

**PALM HILLS DEVELOPMENTS COMPANY**  
**(An Egyptian Joint Stock Company)**  
**Consolidated Financial Statements**  
**For The Year Ended 31 Dec. 2017**

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

**As of 31 Dec. 2017**

	<b><u>Note no.</u></b>	<b><u>31/12/2017</u></b>	<b><u>31/12/2016</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)	83 615 199	79 225 699
Investment property	(11f, 32)	758 689 762	888 506 292
Notes receivable - long term	(16-34)	11 356 555 019	7 300 039 694
Projects under construction	(12-35)	882 472 515	877 766 742
Advance payments for investments acquisition	(43)	184 335 633	184 335 633
Fixed assets (net)	(13-36)	347 277 770	351 608 405
Deferred tax assets	(22b)	5 484 541	10 302 108
Employee stock ownership plan (ESOP)		83 414 346	81 286 779
Other long-term assets		1 390 733	1 390 733
<b>Total non-current assets</b>		<b>13 703 235 518</b>	<b>9 774 462 085</b>
<b><u>Current assets</u></b>			
Works in process	(14-37)	9 193 761 444	6 410 745 955
Held-to-maturity investments	(11d -33)	467 935 233	153 328 081
Cash and cash equivalents	(28-38)	562 030 358	808 516 570
Notes receivable - short term	(16-34)	3 012 452 628	3 295 528 203
Investments at fair value through profit and loss	(11e)	51 426 615	58 471 043
Accounts receivable	(39)	883 343 556	757 056 711
Suppliers - advance payments		486 083 502	489 064 327
Debtors and other debit balances	(40)	589 210 845	218 476 677
Guaranteed payments –joint arrangement	(41)	50 000 000	40 000 000
Due from related parties	(25-42-62)	251 407 887	244 124 840
<b>Total current assets</b>		<b>15 547 652 068</b>	<b>12 475 312 407</b>
<b><u>Current liabilities</u></b>			
Banks - credit balances	(44)	50 560 568	42 176 487
Bank- over draft	(45)	374 695 728	79 410 353
Advances from customers	(46)	10 132 168 063	7 744 755 120
Completion of infrastructure liabilities	(20)	95 083 418	95 083 418
Provisions	(18)	240 243 801	169 386 850
Current portion of land purchase liabilities	(19-47)	102 492 926	60 651 029
Investment purchase liabilities	(49)	--	44 256 746
Notes payable - short term	(50a)	1 239 624 510	974 301 860
Current portion of term loans	(51)	979 573 992	541 014 619
Suppliers & contractors		543 392 278	448 465 529
Income tax payable	(22a)	162 100 332	126 628 749
Creditors & other credit balances	(52)	523 427 753	522 256 001
Joint shares arrangement - short term		174 561 987	160 424 409
Due to related parties	(25-48-62)	96 617 006	131 333 860
<b>Total current liabilities</b>		<b>14 714 542 362</b>	<b>11 140 145 030</b>
<b>Working capital</b>		<b>833 109 706</b>	<b>1 335 167 377</b>
<b>Total investment</b>		<b>14 536 345 224</b>	<b>11 109 629 462</b>
<b><u>Financed as follows:</u></b>			
<b><u>Shareholders' equity</u></b>			
Share capital	(53)	4 617 899 452	4 617 899 452
Legal reserve	(55a)	682 810 544	630 142 410
Special reserve	(55b)	476 064 168	524 212 885
ESOP Re-Measurement Reserve		43 010 431	31 492 645
Retained earnings		76 127 305	(222 478 993)
Net profit for the year		805 637 537	639 795 380
<b>Equity attributable to equity holders of the parent</b>		<b>6 701 549 437</b>	<b>6 221 063 779</b>
<b>Non-controlling interest</b>		<b>538 436 217</b>	<b>412 151 516</b>
<b>Total shareholders' equity</b>		<b>7 239 985 654</b>	<b>6 633 215 295</b>
<b><u>Non-current liabilities</u></b>			
Land purchase liabilities	(19-47)	335 844 111	169 799 525
Notes payable - long term	(50b)	1 912 929 075	612 700 591
Other long-term liabilities – Residents' Association	(54)	1 083 208 314	736 444 356
Loans	(51)	3 228 805 475	2 957 469 695
joint share arrangement– long terms		735 572 595	--
<b>Total non-current liabilities</b>		<b>7 296 359 570</b>	<b>4 476 414 167</b>
<b>Total equity and non-current liabilities</b>		<b>14 536 345 224</b>	<b>11 109 629 462</b>

- The accompanying notes from (1) to (65) form an integral part of these financial statements and are to be read therewith

Chief Financial Officer

Chairman

Ali Thabet

Yasseen Mansour

**PALM HILLS DEVELOPMENTS COMPANY S.A.E**  
**CONSOLIDATED STATEMENT OF INCOME (PROFIT OR LOSS)**  
**For The Year Ended 31 Dec. 2017**

	<u>Note No.</u>	<u>31/12/2017 EGP</u>	<u>31/12/2016 EGP</u>
<b>Revenues</b>	(27a, 57)	<b>6 603 539 043</b>	<b>5 630 638 584</b>
<b><u>Deduct: -</u></b>			
Cost of revenues	(26, 58)	4 385 905 845	3 886 883 392
Cash discount		114 342 545	64 593 041
<b>Total cost</b>		<b>4 500 248 390</b>	<b>3 951 476 433</b>
<b>Gross profit</b>		<b>2 103 290 653</b>	<b>1 679 162 151</b>
<b><u>Deduct: -</u></b>			
Interest of discount on notes receivable		--	--
General administrative, selling and marketing expenses	(59)	756 283 947	664 116 093
Interest on land purchase liabilities		124 024 113	118 644 138
Provision		70 308 394	52 734 530
Administrative depreciation	(18)	20 475 587	13 991 204
Notes receivable discounting charges		116 440 833	--
Refundable land installment interest		(163 568 444)	--
Finance costs & interests		207 738 198	57 581 565
		<b>1 131 702 628</b>	<b>907 067 530</b>
<b><u>Add: -</u></b>			
Interest income – amortization of discount on notes receivables	(60)	67 191 259	46 061 177
Gains on investments in fair value through profit or loss		6 010 673	5 812 829
Interest income on held-to-maturity investments		58 570 518	89 201 435
		<b>131 772 450</b>	<b>141 075 441</b>
<b>Net profit for the year before income tax &amp; non-controlling interest</b>		<b>1 103 360 475</b>	<b>913 170 062</b>
<b><u>Deduct: -</u></b>			
Deferred tax	(22a)	4 789 546	1 603 256
Income tax expense	(22b)	162 100 333	126 311 226
<b>Net profit for the year before &amp; non-controlling interest</b>		<b>936 470 596</b>	<b>785 255 580</b>
<b><u>Deduct: -</u></b>			
Non-controlling interest share- subsidiaries		130 833 059	145 460 200
<b>Net profit for the year after income tax &amp; non-controlling interest</b>		<b>805 637 537</b>	<b>639 795 380</b>
<b>Earnings per share</b>	(24, 64)	<b>0.349</b>	<b>0.277</b>

- The accompanying notes from (1) to (65) form an integral part of these financial statements and are to be read therewith.

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

**Chairman**  
**Yasseen Mansour**

**PALM HILLS DEVELOPMENTS COMPANY S.A. E**  
**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**For The Year Ended 31 Dec. 2017**

	<u>31/12/2017</u>	<u>31/12/2016</u>
	<u>EGP</u>	<u>EGP</u>
Net profit for the year	805 637 537	639 795 380
Other comprehensive income	--	--
<b>Total comprehensive income for the year, net of tax</b>	<b><u>805 637 537</u></b>	<b><u>639 795 380</u></b>
<b><u>Attributable to: -</u></b>		
Equity holders of the parent	805 637 537	639 795 380
Non-controlling interests	130 833 059	145 460 200
	<b><u>936 470 596</u></b>	<b><u>785 255 580</u></b>

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

**Chairman**  
**Yasseen Mansour**

**PALM HILLS DEVELOPMENTS COMPANY S.A. E**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**For The Year Ended 31 Dec. 2017**

	<u>Note No.</u>	<u>31/12/2017</u>	<u>31/12/2016</u>
		<u>EGP</u>	<u>EGP</u>
Net profit for the year before income tax & non-controlling interest		1 103 360 475	913 170 062
<b><u>Adjustments to reconcile net profit to net cash from operating activities</u></b>			
Interest on land purchase liabilities		124 024 113	118 644 138
Administrative depreciation	(36)	36 819 507	28 961 212
Provision		70 308 394	52 734 530
Finance costs & interests		207 738 198	57 581 565
Interest of discount on Notes receivable		116 440 833	--
Share of profit / loss of associates		(4 389 500)	(719 209)
Gain (loss) on disposal of fixed assets	(34)	(1 538 334)	(32 642)
Interest income – amortization of discount on notes receivables		(67 191 259)	(46 061 177)
Gains on investments in fair value through profit or loss		(6 010 673)	(5 812 829)
Interest income on held to maturity investments		(58 570 518)	(89 201 435)
Recoverable interest on land purchase liabilities		(163 568 444)	--
<b>Operating profit before changes in working capital items</b>		<b>1 357 422 792</b>	<b>1 029 264 215</b>
<b><u>Changes in working capital items</u></b>			
Change in work in process	(14-37)	(2 090 446 143)	(276 748 883)
Change in notes receivables	(16-34)	(3 706 248 492)	(3 632 190 523)
Change in investments in fair value through profit or loss	(11e)	(314 607 151)	8 641 668
Change in held-to-maturity investments		7 044 426	459 717 613
Change in accounts receivable	(39)	(126 286 845)	(53 027 367)
Change in suppliers - advance payments		2 980 824	(104 286 971)
Change in debtors & other debit balances	(40)	(370 734 168)	(43 622 480)
Change in guaranteed payments – joint arrangement	(41)	(10 000 000)	(40 000 000)
Change in due from related parties	(25-42)	(7 283 048)	(71 732 945)
Change in advances from customers	(46)	2 387 412 944	1 495 322 941
Change in completion of infrastructure liabilities	(20)	--	(78 564 711)
Change in Investment purchase liabilities		(44 256 746)	--
Provisions		548 557	(191 503)
Change in due to related parties	(25-48)	(34 716 854)	(94 985 124)
Change in notes payable		1 605 095 464	846 133 526
Change in suppliers & contractors		94 926 752	41 615 588
Income tax paid		(126 628 750)	(46 313 923)
Change in creditors and other credit balances	(52)	1 171 752	176 887 588
Change in other long term – Residents' Association		346 763 958	250 844 330
Change in due to joint arrangement partners		749 710 173	160 424 409
<b>Net cash (used in) provided by operating activities</b>		<b>(278 130 555)</b>	<b>27 187 448</b>
<b><u>Cash flows from investing activities</u></b>			
Payments for purchase of fixed assets	(36)	(38 328 773)	(51 218 379)
Proceeds from sale of fixed assets	(36)	1 559 618	47 600
payments for projects under construction	(12-35)	(24 812 079)	(19 112 467)
Proceeds from real estate investment		128 066 108	--
Proceeds from investments in fair value through profit or loss		6 010 673	5 812 829
Interest income on held-to-maturity investments		58 570 518	89 201 435
<b>Net cash provided by (used in) investing activities</b>		<b>131 066 065</b>	<b>24 731 018</b>
<b><u>Cash flows from financing activities</u></b>			
Banks - credit balances	(44)	8 384 081	11 141 432
Banks - overdraft	(45)	295 285 374	(826 614)
Non-controlling interest – dividends		(4 548 358)	(4 083 109)
Deferred tax		28 021	42 729
Proceeds from ESOP		9 390 219	3 565 344
Dividends		--	(373 668 512)
Repayment of borrowings		(306 944 000)	(93 370 892)
Special reserve		(48 148 717)	--
Proceeds from loans	(51)	559 831 636	592 753 918
Adjustments to retained earnings		(288 520 947)	(287 044 175)
Finance costs & interests paid		(324 179 031)	(57 581 565)
<b>Net cash (used in) provided by financing activities</b>		<b>(99 421 722)</b>	<b>(209 071 444)</b>
Net increase in cash and cash equivalents during the year		(246 486 212)	(157 152 978)
Cash and cash equivalents at beginning of the year		808 516 570	965 669 548
<b>Cash and cash equivalents as at 31 Dec. 2017</b>	(28-38)	<b>562 030 358</b>	<b>808 516 570</b>

- Non- Cash transactions are excluded from the cash flow statement.
- The accompanying notes from (1) to (65) form an integral part of these financial statements and are to be read therewith.

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

**Chairman**  
**Yasseen Mansour**

**PALM HILLS DEVELOPMENTS COMPANY S.A. E**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**For The Year Ended 31 Dec. 2017**

<u>Note No.</u>	<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 year</u>	<u>Total</u>	<u>Non- controlling interest</u>	<u>Total Shareholders' equity</u>
<b>Balance as at 1 January 2016</b>	4 344 640 000	585 103 921	524 212 885	--	(212 391 123)	915 563 280	6 157 128 963	270 774 426	6 427 903 389
Transferred to retained earnings	--	--	--	--	915 563 280	(915 563 280)	--	--	--
Share capital increase	219 899 974	--	--	--	(219 899 974)	--	--	--	--
Amounts set aside for Employee stock ownership plan (ESOP)	53 359 478	--	--	--	--	--	53 359 478	--	53 359 478
Transferred to legal reserve	--	45 038 489	--	--	(45 038 489)	--	--	--	--
Reserve for ESOP re-measurement	--	--	--	31 492 645	--	--	31 492 645	--	31 492 645
Adjustments to retained earnings	--	--	--	--	(287 044 175)	--	(287 044 175)	--	(287 044 175)
Dividends	--	--	--	--	(373 668 512)	--	(373 668 512)	(4 083 109)	(377 751 621)
Net profit for the year	--	--	--	--	--	639 795 380	639 795 380	145 460 199	785 255 579
<b>Balance as at 31 Dec. 2016</b>	<b><u>4 617 899 452</u></b>	<b><u>630 142 410</u></b>	<b><u>524 212 885</u></b>	<b><u>31 492 645</u></b>	<b><u>(222 478 993)</u></b>	<b><u>639 795 380</u></b>	<b><u>6 221 063 779</u></b>	<b><u>412 151 516</u></b>	<b><u>6 633 215 295</u></b>
<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)	--	--	--	--
Adjustments to special reserve	--	--	(48 148 717)	--	--	--	(48 148 717)	--	(48 148 717)
Reserve for ESOP re-measurement	--	--	--	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 year	--	--	--	--	--	805 637 537	805 637 537	130 833 059	936 470 596
<b>Balance as at 31 Dec. 2017</b>	<b><u>4 617 899 452</u></b>	<b><u>682 810 544</u></b>	<b><u>476 064 168</u></b>	<b><u>43 010 431</u></b>	<b><u>76 127 305</u></b>	<b><u>805 637 537</u></b>	<b><u>6 701 549 437</u></b>	<b><u>538 436 217</u></b>	<b><u>7 239 985 654</u></b>

-The accompanying notes from (1) to (65) 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. 2017**

**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 Dec. 2017 were authorized for issue by the board of directors on the first of November 2017.

**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 1,390.80 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 3237.49 acres approx. which is located at Sidi Abdel Rahman, El Alamin, Marsa Matrouh Governorate, land with a total area of 22.68 acres approx. located at Hurghada.

### **b) Other activity**

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

### **c) Joint Arrangement**

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

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

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

Palm Hills Developments Company and Palm for Urban Development Company (real-estate developer) has contracted with The Urban Communities Authority (owner) for the development of integrated residential project (Oasis Of October) 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.



### **-Palm for Investment And Real Estate Development**

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

### **-Palm Real Estate Development**

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

### **-Palm Hills Development of Tourism and Real Estate**

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

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

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

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

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

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

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

**1- Direct investments in associates and subsidiaries**

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

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

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

**- Gawda for Trade Services S.A. E**

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

- **New Cairo for Real Estate Developments S.A. E**  
New Cairo for Real Estate Development S.A. E. is registered in Egypt under commercial registration number 12613 under the provisions of the Investment Guarantees and Incentives Law No. 8 of 1997 and the Companies' Law No. 159 of 1981 and the Capital Market Law No. 95 of 1992. The company is located in plot 36 South investors' area in new Cairo. The company is engaged in construction, management, and the sale of hotels, motels, buildings and residential compounds and the purchase, development, diving and sale of land.
- **Rakeen Egypt for Real Estate Investment S.A. E**  
Rakeen Egypt for Real Estate Investment S.A. E is registered in Egypt under commercial registration number 34611 under the provisions of the Investment Guarantees and Incentives Law No. 8 of 1997 and the Companies' Law No. 159 of 1981 and the statutes of Capital Market Law No. 95 of 1992. The company is located in 6<sup>th</sup> of October City. The company is engaged in leasing, construction and operation of hotels, motels, resorts and residential compounds, construction, generation of electricity, desalination of water, land acquisition, diving and constructing villas, residential units and offices malls and the marketing thereof.
- **Palm for Real Estate Development S.A. E**  
Palm for Real Estate Development S.A. E is registered in Egypt under commercial registration number 83974 under the provisions of the Companies' Law No. 159 of 1981 and the statutes of the Capital Market Law No. 95 of 1992. The company is engaged in real estate investment.
- **Palm for Investment & Real Estate Development S.A. E**  
Palm for Investment & Real Estate Development S.A. E is registered in Egypt under commercial registration number 85861 under the provisions of the Companies' Law No. 159 of 1981 and the statutes of the Capital Market Law No. 95 of 1992. The company is engaged in real estate investment and real estate marketing.
- **Palm Hills Development of Tourism and Real Estate S.A. E**  
Palm Hills Development of Tourism and Real Estate S.A. E is registered in Egypt under commercial registration number 92998 under the provisions of the Companies' Law No. 159 of 1981 and the statutes of the Capital Market Law No. 95 of 1992. The company is engaged in real estate investment and real estate marketing.
- **Palm Hills for Tourism Investment S.A. E**  
Palm Hills for Tourism Investment S.A. E is registered in Egypt under commercial registration number 93156 under the provisions of the Companies' Law No. 159 of 1981 and the statutes of the Capital Market Law No. 95 of 1992. The company is engaged in real estate investment and real estate marketing.  
  
The Company has not started its business yet.

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

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

The Company has not started its business yet.

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

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

The Company has not started its business yet.

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

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

The Company has not started its business yet.

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

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

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

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

The Company has not started its business yet.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The Company has not started its business yet.

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

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

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

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

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

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

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

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

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

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

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

### **- Asten College for Education**

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

The Company has not started its business yet.

## **9. STATEMENT OF COMPLIANCE**

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

## **10. SIGNIFICANT ACCOUNTING POLICIES APPLIED**

### **a) Basic of consolidated financial statements preparation**

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

### **b) Basic of consolidation**

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

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

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

### **c) Consolidation procedures**

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

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



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

**d) Business combination**

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

Acquisition-related costs are expensed as incurred.

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

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

**e) Intangible assets**

**1- Goodwill**

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

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

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

**2- Other intangible assets**

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

**f) Use of estimates and judgments**

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

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

**g) Changes in accounting policies**

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

## **h) Bookkeeping**

### **1- Functional and presentation currency**

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

### **2- Foreign currency transactions and balances**

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

## **i) Operating segment**

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

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

## **11. INVESTMENTS**

### **a) Investments in subsidiaries**

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

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

### **b) Investments in associates**

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

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

**c) Financial investments available for sale**

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

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

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

**d) Held-to-maturity investments**

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

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

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

**e) Investments at fair value through profit and loss**

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

**f) Investments properties**

Investment property is property (land or a building or both) held to earn rentals or for capital appreciation or both, rather than for use in the ordinary course of business. Investment property includes lands held for sale on long term. Investment property does not include property acquired exclusively with a view to subsequent disposal in the near future or for development and resale. Investment property 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. 2017</u>	<u>31 Dec. 2016</u>
	<u>EGP</u>	<u>EGP</u>
Naema for Touristic & Real Estate Investments S.A. E	63 003 799	58 614 299
Villamora for Real Estate Development Company S.A. E	20 366 400	20 366 400
Coldwell Banker -Palm Hills for Real Estate S.A. E	245 000	245 000
<b>Balance as at 31 Dec. 2017</b>	<b><u>83 615 199</u></b>	<b><u>79 225 699</u></b>

	<u>Assets</u>	<u>Liabilities</u>	<u>Shareholders'</u>	<u>Revenues</u>	<u>Expenses</u>
			<u>equity</u>		
Naema for Touristic & Real Estate Investments	147 368 527	21 346 017	126 022 510	25 208 004	16 107 926
Palm Hills for Real Estate -Coldwell Banker	500 000	--	500 000	--	--

### **32. INVESTMENT PROPERTY**

	<u>Acre</u>	<u>31 Dec. 2017</u>	<u>31 Dec. 2016</u>
		<u>EGP</u>	<u>EGP</u>
<b><u>Lands</u></b>			
Palm Hills Development Company S.A. E	1759	212 027 278	212 027 278
Palm Hills Middle East Company for Real Estate Investment S.A. E *	2383.28	392 785 983	529 111 484
Gamsha for Tourist Development S.A. E	22.679	114 338 258	113 526 025
		<b><u>719 151 519</u></b>	<b><u>854 664 787</u></b>

#### **Buildings**

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

Cost of shops of 88 Street Mall.	42 455 614	35 008 454
Accumulated depreciation	(2 917 371)	(1 166 949)
<b>Net cost of shops</b>	<b><u>39 538 243</u></b>	<b><u>33 841 505</u></b>
<b>Balance as at 31 Dec. 2017</b>	<b><u>758 689 762</u></b>	<b><u>888 506 292</u></b>

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

	<u>Face value</u>	<u>Unrecognized investment</u>	<u>Average return</u>	<u>Purchase price</u>
	<u>EGP</u>	<u>return</u>	<u>rate</u>	<u>EGP</u>
		<u>EGP</u>	<u>%</u>	
Palm Hills Development	133 300 000	12 062 026	%15	121 237 974
Palm Hills Middle East Company for Real Estate Investment	93 100 000	9 191 774	%15	83 908 226
East New Cairo for Real Estate Development	70 800 000	6 569 333	%15	64 230 667
Gawda for Trade Services	6 225 000	436 437	%15	5 788 563
Middle East Company for Real Estate and Touristic Investment	12 475 000	1 271 158	%15	11 203 842
New Cairo for Real Estate Development	25 675 000	386 552	%15	25 288 448
Rakeen Egypt for Real Estate Investment	61 300 000	6 754 222	%15	54 545 778
Royal Gardens for Real Estate Investment Company	55 875 000	3 157 653	%15	52 717 347
Saudi Urban Development Company	53 675 000	4 660 612	%15	49 014 387
<b>Balance as at 31 Dec. 2017</b>	<b><u>512 425 000</u></b>	<b><u>44 489 767</u></b>		<b><u>467 935 233</u></b>

### **34. NOTES RECEIVABLE**

	<u>31 Dec. 2017</u>	<u>31 Dec. 2016</u>
	<u>EGP</u>	<u>EGP</u>
Short term notes receivable	3 165 575 448	3 415 881 491
Deduct:		
Notes receivable of joint venture	72 597 288	53 162 030
Unamortized discount	<u>80 525 532</u>	<u>67 191 258</u>
	<u><b>3 012 452 628</b></u>	<u><b>3 295 528 203</b></u>
Long term notes receivable	11 806 104 958	7 679 774 091
Deduct:		
Notes receivable of joint venture	302 770 647	242 524 406
Unamortized discount	<u>146 779 292</u>	<u>137 209 991</u>
	<u><b>11 356 555 019</b></u>	<u><b>7 300 039 694</b></u>
<b>Balance as at 31 Dec. 2017</b>	<u><b>14 369 007 647</b></u>	<u><b>10 595 567 897</b></u>

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

### **35. PROJECTS UNDER CONSTRUCTION**

	<u>31 Dec. 2017</u>	<u>31 Dec. 2016</u>
	<u>EGP</u>	<u>EGP</u>
Land	340 104 665	340 104 665
Construction of Golf Club and Hotel in 6th of October City	453 864 348	453 864 348
Constructions, Consultation and designs fees	38 073 590	51 580 227
Mall (8)	<u>50 429 912</u>	<u>32 217 502</u>
<b>Balance as at 31 Dec. 2017</b>	<u><b>882 472 515</b></u>	<u><b>877 766 742</b></u>

**36. FIXED ASSETS**

	<u>Cost as of</u> <u>Jan. 1,2017</u>	<u>Additions during</u> <u>the year</u>	<u>Disposals</u> <u>during the</u> <u>year</u>	<u>Cost as of</u> <u>Dec. 31,2017</u>	<u>Accumulated</u> <u>depreciation as</u> <u>of Jan. 1, 2017</u>	<u>Depreciation</u> <u>for the year</u>	<u>Depreciation</u> <u>of Disposals</u>	<u>Accumulated</u> <u>depreciation as</u> <u>of</u> <u>Dec. 31,2017</u>	<u>Net book</u> <u>value as of</u> <u>Dec. 31,2017</u>	<u>Net book</u> <u>value as of</u> <u>Dec. 31,2016</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>	<u>EGP</u>
Land	18 920 662	--	--	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	314 305 966
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	41 683 188
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	2 525 197
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	21 825 770
Leasehold improvements	17 701 066	3 800 390	--	21 501 456	17 092 507	562 108	--	17 654 615	3 846 841	608 559
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	18 778 550
<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>	<b><u>418 647 892</u></b>
Impairment of Macor									(2 500 000)	(2 500 000)
Impairment of assets									(64 539 487)	(64 539 487)
<b>Balance as at 31 Dec. 2017</b>									<b><u>347 277 770</u></b>	<b><u>351 608 405</u></b>

**- Fixed assets depreciation For The Year Ended 31 Dec. 2017 was allocated as follows:**

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

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

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

Fixed assets (net) balance as at 31 Dec. 2016 amounted to EGP 817 308 235 represented as follows:

	<u>Cost as of Jan. 1,2016</u>	<u>Additions during the year</u>	<u>Disposals during the year</u>	<u>Cost as of Dec. 31,2016</u>	<u>Accumulated depreciation as of Jan. 1, 2016</u>	<u>Depreciation for the year</u>	<u>Accumulated depreciation of disposals</u>	<u>Accumulated depreciation as of 31 Dec.,2016</u>	<u>Net book value as of Dec. 31,2016</u>	<u>Net book value as of Dec. 31,2015</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>	<u>EGP</u>
Land	18 920 662	--	--	18 920 662	--	--	--	--	18 920 662	18 920 662
Buildings	509 623 460	150 702	--	509 774 162	179 792 340	15 675 856	--	195 468 196	314 305 966	335 129 973
Machinery & equipment	114 730 811	24 098 820	24 741	138 804 890	89 420 963	7 725 480	24 741	97 121 702	41 683 188	18 252 396
Vehicles	15 623 582	1 676 300	105 000	17 194 882	14 297 422	477 263	105 000	14 669 685	2 525 197	833 033
Computer equipment	37 849 806	16 808 839	384 796	54 273 849	26 190 974	6 630 757	373 652	32 448 079	21 825 770	5 673 764
Leasehold improvements	17 686 292	14 774	--	17 701 066	16 851 733	240 774	--	17 092 507	608 559	962 162
Furniture	52 304 194	8 468 944	134 414	60 638 724	38 523 267	3 467 507	130 600	41 860 174	18 778 550	5 045 115
<b>Total cost</b>	<b><u>766 738 807</u></b>	<b><u>51 218 379</u></b>	<b><u>648 951</u></b>	<b><u>817 308 235</u></b>	<b><u>365 076 699</u></b>	<b><u>34 217 637</u></b>	<b><u>633 993</u></b>	<b><u>398 660 343</u></b>	<b><u>418 647 892</u></b>	<b><u>384 817 105</u></b>
Impairment of Macor									(2 500 000)	(2 500 000)
Impairment of assets									(64 539 487)	(64 539 487)
<b>Balance as at 31 Dec. 2016</b>									<b><u>351 608 405</u></b>	<b><u>31 777 618</u></b>

- Fixed assets depreciation for the year ended 31 Dec. 2016 was allocated as follows:

	<u>EGP</u>
Operating assets-work in process	6 423 374
Administrative depreciation (income statement)	12 824 256
Depreciation expense of hotel operations	6 245 862
Depreciation expense of Palm Hills Club's assets - club's operating statement	8 724 145
	<b><u>34 217 637</u></b>

- Capital Gains for the year ended 31 Dec. 2016 amounted to EGP 32 642as follows:

	<u>EGP</u>	<u>EGP</u>
Proceed from sale of fixed assets		47 600
Deduct:		
Cost of assets sold	648 951	
Accumulated depreciation of assets sold	633 993	
Carrying amount of assets sold		<b><u>14 958</u></b>
		<b><u>32 642</u></b>



**37. WORK IN PROCESS**

	<u>Total as at</u> <u>31 Dec. 2017</u> <u>EGP</u>	<u>As at</u> <u>31 Dec. 2016</u> <u>EGP</u>	<u>Cost of sales recognized</u> <u>in income statement</u>		<u>31 Dec. 2017</u> <u>EGP</u>	<u>31 Dec. 2016</u> <u>EGP</u>
			<u>For the year</u> <u>Ended</u> <u>31 Dec. 2017</u> <u>EGP</u>			
Land acquisition cost	7 342 373 014	2 822 604 532	756 066 671		3 763 701 811	1 998 407 897
Cost of construction	15 805 447 885	7 476 526 215	2 901 983 592		5 426 938 078	4 397 216 503
Completed units ready for sale	187 907 169	172 785 614	12 000 000		3 121 555	15 121 555
<b>Balance as at 31 Dec. 2017</b>	<b>23 335 728 068</b>	<b>10 471 916 361</b>	<b>3 670 050 263</b>		<b>9 193 761 444</b>	<b>6 410 745 955</b>

\* Borrowing cost capitalized on work in process for the year ended 31 Dec. 2017 amounted to EGP 943 581 798.

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

	<b><u>31 Dec. 2017</u></b>	<b><u>31 Dec. 2016</u></b>
	<b><u>EGP</u></b>	<b><u>EGP</u></b>
Banks-current accounts- EGP	384 315 226	405 401 961
Banks-current accounts- foreign currency	8 767 766	20 135 726
Banks – Deposits- EGP	96 391 757	350 101 394
Cash on hand- EGP	72 555 608	32 877 489
<b>Balance as at 31 Dec. 2017</b>	<b><u>562 030 358</u></b>	<b><u>808 516 570</u></b>

### **39. ACCOUNTS RECEIVABLE**

	<b><u>31 Dec. 2017</u></b>	<b><u>31 Dec. 2016</u></b>
	<b><u>EGP</u></b>	<b><u>EGP</u></b>
Palm Hills Developments Company customers	314 044 360	248 358 902
Palm Hills Middle East Company for Real Estate Investment customers	137 342 125	134 409 733
Royal Gardens for Real Estate Investment Company customers	20 224 807	23 854 680
New Cairo for Real Estate Developments customers	2 492 248	2 432 862
Gawda for Trade Services customers	2 293 119	4 906 414
Saudi Urban Development Company customers	51 945 880	50 229 087
Rakeen Egypt for Real Estate Investment customers	96 359 876	115 164 240
East New Cairo for Real Estate Development customers	78 831 176	101 801 380
Middle East Company for Real Estate and Touristic Investment customers	14 897 656	28 179 947
United Engineering for Construction	14 417 526	3 800 381
Palm Real Estate Development	44 002 071	43 879 972
Palm For Investment And Real Estate Development	105 757 291	39 112
Palm Hills Development of Tourism and Real Estate	460 662	--
Palm Hills Properties	8 316	--
Palm for Clubs Management	266 441	--
<b>Balance as at 31 Dec. 2017</b>	<b><u>883 343 556</u></b>	<b><u>757 056 711</u></b>

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

	<b><u>31 Dec. 2017</u></b>	<b><u>31 Dec. 2016</u></b>
	<b><u>EGP</u></b>	<b><u>EGP</u></b>
Investments debtors	5 017 830	5 011 455
Deposits with others	60 100 110	5 641 802
Prepaid expenses	51 423 688	18 833 154
Loans to employee & custodies	10 826 676	8 315 790
Due from City for Real Estate Development Company	5 522 741	5 522 741
Advance payments for land acquisition	185 491 785	118 982 019
Withholding tax from source	8 302 885	--
Letter of Guarantee	4 557 606	--
Residents' Association	236 750 958	32 050 330
Other debit balances	21 216 566	24 119 386
<b>Balance as at 31 Dec. 2017</b>	<b><u>589 210 845</u></b>	<b><u>218 476 677</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. 2017</u>	<u>31 Dec. 2016</u>
	<u>EGP</u>	<u>EGP</u>
Partners in Hacienda west-project	--	40 000 000
Partners in Oasis of October	50 000 000	--
<b>Balance as at 31 Dec. 2017</b>	<b><u>50 000 000</u></b>	<b><u>40 000 000</u></b>

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

	<u>31 Dec. 2017</u>	<u>31 Dec. 2016</u>
	<u>EGP</u>	<u>EGP</u>
Al Ethadia for Real Estate S.A. E	193 583 942	185 563 424
Al Naeem for investments	48 755 256	48 755 256
Coldwell Banker -Palm Hills for Real Estate S.A. E	20 480	20 480
Novotel Cairo 6th Of October S.A. E	2 570 711	2 510 272
Palm Hills Education S.A. E	--	184 125
Mercure Ismailia Hotel S.A. E	6 208 178	6 821 963
Palm Hills – Saudi	269 320	269 320
<b>Balance as at 31 Dec. 2017</b>	<b><u>251 407 887</u></b>	<b><u>244 124 840</u></b>

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

	<u>Nature of transaction</u>	<u>31 Dec. 2017</u>	<u>31 Dec. 2016</u>
		<u>EGP</u>	<u>EGP</u>
Palm Hills – Saudi	Establishment	135 121 743	135 121 743
Villamora for Real Estate Development Company S.A. E	Acquisition	3 900 000	3 900 000
Gamsha for Tourist Development S.A. E	Acquisition	4 010 000	4 010 000
Al Naeem for Hotels and Touristic Villages	Acquisition	41 303 890	41 303 890
<b>Balance as at 31 Dec. 2017</b>		<b><u>184 335 633</u></b>	<b><u>184 335 633</u></b>

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

	<u>31 Dec. 2017</u>	<u>31 Dec. 2016</u>
	<u>EGP</u>	<u>EGP</u>
Banks –EGP	48 651 560	40 248 216
Banks-foreign currencies	1 908 978	1 928 271
<b>Balance as at 31 Dec. 2017</b>	<b><u>50 560 568</u></b>	<b><u>42 176 487</u></b>

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

	<u>31 Dec. 2017</u>	<u>31 Dec. 2016</u>
	<u>EGP</u>	<u>EGP</u>
Arab - Bank	136 474 177	--
CIB - Bank	238 221 551	79 410 353
<b>Balance as at 31 Dec. 2017</b>	<b><u>374 695 728</u></b>	<b><u>79 410 353</u></b>

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

	<u>Down payments</u>	<u>Advances for contracting</u>	<u>31 Dec. 2017</u>
	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>
Palm Hills Developments Company	28 383 399	2 289 899 605	2 318 283 004
Palm Hills Middle East Company for Real Estate Investment	2 002 065	976 139 387	978 141 452
Royal Gardens for Real Estate Investment Company	--	14 964 085	14 964 085
New Cairo for Real Estate Developments	--	3 627 438	3 627 438
Gawda for Trade Services	--	280 442	280 442
Saudi Urban Development Company	11 406 483	562 349 740	573 756 223
Rakeen Egypt for Real Estate Investment	9 106 884	1 298 768 993	1 307 875 877
East New Cairo for Real Estate Development	1 952 635	562 480 901	564 433 536
Middle East Company for Real Estate and Touristic Investment	414 338	33 741 296	34 155 634
United Engineering for Construction	135 003 944	--	135 003 944
Palm for Real Estate Development S.A. E	2 277 678	952 254 601	954 532 279
Palm for Investment & Real Estate Development	62 070 274	2 628 550 212	2 690 620 486
Palm Hills Development of Tourism and Real Estate	15 264 318	539 243 174	554 507 492
Palm Hills Properties	--	1 876 536	1 876 536
Palm for Clubs Management	109 635	--	109 635
<b>Balance as at 31 Dec. 2017</b>	<b><u>267 991 653</u></b>	<b><u>9 864 176 410</u></b>	<b><u>10 132 168 063</u></b>

**47. LAND PURCHASE LIABILITIES**

	<u>31 Dec. 2017</u> <u>EGP</u>	<u>31 Dec. 2016</u> <u>EGP</u>
Land purchase liabilities - short term	102 492 926	60 651 029
Land purchase liabilities - long term	335 844 111	169 799 525
<b>Balance as at 31 Dec. 2017</b>	<b><u>438 337 037</u></b>	<b><u>230 450 554</u></b>

**48. DUE TO RELATED PARTIES**

	<u>31 Dec. 2017</u> <u>EGP</u>	<u>31 Dec. 2016</u> <u>EGP</u>
El Mansour & El Maghraby Investment and Development	37 274 867	92 112 386
Villamora for Real Estate Development Company S.A. E	23 901 325	19 873 650
Due to shareholders	35 440 814	19 347 824
<b>Balance as at 31 Dec. 2017</b>	<b><u>96 617 006</u></b>	<b><u>131 333 860</u></b>

**49. INVESTMENT PURCHASE LIABILITIES**

	<u>31 Dec. 2017</u> <u>EGP</u>	<u>31 Dec. 2016</u> <u>EGP</u>
Shareholders of Saudi Urban Development Company	--	44 256 746
<b>Balance as at 31 Dec. 2017</b>	<b><u>--</u></b>	<b><u>44 256 746</u></b>

**50. NOTES PAYABLE**

**A) Short Term Notes Payable**

	<u>31 Dec. 2017</u> <u>EGP</u>	<u>31 Dec. 2016</u> <u>EGP</u>
Notes payable- Land (New Urban Communities Authority)	712 281 862	615 260 497
<b>Deduct: -</b>		
Delayed installments interest	332 947 262	93 486 582
	<b><u>379 334 600</u></b>	<b><u>521 773 915</u></b>
<b>Add: -</b>		
Other notes payable	970 806 898	554 818 902
<b>Deduct: -</b>		
Unamortized discount	110 516 988	102 290 957
<b>Balance as at 31 Dec. 2017</b>	<b><u>1 239 624 510</u></b>	<b><u>974 301 860</u></b>

**B) Long Term Notes Payable**

	<u>31 Dec. 2017</u> <u>EGP</u>	<u>31 Dec. 2016</u> <u>EGP</u>
Notes payable- Land (New Urban Communities Authority)	2 281 147 125	28 991 768
<b>Deduct: -</b>		
Delayed installments interest	1 066 293 737	5 882 861
	<b><u>1 214 853 388</u></b>	<b><u>23 108 907</u></b>
<b>Add: -</b>		
Other notes payable	1 312 293 361	1 106 203 723
<b>Deduct: -</b>		
Delayed installments interest	614 217 674	516 612 039
<b>Balance as at 31 Dec. 2017</b>	<b><u>1 912 929 075</u></b>	<b><u>612 700 591</u></b>

## **51. LOANS**

This item is represented as follows:

	<b>31 Dec. 2017</b>		<b>31 Dec. 2016</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.	207 757 000	524 999 784	18 750 000	721 249 980
<b><u>Arab African International Bank (AAIB)</u></b>				
A medium loan with Arab African International Bank (AAIB) amounted to EGP 100 million for United Engineering for Construction	27 693 081	32 071 906	35 621 000	36 848 117
<b><u>Arab African International Bank (AAIB)</u></b>				
A medium-term loan with the Arab African International Bank (AAIB) amounted to EGP 2.4 billion to finance projects of Palm Hills Developments and Rakeen Egypt for Real Estate Investment secured by the assignment of projects' cash and bears an interest rate of 3.25% above deposit corridor rate.	696 182 911	1 716 000 000	230 400 000	2 038 657 312
<b><u>Arab African International Bank (AAIB)</u></b>				
A medium-term loan with Arab African International Bank (AAIB) amounted to EGP 225 million to finance projects of East New Cairo for Real Estate Development secured by the assignment of projects' cash flow and bears an interest rate of 2.75% above deposit corridor rate and is repayable on quarterly installments from 30 Sep. 2013 to Sep. 2018.	47 941 000	32 143 252	32 142 857	160 714 286
<b><u>Abu Dhabi Islamic Bank (ADIB)</u></b>				
Mudaraba Contract with Abu Dhabi Islamic Bank (ADIB) amounted to EGP 96 403 044 for 3 years for Saudi Urban Development Company.	--	--	24 100 762	--
<b><u>Arab Bank</u></b>				
A loan secured by notes receivable of delivered units	--	299 999 833	200 000 000	--
<b><u>National Bank of Egypt</u></b>				
Medium Term Loan of up to EGP852 million with the purpose of partially financing the recently acquired 190 feddan.	--	623 590 700	--	--
<b>Balance as at 31 Dec. 2017</b>	<b><u>979 573 992</u></b>	<b><u>3 228 805 475</u></b>	<b><u>541 014 619</u></b>	<b><u>2 957 469 695</u></b>

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

	<b>31 Dec. 2017</b>	<b>31 Dec. 2016</b>
	<b><u>Egp</u></b>	<b><u>Egp</u></b>
Other credit balances	198 060 002	167 735 849
Increase in construction area liabilities	95 500 000	95 500 000
Accounts receivable under settlement	53 605 609	170 605 682
Accrued expenses	49 950 384	46 091 915
Insurance for others	105 943 195	35 183 000
Social insurance	20 368 563	7 139 555
<b>Balance as at 31 Dec. 2017</b>	<b><u>523 427 753</u></b>	<b><u>522 256 001</u></b>

### **53. CAPITAL**

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

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

#### **54. 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 31 Dec. 2017 amounted to EGP 1 083 208 314.

#### **55. RESERVES**

##### **a) Legal reserve**

	<u>31 Dec. 2017</u>	<u>31 Dec. 2016</u>
	<u>EGP</u>	<u>EGP</u>
Beginning balance	630 142 410	585 103 921
Transferred from the prior year's profit	52 668 134	45 038 489
<b>Balance as at 31 Dec. 2017</b>	<b><u>682 810 544</u></b>	<b><u>630 142 410</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.

#### **56. Joint Share Arrangement**

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

	<u>31 Dec. 2017</u>	<u>31 Dec. 2017</u>	<u>31 Dec. 2016</u>	<u>31 Dec. 2016</u>
	<u>Short term</u>	<u>Long term</u>	<u>Short term</u>	<u>Long term</u>
	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>
Partners in Palm New Cairo-Project	174 561 987	657 479 471	160 424 409	--
Partners in Hacienda West -Project	--	78 093 124	--	--
<b>Balance as at 31 Dec. 2017</b>	<b><u>174 561 987</u></b>	<b><u>735 572 595</u></b>	<b><u>160 424 409</u></b>	<b><u>--</u></b>

#### **57. REVENUES**

	<u>31 Dec. 2017</u>	<u>31 Dec. 2016</u>
	<u>EGP</u>	<u>EGP</u>
Revenues from building and development activities	5 910 094 263	5 417 129 098
Sale of completed units ready for sale	15 332 759	3 563 054
Revenues from the construction activity	56 006 496	22 776 278
Revenues from hospitality activities	63 357 067	40 457 503
Other revenues	98 815 320	83 961 538
Revenues from Real Estate Investment	375 000 000	--
Revenues from the commercial activity	3 834 560	5 474 102
Revenues from Palm Hills Club	81 098 578	57 277 011
<b>Total as at 31 Dec. 2017</b>	<b><u>6 603 539 043</u></b>	<b><u>5 630 638 584</u></b>



**58. COST OF REVENUES**

	<u>31 Dec. 2017</u>	<u>31 Dec. 2016</u>
	<u>EGP</u>	<u>EGP</u>
Cost of building and development activities	4 138 980 579	3 837 411 158
Cost of completed units ready for sale	12 000 000	2 103 500
Depreciation of Fixed Assets – hospitality operations	6 515 491	6 245 862
Cost of the construction activity	40 282 188	16 035 164
Cost of the commercial activity	780 583	3 556 420
Cost of Real Estate Investment	156 791 632	--
Operation cost -Palm Hills Club	20 726 942	12 807 142
Depreciation of Fixed Assets – Palm Hills Club	9 828 430	8 724 146
<b>Total as at 31 Dec. 2017</b>	<b><u>4 385 905 845</u></b>	<b><u>3 886 883 392</u></b>

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

	<u>31 Dec. 2017</u>	<u>31 Dec. 2016</u>
	<u>EGP</u>	<u>EGP</u>
Wages and salaries	339 509 512	254 417 066
Selling and marketing expenses	212 755 863	168 619 676
Professional and Government fees	57 948 257	89 990 209
Communications expenses	3 331 306	2 422 177
Utilities	27 545 768	33 111 488
Maintenance and Insurance	36 587 252	31 810 366
Travel and transportation	10 775 826	8 426 246
Bank charges	8 733 443	6 587 406
Other administrative expenses	59 096 720	68 731 459
<b>Total as at 31 Dec. 2017</b>	<b><u>756 283 947</u></b>	<b><u>664 116 093</u></b>

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

	<u>31 Dec. 2017</u>	<u>31 Dec. 2016</u>
	<u>EGP</u>	<u>EGP</u>
Gains on sale of mutual funds certificates	6 010 673	5 812 829
<b>Total as at 31 Dec. 2017</b>	<b><u>6 010 673</u></b>	<b><u>5 812 829</u></b>

**61. OTHER REVENUES**

	<u>31 Dec. 2017</u>	<u>31 Dec. 2016</u>
	<u>Egp</u>	<u>Egp</u>
Transfer fees and delay benefits	63 150 833	41 463 579
Gain on disposal of fixed assets	1 538 334	32 642
Retrieve the value of the facilities	13 345 591	13 061 426
Miscellaneous revenues	20 780 558	29 403 891
<b>Total as at 31 Dec. 2017</b>	<b><u>98 815 315</u></b>	<b><u>83 961 538</u></b>

## **62. 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**

<b><u>Party</u></b>	<b><u>Relationship</u></b>	<b><u>Nature of transaction</u></b>	<b><u>Amount of transaction</u></b> <b><u>EGP</u></b>
Palm Hills Middle East Company for Real Estate Investment S.A. E	A subsidiary	Finance	1 841 532 585
Royal Gardens for Real Estate Investment Company S.A. E	A subsidiary	Finance	20 286 493
Middle East Company for Real Estate and Touristic Investment S.A. E	A subsidiary	Finance	89 852 365
Gawda for Trade Services S.A. E	A subsidiary	Finance	53 838 167
Rakeen Egypt for Real Estate Investment S.A. E	A subsidiary	Finance	516 576 423
Saudi Urban Development Company S.A. E	A subsidiary	Finance	59 442 381
Nile Palm Al-Naeem for Real Estate Development S.A. E	A subsidiary	Finance	169 860
Al Ethadia for Real Estate S.A. E	A Related party	Finance	86 364 145
East New Cairo for Real Estate Development S.A. E	A subsidiary	Finance	3 974 642 971
Palm October for Hotels S.A. E	A subsidiary	Finance	241 371
New Cairo for Real Estate Development S.A. E	A subsidiary	Finance	149 361 961
Al Naeem for Hotels and Touristic Villages S.A. E	A subsidiary	Finance	337 851
Gemsha for Tourist Development S.A. E	A subsidiary	Finance	199 253
United Engineering for Construction S.A. E	A subsidiary	Finance	26 308 121
El Mansour & El Maghraby Investment and Development S.A. E	A main shareholder	Finance	282 300 518
Palm Gemsha for Hotels S.A. E	A subsidiary	Finance	86 585
Palm North Coast Hotels S.A. E	A subsidiary	Finance	86 585
Palm for Real Estate Development S.A. E	A subsidiary	Finance	88 141 726
Palm for Investment And Real Estate Development S.A. E	A subsidiary	Finance	737 645 608
Palm Hills Properties S.A. E	A subsidiary	Finance	10 213 227
Palm Hills Development of Tourism and Real Estate S.A. E	A subsidiary	Finance	89 916 383
Palm Hills for Investment Tourism S.A. E	A subsidiary	Finance	994 650
Palm Hills Resorts S.A. E	A subsidiary	Finance	31 460
Palm Hills Hospitality S.A. E	A subsidiary	Finance	79 370
Palm Alexandria for Real Estate S.A. E	A subsidiary	Finance	511 206
Asten College for Education S.A. E	A subsidiary	Finance	274 571
Palm Alamein for Real Estate Development S.A. E	A subsidiary	Finance	24 594 753
Palm for Club Management S.A. E	A subsidiary	Finance	162 187 779
Palm Hills Education S.A. E	A subsidiary	Finance	7 860 244

**b- Resulting balances from these transactions**

<u>Party</u>	<u>Item as in balance sheet</u>	<u>31 Dec. 2017</u> <u>EGP</u>
Palm Hills Middle East Company for Real Estate Investment S.A. E	Due from related parties	1 215 330 584
Royal Gardens for Real Estate Investment Company S.A. E	Due from related parties	649 729
Rakeen Egypt for Real Estate Investment S.A. E	Due from related parties	235 845 531
Saudi Urban Development Company S.A. E	Due from related parties	199 994 003
Al Ethadia for Real Estate S.A. E	Due from related parties	182 461 048
East New Cairo for Real Estate Development S.A. E	Due from related parties	189 952 312
Palm October for Hotels S.A. E	Due from related parties	11 304 588
New Cairo for Real Estate Developments S.A. E	Due from related parties	18 194 354
Gemsha for Tourist Development S.A. E	Due from related parties	68 718 945
Palm for Real Estate Development S.A. E	Due from related parties	21 309 180
Palm for Investment And Real Estate Development	Due from related parties	13 343 514
Palm Hills Properties	Due from related parties	87 103
Palm Hills Development of Tourism and Real Estate	Due from related parties	25 701 656
Palm Hills for Investment Tourism	Due from related parties	63 476 568
Palm Hills Resorts	Due from related parties	179 609
Palm Hills Hospitality S.A. E	Due from related parties	100 305 574
Palm Hills Education S.A. E	Due from related parties	3 544 368
Palm Hills – Saudi	Due from related parties	269 320
Coldwell Banker Palm Hills for Real Estate	Due from related parties	20 480
Palm for Urban Development	Due from related parties	31 047 431
Palm Alexandria for Real Estate	Due from related parties	11 206
Palm Gemsha for Hotels S.A. E	Due from related parties	2 550
Asten College for Education S.A. E	Due from related parties	274 571
Palm Alamein for Real Estate Development S.A. E	Due from related parties	22 594 753
Nile Palm Al-Naeem for Real Estate Development S.A. E	Due to related parties	(44 636 227)
Al Naeem for Hotels and Touristic Villages S.A. E	Due to related parties	(127 390 624)
Gawda for Trade Services S.A. E	Due to related parties	(54 164 780)
El Mansour & El Maghraby Investment and Development	Due to related parties	(45 411 298)
Palm North Coast Hotels S.A. E	Due to related parties	(642)
Middle East Company for Real Estate and Touristic Investment S.A. E	Due to related parties	(149 057 655)
United Engineering for Construction S.A. E	Due to related parties	(11 249 000)
Palm for Club Management S.A. E	Due to related parties	(23 313 811)
Shareholders	Due to related parties	<u>(46 292 990)</u>

**63. 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 13 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 2015  
Tax returns were provided for this period.

**b) Payroll tax**

- From inception till 2010  
This period has been inspected and differences were paid.
- Years 2011 to 2016  
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 2016  
The company pays the taxes due on regularly basis within the legal dates.

**64. EARNINGS PER SHARE**

	<u>31 Dec. 2017</u>	<u>31 Dec. 2016</u>
	<u>EGP</u>	<u>EGP</u>
Net profit for the year	805 637 537	639 795 380
<b><u>Divided by: -</u></b>		
Weighted average number of shares	2 308 949 726	2 308 949 726
<b>Earnings per share</b>	<b><u>0.349</u></b>	<b><u>0.277</u></b>

**65. 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 March 2016, the total number of shares of (ESOP) become 28 013 725 shares. Only 6 625 431 shares have been exercised to be the net number of shares of (ESOP) as of 31 Dec. 2017. 21 388 294 shares, the fair value for these shares has reached EGP 83 414 346.