

PALM HILLS DEVELOPMENTS COMPANY
(An Egyptian Joint Stock Company)
Consolidated Financial Statements
For The Nine Months Ended 30 September 2016
Together With Review Report

**PALM HILLS DEVELOPMENTS COMPANY S.A.E
CONSOLIDATED BALANCE SHEET**

As of 30 September 2016

	<u>Note no.</u>	<u>30/9/2016</u>	<u>31/12/2015</u>
		<u>EGP</u>	<u>EGP</u>
<u>Long term assets</u>			
Investments in associates	(8c,11b,29)	76 932 757	78 506 490
Investment property	(11f, 30)	854 664 787	854 664 787
Notes receivable - long term	(16-32)	6 011 863 394	4 546 281 603
Projects under construction	(12-33)	946 305 597	858 654 273
Advance payments for investments acquisition	(41)	184 335 633	184 335 633
Employee stock ownership plan (ESOP)		66 112 391	--
Fixed assets (net)	(13-34)	342 239 674	334 622 621
Deferred tax assets	(22b)	11 338 967	11 948 094
Other long term assets		1 390 733	1 390 733
Total long term assets		8 495 183 933	6 870 404 234
<u>Current assets</u>			
Works in process	(14-35)	6 532 303 264	6 463 686 823
Held-to-maturity investments	(11d -31)	113 700 834	613 045 694
Cash and cash equivalents	(28-36)	928 297 521	965 669 547
Notes receivable - short term	(16-32)	2 959 433 727	2 371 034 595
Investments at fair value through profit and loss	(11e)	61 616 063	67 112 711
Accounts receivable	(37)	807 494 642	704 029 344
Suppliers - advance payments		347 014 549	384 777 356
Debtors and other debit balances	(38)	328 610 945	174 854 197
Guaranteed payments – joint arrangement	(39)	90 000 000	--
Due from related parties	(25-40-61)	233 993 888	172 391 893
Total current assets		12 402 465 433	11 916 602 160
<u>Current liabilities</u>			
Banks - credit balances	(42)	31 741 055	31 035 055
Bank- over draft	(43)	88 245 403	80 236 967
Advances from customers	(44)	7 176 096 897	6 249 432 179
Completion of infrastructure liabilities	(20)	95 083 416	173 648 127
Provisions	(18)	117 862 335	116 843 823
Current portion land purchase liabilities	(19-45)	285 027 619	263 318 760
Investment purchase liabilities	(47)	44 256 746	44 256 746
Notes payable - short term	(48a)	747 971 884	473 692 756
Current portion of term loans	(49)	491 891 762	80 814 000
Suppliers & contractors		386 008 645	406 849 941
Income tax payable	(22a)	156 703 892	46 631 446
Creditors & other credit balances	(50)	450 264 678	345 368 413
Due to related parties	(25-46-61)	130 339 530	226 318 984
Total current liabilities		10 201 493 862	8 538 447 197
Working capital		2 200 971 571	3 378 154 963
Total investment		10 696 155 504	10 248 559 197
<u>Financed as follows:</u>			
<u>Shareholders' equity</u>			
Share capital	(51)	4 617 899 452	4 344 640 000
Legal reserve	(53)	624 902 404	585 103 921
Special reserve	(53)	524 212 885	524 212 885
ESOP Re-Measurement Reserve		10 084 941	--
Retained earnings		(194 080 075)	(212 391 123)
Net profit for the period		404 307 872	915 563 280
Equity attributable to equity holders of the parent		5 987 327 480	6 157 128 963
Non-controlling interest		386 796 395	270 774 426
Total shareholders' equity		6 374 123 875	6 427 903 389
<u>Long term liabilities</u>			
Land purchase liabilities	(19-45)	178 682 379	268 236 463
Notes payable - long term	(48b)	493 135 136	148 532 031
Other long term liabilities – Residents' Association	(52)	652 497 072	485 600 026
Loans	(49)	2 997 717 042	2 918 287 288
Total long term liabilities		4 322 031 629	3 820 655 808
Total equity and non-current liabilities		10 696 155 504	10 248 559 197

- Auditor's Report "attached"
- The accompanying notes from (1) to (67) form an integral part of these financial statements and are to be read therewith

Chief Financial Officer

Chairman

Ali Thabet

Yasseen Mansour

PALM HILLS DEVELOPMENTS COMPANY S.A.E
CONSOLIDATED STATEMENT OF INCOME (PROFIT OR LOSS)
For The Period Ended 30 September 2016

	<u>Note No.</u>	Financial period from 1/1/2016 to 30/9/2016 <u>EGP</u>	Financial period from 1/1/2015 to 30/9/2015 <u>EGP</u>	Financial period from 1/7/2016 to 30/9/2016 <u>EGP</u>	Financial period from 1/7/2015 to 30/9/2015 <u>EGP</u>
Revenues	(27a, 51)	<u>3 628 438 459</u>	<u>2 586 245 451</u>	<u>1 485 230 662</u>	<u>1 109 939 678</u>
		3 628 438 459	2 586 245 451	1 485 230 662	1 109 939 678
Deduct:-					
Cost of revenues	(26, 52)	2 476 144 374	1 640 894 672	950 470 072	793 789 538
Cash Discount		46 624 531	34 766 382	18 058 495	8 192 839
Total cost		<u>2 522 768 905</u>	<u>1 675 661 054</u>	<u>968 528 567</u>	<u>801 982 377</u>
Gross profit		<u>1 105 669 554</u>	<u>910 584 397</u>	<u>516 702 095</u>	<u>307 957 301</u>
Deduct:-					
Interest expenses – amortization of discount on land liability		--	9 388 496	--	3 129 498
General administrative, selling and marketing expenses	(53)	406 095 021	318 189 209	150 342 832	127 620 674
Administrative depreciation		8 661 833	6 543 824	3 278 064	2 316 273
Provision		1 203 909	99 662 374	(649 895)	--
Finance costs & interests		33 354 508	34 443 529	16 756 231	4 012 540
Interest on land purchase liabilities		87 479 767	150 703 932	31 164 371	42 245 986
		<u>536 795 038</u>	<u>618 931 364</u>	<u>200 891 603</u>	<u>179 324 971</u>
Add:					
Gains on investments in fair value through profit or loss	(55)	4 220 741	3 581 445	1 511 293	1 233 138
Interest income – amortization of discount on notes receivables		34 545 882	69 148 546	11 515 294	23 049 516
Interest income on held to maturity investments	(27f)	74 024 591	8 327 729	14 523 266	7 545 239
Capital gains on investment property		--	425 735 602	--	--
	(56)	<u>112 791 214</u>	<u>506 793 322</u>	<u>27 549 853</u>	<u>31 827 893</u>
Net profit for the period before income tax & non-controlling interest		681 665 730	798 446 355	343 360 345	160 460 223
Deduct:-					
Income tax expense	(22a)	156 684 882	13 745 255	76 566 838	3 333 486
Deferred tax	(22b)	566 397	1 200 000	204 215	1 000 000
Net profit for the period before & non-controlling interest		524 414 451	783 501 100	266 589 291	156 126 737
Deduct:-					
Non-controlling interest share-subsiidiaries		120 106 579	36 598 796	31 612 667	8 041 400
Net profit for the period after income tax & non-controlling interest		404 307 872	746 902 304	234 976 624	148 085 337
Earning per share		0.15	0.418	0.087	0.083

- The accompanying notes from (1) to (67) 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 OTHER COMPREHENSIVE INCOME
For The Period Ended 30 September 2016

<u>Note No.</u>	Financial period from 1/1/2016 to 30/9/2016	Financial period from 1/1/2015 to 30/9/2015	Financial period from 1/7/2016 to 30/9/2016	Financial period from 1/7/2015 to 30/9/2015
	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>
Net profit for the period	524 414 451	783 501 100	266 589 291	156 126 737
Other comprehensive income	--	--	--	--
Total comprehensive income for the year, net of tax	<u>524 414 451</u>	<u>783 501 100</u>	<u>266 589 291</u>	<u>156 126 737</u>
Attributable to:				
Equity holders of the parent	404 307 872	746 902 304	234 976 624	148 085 337
Non-controlling interests	120 106 579	36 598 796	31 612 667	8 041 400
	<u>524 414 451</u>	<u>783 501 100</u>	<u>266 589 291</u>	<u>156 126 737</u>

- The accompanying notes from (1) to (67) form an integral part of these financial statements and are to be read therewith.

Chief Financial Officer
Ali Thabet

Chairman
Yasseen Mansour

PALM HILLS DEVELOPMENTS COMPANY S.A.E
CONSOLIDATED STATEMENT OF CASH FLOWS
For The Period Ended 30 September 2016

	<u>Note No.</u>	<u>30/9/2016</u>	<u>30/9/2015</u>
		<u>EGP</u>	<u>EGP</u>
Net profit for the period before income tax & non-controlling interest		681 665 730	798 446 355
<u>Adjustments to reconcile net profit to net cash from operating activities</u>			
Administrative depreciation	(34)	19 588 800	15 943 108
Provision formed		1 203 909	99 662 374
Finance costs & interests		33 354 508	34 443 529
Interest on land purchase liabilities		87 479 767	150 703 932
Interest expenses – amortization of discount on land liability		–	9 388 496
Share of profit/ loss of associates	(29)	1 573 733	(823 306)
Interest income – amortization of discount on notes receivables	(32)	(34 545 883)	(69 148 546)
Gains on investments in fair value through profit or loss		(4 220 741)	(3 581 445)
Interest income on held to maturity investments		(74 024 591)	(8 327 729)
Capital gain on investment property	(34)	–	(425 735 602)
Gain on disposal of property & equipment		(36 621)	(1 486 626)
Operating profit before changes in working capital items		712 038 611	599 484 540
<u>Changes in working capital items</u>			
Change in work in process	(14-35)	(132 578 392)	(510 906 924)
Change in suppliers - advance payments		37 762 807	(33 219 978)
Change in notes receivables	(16-32)	(2 019 435 039)	(2 128 719 720)
Change in accounts receivable	(37)	(103 465 299)	364 429 298
Change in debtors & other debit balances	(38)	(153 756 748)	(81 596 820)
Change in Guaranteed payments – joint arrangement	(39)	(90 000 000)	–
Change in held-to-maturity investments		499 344 860	(859 097 429)
Change in investments in fair value through profit or loss	(11e)	5 496 648	(4 294 993)
Change in due from related parties	(25-40)	(61 601 995)	(112 272 521)
Change in notes payable	(48)	531 402 464	(513 403 339)
Change in other long term – Residents' Association		166 897 047	67 713 301
Change in advances from customers	(44)	926 664 718	939 035 629
Change in due to related parties	(25-46)	(95 979 454)	(412 781 750)
Change in completion of infrastructure liabilities	(20)	(78 564 711)	(58 320 097)
Income tax paid		(46 612 436)	(1 609 262)
Provisions		(185 397)	(96 538)
Change in creditors and other credit balances	(50)	104 896 265	(18 594 740)
Change in suppliers & contractors		(20 841 294)	80 523 121
Net cash (used in) provided by operating activities		181 482 655	(2 683 728 222)
<u>Cash flows from investing activities</u>			
Payments for purchase of fixed assets	(34)	(31 096 108)	(32 605 800)
Proceeds from sale of fixed assets	(34)	43 600	1 545 419
proceeds from / payments for projects under construction	(12-33)	(87 651 321)	11 861 866
Proceeds from sale of investment property		–	657 047 713
Proceeds from investments in fair value through profit or loss		4 220 741	3 581 445
Interest income on held to maturity investments		74 024 591	8 327 729
Net cash (used in) provided by investing activities		(40 458 497)	649 758 372
<u>Cash flows from financing activities</u>			
Share capital increase		–	1 648 000 000
Banks - credit balances	(42)	706 000	(1 336 396)
Banks – overdraft		8 008 436	–
Dividends		(368 630 379)	–
Adjustments to retained earnings		(271 591 367)	(84 319 812)
Non-controlling interest – dividends		(4 084 610)	(18 348 944)
Deferred tax		42 729	77 199
Repayments of loans	(49)	(92 626 888)	(346 360 086)
Proceeds from loans	(49)	583 134 404	1 419 708 383
Finance costs & interests		(33 354 508)	(34 443 529)
Net cash (used in) provided by financing activities		(178 396 183)	2 582 976 815
Net increase in cash and cash equivalents during the period		(37 372 026)	549 006 965
Cash and cash equivalents at beginning of the period		965 669 547	194 949 064
Cash and cash equivalents as at 30 September 2016	(28-36)	928 297 521	743 956 029

- Non- Cash transactions are excluded from the cash flow statement.
- The accompanying notes from (1) to (67) form an integral part of these financial statements and are to be read therewith.

Chief Financial Officer
Ali Thabet

Chairman
Yasseen Mansour

PALM HILLS DEVELOPMENTS COMPANY S.A.E
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For The Period Ended 30 September 2016

<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 period</u>	<u>Total</u>	<u>Non-controlling interest</u>	<u>Total Shareholders' equity</u>
Balance as at 1 January 2015	2 696 640 000	566 469 569	524 212 885	--	(272 361 289)	353 290 475	3 868 251 640	255 951 133	4 124 202 773
Transferred to retained earnings	--	--	--	--	353 290 475	(353 290 475)	--	--	--
Adjustments to retained earnings	--	--	--	--	(84 319 812)	--	(84 319 812)	--	(84 319 812)
Transferred to legal reserve	--	18 038 487	--	--	(18 038 487)	--	--	--	--
Share capital increase	1 648 000 000	--	--	--	--	--	1 648 000 000	--	1 648 000 000
Net profit for the period	--	--	--	--	--	746 902 304	746 902 304	36 598 796	783 501 100
Balance as at 30 September 2015	<u>4 344 640 000</u>	<u>584 508 056</u>	<u>524 212 885</u>	<u>--</u>	<u>(21 429 113)</u>	<u>746 902 304</u>	<u>6 178 834 132</u>	<u>292 549 929</u>	<u>6 471 384 061</u>
Balance as at 1 January 2016	4 344 640 000	585 103 921	524 212 885	--	(171 750 887)	1 031 492 706	6 313 698 625	270 774 426	6 584 473 051
Cumulative impact for adoption of new accounting policies	(65) <u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>(40 640 236)</u>	<u>(115 929 426)</u>	<u>(156 569 662)</u>	<u>--</u>	<u>(156 569 662)</u>
Balance as at 1 January 2016	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	217 232 002	--	--	--	(217 232 002)	--	--	--	--
Amounts set aside for Employee stock ownership plan (ESOP)	56 027 450	--	--	--	--	--	56 027 450	--	56 027 450
Transferred to legal reserve	--	39 798 483	--	--	(39 798 483)	--	--	--	--
Reserve for ESOP re-measurement	(67) <u>--</u>	<u>--</u>	<u>--</u>	<u>10 084 941</u>	<u>--</u>	<u>--</u>	<u>10 084 941</u>	<u>--</u>	<u>10 084 941</u>
Adjustments to retained earnings	--	--	--	--	(271 591 367)	--	(271 591 367)	--	(271 591 367)
Dividends	--	--	--	--	(368 630 379)	--	(368 630 379)	(4 084 610)	(372 714 989)
Net profit for the period	--	--	--	--	--	404 307 872	404 307 872	120 106 579	524 414 451
Balance as at 30 September 2016	(51) <u>4 617 899 452</u>	<u>624 902 404</u>	<u>524 212 885</u>	<u>10 084 941</u>	<u>(194 080 074)</u>	<u>404 307 872</u>	<u>5 987 327 480</u>	<u>386 796 395</u>	<u>6 374 123 875</u>

-The accompanying notes from (1) to (67) form an integral part of these financial statements and are to be read therewith

Chief Financial Officer
Ali Thabet

Chairman
Yasseen Mansour

Palm Hills Developments Company
(S.A.E)

Notes to the Consolidated
Financial Statements as of 30 September 2016

1. Background

Palm Hills for Developments Company (S.A.E) was established according to the Investment Incentives and Guarantees Law No. 8 of 1997 and the Companies Law No. 159 of 1981 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 December, except for the first financial year which began as from the date of commencement of activity and ended on December 31, 2012.

6. Authorization Of The Financial Statements

The standalone financial statements were authorized for issue by the board of directors on November 3, 2016.

7. Stock Exchange Listing

The company was listed in the unofficial schedule no. (2) of the Cairo and Alexandria Stock Exchange on 27 December 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 1,200.60 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 3237.74 acres approx. which is located at Sidi Abdel Rahman, El Alamin, Marsa Matrouh Governorate, land with a total area of 22. 70 acres approx. located at Hurghada City and land with a total area of 3.20 acre approx. which is located at Alexandria.

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) Investments in associates and subsidiaries

1- Direct investments in associates and subsidiaries

	<u>Percentage share</u>
	<u>%</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 Hills Properties S.A.E	99.2%
United Engineering for Construction S.A.E	98.88%
Palm Hills Hospitality S.A.E	%98
East New Cairo for Real Estate Development S.A.E	%89
Macor for Securities Investment Company S.A.E	%60
Al Naeem for Hotels and Touristic Villages S.A.E	%60
Gamsha for Tourist Development S.A.E	%59
Royal Gardens for Real Estate Investment Company S.A.E	%51
Nile Palm Al-Naeem for Real Estate Development S.A.E	%51
Saudi Urban Development Company S.A.E	%51
Coldwell Banker Palm Hills for Real Estate	%49
Six of October for Hotels and Touristic Services Company S.A.E	%00.24
- 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 6th of October City. The company is engaged in leasing, construction and operation of hotels, motels, resorts and residential compounds, construction, generation of electricity, desalination of water, land acquisition, diving and constructing villas, residential units and offices malls and the marketing thereof.

- **Palm 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.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- **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 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 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 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 Hills Development of Tourism and Real Estate (PHTR)**

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 (PHTI)**

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 (PHR)

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.

- 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.

2- Indirect investments in associates and subsidiaries

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

- 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.

- 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.

- 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.

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 controlled by the ability to control the financial and operational policies of a subsidiary or when the parent acquires more than half of the voting rights of a subsidiary The existence and effect of potential voting rights that are currently exercisable or convertible, including potential voting rights held by another entity, are considered when assessing whether the Company has the power to govern the financial and operating policies of another entity.

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

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

c) Consolidation procedures

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

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

d) Business combination

Acquisition method is used to account for acquiring subsidiaries. The cost of acquisition is measured as the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the acquirer in exchange for control of the acquire, in addition to any costs directly attributable to the business combination, accordingly, the difference between the acquisition cost and the company share in the fair value of the assets and liabilities of the investee represents goodwill, which by reclassification it, such goodwill will be accounted for

as an intangible asset, liability or capital commitment of the investee and to reflect its fair value in preparing the consolidated financial statements.

e) Intangible assets

1- Goodwill

Goodwill is initially measured at cost, being the excess acquisition cost of the investee over the net fair value of the identifiable assets, liabilities and contingent liabilities recognized. After initial recognition, goodwill is measured at cost less accumulated impairment losses (if any).

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

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

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

e) Investments at fair value through profit and loss

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

f) Investments properties

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

12. Projects Under Construction

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

13. Fixed Assets

Fixed assets are stated at historical cost –cost of acquisition-and to be depreciated by straight line method over the estimated useful life of the asset starting from the date of using the asset. Cost of acquisition does not include subsequent expenditure relating to routine maintenance or to ensure that a fixed asset maintains 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 to be 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 lost 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 directors remuneration – if any) attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the period.

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 recognised 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.

- **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.

- **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. Investments In Associates

	<u>30 September</u> <u>2016</u> <u>EGP</u>	<u>31 December</u> <u>2015</u> <u>EGP</u>
Naema for Touristic & Real Estate Investments S.A.E	56 321 357	57 895 090
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
Balance as at 30 September 2016	<u>76 932 757</u>	<u>78 506 490</u>

30. Investment Property

	<u>Acres</u>	<u>30 September</u> <u>2016</u> <u>EGP</u>	<u>31 December</u> <u>2015</u> <u>EGP</u>
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 *	2434	529 111 484	529 111 484
Gamsha for Tourist Development S.A.E	22.679	113 526 025	113 526 025
Balance as at 30 September 2016	<u>4215.679</u>	<u>854 664 787</u>	<u>854 664 787</u>

* Represented in the acquisition cost of a plot of land of a total area of 2,434 which located in El Alamein, Marsa Matrouh Governorate. The Contract between the Company and Marsa Matrouh Governorate regarding acquiring a plot of land of a total area of 2,229 acre has been revoked and it has not been disposed yet. In addition to that, the Company sold 252,000 square meters plot located in North Coast and resulting in a capital gain.

31. Held-to-maturity investments

	<u>Face value</u> <u>EGP</u>	<u>Unrecognized investment return</u> <u>EGP</u>	<u>Average return rate</u> <u>%</u>	<u>Purchase price</u> <u>EGP</u>
Palm Hills Development	30 599 785	2 307 546	%10	28 296 941
East New Cairo for Real Estate Development	19 925 000	1 288 939	%10	18 631 359
Gawda for Trade Services	3 075 000	137 725	%10	2 937 275
Middle East Company for Real Estate and Touristic Investment	5 450 000	237 871	%10	5 212 129
Royal Gardens for Real Estate Investment Company	13 750 000	673 646	%10	13 076 354
Palm Hills Middle East Company for Real Estate Investment	25 800 000	1 085 540	%10	24 714 460
New Cairo for Real Estate Development	22 575 000	1 792 026	%10	20 782 974
Rakeen Egypt for Real Estate Investment	50 000	658	%10	49 342
Balance as at 30 September 2016	<u>121 224 785</u>	<u>7 523 951</u>		<u>113 700 834</u>

32. Notes Receivable

	<u>30 September</u> <u>2016</u> <u>EGP</u>	<u>31 December</u> <u>2015</u> <u>EGP</u>
Short term notes receivable	3 056 590 941	2 417 095 771
Deduct: Notes receivable of joint venture	41 961 980	--
Deduct: Unamortized discount	<u>55 195 234</u>	<u>46 061 176</u>
	<u>2 959 433 727</u>	<u>2 371 034 595</u>
Long term notes receivable	6 280 904 364	4 682 206 154
Deduct: Notes receivable of joint venture	187 209 557	--
Deduct: unamortized discount	<u>81 831 393</u>	<u>135 924 551</u>
	<u>6 011 863 394</u>	<u>4 546 281 603</u>
Balance as at 30 September 2016	<u>8 971 297 121</u>	<u>6 917 316 198</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.

33. Projects Under Construction

	<u>30 September</u> <u>2016</u> <u>EGP</u>	<u>31 December</u> <u>2015</u> <u>EGP</u>
Land	340 104 665	340 104 665
Construction of Golf Club and Hotel in 6th of October City	495 317 793	461 848 265
Constructions, Consultation and designs fees	43 586 121	14 981 482
Commercial shops - Palm Hills Resort	37 150 506	34 498 647
Mall (8)	<u>30 146 512</u>	<u>7 221 214</u>
Balance as at 30 September 2016	<u>946 305 597</u>	<u>858 654 273</u>

34. Fixed Assets

Fixed assets (net) balance as at 30 September 2016 amounted to EGP 342 239 674 represented as follows:

	<u>Cost as of</u> <u>January</u> <u>1,2016</u>	<u>Additions</u> <u>during the</u> <u>period</u>	<u>Disposals</u> <u>during the</u> <u>period</u>	<u>Cost as of</u> <u>September</u> <u>30,2016</u>	<u>Accumulated</u> <u>depreciation as</u> <u>of January 1,</u> <u>2016</u>	<u>Depreciation</u> <u>for the period</u>	<u>Accumulated</u> <u>depreciation</u> <u>of disposals</u>	<u>Accumulated</u> <u>depreciation</u> <u>as of</u> <u>September</u> <u>30,2016</u>	<u>Net book</u> <u>value as of</u> <u>September</u> <u>30,2016</u>	<u>Net book</u> <u>value as of</u> <u>December</u> <u>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	48 132	--	509 671 592	179 792 340	11 756 832	--	191 549 172	318 122 420	335 129 973
Machinery & equipment	114 730 811	10 516 119	--	125 246 930	89 420 963	4 727 440	--	94 148 403	31 098 527	18 252 396
Vehicles	15 623 582	549 200	105 000	16 067 782	14 297 422	302 732	105 000	14 495 154	1 572 628	833 033
Computer equipment	37 849 806	14 368 829	24 844	52 193 791	26 190 974	4 180 055	17 865	30 353 164	21 840 627	5 673 764
Leasehold improvements	17 686 292	14 774	--	17 701 066	16 851 733	183 398	--	17 035 131	665 935	962 192
Furniture	52 304 194	5 599 054	--	57 903 248	38 523 267	2 321 619	--	40 844 886	17 058 362	5 045 115
Total cost	<u>766 738 807</u>	<u>31 096 108</u>	<u>129 844</u>	<u>797 705 071</u>	<u>365 076 699</u>	<u>23 472 076</u>	<u>122 865</u>	<u>388 424 910</u>	<u>409 279 161</u>	<u>384 817 105</u>
Impairment of Macor									(2 500 000)	(2 500 000)
Impairment of assets									(64 539 487)	(64 539 487)
Balance as at 30 September 2016									<u>342 239 674</u>	<u>334 622 621</u>

- Fixed assets depreciation for the period ended 30 September 2016 was allocated as follows:

	<u>EGP</u>
Operating assets-work in process	3 883 275
Administrative depreciation (income statement)	8 661 833
Depreciation expense of hotel operations	4 504 583
Depreciation expense of Palm Hills Club's assets - club's operating statement	6 422 385
	<u>23 472 076</u>

- Capital Gains for the period ended 30 September 2016 amounted to EGP 36 621 as follows:

	<u>EGP</u>	<u>EGP</u>
Proceed from sale of fixed assets		43 600
Deduct:		
Cost of assets sold	129 844	
Accumulated depreciation of assets sold	122 865	
Carrying amount of assets sold		6 949
		<u>36 621</u>

- Fixed assets (net) balance as at 31 December 2015 amounted to EGP 317 777 618 represented as follows:

	<u>Cost as of January 1,2015</u>	<u>Additions during the period</u>	<u>Disposals during the period</u>	<u>Cost as of December 31,2015</u>	<u>Accumulated depreciation as of January 1, 2015</u>	<u>Depreciation for the year</u>	<u>Accumulated depreciation of disposals</u>	<u>Accumulated depreciation as of December 31,2015</u>	<u>Net book value as of December 31,2015</u>	<u>Net book value as of December 31,2014</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	499 580 380	10 651 313	(608 233)	509 623 460	164 450 407	15 600 533	(258 599)	179 792 341	335 129 973	329 831 118
Machinery & equipment	103 776 953	12 449 196	(1 495 338)	114 730 810	85 524 556	5 044 945	(1 148 542)	89 420 959	18 252 396	25 309 852
Vehicles	18 836 680	1 050 440	(4 263 538)	15 623 582	18 003 647	478 208	(4 184 435)	14 297 421	833 033	1 326 161
Computer equipment	29 909 744	8 848 097	(908 035)	37 849 806	24 235 980	2 863 029	(908 035)	26 190 975	5 673 764	11 658 831
Leasehold improvements	17 239 707	449 441	(2 856)	17 686 292	16 277 545	577 045	(2 856)	16 851 734	962 162	834 557
Furniture	42 035 719	10 741 453	(472 978)	52 304 194	36 990 604	1 831 237	(298 574)	38 523 268	5 045 115	13 780 926
Total cost	730 299 845	44 189 938	(7 750 978)	766 738 805	345 482 740	26 394 998	(6 801 041)	365 076 697	384 817 105	401 662 108
Impairment of Macor									(2 500 000)	(2 500 000)
Impairment of assets									(64 539 487)	(64 539 487)
Balance as at 31 December 2015									334 622 621	317 777 618

- Fixed assets depreciation for the period ended 31 December 2015 was allocated as follows:

	<u>EGP</u>
Operating assets-work in process	4 520 560
Administrative depreciation (income statement)	9 115 472
Depreciation expense of hotel operations	5 373 786
Depreciation expense of Palm Hills Club's assets - club's operating statement	7 385 180
	26 394 998

- Capital Gains for the period ended 31 December 2015 amounted to EGP 865 353 as follows:

	<u>EGP</u>	<u>EGP</u>
Proceed from sale of fixed assets		1 815 290
Deduct:		
Cost of assets sold	7 750 978	
Accumulated depreciation of assets sold	6 801 041	
Carrying amount of assets sold		949 937
		865 353

35. Work In Process

	<u>Cost of sales recognized in income statement</u>				
	<u>Total as at 30 September 2016 EGP</u>	<u>As at 31 December 2015 EGP</u>	<u>For the period ended 30 September 2016 EGP</u>	<u>30 September 2016 EGP</u>	<u>31 December 2015 EGP</u>
Land acquisition cost	4 841 630 828	2 126 789 405	476 122 644	2 238 718 779	2 304 356 753
Cost of construction	10 967 389 752	4 707 876 083	1 981 050 739	4 278 462 930	4 146 208 515
Completed units ready for sale	187 907 169	172 785 614	--	15 121 555	13 121 555
Balance as at 30 September 2016	15 996 927 749	7 007 451 102	2 457 173 383	6 532 303 264	6 463 686 823

* Borrowing cost capitalized on work in process for the period ended 30 September 2016 amounted to EGP **325 230 879** The capitalization rate used to determine the amount of borrowing costs eligible for capitalization is 11.56%.

36. Cash And Cash Equivalents

	<u>30 September</u> <u>2016</u> <u>EGP</u>	<u>31 December</u> <u>2015</u> <u>EGP</u>
Banks-current accounts- EGP	553 582 208	618 976 015
Banks-current accounts- foreign currency	11 354 943	4 343 049
Banks – Deposits- EGP	342 658 242	335 197 735
Cash on hand- EGP	20 702 128	7 152 748
Balance as at 30 September 2016	928 297 521	965 669 547

37. Accounts Receivable

	<u>31 June</u> <u>2016</u> <u>EGP</u>	<u>31 December</u> <u>2015</u> <u>EGP</u>
Palm Hills Developments Company customers	265 136 636	211 712 942
Palm Hills Middle East Company for Real Estate Investment customers	130 637 176	120 110 559
New Cairo for Real Estate Developments customers	2 671 434	3 918 460
Royal Gardens for Real Estate Investment Company customers	22 423 903	15 319 226
Gawda for Trade Services customers	4 977 989	4 607 252
Saudi Urban Development Company customers	54 881 742	29 462 962
Rakeen Egypt for Real Estate Investment customers	132 343 354	163 225 819
East New Cairo for Real Estate Development customers	113 280 009	111 756 142
Middle East Company for Real Estate and Touristic Investment customers	32 830 025	38 456 824
United Engineering for Construction S.A.E	4 077 310	5 459 158
Palm Real Estate Development S.A.E	44 235 064	--
Balance as at 30 September 2016	807 494 642	704 029 344

38. Debtors And Other Debit Balances

	<u>30 September</u> <u>2016</u> <u>EGP</u>	<u>31 December</u> <u>2015</u> <u>EGP</u>
Investments debtors	5 009 955	5 003 455
Deposits with others	4 144 240	3 244 340
Prepaid expenses	26 300 008	6 985 681
Loans to employee & custodies	11 250 055	4 588 822
Due from City for Real Estate Development Company	5 522 741	5 522 741
Advance payments for land acquisition	111 265 223	49 271 323
Residents' Association	100 400 966	50 113 919
Other debit balances	64 717 757	50 123 916
Balance as at 30 September 2016	328 610 945	174 854 197

39. Guaranteed payments – joint arrangement

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

	<u>30 September</u> <u>2016</u> <u>EGP</u>	<u>31 December</u> <u>2015</u> <u>EGP</u>
Palm for Investment & Real Estate Development S.A.E	50 000 000	--
Palm Hills for Tourist & Real Estate Development	40 000 000	--
Balance as at 30 September 2016	90 000 000	--

40. Due From Related Parties

	<u>30 September</u> <u>2016</u> <u>EGP</u>	<u>31 December</u> <u>2015</u> <u>EGP</u>
Al Ethadia for Real Estate S.A.E	177 719 237	119 447 836
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	1 983 631	1 261 608
Palm Hills Education S.A.E	184 125	184 125
Mercure Ismailia Hotel	5 061 839	2 453 268
Palm Hills – Saudi	269 320	269 320
Balance as at 30 September 2016	233 993 888	172 391 893

41. Advance Payments For Investments Acquisition

	<u>Nature of</u> <u>transaction</u>	<u>30 September</u> <u>2016</u> <u>EGP</u>	<u>31 December</u> <u>2015</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
Balance as at 30 September 2016		184 335 633	184 335 633

42. Banks- Credit Balances

	<u>30 September</u> <u>2016</u>	<u>31 December</u> <u>2015</u>
	<u>EGP</u>	<u>EGP</u>
Banks –EGP	29 735 320	28 764 486
Banks-foreign currencies	2 005 735	2 270 569
Balance as at 30 September 2016	<u>31 741 055</u>	<u>31 035 055</u>

43. Bank Overdraft

	<u>30 September</u> <u>2016</u>	<u>31 December</u> <u>2015</u>
	<u>EGP</u>	<u>EGP</u>
Banks –EGP	88 245 403	80 236 967
Balance as at 30 September 2016	<u>88 245 403</u>	<u>80 236 967</u>

44. Advances From Customers

	<u>Palm Hills Development Company S.A.E EGP</u>	<u>Palm Hills Middle East Company for Real Estate Investment S.A.E EGP</u>	<u>Royal Gardens for Real Estate Investment Company S.A.E EGP</u>	<u>Middle East Company for Real Estate Investment and Touristic S.A.E EGP</u>	<u>New Cairo for Real Estate Developments S.A.E EGP</u>	<u>Rakeen Egypt for Real Estate Investment S.A.E EGP</u>	<u>Saudi Urban Development Company S.A.E EGP</u>	<u>East New Cairo for Real Estate Development S.A.E EGP</u>	<u>Gawda for Trade Services S.A.E EGP</u>	<u>Palm for Real Estate Development S.A.E</u>	<u>United Engineering for Construction S.A.E EGP</u>	<u>Balance as at September 30 2016 EGP</u>
Real estate activities												
Down payments	60 983 435	13 230 217	191 875	474 834	--	30 218 599	2 681 830	22 799 710	--	5 394 499	--	135 974 999
Advances for contracting	9 245 284 163	3 947 768 906	1 007 689 767	596 380 266	293 853 159	2 167 443 658	1 670 090 241	1 854 593 378	354 016 599	627 230 545	--	21 764 350 682
Total real estate activities	9 306 267 598	3 960 999 123	1 007 881 642	596 855 100	293 853 159	2 197 662 257	1 672 772 071	1 877 393 088	354 016 599	632 625 044	--	21 900 325 681
Commercial activities	26 316 505	--	--	--	--	--	--	204 858 964	--	--	--	231 175 469
Construction activities	--	--	--	--	--	--	--	--	--	--	26 853 047	26 853 047
Exclude:-												
amounts recognized in income statements as at 30 September 2016	6 915 951 987	2 537 224 786	943 852 742	476 238 456	290 150 721	907 291 904	703 896 872	1 507 172 911	347 807 777	--	--	14 629 588 155
Advances from customers (net)	2 416 632 117	1 423 774 337	64 028 900	120 616 644	3 702 438	1 711 443 096	968 875 199	154 006 398	6 208 822	632 625 044	26 853 047	7 528 766 042
Unamortized discount - accounts receivable	125 768 890	37 007 156	58 260	34 327 100	--	--	15 823 056	24 936 380	--	--	--	352 669 146
Balance as at 30 September 2016	2 290 863 227	1 386 767 180	63 970 640	86 289 544	3 702 438	1 596 694 792	953 052 144	129 070 018	6 208 822	632 625 044	26 853 047	7 176 096 897

45. Land Purchase Liabilities

	<u>30 September</u> <u>2016</u> <u>EGP</u>	<u>31 December</u> <u>2015</u> <u>EGP</u>
Land purchase liabilities - short term	285 027 619	263 318 760
Land purchase liabilities - long term	178 682 379	268 236 463
Balance as at 30 September 2016	463 709 998	531 555 223

46. Due To Related Parties

	<u>30 September</u> <u>2016</u> <u>EGP</u>	<u>31 December</u> <u>2015</u> <u>EGP</u>
El Mansour & El Maghraby Investment and Development	91 981 109	190 581 109
Due to shareholders Villamora for Real Estate Development Company S.A.E	19 347 824 19 010 597	19 347 824 16 390 051
Balance as at 30 September 2016	130 339 530	226 318 984

47. Investment purchase liabilities

	<u>30 September</u> <u>2016</u> <u>EGP</u>	<u>31 December</u> <u>2015</u> <u>EGP</u>
Shareholders of Saudi Urban Development Company	44 256 746	44 256 746
Balance as at 30 September 2016	44 256 746	44 256 746

48. Notes Payable

A) Short Term Notes Payable

	<u>30 September</u> <u>2016</u> <u>EGP</u>	<u>31 December</u> <u>2015</u> <u>EGP</u>
Notes payable- Land (New Urban Communities Authority)	459 153 729	366 203 302
Deduct:-		
Delayed installments interest	105 368 711	167 018 308
	353 785 018	199 184 994
Add:- Other notes payable	495 472 971	274 507 762
Deduct:- Delayed installments interest	101 286 105	--
Balance as at 30 September 2016	747 971 884	473 692 756

B) Long Term Notes Payable

	<u>30 September</u> <u>2016</u> <u>EGP</u>	<u>31 December</u> <u>2015</u> <u>EGP</u>
Notes payable- Land (New Urban Communities Authority)	58 884 111	110 898 452
Deduct:-		
Delayed installments interest	13 543 345	--
	45 340 766	110 898 452
Add:- Other notes payable	741 233 660	37 633 579

Deduct:-

Unamortized discount

293 439 290

--

Balance as at 30 September 2016

493 135 136

148 532 031

49. Loans This item is represented as follows:

	<u>30 September 2016</u>		<u>31 December 2015</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>
Misr Bank				
Revolving medium term loan with Misr Bank in the amount of EGP 750 million to finance projects of Palm Hills Middle East for Real Estate Investment.	--	729 999 990	--	635 999 990
Arab African International Bank (AAIB)				
A medium loan with Arab African International Bank (AAIB) amounted to EGP 100 million for United Engineering for Construction	30 705 000	42 888 598	24 564 000	61 413 580
Arab African International Bank (AAIB)				
A medium term loan with the Arab African International Bank (AAIB) amounted to EGP 2.4 billion to finance projects of Palm Hills Developments and Rakeen Egypt for Real Estate Investment secured by the assignment of projects' cash and bears an interest rate of 3.25% above deposit corridor rate.	172 800 000	2 096 257 312	--	2 064 399 007
Arab African International Bank (AAIB)				
A medium term loan with Arab African International Bank (AAIB) amounted to EGP 225 million to finance projects of East New Cairo for Real Estate Development secured by the assignment of projects' cash flow and bears an interest rate of 2.75% above deposit corridor rate and is repayable on quarterly installments from 30 September 2013 to September 2018.	64 286 001	128 571 142	56 250 000	96 704 794
Mudaraba Contract with Abu Dhabi Islamic Bank (ADIB) amounted to EGP 96 403 044 for 3 years for Saudi Urban Development Company.	24 100 761	--	--	59 769 917
Arab Bank				
A loan secured by notes receivable of delivered units	200 000 000	--	--	--
Balance as at 30 September 2016				
	491 891 762	2 997 717 042	80 814 000	2 918 287 288

50. Creditors And Other Credit Balances

	<u>30 September</u>	<u>31 December</u>
	<u>2016</u>	<u>2015</u>
	<u>EGP</u>	<u>EGP</u>
Other credit balances	189 627 133	164 768 292
Increase in construction area liabilities	95 500 000	95 500 000
Accounts receivable under settlement	130 957 589	58 635 067
Accrued expenses	34 179 956	26 465 054
Balance as at 30 September 2016	450 264 678	345 368 413

51. Capital

The Company's authorized capital amounts EGP 6 000 000 000. The Company's issued and paid in capital amounts to EGP 4 617 899 452 representing 2 308 949 726 shares with a par value of EGP 2 per share as follows:

<u>Issued capital</u>	<u>EGP</u>
The Company's issued capital was determined at EGP 121 500 000 representing 1 215 000 shares with a par value of EGP 100 per share.	<u>121 500 000</u>
On 20 December 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.	<u>307 000 000</u>
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.	<u>400 000 000</u>
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.	<u>600 000 000</u>
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.	<u>800 000 000</u>
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.	<u>832 000 000</u>
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.	<u>931 840 000</u>
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.	<u>1 397 760 000</u>
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.	<u>2 096 640 000</u>
On 22 September 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.	<u>2 696 640 000</u>
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.	<u>4 344 640 000</u>
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.	<u>4 397 999 478</u>
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>

52. Other Long Term Liabilities- Residents' Association

Other long term liabilities represent time deposit checks received from residents or customers due on the sold units to finance the maintenance and other running expenses, such time deposit checks are temporarily invested in favor of residents until the compound has separate legal personality and separate assets and liabilities, then the compound's management and its General Assembly will be responsible for running the compound's assets and liabilities according to the Buildings & Housing Law No.119 for 2008. Other long term liabilities balance as at 30 September 2016 amounted to EGP **652 497 072**.

53. Reserves

a) Legal reserve

	<u>30 September</u> <u>2016</u> <u>EGP</u>	<u>31 December</u> <u>2015</u> <u>EGP</u>
Beginning balance	585 103 921	566 469 569
Transferred from the prior period's profit	39 798 483	18 634 352
Balance as at 30 September 2016	<u>624 902 404</u>	<u>585 103 921</u>

b) Special reserve

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

54. Revenues

	<u>30 September</u> <u>2016</u> <u>EGP</u>	<u>30 September</u> <u>2015</u> <u>EGP</u>
Revenue from building and development activities	3 834 100 527	2 681 639 015
Revenue from the construction activity	20 551 584	--
Revenue from hospitality activities	24 036 406	23 403 676
Other revenues	48 587 724	26 234 221
Net operating profit (loss) – Palm Hills Club	16 784 281	5 527 318
Sale of completed units ready for sale	--	26 768 207
Deduct:-		
Unamortized discount- notes receivable	315 622 063	177 326 986
Total as at 30 September 2016	<u>3 628 438 459</u>	<u>2 586 245 451</u>

55. Cost of Revenues

	<u>30 September</u> <u>2016</u> <u>EGP</u>	<u>30 September</u> <u>2015</u> <u>EGP</u>
Cost of building and development activities	2 457 173 383	1 616 538 801
Cost of completed units ready for sale	--	20 483 327
Depreciation of Fixed Assets – hospitality operations	4 504 583	3 872 544
Cost of the construction activity	14 466 408	--
Total as at 30 September 2016	<u>2 476 144 374</u>	<u>1 640 894 672</u>

56. General Administrative, Selling And Marketing Expenses

	<u>30 September</u> <u>2016</u> <u>EGP</u>	<u>30 September</u> <u>2015</u> <u>EGP</u>
Wages and salaries	175 639 007	138 088 888
Selling and marketing expenses	108 167 631	65 411 281
Professional and Government fees	44 917 165	66 620 451
Communications expenses	1 545 771	1 030 576
Utilities	16 366 954	18 730 463
Maintenance and Insurance	16 205 684	9 318 068
Travel and transportation	5 146 207	4 549 129
Bank charges	4 578 686	3 400 391
Other administrative expenses	33 527 916	11 039 962
Total as at 30 September 2016	<u>406 095 021</u>	<u>318 189 209</u>

57. Net operating Profit (Loss) – Palm Hills Club

	<u>30 September</u> <u>2016</u> <u>EGP</u>	<u>30 September</u> <u>2015</u> <u>EGP</u>
Revenues	42 962 866	30 461 377
Less:		
Cost of revenue	9 463 020	7 721 271
	<u>33 499 846</u>	<u>22 740 106</u>
Less:		
General administrative expenses	11 927 169	12 451 291
Depreciation of Fixed Assets	6 422 385	5 526 740
	<u>18 349 554</u>	<u>17 978 031</u>
Add:		
Other revenues	1 633 989	765 243
Net operating profit (Loss)	<u>16 784 281</u>	<u>5 527 318</u>

58. Gains On Investments In Fair Value Through Profit Or Loss

	<u>30 September</u> <u>2016</u> <u>EGP</u>	<u>30 September</u> <u>2015</u> <u>EGP</u>
Gains on sale of mutual funds certificates	4 220 741	3 581 445
Total as at 30 September 2016	4 220 741	3 581 445

59. Other Revenues

	<u>30 September</u> <u>2016</u> <u>EGP</u>	<u>30 September</u> <u>2015</u> <u>EGP</u>
E-compound revenues	36 621	1 486 626
Gain on disposal of property & equipment	9 871 726	13 568 110
Miscellaneous revenues	38 679 377	11 179 485
Total as at 30 September 2016	48 587 724	26 234 221

60. Earnings per share

	<u>30 September</u> <u>2016</u> <u>EGP</u>	<u>30 September</u> <u>2015</u> <u>EGP</u>
Net profit for the period	404 307 872	746 902 304
Deduct:		
estimated remuneration of the board of directors and employees' profit-sharing	38 409 248	70 955 719
Weighted average number of shares	2 308 949 726	1 528 922 740
Earnings per share	0.15	0.41

61. Transaction With Related Parties

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

a- Transaction with related parties

<u>Party</u>	<u>Relationship</u>	<u>Nature of transaction</u>	<u>Amount of transaction EGP</u>
Palm Hills Middle East Company for Real Estate Investment S.A.E	A subsidiary	Finance	359 384 889
Royal Gardens for Real Estate Investment Company S.A.E	A subsidiary	Finance	32 475 051
Middle East Company for Real Estate and Touristic Investment S.A.E	A subsidiary	Finance	126 374 182
Gawda for Trade Services S.A.E	A subsidiary	Finance	45 354 423
Rakeen Egypt for Real Estate Investment S.A.E	A subsidiary	Finance	296 267 359
Saudi Urban Development Company S.A.E	A subsidiary	Finance	50 425 760
Nile Palm Al-Naeem for Real Estate Development S.A.E	A subsidiary	Finance	2 987 590
Al Ethadia for Real Estate S.A.E	A Related party	Finance	124 139 234
East New Cairo for Real Estate Development S.A.E	A subsidiary	Finance	662 414 025
Palm October For Hotels S.A.E	A subsidiary	Finance	3 414
New Cairo for Real Estate Development S.A.E	A subsidiary	Finance	129 233 266
Al Naeem for Hotels and Touristic Villages S.A.E	A subsidiary	Finance	216 494 873
Gemsha for Tourist Development S.A.E	A subsidiary	Finance	20 281 472
United Engineering for Construction S.A.E	A subsidiary	Finance	32 576 711
El Mansour & El Maghraby Investment and Development	A main shareholder	Finance	344 619 450
Palm for Real Estate Development	A subsidiary	Finance	67 476 237
Palm for Investment & Real Estate Development	A subsidiary	Finance	6 899 258
Palm Hills Properties	A subsidiary	Finance	500 500
Palm Hills for Tourist & Real Estate Development	A subsidiary	Finance	40 580 201
Palm Hills for Investment Tourism	A subsidiary	Finance	62 584 368
Palm Hills Resorts	A subsidiary	Finance	560 201
Palm Hills Education S.A.E	A subsidiary	Finance	1 248 004

b- Resulting balances from these transactions

<u>Party</u>	<u>Item as in balance sheet</u>	<u>30 September 2016 EGP</u>
Palm Hills Middle East Company for Real Estate Investment S.A.E	Due from related parties	866 540 118
Royal Gardens for Real Estate Investment Company S.A.E	Due from related parties	11 105 311
Rakeen Egypt for Real Estate Investment S.A.E	Due from related parties	282 129 775
Saudi Urban Development Company S.A.E	Due from related parties	175 280 362
Al Ethadia for Real Estate S.A.E	Due from related parties	159 958 204
East New Cairo for Real Estate Development S.A.E	Due from related parties	378 615 760
Palm October for Hotels S.A.E	Due from related parties	52 397 951
New Cairo for Real Estate Developments S.A.E	Due from related parties	9 949 101
Gemsha for Tourist Development S.A.E	Due from related parties	68 578 422
Palm For Investment And Real Estate Development	Due from related parties	54 095 267
Palm Hills Properties	Due from related parties	500
Palm Hills Development of Tourism and Real Estate	Due from related parties	40 080 201
Palm Hills for Investment Tourism	Due from related parties	62 084 368
Palm Hills Resorts	Due from related parties	60 201
Palm Hills Hospitality S.A.E	Due from related parties	100 254 292
Palm Hills Education S.A.E	Due from related parties	184 125

Palm Hills – Saudi	Due from related parties	269 320
Coldwell Banker Palm Hills for Real Estate	Due from related parties	20 480
Middle East Company for Real Estate and Touristic Investment S.A.E	Due to related parties	(68 332 561)
Gawda for Trade Services S.A.E	Due to related parties	(44 152 541)
Nile Palm Al-Naeem for Real Estate Development S.A.E	Due to related parties	(44 843 740)
Al Naeem for Hotels and Touristic Villages S.A.E	Due to related parties	(125 851 655)
United Engineering for Construction S.A.E	Due to related parties	(11 407 437)
El Mansour & El Maghraby Investment and Development	Due to related parties	(44 312 170)
Palm Gemsha for Hotels S.A.E	Due to related parties	(53 394)
Palm North Coast Hotels S.A.E	Due to related parties	(56 586)
Palm for Real Estate Development S.A.E	Due to related parties	(22 700 117)

62. Tax Status

The Company was exempted from income tax for ten years to end on 31 December 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 December 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.

63. 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.

64. Risk Management

- Interest rate risk

The interest risk is represented in the interest rates changes and its affect 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 are 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.

65. Comparative Figures

The comparative figures have been restated because of changes in the accounting policy for sales revenue recognition for the villas and townhouses from accounting for the separately identifiable components of a single contract, where revenue from the sale of the plot of land of the villas and townhouses is fully recognized when a sale is concluded and contracts are signed and revenue from the construction of villas and townhouse is recognized based on the completion percentage and when the percentage of completion is reached 100% of the estimated development costs for each phase to accounting for the contract in its entirety, which 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.

The new policy was applied retrospectively, as a result, the total equity was decreased by EGP 156 569 662 as follows:

	<u>Balance as at</u> <u>31/12/2015</u> <u>before restatement</u>	<u>Restatement</u>	<u>Balance as at</u> <u>31/12/2015</u> <u>after restatement</u>
Retained (deficit)	(171 750 887)	(40 640 236)	(212 391 123)
Net profit for the year	1 031 492 706	(115 929 426)	915 563 280
		<u>(156 569 662)</u>	
	<u>Balance as at</u> <u>31/12/2015</u> <u>before restatement</u>	<u>Restatement</u>	<u>Balance as at</u> <u>31/12/2015</u> <u>after restatement</u>
Works in process	6 540 616 090	76 929 267	6 463 686 823
Advances from customers	6 169 791 784	79 640 395	6 249 432 179
		<u>156 569 662</u>	

66. Dividends

On 25 March 2015, the Company's Ordinary General Assembly Meeting approved the board of director's proposal to distribute cash dividends and bonus shares for the fiscal year 2015. Meanwhile, the company's extraordinary general approved raised issued capital by EGP 219 899 974 (109 949 987 shares).

The Company distributed cash dividends at EGP 0.15 per share and bonus shares at 1-for-20.

67. 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 December 2014 of EGP 53 359 478 for an employee stock ownership plan (ESOP) representing 28 013 725 shares.

As at 30 September 2016 the Company re-measured the fair value of granted options and recognized EGP 10 084 941 in the ESOP re-measurement reserve, therefore the fair value of the granted options amounted EGP 66 112 391 as at 30 September 2016 and these granted options have not been exercised yet.