

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

**PALM HILLS DEVELOPMENTS COMPANY S.A. E**  
**CONSOLIDATED FINANCIAL POSITION**  
**As of 30 September 2018**

	<u>Note no.</u>	<u>30/9/2018</u> <u>EGP</u>	<u>31/12/2017</u> <u>EGP</u>
<b><u>Non-current assets</u></b>			
Investments in associates	(8d-11b-31)	91 310 593	83 615 199
Investment property	(11f-32)	763 928 934	758 689 762
Notes receivable - long term	(16-34)	13 182 509 667	11 356 555 019
Projects under construction	(12-35)	99 896 134	882 472 515
Advance payments for investments acquisition	(43)	193 495 633	184 335 633
Fixed assets (net)	(13-36)	1 444 241 521	347 277 770
Deferred tax assets	(22b)	4 889 858	5 484 541
Employee stock ownership plan (ESOP)		--	83 414 346
Other long-term assets		1 390 733	1 390 733
<b>Total non-current assets</b>		<b>15 781 663 073</b>	<b>13 703 235 518</b>
<b><u>Current assets</u></b>			
Works in process	(14-37)	8 756 727 288	9 193 761 444
Held-to-maturity investments	(11d -33)	727 396 172	467 935 233
Cash and cash equivalents	(28-38)	655 433 078	562 030 358
Notes receivable - short term	(16-34)	3 841 301 929	3 012 452 628
Investments at fair value through profit and loss	(11e)	66 040 946	51 426 615
Accounts receivable	(39)	1 161 558 439	883 343 556
Suppliers - advance payments		449 630 682	486 083 502
Debtors and other debit balances	(40)	1 215 816 355	589 210 845
Guaranteed payments –joint arrangement	(41)	--	50 000 000
Due from related parties	(25-42-61a)	307 552 050	251 407 887
<b>Total current assets</b>		<b>17 181 456 939</b>	<b>15 547 652 068</b>
<b><u>Current liabilities</u></b>			
Banks - credit balances	(44)	55 506 429	50 560 568
Bank- over draft	(45)	846 412 772	374 695 728
Advances from customers	(46)	11 713 389 205	10 132 168 063
Completion of infrastructure liabilities	(20)	95 083 416	95 083 418
Provisions	(18)	252 432 819	240 243 801
Current portion of land purchase liabilities	(19-47)	198 387 493	102 492 926
Notes payable - short term	(49a)	1 496 924 475	1 239 624 510
Current portion of term loans	(50)	1 206 236 998	979 573 992
Suppliers & contractors		500 640 700	543 392 278
Income tax payable	(22a)	340 487 294	162 100 332
Creditors & other credit balances	(51)	606 568 640	523 427 753
Joint shares arrangement - short term		621 158 557	174 561 987
Due to related parties	(25-48-61a)	172 445 849	96 617 006
<b>Total current liabilities</b>		<b>18 105 674 647</b>	<b>14 714 542 362</b>
<b>Working capital</b>		<b>(924 217 708)</b>	<b>833 109 706</b>
<b>Total investment</b>		<b>14 857 445 365</b>	<b>14 536 345 224</b>
<b><u>Financed as follows:</u></b>			
<b><u>Shareholders' equity</u></b>			
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		515 188 097	76 127 305
Net profit for the period / Year		640 218 988	805 637 537
<b>Equity attributable to equity holders of the parent</b>		<b>6 957 894 983</b>	<b>6 701 549 437</b>
<b>Non-controlling interest</b>		<b>524 067 447</b>	<b>538 436 217</b>
<b>Total shareholders' equity</b>		<b>7 481 962 429</b>	<b>7 239 985 654</b>
<b><u>Non-current liabilities</u></b>			
Land purchase liabilities	(19-47)	258 873 889	335 844 111
Notes payable - long term	(49b)	1 922 835 072	1 912 929 075
Other long-term liabilities – Residents' Association	(53)	1 521 949 011	1 083 208 314
Loans	(50)	2 558 678 468	3 228 805 475
joint share arrangement– long terms		1 113 146 495	735 572 595
<b>Total non-current liabilities</b>		<b>7 375 482 935</b>	<b>7 296 359 570</b>
<b>Total equity and non-current liabilities</b>		<b>14 857 445 365</b>	<b>14 536 345 224</b>

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

Chief Financial Officer

Chairman

Ali Thabet

Yasseen Mansour

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

	<u>Note No.</u>	<u>Financial period from 1/1/2018 to 30/9/2018 EGP</u>	<u>Financial period from 1/1/2017 to 30/9/2017 EGP</u>	<u>Financial period from 1/7/2018 to 30/9/2018 EGP</u>	<u>Financial period from 1/7/2017 to 30/9/2017 EGP</u>
<b>Revenues</b>	(27a, 56)	5 656 015 423	4 757 804 546	2 282 520 946	1 529 552 648
		<b>5 656 015 423</b>	<b>4 757 804 546</b>	<b>2 282 520 946</b>	<b>1 529 552 648</b>
<u>Deduct: -</u>					
Cost of revenues	(26, 57)	3 438 147 790	3 210 664 918	1 422 151 698	969 497 973
Cash discount		70 382 190	71 351 523	24 604 934	29 522 196
<b>Total cost</b>		<b>3 508 529 980</b>	<b>3 282 016 441</b>	<b>1 446 756 632</b>	<b>999 020 169</b>
<b>Gross profit</b>		<b>2 147 485 443</b>	<b>1 475 788 105</b>	<b>835 764 314</b>	<b>530 532 479</b>
<u>Deduct: -</u>					
Securitization of receivables interest		114 002 667	116 440 833	28 644 012	24 714 675
General administrative, selling and marketing expenses	(58)	701 826 428	537 530 241	291 873 693	221 135 273
Administrative depreciation		46 112 290	15 073 501	15 409 029	5 229 888
Provision	(18)	12 189 017	4 670 307	3 019 753	(71 724)
Finance costs & interests		207 735 347	157 155 958	100 921 208	82 301 564
Interest on land purchase liabilities		190 441 673	109 723 597	72 195 954	56 598 218
Recoverable interest on land purchase liabilities		--	(82 824 383)	--	--
		<b>1 272 307 422</b>	<b>857 770 054</b>	<b>512 063 649</b>	<b>389 907 894</b>
<u>Add: -</u>					
Gains on investments in fair value through profit or loss	(59)	6 142 996	4 589 155	2 186 667	1 664 932
Interest income – amortization of discount on notes receivables		60 394 149	50 393 444	20 131 383	16 797 814
Interest income on held-to-maturity investments		45 745 544	45 071 178	13 433 182	15 101 742
		<b>112 282 688</b>	<b>100 053 777</b>	<b>35 751 231</b>	<b>33 564 488</b>
<b>Net profit for the period before income tax &amp; non-controlling interest</b>		<b>987 460 709</b>	<b>718 071 828</b>	<b>359 451 896</b>	<b>174 189 073</b>
<u>Deduct: -</u>					
Income tax expense	(22a)	275 855 426	116 234 076	123 576 149	18 142 147
Deferred tax	(22b)	453 212	(797 866)	183 901	261 487
<b>Net profit for the period before &amp; non-controlling interest</b>		<b>711 152 072</b>	<b>602 635 618</b>	<b>235 691 847</b>	<b>155 785 439</b>
<u>Deduct: -</u>					
Non-controlling interest share-subsidiaries		70 933 084	135 640 692	35 374 315	38 129 305
<b>Net profit for the period after income tax &amp; non-controlling interest</b>		<b>640 218 988</b>	<b>466 994 926</b>	<b>200 317 532</b>	<b>117 656 134</b>
<b>Earnings per share</b>	(24, 63)	<b>0.277</b>	<b>0.202</b>	<b>0.087</b>	<b>0.051</b>

- 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 September 2018**

	<b>Financial period from 1/1/2018 to 30/9/2018</b>	<b>Financial period from 1/1/2017 to 30/9/2017</b>	<b>Financial period from 1/4/2018 to 30/9/2018</b>	<b>Financial period from 1/4/2017 to 30/9/2017</b>
	<b><u>EGP</u></b>	<b><u>EGP</u></b>	<b><u>EGP</u></b>	<b><u>EGP</u></b>
Net profit for the period	640 218 988	466 994 926	200 317 532	117 656 134
Other comprehensive income	--	--	--	--
<b>Total comprehensive income for the period, net of tax</b>	<b><u>640 218 988</u></b>	<b><u>466 994 926</u></b>	<b><u>200 317 532</u></b>	<b><u>117 656 134</u></b>
<b><u>Attributable to: -</u></b>				
Equity holders of the parent	640 218 988	466 994 926	200 317 532	117 656 134
Non-controlling interests	70 933 084	135 640 692	35 374 315	38 129 305
	<b><u>711 152 072</u></b>	<b><u>602 635 618</u></b>	<b><u>235 691 847</u></b>	<b><u>155 785 439</u></b>

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**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 September 2018**

	<u>Note No.</u>	<u>30/9/2018</u>	<u>30/9/2017</u>
		<u>EGP</u>	<u>EGP</u>
Net profit for the period before income tax & non-controlling interest		987 460 709	718 071 828
<b><u>Adjustments to reconcile net profit to net cash from operating activities</u></b>			
Administrative depreciation	(36)	59 675 220	27 137 722
Provision		12 189 017	4 670 306
Finance costs & interests		207 735 347	157 155 958
Securitization of receivables interest		114 002 667	116 440 833
Interest on land purchase liabilities		190 441 673	109 723 597
Share of profit / loss of associates		(7 695 394)	(4 611 116)
Gain (loss) on disposal of fixed assets	(36)	(524 964)	3 609
Interest income – amortization of discount on notes receivables		(60 394 149)	(50 393 444)
Gains on investments in fair value through profit or loss		(6 142 996)	(4 589 155)
Interest income on held to maturity investments		(45 745 544)	(45 071 178)
Recoverable interest on land purchase liabilities		--	(82 824 383)
<b>Operating profit before changes in working capital items</b>		<b>1 451 001 587</b>	<b>945 714 577</b>
<b><u>Changes in working capital items</u></b>			
Change in work in process	(14-37)	127 422 278	(2 033 230 735)
Change in suppliers - advance payments		36 452 821	(53 285 923)
Change in notes receivables	(16-34)	(2 594 409 799)	(2 958 283 486)
Change in accounts receivable	(39)	(278 214 882)	(35 712 660)
Change in debtors & other debit balances	(40)	(626 605 509)	(144 001 754)
Change in guaranteed payments – joint arrangement	(41)	50 000 000	(10 000 000)
Change in held-to-maturity investments		(259 460 940)	(157 468 521)
Change in investments in fair value through profit or loss	(11e)	(14 614 331)	13 115 501
Change in due to related parties		(56 144 164)	(18 454 870)
Change in notes payable		76 764 289	1 551 496 144
Change in other long term – Residents' Association	(53)	438 740 697	268 127 513
Change in advances from customers	(46)	1 581 221 142	1 995 155 213
Change in due from related parties	(25-42)	75 828 843	(27 288 549)
Income tax paid		(97 468 463)	(126 399 287)
Provisions	(18)	--	548 557
Change in creditors and other credit balances		83 140 886	(11 174 212)
Change in due to joint arrangement partners		824 170 470	631 743 306
Change in suppliers & contractors		(42 751 580)	(4 366 362)
<b>Net cash provided by (used in) operating activities</b>		<b>775 073 346</b>	<b>(173 765 548)</b>
<b><u>Cash flows from investing activities</u></b>			
Payments for purchase of fixed assets	(36)	(40 830 995)	(26 725 234)
Proceeds from sale of fixed assets		589 965	--
Payments for investment		(9 160 000)	--
Payments for projects under construction	(12-35)	(3 447 556)	(5 285 093)
Payments for real estate investment		(6 551 989)	--
Proceeds from investments in fair value through profit or loss		6 142 996	4 589 155
Proceeds from held-to-maturity investments		45 745 544	45 071 178
<b>Net cash (used in) provided by investing activities</b>		<b>(7 512 035)</b>	<b>17 650 006</b>
<b><u>Cash flows from financing activities</u></b>			
Banks - credit balances	(44)	4 945 861	60 893 576
Banks - overdraft	(45)	471 717 044	117 525 938
Proceeds from ESOP		40 403 915	4 414 843
Adjustments to retained earnings		(340 863 012)	(239 450 275)
Non-controlling interest – dividends		(85 301 854)	(6 048 733)
Deferred tax		141 471	28 021
Repayment of borrowings		(443 464 003)	(294 358 000)
Proceeds from loans	(50)	--	568 902 957
Finance costs & interests paid		(207 735 347)	(157 155 958)
Interest in notes receivables		(114 002 667)	(116 440 833)
<b>Net cash (used in) provided by financing activities</b>		<b>(674 158 592)</b>	<b>(61 688 464)</b>
Net increase in cash and cash equivalents during the period		93 402 720	(217 804 006)
Cash and cash equivalents at beginning of the period		562 030 358	808 516 570
<b>Cash and cash equivalents as at 30 September 2018</b>	(28-38)	<b>655 433 078</b>	<b>590 712 564</b>

- 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 September 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>
<b>Balance as at 1 January 2017</b>	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	795 380 (639)	--	--	--
Transferred to legal reserve	--	50 585 876	--	--	(50 585 876)	--	--	--	--
Amounts set aside for Employee stock ownership plan (ESOP)	--	--	--	(1 332 868)	--	--	(1 332 868)	--	(1 332 868)
Adjustments to retained earnings	--	--	--	--	(239 450 275)	--	(239 450 275)	--	(239 450 275)
Dividends	--	--	--	--	--	--	--	(6 048 733)	(6 048 733)
Net profit for the period	--	--	--	--	--	466 994 926	466 994 926	135 640 692	602 635 618
<b>Balance as at 30 Sept. 2017</b>	<b><u>4 617 899 452</u></b>	<b><u>680 728 286</u></b>	<b><u>524 212 885</u></b>	<b><u>30 159 777</u></b>	<b><u>127 280 235</u></b>	<b><u>466 994 926</u></b>	<b><u>6 447 275 561</u></b>	<b><u>541 743 475</u></b>	<b><u>6 989 019 036</u></b>
<b>Balance as at 1 January 2018</b>	4 617 899 452	682 810 544	476 064 168	43 010 431	76 127 305	805 638 537	6 701 549 438	538 436 217	7 239 985 655
Transferred to retained earnings	--	--	--	--	805 637 537	638 537 (805)	--	--	--
Transferred to legal reserve	--	25 713 733	--	--	(25 713 733)	--	--	--	--
Amounts set aside for Employee stock ownership plan (ESOP)	--	--	--	(43 010 431)	--	--	(43 010 431)	--	(43 010 431)
Adjustments to retained earnings	--	--	--	--	(340 863 012)	--	(340 863 012)	--	(340 863 012)
Dividends	--	--	--	--	--	--	--	(85 301 854)	(85 301 854)
Net profit for the period	--	--	--	--	--	640 218 988	640 218 988	70 933 084	711 152 072
<b>Balance as at 30 Sept. 2018</b>	<b><u>4 617 899 452</u></b>	<b><u>708 542 277</u></b>	<b><u>476 064 168</u></b>	<b><u>--</u></b>	<b><u>515 188 097</u></b>	<b><u>640 218 988</u></b>	<b><u>6 957 894 982</u></b>	<b><u>524 067 447</u></b>	<b><u>7 481 962 429</u></b>

-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 September 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 Nine Months ended in 30 September 2018 were authorized for issue by the board of directors on -----.

**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: -**

	<b><u>Percentage</u></b>
	<b><u>share %</u></b>
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 6<sup>th</sup> 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 6<sup>th</sup> 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**

	<b><u>Percentage</u></b>
	<b><u>share %</u></b>
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:

	<b><u>Percentage</u></b>	<b><u>Nature</u></b>
	<b><u>share %</u></b>	
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 6<sup>th</sup> 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 Sept. 2018</u>	<u>31 Dec. 2017</u>
	<u>EGP</u>	<u>EGP</u>
Naema for Touristic & Real Estate Investments S.A. E	70 699 193	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
<b>Balance as at 30 September 2018</b>	<b><u>91 310 593</u></b>	<b><u>83 615 199</u></b>

	<u>Assets</u>	<u>Liabilities</u>	<u>Shareholders' equity</u>	<u>Revenues</u>	<u>Expenses</u>
Naema for Touristic & Real Estate Investments	157 348 402	15 933 282	141 415 120	31 748 264	11 600 865
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 Sept. 2018</u>	<u>31 Dec. 2017</u>
		<u>EGP</u>	<u>EGP</u>
<b><u>Lands</u></b>			
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
		<b><u>719 671 736</u></b>	<b><u>719 151 519</u></b>

#### **Buildings**

##### **Commercial shops - Palm Hills Resort**

Cost of shops of 88 Street Mall.	48 487 386	42 455 614
Accumulated depreciation	(4 230 188)	(2 917 371)
<b>Net cost of shops</b>	<b><u>44 257 198</u></b>	<b><u>39 538 243</u></b>
<b>Balance as at 30 September 2018</b>	<b><u>763 928 934</u></b>	<b><u>758 689 762</u></b>

### **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	209 025 000	13 560 191	%13	195 464 809
Palm Hills Middle East Company for Real Estate Investment	147 825 000	8 417 758	%13	139 407 242
East New Cairo for Real Estate Development	90 150 000	6 013 285	%13	84 136 715
Gawda for Trade Services	7 275 000	388 249	%13	6 886 751
Middle East Company for Real Estate and Touristic Investment	15 675 000	749 371	%13	14 925 629
New Cairo for Real Estate Development	700 000	34 766	%13	665 234
Palm Hills Development of Tourism and Real Estate	8 000 000	436 011	%13	7 563 989
Rakeen Egypt for Real Estate Investment	100 900 000	7 079 735	%13	93 820 265
Royal Gardens for Real Estate Investment Company	69 525 000	3 931 340	%13	65 593 660
Saudi Urban Development Company	124 900 000	5 968 122	%13	118 931 878
<b>Balance as at 30 September 2018</b>	<b><u>773 975 000</u></b>	<b><u>46 578 828</u></b>		<b><u>727 396 172</u></b>

### **34. NOTES RECEIVABLE**

	<b><u>30 Sept. 2018</u></b>	<b><u>31 Dec. 2017</u></b>
	<b><u>EGP</u></b>	<b><u>EGP</u></b>
Short term notes receivable	4 063 562 828	3 165 575 448
<u>Deduct: -</u>		
Notes receivable of joint venture	92 875 799	72 597 288
Unamortized discount	<u>129 385 100</u>	<u>80 525 532</u>
	<b><u>3 841 301 929</u></b>	<b><u>3 012 452 628</u></b>
Long term notes receivable	13 760 477 134	11 806 104 958
<u>Deduct: -</u>		
Notes receivable of joint venture	386 568 690	302 770 647
Unamortized discount	<u>191 398 777</u>	<u>146 779 292</u>
	<b><u>13 182 509 667</u></b>	<b><u>11 356 555 019</u></b>
<b>Balance as at 30 September 2018</b>	<b><u>17 023 811 596</u></b>	<b><u>14 369 007 647</u></b>

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**

	<b><u>30 Sept. 2018</u></b>	<b><u>31 Dec. 2017</u></b>
	<b><u>EGP</u></b>	<b><u>EGP</u></b>
Land	33 520 095	340 104 665
Construction of Golf Club and Hotel in 6th of October City	--	453 864 348
Constructions, Consultation and designs fees	66 376 038	38 073 590
Mall (8)	<u>--</u>	<u>50 429 912</u>
<b>Balance as at 30 September 2018</b>	<b><u>99 896 133</u></b>	<b><u>882 472 515</u></b>

### **36. FIXED ASSETS**

Fixed assets (net) balance as at 30 September 2018 amounted to EGP 1 444 241 521 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	1 379 672	--	512 838 130	211 030 009	11 803 207	--	222 833 216	290 004 914
Machinery & equipment	154 541 643	15 219 790	(216 810)	169 544 623	107 734 374	11 158 166	(192 484)	118 700 056	50 844 567
Vehicles	21 725 602	2 580 217	--	24 305 819	16 079 931	1 849 070	--	17 929 001	6 376 818
Computer equipment	62 335 934	16 262 653	(33 860)	78 564 727	43 003 412	9 621 162	(25 786)	52 598 788	25 965 939
Leasehold improvements	21 501 456	--	--	21 501 456	17 654 615	848 289	--	18 502 904	2 998 552
Furniture	65 699 853	5 388 663	(207 369)	70 881 147	46 364 008	4 580 664	(174 768)	50 769 904	20 111 243
Golf Courses	--	1 123 281 546	--	1 123 281 546	--	27 223 233	--	27 223 233	1 096 058 313
<b>Total cost</b>	<b><u>856 183 608</u></b>	<b><u>1 164 112 541</u></b>	<b><u>(458 039)</u></b>	<b><u>2 019 838 110</u></b>	<b><u>441 866 349</u></b>	<b><u>67 083 791</u></b>	<b><u>393 038</u></b>	<b><u>508 557 102</u></b>	<b><u>1 511 281 008</u></b>
Impairment of Macor									(2 500 000)
Impairment of assets									(64 539 487)
<b>Balance as at 30 September 2018</b>									<b><u>1 444 241 521</u></b>

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

	<u>EGP</u>
Operating assets-work in process	8 721 388
Administrative depreciation (income statement)	44 799 473
Depreciation expense of hotel operations	5 339 858
Depreciation expense of Palm Hills Club's assets - club's operating statement	8 223 072
	<b><u>67 083 791</u></b>

- Capital Gains for The Period Ended 30 September 2018 amounted to EGP 524 964 as follows:

	<u>EGP</u>	<u>EGP</u>
Proceed from sale of fixed assets		589 965
Deduct:		
Cost of assets sold	458 039	
Accumulated depreciation of assets sold	<b><u>393 038</u></b>	
Carrying amount of assets sold		65 001
		<b><u>524 964</u></b>

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

	<u>Cost as of</u> <u>Jan. 1,2017</u>	<u>Additions</u> <u>during the</u> <u>year</u>	<u>Disposals</u> <u>during the</u> <u>year</u>	<u>Cost as of</u> <u>Dec. 31,2017</u>	<u>Accumulated</u> <u>depreciation as</u> <u>of Jan. 1, 2017</u>	<u>Depreciation for</u> <u>the year</u>	<u>Depreciation</u> <u>of Disposals</u>	<u>Accumulated</u> <u>depreciation as of</u> <u>Dec. 31,2017</u>	<u>Net book value as</u> <u>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
<b>Total cost</b>	<b><u>817 308 235</u></b>	<b><u>39 273 075</u></b>	<b><u>(397 703)</u></b>	<b><u>856 183 608</u></b>	<b><u>398 660 343</u></b>	<b><u>43 582 425</u></b>	<b><u>(376 419)</u></b>	<b><u>441 866 349</u></b>	<b><u>414 317 258</u></b>
Impairment of Macor									(2 500 000)
Impairment of assets									(64 539 487)
<b>Balance as at 31 Dec. 2017</b>									<b><u>347 277 770</u></b>

- 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
	<b><u>43 582 425</u></b>

- 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		<b><u>21 283</u></b>
		<b><u>1 538 335</u></b>



**37. WORK IN PROCESS**

	<u>Cost of sales recognized</u> <u>in income statement</u>				
	<u>Total as at</u> <u>30 Sept. 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 Sept. 2018</u> <u>EGP</u>	<u>30 Sept. 2018</u> <u>EGP</u>	<u>31 Dec. 2017</u> <u>EGP</u>
Land acquisition cost	7 324 565 541	3 548 619 329	423 255 310	3 359 129 801	3 765 701 811
Cost of construction	17 853 177 718	10 330 205 347	2 101 339 839	5 394 475 932	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>
<b>Balance as at 30 September 2018</b>	<b><u>25 365 650 428</u></b>	<b><u>14 063 610 291</u></b>	<b><u>2 524 595 149</u></b>	<b><u>8 756 727 288</u></b>	<b><u>9 193 761 444</u></b>

\* Borrowing cost capitalized on work in process for The Period Ended 30 September 2018 amounted to EGP 831 698 219

### **38. CASH AND CASH EQUIVALENTS**

	<b><u>30 Sept. 2018</u></b>	<b><u>31 Dec. 2017</u></b>
	<b><u>EGP</u></b>	<b><u>EGP</u></b>
Banks-current accounts- EGP	461 286 359	384 315 226
Banks-current accounts- foreign currency	23 502 991	8 767 766
Banks – Deposits- EGP	104 628 537	96 391 757
Cash on hand- EGP	66 015 191	72 555 608
<b>Balance as at 30 September 2018</b>	<b><u>655 433 078</u></b>	<b><u>562 030 358</u></b>

### **39. ACCOUNTS RECEIVABLE**

	<b><u>30 Sept. 2018</u></b>	<b><u>31 Dec. 2017</u></b>
	<b><u>EGP</u></b>	<b><u>EGP</u></b>
Palm Hills Developments Company customers	278 911 424	314 044 360
Palm Hills Middle East Company for Real Estate Investment customers	122 583 439	137 342 125
Royal Gardens for Real Estate Investment Company customers	22 281 191	20 224 807
New Cairo for Real Estate Developments customers	2 156 404	2 492 248
Gawda for Trade Services customers	2 290 904	2 293 119
Saudi Urban Development Company customers	64 077 100	51 945 880
Rakeen Egypt for Real Estate Investment customers	93 805 419	96 359 876
East New Cairo for Real Estate Development customers	225 263 341	78 831 176
Middle East Company for Real Estate and Touristic Investment customers	8 170 630	14 897 656
United Engineering for Construction	1 115 442	14 417 526
Palm Real Estate Development	41 993 100	44 002 071
Palm for Investment and Real Estate Development	162 451 463	105 757 291
Palm Hills Development of Tourism and Real Estate	31 398 154	460 662
Palm Hills Properties	11 595 944	8 316
Palm for Urban Development	91 803 345	--
Palm for Clubs Management	1 661 139	266 441
<b>Balance as at 30 September 2018</b>	<b><u>1 161 558 439</u></b>	<b><u>883 343 556</u></b>

### **40. DEBTORS AND OTHER DEBIT BALANCES**

	<b><u>30 Sept. 2018</u></b>	<b><u>31 Dec. 2017</u></b>
	<b><u>EGP</u></b>	<b><u>EGP</u></b>
Investments debtors	5 019 331	5 017 830
Deposits with others	64 458 786	60 100 110
Prepaid expenses	100 322 450	51 423 688
Loans to employee & custodies	20 235 586	10 826 676
Due from City for Real Estate Development Company	--	5 522 741
Advance payments for land acquisition	505 282 476	185 491 785
Withholding tax from source	17 781 133	8 302 885
Letter of Guarantee	14 557 606	4 557 606
Residents' Association	471 066 423	236 750 958
Other debit balances	17 092 564	21 216 566
<b>Balance as at 30 September 2018</b>	<b><u>1 215 816 355</u></b>	<b><u>589 210 845</u></b>

#### **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 Sept. 2018</u>	<u>31 Dec. 2017</u>
	<u>EGP</u>	<u>EGP</u>
Partners in (Badya) Project	--	50 000 000
<b>Balance as at 30 September 2018</b>	<u><u>--</u></u>	<u><u>50 000 000</u></u>

#### **42. DUE FROM RELATED PARTIES**

	<u>30 Sept. 2018</u>	<u>31 Dec. 2017</u>
	<u>EGP</u>	<u>EGP</u>
Al Ethadia for Real Estate S.A. E	235 318 428	193 583 942
Al Naeem for investments	48 755 428	48 755 256
Debtors of dividends	15 43 000	--
Coldwell Banker -Palm Hills for Real Estate S.A. E	20 480	20 480
Novotel Cairo 6th Of October S.A. E	3 029 724	2 570 711
Mercure Ismailia Hotel S.A. E	5 115 843	6 208 178
Palm Hills – Saudi	269 320	269 320
<b>Balance as at 30 September 2018</b>	<u><u>307 552 051</u></u>	<u><u>251 407 887</u></u>

#### **43. ADVANCE PAYMENTS FOR INVESTMENTS ACQUISITION**

	<u>Nature of transaction</u>	<u>30 Sept. 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	9 160 000	--
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
<b>Balance as at 30 September 2018</b>		<u><u>193 495 633</u></u>	<u><u>184 335 633</u></u>

#### **44. BANKS- CREDIT BALANCES**

	<u>30 Sept. 2018</u>	<u>31 Dec. 2017</u>
	<u>EGP</u>	<u>EGP</u>
Banks –EGP	53 286 563	48 651 560
Banks-foreign currencies	2 219 866	1 909 008
<b>Balance as at 30 September 2018</b>	<b><u>55 506 429</u></b>	<b><u>50 560 568</u></b>

#### **45. BANK OVERDRAFT**

	<u>30 Sept. 2018</u>	<u>31 Dec. 2017</u>
	<u>EGP</u>	<u>EGP</u>
Arab - Bank	297 128 741	238 221 551
CIB - Bank	491 862 626	136 474 177
Ahli United Bank	10 044 615	--
Arab African International - Bank	47 376 790	--
<b>Balance as at 30 September 2018</b>	<b><u>846 412 772</u></b>	<b><u>374 695 728</u></b>

#### **46. ADVANCES FROM CUSTOMERS**

	<u>Down payments</u>	<u>Advances for contracting</u>	<u>30 Sept. 2018</u>
	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>
Palm Hills Developments Company	20 448 237	1 767 460 541	1 787 908 778
Palm Hills Middle East Company for Real Estate Investment	18 469 104	514 712 783	533 181 887
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	34 575 144	716 587 733	751 162 877
Rakeen Egypt for Real Estate Investment	1 108 000	702 889 916	703 997 916
East New Cairo for Real Estate Development	2 993 000	465 133 883	468 126 883
Middle East Company for Real Estate and Touristic Investment	414 338	20 035 251	20 449 589
United Engineering for Construction	135 704 484	--	135 704 484
Palm for Real Estate Development S.A. E	819 866	1 249 534 243	1 250 354 109
Palm for Investment & Real Estate Development	8 683 460	3 366 044 378	3 374 727 838
Palm Hills Development of Tourism and Real Estate	7 849 311	676 993 953	684 843 264
Palm Hills Properties	--	--	--
Palm for Urban Development	73 690 859	1 919 292 779	1 992 983 638
Palm for Clubs Management	33 761	--	33 761
<b>Balance as at 30 September 2018</b>	<b><u>304 789 564</u></b>	<b><u>11 408 599 641</u></b>	<b><u>11 713 389 205</u></b>

**47. LAND PURCHASE LIABILITIES**

	<u>30 Sept. 2018</u>	<u>31 Dec. 2017</u>
	<u>EGP</u>	<u>EGP</u>
Land purchase liabilities - short term	198 387 493	102 492 926
Land purchase liabilities - long term	258 873 889	335 844 111
<b>Balance as at 30 September 2018</b>	<b><u>457 261 382</u></b>	<b><u>438 337 037</u></b>

**48. DUE TO RELATED PARTIES**

	<u>30 Sept. 2018</u>	<u>31 Dec. 2017</u>
	<u>EGP</u>	<u>EGP</u>
El Mansour & El Maghraby Investment and Development	148 544 524	37 274 867
Villamora for Real Estate Development Company S.A. E	23 901 325	23 901 325
Due to shareholders	--	35 440 814
<b>Balance as at 30 September 2018</b>	<b><u>172 445 849</u></b>	<b><u>96 617 006</u></b>

**49. NOTES PAYABLE**

**A) Short Term Notes Payable**

	<u>30 Sept. 2018</u>	<u>31 Dec. 2017</u>
	<u>EGP</u>	<u>EGP</u>
Notes payable- Land (New Urban Communities Authority)	684 842 436	712 281 862
<b>Deduct: -</b>		
Delayed installments interest	287 236 429	332 947 262
	<b><u>397 606 007</u></b>	<b><u>379 334 600</u></b>
<b>Add: -</b>		
Other notes payable	1 235 751 722	970 806 898
<b>Deduct: -</b>		
Unamortized discount	136 433 254	110 516 988
<b>Balance as at 30 September 2018</b>	<b><u>1 496 924 475</u></b>	<b><u>1 239 624 510</u></b>

**B) Long Term Notes Payable**

	<u>30 Sept. 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
<b>Deduct: -</b>		
Delayed installments interest	958 013 650	1 066 293 737
	<b><u>1 323 133 475</u></b>	<b><u>1 214 853 388</u></b>
<b>Add: -</b>		
Other notes payable	1 177 194 217	1 312 293 361
<b>Deduct: -</b>		
Delayed installments interest	577 492 620	614 217 674
<b>Balance as at 30 September 2018</b>	<b><u>1 922 835 072</u></b>	<b><u>1 912 929 075</u></b>

## **50. LOANS**

This item is represented as follows:

	<b>30 Sept. 2018</b>		<b>31 Dec. 2017</b>	
	<b><u>Short term</u></b> <b><u>EGP</u></b>	<b><u>long term</u></b> <b><u>EGP</u></b>	<b><u>Short term</u></b> <b><u>EGP</u></b>	<b><u>long term</u></b> <b><u>EGP</u></b>
<b><u>Misr Bank</u></b> 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.	408 293 368	253 125 000	207 757 000	524 999 784
<b><u>Arab African International Bank (AAIB)</u></b> A medium loan with Arab African International Bank (AAIB) amounted to EGP 100 million for United Engineering for Construction	750 994 011	1 288 776 025	696 182 911	1 716 000 000
<b><u>Arab African International Bank (AAIB)</u></b> A medium-term loan with the Arab African International Bank (AAIB) amounted to EGP 2.4 billion to finance projects of Palm Hills Developments and Rakeen Egypt for Real Estate Investment secured by the assignment of projects' cash and bears an interest rate of 3.25% above deposit corridor rate.	17 069 387	26 635 688	27 693 081	32 071 906
<b><u>Arab African International Bank (AAIB)</u></b> A medium-term loan with Arab African International Bank (AAIB) amounted to EGP 225 million to finance projects of East New Cairo for Real Estate Development 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
<b><u>Arab Bank</u></b> A loan secured by notes receivable of delivered units		299 999 998	--	299 999 833
<b><u>National Bank of Egypt</u></b> Medium Term Loan of up to EGP852 million with the purpose of partially financing the recently acquired 190 feddan.	--	690 141 755	--	623 590 700
<b>Balance as at 30 September 2018</b>	<b>1 206 236 998</b>	<b>2 558 678 467</b>	<b>979 573 992</b>	<b>3 228 805 475</b>

## **51. CREDITORS AND OTHER CREDIT BALANCES**

	<b>30 Sept. 2018</b>	<b>31 Dec. 2017</b>
	<b><u>Egp</u></b>	<b><u>Egp</u></b>
Other credit balances	261 693 707	198 060 002
Increase in construction area liabilities	95 500 000	95 500 000
Accounts receivable under settlement	66 089 808	53 605 609
Accrued expenses	42 172 959	49 950 384
Insurance for others	112 510 508	105 943 195
Social insurance	28 601 658	20 368 563
<b>Balance as at 30 September 2018</b>	<b><u>606 568 640</u></b>	<b><u>523 427 753</u></b>

**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 Law No.119 for 2008. Other long-term liabilities balance as at 30 September 2018 amounted to EGP 1 521 949 011.

**54. RESERVES****a) Legal reserve**

	<u>30 Sept. 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
<b>Balance as at 30 September 2018</b>	<b><u>708 524 277</u></b>	<b><u>682 810 544</u></b>

**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 Sept. 2018</u>	<u>30 Sept. 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	236 496 453	897 862 677	174 561 987	657 479 471
Partners in Hacienda West -Project	--	99 205 935	--	78 093 124
Partners in (Badya) Project	384 662 104	107 189 665	--	--
Partners in (VGK Mall) Project	--	8 888 218	--	--
<b>Balance as at 30 September 2018</b>	<b><u>621 158 557</u></b>	<b><u>1 113 146 495</u></b>	<b><u>174 561 987</u></b>	<b><u>735 572 595</u></b>

**56. REVENUES**

	<u>30 Sept. 2018</u>	<u>30 Sept. 2017</u>
	<u>EGP</u>	<u>EGP</u>
Revenues from building and development activities	5 353 705 731	4 523 106 429
Sale of completed units ready for sale	--	15 332 759
Revenues from the construction activity	90 957 704	40 978 237
Revenues from hospitality activities	50 830 749	49 228 125
Other revenues	84 984 782	68 554 891
Revenues from the commercial activity	3 312 290	2 742 695
Revenues from Palm Hills Club	72 224 167	57 861 410
<b>Total as at 30 September 2018</b>	<b><u>5 656 015 423</u></b>	<b><u>4 757 804 546</u></b>



**57. COST OF REVENUES**

	<b><u>30 Sept. 2018</u></b>	<b><u>30 Sept. 2017</u></b>
	<b><u>EGP</u></b>	<b><u>EGP</u></b>
Cost of building and development activities	3 325 368 330	3 135 417 620
Cost of completed units ready for sale	--	12 000 000
Depreciation of Fixed Assets – Macor	5 339 858	4 782 694
Depreciation of Fixed Assets – Palm Hills Club	8 223 072	7 281 526
Cost of the construction activity	77 861 752	34 495 245
Cost of the commercial activity	794 098	560 138
Operation cost -Palm Hills Club	20 560 680	16 127 695
<b>Total as at 30 September 2018</b>	<b><u>3 438 147 790</u></b>	<b><u>210 664 918</u></b>

**58. General Administrative, Selling And Marketing Expenses**

	<b><u>30 Sept. 2018</u></b>	<b><u>30 Sept. 2017</u></b>
	<b><u>EGP</u></b>	<b><u>EGP</u></b>
Wages and salaries	299 480 963	258 039 260
Selling and marketing expenses	243 083 669	157 961 861
Communications expenses	2 054 289	2 236 219
Utilities	22 749 406	18 166 836
Professional and Government fees	63 863 834	33 786 219
Maintenance and Insurance	29 066 824	27 240 095
Travel and transportation	4 642 067	7 956 464
Bank charges	3 455 792	7 678 607
Other administrative expenses	33 429 584	24 464 680
<b>Total as at 30 September 2018</b>	<b><u>701 826 428</u></b>	<b><u>537 530 241</u></b>

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

	<b><u>30 Sept. 2018</u></b>	<b><u>30 Sept. 2017</u></b>
	<b><u>EGP</u></b>	<b><u>EGP</u></b>
Gains on sale of mutual funds certificates	3 956 329	4 589 155
<b>Total as at 30 September 2018</b>	<b><u>3 956 329</u></b>	<b><u>4 589 155</u></b>

**60. OTHER REVENUES**

	<b><u>30 Sept. 2018</u></b>	<b><u>30 Sept. 2017</u></b>
	<b><u>Egp</u></b>	<b><u>Egp</u></b>
Transfer fees and delay benefits	46 179 120	50 046 809
Retrieve the value of the facilities	9 147 060	8 596 223
Miscellaneous revenues	29 658 601	9 911 859
<b>Total as at 30 September 2018</b>	<b><u>84 984 781</u></b>	<b><u>68 554 891</u></b>

## **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</u> <u>EGP</u>
Palm Hills Middle East Company for Real Estate Investment S.A. E	A subsidiary	Finance	1 453 333 125
Royal Gardens for Real Estate Investment Company S.A. E	A subsidiary	Finance	27 551 804
Middle East Company for Real Estate and Touristic Investment S.A. E	A subsidiary	Finance	48 248 189
Gawda for Trade Services S.A. E	A subsidiary	Finance	65 437 144
Rakeen Egypt for Real Estate Investment S.A. E	A subsidiary	Finance	1 022 391 599
Saudi Urban Development Company S.A. E	A subsidiary	Finance	312 008 155
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	101 182 688
East New Cairo for Real Estate Development S.A. E	A Related party	Finance	2 741 084 792
Palm October for Hotels S.A. E	A subsidiary	Finance	27 500
New Cairo for Real Estate Development S.A. E	A subsidiary	Finance	120 144 289
Al Naeem for Hotels and Touristic Villages S.A. E	A subsidiary	Finance	182 895
Gemsha for Tourist Development S.A. E	A subsidiary	Finance	227 487
United Engineering for Construction S.A. E	A subsidiary	Finance	21 507 667
El Mansour & El Maghraby Investment and Development S.A. E	A main shareholder	Finance	159 532 391
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	82 179 561
Palm for Investment and Real Estate Development S.A. E	A subsidiary	Finance	405 072 611
Palm Hills Properties S.A. E	A subsidiary	Finance	18 091 077
Palm Hills Development of Tourism and Real Estate S.A. E	A subsidiary	Finance	73 542 443
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	162 004 803
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	17 160
Palm for Urban Development	A subsidiary	Finance	250 000
			<b>7 397 841 277</b>

**b- Resulting balances from these transactions**

<u>Party</u>	<u>Item as in balance sheet</u>	<u>30 Sept. 2018</u> <u>EGP</u>
Palm Hills Middle East Company for Real Estate Investment S.A. E	Due to related parties	1 183 961 914
Royal Gardens for Real Estate Investment Company S.A. E	Due from related parties	(3 000 782)
Middle East Company for Real Estate and Touristic Investment S.A. E	Due from related parties	(156 326 052)
Gawda for Trade Services S.A. E	Due from related parties	(57 091 512)
Rakeen Egypt for Real Estate Investment S.A. E	Due to related parties	144 900 958
Saudi Urban Development Company S.A. E	Due to related parties	52 019 689
Nile Palm Al-Naeem for Real Estate Development S.A. E	Due from related parties	(44 476 227)
Al Ethadia for Real Estate S.A. E	Due to related parties	216 207 287
East New Cairo for Real Estate Development S.A. E	Due from related parties	(199 594 727)
Palm October for Hotels S.A. E	Due to related parties	11 332 088
New Cairo for Real Estate Developments S.A. E	Due to related parties	24 865 801
Al Naeem for Hotels and Touristic Villages S.A. E	Due from related parties	(127 353 519)
Gemsha for Tourist Development S.A. E	Due to related parties	68 925 931
United Engineering for Construction S.A. E	Due from related parties	(11 249 000)
El Mansour & El Maghraby Investment and Development S.A. E	Due from related parties	(15 473 355)
Palm Gemsha for Hotels S.A. E	Due to related parties	30 050
Palm North Coast Hotels S.A. E	Due to related parties	26 858
Palm for Real Estate Development S.A. E	Due to related parties	22 244 503
Palm for Investment and Real Estate Development	Due from related parties	(102 307 594)
Palm Hills Properties	Due to related parties	13 682 445
Palm Hills Development of Tourism and Real Estate	Due to related parties	7 937 679
Palm Hills for Investment Tourism	Due to related parties	64 003 121
Palm Hills Resorts	Due to related parties	274 609
Palm Hills Hospitality S.A. E	Due to related parties	100 333 074
Palm Hills Education S.A. E	Due to related parties	1 529 971
Palm Hills – Saudi S.A. E	Due to related parties	269 320
Coldwell Banker - Palm Hills for Real Estate S.A. E	Due to related parties	20 480
Palm for Urban Development	Due to related parties	120 412 454
Palm for Club Management S.A. E	Due from related parties	(18 920 361)
Palm Alexandria for Real Estate	Due to related parties	41 206
Asten College for Education S.A. E	Due to related parties	274 571
Palm Alamein for Real Estate Development S.A. E	Due to related parties	22 611 913
Shareholders	Due to related parties	7 788 245
Palm for Constructions And Real Estate Development S.A. E	Due from related parties	<u>(250 000)</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 Sept. 2018</u>	<u>30 Sept. 2017</u>
	<u>EGP</u>	<u>EGP</u>
Net profit for the period	640 218 988	466 994 926
<b><u>Divided by: -</u></b>		
Weighted average number of shares	<u>2 308 949 726</u>	<u>2 308 949 726</u>
Earnings per share	<u>0.277</u>	<u>0.202</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 September 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.