

PALM HILLS DEVELOPMENTS COMPANY
(An Egyptian Joint Stock Company)
Consolidated Financial Statements
For The Six Months Ended 30 June 2018
Together With Review Report

**PALM HILLS DEVELOPMENTS COMPANY S.A. E
CONSOLIDATED FINANCIAL POSITION**

As of 30 June 2018

	<u>Note no.</u>	<u>30/6/2018</u>	<u>31/12/2017</u>
		<u>EGP</u>	<u>EGP</u>
<u>Non-current assets</u>			
Investments in associates	(8d-11b-31)	86 215 884	83 615 199
Investment property	(11f-32)	762 835 823	758 689 762
Notes receivable - long term	(16-34)	11 608 290 347	11 356 555 019
Projects under construction	(12-35)	94 736 540	882 472 515
Advance payments for investments acquisition	(43)	192 355 633	184 335 633
Fixed assets (net)	(13-36)	1 461 100 219	347 277 770
Deferred tax assets	(22b)	5 073 759	5 484 541
Employee stock ownership plan (ESOP)		--	83 414 346
Other long-term assets		1 390 733	1 390 733
Total non-current assets		<u>14 211 998 938</u>	<u>13 703 235 518</u>
<u>Current assets</u>			
Works in process	(14-37)	9 123 242 704	9 193 761 444
Held-to-maturity investments	(11d -33)	589 776 533	467 935 233
Cash and cash equivalents	(28-38)	782 185 158	562 030 358
Notes receivable - short term	(16-34)	4 101 274 134	3 012 452 628
Investments at fair value through profit and loss	(11e)	59 446 125	51 426 615
Accounts receivable	(39)	1 076 292 807	883 343 556
Suppliers - advance payments		499 430 371	486 083 502
Debtors and other debit balances	(40)	1 093 442 707	589 210 845
Guaranteed payments –joint arrangement	(41)	--	50 000 000
Due from related parties	(25-42-61a)	332 657 812	251 407 887
Total current assets		<u>17 657 748 351</u>	<u>15 547 652 068</u>
<u>Current liabilities</u>			
Banks - credit balances	(44)	51 775 267	50 560 568
Bank- over draft	(45)	661 058 641	374 695 728
Advances from customers	(46)	11 500 638 636	10 132 168 063
Completion of infrastructure liabilities	(20)	95 083 416	95 083 418
Provisions	(18)	249 413 065	240 243 801
Current portion of land purchase liabilities	(19-47)	194 029 424	102 492 926
Notes payable - short term	(49a)	1 449 113 527	1 239 624 510
Current portion of term loans	(50)	1 226 442 415	979 573 992
Suppliers & contractors		581 599 141	543 392 278
Income tax payable	(22a)	161 675 337	162 100 332
Creditors & other credit balances	(51)	557 216 347	523 427 753
Joint shares arrangement - short term		401 277 485	174 561 987
Due to related parties	(25-48-61a)	106 582 593	96 617 006
Total current liabilities		<u>17 235 905 293</u>	<u>14 714 542 362</u>
Working capital		<u>421 843 058</u>	<u>833 109 706</u>
Total investment		<u>14 633 841 996</u>	<u>14 536 345 224</u>
<u>Financed as follows:</u>			
<u>Shareholders' equity</u>			
Share capital	(52)	4 617 899 452	4 617 899 452
Legal reserve	(54a)	708 524 277	682 810 544
Special reserve	(54b)	476 064 168	476 064 168
ESOP Re-Measurement Reserve		--	43 010 431
Retained earnings		555 802 914	76 127 305
Net profit for the period / Year		439 901 456	805 637 537
Equity attributable to equity holders of the parent		<u>6 798 192 267</u>	<u>6 701 549 437</u>
Non-controlling interest		<u>569 423 206</u>	<u>538 436 217</u>
Total shareholders' equity		<u>7 367 615 472</u>	<u>7 239 985 654</u>
<u>Non-current liabilities</u>			
Land purchase liabilities	(19-47)	272 009 108	335 844 111
Notes payable - long term	(49b)	1 952 827 270	1 912 929 075
Other long-term liabilities – Residents' Association	(53)	1 306 615 434	1 083 208 314
Loans	(50)	2 733 207 259	3 228 805 475
joint share arrangement– long terms		1 001 567 453	735 572 595
Total non-current liabilities		<u>7 266 226 523</u>	<u>7 296 359 570</u>
Total equity and non-current liabilities		<u>14 633 841 996</u>	<u>14 536 345 224</u>

- The accompanying notes from (1) to (64) form an integral part of these financial statements and are to be read therewith

Chief Financial Officer

Ali Thabet

Chairman

Yasseen Mansour

PALM HILLS DEVELOPMENTS COMPANY S.A. E
CONSOLIDATED STATEMENT OF INCOME (PROFIT OR LOSS)
For The Period Ended 30 June 2018

	<u>Note No.</u>	Financial period from 1/1/2018 to 30/6/2018 <u>EGP</u>	Financial period from 1/1/2017 to 30/6/2017 <u>EGP</u>	Financial period from 1/4/2018 to 30/6/2018 <u>EGP</u>	Financial period from 1/4/2017 to 30/6/2017 <u>EGP</u>
Revenues	(27a, 56)	3 373 494 477	3 228 251 898	1 908 041 975	1 639 291 307
<u>Deduct: -</u>					
Cost of revenues	(26, 57)	2 015 996 092	2 241 166 945	1 122 273 321	1 170 773 020
Cash discount		45 777 256	41 829 327	21 362 697	11 676 993
Gross profit		<u>2 061 773 348</u>	<u>2 282 996 272</u>	<u>1 143 636 018</u>	<u>1 182 450 013</u>
		<u>1 311 721 129</u>	<u>945 255 626</u>	<u>764 405 957</u>	<u>456 841 294</u>
<u>Deduct: -</u>					
General administrative, selling and marketing expenses	(58)	409 952 735	316 394 968	243 351 464	152 137 478
Interest on land purchase liabilities		118 245 719	53 125 381	59 122 859	42 954 357
Provision	(18)	9 169 264	4 742 030	7 052 614	1 756 962
Administrative depreciation		30 703 261	9 843 613	25 062 803	5 062 243
Securitization of receivables interest		85 358 656	91 726 158	85 358 656	--
Recoverable interest on land purchase liabilities		--	(82 824 383)	--	--
Finance costs & interests		106 814 139	74 854 393	64 167 396	39 287 097
		<u>760 243 772</u>	<u>467 862 160</u>	<u>484 115 792</u>	<u>241 198 137</u>
<u>Add: -</u>					
Interest income – amortization of discount on notes receivables		40 262 766	33 595 630	20 133 383	16 797 815
Gains on investments in fair value through profit or loss	(59)	3 956 329	2 924 223	2 018 659	1 380 152
Interest income on held-to-maturity investments		32 312 362	29 969 436	21 495 587	16 368 301
		<u>76 531 457</u>	<u>66 489 289</u>	<u>43 645 629</u>	<u>34 546 268</u>
Net profit for the period before income tax & non-controlling interest		628 008 813	543 882 755	323 935 794	250 189 424
<u>Deduct: -</u>					
Income tax expense	(22a)	152 279 277	98 091 929	90 470 253	38 162 689
Deferred tax	(22b)	269 311	(1 059 353)	137 870	(1 131 374)
Net profit for the period before & non-controlling interest		475 460 226	446 850 179	233 327 672	213 158 110
<u>Deduct: -</u>					
Non-controlling interest share-subsiidiaries		35 558 769	97 511 387	17 577 395	76 127 640
Net profit for the period after income tax & non-controlling interest		439 901 456	349 338 792	215 750 277	137 030 470
Earnings per share	(24, 63)	<u>0.19</u>	<u>0.151</u>	<u>0.093</u>	<u>0.059</u>

- The accompanying notes from (1) to (64) form an integral part of these financial statements and are to be read therewith.

Chief Financial Officer
Ali Thabet

Chairman
Yasseen Mansour

PALM HILLS DEVELOPMENTS COMPANY S.A. E
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For The Period Ended 30 June 2018

	Financial period from 1/1/2018 to 30/6/2018	Financial period from 1/1/2017 to 30/6/2017	Financial period from 1/4/2018 to 30/6/2018	Financial period from 1/4/2017 to 30/6/2017
	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>
Net profit for the period	439 901 456	349 338 792	215 750 277	137 030 470
Other comprehensive income	--	--	--	--
Total comprehensive income for the period, net of tax	<u>439 901 456</u>	<u>349 338 792</u>	<u>215 750 277</u>	<u>137 030 470</u>
<u>Attributable to: -</u>				
Equity holders of the parent	439 901 456	349 338 792	215 750 277	137 030 470
Non-controlling interests	35 558 769	97 511 387	17 577 395	76 127 640
	<u>475 460 226</u>	<u>446 850 179</u>	<u>233 327 672</u>	<u>213 158 110</u>

- The accompanying notes from (1) to (64) form an integral part of these financial statements and are to be read therewith.

Chief Financial Officer
Ali Thabet

Chairman
Yasseen Mansour

PALM HILLS DEVELOPMENTS COMPANY S.A. E
CONSOLIDATED STATEMENT OF CASH FLOWS
For The Period Ended 30 June 2018

	<u>Note No.</u>	<u>30/6/2018</u> EGP	<u>30/6/2017</u> EGP
Net profit for the period before income tax & non-controlling interest		628 008 813	543 882 755
<u>Adjustments to reconcile net profit to net cash from operating activities</u>			
Interest on land purchase liabilities		118 245 719	53 125 381
Administrative depreciation	(36)	39 638 082	17 746 362
Provision		9 169 264	4 742 030
Finance costs & interests		106 814 139	74 854 393
Securitization of receivables interest		85 358 656	91 726 158
Share of profit / loss of associates		(2 600 684)	(632 072)
Gain (loss) on disposal of fixed assets	(36)	1 585	--
Interest income – amortization of discount on notes receivables		(40 262 766)	(33 595 630)
Gains on investments in fair value through profit or loss		(3 956 329)	(2 924 223)
Interest income on held to maturity investments		(32 312 362)	(29 969 437)
Recoverable interest on land purchase liabilities		--	(82 824 383)
Operating profit before changes in working capital items		908 104 117	636 131 335
<u>Changes in working capital items</u>			
Change in work in process	(14-37)	(233 284 707)	(1 998 866 382)
Change in notes receivables	(16-34)	(1 300 294 067)	(1 852 447 431)
Change in investments in fair value through profit or loss	(11e)	(8 019 510)	9 009 609
Change in held-to-maturity investments		(121 841 300)	(88 915 194)
Change in accounts receivable	(39)	(192 949 251)	(99 485 649)
Change in suppliers - advance payments		(13 346 869)	(73 842 969)
Change in debtors & other debit balances	(40)	(496 953 737)	(168 454 737)
Change in guaranteed payments – joint arrangement	(41)	50 000 000	(13 221 725)
Change in due from related parties	(25-42)	--	
Change in advances from customers	(46)	(88 528 051)	(8 331 289)
Provisions	(18)	1 368 470 572	548 557
Change in due to related parties		9 965 587	(42 305 919)
Change in notes payable		131 141 494	1 630 797 338
Change in suppliers & contractors		38 206 861	108 007 082
Income tax paid		(152 704 271)	(115 127 849)
Change in creditors and other credit balances		33 788 594	160 286 762
Change in other long term – Residents' Association	(53)	223 407 121	149 731 779
Change in due to joint arrangement partners		492 710 356	468 455 414
Net cash provided by (used in) operating activities		647 872 939	(298 786 855)
<u>Cash flows from investing activities</u>			
Payments for purchase of fixed assets	(36)	(35 058 027)	(16 333 477)
Payments for projects under construction	(12-35)	1 712 038	(2 716 982)
Payments for investment		(8 020 000)	--
Proceeds from real estate investment		(5 021 273)	--
Proceeds from investments in fair value through profit or loss		3 956 329	2 924 223
Interest income on held-to-maturity investments		32 312 362	29 969 437
Net cash (used in) provided by investing activities		(10 118 571)	13 843 202
<u>Cash flows from financing activities</u>			
Banks - credit balances	(44)	1 214 699	69 174 491
Banks - overdraft	(45)	286 362 914	92 344 673
Non-controlling interest – dividends		(4 571 780)	(6 338 733)
Deferred tax		141 471	28 021
Proceeds from ESOP		40 403 915	4 414 843
Repayment of borrowings		(248 729 796)	(191 071 256)
Proceeds from loans	(50)	--	476 960 221
Adjustments to retained earnings		(300 248 196)	(183 033 249)
Interest in notes receivables		--	--
Securitization of receivables interest		(85 358 656)	(91 726 158)
Finance costs & interests paid		(106 814 139)	(74 854 393)
Net cash (used in) provided by financing activities		(417 599 568)	95 898 460
Net increase in cash and cash equivalents during the period		220 154 800	(189 045 193)
Cash and cash equivalents at beginning of the period		562 030 358	808 516 570
Cash and cash equivalents as at 30 June 2018	(28-38)	782 185 158	619 471 377

- Non- Cash transactions are excluded from the cash flow statement.
- The accompanying notes from (1) to (64) form an integral part of these financial statements and are to be read therewith.

Chief Financial Officer
Ali Thabet

Chairman
Yasseen Mansour

PALM HILLS DEVELOPMENTS COMPANY S.A. E
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For The Period Ended 30 June 2018

	<u>Share Capital</u>	<u>Legal reserve</u>	<u>Special reserve</u>	<u>Reserve for ESOP re-measurement</u>	<u>Retained earnings</u>	<u>Net profit for the period</u>	<u>Total</u>	<u>Non-controlling interest</u>	<u>Total Shareholders' equity</u>
Balance as at 1 January 2017	4 617 899 452	630 142 410	524 212 885	31 492 645	(222 478 994)	639 795 380	6 221 063 779	412 151 516	6 633 215 294
Transferred to retained earnings	--	--	--	--	639 795 380	(639 795 380)	--	--	--
Transferred to legal reserve	--	49 872 341	--	--	(49 872 341)	--	--	--	--
Amounts set aside for Employee stock ownership plan (ESOP)	--	--	--	(3 715 804)	--	--	(3 715 804)	--	(3 715 804)
Adjustments to retained earnings	--	--	--	--	(183 033 249)	--	(183 033 249)	--	(183 033 249)
Dividends	--	--	--	--	--	--	--	(6 338 733)	(6 338 733)
Net profit for the period	--	--	--	--	--	349 338 792	349 338 792	97 511 387	446 850 179
Balance as at 30 June. 2017	4 617 899 452	680 014 751	524 212 885	27 776 841	184 410 796	349 338 792	6 383 653 517	503 324 170	6 886 977 687
Balance as at 1 January 2018									
Transferred to retained earnings	4 617 899 452	682 810 544	476 064 168	43 010 431	76 127 305	805 637 537	6 701 549 437	538 436 217	7 239 985 654
Transferred to legal reserve	--	--	--	--	805 637 537	(805 637 537)	--	--	--
Amounts set aside for Employee stock ownership plan (ESOP)	--	25 713 733	--	--	(25 713 733)	--	--	--	--
Adjustments to retained earnings	--	--	--	(43 010 431)	--	--	(43 010 431)	--	(43 010 431)
Dividends	--	--	--	--	(300 248 196)	--	(300 248 196)	--	(300 248 196)
Net profit for the period	--	--	--	--	--	--	--	(4 571 779)	(4 571 779)
Net profit for the period	--	--	--	--	--	439 901 456	439 901 456	35 558 769	475 460 226
Balance as at 30 June. 2018	4 617 899 452	708 524 277	476 064 168	--	555 802 914	439 901 456	6 798 192 266	569 423 206	7 367 615 472

-The accompanying notes from (1) to (64) form an integral part of these financial statements and are to be read therewith

Chief Financial Officer
Ali Thabet

Chairman
Yasseen Mansour

Palm Hills Developments Company
(S.A. E)
Notes to the Consolidated
Financial Statements As of 30 June 2018

1. BACKGROUND

Palm Hills for Developments Company (S.A. E) was established according to the Investment Guarantee and Incentives Law No. (8) of 1997 which was replaced by the Investment Guarantee and Incentives Law No. (72) of 2017 and the Companies Law No. 159 of 1981 that was modified according to Law No. (4) of 2018 and their executive regulations, taking into consideration the Capital Market Law No. 95 of 1992 and its executive regulations.

2. COMPANY'S PURPOSE

The company's purpose is to invest in real estate in the New Cities and New Urban Communities including building, constructing, owning and managing residential compounds, resorts, villas and touristic villages, selling and the resale and associated services and facilities, leasing and the construction of integrated projects along with managing the entertainment activities associated with the company's in activities. All such activities are subject to the approval of appropriate authorities.

3. The Company's Location

The company's head office is located at the 6th of October City in the Giza Governorate and the main branch is located in the Smart Village.

4. COMMERCIAL REGISTER

The company is registered in the Commercial Register under No. 6801 dated 10 January 2005.

5. FINANCIAL YEAR

The company's financial year begins on 1 January and ends on 31 Dec. except for the first financial year which began as from the date of commencement of activity and ended on Dec. 31, 2012.

6. AUTHORIZATION OF THE FINANCIAL STATEMENTS

The Consolidated financial statements for the Six Months ended in 30 June 2018 were authorized for issue by the board of directors on 31 July 2018.

7. STOCK EXCHANGE LISTING

The company was listed in the unofficial schedule no. (2) of the Cairo and Alexandria Stock Exchange on 27 Dec. 2006 and then listed in the official schedule no. (1) of the Cairo and Alexandria Stock Exchange on April 2008.

8. EXISTING PROJECTS

The company has several major activities for the development of new urban communities and tourist compounds through:

a) Building and constructing residential compounds

The objective of the company is to contribute in building integrated residential units, providing associated services, and entertainment complexes, while the Company possesses a large land bank which includes land with a total area of 1,392.20 acres approx. located at 6th October City, land with a total area of 456.84 acres approx. located at New Cairo City, land measuring a total area of 3349.15 acres approx. which is located at Sidi Abdel Rahman, El Alamin, Marsa Matrouh Governorate, land with a total area of 22.68 acres approx. located at Hurghada.

b) Other activity

According to a preliminary contract with a related party, the Company obtained a plot of land measuring approximately 1702.79 acres situated 49 KMs from the beginning of the Cairo-Alexandria Road to be transformed into Botanical Gardens by reclamation and cultivation using modern irrigation methods.

c) Joint Arrangement

The company and its subsidiaries adopted a new strategy as from the fiscal year ended 31 Dec. 2015 in relation to real estate development activities, through the conclusion of contracts as joint projects with some other parties, the contract provides that each contracting party to obtain a share of the contractual values of the financing, marketing and technical management of these projects as follows:

-Palm Hills Developments

Palm Hills Developments Company (real-estate developer) has contracted with one of the owners (owner) of the plot of land with an area of 135 acres in Alexandria-Abis-Moharram Bek-Cairo Alexandria Desert Road- to develop this area and under this contract the owner and the real estate developer receives a share of the total project revenues to be paid through the proceeds of the project. the company has not started marketing and selling the project units yet.

Palm Hills Developments Company and Palm for Urban Development Company (real-estate developer) has contracted with The Urban Communities Authority (owner) for the development of integrated residential project (Badya) on an area of 3000 acres in West Cairo on the basis of a revenue sharing system in that the company (real-estate developer) gets 74% for the business of the marketing and development of the project while the Authority (owner) receives 26% in addition to an in kind shares of project units -for land and supply of external facilities for the project, the real-estate developers started developing, marketing and selling the project units as from May 2018.

-Palm for Investment And Real Estate Development

Palm for Investment & Real Estate Development Company (real-estate developer) has contracted with The New Urban Communities Authority (owner) to develop land with a total area of 500 acres in New Cairo for the construction of an integrated urban project -Palm New Cairo- under this contract the Authority (owner) and the Company (real-estate developer) receives a share of total project revenues that paid through the proceeds of the project. the company started developing, marketing and selling the project units as from November 2016.

-Palm Real Estate Development

Palm Real Estate Development Company (real-estate developer) has contracted with Nasr City for Housing & Development Company (owner) to develop a land with a total area of 103.25 acres in New Cairo for the construction of an integrated urban project -Capital Gardens Project- under this contract the (owner) and the (real-estate developer) receives a share of total project revenues that paid through the proceeds of the project. the company started developing, marketing and selling the project units as from the fiscal year 2016.

-Palm Hills Development of Tourism and Real Estate

Palm Hills Development of Tourism and Real Estate Company (real-estate developer) has contracted with Batterjee Development of Tourism and Real Estate Company (owner) to develop land with a total area of 134.64 acres located in 85KM of Alexandria-Matroh Road - El Fouka village - for the construction of a full-service tourist resort, under this contract the (owner) and the (real-estate developer) receives a share of total project revenues that paid through the proceeds of the project. the company has not started marketing and selling the project units yet.

d) Investments in associates and subsidiaries**1- Direct investments in associates and subsidiaries as following: -**

	<u>Percentage</u> <u>share %</u>
Palm Hills Middle East Company for Real Estate Investment S.A. E	% 99.99
Gawda for Trade Services S.A. E	%99.996
New Cairo for Real Estate Developments S.A. E	%99.985
Rakeen Egypt for Real Estate Investment S.A. E	%99.9454
Palm for Real Estate Development S.A. E	%99.4
Palm for Investment & Real Estate Development S.A. E	%99.4
Palm Hills Development of Tourism and Real Estate S.A. E	%99.4
Palm Hills for Tourism Investment S.A. E	%99.4
Palm Hills Resorts S.A. E	%99.4
Palm for Urban Development S.A. E	%99.4
Palm Hills Properties S.A. E	%99.2
Palm for Club Management S.A. E	%99.2
Palm Alexandria for Real Estate S.A. E	%99.2
United Engineering for Construction S.A. E	%98.88
Palm Hills Hospitality S.A. E	%98

	<u>Percentage</u> <u>share %</u>
East New Cairo for Real Estate Development S.A. E	%89
Palm Hills for Education S.A. E	%71.04
Macor for Securities Investment Company S.A. E	%60
Al Naeem for Hotels and Touristic Villages S.A. E	%60
Gamsha for Tourist Development S.A. E	%59
Royal Gardens for Real Estate Investment Company S.A. E	%51
Nile Palm Al-Naeem for Real Estate Development S.A. E	%51
Saudi Urban Development Company S.A. E	%51
Coldwell Banker Palm Hills for Real Estate S.A. E	%49
Six of October for Hotels and Touristic Services Company S.A. E	%00.24

2- Indirect investments in associates and subsidiaries as following: -

	<u>Percentage</u> <u>share %</u>
Palm North Coast Hotels S.A. E	%97.412
Palm Gamsha Hotels S.A. E	%87.50
Middle East Company for Real Estate and Touristic Investment S.A. E	%96.04
East New Cairo for Real Estate Development S.A. E	%10.998
Asten College for Education	%71

1- Direct investments in associates and subsidiaries

- Palm Hills Middle East Company for Real Estate Investment S.A. E. and Its Subsidiary

Palm Hills Middle East Company for Real Estate Investment S.A. E. is engaged in real estate investment in new cities and urban communities, and also the construction, ownership and management of residential compounds, resorts, and villas. The company and its subsidiary are also involved in the sale and lease and other related services for managing integrated projects and entertainment activities.

- The company is registered in Egypt under commercial registration number 21091. The company's subsidiary is registered in Egypt under commercial registration number 25016. Both companies are registered under the provisions of the Investment Guarantees and Incentives Law No. 8 of 1997 and the Companies' Law No. 159 of 1981 and the statutes of Capital/ Market Law No. 95 of 1992.

- Gawda for Trade Services S.A. E

Gawda for Trade Services S.A. E is registered in Egypt under commercial registration number 10242 under the provisions of the Companies' Law No. 159 of 1981. The company is located at 66 Gameat El-Dewal El Arabia Street-Mohandessin- Cairo. The company is engaged in real estate investment in new cities, urban communities, remote areas and regions.

- **New Cairo for Real Estate Developments S.A. E**

New Cairo for Real Estate Development S.A. E. is registered in Egypt under commercial registration number 12613 under the provisions of the Investment Guarantees and Incentives Law No. 8 of 1997 and the Companies' Law No. 159 of 1981 and the Capital Market Law No. 95 of 1992. The company is located in plot 36 South investors' area in new Cairo. The company is engaged in construction, management, and the sale of hotels, motels, buildings and residential compounds and the purchase, development, diving and sale of land.

- **Rakeen Egypt for Real Estate Investment S.A. E**

Rakeen Egypt for Real Estate Investment S.A. E is registered in Egypt under commercial registration number 34611 under the provisions of the Investment Guarantees and Incentives Law No. 8 of 1997 and the Companies' Law No. 159 of 1981 and the statutes of Capital Market Law No. 95 of 1992. The company is located in 6th of October City. The company is engaged in leasing, construction and operation of hotels, motels, resorts and residential compounds, construction, generation of electricity, desalination of water, land acquisition, diving and constructing villas, residential units and offices malls and the marketing thereof.

- **Palm for Real Estate Development S.A. E**

Palm for Real Estate Development S.A. E is registered in Egypt under commercial registration number 83974 under the provisions of the Companies' Law No. 159 of 1981 and the statutes of the Capital Market Law No. 95 of 1992. The company is engaged in real estate investment.

- **Palm for Investment & Real Estate Development S.A. E**

Palm for Investment & Real Estate Development S.A. E is registered in Egypt under commercial registration number 85861 under the provisions of the Companies' Law No. 159 of 1981 and the statutes of the Capital Market Law No. 95 of 1992. The company is engaged in real estate investment and real estate marketing.

- **Palm Hills Development of Tourism and Real Estate S.A. E**

Palm Hills Development of Tourism and Real Estate S.A. E is registered in Egypt under commercial registration number 92998 under the provisions of the Companies' Law No. 159 of 1981 and the statutes of the Capital Market Law No. 95 of 1992. The company is engaged in real estate investment and real estate marketing.

- **Palm Hills for Tourism Investment S.A. E**

Palm Hills for Tourism Investment S.A. E is registered in Egypt under commercial registration number 93156 under the provisions of the Companies' Law No. 159 of 1981 and the statutes of the Capital Market Law No. 95 of 1992. The company is engaged in real estate investment and real estate marketing.

The Company has not started its business yet.

- **Palm Hills Resorts S.A. E**

Palm Hills Resorts S.A. E is registered in Egypt under commercial registration number 93163 under the provisions of the Companies' Law No. 159 of 1981 and the statutes of the Capital Market Law No. 95 of 1992. The company is engaged in real estate investment and real estate marketing.

The Company has not started its business yet.

- **Palm for Urban Development S.A. E**

Palm for Urban Development S.A. E is registered in Egypt under commercial registration number 99183 under the provisions of the Companies' Law No. 159 of 1981 and the statutes of the Capital Market Law No. 95 of 1992. The company is engaged in real estate investment.

The Company has not started its business yet.

- **Palm Hills Properties S.A. E**

Palm Hills Properties S.A. E is registered in Egypt under commercial registration number 88228 under the provisions of the Companies' Law No. 159 of 1981 and the statutes of the Capital Market Law No. 95 of 1992. The company is engaged in real estate investment and real estate marketing.

The Company has not started its business yet.

- **Palm for Club Management S.A. E**

Palm for Club Management S.A. E is registered in Egypt under commercial registration number 101134 under the provisions of the Companies' Law No. 159 of 1981 and the statutes of the Capital Market Law No. 95 of 1992. The company is engaged in real estate marketing, establishing, managing, ownership, sale and rental of apartments and commercial malls and establishing and operating of hotels, motels, apartments, hotel suites and tourist villages

- **Palm Alexandria for Real Estate S.A. E**

Palm Alexandria for Real Estate S.A. E is registered in Egypt under commercial registration number 101133 under the provisions of the Companies' Law No. 159 of 1981 and the statutes of the Capital Market Law No. 95 of 1992. The company is engaged in real estate investment in new cities and urban communities.

The Company has not started its business yet.

- **United Engineering for Construction S.A. E**

United Engineering for Construction S.A. E is registered in Egypt under commercial registration number 56910 under the provisions of the Companies' Law No. 159 of 1981 and the statutes of the Capital Market Law No. 95 of 1992. The company is located at 40 Lebanon Street-Mohandessin-Giza. The company is engaged in construction.

- **Palm Hills Hospitality S.A. E**

Palm Hills Hospitality S.A. E is registered in Egypt under commercial registration number 45441 under the provisions of the Companies' Law No. 159 of 1981. The company is located in 11 El Nakhil Street- Dokki- Giza. The company is engaged in establishing and operating hotels, motels, resorts and residential compounds.

- **East New Cairo for Real Estate Development S.A. E**

East New Cairo for Real Estate Development S.A. E was established under the name of Kappci Company for Real Estate and touristic Development S.A. E. according to Law No. 159 of 1981 and its executive regulation and the company was registered under commercial registration No. 1429 of Ismailia at 20 March 2007.

- **Palm Hills Education S.A. E**

Palm Hills Education S.A. E is registered in Egypt under commercial registration number 103987 under the provisions of the Companies' Law No. 159 of 1981 and the statutes of the Capital Market Law No. 95 of 1992. The company is engaged in establishing, managing, rental and equipping of schools.

- **Macor for Securities Investment Company S.A. E**

Macor for Securities Investment Company S.A. E was established in Egypt on 8 March 2000 under the provisions of Capital Market Law No. 95 of 1992. The objective of the company is to contribute in the establishment or investment in the companies' securities especially the companies engaged in owning, renting and managing the hotels, motels and resorts.

- **Al Naeem for Hotels and Touristic Villages S.A. E**

Al Naeem for Hotels and Touristic Villages S.A. E is registered in Egypt under commercial registration number 32915 under the provisions of the Investment Guarantees and Incentives Law No. 8 of 1997 and the Companies' Law No. 159 of 1981 and the statutes of Capital Market Law No. 95 of 1992. The company is located in 6th of October City. The company is engaged in construction and operation of hotels in Hamata.

- **Gamsha for Tourist Development S.A. E**

Gamsha for Tourist Development S.A. E is registered in Egypt under commercial registration number 33955 under the provisions of the Companies' Law No. 159 of 1981. The company is located in 11 El Nakhil Street- Dokki- Giza. The company is engaged in real estate investments in new cities, urban communities, remote areas and regions outside the old valley.

- **Royal Gardens for Real Estate Investment Company S.A. E.**

Royal Gardens for Real Estate Investment Company S.A. E. is registered in Egypt under commercial registration number 21574 under the provisions of the Investment Guarantees and Incentives Law No. 8 of 1997 and the Companies' Law No. 159 of 1981 and the statutes of Capital Market Law No. 95 of 1992. The company is located in 11 El-Nakhil Street- Dokki-Giza.

The company is engaged in real estate investment in cities and new urban communities and the setup, execution, acquisition, and management of urban communities, resorts, villas and tourist villages through sale or lease. The company is also involved in all other types of related services such as finance leasing and construction.

- **Nile Palm Al-Naeem for Real Estate Development S.A. E**

Nile Palm Al-Naeem for Real Estate Development S.A. E is registered in Egypt under commercial registration number 27613 under the provisions of the Investment Guarantees and Incentives Law No. 8 of 1997 and the Companies' Law No. 159 of 1981 and the statutes of Capital Market Law No. 95 of 1992. The company is located in 40 Lebanon Street-Mohandessin-Giza. The company is engaged in real estate investment in new cities and urban communities, and also in the construction, ownership and management of residential compounds, resorts, and villas.

- **Saudi Urban Development Company S.A. E**

Saudi Urban Development Company S.A. E is registered in Egypt under commercial registration number 1971 under the provisions of the Companies' Law No. 159 of 1981. The company is located in 72 Gamet El- Dewal El Arabia Street- Mohandessin- Cairo. The company is engaged in the construction of advanced residential projects.

- **Coldwell Banker Palm Hills for Real Estate S.A. E**

Coldwell Banker Palm Hills for Real Estate S.A. E is registered in Egypt under commercial registration number 15970 on 17 August 2005 under the provisions of the Investment Guarantees and Incentives Law No. 8 of 1997 and the Companies' Law No. 159 of 1981 and the statutes of Capital Market Law No. 95 of 1992. The company is engaged in real estate investment.

- **Palm October for Hotels S.A. E**

Palm October for Hotels S.A. E is registered in Egypt under commercial registration number 38357 under the provisions of the Companies' Law No. 159 of 1981. The company is located at 11 El Nakhil Street- Dokki- Giza. The company is engaged in establishing and operating hotels, motels, resorts and residential compounds.

The Company has not started its business yet.

2- Indirect investments in associates and subsidiaries

	<u>Percentage</u>
	<u>share %</u>
Palm North Coast Hotels S.A. E	%97.412
Palm Gamsha Hotels S.A. E	%87.50
Middle East Company for Real Estate and Touristic Investment S.A. E	%96.04
East New Cairo for Real Estate Development S.A. E	%10.998
Asten College for Education S.A. E	%71

- Palm North Coast Hotels S.A. E

Palm October for Hotels S.A. E is registered in Egypt under commercial registration number 48189 under the provisions of the Companies' Law No 159 of 1981. The company is located in 11 El Nakhil Street- Dokki- Giza. The company is engaged in establishing and operating the hotels, motels, resorts and residential compounds.

- Palm Gamsha Hotels S.A. E

Palm October Hotels S.A. E is registered in Egypt under commercial registration number 46193 under the provisions of the Companies' Law No 159 of 1981. The company is located in 11 El Nakhil Street- Dokki- Giza. The company is engaged in establishing and operating the hotels, motels, resorts and residential compounds.

- Middle East Company for Real Estate and Touristic Investment S.A. E

Middle East Company for Real Estate and Touristic Investment S.A. E is registered in Egypt under commercial registration number 25016 under the provisions of the Investment Guarantees and Incentives Law No. 8 of 1997 and the Companies' Law No. 159 of 1981.

The company is engaged in real estate investment in cities and new urban communities and the setup, execution, acquisition, and management of urban communities, hotel apartment and tourist villages.

- East New Cairo for Real Estate Development S.A. E

East New Cairo for Real Estate Development S.A. E was established under the name of Kappci Company for Real Estate and touristic Development S.A. E. according to Law No. 159 of 1981 and its executive regulation and the company was registered under commercial registration No. 1429 of Ismailia at 20 March 2007.

- Asten College for Education

Asten College for Education S.A. E is registered in Egypt under commercial registration number 106243 under the provisions of the Companies' Law No. 159 of 1981 and the statutes of the Capital Market Law No. 95 of 1992. The company is engaged in establishing, managing, rental and equipping of schools.

The Company has not started its business yet.

9. STATEMENT OF COMPLIANCE

These consolidated financial statements of Palm Hills Developments and its subsidiaries (the 'group') were prepared in accordance with Egyptian Accounting Standards and following the same accounting policies applied for the preparation of the previous financial statements.

10. SIGNIFICANT ACCOUNTING POLICIES APPLIED

a) Basic of consolidated financial statements preparation

The Company's management is responsible for the preparation the financial statements. The consolidated financial statements are prepared in accordance with Egyptian Accounting Standards and related Egyptian Laws and regulations.

b) Basic of consolidation

The consolidated financial statements comprise the financial statements of Palm Hills Developments Company and its subsidiaries which are all entities over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group.

The consolidated financial statements of Palm Hills Developments Company include its subsidiaries with the exception of the following:

	<u>Percentage</u>	<u>Nature</u>
	<u>share %</u>	
Coldwell Banker Palm Hills for Real Estate	49%	Associate

c) Consolidation procedures

In preparing consolidated financial statements, the Company combines the financial statements of the parent company and its subsidiaries line-by-line by adding together like items of assets, liabilities, equity, income and expenses the following steps are then taken:

- 1- Consolidated financial statements shall be prepared using uniform accounting policies. If a member of the group uses accounting policies other than those adopted in the consolidated financial statements, appropriate adjustments are made to its financial statements in preparing the consolidated financial statements.

- 2- The carrying amount of the parent's investment in each subsidiary and the parent's portion of equity of each subsidiary are eliminated. The difference between the cost of acquisition and the Company share in the fair value of the assets and liabilities of the investee is accounted for as a positive goodwill or as a negative goodwill and to be recognized on the consolidated income statement.
- 3- Combining balances and items of balance sheet as well as statements of income, changes in equity and cash flows, taking into account the acquisition date of subsidiaries, appropriate adjustments are made to cost of revenue, work in process and projects under construction which resulting from applying the acquisition method to account for resultant goodwill.
- 4- Intergroup balances, transactions shall be eliminated in full.
- 5- Profits and losses resulting from intergroup transactions are eliminated in full unless such transactions were eliminated or transferred to a third party.
- 6- Non-controlling interests in the net equity and in net earnings of subsidiary companies are included in a separate item "non-controlling interest" in the consolidated financial statements.
- 7- A subsidiary company is not included in the consolidated financial statements if the holding company loses its control over the financial and operational policies in this subsidiary starting from the date that control ceases.

d) Business combination

The group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquire and the equity interests issued by the group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The group recognizes any non-controlling interest in the acquire on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognized amounts of acquirer's identifiable net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquire is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognized in profit or loss.

Any contingent consideration to be transferred by the group is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognized either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

e) Intangible assets

1- Goodwill

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interests) and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognized at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquire are assigned to those units.

Where goodwill has been allocated to a cash-generating unit (CGU) and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

2- Other intangible assets

Intangible assets are non-monetary assets which are without physical substantive. Intangible assets arise from contractual or other legal rights and from which future economic benefits (inflows of cash or other assets) are expected to flow and can be measured reliably. Intangible assets are initially measured at cost and to be re-measured at each financial year-end at cost of acquisition less accumulated amortization and accumulated impairment losses, which represents the fair value of those assets at that date.

f) Use of estimates and judgments

The preparation of the financial statements in conformity with Egyptian Accounting Standards requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about the carrying values of assets and liabilities that are readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on a going basis. Revisions to accounting estimates are recognized in the year in which the estimate is revised if the revision affects only that year or in the year of the revision and future years if the revision affects both current and future years. In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are described in the following notes:

- Revenue
- Estimated cost to complete projects
- Assets impairment
- Usufruct
- Investment Property
- Deferred tax
- Fair value of financial instruments

g) Changes in accounting policies

Changes in accounting policies are changes in the specific principles, bases, conventions, rules and practices applied by the Company in preparing and presenting financial statements. A change in accounting policy may be a voluntary change from one accepted policy to another in the Framework of the Egyptian Accounting Standards, where such changes result in the financial statements providing reliable and more relevant information about the effects of transactions, other events or conditions on the Group's financial position, financial performance or cash flows. The change in accounting policy is applied retrospectively as an adjustment to the beginning balance of retained earnings as a component of equity.

h) Bookkeeping

1- Functional and presentation currency

These consolidated financial statements are presented in Egyptian pound, which is the currency of the primary economic environment in which the Group operates (the functional currency). Foreign currency transactions are translated into Egyptian pound using the exchange rates prevailing at the date of the transaction.

2- Foreign currency transactions and balances

Monetary assets and liabilities in foreign currencies are retranslated at the end of each year at the exchange rates then prevailing. Foreign exchange gains and losses resulting from valuation differences are recognized in the income statement.

i) Operating segment

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity) whose operating results are reviewed regularly by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available.

The Group has one operating segment which is real estate of all types and other operating segments are not identified according to EAS (41).

11. INVESTMENTS

a) Investments in subsidiaries

Subsidiaries are all companies that are controlled by the Company in that the Company owns more than half of the voting rights of a subsidiary, and Control is the power to govern the financial and operating policies of a subsidiary.

Investments in subsidiaries are stated at cost method. According to this method, investments recorded at cost- cost of acquisition- at the purchase order date less permanent impairment losses, if any, such impairment losses are recognized in income statement.

b) Investments in associates

Subsidiaries are all companies over which the Company has significant influence and that is neither a subsidiary nor an interest in a joint venture. Investments in associates are stated at equity method, under the equity method the investments in associates are initially recognized 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.

Distributions received from associates reduce the carrying amounts of the investments. As an exception, investments in associates are initially recognized at cost based on preparing the consolidated financial statements available for public use.

c) Financial investments available for sale

Available-for-sale financial assets are any non-derivative financial assets designated on initial recognition as available for sale or any other instruments that are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss. Available-for-sale financial assets are initially recognized at fair value plus directly attributable costs of acquisition or issue.

Gains and losses arising from changes in the fair value of available for sale financial investments are recognized as equity until the financial asset is derecognized, or impaired, at which time, the cumulative gain or loss previously recognized in equity should be recognized in profit or loss.

The fair value for available-for-sale investments is identified based on the quoted price of the exchange market at the balance sheet date, except for investments which are not quoted in a stock exchange in an active market and whose fair value cannot be measured reliably in this case they are measured at cost.

d) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that an entity has the positive intention and ability to hold to maturity.

Held-to-maturity investments are initially recognized at fair value plus directly attributable costs of acquisition or issue, after initial recognition held-to-maturity investments are measured at amortized cost using the effective interest method less impairment losses.

Gains and losses are recognized in income statement when the investments are derecognized or impaired, as well as through the amortization process.

e) Investments at fair value through profit and loss

Investments at fair value through profit and loss includes financial assets acquired principally for the purpose of selling or repurchasing it in the near term or are designated as such upon initial recognition. Investments at fair value through profit and loss initially recognize at fair value plus directly attributable costs of acquisition, after initial recognition investments at fair value through profit and loss are measured at fair value and any changes therein are recognized in income statement.

f) Investments properties

Investment property is property (land or a building or both) held to earn rentals or for capital appreciation or both, rather than for use in the ordinary course of business. Investment property includes lands held for sale on long term. Investment property does not include property acquired exclusively with a view to subsequent disposal in the near future or for development and resale. Investment property Investment property is initially measured at cost, including transaction costs, subsequent to initial recognition Investment property is measured at cost less accumulated depreciation and any impairment in value. Investment property is derecognized on disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal.

12. PROJECTS UNDER CONSTRUCTION

Include the direct and indirect cost of land allocated to the Company for engaging in its main activity which had been allocated to build golf courses and hotels in Palm Hills Residential Compound in 6th of October City, as well infrastructure and construction costs of such projects. Projects under construction also include acquisition of commercial shops from an associate company.

13. FIXED ASSETS

Fixed assets are stated at historical cost –cost of acquisition-and to be depreciated by straight line method over the estimated useful life of the asset starting from the date of using the asset. Cost of acquisition does not include subsequent expenditure relating to routine maintenance or to ensure that a fixed asset maintains its original assessed standard of performance and useful life and should be charged to the income statement. Carrying amount of fixed assets after initial measurement is stated at historical cost less accumulated depreciation and cumulative impairment losses (if any). The estimated useful lives are as follows:

<u>Asset</u>	<u>Rate</u>
Buildings	%5
Tools & Equipment	% 25
Furniture & Fixtures	% 25 – %33
Vehicles	% 25

The carrying amount of a fixed asset should be derecognized on disposal or when no future economic benefits are expected to be earned from its disposal. The gain or loss on the disposal of an asset is the difference between the proceeds and the carrying amount and should be in profit and loss.

The residual value, the useful life and the depreciation method of an asset should be reviewed at least at each financial year-end.

An asset is impaired when its carrying amount exceeds its recoverable amount, At the end of each reporting period, an entity is required to assess whether there is any indication that an asset may be impaired and therefore the asset should be written down to its recoverable amount and the impairment loss shall be recognized in the income statement.

An impairment loss recognized in prior periods for an asset other than goodwill shall be reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized The increased carrying amount of an asset other than goodwill attributable to a reversal of an impairment loss shall not exceed the carrying amount that would have been determined (net of amortization or depreciation) had no impairment loss been recognized for the asset in prior years. Any impairment loss is recognized in the income statement.

14. WORK IN PROCESS

Work in process includes direct and indirect cost of land allocated to the Company for it to carry out its main activity whether the Company started the marketing activates for such lands or not, as well as construction and infrastructure costs and other indirect construction costs, that are related to contracted units, in which the required criteria of percentage of completion Tobe achieved has is not met yet to be recognized in income statement.

15. COMPLETED UNITS READY FOR SALE

Completed units ready for sale represent those units the Company started to build before or in conjunction with their marketing strategy and in accordance with the Master Plan.

All costs (cost of land, cost of developments and other indirect costs) attributable to such units are accumulated in the Work in Process Account until all units are completed for each phase. The cost is determined based on the outcome of multiplying the total area of the remaining completed units ready for sale at the date of consolidated balance sheet by the average meter cost of these units. Revenue from completed units ready for sale is recognized and matched to the cost of such units upon delivery. Completed units ready for sale are re-measured at each reporting period at the lower of cost or net realizable value.

16. NOTES RECEIVABLE

Notes receivable represent the checks which have certain maturity dates which the Company received as bank guarantees for the contractual values of the contracted units. Notes receivable are initially recognized at fair value at the date of contract and subsequently measured at amortized cost based on discounted future cash flow using the effective interest method.

17. IMPAIRMENT

An asset is impaired when its carrying amount or cash-generating unit exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use while value in use is the present value of estimated cash flow expected to be derived from an asset or cash-generating unit. An impairment loss is recognized in income statement. If there is an indication that there is an increasing in recoverable amount for an asset that increase is a reversal of the impairment. 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.

18. PROVISION

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event and it is probable that a flow of economic benefits will be required to settle the obligation; and the amount can be estimated reliably. Provision is charged to income statement. The provisions balances are reviewed on a going basis at the reporting date to disclose the best estimate on the current year and reflect the present value of expenditures required to settle the obligation where the time value of money is material.

19. LAND PURCHASE LIABILITY

Land purchase liability represents the obligations which incurred for purchase lands at certain amount and on certain maturity dates. Land purchase liability is recognized initially at the fair value. Land purchase liability is subsequently stated at amortized cost using the effective interest method.

20. COMPLETION OF INFRASTRUCTURE LIABILITIES

Completion of infrastructure liabilities presents the difference between the estimated cost and actual cost of the infrastructure in respect of the contracted units and to be deducted from earned revenue from plot of land of the contacted units.

21. CAPITALIZATION OF BORROWING COST

Capitalization of borrowing costs represents interest and other costs that the Company incurs in connection with the borrowing of funds which directly attributable to the acquisition, construction or production of a qualifying asset and would have been avoided if the expenditure on the qualifying asset had not been made .Capitalization should commence when expenditures are being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress while capitalization should be suspended during periods in which active development is interrupted. Capitalization should cease when substantially all of the activities necessary to prepare the asset for its intended use or sale are complete. Other indirect borrowing costs are recognized as expenses.

22. INCOME TAX

Taxation is provided in accordance with the Income Tax Law No. 91 of 2005.

(A) Current income tax

Current tax assets and liabilities are measured at the amount expected to be paid to (recovered from) the taxation authorities.

(B) Deferred tax

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

23. SHARE PREMIUM

Share premium is the amount received by a company over and above the face value of its shares. After deducting the issuance expenses attributable to the issuance, a part of share premium is credited to the legal reserve with limits of half of the Company's issued share capital, while the remaining balance of share premium is credited to special reserve, general assembly is responsible for determining the uses of such reserve, and it cannot be used for dividends.

24. EARNINGS PER SHARE

Basic EPS is calculated by dividing profit or loss from continuing operations and net profit or loss (after deducting employee share and board of director's remuneration – if any) attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the year.

25. RELATED PARTY TRANSACTIONS

Related party transactions present the direct and indirect relationship between the Company and its associates, subsidiaries or an interest in a joint venture, also the relationship between the Company and key management personnel or employees who exercise direct or indirect strong influence on the Company's decision making. A related party transaction is a transfer of resources, services, or obligations between related parties, regardless of whether a price is charged.

26. MATCHING OF REVENUES AND COSTS

The accounting treatment of signed contracts of villas and townhouses is based on the recognized revenue of the elements of the contact as follows:

a) Villas and townhouses

When the outcome of a construction contract can be estimated reliably, contract revenue and contract costs associated with the construction contract shall be recognized as revenue and expenses respectively by reference to the stage of completion of the contract activity at the end of the reporting.

The recognition of revenue and expenses by reference to the stage of completion of a contract is often referred to as the percentage of completion method. Under this method, contract revenue is matched with the contract costs incurred in reaching the stage of completion, resulting in the reporting of revenue, expenses and profit which can be attributed to the proportion of work completed.

Under the percentage of completion method, contract revenue is recognized as revenue in profit or loss in the accounting periods in which the work is performed. Contract costs are usually recognized as an expense in profit or loss in the accounting periods in which the work to which they relate is performed.

Cost of revenues includes the direct and indirect cost of land and the cost of construction and infrastructure, in addition to the indirect costs of construction.

b) Completed units ready for sale

Completed units ready for sale represent those units the Company started to build before or in conjunction with their marketing process and in accordance with the Master Plan. Completed units ready for sale (apartments of Palm Hills 7th Phase) are recognized at cost.

All costs (cost of land, cost of developments and other indirect costs) attributable to such units are accumulated in the Work in Process Account until all units are completed for each phase. The cost is determined based on the outcome of multiplying of the total area of the remaining completed units ready for sale at the date of consolidated balance sheet by the average meter cost of these units. Revenue from completed units ready for sale is recognized and matched to the cost of such units upon delivery. Completed units ready for sale are re-measured at each reporting period at the lower of cost or net realizable value.

c) Provision of completion

When the estimated contractual costs exceeded or it is probable that will exceed the contractual values, in such cases, any expected excess is recognized as an expense immediately.

27. REVENUE RECOGNITION

a) Sales revenues

1- Villas and townhouses

Revenue from the Company's main activity is recognized in the income statement over time based on percentage of completion for each contracted unit.

2- Completed units ready for sale

Completed units ready for sale represent the contractual values of contracted units Revenue is recognized in income statement at the point in time at which the entity transfers control of the asset to the customer

b) Investments in associates and subsidiaries

Revenue from investments in associates recognized based on equity method and in accordance with the company's share of the net profit or loss of the associate which is determined on the basis of current ownership interests, in addition to changes in the associate's other comprehensive income that have not been included in profit or loss.

Revenues from investments in subsidiaries are recognized based on cost method on the date the Company's right to receive such revenues is established or actually received which is more determinable.

c) Gain (loss) on sale of investments in securities

Gains (losses) from sale of investments in securities are recognized when a sale is consummated and the Company has transferred to the buyer the usual risks and rewards of ownership. Such gains (losses) are measured by the difference between cost of acquisition and selling price less selling commission and expenses and to be recognized in profit or loss.

Revenues resulting from equity method application and revenues from cash dividends are eliminated in preparing the consolidated income statement.

d) Revenues from investment property

Revenues from investment in real estate are recognized when a sale is consummated and the Company has in principle transferred to the buyer the usual risks of ownership. Such revenues are measured by the difference between cost of acquisition and selling price.

e) Revenues from mutual funds

Revenues from mutual fund are measured by the difference between cost of acquisition and selling price. Such revenues are recognized in profit or loss.

f) Interest income

Interest income is recognized in the profit or loss as it accrues using the effective interest rate method.

28. CASH AND CASH EQUIVALENTS

- For the purpose of the Statement of Cash Flows, cash and cash equivalents consist of cash in hand, bank balances and short-term deposits with an original maturity of three months or less.

29. FINANCIAL INSTRUMENTS & FAIR VALUE

- Financial instruments

The financial instruments of the Company are represented in the financial assets and liabilities. The Company's financial assets include cash on hand and at banks, notes receivable, checks under collection and debtors and other debit balances, financial liabilities include bank overdraft, advances from customers and creditors & other credit balances.

- Financial instruments fair value

The financial instruments of the Company are represented in the financial assets and liabilities. The Company's financial assets include cash on hand and at banks, notes receivable, checks under collection and debtors & other debit balances, financial liabilities include bank overdraft, advances from customers and creditors & other credit balances.

30. RISK MANAGEMENT

- Interest rate risk

The interest risk is represented in the interest rates changes and its effect on the current and future financial liabilities, represented in interests and commissions on bank overdraft, which may have a negative impact on the results of operations. The Company uses long-term financing sources with no interest represented in advances from customers.

- Credit risk

Credit risk is represented in the inability of credit customers to pay their dues. The Company has no significant consternation of credit risk, it has policies to ensure that contract is made with customers with an appropriate credit history, also according contracts concluded with the Company's customers, the ownership of the sold units is not transferred unless the full payments for these units are made.

31. INVESTMENTS IN ASSOCIATES

	<u>30 June 2018</u>	<u>31 Dec. 2017</u>
	<u>EGP</u>	<u>EGP</u>
Naema for Touristic & Real Estate Investments S.A. E	65 604 484	63 003 799
Villamora for Real Estate Development Company S.A. E	20 366 400	20 366 400
Coldwell Banker -Palm Hills for Real Estate S.A. E	245 000	245 000
Balance as at 30 June 2018	<u>86 215 884</u>	<u>83 615 199</u>

	<u>Assets</u>	<u>Liabilities</u>	<u>Shareholders' equity</u>	<u>Revenues</u>	<u>Expenses</u>
Naema for Touristic & Real Estate Investments	147 718 538	16 494 043	131 224 495	16 495 468	6 538 694
Palm Hills for Real Estate -Coldwell Banker	500 000	--	500 000	--	--
Villamora for Real Estate Development Company	20 366 400	--	20 366 400	--	--

32. INVESTMENT PROPERTY

	<u>Acre</u>	<u>30 June 2018</u>	<u>31 Dec. 2017</u>
		<u>EGP</u>	<u>EGP</u>
<u>Lands</u>			
Palm Hills Development Company S.A. E	1759	212 512 738	212 027 278
Palm Hills Middle East Company for Real Estate Investment S.A. E *	2383.28	392 606 267	392 785 983
Gamsha for Tourist Development S.A. E	22.679	114 552 731	114 338 258
		<u>719 671 736</u>	<u>719 151 519</u>

Buildings

Commercial shops - Palm Hills Resort

Cost of shops of 88 Street Mall.	46 956 669	42 455 614
Accumulated depreciation	3 792 582	(2 917 371)
Net cost of shops	<u>43 164 087</u>	<u>39 538 243</u>
Balance as at 30 June 2018	<u>762 835 823</u>	<u>758 689 762</u>

33. HELD-TO-MATURITY INVESTMENT

	<u>Face value</u>	<u>Unrecognized investment return</u>	<u>Average return rate</u>	<u>Purchase price</u>
	<u>EGP</u>	<u>EGP</u>	<u>%</u>	<u>EGP</u>
Palm Hills Development	184 375 000	11 173 404	%13	173 201 596
Palm Hills Middle East Company for Real Estate Investment	120 150 000	7 574 186	%13	112 575 814
East New Cairo for Real Estate Development	82 725 000	5 643 796	%13	77 081 204
Gawda for Trade Services	7 075 000	551 374	%13	6 523 626
Middle East Company for Real Estate and Touristic Investment	14 325 000	962 668	%13	13 362 332
New Cairo for Real Estate Development	550 000	52 142	%13	497 858
Palm Hills Development of Tourism and Real Estate	8 000 000	715 685	%13	7 284 315
Rakeen Egypt for Real Estate Investment	83 075 000	5 237 152	%13	77 837 848
Royal Gardens for Real Estate Investment Company	66 575 000	5 038 988	%13	61 536 012
Saudi Urban Development Company	63 600 000	3 724 074	%13	59 875 926
Balance as at 30 June 2018	<u>630 450 000</u>	<u>40 673 467</u>		<u>589 776 533</u>

34. NOTES RECEIVABLE

	<u>30 June 2018</u>	<u>31 Dec. 2017</u>
	<u>EGP</u>	<u>EGP</u>
Short term notes receivable	4 265 304 551	3 165 575 448
<u>Deduct: -</u>		
Notes receivable of joint venture	94 726 267	72 597 288
Unamortized discount	<u>69 304 150</u>	<u>80 525 532</u>
	<u>4 101 274 134</u>	<u>3 012 452 628</u>
Long term notes receivable	12 242 659 988	11 806 104 958
<u>Deduct: -</u>		
Notes receivable of joint venture	386 037 012	302 770 647
Unamortized discount	<u>248 332 629</u>	<u>146 779 292</u>
	<u>11 608 290 347</u>	<u>11 356 555 019</u>
Balance as at 30 June 2018	<u><u>15 709 564 481</u></u>	<u><u>14 369 007 647</u></u>

According to the Central Bank of Egypt's Board of Directors No.1906 of 2008 concerning the regulations and rules governing banking finance to real estate development companies operating in the field of housing units and construction for the purpose of their sale, Bank cannot discount trade and notes receivable, unless contracted units be delivered to customers.

35. PROJECTS UNDER CONSTRUCTION

	<u>30 June 2018</u>	<u>31 Dec. 2017</u>
	<u>EGP</u>	<u>EGP</u>
Land	33 520 095	340 104 665
Construction of Golf Club and Hotel in 6th of October City	18 219 016	453 864 348
Constructions, Consultation and designs fees	42 997 428	38 073 590
Mall (8)	<u>--</u>	<u>50 429 912</u>
Balance as at 30 June 2018	<u><u>94 736 539</u></u>	<u><u>882 472 515</u></u>

36. **FIXED ASSETS**

Fixed assets (net) balance as at 30 June 2018 amounted to EGP 1 461 100 220 represented as follows:

	<u>Cost as of Jan. 1,2018</u>	<u>Additions during the period</u>	<u>Disposals during the period</u>	<u>Cost as of June 30,2018</u>	<u>Accumulated depreciation as of Jan. 1, 2018</u>	<u>Depreciation for the period</u>	<u>Depreciation of Disposals</u>	<u>Accumulated depreciation as of June 30,2018</u>	<u>Net book value as of June 30,2018</u>
	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>
Land	18 920 662	--	--	18 920 662	--	--	--	--	18 920 662
Buildings	511 458 458	1 368 728	--	512 827 186	211 030 008	7 865 739	--	218 895 748	293 931 438
Machinery & equipment	154 541 643	12 642 620	32 035	167 152 228	107 734 374	7 127 551	32 035	114 829 890	52 322 338
Vehicles	21 725 602	2 580 217	--	24 305 819	16 079 931	1 214 793	--	17 294 724	7 011 095
Computer equipment	62 335 934	14 183 460	13 255	76 506 139	43 003 412	6 003 548	11 670	48 995 290	27 510 849
Leasehold improvements	21 501 456	--	--	21 501 456	17 654 615	575 806	--	18 230 421	3 271 035
Furniture	65 699 853	4 283 002	74 606	69 908 249	46 364 008	3 006 744	74 606	49 296 146	20 612 103
Golf Courses	--	1 123 281 546	--	1 123 281 546	--	18 721 359	--	18 721 359	1 104 560 187
Total cost	856 183 608	1 158 339 573	119 896	2 014 403 285	441 866 348	44 515 540	118 311	486 263 578	1 528 139 707
Impairment of Macor									(2 500 000)
Impairment of assets									(64 539 487)
Balance as at 30 June 2018									1 461 100 220

- **Fixed assets depreciation For The Period Ended 30 June 2018 was allocated as follows:**

Operating assets-work in process	<u>EGP</u>
	5 752 669
Administrative depreciation (income statement)	29 828 049
Depreciation expense of hotel operations	3 538 340
Depreciation expense of Palm Hills Club's assets - club's operating statement	5 396 481
	<u>44 515 540</u>

- **Capital Gains for The Period Ended 30 June 2018 amounted to EGP (1 585) as follows:**

Proceed from sale of fixed assets	<u>EGP</u>	<u>EGP</u>
		--
Deduct:		
Cost of assets sold	119 896	
Accumulated depreciation of assets sold	(118 311)	
Carrying amount of assets sold		<u>1 585</u>
		<u>(1 585)</u>

Fixed assets (net) balance as at 31 Dec. 2017 amounted to EGP 347 277 770 represented as follows:

	<u>Cost as of Jan. 1,2017</u>	<u>Additions during the year</u>	<u>Disposals during the year</u>	<u>Cost as of Dec. 31,2017</u>	<u>Accumulated depreciation as of Jan. 1, 2017</u>	<u>Depreciation for the year</u>	<u>Depreciation of Disposals</u>	<u>Accumulated depreciation as of Dec. 31,2017</u>	<u>Net book value as of Dec. 31,2017</u>
	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>
Land	18 920 662	--	--	18 920 662	--	--	--	--	18 920 662
Buildings	509 774 162	1 684 296	--	511 458 458	195 468 196	15 561 812	--	211 030 008	300 428 449
Machinery & equipment	138 804 890	15 874 342	137 589	154 541 643	97 121 702	10 748 301	135 629	107 734 374	46 807 269
Vehicles	17 194 882	4 700 720	170 000	21 725 602	14 669 685	1 580 247	170 000	16 079 931	5 645 671
Computer equipment	54 273 849	8 118 302	56 217	62 335 934	32 448 079	10 592 226	36 893	43 003 412	19 332 522
Leasehold improvements	17 701 066	3 800 390	--	21 501 456	17 092 507	562 108	--	17 654 615	3 846 841
Furniture	60 638 724	5 095 026	33 897	65 699 853	41 860 174	4 537 731	33 897	46 364 008	19 335 845
Total cost	<u>817 308 235</u>	<u>39 273 075</u>	<u>397 703</u>	<u>856 183 608</u>	<u>398 660 343</u>	<u>43 582 425</u>	<u>376 419</u>	<u>441 866 349</u>	<u>414 317 258</u>
Impairment of Macor									(2 500 000)
Impairment of assets									(64 539 487)
Balance as at 31 Dec. 2017									<u>347 277 770</u>

- Fixed assets depreciation for the year ended 31 Dec. 2017 was allocated as follows:

	<u>EGP</u>
Operating assets-work in process	8 513 339
Administrative depreciation (income statement)	18 725 165
Depreciation expense of hotel operations	6 515 491
Depreciation expense of Palm Hills Club's assets - club's operating statement	9 828 430
	<u>43 582 425</u>

- Capital Gains for the year ended 31 Dec. 2017 amounted to EGP 1 538 335 as follows:

	<u>EGP</u>	<u>EGP</u>
Proceed from sale of fixed assets		1 559 618
Deduct:		
Cost of assets sold	397 703	
Accumulated depreciation of assets sold	376 419	
Carrying amount of assets sold		<u>21 283</u>
		<u>1 538 335</u>

37. WORK IN PROCESS

	<u>Cost of sales recognized</u> <u>in income statement</u>				
	<u>Total as at</u> <u>30 June 2018</u> <u>EGP</u>	<u>As at</u> <u>31 Dec. 2017</u> <u>EGP</u>	<u>For the Period</u> <u>Ended</u> <u>30 June 2018</u> <u>EGP</u>	<u>30 June 2018</u> <u>EGP</u>	<u>31 Dec. 2017</u> <u>EGP</u>
Land acquisition cost	7 385 137 396	3 548 619 329	274 374 539	3 562 143 528	3 765 701 811
Cost of construction	17 118 392 220	10 330 205 347	1 230 209 251	5 557 977 622	5 426 938 078
Completed units ready for sale	<u>187 907 169</u>	<u>184 785 614</u>	<u>--</u>	<u>3 121 555</u>	<u>3 121 555</u>
Balance as at 30 June 2018	<u>24 691 436 785</u>	<u>14 063 610 291</u>	<u>1 504 583 790</u>	<u>9 123 242 705</u>	<u>9 193 761 444</u>

* Borrowing cost capitalized on work in process for The Period Ended 30 June 2018 amounted to EGP 309 354 886.

38. CASH AND CASH EQUIVALENTS

	<u>30 June 2018</u>	<u>31 Dec. 2017</u>
	<u>EGP</u>	<u>EGP</u>
Banks-current accounts- EGP	604 752 043	384 315 226
Banks-current accounts- foreign currency	15 573 061	8 767 766
Banks – Deposits- EGP	101 784 250	96 391 757
Cash on hand- EGP	60 075 804	72 555 608
Balance as at 30 June 2018	<u>782 185 158</u>	<u>562 030 358</u>

39. ACCOUNTS RECEIVABLE

	<u>30 June 2018</u>	<u>31 Dec. 2017</u>
	<u>EGP</u>	<u>EGP</u>
Palm Hills Developments Company customers	295 420 335	314 044 360
Palm Hills Middle East Company for Real Estate Investment customers	132 227 562	137 342 125
Royal Gardens for Real Estate Investment Company customers	23 747 798	20 224 807
New Cairo for Real Estate Developments customers	2 107 436	2 492 248
Gawda for Trade Services customers	2 415 424	2 293 119
Saudi Urban Development Company customers	61 088 848	51 945 880
Rakeen Egypt for Real Estate Investment customers	87 239 748	96 359 876
East New Cairo for Real Estate Development customers	236 742 130	78 831 176
Middle East Company for Real Estate and Touristic Investment customers	8 904 395	14 897 656
United Engineering for Construction	482 659	14 417 526
Palm Real Estate Development	43 314 618	44 002 071
Palm for Investment and Real Estate Development	120 661 813	105 757 291
Palm Hills Development of Tourism and Real Estate	27 152 315	460 662
Palm Hills Properties	71 478	8 316
Palm for Urban Development	33 510 844	--
Palm for Clubs Management	1 205 405	266 441
Balance as at 30 June 2018	<u>1 076 292 807</u>	<u>883 343 556</u>

40. DEBTORS AND OTHER DEBIT BALANCES

	<u>30 June 2018</u>	<u>31 Dec. 2017</u>
	<u>EGP</u>	<u>EGP</u>
Investments debtors	5 017 831	5 017 830
Deposits with others	46 838 188	60 100 110
Prepaid expenses	109 632 681	51 423 688
Loans to employee & custodies	25 071 929	10 826 676
Due from City for Real Estate Development Company	5 522 741	5 522 741
Advance payments for land acquisition	474 348 989	185 491 785
Withholding tax from source	13 725 321	8 302 885
Letter of Guarantee	4 557 606	4 557 606
Residents' Association	373 429 727	236 750 958
Other debit balances	35 297 694	21 216 566
Balance as at 30 June 2018	<u>1 093 442 707</u>	<u>589 210 845</u>

41. GUARANTEED PAYMENTS – JOINT ARRANGEMENT

This item represents payments made to partners in accordance with the contracts in this regard as part of their share in the contractual values of contracted implementation units or net operating profit of these projects, to be settled in the form of quotas as entitled as soon as marketing procedures are commenced and the sale of these units planned for the implementation in accordance with the Master Plan as follows:

	<u>30 June 2018</u>	<u>31 Dec. 2017</u>
	<u>EGP</u>	<u>EGP</u>
Partners in (Badya) Project	--	50 000 000
Balance as at 30 June 2018	--	50 000 000

42. DUE FROM RELATED PARTIES

	<u>30 June 2018</u>	<u>31 Dec. 2017</u>
	<u>EGP</u>	<u>EGP</u>
Al Ethadia for Real Estate S.A. E	218 393 111	193 583 942
Al Naeem for investments	48 755 256	48 755 256
Debtors of dividends	56 978 345	--
Coldwell Banker -Palm Hills for Real Estate S.A. E	20 480	20 480
Novotel Cairo 6th Of October S.A. E	2 606 449	2 570 711
Mercure Ismailia Hotel S.A. E	5 634 852	6 208 178
Palm Hills – Saudi	269 320	269 320
Balance as at 30 June 2018	332 657 812	251 407 887

43. ADVANCE PAYMENTS FOR INVESTMENTS ACQUISITION

	<u>Nature of transaction</u>	<u>30 June 2018</u>	<u>31 Dec. 2017</u>
		<u>EGP</u>	<u>EGP</u>
Palm Hills – Saudi	Establishment	135 121 743	135 121 743
Villamora for Real Estate Development Company	Acquisition	3 900 000	3 900 000
Middle East Company for Real Estate and Touristic Investment	Acquisition	8 020 000	--
Gamsha for Tourist Development S.A. E	Acquisition	4 010 000	4 010 000
Al Naeem for Hotels and Touristic Villages	Acquisition	41 303 890	41 303 890
Balance as at 30 June 2018		192 355 633	184 335 633

44. BANKS- CREDIT BALANCES

	<u>30 June 2018</u>	<u>31 Dec. 2017</u>
	<u>EGP</u>	<u>EGP</u>
Banks –EGP	47 201 583	48 651 560
Banks-foreign currencies	4 573 684	1 909 008
Balance as at 30 June 2018	<u>51 775 267</u>	<u>50 560 568</u>

45. BANK OVERDRAFT

	<u>30 June 2018</u>	<u>31 Dec. 2017</u>
	<u>EGP</u>	<u>EGP</u>
Arab - Bank	329 673 837	238 221 551
CIB - Bank	321 212 835	136 474 177
Ahli United Bank	10 133 467	--
Arab African International - Bank	38 503	--
Balance as at 30 June 2018	<u>661 058 641</u>	<u>374 695 728</u>

46. ADVANCES FROM CUSTOMERS

	<u>Down payments</u>	<u>Advances for contracting</u>	<u>30 June 2018</u>
	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>
Palm Hills Developments Company	23 083 093	1 856 294 754	1 879 377 847
Palm Hills Middle East Company for Real Estate Investment	500 001	772 033 606	772 533 607
Royal Gardens for Real Estate Investment Company	--	5 160 130	5 160 130
New Cairo for Real Estate Developments	--	4 502 838	4 502 838
Gawda for Trade Services	--	251 213	251 213
Saudi Urban Development Company	7 733 050	700 244 220	707 977 270
Rakeen Egypt for Real Estate Investment	9 604 792	940 056 212	979 661 004
East New Cairo for Real Estate Development	500 000	878 226 930	878 726 931
Middle East Company for Real Estate and Touristic Investment	414 338	31 309 726	31 724 063
United Engineering for Construction	183 673 376	--	183 673 376
Palm for Real Estate Development S.A. E	1 483 082	1 212 184 846	1 213 667 929
Palm for Investment & Real Estate Development	13 835 498	3 448 307 156	3 462 142 654
Palm Hills Development of Tourism and Real Estate	5 035 608	642 167 226	647 202 834
Palm Hills Properties	--	1 600 190	1 600 190
Palm for Urban Development	194 655 377	567 703 688	762 359 065
Palm for Clubs Management	77 686	--	77 686
Balance as at 30 June 2018	<u>440 595 900</u>	<u>11 060 042 736</u>	<u>11 500 638 636</u>

47. LAND PURCHASE LIABILITIES

	<u>30 June 2018</u>	<u>31 Dec. 2017</u>
	<u>EGP</u>	<u>EGP</u>
Land purchase liabilities - short term	194 029 424	102 492 926
Land purchase liabilities - long term	272 009 108	335 844 111
Balance as at 30 June 2018	<u>466 038 532</u>	<u>438 337 037</u>

48. DUE TO RELATED PARTIES

	<u>30 June 2018</u>	<u>31 Dec. 2017</u>
	<u>EGP</u>	<u>EGP</u>
El Mansour & El Maghraby Investment and Development	82 681 268	37 274 867
Villamora for Real Estate Development Company S.A. E	23 901 325	23 901 325
Due to shareholders	--	35 440 814
Balance as at 30 June 2018	<u>106 582 593</u>	<u>96 617 006</u>

49. NOTES PAYABLE

A) Short Term Notes Payable

	<u>30 June 2018</u>	<u>31 Dec. 2017</u>
	<u>EGP</u>	<u>EGP</u>
Notes payable- Land (New Urban Communities Authority)	884 910 818	712 281 862
Deduct: -		
Delayed installments interest	364 208 284	332 947 262
	<u>520 702 534</u>	<u>379 334 600</u>
Add: -		
Other notes payable	1 066 992 087	970 806 898
Deduct: -		
Unamortized discount	138 581 094	110 516 988
Balance as at 30 June 2018	<u>1 449 113 527</u>	<u>1 239 624 510</u>

B) Long Term Notes Payable

	<u>30 June 2018</u>	<u>31 Dec. 2017</u>
	<u>EGP</u>	<u>EGP</u>
Notes payable- Land (New Urban Communities Authority)	2 281 147 125	2 281 147 125
Deduct: -		
Delayed installments interest	940 121 541	1 066 293 737
	<u>1 341 025 584</u>	<u>1 214 853 388</u>
Add: -		
Other notes payable	1 160 028 405	1 312 293 361
Deduct: -		
Delayed installments interest	548 226 719	614 217 674
Balance as at 30 June 2018	<u>1 952 827 270</u>	<u>1 912 929 075</u>

50. LOANS

This item is represented as follows:

	30 June 2018		31 Dec. 2017	
	<u>Short term</u> <u>EGP</u>	<u>long term</u> <u>EGP</u>	<u>Short term</u> <u>EGP</u>	<u>long term</u> <u>EGP</u>
<u>Misr Bank</u> Revolving medium-term loan with Banque Misr in the amount of EGP 750 million to finance projects of Palm Hills Middle East for Real Estate Investment.	384 375 000	337 475 365	207 757 000	524 999 784
<u>Arab African International Bank (AAIB)</u> A medium loan with Arab African International Bank (AAIB) amounted to EGP 100 million for United Engineering for Construction	17 787 183	30 971 003	27 693 081	32 071 906
<u>Arab African International Bank (AAIB)</u> A medium-term loan with the Arab African International Bank (AAIB) amounted to EGP 2.4 billion to finance projects of <u>Palm Hills Developments and Rakeen Egypt for Real Estate Investment</u> secured by the assignment of projects' cash and bears an interest rate of 3.25% above deposit corridor rate.	794 400 000	1 375 200 000	696 182 911	1 716 000 000
<u>Arab African International Bank (AAIB)</u> A medium-term loan with Arab African International Bank (AAIB) amounted to EGP 225 million to finance projects of <u>East New Cairo for Real Estate Development</u> secured by the assignment of projects' cash flow and bears an interest rate of 2.75% above deposit corridor rate and is repayable on quarterly installments from 30 Sep. 2013 to Sep. 2018.	29 880 232	--	47 941 000	32 143 252
<u>Abu Dhabi Islamic Bank (ADIB)</u> Mudaraba Contract with Abu Dhabi Islamic Bank (ADIB) amounted to EGP 96 403 044 for 3 years for <u>Saudi Urban Development Company</u> .	--	--	--	--
<u>Arab Bank</u> A loan secured by notes receivable of delivered units	--	299 999 998	--	299 999 833
<u>National Bank of Egypt</u> Medium Term Loan of up to EGP852 million with the purpose of partially financing the recently acquired 190 feddan.	--	689 560 891	--	623 590 700
Balance as at 30 June 2018	<u>1 226 442 415</u>	<u>2 733 207 257</u>	<u>979 573 992</u>	<u>3 228 805 475</u>

51. CREDITORS AND OTHER CREDIT BALANCES

	30 June 2018	31 Dec. 2017
	<u>Egp</u>	<u>Egp</u>
Other credit balances	219 347 320	198 060 002
Increase in construction area liabilities	95 500 000	95 500 000
Accounts receivable under settlement	56 625 177	53 605 609
Accrued expenses	47 049 557	49 950 384
Insurance for others	112 471 402	105 943 195
Social insurance	26 222 891	20 368 563
Balance as at 30 June 2018	<u>557 216 347</u>	<u>523 427 753</u>

52. CAPITAL

The Company's authorized capital amounts EGP 6000 000 000. The Company's issued and paid in capital amounts to EGP 4 617 899 452 representing 2 308 949 726 shares with a par value of EGP 2 per share as follows:

<u>Issued capital</u>	<u>EGP</u>
The Company's issued capital was determined at EGP 121 500 000 representing 1 215 000 shares with a par value of EGP 100 per share.	121 500 000
On 20 Dec. 2006, the Company's Extra-Ordinary General Assembly Meeting approved the issued Capital increase amounting to EGP 185,500,000 to be after such increasing amounted EGP 307,000,000 representing 3,070,000 shares with a par value of EGP 100 per share.	307 000 000
On 13 May 2007, the Company's Board of Directors approved the issued Capital increase amounting to EGP 93,000,000 to be after such increasing amounted EGP 400,000,000 representing 4,000,000 shares with a par value of EGP 100 per share.	400 000 000
On 15 July 2007, the Company's Board of Directors approved the issued Capital increase amounting to EGP 200,000,000 to be after such increasing amounted EGP 600,000,000 representing 6,000,000 shares with a par value of EGP 100 per share.	600 000 000
On 6 November 2007, the Company's Board of Directors approved the issued Capital increase amounting to EGP 200,000,000 to be after such increasing amounted EGP 800,000,000 representing 8,000,000 shares with a par value of EGP 100 per share. The Company's Extra-Ordinary General Assembly Meeting held in March 2009 approved a 50-for-1 stock split and the par value of the Company's share reduced to EGP 2 per share.	800 000 000
On 27 March 2008, the Company's Board of Directors approved the issued Capital increase amounting to EGP 32,000,000 to be after such increasing amounted EGP 832,000,000 representing 416,000,000 shares with a par value of EGP 2 per share.	832 000 000
On 8 May 2008, the Company's Board of Directors approved the issued Capital increase amounting to EGP 99,840,000 to be after such increasing amounted EGP 931,840,000 representing 465,920,000 shares with a par value of EGP 2 per share.	931 840 000
On 30 June 2009, the Company's Board of Directors approved the issued Capital increase amounting to EGP 465,880,000 to be after such increasing amounted EGP 1,397,760,000 representing 698,880,000 shares with a par value of EGP 2 per share.	1 397 760 000
On 28 January 2010, the Company's Extra-Ordinary General Assembly Meeting approved the issued Capital increase amounting to EGP 698,880,000 to be after such increasing amounted EGP 2,096,640,000 representing 1,048,320,000 shares with a par value of EGP 2 per share.	2 096 640 000
On 22 Sep. 2013, the Company's Extra-Ordinary General Assembly Meeting approved the issued Capital increase amounting to EGP 600,000,000 to be after such increasing amounted EGP 2,696,640,000 representing 1,348,320,000 shares with a par value of EGP 2 per share.	2 696 640 000
On 8 February 2015, the Company's Extra-ordinary General Assembly Meeting approved the issued Capital increase amounting to EGP 1 648 000 000 to be after such increasing amounted EGP 4 344 640 000 representing 2 172 320 000 shares with a par value of EGP 2 per share.	4 344 640 000
On 29 November 2015, the Company's Extra-Ordinary General Assembly Meeting approved the issued Capital increase out of retained earnings amounting to EGP 53 359 478 to be after such increasing amounted EGP 4 397 999 478 representing 2 198 999 739 shares with a par value of EGP 2 per share.	4 397 999 478
On 13 March 2016, the Company's Extra-Ordinary General Assembly Meeting approved the issued Capital increase out of retained earnings via the issuance of bonus shares amounting to EGP 53 359 478 to be after such increasing amounted EGP 4 397 999 478 representing 2 308 949 726 shares with a par value of EGP 2 per share.	<u>4 617 899 452</u>

53. OTHER LONG-TERM LIABILITIES- RESIDENTS' ASSOCIATION

Other long term liabilities represent time deposit checks received from residents or customers due on the sold units to finance the maintenance and other running expenses, such time deposit checks are temporarily invested in favor of residents until the compound has separate legal personality and separate assets and liabilities, then the compound's management and its General Assembly will be responsible for running the compound's assets and liabilities according to the Buildings & Housing Low No.119 for 2008. Other long-term liabilities balance as at 30 June 2018 amounted to EGP 1 169 679 117.

54. RESERVES

a) Legal reserve

	<u>30 June 2018</u>	<u>31 Dec. 2017</u>
	<u>EGP</u>	<u>EGP</u>
Beginning balance	682 810 544	630 142 410
Transferred from the prior period's profit	25 713 733	52 668 134
Balance as at 30 June 2018	<u>708 524 277</u>	<u>682 810 544</u>

b) Special reserve

Special reserve is used to meet any expected impairment of some investment properties according to the Company's Ordinary General Assembly Meeting on 30 June 2012 as a deduction from retained earnings.

55. Joint Share Arrangement

The arrangement for joint represents the net share of the Partners (Owner) for the value of the land and the preparation of the external facilities in accordance with the approved contract and in the projected time for the annual payments. follows: -

	<u>30 June 2018</u>	<u>30 June 2018</u>	<u>31 Dec. 2017</u>	<u>31 Dec. 2017</u>
	<u>Short term</u>	<u>Long term</u>	<u>Short term</u>	<u>Long term</u>
	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>
Partners in Palm New Cairo-Project	225 103 076	906 130 059	174 561 987	657 479 471
Partners in Hacienda West -Project	--	95 437 394	--	78 093 124
Partners in (Badya) Project	176 174 409	--	--	--
Balance as at 30 June 2018	<u>401 277 485</u>	<u>1 001 567 453</u>	<u>174 561 987</u>	<u>735 572 595</u>

56. REVENUES

	<u>30 June 2018</u>	<u>30 June 2017</u>
	<u>EGP</u>	<u>EGP</u>
Revenues from building and development activities	3 193 205 749	3 066 091 764
Sale of completed units ready for sale	--	15 332 759
Revenues from the construction activity	23 958 535	16 824 018
Revenues from hospitality activities	31 391 817	29 972 832
Other revenues	65 470 846	36 052 347
Revenues from the commercial activity	2 310 911	1 814 770
Revenues from Palm Hills Club	57 156 617	42 163 408
Total as at 30 June 2018	<u>3 373 494 477</u>	<u>3 228 251 898</u>

57. COST OF REVENUES

	<u>30 June 2018</u>	<u>30 June 2017</u>
	<u>EGP</u>	<u>EGP</u>
Cost of building and development activities	1 974 470 745	2 200 513 267
Cost of completed units ready for sale	--	12 000 000
Depreciation of Fixed Assets – Macor	3 538 340	3 113 161
Depreciation of Fixed Assets – Palm Hills Club	5 396 481	4 789 588
Cost of the construction activity	18 265 856	8 384 726
Cost of the commercial activity	483 435	391 427
Operation cost -Palm Hills Club	13 841 236	11 974 776
Total as at 30 June 2018	<u>2 015 996 092</u>	<u>2 241 166 945</u>

58. General Administrative, Selling And Marketing Expenses

	<u>30 June 2018</u>	<u>30 June 2017</u>
	<u>EGP</u>	<u>EGP</u>
Wages and salaries	177 481 900	164 670 756
Selling and marketing expenses	129 539 709	73 283 902
Communications expenses	1 433 079	1 343 251
Utilities	14 755 802	11 400 133
Professional and Government fees	31 609 482	24 785 415
Maintenance and Insurance	15 664 806	18 765 733
Travel and transportation	2 825 052	2 090 176
Bank charges	2 481 177	7 388 335
Other administrative expenses	34 161 729	12 667 267
Total as at 30 June 2018	<u>409 952 735</u>	<u>316 394 968</u>

59. Gains on Investments in Fair value through profit or loss

	<u>30 June 2018</u>	<u>30 June 2017</u>
	<u>EGP</u>	<u>EGP</u>
Gains on sale of mutual funds certificates	3 956 329	2 924 223
Total as at 30 June 2018	<u>3 956 329</u>	<u>2 924 223</u>

60. OTHER REVENUES

	<u>30 June 2018</u>	<u>30 June 2017</u>
	<u>Egp</u>	<u>Egp</u>
Transfer fees and delay benefits	32 686 084	--
Retrieve the value of the facilities	7 334 930	6 077 350
Miscellaneous revenues	25 449 832	29 974 997
Total as at 30 June 2018	<u>65 470 846</u>	<u>36 052 347</u>

61. TRANSACTION WITH RELATED PARTIES

Summary of significant transactions concluded and the resulting balances at the balance sheet date were as follows: -

a- Transaction with related parties

<u>Party</u>	<u>Relationship</u>	<u>Nature of transaction</u>	<u>Amount of transaction EGP</u>
Palm Hills Middle East Company for Real Estate Investment S.A. E	A subsidiary	Finance	1 078 694 464
Royal Gardens for Real Estate Investment Company S.A. E	A subsidiary	Finance	26 172 934
Middle East Company for Real Estate and Touristic Investment S.A. E	A subsidiary	Finance	29 140 596
Gawda for Trade Services S.A. E	A subsidiary	Finance	43 242 104
Rakeen Egypt for Real Estate Investment S.A. E	A subsidiary	Finance	796 437 999
Saudi Urban Development Company S.A. E	A subsidiary	Finance	26 820 385
Nile Palm Al-Naeem for Real Estate Development S.A. E	A subsidiary	Finance	160 000
Al Ethadia for Real Estate S.A. E	A Related party	Finance	72 995 386
East New Cairo for Real Estate Development S.A. E	A Related party	Finance	2 009 201 124
Palm October for Hotels S.A. E	A subsidiary	Finance	27 500
New Cairo for Real Estate Development S.A. E	A subsidiary	Finance	79 846 933
Al Naeem for Hotels and Touristic Villages S.A. E	A subsidiary	Finance	72 895
Gemsha for Tourist Development S.A. E	A subsidiary	Finance	117 487
United Engineering for Construction S.A. E	A subsidiary	Finance	20 063 737
El Mansour & El Maghraby Investment and Development S.A. E	A main shareholder	Finance	55 945 046
Palm Gemsha for Hotels S.A. E	A subsidiary	Finance	27 500
Palm North Coast Hotels S.A. E	A subsidiary	Finance	27 500
Palm for Real Estate Development S.A. E	A subsidiary	Finance	63 665 211
Palm for Investment and Real Estate Development S.A. E	A subsidiary	Finance	244 715 881
Palm Hills Properties S.A. E	A subsidiary	Finance	5 863 914
Palm Hills Development of Tourism and Real Estate S.A. E	A subsidiary	Finance	59 734 606
Palm Hills for Investment Tourism S.A. E	A subsidiary	Finance	1 523 570
Palm Hills Resorts S.A. E	A subsidiary	Finance	95 000
Palm Hills Hospitality S.A. E	A subsidiary	Finance	27 500
Palm Hills Education S.A. E	A subsidiary	Finance	2 407 603
Palm for Club Management S.A. E	A subsidiary	Finance	117 979 096
Palm Alexandria for Real Estate S.A. E	A subsidiary	Finance	30 000
Palm Alamein for Real Estate Development S.A. E	A subsidiary	Finance	15 160
Palm for Urban Development	A subsidiary	Finance	1 078 694 464

b- Resulting balances from these transactions

<u>Party</u>	<u>Item as in balance sheet</u>	<u>30 June 2018</u> <u>EGP</u>
Palm Hills Middle East Company for Real Estate Investment S.A. E	Due from related parties	919 106 907
Royal Gardens for Real Estate Investment Company S.A. E	Due to related parties	(4 028 559)
Rakeen Egypt for Real Estate Investment S.A. E	Due from related parties	257 603 501
Saudi Urban Development Company S.A. E	Due from related parties	189 506 103
East New Cairo for Real Estate Development S.A. E	Due to related parties	(149 218 167)
Palm October for Hotels S.A. E	Due from related parties	11 332 088
New Cairo for Real Estate Developments S.A. E	Due from related parties	22 344 826
Gemsha for Tourist Development S.A. E	Due from related parties	68 815 931
Palm for Real Estate Development S.A. E	Due from related parties	32 388 380
Palm for Investment and Real Estate Development	Due to related parties	2 702 554
Palm Hills Properties	Due from related parties	3 818 145
Palm Hills Development of Tourism and Real Estate	Due from related parties	14 192 233
Palm Hills for Investment Tourism	Due from related parties	64 003 211
Palm Hills Resorts	Due from related parties	274 609
Palm Hills Hospitality S.A. E	Due from related parties	100 333 074
Palm Hills Education S.A. E	Due from related parties	1 529 971
Palm for Urban Development	Due from related parties	152 924 458
Palm Alexandria for Real Estate	Due from related parties	41 206
Palm Gemsha for Hotels S.A. E	Due from related parties	30 050
Asten College for Education S.A. E	Due from related parties	274 571
Palm Alamein for Real Estate Development S.A. E	Due from related parties	22 609 913
Nile Palm Al-Naeem for Real Estate Development S.A. E	Due to related parties	(44 476 227)
Al Naeem for Hotels and Touristic Villages S.A. E	Due to related parties	(127 463 519)
Gawda for Trade Services S.A. E	Due to related parties	(56 396 857)
Palm North Coast Hotels S.A. E	Due from related parties	26 858
Middle East Company for Real Estate and Touristic Investment S.A. E	Due to related parties	(147 030 703)
United Engineering for Construction S.A. E	Due to related parties	(11 181 500)
Palm for Club Management S.A. E	Due to related parties	(25 004 502)
Shareholders	Due to related parties	<u>(7 278 125)</u>

62. TAX STATUS

The Company was exempted from income tax for ten years to end on 31 Dec. 2015 while several companies within the group are subject to corporate tax and others are exempted.

a) Corporate tax

- The Company started its operations on 14 March 2005
- The Company is exempted from income tax for ten years to end on 31 Dec. 2015
- Years 2005 to 2009
These years have been inspected and settled with the Tax Authority.
- Years 2010 to 2012
These years are currently being inspected.
- Years 2013 to 2017
Tax returns were provided for this period.

b) Payroll tax

- From inception till 2011
This period has been inspected and differences were paid.
- Years 2012 to 2017
The company pays the deducted income tax of the employees on regularly basis within the legal dates.

c) Stamp tax

- The company is subject to the Law No. 111 of 1980 and its amendments and executive regulations.
- From inception till 31/7/2006
The company was notified by tax forms and the taxes due were paid according to / as per these forms.
- From 1/8/2006 till 31/12/2009
This period has been inspected and the resulting disputes have not been settled.
- Years 2010 to 2017
The company pays the taxes due on regularly basis within the legal dates.

63. EARNINGS PER SHARE

	<u>30 June 2018</u>	<u>30 June 2017</u>
	<u>EGP</u>	<u>EGP</u>
Net profit for the period	439 901 456	349 338 792
<u>Divided by: -</u>		
Weighted average number of shares	<u>2 308 949 726</u>	<u>2 308 949 726</u>
Earnings per share	<u>0.019</u>	<u>0.151</u>

64. EMPLOYEE STOCK OWNERSHIP PLAN (ESOP)

On 29 November 2015 The Company's Extraordinary General Assembly Meeting approved issued capital increase out of retained earnings balance as at 31 Dec. 2014 of EGP 53 359 478 for an employee stock ownership plan (ESOP) representing 26 679 739 shares. In addition to 1 333 987 shares which represent share of employee stock ownership plan according to the company's extraordinary general assembly meeting in 13 June 2016, the total number of shares of (ESOP) become 28 013 725 shares. All of shares of (ESOP) have been sold as of 30 June 2018. The Company's Extraordinary General Assembly has been invited to meeting on 13 May 2018 to discuss the extension of (ESOP) according to the previous regulations and conditions, that accepted the extension of (ESOP) through issuing 39 million shares fully allocated to (ESOP) and the legal procedures are being finished and approving the increase in capital from the appropriate authorities.