

PALM HILLS DEVELOPMENTS COMPANY
(An Egyptian Joint Stock Company)
Consolidated Financial Statements
For The Three Months Ended 30 June 2019
Together With Review Report

PALM HILLS DEVELOPMENTS COMPANY S.A.E`
CONSOLIDATED FINANCIAL POSITION
As of 30 June 2019

	<u>Note no.</u>	<u>30/6/2019</u> <u>EGP</u>	<u>31/12/2018</u> <u>EGP</u>
<u>Non-current assets</u>			
Investments in associates	(8d-11b-31)	149 358 921	97 447 485
Investment property	(11f-32)	771 256 234	769 612 116
Notes receivable - long term	(16-34)	12 173 626 345	12 991 366 008
Projects under construction	(12-35)	111 336 058	106 029 940
Advance payments for investments acquisition	(42)	194 597 985	194 597 985
Fixed assets (net)	(13-36)	1 381 921 862	1 427 791 288
Deferred tax assets	(22b)	4 196 267	4 469 461
Employee Stock Ownership Plan	(62)	92 040 000	--
Other long-term assets		1 390 733	1 390 733
Total non-current assets		14 879 724 405	15 592 705 016
<u>Current assets</u>			
Works in process	(14-37)	9 970 183 651	9 091 529 513
Held-to-maturity investments	(11d -33)	890 109 670	1 750 818 937
Cash and cash equivalents	(28-38)	852 972 707	955 737 630
Notes receivable - short term	(16-34)	4 732 632 849	4 235 390 443
Investments at fair value through profit and loss	(11e)	80 916 948	75 866 550
Accounts receivable	(39)	1 190 629 103	1 061 705 100
Suppliers - advance payments		506 064 245	494 372 865
Debtors and other debit balances	(40)	1 353 652 979	984 450 924
Due from related parties	(25-41)	397 072 230	359 632 650
Total current assets		19 974 234 382	19 009 504 612
<u>Current liabilities</u>			
Banks - credit balances	(43)	88 191 109	57 735 773
Bank- over draft	(44)	1 023 494 650	897 807 291
Advances from customers	(45)	11 685 304 407	11 484 809 418
Completion of infrastructure liabilities	(20)	95 083 416	95 083 416
Provisions	(18)	182 811 216	251 706 423
Current portion of land purchase liabilities	(19-46)	174 025 750	158 981 836
Notes payable - short term	(48a)	1 475 987 995	1 586 917 804
Current portion of term loans	(49)	1 204 023 550	1 101 130 295
Suppliers & contractors		830 016 058	704 440 148
Income tax payable	(22a)	69 701 947	251 569 213
Creditors & other credit balances	(50)	669 578 408	617 219 159
Joint shares arrangement - short term	(54)	766 026 720	749 682 921
Due to related parties	(25-47)	29 145 091	28 187 870
Total current liabilities		18 293 390 317	17 985 271 567
Working capital		1 680 844 065	1 024 233 045
Total investment		16 560 568 470	16 616 938 061
<u>Financed as follows:</u>			
<u>Shareholders' equity</u>			
Share capital	(51)	6 235 199 270	6 157 199 270
Legal reserve	(53a)	734 919 743	708 524 277
Special reserve	(53b)	476 064 168	476 064 168
Reserve for Employee Stock Ownership Plan	(62)	14 040 000	---
Retained earnings		1 226 355 937	556 921 695
Net profit for Year		451 477 934	811 741 618
Equity attributable to equity holders of the parent		9 138 057 052	8 710 451 028
Non-controlling interest		514 305 360	505 090 067
Total shareholders' equity		9 652 362 412	9 215 541 095
<u>Non-current liabilities</u>			
Land purchase liabilities	(19-46)	260 714 983	298 279 545
Notes payable - long term	(48b)	1 589 919 383	1 660 456 660
Other long-term liabilities – Residents' Association	(52)	1 943 643 733	1 671 535 652
long-term- loans	(49)	2 149 723 716	2 657 711 596
joint share arrangement– long terms	(54)	964 204 243	1 113 413 513
Total non-current liabilities		6 908 206 058	7 401 396 967
Total equity and non-current liabilities		16 560 568 470	16 616 938 061

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

Chief Financial Officer

Ali Thabet

Chairman

Yasseen Mansour

PALM HILLS DEVELOPMENTS COMPANY S.A.E
CONSOLIDATED STATEMENT OF INCOME (PROFIT OR LOSS)
For The Period Ended 30 June 2019

	<u>Note No.</u>	<u>Financial Period 30/6/2019 EGP</u>	<u>Financial Period 30/6/2018 EGP</u>
Revenues	(27a, 55)	2 515 075 370	3 373 494 477
<u>Deduct: -</u>			
Cost of revenues	(26, 56)	1 487 791 196	2 015 996 092
Cash discount		19 703 612	45 777 256
Gross profit		<u>1 007 580 561</u>	<u>1 311 721 129</u>
<u>Deduct: -</u>			
Securitization and discount of notes receivables interest		44 014 944	85 358 655
General administrative, selling and marketing expenses	(57)	357 805 632	409 952 735
Administrative depreciation		41 526 526	30 703 261
Provision	(18)	2 176 513	9 169 264
Finance costs & interests		104 681 317	106 814 139
Interest on land purchase liabilities		100 580 184	118 245 719
Provisions no longer required		(70 139 606)	--
		<u>580 645 510</u>	<u>760 243 773</u>
<u>Add: -</u>			
Gains on investments in fair value through profit or loss	(58)	5 432 020	3 956 329
Interest income – amortization of discount on notes receivables		44 717 593	40 262 766
Interest income on held-to-maturity investments		60 907 460	32 312 362
Total other revenues		<u>111 057 073</u>	<u>76 531 457</u>
Net profit for the year before income tax & non-controlling interest		<u>537 992 124</u>	<u>628 008 813</u>
<u>Deduct: -</u>			
Income tax expense	(22a)	67 239 630	152 279 277
Deferred tax	(22b)	270 116	269 311
Net profit for the year before & non-controlling interest		<u>470 482 378</u>	<u>475 460 225</u>
<u>Deduct: -</u>			
Non-controlling interest share- subsidiaries		19 004 444	35 558 769
Net profit for the year after income tax & non-controlling interest		<u>451 477 934</u>	<u>439 901 456</u>
Earnings per share	(24, 61)	<u>0.145</u>	<u>0.14</u>

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

Chief Financial Officer
Ali Thabet

Chairman
Yasseen Mansour

PALM HILLS DEVELOPMENTS COMPANY S.A.E
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the Period Ended 30 June 2019

	<u>30/6/2019</u> <u>EGP</u>	<u>30/6/2018</u> <u>EGP</u>
Net profit for the period	451 477 934	439 901 456
Other comprehensive income	--	--
Total comprehensive income for the period, net of tax	<u>451 477 934</u>	<u>439 901 456</u>
<u>Attributable to: -</u>		
Equity holders of the parent	451 477 934	439 901 456
Non-controlling interests	19 004 444	35 558 769
	<u>470 482 378</u>	<u>475 460 225</u>

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

Chief Financial Officer

Ali Thabet

Chairman

Yasseen Mansour

**PALM HILLS DEVELOPMENTS COMPANY S.A.E
CONSOLIDATED STATEMENT OF CASH FLOWS
For the Period Ended 30 June 2019**

	Note No.	30/6/2019	30/6/2018
		EGP	EGP
Net profit for the period before income tax & non-controlling interest		537 992 124	628 008 813
<u>Adjustments to reconcile net profit to net cash from operating activities</u>			
Administrative depreciation	(36)	51 205 408	39 638 082
Provision		2 176 513	9 169 264
Finance costs & interests		104 681 317	106 814 139
Interest of discount on Notes receivable		44 014 944	85 358
			656
Interest on land purchase liabilities		100 580 184	118 245 719
Share of profit / loss of associates		(1 911 436)	(2 600 684)
Gain (loss) on disposal of fixed assets	(36)	(114 093)	1 585
Interest income – amortization of discount on notes receivables		(44 717 592)	(40 262 766)
Gains on investments in fair value through profit or loss		(5 432 020)	(3 956 329)
Interest income on held to maturity investments		(60 907 460)	(32 312 362)
Provisions no longer required		(70 139 606)	---
Operating profit before changes in working capital items		657 428 283	908 104 117
<u>Cash flow from operation activates</u>			
Change in work in process	(14-37)	(812 059 164)	(233 284 707)
Change in notes receivables	(16-34)	365 214 850	(1 300 294 067)
Change in investments in fair value through profit or loss	(11e)	(5 050 398)	(8 019 510)
Change in held-to-maturity investments		860 709 266	(121 841 300)
Change in accounts receivable	(39)	(128 924 002)	(192 949 251)
Change in suppliers - advance payments		(11 691 380)	(13 346 869)
Change in debtors & other debit balances	(40)	(369 202 056)	(496 953 737)
Change in due from related parties	(25-41)	(37 439 581)	(88 528 051)
Change in secured minimum level – joint arrangement		----	50 000 000
Change in advances from customers	(45)	200 494 990	1 368 470 572
Provisions	(18)	(932 113)	--
Change in due to related parties		957 221	9 965 587
Change in notes payable		(282 047 270)	131 141 494
Change in suppliers & contractors		125 575 910	38 206 861
Income tax paid		(249 106 896)	(152 704 271)
Change in creditors and other credit balances	(50)	52 359 249	33 788 594
Change in other long term – Residents' Association		272 108 080	223 407 121
Change in due to joint arrangement partners	(54)	(132 865 471)	492 710 356
Net cash provided by operating activities		505 529 518	647 872 939
<u>Cash flows from investing activities</u>			
Payments for purchase of fixed assets	(36)	(9 168 486)	(35 058 027)
Proceeds from sale of fixed assets	(36)	261 162	----
Payments Advance for investments		-----	(8 020 000)
Payments for associates investment		(50 000 000)	-----
Payments for projects under construction	(12-35)	(5 306 118)	1 712 038
Payment for real estate investment		(2 519 330)	(5 021 273)
Proceeds from investments in fair value through profit or loss		5 432 020	3 956 329
Proceeds from held-to-maturity investments		60 907 460	32 312 362
Net cash (used in) provided by investing activities		(393 292)	(10 118 571)
<u>Cash flows from financing activities</u>			
Banks - credit balances	(43)	30 455 336	1 214 699
Banks – overdraft	(44)	125 687 359	286 362 914
Non-controlling interest – dividends		(9 789 151)	(4 571 780)
deferred tax		3 078	141 471
Proceeds from ESOP		-----	40 403 915
Payments for loans		(501 320 000)	(248 729 796)
Proceeds from loans	(49)	11 670 399	----
Adjustments to retained earnings		(115 911 909)	(300 248 196)
Securitization of receivables interest		(44 014 944)	(85 358 656)
Finance costs & interests paid		(104 681 317)	(106 814 139)
Net cash (used in) provided by financing activities		(607 901 149)	(417 599 568)
Net increase in cash and cash equivalents during the period		(102 764 923)	220 154 800
Cash and cash equivalents at beginning of the year		955 737 630	562 030 358
Cash and cash equivalents as at 31 March 2019	(28-38)	852 972 707	782 185 158

- 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

Chairman

Ali Thabet

Yasseen Mansour

PALM HILLS DEVELOPMENTS COMPANY S.A.E
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For The Period Ended 30 June 2019

	<u>Share Capital</u> EGP	<u>Legal reserve</u> EGP	<u>Special reserve</u> EGP	<u>Reserve for re- measurement</u> EGP	<u>Retained earnings</u> EGP	<u>Net profit for the period</u> EGP	<u>Total before Non- controlling equities</u> EGP	<u>Total Non- controlling equities</u> EGP	<u>Total Shareholders' After non- controlling equities</u> EGP
Balance as at 1 January 2018	4 617 899 452	810 544 682	476 064 168	43 010 431	76 127 305	805 637 537	6 701 549 437	538 436 217	7 239 985 654
Transferred to retained earnings	--	--	--	--	805 637 537	637 537 (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	--	--	--	--	(300 248 196)	--	(300 248 196)	--	(300 248 196)
Dividends – non controlling liabilities	--	--	--	--	--	--	--	(4 571 779)	(4 571 779)
Net profit for the period	--	--	--	--	--	439 901 456	439 901 456	35 558 769	475 460 225
Balance as at 30 June 2018	<u>4 617 899 452</u>	<u>708 524 277</u>	<u>476 064 168</u>	<u>--</u>	<u>555 802 914</u>	<u>439 901 456</u>	<u>6 798 192 266</u>	<u>569 423 206</u>	<u>7 367 615 472</u>
Balance as at 1 January 2019	6 157 199 270	708 524 277	476 064 168	--	556 921 695	811 741 618	8 710 451 028	505 090 067	9 215 541 095
Transferred to retained earnings	--	--	--	--	811 741 618	741 618 (811)	--	--	--
Paid in capital	78 000 000	--	--	--	--	--	78 000 000	--	78 000 000
Transferred to legal reserve	--	26 395 466	--	--	(26 395 466)	--	--	--	--
Evaluation for ESOP Shares	--	--	--	14 040 000	--	--	14 040 000	--	14 040 000
Adjustments to retained earnings	--	--	--	--	(115 911 910)	--	(115 911 910)	--	(115 911 910)
Dividends - – non controlling liabilities	--	--	--	--	--	--	--	(9 789 251)	(9 789 151)
Net profit for the period	--	--	--	--	--	451 477 934	451 477 934	19 004 444	470 482 378
Balance as at 30 June 2019	<u>6 235 199 270</u>	<u>734 919 743</u>	<u>476 064 168</u>	<u>14 040 000</u>	<u>1 226 355 937</u>	<u>451 477 934</u>	<u>9 138 057 052</u>	<u>514 305 360</u>	<u>9 652 362 412</u>

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

Chief Financial Officer
Ali Thabet

Chairman
Yasseen Mansour

Palm Hills Developments Company
(S.A.E)
Notes to the Consolidated
Financial Statements As of 30 June 2019

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 31 December 2018 were authorized for issue by the board of directors on 3 September 2019.

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 3262.05 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 started marketing and selling the project units from Jun 2019.

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 501,20 acres in New Cairo for the construction of an integrated urban project -Palm New Cairo- under this contract the Authority (owner) and the Company (real-estate developer) receives a share of total project revenues that paid through the proceeds of the project. the company started developing, marketing and selling the project units as from November 2016.

-Palm Real Estate Development

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

-Palm Hills Development of Tourism and Real Estate

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

d) Investments in associates and subsidiaries

1- Direct investments in associates and subsidiaries as following: -

	<u>Percentage</u>
	<u>share %</u>
Palm Hills Middle East Company for Real Estate Investment S.A.E	% 99.99
Gawda for Trade Services S.A.E	%99.996
New Cairo for Real Estate Developments S.A.E	%99.985
KHEDMA for Resorts Management S.A.E	%99.96
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 for Constriction, real state dev. 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
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
Arkan Palm For real Estate	%39.99
Palm October For Hotels	%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	%71.82
Palm Hills for Education S.A.E	%71.04

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.

- **KHEDMA for Resorts Management S.A.E**

Khedma for restores management S.A.E is registered in Egypt under commercial registration number 136337 under the provisions of companies low no.154 of .1981 and the statues of capital market low no.95 of 1992. the company is engaged in real estate investment and real estate market.

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

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

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

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

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

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

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

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

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

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

The Company has not started its business yet.

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

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

The Company has not started its business yet.

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

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

The Company has not started its business yet.

- **Palm for Constriction, real state dev. S.A.E**

Palm for Constriction, real state dev. S.A.E is registered in Egypt under commercial registration number 120156 under the provisions of the Companies' Law No. 159 of 1981 and the statutes of the Capital Market Law No. 95 of 1992. The company is engaged in real estate investment.

- The Company has not started its business yet.

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

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

The Company has not started its business yet.

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

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

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

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

The Company has not started its business yet.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The Company has not started its business yet.

2- Indirect investments in associates and subsidiaries

	<u>Percentage</u> <u>share %</u>
Palm North Coast Hotels S.A.E	%97.412
Palm Gamsha Hotels S.A.E	%87.50
Middle East Company for Real Estate and Touristic Investment S.A.E	%96.04
East New Cairo for Real Estate Development S.A.E	%10.998
Asten College for Education S.A.E	%71
Palm hills for education	71.86

- **Palm North Coast Hotels S.A.E**

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

- **Palm Gamsha Hotels S.A.E**

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

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

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

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

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

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

- **Asten College for Education**

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

The Company has not started its business yet.

9. STATEMENT OF COMPLIANCE

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

10. SIGNIFICANT ACCOUNTING POLICIES APPLIED

a) Basic of consolidated financial statements preparation

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

b) Basic of consolidation

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

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

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

c) Consolidation procedures

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

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

d) Business combination

The group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred

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

Acquisition-related costs are expensed as incurred.

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

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

e) Intangible assets

1- Goodwill

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

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

Where goodwill has been allocated to a cash-generating unit (CGU) and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation

when determining the gain or loss on disposal of the operation. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

2- Other intangible assets

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

f) Use of estimates and judgments

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

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

g) Changes in accounting policies

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

h) Bookkeeping

1- Functional and presentation currency

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

2- Foreign currency transactions and balances

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

i) Operating segment

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

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

11. INVESTMENTS

a) Investments in subsidiaries

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

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

b) Investments in associates

Subsidiaries are all companies over which the Company has significant influence and that is neither a subsidiary nor an interest in a joint venture. Investments in associates are stated at equity method, under the equity method the investments in associates are initially recognized at cost and the carrying amount is increased or decreased to recognize the investor's share of the profit or loss of the associates after the date of acquisition.

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

c) Financial investments available for sale

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

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

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

d) Held-to-maturity investments

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

Held-to-maturity investments are initially recognized at fair value plus directly attributable costs of acquisition or issue, after initial recognition held-to-

maturity investments are measured at amortized cost using the effective interest method less impairment losses.

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

e) Investments at fair value through profit and loss

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

f) Investments properties

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

12. PROJECTS UNDER CONSTRUCTION

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

13. FIXED ASSETS

Fixed assets are stated at historical cost –cost of acquisition-and to be depreciated by straight line method over the estimated useful life of the asset starting from the date of using the asset. Cost of acquisition does not include subsequent expenditure relating to routine maintenance or to ensure that a fixed asset maintains it 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 activities 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 Jun. 2019</u>	<u>31 Dec. 2018</u>
	<u>EGP</u>	<u>EGP</u>
Naema for Touristic & Real Estate Investments S.A.E	76 767 896	74 856 460
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
Arkan palm for real estate investment	50 999 625	999 625
EFS palm for facilities services	980 000	980 000
Balance as at 30 Jun 2019	149 358 921	97 447 485

	<u>Assets</u>	<u>Liabilities</u>	<u>Shareholders' equity</u>	<u>Revenues</u>	<u>Expenses</u>
Naema for Touristic & Real Estate Investments	169 484 400	15 930 437	153 533 963	22 832 142	8 644 899
Palm Hills for Real Estate -Coldwell Banker	500 000	--	500 000	--	--
Villamora for Real Estate Development Company	20 366 400	--	20 366 400	--	--
Arkan palm for real estate investment	50 999 625		50 999 625		
EFS palm for facilities services	980 000		980 000		

32. INVESTMENT PROPERTY

	<u>Acre</u>	<u>30 Jun. 2019</u>	<u>31 Dec. 2018</u>
		<u>EGP</u>	<u>EGP</u>
<u>Lands</u>			
Palm Hills Development Company S.A.E	1759	212 512 738	212 512 738
Palm Hills Middle East Company for Real Estate Investment S.A.E *	2383.28	392 606 267	392 606 267
Gamsha for Tourist Development S.A.E	22.679	114 974 891	114 817 430
Balance as at 30 Jun 2019		720 093 896	719 936 435

Buildings

Commercial shops - Palm Hills Resort

Cost of shops of 88 Street Mall.	56 705 343	54 343 475
Accumulated depreciation	5 543 005	4 667 794
Net cost of shops	51 162 338	49 675 681
Balance as at 30 Jun 2019	771 256 234	769 612 116

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	557 600 000	34 398 730	%14	523 201 270

Palm Hills Middle East Company for Real Estate Investment	13 950 000	1 409 309	%14	12 540 691
East New Cairo for Real Estate Development	7 425 000	432 551	%14	6 992 449
Gawda for Trade Services	7 400 000	366 210	%14	7 033 790
Middle East Company for Real Estate and Touristic Investment	19 625 000	1 233 009	%14	18 391 991
New Cairo for Real Estate Development	150 000	6 197	%14	143 803
Palm Hills Development of Tourism and Real Estate	11 775 000	890 060	%14	10 884 940
Palm For Investment And Real Estate Development	250 000	26 181	%14	223 819
Palm For Real Estate Development	22 125 000	1 881 106	%14	20 243 894
Rakeen Egypt for Real Estate Investment	134 575 000	8 109 706	%14	126 465 294
Palm for Urban Development	8 375 000	351 392	%14	8 023 608
Royal Gardens for Real Estate Investment Company	67 150 000	4 703 274	%14	62 446 726
Saudi Urban Development Company	99 625 000	6 107 605	%14	93 517 395
Balance as at 30 Jun 2019	950 025 000	59 915 330		890 109 670

34. NOTES RECEIVABLE

	<u>30 Jun. 2019</u>	<u>31 Dec. 2018</u>
	<u>EGP</u>	<u>EGP</u>
Short term notes receivable	5 024 027 940	4 422 700 899
<u>Deduct: -</u>		
Notes receivable of joint venture	264 104 875	97 875 264
Unamortized discount	27 290 216	89 435 192
	<u>4 732 632 849</u>	<u>4 235 390 443</u>
Long term notes receivable	13 179 326 526	13 606 344 908
<u>Deduct: -</u>		
Notes receivable of joint venture	762 180 711	455 504 927
Unamortized discount	243 519 470	159 473 973
	<u>12 173 626 345</u>	<u>12 991 366 008</u>
Balance as at 30 Jun 2019	<u>16 906 259 194</u>	<u>17 226 756 451</u>

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

35. PROJECTS UNDER CONSTRUCTION

	<u>30 Jun 2019</u>	<u>31 Dec. 2018</u>
	<u>EGP</u>	<u>EGP</u>
Land	33 520 095	33 520 095
Construction of Golf Club and Hotel in 6th of October City	18 219 016	18 219 016
Constructions, Consultation and designs fees	48 958 760	46 478 267
Mall (8)	10 638 187	7 812 562
Balance as at 30 Jun 2019	<u>111 336 058</u>	<u>106 029 940</u>

36. FIXED ASSETS

Fixed assets (net) balance as at 30 Jun 2019 amounted to EGP 1 381 921 862 represented as follows:

	<u>Cost as of Jan. 1,2019</u>	<u>Additions during the period</u>	<u>Disposals during the period</u>	<u>Cost as of 31 Mar 2019</u>	<u>Accumulated depreciation as of Jan. 1, 2019</u>	<u>Depreciation for the period</u>	<u>Depreciation of Disposals</u>	<u>Accumulated depreciation as of 30 Jun 2019</u>	<u>Net book value as 30 Jun 2019</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	513 522 992	1 230 489	--	514 753 481	226 767 598	7 884 799	--	234 652 397	280 101 084
Machinery & equipment	175 576 604	3 971 079	142 028	179 405 655	121 935 380	7 926 388	9 031	129 852 737	49 552 918
Vehicles	23 484 129	36 823	120 000	23 400 952	17 713 785	1 270 894	120 000	18 864 679	4 536 273
Computer equipment	79 394 347	808 404	29 944	80 172 807	56 126 506	6 549 198	15 872	62 659 832	17 512 975
Leasehold improvements	21 501 456	--	--	21 501 456	18 774 659	540 594	--	19 315 253	2 186 203
Furniture	73 656 071	3 121 691	--	76 777 762	52 354 255	3 495 736	--	55 849 991	20 927 771
Golf Courses	1 123 281 546	--	--	1 123 281 546	40 834 849	27 223 234	--	68 058 083	1 055 223 464
Total cost	<u>2 029 337 807</u>	<u>9 168 486</u>	<u>291 972</u>	<u>2 038 214 321</u>	<u>534 507 032</u>	<u>54 890 843</u>	<u>144 903</u>	<u>589 252 972</u>	<u>1 448 961 349</u>
Impairment of Macor									(2 500 000)
Impairment of assets									(64 539 487)
Balance as at 30 Jun 2019									<u>1 381 921 862</u>

- Fixed assets depreciation For The Period Ended 30 Jun 2019 was allocated as follows:

Operating assets-work in process	<u>EGP</u>	4 560 646
Administrative depreciation (income statement)		40 651 315
Depreciation expense of hotel operations		3 759 941
Depreciation expense of Palm Hills Club's assets - club's operating statement		5 918 941
		<u>54 890 843</u>

- Capital Gains for The Period Ended 30 Jun 2019 amounted to EGP 114 093 as follows:

Proceed from sale of fixed assets	<u>EGP</u>	261 162
Deduct:		
Cost of assets sold		291 972
Accumulated depreciation of assets sold		144 903
Carrying amount of assets sold		<u>147 069</u>
		<u>114 093</u>

Fixed assets (net) balance as at 31 Dec. 2018 amounted to EGP 1 427 791 288 represented as follows:

	<u>Cost as of Jan. 1,2018</u>	<u>Additions during the year</u>	<u>Disposals during the year</u>	<u>Cost as of Dec. 31,2018</u>	<u>Accumulated depreciation as of Jan. 1, 2018</u>	<u>Depreciation for the year</u>	<u>Depreciation of Disposals</u>	<u>Accumulated depreciation as of Dec. 31,2018</u>	<u>Net book value as of Dec. 31,2018</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	2 064 534	--	513 522 992	211 030 009	15 737 589	--	226 767 598	286 755 394
Machinery & equipment	154 541 643	22 274 388	1 239 427	175 576 604	107 734 374	15 297 133	1 096 127	121 935 380	53 641 224
Vehicles	21 725 602	2 608 017	849 490	23 484 129	16 079 931	2 483 344	849 490	17 713 785	5 770 344
Computer equipment	62 335 934	17 140 917	82 504	79 394 347	43 003 412	13 171 437	48 343	56 126 506	23 267 841
Leasehold improvements	21 501 456	--	--	21 501 456	17 654 615	1 120 044	--	18 774 659	2 726 797
Furniture	65 699 853	8 209 434	253 216	73 656 071	46 364 008	6 210 052	219 805	52 354 255	21 301 816
		281 546	--	1 123 281 546	--	40 834 849	--	40 834 849	1 082 446 697
Golf Courses	--	1 123	--						
Total cost	<u>856 183 608</u>	<u>157 578 836</u>	<u>2 424 637</u>	<u>2 029 337 807</u>	<u>441 866 349</u>	<u>94 854 448</u>	<u>2 213 765</u>	<u>534 507 032</u>	<u>1 494 830 775</u>
Impairment of Macor									(2 500 000)
Impairment of assets									(64 539 487)
Balance as at 31 Dec. 2018									<u>1 427 791 288</u>

- Fixed assets depreciation for the year ended 31 Dec. 2018 was allocated as follows:

	<u>EGP</u>
Operating assets-work in process	11 527 557
Administrative depreciation (income statement)	65 056 772
Depreciation expense of hotel operations	7 185 078
Depreciation expense of Palm Hills Club's assets - club's operating statement	11 085 041
	<u>94 854 448</u>

- Capital Gains for the year ended 31 Dec. 2018 amounted to EGP 830 029 as follows:

	<u>EGP</u>	<u>EGP</u>
Proceed from sale of fixed assets		1 249 905
Deduct:		
Cost of assets sold	2 424 637	
Accumulated depreciation of assets sold	2 213 765	
Carrying amount of assets sold		210 872
		<u>1 039 033</u>

37. WORK IN PROCESS

	<u>30 Jun 2019</u>	<u>31 Dec. 2018</u>
	<u>EGP</u>	<u>EGP</u>
Completed Process to 31 Dec. 2018	26 755 124 960	23 335 728 068
Add: Completed Process to Jun 2019	1 587 614 028	3 419 396 892
Total Completed Process at 30 Jun 2019	<u>28 342 738 988</u>	<u>26 755 124 960</u>
Deduct: Disposed Portion on the Income statement to 30 Jun 2019	18 372 555 337	17 663 595 447
	<u>9 970 183 651</u>	<u>9 091 529 513</u>

* Borrowing cost capitalized on work in process for The Period Ended 30 Jun 2019 amounted to EGP 393 816 425

38. CASH AND CASH EQUIVALENTS

	<u>30 Jun. 2019</u>	<u>31 Dec 2018</u>
	<u>EGP</u>	<u>EGP</u>
Banks-current accounts- EGP	826 235 791	858 781 155
Banks-current accounts- foreign currency	18 266 682	18 549 439
Banks – Deposits- EGP	3 471 622	3 527 596
Cash on hand- EGP	4 998 612	74 879 440
Balance as at 30 Jun. 2019	<u>852 972 707</u>	<u>955 737 630</u>

39. ACCOUNTS RECEIVABLE

	<u>30 Jun. 2019</u>	<u>31 Dec. 2018</u>
	<u>EGP</u>	<u>EGP</u>
Palm Hills Developments Company customers	367 004 582	280 894 864
Palm Hills Middle East Company for Real Estate Investment customers	120 695 874	114 446 100
Royal Gardens for Real Estate Investment Company customers	13 485 155	19 274 836
New Cairo for Real Estate Developments customers	1 414 195	1 514 959
Gawda for Trade Services customers	1 502 589	1 779 939
Saudi Urban Development Company customers	40 628 345	47 603 618
Rakeen Egypt for Real Estate Investment customers	86 329 103	78 167 118
East New Cairo for Real Estate Development customers	67 787 244	106 315 867
Middle East Company for Real Estate and Touristic Investment customers	7 462 220	7 187 854
United Engineering for Construction	1 533 262	1 063 772
Palm Real Estate Development	46 393 728	39 388 549
Palm for Investment and Real Estate Development	211 942 713	167 969 320
Palm Hills Development of Tourism and Real Estate	25 025 601	27 986 960
Palm Hills Properties	3 718 378	10 801 495
Palm for Urban Development	191 762 010	154 829 359
Palm for Clubs Management	3 944 104	2 480 490
Balance as at 30 Jun. 2019	<u>1 190 629 103</u>	<u>1 061 705 100</u>

40. DEBTORS AND OTHER DEBIT BALANCES

	<u>30 Jun. 2019</u>	<u>31 Dec. 2018</u>
	<u>EGP</u>	<u>EGP</u>
Investments debtors	5 019 431	5 019 331
Deposits with others	197 974 868	77 944 109
Prepaid expenses	189 652 401	91 135 001
Loans to employee & custodies	17 456 479	9 563 368
Accrued interest	27 355 768	--
Advance payments for land acquisition	---	133 739 438
Withholding tax from source	38 750 285	24 100 216
Letter of Guarantee	14 557 606	14 557 606
Residents' Association	805 499 684	601 585 025
Other debit balances	57 386 457	26 806 830
Balance as at <u>30 Jun. 2019</u>	<u>1 353 652 979</u>	<u>984 450 924</u>

41. DUE FROM RELATED PARTIES

	<u>30 Jun. 2019</u>	<u>31 Dec 2018</u>
	<u>EGP</u>	<u>EGP</u>
Al Ethadia for Real Estate S.A.E	238 814 817	231 861 095
Al Naem for investments	48 755 256	48 755 256
Debtors of dividends	88 823 465	59 423 465
Coldwell Banker -Palm Hills for Real Estate S.A.E	20 480	20 480
Novotel Cairo 6th Of October S.A.E	2 591 192	3 465 256
Mercure Ismailia Hotel S.A.E	4 302 600	2 347 778
Palm Hills – Saudi	269 320	269 320
Asten college for education	13 490 000	13 490 000
Arkan palm real states investments	5100	---
Balance as at <u>30 Jun. 2019</u>	<u>397 072 230</u>	<u>359 632 650</u>

42. ADVANCE PAYMENTS FOR INVESTMENTS ACQUISITION

	<u>Nature of</u>	<u>30 Jun. 2019</u>	<u>31 Dec 2018</u>
	<u>transaction</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	10 262 352	10 262 352
Gamsha for Tourist Development S.A.E	Acquisition	4 010 000	4 010 000
Al Naem for Hotels and Touristic Villages	Acquisition	41 303 890	41 303 890
Balance as at <u>30 Jun . 2019</u>		<u>194 597 985</u>	<u>194 597 985</u>

43. BANKS- CREDIT BALANCES

	<u>30 Jun. 2019</u>	<u>31 Dec 2018</u>
	<u>EGP</u>	<u>EGP</u>
Banks –EGP	84 955 197	54 285 833
Banks-foreign currencies	3 235 912	3 449 940
Balance as at <u>30 Jun. 2019</u>	<u>88 191 109</u>	<u>57 735 773</u>

44. BANK OVERDRAFT

	<u>30 Jun. 2019</u>	<u>31 Dec 2018</u>
	<u>EGP</u>	<u>EGP</u>
Arab African – Bank	300 820 951	342 052 803
CIB – Bank	336 439 373	548 929 998
Ahli United Bank	6 815 392	6 824 490
Arab Bank	379 418 934	--
Balance as at <u>30 Jun. 2019</u>	<u>1 023 494 650</u>	<u>897 807 291</u>

45. ADVANCES FROM CUSTOMERS

	<u>Down payments</u>	<u>Advances for contracting</u>	<u>30 Jun. 2019</u>
	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>
Palm Hills Developments Company	61 702 993	2 383 599 403	2 445 302 396
Palm Hills Middle East Company for Real Estate Investment	20 146 844	236 222 266	256 369 110
Royal Gardens for Real Estate Investment Company	--	3 558 950	3 558 950
New Cairo for Real Estate Developments	--	4 502 838	4 502 838
Saudi Urban Development Company	4 414 150	405 191 344	409 605 494
Rakeen Egypt for Real Estate Investment	1 689 670	409 825 045	411 514 715
East New Cairo for Real Estate Development	--	334 058 257	334 058 257
Middle East Company for Real Estate and Touristic Investment	414 338	4 166 723	4 581 061
United Engineering for Construction	90 083 098	--	90 083 098
Palm for Real Estate Development S.A.E	250 750	1 250 152 272	1 250 403 022
Palm for Investment & Real Estate Development	3 016 218	3 327 842 770	3 330 858 988
Palm Hills Development of Tourism and Real Estate	5 281 011	546 377 001	551 658 012
Palm Hills Properties	--	37 617 336	37 617 336
Palm for Urban Development	17 218 479	2 537 773 859	2 554 992 336
Palm for Clubs Management	198 794	--	198 794
Balance as at <u>30 Jun. 2019</u>	<u>204 416 343</u>	<u>11 480 888 064</u>	<u>11 685 304 407</u>

46. LAND PURCHASE LIABILITIES

	<u>30 Jun. 2019</u>	<u>31 Dec. 2018</u>
	<u>EGP</u>	<u>EGP</u>
Land purchase liabilities - short term	174 025 750	158 981 836
Land purchase liabilities - long term	260 714 983	298 279 545
Balance as at <u>30 Jun. 2019</u>	<u>434 740 733</u>	<u>457 261 381</u>

47. DUE TO RELATED PARTIES

	<u>30 Jun. 2019</u>	<u>31 Dec. 2018</u>
	<u>EGP</u>	<u>EGP</u>
El Mansour & El Maghraby Investment and Development	4 103 937	4 103 937
Villamora for Real Estate Development Company S.A.E	25 041 154	24 083 933
Due to shareholders	--	--
Balance as at <u>30 Jun. 2019</u>	<u>29 145 091</u>	<u>28 187 870</u>

48. NOTES PAYABLE**A) Short Term Notes Payable**

	<u>30 Jun. 2019</u>	<u>31 Dec. 2018</u>
	<u>EGP</u>	<u>EGP</u>
Notes payable- Land (New Urban Communities Authority)	1 151 748 220	1 139 219 152
<u>Deduct: -</u>		
Delayed installments interest	360 338 126	414 329 149
	<u>791 410 094</u>	<u>724 890 003</u>
<u>Add: -</u>		
Other notes payable	836 894 425	1 015 789 303
<u>Deduct: -</u>		
Unamortized discount	152 316 524	153 761 502
Balance as at <u>30 Jun. 2019</u>	<u>1 475 987 995</u>	<u>1 586 917 804</u>

B) Long Term Notes Payable

	<u>30 Jun. 2019</u>	<u>31 Dec. 2018</u>
	<u>EGP</u>	<u>EGP</u>
Notes payable- Land (New Urban Communities Authority)	1 824 917 700	1 824 917 699
<u>Deduct: -</u>		
Delayed installments interest	848 770 188	824 881 469
	<u>976 147 512</u>	<u>1 000 036 230</u>
<u>Add: -</u>		
Other notes payable	1 199 796 545	1 331 653 717
<u>Deduct: -</u>		
Delayed installments interest	586 024 675	671 233 287
Balance as at <u>30 Jun. 2019</u>	<u>1 589 919 382</u>	<u>1 660 456 660</u>

49. LOANS

This item is represented as follows:

	30 Jun. 2019		31.Dec. 2018	
	Short term EGP	long term EGP	Short term EGP	long term EGP
Misr Bank				
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.	270 109 688		426 562 500	168 630 223
Arab African International Bank (AAIB)				
A medium loan with Arab African International Bank (AAIB) amounted to EGP 100 million for United Engineering for Construction	797 569 000	502 468 646	598 176 831	827 477 950
Arab African International Bank (AAIB)				
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.	14 948 000	4 495 706	1 107 820	86 459 242
Arab African International Bank (AAIB)				
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.			13 913 208	--
Arab Bank				
A loan secured by notes receivable of delivered units		299 998 735	--	299 998 735
National Bank of Egypt				
Medium Term Loan of up to EGP852 million with the purpose of partially financing the recently acquired 190 feddan.	66 134 000	917 106 052	33 068 320	853 840 394
Arab African International Bank (AAIB)				
A medium-term loan with Arab African International Bank (AAIB) amounted to EGP 485 million to finance projects of Palm Hillis Development.		425 654 577	28 301 616	421 305 051
Balance as at 30 Jun 2019	1 204 023 550	2 149 723 716	1 101 130 295	2 657 711 595

50. CREDITORS AND OTHER CREDIT BALANCES

	30 Jun 2019	31 Dec. 2018
	EGP	EGP
Other credit balances	214 029 168	203 498 907
Increase in construction area liabilities	95 500 000	95 500 000
Accounts receivable under settlement	127 120 304	99 895 163
Accrued expenses	59 230 097	44 884 626
Insurance for others	138 712 946	138 265 550
Social insurance	34 985 893	35 174 913
Balance as at 30 Jun 2019	669 578 408	617 219 159

51. CAPITAL

The Company's authorized capital amounts EGP 10 000 000 000. The Company's issued and paid in capital amounts to EGP 6 235 199 270 representing 3 117 599 635 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 00 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.	4 617 899 452
On 6 September 2018, 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 769 649 909 to be after such increasing amounted EGP 6 157 199 270 represent 3 078 599 635 shares with a par value of EGP 2 per share.	6 157 199 270
On 4 April 2019, the Company's Extra-Ordinary General Assembly Meeting approved the issued Capital increase out of retained earnings via the issuance of bonus shares amounting	6 235 199 270

to EGP 78 000 000 to be after such increasing amounted EGP 6 235 199 270 representing 3 117 599 635 shares with a par value of EGP 2 per share.

52. OTHER LONG-TERM LIABILITIES- RESIDENTS' ASSOCIATION

Other long term liabilities represent time deposit checks received from residents or customers due on the sold units to finance the maintenance and other running expenses, such time deposit checks are temporarily invested in favor of residents until the compound has separate legal personality and separate assets and liabilities, then the compound's management and its General Assembly will be responsible for running the compound's assets and liabilities according to the Buildings & Housing Low No.119 for 2008. Other long-term liabilities balance as at 30 June 2019 amounted to EGP 1 943 643 733.

53. RESERVES

a) Legal reserve

	<u>30 Jun 2019</u>	<u>31 Dec. 2018</u>
	<u>EGP</u>	<u>EGP</u>
Beginning balance	708 524 277	682 810 544
Transferred from the prior year profit	26 395 466	25 713 733
Balance as at 30 Jun 2019	<u>734 919 743</u>	<u>708 524 277</u>

b) Special reserve

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

54. 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 Jun 2019</u>	<u>30 Jun 2019</u>	<u>31 Dec 2018</u>	<u>31 Dec. 2018</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	412 485 637	735 631 517	269 470 610	859 290 602
Partners in Hacienda West -Project	--	107 476 448	--	109 649 421
Partners in (Badya) Project	353 541 083	121 096 278	480 212 311	144 473 490
	<u>766 026 720</u>	<u>964 204 243</u>	<u>749 682 921</u>	<u>1 113 413 513</u>

55. REVENUES

	<u>30 Jun 2019</u>	<u>30 Jun 2018</u>
	<u>EGP</u>	<u>EGP</u>
Revenues from building and development activities	2 340 131 200	3 193 205 749
Revenues from the construction activity	44 465 224	23 958 535
Revenues from hospitality activities	33 831 493	31 391 817
Other revenues	46 432	65 470 846
	314	
Revenues from the commercial activity	2 931 865	2 310 911
Revenues from Palm Hills Club	47 283 273	57 156 619
Total as at 30 Jun 2019	<u>2 515 075 370</u>	<u>3 373 494 477</u>

56. COST OF REVENUES

	30 Jun 2019	30 Jun 2018
	<u>EGP</u>	<u>EGP</u>
Cost of building and development activities	1 424 678 203	1 974 470 745
Depreciation of Fixed Assets – Macor	3 759 941	3 538 340
Depreciation of Fixed Assets – Palm Hills Club	5 918 941	5 396 481
Cost of the construction activity	35 984 073	18 265 856
Cost of the commercial activity	66 781	483 435
Operation cost -Palm Hills Club	17 383 257	13 841 235
Total as 30 Jun 2019	<u>1 487 791 196</u>	<u>2 015 996 092</u>

57. General Administrative, Selling and Marketing Expenses

	30 Jun 2019	30 Jun 2019
	<u>EGP</u>	<u>EGP</u>
Wages and salaries	159 759 922	177 481 900
Selling and marketing expenses	91 037 531	129 539 709
Communications expenses	1 507 981	1 433 079
Utilities	12 031 469	14 755 802
Professional and Government fees	27 403 907	31 609 482
Maintenance and Insurance	25 358 244	15 664 806
Travel and transportation	7 432 441	2 825 052
Bank charges	1 554 815	2 481 177
Other administrative expenses	31 719 323	34 161 728
Total as at 30 Jun 2019	<u>357 805 632</u>	<u>409 952 735</u>

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

	30 Jun 2019	30 Jun 2018
	<u>EGP</u>	<u>EGP</u>
Gains on sale of mutual funds certificates	5 432 020	3 956 329
Total as at 30 Jun 2019	<u>5 432 020</u>	<u>3 956 329</u>

59. OTHER REVENUES

	30 Jun 2019	30 Jun 2018
	<u>EGP</u>	<u>EGP</u>
Transfer fees and delay benefits	14 100 614	32 686 084
Retrieve the value of the facilities	7 097 958	7 334 930

Miscellaneous revenues	25 119 649	25 449 832
Revenues from selling fixed asset	114 093	---
Total as at 30 Jun 2019	46 432 314	65 470 846

60. 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 2014**
These years are currently being inspected.
- **Years 2015 to 2018**
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 2014 under inspecting.**
- **Years 2015 to 2018**
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 31/12/2012**
This period has been inspected and the resulting disputes have not been settled.
- **Years 2013 to 2018**
The company pays the taxes due on regularly basis within the legal dates.

61. EARNINGS PER SHARE

	30 Jun 2019	30 Jun 2018
	<u>EGP</u>	<u>EGP</u>
Net profit for the period	451 477 934	439 901 456
<u>Divided by: -</u>		
Weighted average number of shares	3 117 599 635	3 117 599 635
Earnings per share	<u>0.145</u>	<u>0.141</u>

62. 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 in the light of general assembly meeting approval on 4 April, the increasing was registered in commercial register on 26 June 2019 .