

**PALM HILLS DEVELOPMENTS COMPANY**  
**(An Egyptian Joint Stock Company)**  
**Consolidated Financial Statements**  
**Ended In 31 December 2018**  
**Together With Review Report**

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

**As of 31 December 2018**

	<b><u>Note no.</u></b>	<b><u>31/12/2018</u></b>	<b><u>31/12/2017</u></b>
		<b><u>EGP</u></b>	<b><u>EGP</u></b>
<b><u>Non-current assets</u></b>			
Investments in associates	(8d-11b-31)	97 447 485	83 615 199
Investment property	(11f-32)	769 612 116	758 689 762
Notes receivable - long term	(16-34)	13 087 429 109	11 356 555 019
Projects under construction	(12-35)	106 029 940	882 472 515
Advance payments for investments acquisition	(43)	194 597 985	184 335 633
Fixed assets (net)	(13-36)	1 427 791 288	347 277 770
Deferred tax assets	(22b)	4 469 461	5 484 541
Employee stock ownership plan (ESOP)		--	83 414 346
Other long-term assets		1 390 733	1 390 733
<b>Total non-current assets</b>		<b><u>15 688 768 117</u></b>	<b><u>13 703 235 518</u></b>
<b><u>Current assets</u></b>			
Works in process	(14-37)	9 091 529 513	9 193 761 444
Held-to-maturity investments	(11d -33)	1 750 818 937	467 935 233
Cash and cash equivalents	(28-38)	955 737 630	562 030 358
Notes receivable - short term	(16-34)	4 235 390 443	3 012 452 628
Investments at fair value through profit and loss	(11e)	75 866 550	51 426 615
Accounts receivable	(39)	1 061 705 100	883 343 556
Suppliers - advance payments		494 372 865	486 083 502
Debtors and other debit balances	(40)	984 450 924	589 210 845
Guaranteed payments –joint arrangement	(41)	--	50 000 000
Due from related parties	(25-42-61a)	359 632 650	251 407 887
<b>Total current assets</b>		<b><u>19 009 504 612</u></b>	<b><u>15 547 652 068</u></b>
<b><u>Current liabilities</u></b>			
Banks - credit balances	(44)	57 735 773	50 560 568
Bank- over draft	(45)	897 807 291	374 695 728
Advances from customers	(46)	11 484 809 418	10 132 168 063
Completion of infrastructure liabilities	(20)	95 083 416	95 083 418
Provisions	(18)	251 706 423	240 243 801
Current portion of land purchase liabilities	(19-47)	158 981 836	102 492 926
Notes payable - short term	(49a)	1 586 917 804	1 239 624 510
Current portion of term loans	(50)	1 101 130 295	979 573 992
Suppliers & contractors		704 440 148	543 392 278
Income tax payable	(22a)	251 569 213	162 100 332
Creditors & other credit balances	(51)	617 219 159	523 427 753
Joint shares arrangement - short term		749 682 921	174 561 987
Due to related parties	(25-48-61a)	28 187 870	96 617 006
<b>Total current liabilities</b>		<b><u>17 985 271 568</u></b>	<b><u>14 714 542 362</u></b>
<b>Working capital</b>		<b><u>1 024 233 045</u></b>	<b><u>833 109 706</u></b>
<b>Total investment</b>		<b><u>16 713 001 162</u></b>	<b><u>14 536 345 224</u></b>
<b><u>Financed as follows:</u></b>			
<b><u>Shareholders' equity</u></b>			
Share capital	(52)	6 157 199 270	4 617 899 452
Legal reserve	(54a)	708 524 277	682 810 544
Special reserve	(54b)	476 064 168	476 064 168
ESOP Re-Measurement Reserve		--	43 010 431
Retained earnings		556 921 695	76 127 305
Net profit for Year		811 741 618	805 637 537
<b>Equity attributable to equity holders of the parent</b>		<b><u>8 710 451 028</u></b>	<b><u>6 701 549 437</u></b>
<b>Non-controlling interest</b>		<b><u>505 090 067</u></b>	<b><u>538 436 217</u></b>
<b>Total shareholders' equity</b>		<b><u>9 215 541 095</u></b>	<b><u>7 239 985 654</u></b>
<b><u>Non-current liabilities</u></b>			
Land purchase liabilities	(19-47)	298 279 545	335 844 111
Notes payable - long term	(49b)	1 660 456 660	1 912 929 075
Other long-term liabilities – Residents' Association	(53)	1 671 535 652	1 083 208 314
long-term- loans	(50)	2 657 711 596	3 228 805 475
joint share arrangement– long terms		1 209 476 614	735 572 595
<b>Total non-current liabilities</b>		<b><u>7 497 460 067</u></b>	<b><u>7 296 359 570</u></b>
<b>Total equity and non-current liabilities</b>		<b><u>16 713 001 162</u></b>	<b><u>14 536 345 224</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 December 2018**

	<u>Note No.</u>	<u>Financial Period 31/12/2018 EGP</u>	<u>Financial 31/12/2017 EGP</u>
<b>Revenues</b>	(27a, 56)	7 422 755 711	6 603 539 043
<b><u>Deduct: -</u></b>			
Cost of revenues	(26, 57)	4 743 416 578	4 385 905 845
Cash discount		92 016 436	114 342 544
<b>Gross profit</b>		<b>2 587 322 697</b>	<b>2 103 290 654</b>
<b><u>Deduct: -</u></b>			
Securitization of receivables interest		114 002 667	116 440 833
General administrative, selling and marketing expenses	(58)	963 480 133	756 283 948
Administrative depreciation		66 807 195	20 475 587
Provision	(18)	12 248 359	70 308 394
Finance costs & interests		200 063 965	207 738 198
Interest on land purchase liabilities		249 564 532	124 024 113
Recoverable interest on land purchase liabilities		--	(163 568 444)
		<b>1 606 166 851</b>	<b>1 131 702 629</b>
<b><u>Add: -</u></b>			
Gains on investments in fair value through profit or loss	(59)	8 693 291	6 010 673
Interest income – amortization of discount on notes receivables		80 525 531	67 191 259
Interest income on held-to-maturity investments		88 882 418	58 570 518
<b>Total other revenues</b>		<b>178 101 240</b>	<b>131 772 450</b>
<b>Net profit for the year before income tax &amp; non-controlling interest</b>		<b>1 159 257 086</b>	<b>1 103 360 475</b>
<b><u>Deduct: -</u></b>			
Income tax expense	(22a)	251 517 389	162 100 333
Deferred tax	(22b)	873 609	4 789 546
<b>Net profit for the year before &amp; non-controlling interest</b>		<b>906 866 088</b>	<b>936 470 596</b>
<b><u>Deduct: -</u></b>			
Non-controlling interest share- subsidiaries		95 124 470	130 833 059
<b>Net profit for the year after income tax &amp; non-controlling interest</b>		<b>811 741 618</b>	<b>805 637 537</b>
<b>Earnings per share</b>	(24, 63)	<b>0,342</b>	<b>0,349</b>

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

**Chairman**  
**Yasseen Mansour**

**PALM HILLS DEVELOPMENTS COMPANY S.A.E**  
**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**For The Period Ended 31 December 2018**

	<u>31/12/2018</u>	<u>31/1/2017</u>
	<u>EGP</u>	<u>EGP</u>
Net profit for the period	811 741 618	805 637 537
Other comprehensive income	--	--
<b>Total comprehensive income for the period, net of tax</b>	<b><u>811 741 618</u></b>	<b><u>805 637 537</u></b>
<b><u>Attributable to: -</u></b>		
Equity holders of the parent	811 741 618	805 637 537
Non-controlling interests	95 124 470	130 833 059
	<b><u>906 866 088</u></b>	<b><u>936 470 596</u></b>

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**Ali Thabet**

**Chairman**  
**Yasseen Mansour**

**PALM HILLS DEVELOPMENTS COMPANY S.A.E**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**For The Period Ended 31 December 2018**

	<u>Note No.</u>	<u>31/12/2018</u>	<u>31/12/2017</u>
		<u>EGP</u>	<u>EGP</u>
<b>Net profit for the period before income tax &amp; non-controlling interest</b>		1 159 257 086	1 103 360 475
<b><u>Adjustments to reconcile net profit to net cash from operating activities</u></b>			
Administrative depreciation	(36)	85 077 314	36 819 507
Provision		12 248 359	70 308 394
Finance costs & interests		200 063 965	207 738 198
Securitization of receivables interest		114 002 667	116 440 833
Interest on land purchase liabilities		249 564 532	124 024 113
Share of profit / loss of associates		(11 852 662)	(4 389 500)
Gain (loss) on disposal of fixed assets	(36)	(1 039 033)	(1 538 334)
Interest income – amortization of discount on notes receivables		(80 525 531)	(67 191 259)
Gains on investments in fair value through profit or loss		(8 693 291)	(6 010 673)
Interest income on held to maturity investments		(88 882 418)	(58 570 518)
Recoverable interest on land purchase liabilities		--	(163 568 444)
<b>Operating profit before changes in working capital items</b>		<b>1 629 220 988</b>	<b>1 357 422 792</b>
<b><u>Cash flow from operation activities</u></b>			
Change in work in process	(14-37)	(204 573 778)	(2 090 446 143)
Change in suppliers - advance payments		(8 289 363)	2 980 824
Change in notes receivables	(16-34)	(2 873 286 373)	(3 706 248 492)
Change in accounts receivable	(39)	(178 361 544)	(126 286 845)
Change in debtors & other debit balances	(40)	(395 240 078)	(370 734 168)
Change in guaranteed payments – joint arrangement	(41)	50 000 000	(10 000 000)
Change in held-to-maturity investments		(24 439 935)	7 044 426
Change in investments in fair value through profit or loss	(11e)	(1 282 883 704)	(314 607 151)
Change in due to related parties		(108 224 764)	(7 283 048)
Change in notes payable		(154 743 653)	1 605 095 464
Change in other long term – Residents' Association	(53)	588 327 338	346 763 958
Change in advances from customers	(46)	1 352 641 354	2 387 412 944
Change in due from related parties	(25-42)	(68 429 136)	(34 716 854 )
Income tax paid		(162 048 507)	(126 628 750)
Change in investment purchase liabilities		--	(44 256 746)
Provisions	(18)	(785 737)	548 557
Change in creditors and other credit balances		93 791 406	1 171 752
Change in due to joint arrangement partners		1 049 024 953	749 710 173
Change in suppliers & contractors		161 047 868	94 926 752
<b>Net cash provided by (used in) operating activities</b>		<b>(537 252 663)</b>	<b>(278 130 555)</b>
<b><u>Cash flows from investing activities</u></b>			
Payments for purchase of fixed assets	(36)	(52 297 290)	(38 328 773)
Proceeds from sale of fixed assets		1 249 905	1 559 618
Payments for investment		(10 262 352)	--
Payments for projects under construction	(12-35)	(9 581 362)	(24 812 079)
Payments for associates investment		(1 979 625)	--
Proceeds from investments in fair value through profit or loss		8 693 291	6 010 673
Proceeds from real estate investment		(12 672 777)	128 066 108
Proceeds from held-to-maturity investments		88 882 418	58 570 518
<b>Net cash (used in) provided by investing activities</b>		<b>12 032 208</b>	<b>131 066 065</b>
<b><u>Cash flows from financing activities</u></b>			
Share capital		1 539 299 818	
Banks - credit balances	(44)	7 175 204	8 384 081
Banks – overdraft	(45)	523 111 563	295 285 374
Proceeds from ESOP		40 403 915	9 390 219
Adjustments to retained earnings		(299 129 415)	(288 520 947)
Non-controlling interest – dividends		(128 470 620)	(4 548 358)
Special reserve		--	(48 148 717)
Deferred tax		141 471	28 021
Repayment of borrowings		(1 015 729 775)	(306 944 000)
Proceeds from loans	(50)	566 192 198	559 831 636
Finance costs & interests paid		(314 066 632)	(324 179 031)
<b>Net cash (used in) provided by financing activities</b>		<b>918 927 727</b>	<b>(99 421 722)</b>
Net increase in cash and cash equivalents during the period		393 707 272	(246 486 212)
Cash and cash equivalents at beginning of the year		562 030 358	808 516 570
<b>Cash and cash equivalents as at 31 December 2018</b>	(28-38)	<b>955 737 630</b>	<b>562 030 358</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**  
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**PALM HILLS DEVELOPMENTS COMPANY S.A.E**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**For The Period Ended 31 December 2018**

	<u>Share Capital</u>	<u>Legal reserve</u>	<u>Special reserve</u>	<u>Reserve for ESOP re-measurement</u>	<u>Retained earnings</u>	<u>Net profit for the period</u>	<u>Total 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 2017</b>	4 617 899 452	630 142 410	524 212 885	31 492 645	(222 478 993)	639 795 380	6 221 063 779	412 151 516	6 633 215 295
Transferred to retained earnings	--	--	--	--	639 795 380	(639 795 380)	--	--	--
Transferred to legal reserve	--	52 668 134	--	--	(52 668 134)	--	--	--	--
For special reserve	--	--	(48 148 717)	--	--	--	(48 148 717)	--	(48 148 717)
Amounts set aside for Employee stock ownership plan (ESOP)	--	--	--	11 517 786	--	--	11 517 786	--	11 517 786
Adjustments to retained earnings	--	--	--	--	(288 520 948)	--	(288 520 948)	--	(288 520 948)
Dividends	--	--	--	--	--	--	--	(4 548 358)	(4 548 358)
Net profit for the period	--	--	--	--	--	805 637 537	805 637 537	130 833 059	936 470 596
<b>Balance as at 31 Dec 2018</b>	<b>4 617 899 452</b>	<b>682 810 544</b>	<b>476 064 168</b>	<b>43 010 431</b>	<b>76 127 305</b>	<b>805 637 537</b>	<b>6 701 549 437</b>	<b>538 436 217</b>	<b>7 239 985 654</b>
<b>Balance as at 1 January 2018</b>	4 617 899 452	682 810 544	476 064 168	43 010 431	76 127 305	805 638 537	6 701 549 437	538 436 217	7 239 985 654
Transferred to retained earnings	--	--	--	--	805 637 537	(805 638 537)	--	--	--
Share capital proceeds	1 539 299 818	--	--	--	--	--	1 539 299 818	--	1 539 299 818
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	--	--	--	--	(299 129 415)	--	(299 129 415)	--	(299 129 415)
Dividends	--	--	--	--	--	--	--	(128 470 620)	(128 470 620)
Net profit for the period	--	--	--	--	--	811 741 618	811 741 618	95 124 470	906 866 088
<b>Balance as at 31 Dec 2018</b>	<b>6 157 199 270</b>	<b>708 524 277</b>	<b>476 064 168</b>	<b>--</b>	<b>556 921 695</b>	<b>811 741 618</b>	<b>8 710 451 028</b>	<b>505 090 067</b>	<b>9 215 541 095</b>

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

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

**Chairman**  
**Yasseen Mansour**

**Palm Hills Developments Company**  
**(S.A.E)**  
**Notes to the Consolidated**  
**Financial Statements As of 31 Dec 2018**

**1. BACKGROUND**

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

**2. COMPANY'S PURPOSE**

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

**3. The Company's Location**

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

**4. COMMERCIAL REGISTER**

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

**5. FINANCIAL YEAR**

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

**6. AUTHORIZATION OF THE FINANCIAL STATEMENTS**

The Consolidated financial statements for the Nine Months ended in 31 December 2018 were authorized for issue by the board of directors on 26 February 2019.

**7. STOCK EXCHANGE LISTING**

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

## **8. EXISTING PROJECTS**

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

### **a) Building and constructing residential compounds**

The objective of the company is to contribute in building integrated residential units, providing associated services, and entertainment complexes, while the Company possesses a large land bank which includes land with a total area of 1,392.20 acres approx. located at 6th October City, land with a total area of 456.84 acres approx. located at New Cairo City, land measuring a total area of 3262.05 acres approx. which is located at Sidi Abdel Rahman, El Alamin, Marsa Matrouh Governorate, land with a total area of 22.68 acres approx. located at Hurghada.

### **b) Other activity**

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

### **c) Joint Arrangement**

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

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

Palm Hills Developments Company (real-estate developer) has contracted with one of the owners (owner) of the plot of land with an area of 135 acres in Alexandria-Abis-Moharram Bek-Cairo Alexandria Desert Road- to develop this area and under this contract the owner and the real estate developer receives a share of the total project revenues to the 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: -**

	<u>Percentage share %</u>
Palm Hills Middle East Company for Real Estate Investment S.A.E	% 99.99
Gawda for Trade Services S.A.E	%99.996
New Cairo for Real Estate Developments S.A.E	%99.985
Rakeen Egypt for Real Estate Investment S.A.E	%99.9454
Palm for Real Estate Development S.A.E	%99.4
Palm for Investment & Real Estate Development S.A.E	%99.4
Palm Hills Development of Tourism and Real Estate S.A.E	%99.4
Palm Hills for Tourism Investment S.A.E	%99.4
Palm Hills Resorts S.A.E	%99.4
Palm for Urban Development S.A.E	%99.4
Palm 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
Six of October for Hotels and Touristic Services Company S.A.E	%00.24
Arkan Palm	%39.99

## 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 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 Dec. 2018</u>	<u>31 Dec. 2017</u>
	<u>EGP</u>	<u>EGP</u>
Naema for Touristic & Real Estate Investments S.A.E	74 856 460	63 003 799
Villamora for Real Estate Development Company S.A.E	20 366 400	20 366 400
Coldwell Banker -Palm Hills for Real Estate S.A.E	245 000	245 000
Arkan palm for real state investment	999 625	--
EFS palm for facilities services	980 000	--
<b>Balance as at 30 September 2018</b>	<b><u>97 447 485</u></b>	<b><u>83 615 199</u></b>

	<u>Assets</u>	<u>Liabilities</u>	<u>Shareholders' equity</u>	<u>Revenues</u>	<u>Expenses</u>
Naema for Touristic & Real Estate Investments	168 919 372	19 188 733	149 730 639	45 029 915	16 566 997
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 Dec., 2018</u>	<u>31 Dec. 2017</u>
		<u>EGP</u>	<u>EGP</u>
<b><u>Lands</u></b>			
Palm Hills Development Company S.A.E	1759	212 512 738	212 027 278
Palm Hills Middle East Company for Real Estate Investment S.A.E *	2383.28	392 606 267	392 785 983
Gamsha for Tourist Development S.A.E	22.679	114 817 430	114 338 258
		<b><u>719 936 435</u></b>	<b><u>719 151 519</u></b>
<b><u>Buildings</u></b>			
<b>Commercial shops - Palm Hills Resort</b>			
Cost of shops of 88 Street Mall.		54 343 475	42 455 614
Accumulated depreciation		(4 667 794)	(2 917 371)
<b>Net cost of shops</b>		<b><u>49 675 681</u></b>	<b><u>39 538 243</u></b>
<b>Balance as at 30 September 2018</b>		<b><u>769 612 116</u></b>	<b><u>758 689 762</u></b>

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

	<u>Face value</u>	<u>Unrecognized investment return</u>	<u>Average return rate</u>	<u>Purchase price</u>
	<u>EGP</u>	<u>EGP</u>	<u>%</u>	<u>EGP</u>
Palm Hills Development	1245 200 000	17347 942	%14	1 227 852 058
Palm Hills Middle East Company for Real Estate Investment	151 300 000	13 458 585	%14	137 841 415
East New Cairo for Real Estate Development	99 400 000	9 696 091	%14	89 703 909
Gawda for Trade Services	7 975 000	529 516	%14	7 445 484
Middle East Company for Real Estate and Touristic Investment	17 250 000	1 625 136	%14	15 624 865
New Cairo for Real Estate Development	700 000	31 716	%14	668 284
Palm Hills Development of Tourism and Real Estate	9 775 000	388 982	%14	9 386 018
Rakeen Egypt for Real Estate Investment	117 275 000	10 982 333	%14	106 292 667
Royal Gardens for Real Estate Investment Company	71 975 000	3 724 868	%14	68 250 132
Saudi Urban Development Company	86 950 000	7 532 706	%14	79 417 294
Palm for Urban development company	9 850 000	1 513 189	%16	8 336 811
<b>Balance as at 30 September 2018</b>	<b><u>1 817 650 000</u></b>	<b><u>66 831 064</u></b>		<b><u>1 750 818 937</u></b>

**34. NOTES RECEIVABLE**

	<u>31 Dec. 2018</u>	<u>31 Dec. 2017</u>
	<u>EGP</u>	<u>EGP</u>
Short term notes receivable	4 422 700 899	3 165 575 448
<u>Deduct: -</u>		
Notes receivable of joint venture	97 875 264	72 597 288
Unamortized discount	89 435 192	80 525 532
	<b><u>4 235 390 443</u></b>	<b><u>3 012 452 628</u></b>
Long term notes receivable	13 606 344 908	11 806 104 958
<u>Deduct: -</u>		
Notes receivable of joint venture	359 441 826	302 770 647
Unamortized discount	159 473 973	146 779 292
	<b><u>13 087 429 109</u></b>	<b><u>11 356 555 019</u></b>
<b>Balance as at 30 September 2018</b>	<b><u>17 322 819 552</u></b>	<b><u>14 369 007 647</u></b>

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

**35. PROJECTS UNDER CONSTRUCTION**

	<u>31 Dec. 2018</u>	<u>31 Dec. 2017</u>
	<u>EGP</u>	<u>EGP</u>
Land	33 520 095	340 104 665
Construction of Golf Club and Hotel in 6th of October City	18 219 016	453 864 348
Constructions, Consultation and designs fees	46 478 267	38 073 590
Mall (8)	7 812 562	50 429 912
<b>Balance as at 31 Dec 2018</b>	<b><u>106 029 940</u></b>	<b><u>882 472 515</u></b>

**36. FIXED ASSETS**

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

	<u>Cost as of Jan. 1,2018</u>	<u>Additions during the period</u>	<u>Disposals during the period</u>	<u>Cost as of 31 Dec 2018</u>	<u>Accumulated depreciation as of Jan. 1, 2018</u>	<u>Depreciation for the period</u>	<u>Depreciation of Disposals</u>	<u>Accumulated depreciation as of Dec 31 2018</u>	<u>Net book value as 31 Dec 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	--	1 123 281 546	--	1 123 281 546	--	40 834 849	--	40 834 849	1 082 446 697
<b>Total cost</b>	<b><u>856 183 608</u></b>	<b><u>1 175 578 836</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 Period Ended 31 Dec 2018 was allocated as follows:

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

- Capital Gains for The Period Ended 31 Dec. 2018 amounted to EGP 524 964 as follows:

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

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

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

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

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

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

	<u>EGP</u>	<u>EGP</u>
Proceed from sale of fixed assets		1 559 618
Deduct:		
Cost of assets sold	397 703	
Accumulated depreciation of assets sold	376 420	
Carrying amount of assets sold		<b><u>21 283</u></b>
		<b><u>1 538 335</u></b>



**37. WORK IN PROCESS**

	<u>Total as at</u> <u>31 Dec 2018</u> <u>EGP</u>	<u>As at</u> <u>31 Dec. 2017</u> <u>EGP</u>	<u>Cost of sales recognized</u> <u>in income statement</u> <u>For the Period</u> <u>Ended</u> <u>31 dec 2018</u> <u>EGP</u>	<u>31 Dec 2018</u> <u>EGP</u>	<u>31 Dec. 2017</u> <u>EGP</u>
Land acquisition cost	7 658 127 494	3 533 623 819	575 955 523	3 548 548 152	3 763 701 811
Cost of construction	18 906 398 227	10 146 630 234	3 217 216 117	5 542 551 876	5 426 938 078
Completed units ready for sale	190 599 239	187 477 684	2 692 070	429 485	3 121 555
<b>Balance as at 31 Dec 2018</b>	<b><u>26 755 124 960</u></b>	<b><u>13 867 731 737</u></b>	<b><u>3 795 863 710</u></b>	<b><u>9 091 529 513</u></b>	<b><u>9 193 761 444</u></b>

\* Borrowing cost capitalized on work in process for The Period Ended 31 Dec 2018 amounted to EGP 1 177 496 560

**38. CASH AND CASH EQUIVALENTS**

	<b><u>31 Dec 2018</u></b>	<b><u>31 Dec. 2017</u></b>
	<b><u>EGP</u></b>	<b><u>EGP</u></b>
Banks-current accounts- EGP	858 781 155	384 315 226
Banks-current accounts- foreign currency	18 549 439	8 767 767
Banks – Deposits- EGP	3 527 596	96 391 757
Cash on hand- EGP	74 879 440	72 555 608
<b>Balance as at 31 Dec 2018</b>	<b><u>955 737 630</u></b>	<b><u>562 030 358</u></b>

**39. ACCOUNTS RECEIVABLE**

	<b><u>31 Dec 2018</u></b>	<b><u>31 Dec. 2017</u></b>
	<b><u>EGP</u></b>	<b><u>EGP</u></b>
Palm Hills Developments Company customers	280 894 864	314 044 360
Palm Hills Middle East Company for Real Estate Investment customers	114 446 100	137 342 125
Royal Gardens for Real Estate Investment Company customers	19 274 836	20 224 807
New Cairo for Real Estate Developments customers	1 514 959	2 492 248
Gawda for Trade Services customers	1 779 939	2 293 119
Saudi Urban Development Company customers	47 603 618	51 945 880
Rakeen Egypt for Real Estate Investment customers	78 167 118	96 359 876
East New Cairo for Real Estate Development customers	106 315 867	78 831 176
Middle East Company for Real Estate and Touristic Investment customers	7 187 854	14 897 656
United Engineering for Construction	1 063 772	14 417 526
Palm Real Estate Development	39 388 549	44 002 071
Palm for Investment and Real Estate Development	167 969 320	105 757 291
Palm Hills Development of Tourism and Real Estate	27 986 960	460 663
Palm Hills Properties	10 801 495	8 316
Palm for Urban Development	154 829 359	--
Palm for Clubs Management	2 480 490	266 442
<b>Balance as at 31 Dec 2018</b>	<b><u>1 061 705 100</u></b>	<b><u>883 343 556</u></b>

**40. DEBTORS AND OTHER DEBIT BALANCES**

	<b><u>31 Dec 2018</u></b>	<b><u>31 Dec. 2017</u></b>
	<b><u>EGP</u></b>	<b><u>EGP</u></b>
Investments debtors	5 019 331	5 017 830
Deposits with others	77 944 109	60 100 110
Prepaid expenses	91 135 001	51 423 688
Loans to employee & custodies	9 563 368	10 826 676
Due from City for Real Estate Development Company	--	5 522 741
Advance payments for land acquisition	133 739 438	185 491 785
Withholding tax from source	24 100 216	8 302 885
Letter of Guarantee	14 557 606	4 557 606
Residents' Association	601 585 025	236 750 958
Other debit balances	26 806 830	21 216 566
<b>Balance as at 31 Dec 2018</b>	<b><u>984 450 924</u></b>	<b><u>589 210 845</u></b>

**41. GUARANTEED PAYMENTS – JOINT ARRANGEMENT**

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

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

**42. DUE FROM RELATED PARTIES**

	<u>31 Dec 2018</u>	<u>31 Dec. 2017</u>
	<u>EGP</u>	<u>EGP</u>
Al Ethadia for Real Estate S.A.E	231 861 095	193 583 942
Al Naeem for investments	48 755 256	48 755 256
Debtors of dividends	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	3 465 256	2 570 711
Mercure Ismailia Hotel S.A.E	2 347 778	6 208 178
Palm Hills – Saudi	269 320	269 320
Asten college for education	13 490 000	--
<b>Balance as at 31 Dec 2018</b>	<b>359 632 650</b>	<b>251 407 887</b>

**43. ADVANCE PAYMENTS FOR INVESTMENTS ACQUISITION**

	<u>Nature of transaction</u>	<u>31 Dec 2018</u>	<u>31 Dec. 2017</u>
		<u>EGP</u>	<u>EGP</u>
Palm Hills – Saudi	Establishment	135 121 743	135 121 743
Villamora for Real Estate Development Company	Acquisition	3 900 000	3 900 000
Middle East Company for Real Estate and Touristic Investment	Acquisition	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 Dec 2018</b>		<b>194 597 985</b>	<b>184 335 633</b>

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

	<u>31 Dec 2018</u>	<u>31 Dec. 2017</u>
	<u>EGP</u>	<u>EGP</u>
Banks –EGP	54 285 833	48 651 560
Banks-foreign currencies	3 449 940	1 909 008
<b>Balance as at 31 Dec 2018</b>	<b><u>57 735 773</u></b>	<b><u>50 560 568</u></b>

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

	<u>31 Dec 2018</u>	<u>31 Dec. 2017</u>
	<u>EGP</u>	<u>EGP</u>
Arab - Bank	342 052 803	238 221 551
CIB - Bank	548 929 998	136 474 177
Ahli United Bank	6 824 490	--
<b>Balance as at 31 Dec 2018</b>	<b><u>897 807 291</u></b>	<b><u>374 695 728</u></b>

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

	<u>Down payments</u>	<u>Advances for</u>	<u>31 dec 2018</u>
	<u>EGP</u>	<u>contracting</u>	<u>EGP</u>
	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>
Palm Hills Developments Company	21 801 955	1 729 336 625	1 751 138 580
Palm Hills Middle East Company for Real Estate Investment	18 111 673	388 066 904	406 178 576
Royal Gardens for Real Estate Investment Company	--	4 309 150	4 309 150
New Cairo for Real Estate Developments	--	4 502 838	4 502 838
Gawda for Trade Services	--	--	--
Saudi Urban Development Company	650 000	526 627 449	527 277 449
Rakeen Egypt for Real Estate Investment	2 783 805	500 088 940	502 872 745
East New Cairo for Real Estate Development	500 000	440 396 972	440 896 972
Middle East Company for Real Estate and Touristic Investment	414 338	13 536 523	13 950 861
United Engineering for Construction	122 547 442	--	122 547 442
Palm for Real Estate Development S.A.E	895 743	1 247 385 844	1 248 281 587
Palm for Investment & Real Estate Development	4 903 683	3 328 569 666	3 333 473 349
Palm Hills Development of Tourism and Real Estate	5 426 011	720 959 896	726 385 907
Palm Hills Properties	--	98 981	98 981
Palm for Urban Development	38 936 932	2 363 867 711	2 402 804 643
Palm for Clubs Management	90 337	--	90 337
<b>Balance as at 31 Dec 2018</b>	<b><u>217 061 919</u></b>	<b><u>11 267 747 499</u></b>	<b><u>11 484 809 418</u></b>

**47. LAND PURCHASE LIABILITIES**

	<u>31 Dec. 2018</u>	<u>31 Dec. 2017</u>
	<u>EGP</u>	<u>EGP</u>
Land purchase liabilities - short term	158 981 836	102 492 926
Land purchase liabilities - long term	298 279 545	335 844 111
<b>Balance as at 31 Dec 2018</b>	<b><u>457 261 381</u></b>	<b><u>438 337 037</u></b>

**48. DUE TO RELATED PARTIES**

	<u>31 Dec. 2018</u>	<u>31 Dec. 2017</u>
	<u>EGP</u>	<u>EGP</u>
El Mansour & El Maghraby Investment and Development	4 103 937	37 274 867
Villamora for Real Estate Development Company S.A.E	24 083 933	23 901 325
Due to shareholders	--	35 440 814
<b>Balance as at 31 Dec 2018</b>	<b><u>28 187 870</u></b>	<b><u>96 617 006</u></b>

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

	<u>31 Dec. 2018</u>	<u>31 Dec. 2017</u>
	<u>EGP</u>	<u>EGP</u>
Notes payable- Land (New Urban Communities Authority)	1 139 219 152	712 281 862
<b>Deduct: -</b>		
Delayed installments interest	414 329 149	332 947 262
	<b><u>724 890 003</u></b>	<b><u>379 334 600</u></b>
<b>Add: -</b>		
Other notes payable	1 015 789 303	970 806 898
<b>Deduct: -</b>		
Unamortized discount	153 761 502	110 516 988
<b>Balance as at 31 Dec 2018</b>	<b><u>1 586 917 804</u></b>	<b><u>1 239 624 510</u></b>

**B) Long Term Notes Payable**

	<u>31 Dec. 2018</u>	<u>31 Dec. 2017</u>
	<u>EGP</u>	<u>EGP</u>
Notes payable- Land (New Urban Communities Authority)	1 824 917 699	2 281 147 125
<b>Deduct: -</b>		
Delayed installments interest	824 881 469	1 066 293 737
	<b><u>1 000 036 230</u></b>	<b><u>1 214 853 388</u></b>
<b>Add: -</b>		
Other notes payable	1 331 653 717	1 312 293 361
<b>Deduct: -</b>		
Delayed installments interest	671 233 287	614 217 674
<b>Balance as at 31 Dec 2018</b>	<b><u>1 660 456 660</u></b>	<b><u>1 912 929 075</u></b>

**50. LOANS**

This item is represented as follows:

	<b>31.Dec. 2018</b>		<b>31 Dec. 2017</b>	
	<b><u>Short term</u></b> <b><u>EGP</u></b>	<b><u>long term</u></b> <b><u>EGP</u></b>	<b><u>Short term</u></b> <b><u>EGP</u></b>	<b><u>long term</u></b> <b><u>EGP</u></b>
<b><u>Misr Bank</u></b>				
Revolving medium-term loan with Banque Misr in the amount of EGP 750 million to finance projects of Palm Hills Middle East for Real Estate Investment.	426 562 500	168 630 223	207 757 000	524 999 784
<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	598 176 831	827 477 950	696 182 911	1 716 000 000
<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.	1 107 820	86 459 242	27 693 081	32 071 906
<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.	13 913 208	--	47 941 000	32 143 252
<b>Arab Bank</b>				
A loan secured by notes receivable of delivered units	--	299 998 735	--	299 999 833
<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.	33 068 320	853 840 394	--	623 590 700
<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 .	28 301 616	421 305 051	--	--
<b>Balance as at 31 Dec 2018</b>	<b><u>1 101 130 295</u></b>	<b><u>2 657 711 595</u></b>	<b><u>979 573 992</u></b>	<b><u>3 228 805 475</u></b>

**51. CREDITORS AND OTHER CREDIT BALANCES**

	<b><u>31 Dec. 2018</u></b>	<b><u>31 Dec. 2017</u></b>
	<b><u>Egp</u></b>	<b><u>Egp</u></b>
Other credit balances	203 498 907	198 060 002
Increase in construction area liabilities	95 500 000	95 500 000
Accounts receivable under settlement	99 895 163	53 605 609
Accrued expenses	44 884 626	49 950 384
Insurance for others	138 265 550	105 943 195
Social insurance	35 174 913	20 368 563
<b>Balance as at 31 Dec 2018</b>	<b><u>617 219 159</u></b>	<b><u>523 427 753</u></b>

## **52. 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 726 2 308 949 shares with a par value of EGP 2 per share.	4 617 899 452
On 6 September 2018, the Company's Extra-Ordinary General Assembly Meeting approved the issued Capital increase out of retained earnings via the issuance of bonus shares amounting to EGP 769 649 909 to be after such increasing amounted EGP 6 157 199 270 represent 3 078 599 635 shares with a par value of EGP 2 per share.	6 157 199 270

**53. OTHER LONG-TERM LIABILITIES- RESIDENTS' ASSOCIATION**

Other long term liabilities represent time deposit checks received from residents or customers due on the sold units to finance the maintenance and other running expenses, such time deposit checks are temporarily invested in favor of residents until the compound has separate legal personality and separate assets and liabilities, then the compound's management and its General Assembly will be responsible for running the compound's assets and liabilities according to the Buildings & Housing Low No.119 for 2008. Other long-term liabilities balance as at 30 September 2018 amounted to EGP 1 671 535 652.

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

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

**b) Special reserve**

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

**55. Joint Share Arrangement**

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

	<b><u>31 Dec 2018</u></b>	<b><u>31 Dec. 2018</u></b>	<b><u>31 Dec. 2017</u></b>	<b><u>31 Dec. 2017</u></b>
	<b><u>Short term</u></b>	<b><u>Long term</u></b>	<b><u>Short term</u></b>	<b><u>Long term</u></b>
	<b><u>EGP</u></b>	<b><u>EGP</u></b>	<b><u>EGP</u></b>	<b><u>EGP</u></b>
Partners in Palm New Cairo-Project	269 470 610	859 290 602	174 561 987	657 479 471
Partners in Hacienda West -Project	--	109 649 421	--	78 093 124
Partners in (Badya) Project	480 212 311	144 473 490	--	--
Partners in (VGK Mall) Project	--	49 673 218	--	--
Partners in (the lane) Project	--	46 389 883	--	--
	<b><u>749 682 921</u></b>	<b><u>1 209 476 614</u></b>	<b><u>174 561 987</u></b>	<b><u>735 572 595</u></b>

**56. REVENUES**

	<b><u>31 Dec. 2018</u></b>	<b><u>31 Dec. 2017</u></b>
	<b><u>EGP</u></b>	<b><u>EGP</u></b>
Revenues from building and development activities	7 037 729 253	5 910 094 263
Sale of completed units ready for sale	9 809 311	15 332 759
Revenues from the construction activity	85 640 312	56 006 496
Revenues from hospitality activities	68 882 317	63 357 067
Other revenues	122 908 170	98 815 320
Revenues from real state investment	--	375 000 000
Revenues from the commercial activity	4 910 358	3 834 560
Revenues from Palm Hills Club	92 875 990	81 098 578
<b>Total as at 31 Dec 2018</b>	<b><u>7 422 755 711</u></b>	<b><u>6 603 539 043</u></b>



**57. COST OF REVENUES**

	<u>31 Dec. 2018</u>	<u>31 Dec. 2017</u>
	<u>EGP</u>	<u>EGP</u>
Cost of building and development activities	4 620 745 524	4 138 980 579
Cost of completed units ready for sale	2 692 070	12 000 000
Depreciation of Fixed Assets – Macor	7 185 078	6 515 491
Depreciation of Fixed Assets – Palm Hills Club	11 085 041	9 828 430
Cost of the construction activity	71 779 913	40 282 188
Cost of the commercial activity	917 473	780 583
Cost of the real state investment	--	156 791 632
Operation cost -Palm Hills Club	29 011 479	20 726 942
<b>Total as at 31 Dec 2018</b>	<b><u>4 743 416 578</u></b>	<b><u>4 385 905 845</u></b>

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

	<u>31 Dec. 2018</u>	<u>31 Dec. 2017</u>
	<u>EGP</u>	<u>EGP</u>
Wages and salaries	318 716 751	339 509 513
Selling and marketing expenses	333 578 198	212 755 863
Communications expenses	3 101 307	3 331 306
Utilities	35 338 385	27 545 768
Professional and Government fees	81 319 484	57 948 257
Maintenance and Insurance	40 524 180	36 587 252
Travel and transportation	12 730 557	10 775 826
Bank charges	9 498 631	8 733 443
Other administrative expenses	120 370 064	59 096 720
<b>Total as at 31 Dec 2018</b>	<b><u>963 480 133</u></b>	<b><u>756 283 948</u></b>

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

	<u>31 Dec. 2018</u>	<u>31 Dec. 2017</u>
	<u>EGP</u>	<u>EGP</u>
Gains on sale of mutual funds certificates	8 693 291	6 010 673
<b>Total as at 31 Dec 2018</b>	<b><u>8 693 291</u></b>	<b><u>6 010 673</u></b>

**60. OTHER REVENUES**

	<u>31 Dec. 2018</u>	<u>30 Sept. 2017</u>
	<u>Egp</u>	<u>Egp</u>
Transfer fees and delay benefits	64 974 333	63 150 833
Retrieve the value of the facilities	13 065 580	13 345 595
Miscellaneous revenues	43 829 224	20 780 558
Revenues from selling fixed asset	1 039 033	1 538 334
<b>Total as at 31 Dec 2018</b>	<b><u>122 908 170</u></b>	<b><u>98 815 320</u></b>

**61. TRANSACTION WITH RELATED PARTIES**

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

**a- Transaction with related parties**

<u>Party</u>	<u>Relationship</u>	<u>Nature of transaction</u>	<u>Amount of transaction</u> <u>EGP</u>
Palm Hills Middle East Company for Real Estate Investment S.A.E	A subsidiary	Finance	2 520 169 229
Royal Gardens for Real Estate Investment Company S.A.E	A subsidiary	Finance	30 028 080
Middle East Company for Real Estate and Touristic Investment S.A.E	A subsidiary	Finance	65 650 899
Gawda for Trade Services S.A.E	A subsidiary	Finance	89 878 388
Rakeen Egypt for Real Estate Investment S.A.E	A subsidiary	Finance	2 330 989 200
Saudi Urban Development Company S.A.E	A subsidiary	Finance	344 670 717
Nile Palm Al-Naeem for Real Estate Development S.A.E	A subsidiary	Finance	171 000
Al Ethadia for Real Estate S.A.E	A Related party	Finance	145 649 787
East New Cairo for Real Estate Development S.A.E	A Related party	Finance	5 036 326 832
Palm October for Hotels S.A.E	A subsidiary	Finance	27 500
New Cairo for Real Estate Development S.A.E	A subsidiary	Finance	157 334 990
Al Naeem for Hotels and Touristic Villages S.A.E	A subsidiary	Finance	196 601
Gemsha for Tourist Development S.A.E	A subsidiary	Finance	1 087 593
United Engineering for Construction S.A.E	A subsidiary	Finance	24 213 175
El Mansour & El Maghraby Investment and Development S.A.E	A main shareholder	Finance	438 458 139
Palm Gemsha for Hotels S.A.E	A subsidiary	Finance	27 500
Palm North Coast Hotels S.A.E	A subsidiary	Finance	27 500
Palm for Real Estate Development S.A.E	A subsidiary	Finance	223 481 545
Palm for Investment and Real Estate Development S.A.E	A subsidiary	Finance	1 453 521 234
Palm Hills Properties S.A.E	A subsidiary	Finance	40 342 531
Palm Hills Development of Tourism and Real Estate S.A.E	A subsidiary	Finance	155 434 663
Palm Hills for Investment Tourism S.A.E	A subsidiary	Finance	1 523 570
Palm Hills Resorts S.A.E	A subsidiary	Finance	95 000
Palm Hills Hospitality S.A.E	A subsidiary	Finance	27 500
Palm Hills Education S.A.E	A subsidiary	Finance	2 407 603
Palm for Club Management S.A.E	A subsidiary	Finance	228 682 691
Palm Alexandria for Real Estate S.A.E	A subsidiary	Finance	30 000
Arkan Palm for Real Estate Development S.A.E	A subsidiary	Finance	17 760
Palm for Urban Development	A subsidiary	Finance	1 468 309 764
Asten collage for Real Estate Development	A subsidiary	Finance	49 290
Palm for construction and real state development	A subsidiary	Finance	266 081

**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	1 390 057 419
Royal Gardens for Real Estate Investment Company S.A.E	Due from related parties	(4 654 829)
Middle East Company for Real Estate and Touristic Investment S.A.E	Due from related parties	(155 579 440)
Gawda for Trade Services S.A.E	Due from related parties	(56 953 774)
Rakeen Egypt for Real Estate Investment S.A.E	Due to related parties	113 384 517
Saudi Urban Development Company S.A.E	Due to related parties	24 589 907
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	223 048 559
East New Cairo for Real Estate Development S.A.E	Due from related parties	(149 243 821)
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	26 414 324
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	69 234 671
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 from related parties	(4 103 939)
Palm Gemsha for Hotels S.A.E	Due to related parties	30 050
Palm North Coast Hotels S.A.E	Due to related parties	26 858
Palm for Real Estate Development S.A.E	Due to related parties	(10 876 414)
Palm for Investment and Real Estate Development	Due from related parties	629 128
Palm Hills Properties	Due to related parties	14 816 061
Palm Hills Development of Tourism and Real Estate	Due to related parties	(15 113 207)
Palm Hills for Investment Tourism	Due to related parties	64 003 121
Palm Hills Resorts	Due to related parties	274 609
Palm Hills Hospitality S.A.E	Due to related parties	100 333 074
Palm Hills Education S.A.E	Due to related parties	1 529 971
Palm Hills – Saudi S.A.E	Due to related parties	269 320
Coldwell Banker - Palm Hills for Real Estate S.A.E	Due to related parties	20 480
Palm for Urban Development	Due to related parties	(3 831 507)
Palm for Club Management S.A.E	Due from related parties	(29 442 295)
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	22 612 513
Palm for Constructions And Real Estate Development S.A.E	Due from related parties	<u>(233 919)</u>

**62. TAX STATUS**

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

**a) Corporate tax**

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

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

- Years 2010 to 2012

These years are currently being inspected.

- Years 2013 to 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.

**63. EARNINGS PER SHARE**

	<u>31 Dec. 2018</u>	<u>31 Dec. 2017</u>
	<u>EGP</u>	<u>EGP</u>
Net profit for the period	811 741 618	805 637 537
<b><u>Divided by: -</u></b>		
Weighted average number of shares	2 373 087 218	2 308 949 726
<b>Earnings per share</b>	<b>0,342</b>	<b>0,349</b>

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

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