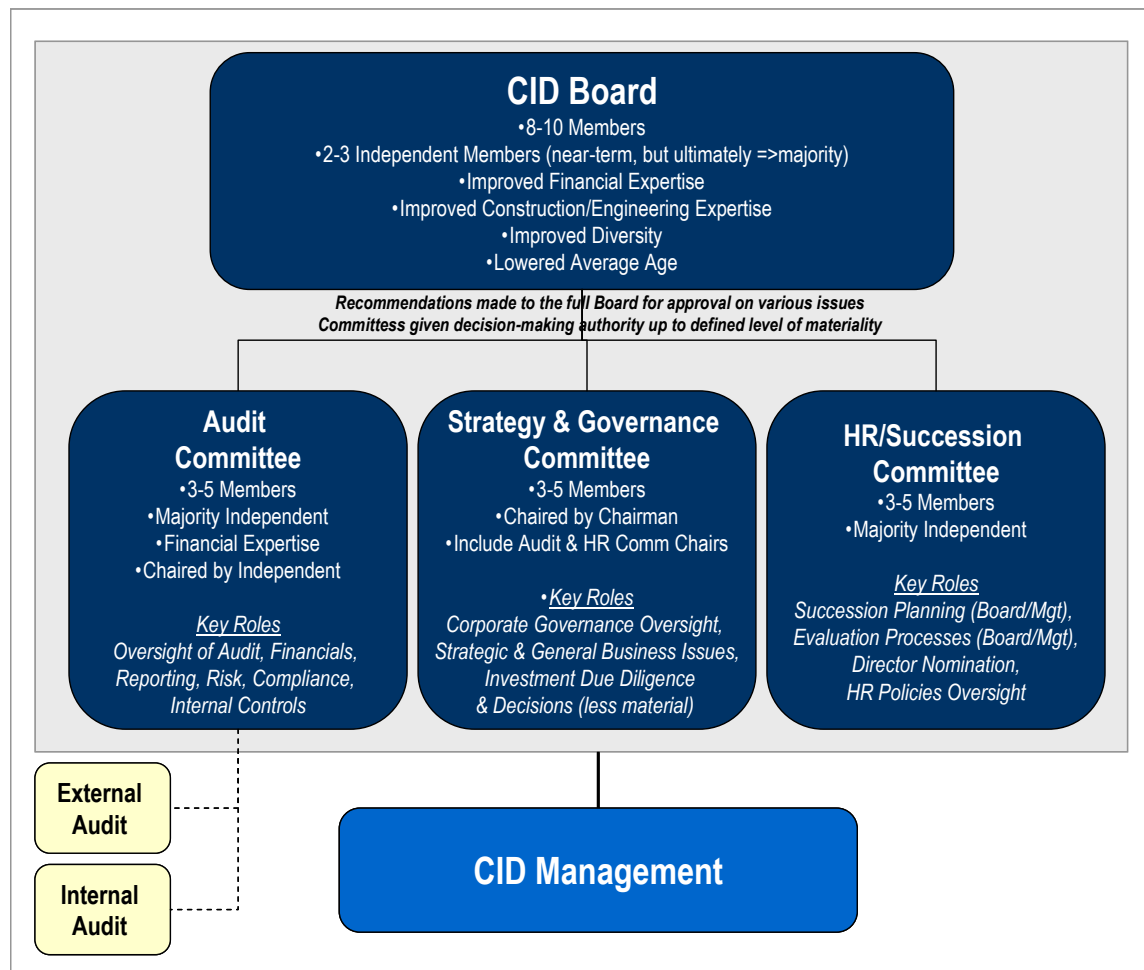
<http://www.hci.com.eg>



## OUR GOVERNANCE SYSTEM

***“CIRA WAS SELECTED AMONG THE SUCCESSFUL GOVERNANCE CASE STUDIES IN THE  
MENA REGION BY IFC IN 2010”***

In 2008, CIRA contracted the International Finance Corporation (IFC) to undertake full assessment on the previous practice of Corporate Governance. IFC presented a plan based on 40 recommendations, to which CIRA’s Board committed to finalize by end of 2010. Through the work of a dedicated team, backed up by a supporting board, several corrective actions have been undertaken by CIRA’s Board and Management over the course of the previous 2 years. Through this process CIRA managed to develop the following Board structure:



## **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*
- 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 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.
- In the process of developing an extracurricular activity, that would be incorporated within our Civil Education curriculum, to educate students 12,000 in our chain of schools about Human Rights; thus playing a more active role at spreading awareness to the Greater Cairo community at large, and some other governorates in which our schools operate.

- In line with spreading awareness, CIRA is involved with Injaz – Egypt, in hopes of developing our students’ understanding of human rights. Injaz – Egypt is a project that was developed by Save the Children and is adopted by the Egyptian Ministry of Education. Currently, Dr. Hassan El-Kalla, CIRA’s Chairman of Board is on the Board of Directors of Injaz – Egypt.
- 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.
- 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 keep our employees up to par, and to assure optimal personnel-development, we constantly provide 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 ensures 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.
- 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, we spread awareness and encourage our students to engage in eco-friendly practices.
- Through our Skooool Learning Portal (<http://www.skooool.com.eg/>), we encourage our students to delve further into sciences and learn more about the environment.

**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.*

- We are focusing on enhancing the disclosure and transparency of CIRA in relation to of all our stakeholders. We are currently upgrading our current audit practices, and developing an internal whistle blowing protection system.

## **ANNEX I**

### **AUDITED CONSOLIDATED INCOME STATEMENT 2009**

<b>Total Revenue</b>	<b>69,553,107</b>
<b>Total Cost of Goods Sold</b>	<b>40,074,456</b>
<b>Gross Profit</b>	<b>29,478,651</b>
<b><u>General &amp; Administrative Expenses (G&amp;A)</u></b>	
<b>General &amp; Administrative Expenses (G&amp;A)</b>	<b>(3,051,190)</b>
<b>Net Operating Income</b>	<b>26,427,461</b>
<b>Other Income</b>	<b>3,347,979</b>
<b>Other Expenses</b>	<b>(2,789,551)</b>
<b>Net profit before Income tax</b>	<b>26,985,889</b>
<b>Income Tax</b>	<b>(3,719,266)</b>
<b>Net profit after tax</b>	<b>23,266,623</b>

## **ANNEX II**

### **AUDITED CONSOLIDATED INCOME STATEMENT Q3-2010**

<b>Total Revenue</b>	<b>81,444,825</b>
<b>Total Cost of Goods Sold</b>	<b>40,644,731</b>
<b>Gross Profit</b>	<b>40,800,095</b>
<b><u>General &amp; Administrative Expenses (G&amp;A)</u></b>	
<b>General &amp; Administrative Expenses (G&amp;A)</b>	<b>(7,171,065)</b>
<b>Net Operating Income</b>	<b>33,629,030</b>
<b>Other Income</b>	<b>206,799</b>
<b>Other Expenses</b>	<b>(6,512,602)</b>
<b>Net profit before Income tax</b>	<b>27,323,227</b>
<b>Income Tax</b>	<b>(5,094,219)</b>
<b>Net profit after tax</b>	<b>22,229,008</b>