

**PALM HILLS DEVELOPMENTS COMPANY**  
**(An Egyptian Joint Stock Company)**  
**Consolidated Financial Statements**  
**For The Three Months Ended 31 March 2019**  
**Together With Review Report**

**PALM HILLS DEVELOPMENTS COMPANY S.A.E`**  
**CONSOLIDATED FINANCIAL POSITION**  
**As of 31 March 2019**

	<u>Note no.</u>	<u>31/3/2019</u> <u>EGP</u>	<u>31/12/2018</u> <u>EGP</u>
<b><u>Non-current assets</u></b>			
Investments in associates	(8d-11b-31)	145 741 030	97 447 485
Investment property	(11f-32)	770 893 169	769 612 116
Notes receivable - long term	(16-34)	12 279 290 842	12 991 366 008
Projects under construction	(12-35)	107 056 206	106 029 940
Advance payments for investments acquisition	(42)	194 597 985	194 597 985
Fixed assets (net)	(13-36)	1 407 299 147	1 427 791 288
Deferred tax assets	(22b)	4 347 560	4 469 461
Other long-term assets		1 390 733	1 390 733
<b>Total non-current assets</b>		<b><u>14 910 616 673</u></b>	<b><u>15 592 705 016</u></b>
<b><u>Current assets</u></b>			
Works in process	(14-37)	9 281 953 630	9 091 529 513
Held-to-maturity investments	(11d -33)	862 515 831	1 750 818 937
Cash and cash equivalents	(28-38)	1 148 058 826	955 737 630
Notes receivable - short term	(16-34)	4 033 164 853	4 235 390 443
Investments at fair value through profit and loss	(11e)	70 704 910	75 866 550
Accounts receivable	(39)	1 080 392 713	1 061 705 100
Suppliers - advance payments		479 351 900	494 372 865
Debtors and other debit balances	(40)	1 234 412 289	984 450 924
Due from related parties	(25-41-61a)	374 445 471	359 632 650
<b>Total current assets</b>		<b><u>18 565 000 422</u></b>	<b><u>19 009 504 612</u></b>
<b><u>Current liabilities</u></b>			
Banks - credit balances	(43)	68 326 353	57 735 773
Bank- over draft	(44)	900 553 115	897 807 291
Advances from customers	(45)	11 034 902 015	11 484 809 418
Completion of infrastructure liabilities	(20)	95 083 416	95 083 416
Provisions	(18)	182 144 592	251 706 423
Current portion of land purchase liabilities	(19-46)	136 618 647	158 981 836
Notes payable - short term	(48a)	1 191 540 265	1 586 917 804
Current portion of term loans	(49)	919 937 737	1 101 130 295
Suppliers & contractors		553 964 938	704 440 148
Income tax payable	(22a)	289 288 488	251 569 213
Creditors & other credit balances	(50)	593 738 951	617 219 159
Joint shares arrangement - short term	(54)	875 586 314	749 682 921
Due to related parties	(25-47-61a)	28 595 200	28 187 870
<b>Total current liabilities</b>		<b><u>16 870 280 031</u></b>	<b><u>17 985 271 568</u></b>
<b>Working capital</b>		<b><u>1 694 720 391</u></b>	<b><u>1 024 233 045</u></b>
<b>Total investment</b>		<b><u>16 605 337 064</u></b>	<b><u>16 616 938 061</u></b>
<b><u>Financed as follows:</u></b>			
<b><u>Shareholders' equity</u></b>			
Share capital	(51)	6 157 199 270	6 157 199 270
Legal reserve	(53a)	734 919 743	708 524 277
Special reserve	(53b)	476 064 168	476 064 168
Retained earnings		1 278 758 565	556 921 695
Net profit for Year		141 160 894	811 741 618
<b>Equity attributable to equity holders of the parent</b>		<b><u>8 788 102 640</u></b>	<b><u>8 710 451 028</u></b>
<b>Non-controlling interest</b>		<b><u>509 116 438</u></b>	<b><u>505 090 067</u></b>
<b>Total shareholders' equity</b>		<b><u>9 297 219 078</u></b>	<b><u>9 215 541 095</u></b>
<b><u>Non-current liabilities</u></b>			
Land purchase liabilities	(19-46)	298 279 547	298 279 545
Notes payable - long term	(48b)	1 816 192 893	1 660 456 660
Other long-term liabilities – Residents' Association	(52)	1 746 252 788	1 671 535 652
long-term- loans	(49)	2 428 423 010	2 657 711 596
joint share arrangement– long terms	(54)	1 018 969 748	1 113 413 513
<b>Total non-current liabilities</b>		<b><u>7 308 117 986</u></b>	<b><u>7 401 396 967</u></b>
<b>Total equity and non-current liabilities</b>		<b><u>16 605 337 064</u></b>	<b><u>16 616 938 061</u></b>

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

Chief Financial Officer

Ali Thabet

Chairman

Yasseen Mansour

**PALM HILLS DEVELOPMENTS COMPANY S.A.E**  
**CONSOLIDATED STATEMENT OF INCOME (PROFIT OR LOSS)**  
**For The Period Ended 31 March 2019**

	<u>Note No.</u>	<u>Financial Period 31/3/2019 EGP</u>	<u>Financial 31/3/2018 EGP</u>
<b>Revenues</b>	(27a, 55)	958 082 782	1 465 452 502
<b><u>Deduct: -</u></b>			
Cost of revenues	(26, 56)	589 911 215	893 722 772
Cash discount		12 126 708	24 414 559
<b>Gross profit</b>		<b><u>356 044 859</u></b>	<b><u>547 315 171</u></b>
<b><u>Deduct: -</u></b>			
Securitization of receivables interest		81 573 873	59 122 859
General administrative, selling and marketing expenses	(57)	137 416 478	166 601 270
Administrative depreciation		20 764 400	5 640 458
Provision	(18)	1 476 273	2 116 650
Finance costs & interests		54 864 209	42 646 743
Interest on land purchase liabilities		8 098 931	--
Provisions no longer required		(70 139 606)	--
		<b><u>234 054 558</u></b>	<b><u>276 127 980</u></b>
<b><u>Add: -</u></b>			
Gains on investments in fair value through profit or loss	(58)	2 946 958	1 937 670
Interest income – amortization of discount on notes receivables		22 358 796	20 131 383
Interest income on held-to-maturity investments		45 467 898	10 816 775
<b>Total other revenues</b>		<b><u>70 773 652</u></b>	<b><u>32 885 828</u></b>
<b>Net profit for the year before income tax &amp; non-controlling interest</b>		<b>192 763 953</b>	<b>304 073 019</b>
<b><u>Deduct: -</u></b>			
Income tax expense	(22a)	37 668 613	61 809 024
Deferred tax	(22b)	118 824	131 441
<b>Net profit for the year before &amp; non-controlling interest</b>		<b>154 976 516</b>	<b>242 132 554</b>
<b><u>Deduct: -</u></b>			
Non-controlling interest share- subsidiaries		13 815 622	17 981 375
<b>Net profit for the year after income tax &amp; non-controlling interest</b>		<b><u>141 160 894</u></b>	<b><u>224 151 179</u></b>
<b>Earnings per share</b>	(24, 62)	<b><u>.046</u></b>	<b><u>0.073</u></b>

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

Chief Financial Officer

Chairman

**Ali Thabet**

**Yasseen Mansour**

**PALM HILLS DEVELOPMENTS COMPANY S.A.E**  
**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**For The Period Ended 31 March 2019**

	<u>31/3/2019</u>	<u>31/3/2018</u>
	<u>EGP</u>	<u>EGP</u>
Net profit for the period	141 160 894	224 151 179
Other comprehensive income	--	--
<b>Total comprehensive income for the period, net of tax</b>	<b><u>141 160 894</u></b>	<b><u>224 151 179</u></b>
<b><u>Attributable to: -</u></b>		
Equity holders of the parent	141 160 894	224 151 179
Non-controlling interests	13 815 622	17 981 375
	<b><u>154 976 516</u></b>	<b><u>242 132 554</u></b>

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

**Chief Financial Officer**  
**Ali Thabet**

**Chairman**  
**Yasseen Mansour**

**PALM HILLS DEVELOPMENTS COMPANY S.A.E**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**For The Period Ended 31 March 2019**

	<u>Note No.</u>	<u>31/3/2019</u>	<u>31/3/2018</u>
		<u>EGP</u>	<u>EGP</u>
Net profit for the period before income tax & non-controlling interest		192 763 953	304 073 019
<b><u>Adjustments to reconcile net profit to net cash from operating activities</u></b>			
Administrative depreciation	(36)	25 539 610	10 043 265
Provision		1 476 272	2 116 650
Finance costs & interests		54 864 209	42 646 743
Interest of discount on Notes receivable		8 098 931	--
Interest on land purchase liabilities		81 573 873	59 122 859
Share of profit / loss of associates		1 706 456	990 323
Gain (loss) on disposal of fixed assets	(36)	(1 681)	1 585
Interest income – amortization of discount on notes receivables		(22 358 796)	(20 131 383)
Gains on investments in fair value through profit or loss		(2 946 958)	(1 937 670)
Interest income on held to maturity investments		(45 467 898)	(10 816 775)
Provisions no longer required		(70 139 606)	--
<b>Operating profit before changes in working capital items</b>		<b>225 108 364</b>	<b>386 108 617</b>
<b><u>Cash flow from operation activities</u></b>			
Change in work in process	(14-37)	(210 448 540)	(230 523 042)
Change in notes receivables	(16-34)	1 032 722 654	(443 341 527)
Change in investments in fair value through profit or loss	(11e)	5 161 640	(5 214 957)
Change in held-to-maturity investments		888 303 106	(61 319 600)
Change in accounts receivable	(39)	(18 687 612)	(36 815 028)
Change in suppliers - advance payments		15 020 965	31 643 168
Change in debtors & other debit balances	(40)	(249 961 367)	(436 782 839)
Change in due from related parties	(25-41)	(14 812 821)	(21 675 684)
Change in advances from customers	(45)	(449 907 403)	363 389 546
Provisions	(18)	(898 498)	--
Change in due to related parties		407 330	14 669 547
Change in notes payable		(321 215 180)	50 390 604
Change in suppliers & contractors		(150 475 210)	2 758 843
Income tax paid		50 662	(441 582)
Change in creditors and other credit balances	(50)	(23 480 208)	37 802 320
Change in other long term – Residents' Association		74 717 136	86 470 803
Change in due to joint arrangement partners	(54)	(64 603 473)	254 487 807
<b>Net cash provided by (used in) operating activities</b>		<b>737 001 545</b>	<b>(8 393 005)</b>
<b><u>Cash flows from investing activities</u></b>			
Payments for purchase of fixed assets	(36)	(6 968 086)	(15 046 678)
Proceeds from sale of fixed assets	(36)	21 139	--
Payments for associates investment		(50 000 000)	--
Payments for projects under construction	(12-35)	(1 026 266)	(3 360 126)
Payment for real estate investment		(1 718 658)	(3 580 229)
Proceeds from investments in fair value through profit or loss		2 946 958	1 937 670
Proceeds from held-to-maturity investments		45 467 898	10 816 775
<b>Net cash (used in) provided by investing activities</b>		<b>(11 277 015)</b>	<b>(9 232 588)</b>
<b><u>Cash flows from financing activities</u></b>			
Banks - credit balances	(43)	10 590 580	(1 890 063)
Banks – overdraft	(44)	2 745 824	313 273 430
Non-controlling interest – dividends		(9 789 251)	(4 571 779)
Deferred tax		3 078	141 471
Proceeds from ESOP		--	40 403 915
Payments for loans		(460 115 200)	(46 280 980)
Proceeds from loans	(49)	49 634 056	12 012 800
Adjustments to retained earnings		(63 509 282)	(195 684 182)
Finance costs & interests paid		(62 963 139)	(42 646 743)
<b>Net cash (used in) provided by financing activities</b>		<b>(533 403 334)</b>	<b>62 745 069</b>
Net increase in cash and cash equivalents during the period		192 321 196	45 119 478
Cash and cash equivalents at beginning of the year		955 737 630	562 030 358
<b>Cash and cash equivalents as at 31 March 2019</b>	(28-38)	<b>1 148 058 826</b>	<b>607 149 836</b>

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

**Chief Financial Officer**  
**Ali Thabet**

**Chairman**  
**Yasseen Mansour**

**PALM HILLS DEVELOPMENTS COMPANY S.A.E**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**For The Period Ended 31 March 2019**

	<u>Share Capital</u>	<u>Legal reserve</u>	<u>Special reserve</u>	<u>Reserve for ESOP re-measurement</u>	<u>Retained earnings</u>	<u>Net profit for the period</u>	<u>Total before Non- controlling equities</u>	<u>Total Non- controlling equities</u>	<u>Total Shareholders' After non- controlling equities</u>
<b>Balance as at 1 January 2018</b>	4 617 899 452	682 810 544	476 064 168	43 010 431	76 127 305	805 637 537	6 701 549 437	538 436 217	7 239 985 654
Transferred to retained earnings	--	--	--	--	805 637 537	(805 637 537)	--	--	--
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	--	--	--	--	(195 684 181)	--	(195 684 181)	--	(195 684 182)
Dividends	--	--	--	--	--	--	--	(4 571 779)	(4 571 779)
Net profit for the period	--	--	--	--	--	224 151 179	224 151 179	17 981 375	242 132 554
<b>Balance as at 31 Mar 2018</b>	<u>4 617 899 452</u>	<u>708 524 277</u>	<u>476 064 168</u>	<u>--</u>	<u>660 366 928</u>	<u>224 151 179</u>	<u>6 687 006 004</u>	<u>551 845 813</u>	<u>7 238 851 817</u>
<b>Balance as at 1 January 2019</b>	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	(811 741 618)	--	--	--
Transferred to legal reserve	--	26 395 466	--	--	(26 395 466)	--	--	--	--
Adjustments to retained earnings	--	--	--	--	(63 509 282)	--	(63 509 282)	--	(63 509 282)
Dividends	--	--	--	--	--	--	--	(9 789 251)	(9 789 251)
Net profit for the period	--	--	--	--	--	141 160 894	141 160 894	13 815 622	154 976 516
<b>Balance as at 31 March 2019</b>	<u>6 157 199 270</u>	<u>734 919 743</u>	<u>476 064 168</u>	<u>--</u>	<u>1 278 758 565</u>	<u>141 160 894</u>	<u>8 788 102 640</u>	<u>509 116 438</u>	<u>9 297 219 078</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 31 Mar 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 Three Months ended in 31 March 2019, were authorized for issue by the board of directors on 16 May 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, Matrouh Governorate, land with a total area of 22.68 acres approx. located at Hurghada.

### **b) Other activity**

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

### **c) Joint Arrangement**

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

#### **-Palm Hills Developments**

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

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

**-Palm for Investment and Real Estate Development**

Palm for Investment & Real Estate Development Company (real-estate developer) has contracted with The New Urban Communities Authority (owner) to develop land with a total area of 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: -**

	<b><u>Percentage</u></b>
	<b><u>share %</u></b>
Palm Hills Middle East Company for Real Estate Investment S.A.E	% 99.99
Gawda for Trade Services S.A.E	%99.996
New Cairo for Real Estate Developments S.A.E	%99.985
Rakeen Egypt for Real Estate Investment S.A.E	%99.9454
Palm for Real Estate Development S.A.E	%99.4
Palm for Investment & Real Estate Development S.A.E	%99.4
Palm Hills Development of Tourism and Real Estate S.A.E	%99.4
Palm Hills for Tourism Investment S.A.E	%99.4
Palm Hills Resorts S.A.E	%99.4
Palm for Urban Development S.A.E	%99.4
Palm 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.

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

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

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

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

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

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

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

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

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

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

The Company has not started its business yet.

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

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

The Company has not started its business yet.

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

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

The Company has not started its business yet.

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

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

The Company has not started its business yet.

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

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

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

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

The Company has not started its business yet.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The Company has not started its business yet.

**2- Indirect investments in associates and subsidiaries**

	<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>share %</u>	<u>Nature</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 6<sup>th</sup> of October City, as well infrastructure and construction costs of such projects. Projects under construction also include acquisition of commercial shops from an associate company.

**13. FIXED ASSETS**

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

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

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

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

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

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

#### **14. WORK IN PROCESS**

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

#### **15. COMPLETED UNITS READY FOR SALE**

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

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

#### **16. NOTES RECEIVABLE**

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



## **17. IMPAIRMENT**

An asset is impaired when its carrying amount or cash-generating unit exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use while value in use is the present value of estimated cash flow expected to be derived from an asset or cash-generating unit. An impairment loss is recognized in income statement. If there is an indication that there is an increasing in recoverable amount for an asset that increase is a reversal of the impairment. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

## **18. PROVISION**

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

## **19. LAND PURCHASE LIABILITY**

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

## **20. COMPLETION OF INFRASTRUCTURE LIABILITIES**

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

## **21. CAPITALIZATION OF BORROWING COST**

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

## **22. INCOME TAX**

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

### **(A) Current income tax**

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

### **(B) Deferred tax**

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

## **23. SHARE PREMIUM**

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

## **24. EARNINGS PER SHARE**

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

## **25. RELATED PARTY TRANSACTIONS**

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

## **26. MATCHING OF REVENUES AND COSTS**

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

### **a) Villas and townhouses**

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

The recognition of revenue and expenses by reference to the stage of completion of a contract is often referred to as the percentage of completion method. Under this method, contract revenue is matched with

the contract costs incurred in reaching the stage of completion, resulting in the reporting of revenue, expenses and profit which can be attributed to the proportion of work completed.

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

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

**b) Completed units ready for sale**

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

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

**c) Provision of completion**

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

**27. REVENUE RECOGNITION**

**a) Sales revenues**

**1- Villas and townhouses**

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

## **2- Completed units ready for sale**

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

### **b) Investments in associates and subsidiaries**

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

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

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

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

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

### **d) Revenues from investment property**

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

### **e) Revenues from mutual funds**

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

### **f) Interest income**

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

## **28. CASH AND CASH EQUIVALENTS**

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

## **29. FINANCIAL INSTRUMENTS & FAIR VALUE**

### **- Financial instruments**

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

### **- Financial instruments fair value**

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

## **30. RISK MANAGEMENT**

### **- Interest rate risk**

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

### **- Credit risk**

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

**31. INVESTMENTS IN ASSOCIATES**

	<u>31 Mar. 2019</u>	<u>31 Dec. 2018</u>
	<u>EGP</u>	<u>EGP</u>
Naema for Touristic & Real Estate Investments S.A.E	73 150 005	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 state investment	50 999 625	999 625
EFS palm for facilities services	980 000	980 000
<b>Balance as at 31 Mar 2019</b>	<b><u>145 741 030</u></b>	<b><u>97 447 485</u></b>

	<u>Assets</u>	<u>Liabilities</u>	<u>Shareholders'</u> <u>equity</u>	<u>Revenues</u>	<u>Expenses</u>
Naema for Touristic & Real Estate Investments	4 316 916	11 267 520	146 417 334	21 342 621	167 659 945
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 state investment	999 625		999 625		
EFS palm for facilities services	980 000		980 000		

**32. INVESTMENT PROPERTY**

	<u>Acre</u>	<u>31 Mar. 2019</u>	<u>31 Dec. 2018</u>
		<u>EGP</u>	<u>EGP</u>
<b><u>Lands</u></b>			
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	114 974 892	114 817 430
		<b><u>720 093 897</u></b>	<b><u>719 936 435</u></b>
<b><u>Buildings</u></b>			
<b>Commercial shops - Palm Hills Resort</b>			
Cost of shops of 88 Street Mall.		55 904 671	54 343 475
Accumulated depreciation		5 105 399	(4 667 794)
<b>Net cost of shops</b>		<b><u>50 799 272</u></b>	<b><u>49 675 681</u></b>
<b>Balance as at 31 Mar 2019</b>		<b><u>770 893 169</u></b>	<b><u>769 612 116</u></b>

**33. HELD-TO-MATURITY INVESTMENT**

	<u>Face value</u>	<u>Unrecognized investment</u>	<u>Average return</u>	<u>Purchase price</u>
	<u>EGP</u>	<u>return EGP</u>	<u>rate %</u>	<u>EGP</u>
Palm Hills Development	530 275 000	34 251 644	%14	496 023 356
Palm Hills Middle East Company for Real Estate Investment	9 600 000	1 308 245	%14	8 291 755
East New Cairo for Real Estate Development	3 550 000	447 967	%14	3 102 033
Gawda for Trade Services	7 225 000	491 539	%14	6 733 461
Middle East Company for Real Estate and Touristic Investment	18 650 000	1 605 030	%14	17 044 970
New Cairo for Real Estate Development	150 000	12 261	%14	137 739
Palm Hills Development of Tourism and Real Estate	11 775 000	1 331 149	%14	10 443 851
Palm For Investment And Real Estate Development	250 000	35 309	%14	214 691
Palm For Real Estate	22 125 000	2 767 762	%14	19 357 238
Rakeen Egypt for Real Estate Investment	125 225 000	9 451 121	%14	115 773 879
Palm for Urban Development	30 200 000	3 323 987	%14	26 876 013
Royal Gardens for Real Estate Investment Company	79 575 000	7 533 213	%14	72 041 787
Saudi Urban Development Company	94 000 000	7 524 942	%14	86 475 058
<b>Balance as at 31 Mar 2019</b>	<b>932 600 000</b>	<b>70 084 169</b>		<b>862 515 831</b>

**34. NOTES RECEIVABLE**

	<u>31 Mar.2019</u>	<u>31 Dec. 2018</u>
	<u>EGP</u>	<u>EGP</u>
Short term notes receivable	4 205 402 532	4 422 700 899
<u>Deduct: -</u>		
Notes receivable of joint venture	92 753 380	97 875 264
Unamortized discount	79 286 299	89 435 192
	<b>4 033 164 853</b>	<b>4 235 390 443</b>
Long term notes receivable	12 844 793 359	13 606 344 908
<u>Deduct: -</u>		
Notes receivable of joint venture	416 617 133	455 504 927
Unamortized discount	148 885 384	159 473 973
	<b>12 279 290 842</b>	<b>12 991 366 008</b>
<b>Balance as at 31 Mar 2019</b>	<b>16 312 455 695</b>	<b>17 226 756 451</b>

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

**35. PROJECTS UNDER CONSTRUCTION**

	<b><u>31 Mar.2019</u></b>	<b><u>31 Dec. 2018</u></b>
	<b><u>EGP</u></b>	<b><u>EGP</u></b>
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 Mall (8)	47 530 122	46 478 267
	<u>7 786 973</u>	<u>7 812 562</u>
<b>Balance as at 31 Mar 2019</b>	<b><u>107 056 206</u></b>	<b><u>106 029 940</u></b>



### **36. FIXED ASSETS**

Fixed assets (net) balance as at 31 March 2019 amounted to EGP 1 407 299 147 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 31 Mar 2019</u>	<u>Net book value as 31 Mar 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	3 940 349	--	230 707 947	284 045 534
Machinery & equipment	175 576 604	2 707 587	7 700	178 276 491	121 935 380	3 980 477	2 314	125 913 543	52 362 948
Vehicles	23 484 129	35 243	--	23 519 372	17 713 785	635 665	--	18 349 450	5 169 922
Computer equipment	79 394 347	422 039	26 665	79 789 721	56 126 506	3 285 679	12 593	59 399 592	20 390 129
Leasehold improvements	21 501 456	--	--	21 501 456	18 774 659	270 297	--	19 044 956	2 456 500
Furniture	73 656 071	2 572 728	--	76 228 799	52 354 255	1 716 685	--	54 070 940	22 157 859
Golf Courses	1 123 281 546	--	--	1 123 281 546	40 834 849	13 611 616	--	54 446 465	1 068 835 081
<b>Total cost</b>	<b><u>2 029 337 807</u></b>	<b><u>6 968 086</u></b>	<b><u>34 365</u></b>	<b><u>2 036 271 528</u></b>	<b><u>534 507 032</u></b>	<b><u>27 440 768</u></b>	<b><u>14 907</u></b>	<b><u>561 932 893</u></b>	<b><u>1 474 338 635</u></b>
Impairment of Macor									(2 500 000)
Impairment of assets									(64 539 487)
<b>Balance as at 31 Mar 2019</b>									<b><u>1 407 299 147</u></b>

- Fixed assets depreciation For The Period Ended 31 Mar. 2019 was allocated as follows:

Operating assets-work in process	<u>EGP</u>
Administrative depreciation (income statement)	1 901 159
Depreciation expense of hotel operations	20 764 400
Depreciation expense of Palm Hills Club's assets - club's operating statement	1 874 685
	<u>2 900 524</u>
	<u>27 440 768</u>

- Capital Gains for The Period Ended 31 Mar. 2019 amounted to EGP 1 681 as follows:

Proceed from sale of fixed assets	<u>EGP</u>	<u>EGP</u>
Deduct:		21 139
Cost of assets sold	34 365	
Accumulated depreciation of assets sold	<u>14 907</u>	
Carrying amount of assets sold		<u>19 458</u>
		<u>1 681</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
Golf Courses	--	123 281 546	--	1 123 281 546	--	40 834 849	--	40 834 849	1 082 446 697
		<u>175 578 836</u>							
<b>Total cost</b>	<b><u>856 183 608</u></b>	<b><u>1</u></b>	<b><u>2 424 637</u></b>	<b><u>2 029 337 807</u></b>	<b><u>441 866 349</u></b>	<b><u>94 854 448</u></b>	<b><u>2 213 765</u></b>	<b><u>534 507 032</u></b>	<b><u>1 494 830 775</u></b>
Impairment of Macor									(2 500 000)
Impairment of assets									(64 539 487)
<b>Balance as at 31 Dec. 2018</b>									<b><u>1 427 791 288</u></b>

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

Operating assets-work in process	<u>EGP</u>	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 1 039 033 as follows:

Proceed from sale of fixed assets	<u>EGP</u>	<u>EGP</u>	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**

	<b><u>Cost of sales recognized</u></b> <b><u>in income statement</u></b>				
	<b><u>Total as at</u></b> <b><u>31 Mar 2019</u></b> <b><u>EGP</u></b>	<b><u>As at</u></b> <b><u>31 Dec. 2018</u></b> <b><u>EGP</u></b>	<b><u>For the Period</u></b> <b><u>Ended</u></b> <b><u>31 Mar 2019</u></b> <b><u>EGP</u></b>	<b><u>31 Mar 2019</u></b> <b><u>EGP</u></b>	<b><u>31 Dec. 2018</u></b> <b><u>EGP</u></b>
Land acquisition cost	7 670 446 624	4 101 695 243	71 407 383	3 497 343 998	3 548 548 152
Cost of construction	19 538 217 677	13 373 511 491	380 526 040	5 784 180 147	5 542 551 876
Completed units ready for sale	190 599 239	190 169 754	--	429 485	429 485
<b>Balance as at 31 Mar 2019</b>	<b><u>27 399 263 540</u></b>	<b><u>17 665 376 487</u></b>	<b><u>451 933 423</u></b>	<b><u>9 281 953 630</u></b>	<b><u>9 091 529 513</u></b>

\* Borrowing cost capitalized on work in process for The Period Ended 31 Mar 2019 amounted to EGP 196 692 966

**38. CASH AND CASH EQUIVALENTS**

	<b><u>31 Mar. 2019</u></b>	<b><u>31 Dec 2018</u></b>
	<b><u>EGP</u></b>	<b><u>EGP</u></b>
Banks-current accounts- EGP	734 539 728	858 781 155
Banks-current accounts- foreign currency	15 158 703	18 549 439
Banks – Deposits- EGP	313 494 254	3 527 596
Cash on hand- EGP	84 866 141	74 879 440
<b>Balance as at 31 Mar 2019</b>	<b><u>1 148 058 826</u></b>	<b><u>955 737 630</u></b>

**39. ACCOUNTS RECEIVABLE**

	<b><u>31 Mar 2019</u></b>	<b><u>31 Dec. 2018</u></b>
	<b><u>EGP</u></b>	<b><u>EGP</u></b>
Palm Hills Developments Company customers	309 938 215	280 894 864
Palm Hills Middle East Company for Real Estate Investment customers	114 161 485	114 446 100
Royal Gardens for Real Estate Investment Company customers	16 180 948	19 274 836
New Cairo for Real Estate Developments customers	1 409 195	1 514 959
Gawda for Trade Services customers	1 568 449	1 779 939
Saudi Urban Development Company customers	46 350 423	47 603 618
Rakeen Egypt for Real Estate Investment customers	80 765 754	78 167 118
East New Cairo for Real Estate Development customers	60 897 436	106 315 867
Middle East Company for Real Estate and Touristic Investment customers	7 415 391	7 187 854
United Engineering for Construction	1 073 341	1 063 772
Palm Real Estate Development	45 354 611	39 388 549
Palm for Investment and Real Estate Development	182 452 561	167 969 320
Palm Hills Development of Tourism and Real Estate	25 761 271	27 986 960
Palm Hills Properties	3 062 549	10 801 495
Palm for Urban Development	180 751 347	154 829 359
Palm for Clubs Management	3 249 737	2 480 490
<b>Balance as at 31 Dec 2018</b>	<b><u>1 080 392 713</u></b>	<b><u>1 061 705 100</u></b>

**40. DEBTORS AND OTHER DEBIT BALANCES**

	<b><u>31 Mar 2019</u></b>	<b><u>31 Dec. 2018</u></b>
	<b><u>EGP</u></b>	<b><u>EGP</u></b>
Investments debtors	5 019 331	5 019 331
Deposits with others	181 873 012	77 944 109
Prepaid expenses	158 719 819	91 135 001
Loans to employee & custodies	17 783 814	9 563 368
Payments to partners in the participation project – Palm Alex	25 000 000	--
Accrued interest	23 870 256	
Advance payments for land acquisition	14 915 092	133 739 438
Withholding tax from source	33 793 940	24 100 216
Letter of Guarantee	14 557 606	14 557 606
Residents' Association	701 303 745	601 585 025
Other debit balances	57 575 674	26 806 830

Balance as at 31 Mar 2019

1 234 412 289984 450 924**41. DUE FROM RELATED PARTIES**

	<u>31 Mar 2019</u>	<u>31 Dec 2018</u>
	<u>EGP</u>	<u>EGP</u>
Al Ethadia for Real Estate S.A.E	244 745 637	231 861 095
Al Naeem for investments	48 755 256	48 755 256
Debtors of dividends	59 423 465	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	3 774 030	3 465 256
Mercure Ismailia Hotel S.A.E	3 967 283	2 347 778
Palm Hills – Saudi	269 320	269 320
Asten college for education	13 490 000	13 490 000
<b>Balance as at 31 Mar 2019</b>	<b><u>374 445 471</u></b>	<b><u>359 632 650</u></b>

**42. ADVANCE PAYMENTS FOR INVESTMENTS ACQUISITION**

	<u>Nature of transaction</u>	<u>31 Mar 2019</u>	<u>31 Dec 2018</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 Naeem for Hotels and Touristic Villages	Acquisition	41 303 890	41 303 890
<b>Balance as at 31 Mar 2019</b>		<b><u>194 597 985</u></b>	<b><u>194 597 985</u></b>

**43. BANKS- CREDIT BALANCES**

	<u>31 Mar 2019</u>	<u>31 Dec 2018</u>
	<u>EGP</u>	<u>EGP</u>
Banks –EGP	65 120 541	54 285 833
Banks-foreign currencies	3 205 812	3 449 940
<b>Balance as at 31 Mar 2019</b>	<b><u>68 326 353</u></b>	<b><u>57 735 773</u></b>

#### **44. BANK OVERDRAFT**

	<u>31 Mar 2019</u>	<u>31 Dec 2018</u>
	<u>EGP</u>	<u>EGP</u>
Arab - Bank	296 869 701	342 052 803
CIB - Bank	295 827 415	548 929 998
Ahli United Bank	6 818 889	6 824 490
Arab African Bank	301 037 110	--
<b>Balance as at 31 Mar 2019</b>	<b><u>900 553 115</u></b>	<b><u>897 807 291</u></b>

#### **45. ADVANCES FROM CUSTOMERS**

	<u>Down payments</u>	<u>Advances for</u>	<u>31 Mar 2019</u>
	<u>EGP</u>	<u>contracting</u>	<u>EGP</u>
	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>
Palm Hills Developments Company	21 743 597	1 582 949 502	1 604 693 100
Palm Hills Middle East Company for Real Estate Investment	21 484 451	289 006 970	310 491 421
Royal Gardens for Real Estate Investment Company	--	3 911 950	3 911 950
New Cairo for Real Estate Developments	--	4 502 838	4 502 838
Saudi Urban Development Company	3 784 150	491 066 795	494 850 945
Rakeen Egypt for Real Estate Investment	2 403 899	425 896 141	428 300 040
East New Cairo for Real Estate Development	500 000	361 285 505	361 785 504
Middle East Company for Real Estate and Touristic Investment	414 338	5 626 723	6 041 061
United Engineering for Construction	84 317 026	--	84 317 026
Palm for Real Estate Development S.A.E	674 957	1 247 458 030	1 248 132 987
Palm for Investment & Real Estate Development	8 555 246	3 256 487 081	3 265 042 327
Palm Hills Development of Tourism and Real Estate	5 426 011	694 192 265	699 618 276
Palm Hills Properties	--	4 136 290	4 136 290
Palm for Urban Development	22 681 548	2 496 321 923	2 519 003 471
Palm for Clubs Management	74 776	--	74 776
<b>Balance as at 31 Mar 2019</b>	<b><u>172 059 998</u></b>	<b><u>10 862 842 016</u></b>	<b><u>11 034 902 015</u></b>

#### **46. LAND PURCHASE LIABILITIES**

	<u>31 Mar 2019</u>	<u>31 Dec . 2018</u>
	<u>EGP</u>	<u>EGP</u>
Land purchase liabilities - short term	136 618 647	158 981 836
Land purchase liabilities - long term	298 279 547	298 279 545
<b>Balance as at 31 Mar 2019</b>	<b><u>434 898 194</u></b>	<b><u>457 261 381</u></b>

#### **47. DUE TO RELATED PARTIES**

	<b><u>31 Mar 2019</u></b>	<b><u>31 Dec. 2018</u></b>
	<b><u>EGP</u></b>	<b><u>EGP</u></b>
El Mansour & El Maghraby Investment and Development	4 103 937	4 103 937
Villamora for Real Estate Development Company S.A.E	24 491 263	24 083 933
Due to shareholders	--	--
<b>Balance as at 31 Mar 2019</b>	<b><u>28 595 200</u></b>	<b><u>28 187 870</u></b>

#### **48. NOTES PAYABLE**

##### **A) Short Term Notes Payable**

	<b><u>31 Mar.2019</u></b>	<b><u>31 Dec. 2018</u></b>
	<b><u>EGP</u></b>	<b><u>EGP</u></b>
Notes payable- Land (New Urban Communities Authority)	998 047 027	1 139 219 152
<b><u>Deduct: -</u></b>		
Delayed installments interest	414 329 149	414 329 149
	<b><u>583 717 878</u></b>	<b><u>724 890 003</u></b>
<b><u>Add: -</u></b>		
Other notes payable	862 632 965	1 015 789 303
<b><u>Deduct: -</u></b>		
Unamortized discount	254 810 578	153 761 502
<b>Balance as at 31 Mar 2019</b>	<b><u>1 191 540 265</u></b>	<b><u>1 586 917 804</u></b>

##### **B) Long Term Notes Payable**

	<b><u>31 Mar.2019</u></b>	<b><u>31 Dec. 2018</u></b>
	<b><u>EGP</u></b>	<b><u>EGP</u></b>
Notes payable- Land (New Urban Communities Authority)	1 824 917 699	1 824 917 699
<b><u>Deduct: -</u></b>		
Delayed installments interest	749 514 633	824 881 469
	<b><u>1 075 403 066</u></b>	<b><u>1 000 036 230</u></b>
<b><u>Add: -</u></b>		
Other notes payable	1 263 679 818	1 331 653 717
<b><u>Deduct: -</u></b>		
Delayed installments interest	522 889 991	671 233 287
<b>Balance as at 31 Mar 2019</b>	<b><u>1 816 192 893</u></b>	<b><u>1 660 456 660</u></b>

**49. LOANS**

This item is represented as follows:

	<b>31.Mar.2018</b>		<b>31.Dec. 2018</b>	
	<b><u>Short term</u></b> <b><u>EGP</u></b>	<b><u>long term</u></b> <b><u>EGP</u></b>	<b><u>Short term</u></b> <b><u>EGP</u></b>	<b><u>long term</u></b> <b><u>EGP</u></b>
<b><u>Misr Bank</u></b>				
Revolving medium-term loan with Banque Misr in the amount of EGP 750 million to finance projects of Palm Hills Middle East for Real Estate Investment.	185 734 000	84 375 688	426 562 500	168 630 223
<b>Arab African International Bank (AAIB)</b>				
A medium loan with Arab African International Bank (AAIB) amounted to EGP 100 million for United Engineering for Construction	630 080 000	669 957 646	598 176 831	827 477 950
<b>Arab African International Bank (AAIB)</b>				
A medium-term loan with the Arab African International Bank (AAIB) amounted to EGP 2.4 billion to finance projects of Palm Hills Developments and Rakeen Egypt for Real Estate Investment secured by the assignment of projects' cash and bears an interest rate of 3.25% above deposit corridor rate.	9 330 000	53 152 625	1 107 820	86 459 242
<b>Arab African International Bank (AAIB)</b>				
A medium-term loan with Arab African International Bank (AAIB) amounted to EGP 225 million to finance projects of East New Cairo for Real Estate Development secured by the assignment of projects' cash flow and bears an interest rate of 2.75% above deposit corridor rate and is repayable on quarterly installments from 30 Sep. 2013 to Sep. 2018.	7 457 737	--	13 913 208	--
<b>Arab Bank</b>				
A loan secured by notes receivable of delivered units	--	299 998 735	--	299 998 735
<b>National Bank of Egypt</b>				
Medium Term Loan of up to EGP852 million with the purpose of partially financing the recently acquired 190 feddan.	49 601 000	886 979 721	33 068 320	853 840 394
<b>Arab African International Bank (AAIB)</b>				
A medium-term loan with Arab African International Bank (AAIB) amounted to EGP 485 million to finance projects of Palm Hillis Development .	37 735 000	433 958 594	28 301 616	421 305 051
<b>Balance as at 31 Mar 2019</b>	<b>919 937 737</b>	<b>2 428 423 009</b>	<b>1 101 130 295</b>	<b>2 657 711 595</b>

**50. CREDITORS AND OTHER CREDIT BALANCES**

	<b><u>31 Mar.2019</u></b>	<b><u>31 Dec. 2018</u></b>
	<b><u>Egp</u></b>	<b><u>Egp</u></b>
Other credit balances	218 503 692	203 498 907
Increase in construction area liabilities	95 500 000	95 500 000
Accounts receivable under settlement	83 316 423	99 895 163
Accrued expenses	36 445 244	44 884 626
Insurance for others	130 540 065	138 265 550
Social insurance	29 433 527	35 174 913
<b>Balance as at 31 Mar 2019</b>	<b>593 738 951</b>	<b>617 219 159</b>



## **51. CAPITAL**

The Company's authorized capital amounts EGP 10 000 000 000. The Company's issued and paid in capital amounts to EGP 6 157 199 270 representing 3 078 599 063 shares with a par value of EGP 2 per share as follows:

<b><u>Issued capital</u></b>	<b><u>EGP</u></b>
The Company's issued capital was determined at EGP 121 500 000 representing 1 215 000 shares with a par value of EGP 100 per share.	121 500 000
On 20 Dec. 2006, the Company's Extra-Ordinary General Assembly Meeting approved the issued Capital increase amounting to EGP 185,500,000 to be after such increasing amounted EGP 307,000,000 representing 3,070,000 shares with a par value of EGP 100 per share.	307 000 000
On 13 May 2007, the Company's Board of Directors approved the issued Capital increase amounting to EGP 93,000,000 to be after such increasing amounted EGP 400,000,000 representing 4,000,000 shares with a par value of EGP 100 per share.	400 000 000
On 15 July 2007, the Company's Board of Directors approved the issued Capital increase amounting to EGP 200,000,000 to be after such increasing amounted EGP 600,000,000 representing 6,000,000 shares with a par value of EGP 100 per share.	600 000 000
On 6 November 2007, the Company's Board of Directors approved the issued Capital increase amounting to EGP 200,000,000 to be after such increasing amounted EGP 800,000,000 representing 8,000,000 shares with a par value of EGP 100 per share. The Company's Extra-Ordinary General Assembly Meeting held in March 2009 approved a 50-for-1 stock split and the par value of the Company's share reduced to EGP 2 per share.	800 000 000
On 27 March 2008, the Company's Board of Directors approved the issued Capital increase amounting to EGP 32,000,000 to be after such increasing amounted EGP 832,000,000 representing 416,000,000 shares with a par value of EGP 2 per share.	832 000 000
On 8 May 2008, the Company's Board of Directors approved the issued Capital increase amounting to EGP 99,840,000 to be after such increasing amounted EGP 931,840,000 representing 465,920,000 shares with a par value of EGP 2 per share.	931 840 000
On 30 June 2009, the Company's Board of Directors approved the issued Capital increase amounting to EGP 465,880,000 to be after such increasing amounted EGP 1,397,760,000 representing 698,880,000 shares with a par value of EGP 2 per share.	1 397 760 000
On 28 January 2010, the Company's Extra-Ordinary General Assembly Meeting approved the issued Capital increase amounting to EGP 698,880,000 to be after such increasing amounted EGP 2,096,640,000 representing 1,048,320,000 shares with a par value of EGP 2 per share.	2 096 640 000
On 22 Sep. 2013, the Company's Extra-Ordinary General Assembly Meeting approved the issued Capital increase amounting to EGP 600,000,000 to be after such increasing amounted EGP 2,696,640,000 representing 1,348,320,000 shares with a par value of EGP 2 per share.	2 696 640 000
On 8 February 2015, the Company's Extra-ordinary General Assembly Meeting approved the issued Capital increase amounting to EGP 1 648 000 000 to be after such increasing amounted EGP 4 344 640 000 representing 2 172 320 000 shares with a par value of EGP 2 per share.	4 344 640 000
On 29 November 2015, the Company's Extra-Ordinary General Assembly Meeting approved the issued Capital increase out of retained earnings amounting to EGP 53 359 478 to be after such increasing amounted EGP 4 397 999 478 representing 2 198 999 739 shares with a par value of EGP 2 per share.	4 397 999 478
On 13 March 2016, the Company's Extra-Ordinary General Assembly Meeting approved the issued Capital increase out of retained earnings via the issuance of bonus shares amounting to EGP 53 359 478 to be after such increasing amounted EGP 4 397 999 478 representing 2 308 949 726 shares with a par value of EGP 2 per share.	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	6 157 199 270

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.

## 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 Law No.119 for 2008. Other long-term liabilities balance as at 30 September 2018 amounted to EGP 1 671 535 652.

## 53. RESERVES

### a) Legal reserve

	<u>31 Mar.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
<b>Balance as at 31 Mar 2019</b>	<b><u>734 919 743</u></b>	<b><u>708 524 277</u></b>

### b) Special reserve

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

## 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>31 Mar.2019</u>	<u>31 Mar.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	341 140 666	779 444 725	269 470 610	859 290 602
Partners in Hacienda West -Project	--	109 504 477	--	109 649 421
Partners in (Badya) Project	534 445 648	130 020 546	480 212 311	144 473 490
	<b><u>875 586 314</u></b>	<b><u>1 018 969 748</u></b>	<b><u>749 682 921</u></b>	<b><u>1 113 413 513</u></b>

## 55. REVENUES

	<u>31 Mar.2019</u>	<u>31 Mar. 2018</u>
	<u>EGP</u>	<u>EGP</u>
Revenues from building and development activities	835 310 656	1 356 135 884
Revenues from the construction activity	43 993 089	19 134 123
Revenues from hospitality activities	17 283 441	14 694 560
Other revenues	16 517 695	44 777 806
Revenues from the commercial activity	14 041 141	1 362 400
Revenues from Palm Hills Club	30 936 760	29 347 729
<b>Total as at 31 Mar 2019</b>	<b><u>958 082 782</u></b>	<b><u>1 465 452 502</u></b>

**56. COST OF REVENUES**

	<u>31 Mar.2019</u>	<u>31 Mar. 2018</u>
	<u>EGP</u>	<u>EGP</u>
Cost of building and development activities	542 870 323	870 409 081
Depreciation of Fixed Assets – Macor	1 874 685	1 763 591
Depreciation of Fixed Assets – Palm Hills Club	2 900 524	2 639 216
Cost of the construction activity	35 588 425	12 687 660
Cost of the commercial activity	26 270	195 139
Operation cost -Palm Hills Club	6 650 988	6 028 085
<b>Total as at 31 Mar 2019</b>	<b><u>589 911 215</u></b>	<b><u>893 722 772</u></b>

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

	<u>31 Mar.2019</u>	<u>31 Mar. 2018</u>
	<u>EGP</u>	<u>EGP</u>
Wages and salaries	56 365 443	81 740 235
Selling and marketing expenses	30 511 533	40 449 685
Communications expenses	628 507	830 511
Utilities	5 210 562	6 429 869
Professional and Government fees	8 895 721	17 072 277
Symbiotic contribution	2 754 166	--
Maintenance and Insurance	11 875 075	7 173 828
Travel and transportation	6 826 126	1 453 282
Bank charges	640 554	1 191 150
Other administrative expenses	13 708 790	10 260 433
<b>Total as at 31 Mar 2019</b>	<b><u>137 416 478</u></b>	<b><u>166 601 270</u></b>

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

	<u>31 Mar.2019</u>	<u>31 Mar.2018</u>
	<u>EGP</u>	<u>EGP</u>
Gains on sale of mutual funds certificates	2 946 958	1 937 670
<b>Total as at 31 Mar 2019</b>	<b><u>2 946 958</u></b>	<b><u>1 937 670</u></b>

**59. OTHER REVENUES**

	<u>31 Mar.2019</u>	<u>31 Mar.2018</u>
	<u>Egp</u>	<u>Egp</u>
Transfer fees and delay benefits	7 661 241	17 344 740
Retrieve the value of the facilities	1 681	--
Miscellaneous revenues	4 671 945	5 351 990
Revenues from selling fixed asset	4 182 828	22 081 075
<b>Total as at 31 Mar 2019</b>	<b><u>16 517 695</u></b>	<b><u>44 777 805</u></b>

**60. TRANSACTION WITH RELATED PARTIES**

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

**a- Transaction with related parties**

<u>Party</u>	<u>Relationship</u>	<u>Nature of transaction</u>	<u>Amount of transaction</u> <u>EGP</u>
Palm Hills Middle East Company for Real Estate Investment S.A.E	A subsidiary	Finance	725 281 665
Royal Gardens for Real Estate Investment Company S.A.E	A subsidiary	Finance	2 431 296
Middle East Company for Real Estate and Touristic Investment S.A.E	A subsidiary	Finance	18 074 491
Gawda for Trade Services S.A.E	A subsidiary	Finance	26 388 624
Rakeen Egypt for Real Estate Investment S.A.E	A subsidiary	Finance	318 327 480
Saudi Urban Development Company S.A.E	A subsidiary	Finance	39 042 674
Al Ethadia for Real Estate S.A.E	A Related party	Finance	49 292 627
East New Cairo for Real Estate Development S.A.E	A subsidiary	Finance	1 335 761 200
New Cairo for Real Estate Development S.A.E	A subsidiary	Finance	37 315 546
United Engineering for Construction S.A.E	A subsidiary	Finance	4 733 921
El Mansour & El Maghraby Investment and Development S.A.E	A main shareholder	Finance	32 766 166
Palm for Real Estate Development S.A.E	A subsidiary	Finance	6 368 120
Palm for Investment and Real Estate Development S.A.E	A subsidiary	Finance	92 312 972
Palm Hills Properties S.A.E	A subsidiary	Finance	10 867 484
Palm Hills Development of Tourism and Real Estate S.A.E	A subsidiary	Finance	25 210 710
Palm Hills for Investment Tourism S.A.E	A subsidiary	Finance	89 389 772
Palm Hills Education S.A.E	A subsidiary	Finance	3 150
Palm for Urban Development	A subsidiary	Finance	166 155 318
Palm for Club Management S.A.E	A subsidiary	Finance	71 270 312
Arkan Palm for Real Estate Development S.A.E	A Related party	Finance	265 267
Palm for construction and real state development	A subsidiary	Finance	<u>11 000</u>

**b- Resulting balances from these transactions**

<u>Party</u>	<u>Item as in balance sheet</u>	<u>31 Dec. 2018</u> <u>EGP</u>
Palm Hills Middle East Company for Real Estate Investment S.A.E	Due to related parties	1 466 788 361
Royal Gardens for Real Estate Investment Company S.A.E	Due from related parties	(2 223 532)
Middle East Company for Real Estate and Touristic Investment S.A.E	Due from related parties	(155 338 276)
Gawda for Trade Services S.A.E	Due from related parties	(58 970 542)
Rakeen Egypt for Real Estate Investment S.A.E	Due to related parties	239 646 052
Saudi Urban Development Company S.A.E	Due to related parties	9 339 393

Nile Palm Al-Naeem for Real Estate Development S.A.E	Due from related parties	(44 465 227)
Al Ethadia for Real Estate S.A.E	Due to related parties	233 759 742
East New Cairo for Real Estate Development S.A.E	Due to related parties	29 179 864
Palm October for Hotels S.A.E	Due to related parties	11 332 088
New Cairo for Real Estate Developments S.A.E	Due to related parties	(7 527 306)
Al Naeem for Hotels and Touristic Villages S.A.E	Due from related parties	(127 339 813)
Gemsha for Tourist Development S.A.E	Due to related parties	69 234 761
United Engineering for Construction S.A.E	Due from related parties	(11 181 500)
El Mansour & El Maghraby Investment and Development S.A.E	Due to related parties	(4 103 937)
Palm Gemsha for Hotels S.A.E	Due to related parties	30 050
Palm North Coast Hotels S.A.E	Due to related parties	26 858
Palm for Real Estate Development S.A.E	Due from related parties	(14 002 155)
Palm for Investment and Real Estate Development	Due to related parties	13 555 655
Palm Hills Properties	Due to related parties	6 009 557
Palm Hills Development of Tourism and Real Estate	Due to related parties	9 163 660
Palm Hills for Investment Tourism	Due from related parties	(25 386 651)
Palm Hills Resorts	Due to related parties	274 609
Palm Hills Hospitality S.A.E	Due to related parties	100 333 074
Palm Hills Education S.A.E	Due to related parties	1 533 121
Palm Hills – Saudi S.A.E	Due to related parties	269 320
Coldwell Banker - Palm Hills for Real Estate S.A.E	Due to related parties	20 480
Palm for Urban Development	Due from related parties	(20 351 419)
Palm for Club Management S.A.E	Due from related parties	(39 107 479)
Palm Alexandria for Real Estate	Due to related parties	41 206
Asten College for Education S.A.E	Due to related parties	323 861
Palm Arkan for Real Estate investment S.A.E	Due to related parties	1 554 400
Palm for Constructions And Real Estate Development S.A.E	Due from related parties	<u>(222 919)</u>

## **61. TAX STATUS**

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

### **a) Corporate tax**

- The Company started its operations on 14 March 2005
- The Company is exempted from income tax for ten years to end on 31 Dec. 2015
- Years 2005 to 2009

These years have been inspected and settled with the Tax Authority.

- Years 2010 to 2012

These years are currently being inspected.

- Years 2013 to 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.

The company pays the deducted income tax of the employees on regularly basis within the legal dates.

**c) Stamp tax**

- The company is subject to the Law No. 111 of 1980 and its amendments and executive regulations.

- From inception till 31/7/2006

The company was notified by tax forms and the taxes due were paid according to / as per these forms.

- From 1/8/2006 till 31/12/2009

This period has been inspected and the resulting disputes have not been settled.

- Years 2010 to 2017

The company pays the taxes due on regularly basis within the legal dates.

**62. EARNINGS PER SHARE**

	<u>31 Mar.2019</u>	<u>31 Mar. 2018</u>
	<u>EGP</u>	<u>EGP</u>
Net profit for the period	141 160 894	224 151 179
<b><u>Divided by: -</u></b>		
Weighted average number of shares	3 078 599 635	3 078 599 635
<b>Earnings per share</b>	<b>0.046</b>	<b>0.073</b>

**63. EMPLOYEE STOCK OWNERSHIP PLAN (ESOP)**

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

conditions, that accepted the extension of (ESOP) through issuing 39 million shares fully allocated to (ESOP) and the legal procedures are being finished and approving the increase in capital from the appropriate authorities.