

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

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

**As of 30 June 2016**

	<u>Note no.</u>	<u>30/6/2016</u> <u>EGP</u>	<u>31/12/2015</u> <u>EGP</u> restated
<b><u>Long term assets</u></b>			
Investments in associates	(8c,11b,29)	75 531 100	78 506 490
Investment property	(11f, 30)	854 664 787	854 664 787
Notes receivable - long term	(16-32)	5 400 941 127	4 546 281 603
Projects under construction	(12-33)	939 234 660	858 654 273
Advance payments for investments acquisition	(41)	184 335 633	184 335 633
Employee stock ownership plan (ESOP)		62 190 470	--
Fixed assets (net)	(13-34)	333 648 349	334 622 621
Deferred tax assets	(22b)	11 543 182	11 948 094
Other long term assets		1 390 733	1 390 733
<b>Total long term assets</b>		<b>7 863 480 041</b>	<b>6 870 404 234</b>
<b><u>Current assets</u></b>			
Works in process	(14-35)	6 775 647 179	6 463 686 823
Held-to-maturity investments	(11d -31)	151 071 671	613 045 694
Cash and cash equivalents	(28-36)	956 304 158	965 669 547
Notes receivable - short term	(16-32)	2 709 160 664	2 371 034 595
Investments at fair value through profit and loss	(11e)	61 880 036	67 112 711
Accounts receivable	(37)	888 233 321	704 029 344
Suppliers - advance payments		349 174 208	384 777 356
Debtors and other debit balances	(38)	228 246 112	174 854 197
Guaranteed payments – joint arrangement	(39)	90 000 000	--
Due from related parties	(25-40-61)	218 263 630	172 391 893
<b>Total current assets</b>		<b>12 427 980 979</b>	<b>11 916 602 160</b>
<b><u>Current liabilities</u></b>			
Banks - credit balances	(42)	31 930 202	31 035 055
Bank- over draft	(43)	70 691 002	80 236 967
Advances from customers	(44)	6 862 528 814	6 249 432 179
Completion of infrastructure liabilities	(20)	92 881 360	173 648 127
Provisions	(18)	118 555 018	116 843 823
Current portion land purchase liabilities	(19-45)	286 175 347	263 318 760
Investment purchase liabilities	(47)	44 256 746	44 256 746
Notes payable - short term	(48a)	665 606 640	473 692 756
Current portion of term loans	(49)	496 988 023	80 814 000
Suppliers & contractors		348 730 594	406 849 941
Income tax payable	(22a)	80 146 529	46 631 446
Creditors & other credit balances	(50)	526 499 533	345 368 413
Due to related parties	(25-46-61)	199 187 729	226 318 984
<b>Total current liabilities</b>		<b>9 824 177 537</b>	<b>8 538 447 197</b>
<b>Working capital</b>		<b>2 603 803 442</b>	<b>3 378 154 963</b>
<b>Total investment</b>		<b>10 467 283 483</b>	<b>10 248 559 197</b>
<b><u>Financed as follows:</u></b>			
<b><u>Shareholders' equity</u></b>			
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		6 163 020	--
Retained earnings		(69 310 597)	(212 391 123)
Net profit for the period		169 331 248	915 563 280
<b>Equity attributable to equity holders of the parent</b>		<b>5 873 198 412</b>	<b>6 157 128 963</b>
<b>Non-controlling interest</b>		<b>355 179 229</b>	<b>270 774 426</b>
<b>Total shareholders' equity</b>		<b>6 228 377 641</b>	<b>6 427 903 389</b>
<b><u>Long term liabilities</u></b>			
Land purchase liabilities	(19-45)	218 029 210	268 236 463
Notes payable - long term	(48b)	422 455 967	148 532 031
Other long term liabilities – Residents' Association	(52)	585 364 475	485 600 026
Loans	(49)	3 013 056 190	2 918 287 288
<b>Total long term liabilities</b>		<b>4 238 905 842</b>	<b>3 820 655 808</b>
<b>Total equity and non-current liabilities</b>		<b>10 467 283 483</b>	<b>10 248 559 197</b>

- 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 June 2016**

	<u>Note No.</u>	Financial period from 1/1/2016 to 30/6/2016 <u>EGP</u>	Financial period from 1/1/2015 to 30/6/2015 <u>EGP</u>	Financial period from 1/4/2016 to 30/6/2016 <u>EGP</u>	Financial period from 1/4/2015 to 30/6/2015 <u>EGP</u>
<b>Revenues</b>	(27a, 51)	2 143 207 797	1 476 305 773	1 071 672 576	732 939 967
		<u>2 143 207 797</u>	<u>1 476 305 773</u>	<u>1 071 672 576</u>	<u>732 939 967</u>
Deduct:-					
Cost of revenues	(26, 52)	1 525 674 302	847 105 134	777 922 614	433 600 667
Cash Discount		28 566 036	26 573 543	12 780 748	10 132 023
<b>Total cost</b>		<u>1 554 240 338</u>	<u>873 678 677</u>	<u>790 703 362</u>	<u>443 732 660</u>
<b>Gross profit</b>		<u>588 967 459</u>	<u>602 627 096</u>	<u>280 969 214</u>	<u>289 207 277</u>
Deduct:-					
Interest expenses – amortization of discount on land liability		--	6 258 998	--	3 129 500
General administrative, selling and marketing expenses	(53)	255 752 189	190 568 535	138 397 329	99 559 738
Administrative depreciation		5 383 769	4 227 551	2 742 899	2 153 690
Provision		1 853 804	99 662 374	1 246 443	99 662 374
Finance costs & interests		16 598 277	30 430 989	11 474 930	27 563 042
Interest on land purchase liabilities		56 315 396	108 457 946	31 164 371	59 885 930
		<u>335 903 435</u>	<u>439 606 393</u>	<u>185 025 972</u>	<u>291 954 274</u>
<u>Add:</u>					
Gains on investments in fair value through profit or loss	(55)	2 709 448	2 348 307	1 294 247	1 133 563
Interest income – amortization of discount on notes receivables		23 030 589	46 099 030	11 515 294	23 049 516
Interest income	(27f)	59 501 325	782 490	33 753 765	706 772
Capital gains on investment property		--	425 735 602	--	425 735 602
	(56)	<u>85 241 362</u>	<u>474 965 429</u>	<u>46 563 306</u>	<u>450 625 453</u>
<b>Net profit for the period before income tax &amp; non-controlling interest</b>		<b>338 305 586</b>	<b>637 986 132</b>	<b>142 506 548</b>	<b>447 878 456</b>
Deduct:-					
Income tax expense	(22a)	80 118 044	10 411 769	34 210 117	9 225 720
Deferred tax	(22b)	362 182	200 000	362 182	140 000
<b>Net profit for the period before &amp; non-controlling interest</b>		<b>257 825 160</b>	<b>627 374 363</b>	<b>107 934 249</b>	<b>438 512 736</b>
Deduct:-					
Non-controlling interest share-subsiidiaries		88 493 912	28 557 396	44 030 179	25 293 303
<b>Net profit for the period after income tax &amp; non-controlling interest</b>		<b>169 331 248</b>	<b>598 816 967</b>	<b>63 904 070</b>	<b>413 219 433</b>
<b>Earning per share</b>		<b>0.063</b>	<b>0.351</b>	<b>0.024</b>	<b>0.262</b>

- 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 June 2016**

<u>Note No.</u>	<b>Financial period from 1/1/2016 to 30/6/2016</b>	<b>Financial period from 1/1/2015 to 30/6/2015</b>	<b>Financial period from 1/4/2016 to 30/6/2016</b>	<b>Financial period from 1/4/2015 to 30/6/2015</b>
	<b><u>EGP</u></b>	<b><u>EGP</u></b>	<b><u>EGP</u></b>	<b><u>EGP</u></b>
Net profit for the period	257 825 160	627 374 363	107 934 249	438 512 736
Other comprehensive income	--	--	--	--
<b>Total comprehensive income for the year, net of tax</b>	<b><u>257 825 160</u></b>	<b><u>627 374 363</u></b>	<b><u>107 934 249</u></b>	<b><u>438 512 736</u></b>
Attributable to:				
Equity holders of the parent	169 331 248	598 816 967	63 904 070	413 219 433
Non-controlling interests	88 493 912	28 557 396	44 030 179	25 293 303
	<b><u>257 825 160</u></b>	<b><u>627 374 363</u></b>	<b><u>107 934 249</u></b>	<b><u>438 512 736</u></b>

- 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 June 2016**

	<u>Note No.</u>	<u>30/6/2016</u> EGP	<u>30/6/2015</u> EGP
Net profit for the period before income tax & non-controlling interest		338 305 386	637 986 132
<b><u>Adjustments to reconcile net profit to net cash from operating activities</u></b>			
Administrative depreciation	(34)	12 505 795	10 404 087
Provision formed		1 853 804	99 662 374
Interest expenses – amortization of discount on land liability		--	6 258 998
Interest on land purchase liabilities		56 315 396	108 457 946
Finance costs & interests		16 598 278	30 430 989
Gain on disposal of property & equipment	(34)	(35 222)	(1 458 973)
Share of profit/ loss of associates	(29)	2 975 390	(202 555)
Gains on investments in fair value through profit or loss		(2 709 448)	(2 348 307)
Interest income on held to maturity investments		(59 501 325)	(782 490)
Capital gain on investment property		--	(425 735 602)
Interest income – amortization of discount on notes receivables	(32)	(23 030 589)	(46 099 030)
<b>Operating profit before changes in working capital items</b>		<b>343 277 465</b>	<b>416 573 569</b>
<b><u>Changes in working capital items</u></b>			
Change in work in process	(14-35)	(336 796 413)	(563 591 870)
Change in notes receivables	(16-32)	(1 169 755 005)	533 891 897
Change in investments in fair value through profit or loss	(11e)	5 232 675	4 108 884
Change in held-to-maturity investments		461 974 023	(12 295 244)
Change in accounts receivable	(37)	(184 203 977)	295 882 609
Change in suppliers - advance payments		35 603 148	(85 169 304)
Change in debtors & other debit balances	(38)	(53 391 915)	(65 466 660)
Change in due from related parties	(25-40)	(45 871 737)	(43 193 675)
Change in Guaranteed payments – joint arrangement	(39)	(90 000 000)	--
Change in advances from customers	(44)	613 096 635	800 941 891
Change in completion of infrastructure liabilities	(20)	(80 766 767)	(57 253 790)
Provisions		(142 609)	(96 538)
Change in due to related parties	(25-46)	(27 131 255)	(39 130 588)
Change in suppliers & contractors		(58 119 347)	149 347 857
Change in notes payable	(48)	409 522 424	(160 217 819)
Income tax paid		(46 602 961)	(1 609 262)
Change in creditors and other credit balances	(50)	181 131 121	(17 260 449)
Change in other long term – Residents' Association		99 764 449	43 943 808
<b>Net cash (used in) provided by operating activities</b>		<b>56 819 955</b>	<b>(868 378 478)</b>
<b><u>Cash flows from investing activities</u></b>			
Payments for purchase of fixed assets	(34)	(14 053 113)	(26 085 759)
Proceeds from sale of fixed assets	(34)	42 200	1 499 166
proceeds from / payments for projects under construction	(12-33)	(80 580 385)	14 518 903
Proceeds from sale of investment property		--	657 047 713
Proceeds from investments in fair value through profit or loss		2 709 448	2 348 307
Interest income on held to maturity investments		59 501 325	782 490
<b>Net cash provided by (used in) investing activities</b>		<b>(32 380 525)</b>	<b>650 110 820</b>
<b><u>Cash flows from financing activities</u></b>			
Banks - credit balances	(42)	895 147	(2 680 242)
Banks – overdraft		(9 545 965)	--
Dividends		(368 630 379)	--
Adjustments to retained earnings		(146 821 889)	(63 426 036)
Non-controlling interest – dividends		(4 089 109)	(18 348 944)
Deferred tax		42 730	77 199
Proceeds from loans	(49)	--	--
Repayments of loans	(49)	510 942 925	568 481 992
Finance costs & interests		(16 598 278)	(30 430 989)
<b>Net cash provided by (used in) financing activities</b>		<b>(33 804 818)</b>	<b>453 672 980</b>
Net increase in cash and cash equivalents during the period		(9 365 389)	235 405 322
Cash and cash equivalents at beginning of the period		965 669 547	194 949 064
<b>Cash and cash equivalents as at 30 June 2016</b>	(28-36)	<b>956 304 158</b>	<b>430 354 386</b>

- 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

Chairman

**Ali Thabet**

**Yasseen Mansour**

**PALM HILLS DEVELOPMENTS COMPANY S.A.E**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**For The Period Ended 30 June 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>
<b>Balance as at 1 January 2015</b>	<b>2 696 640 000</b>	<b>566 469 569</b>	<b>524 212 885</b>	--	<b>(272 361 289)</b>	<b>353 290 475</b>	<b>3 868 251 640</b>	<b>255 951 133</b>	<b>4 124 202 773</b>
Transferred to retained earnings	--	--	--	--	353 290 475	(353 290 475)	--	--	--
Adjustments to retained earnings	--	--	--	--	(63 426 036)	--	(63 426 036)	--	(63 426 036)
Adjustments to non-controlling interest	--	--	--	--	--	--	--	(18 348 944)	(18 348 944)
Transferred to legal reserve	--	18 038 487	--	--	(18 038 487)	--	--	--	--
Net profit for the period	--	--	--	--	--	598 816 967	598 816 967	28 557 396	627 374 363
<b>Balance as at 30 June 2015</b>	<b>2 696 640 000</b>	<b>584 508 056</b>	<b>524 212 885</b>	--	<b>(535 337)</b>	<b>598 816 967</b>	<b>4 403 642 571</b>	<b>266 159 585</b>	<b>4 669 802 156</b>
<b>Balance as at 1 January 2016</b>	<b>4 344 640 000</b>	<b>585 103 921</b>	<b>524 212 885</b>	--	<b>(171 750 887)</b>	<b>1 031 492 706</b>	<b>6 313 698 625</b>	<b>270 774 426</b>	<b>6 584 473 051</b>
Cumulative impact for adoption of new accounting policies	(65) --	--	--	--	(40 640 236)	(115 929 426)	(156 569 662)	--	(156 569 662)
<b>Balance as at 1 January 2016</b>	<b>4 344 640 000</b>	<b>585 103 921</b>	<b>524 212 885</b>	--	<b>(212 391 123)</b>	<b>915 563 280</b>	<b>6 157 128 963</b>	<b>270 774 426</b>	<b>6 427 903 389</b>
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) --	--	--	6 163 020	--	--	6 163 020	--	6 163 020
Adjustments to retained earnings	--	--	--	--	(146 821 889)	--	(146 821 889)	--	(146 821 889)
Dividends	--	--	--	--	(368 630 379)	--	(368 630 379)	(4 089 109)	(372 719 488)
Net profit for the period	--	--	--	--	--	169 331 248	169 331 248	88 493 912	257 825 160
<b>Balance as at 30 June 2016</b>	<b>4 617 899 452</b>	<b>624 902 404</b>	<b>524 212 885</b>	<b>6 163 020</b>	<b>(69 310 597)</b>	<b>169 331 248</b>	<b>5 873 198 412</b>	<b>355 179 229</b>	<b>6 228 377 641</b>

-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 June 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 8 August 2015.

**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 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 6<sup>th</sup> of October City. The company is engaged in leasing, construction and operation of hotels, motels, resorts and residential compounds, construction, generation of electricity, desalination of water, land acquisition, diving and constructing villas, residential units and offices malls and the marketing thereof.

- **Palm 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 6<sup>th</sup> of October City. The company is engaged in construction and operation of hotels in Hamata.

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

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

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

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

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

communities, resorts, villas and tourist villages through sale or lease. The company is also involved in all other types of related services such as finance leasing and construction.

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

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

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

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

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

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

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

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

- **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.

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

	<b><u>Percentage</u></b> <b><u>share %</u></b>
Palm North Coast Hotels S.A.E	%97.412
Palm Gamsha Hotels S.A.E	%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

- **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.

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

**c) Consolidation procedures**

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

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

**d) Business combination**

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

## **13. Fixed Assets**

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

<b><u>Asset</u></b>	<b><u>Rate</u></b>
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 June</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	54 919 700	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
<b>Balance as at 30 June 2016</b>	<b><u>75 531 100</u></b>	<b><u>78 506 490</u></b>

## **30. Investment Property**

	<u>Acres</u>	<u>30 June</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
<b>Balance as at 30 June 2016</b>	<b><u>4215.679</u></b>	<b><u>854 664 787</u></b>	<b><u>854 664 787</u></b>

\* 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</u> <u>investment</u> <u>return</u> <u>EGP</u>	<u>Average</u> <u>return rate</u> <u>%</u>	<u>Purchase</u> <u>price</u> <u>EGP</u>
Palm Hills Development	23 924 784	1 738 065	%10	22 186 719
East New Cairo for Real Estate Development	27 750 000	1 546 195	%10	26 203 805
Gawda for Trade Services	2 925 000	207 131	%10	2 717 869
Middle East Company for Real Estate and Touristic Investment	4 800 000	316 677	%10	4 483 323
Royal Gardens for Real Estate Investment Company	12 375 000	914 015	%10	11 460 985
Palm Hills Middle East Company for Real Estate Investment	68 125 000	1 755 268	%10	66 369 732
New Cairo for Real Estate Development	19 300 000	1 697 023	%10	17 602 977
Rakeen Egypt for Real Estate Investment	50 000	3 739	%10	46 261
<b>Balance as at 30 June 2016</b>	<b><u>159 249 784</u></b>	<b><u>8 178 113</u></b>		<b><u>151 071 671</u></b>

### **32. Notes Receivable**

	<b><u>30 June</u></b> <b><u>2016</u></b> <b><u>EGP</u></b>	<b><u>31 December</u></b> <b><u>2015</u></b> <b><u>EGP</u></b>
Short term notes receivable	2 820 490 931	2 417 095 771
Deduct: Notes receivable of joint venture	52 093 809	--
Deduct: unamortized discount	<u>59 236 458</u>	<u>46 061 176</u>
	<b><u>2 709 160 664</u></b>	<b><u>2 371 034 595</u></b>
Long term notes receivable	5 706 785 066	4 682 206 154
Deduct: Notes receivable of joint venture	209 000 327	--
Deduct: unamortized discount	<u>96 843 612</u>	<u>135 924 551</u>
	<b><u>5 400 941 127</u></b>	<b><u>4 546 281 603</u></b>
<b>Balance as at 30 June 2016</b>	<b><u>8 110 101 791</u></b>	<b><u>6 917 316 198</u></b>

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

### **33. Projects Under Construction**

	<b><u>30 June</u></b> <b><u>2016</u></b> <b><u>EGP</u></b>	<b><u>31 December</u></b> <b><u>2015</u></b> <b><u>EGP</u></b>
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	40 294 744	14 981 482
Commercial shops - Palm Hills Resort	36 311 829	34 498 647
Mall (8)	<u>27 205 630</u>	<u>7 221 214</u>
<b>Balance as at 30 June 2016</b>	<b><u>939 234 661</u></b>	<b><u>858 654 273</u></b>

### 34. Fixed Assets

Fixed assets (net) balance as at 30 June 2016 amounted to EGP 333 648 349 represented as follows:

	<u>Cost as of January 1,2016</u>	<u>Additions during the period</u>	<u>Disposals during the period</u>	<u>Cost as of June 30,2016</u>	<u>Accumulated depreciation as of January 1, 2016</u>	<u>Depreciation for the period</u>	<u>Accumulated depreciation of disposals</u>	<u>Accumulated depreciation as of June 30,2016</u>	<u>Net book value as of June 30,2016</u>	<u>Net book value as of December 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	--	--	509 623 460	179 792 340	7 837 602	--	187 629 942	321 993 518	335 129 973
Machinery & equipment	114 730 811	7 246 467	--	121 977 278	89 420 963	2 970 713	--	92 391 676	29 585 602	18 252 396
Vehicles	15 623 582	--	105 000	15 518 582	14 297 422	188 136	105 000	14 380 558	1 138 024	833 033
Computer equipment	37 849 806	2 414 028	18 415	40 245 419	26 190 974	2 485 892	11 437	28 665 429	11 579 990	5 673 764
Leasehold improvements	17 686 292	14 774	--	17 701 066	16 851 733	126 021	--	16 977 754	723 312	962 192
Furniture	52 304 194	4 377 844	--	56 682 038	38 523 267	1 412 043	--	39 935 310	16 746 728	5 045 115
<b>Total cost</b>	<b><u>766 738 807</u></b>	<b><u>14 053 113</u></b>	<b><u>123 415</u></b>	<b><u>780 668 505</u></b>	<b><u>365 076 699</u></b>	<b><u>15 020 407</u></b>	<b><u>116 437</u></b>	<b><u>379 980 669</u></b>	<b><u>400 687 836</u></b>	<b><u>384 817 105</u></b>
Impairment of Macor									(2 500 000)	(2 500 000)
Impairment of assets									(64 539 487)	(64 539 487)
<b>Balance as at 30 June 2016</b>									<b><u>333 648 349</u></b>	<b><u>334 622 621</u></b>

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

	<u>EGP</u>
Operating assets-work in process	2 514 612
Administrative depreciation (income statement)	5 383 769
Depreciation expense of hotel operations	2 980 333
Depreciation expense of Palm Hills Club's assets - club's operating statement	4 141 693
	<b><u>15 020 407</u></b>

- Capital Gains for the period ended 30 June 2016 amounted to EGP 35 222 as follows:

	<u>EGP</u>	<u>EGP</u>
Proceed from sale of fixed assets		42 200
Deduct:		
Cost of assets sold	123 415	
Accumulated depreciation of assets sold	116 437	
Carrying amount of assets sold		6 978
		<b><u>35 222</u></b>

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

	<u>Cost as of</u> <u>January</u> <u>1,2015</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>December</u> <u>31,2015</u>	<u>Accumulated</u> <u>depreciation as</u> <u>of January 1,</u> <u>2015</u>	<u>Depreciation</u> <u>for the year</u>	<u>Accumulated</u> <u>depreciation</u> <u>of disposals</u>	<u>Accumulated</u> <u>depreciation</u> <u>as of</u> <u>December</u> <u>31,2015</u>	<u>Net book</u> <u>value as of</u> <u>December</u> <u>31,2015</u>	<u>Net book</u> <u>value as of</u> <u>December</u> <u>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
<b>Total cost</b>	<b>730 299 845</b>	<b>44 189 938</b>	<b>(7 750 978)</b>	<b>766 738 805</b>	<b>345 482 740</b>	<b>26 394 998</b>	<b>(6 801 041)</b>	<b>365 076 697</b>	<b>384 817 105</b>	<b>401 662 108</b>
Impairment of Macor									(2 500 000)	(2 500 000)
Impairment of assets									(64 539 487)	(64 539 487)
<b>Balance as at 31 December</b> <b>2015</b>									<b>334 622 621</b>	<b>317 777 618</b>

- 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
	<b>26 394 998</b>

- 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
<b>Deduct:</b>		
Cost of assets sold	7 750 978	
Accumulated depreciation of assets sold	6 801 041	
Carrying amount of assets sold		949 937
		<b>865 353</b>

**35. Work In Process**

	<u>Cost of sales recognized in income statement</u>				
	<u>Total as at 30 June 2016 EGP</u>	<u>As at 31 December 2015 EGP</u>	<u>For the period ended 30 June 2016 EGP</u>	<u>30 June 2016 EGP</u>	<u>31 December 2015 EGP</u>
Land acquisition cost	4 811 309 986	2 306 025 617	179 397 807	2 325 886 562	2 304 356 753
Cost of construction	10 348 087 400	4 581 977 571	1 331 470 767	4 434 639 062	4 146 208 515
Completed units ready for sale	189 907 169	172 785 614	--	15 121 555	13 121 555
<b>Balance as at 30 June 2016</b>	<b>15 347 304 555</b>	<b>7 060 788 820</b>	<b>1 510 868 574</b>	<b>6 775 647 179</b>	<b>6 463 686 823</b>

\* Borrowing cost capitalized on work in process for the period ended 30 June 2016 amounted to EGP 228 789 820 The capitalization rate used to determine the amount of borrowing costs eligible for capitalization is 11.56%.

**36. Cash And Cash Equivalents**

	<u>30 June</u> <u>2016</u> <u>EGP</u>	<u>31 December</u> <u>2015</u> <u>EGP</u>
Banks-current accounts- EGP	576 324 125	618 976 015
Banks-current accounts- foreign currency	8 781 086	4 343 049
Banks – Deposits- EGP	362 207 341	335 197 735
Cash on hand- EGP	8 991 606	7 152 748
<b>Balance as at 30 June 2016</b>	<b><u>956 304 158</u></b>	<b><u>965 669 547</u></b>

**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	300 951 296	211 712 942
Palm Hills Middle East Company for Real Estate Investment customers	140 366 393	120 110 559
New Cairo for Real Estate Developments customers	4 624 778	3 918 460
Royal Gardens for Real Estate Investment Company customers	16 026 497	15 319 226
Gawda for Trade Services customers	6 681 822	4 607 252
Saudi Urban Development Company customers	57 218 936	29 462 962
Rakeen Egypt for Real Estate Investment customers	144 123 887	163 225 819
East New Cairo for Real Estate Development customers	122 565 360	111 756 142
Middle East Company for Real Estate and Touristic Investment customers	45 295 338	38 456 824
United Engineering for Construction S.A.E	9 668 490	5 459 158
Palm Real Estate Development S.A.E	40 710 526	--
<b>Balance as at 30 June 2016</b>	<b><u>888 233 321</u></b>	<b><u>704 029 344</u></b>

**38. Debtors And Other Debit Balances** 5005 455

	<u>30 June</u> <u>2016</u> <u>EGP</u>	<u>31 December</u> <u>2015</u> <u>EGP</u>
Investments debtors	5 005 455	5 003 455
Deposits with others	3 753 240	3 244 340
Prepaid expenses	24 216 543	6 985 681
Loans to employee & custodies	12 106 802	4 588 822
Due from City for Real Estate Development Company	5 522 741	5 522 741
Advance payments for land acquisition	64 271 056	49 271 323
Residents' Association	68 923 732	50 113 919
Other debit balances	44 446 544	50 123 916
<b>Balance as at 30 June 2016</b>	<b><u>228 246 112</u></b>	<b><u>174 854 197</u></b>

### **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:

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

### **40. Due From Related Parties**

	<b><u>30 June</u></b> <b><u>2016</u></b> <b><u>EGP</u></b>	<b><u>31 December</u></b> <b><u>2015</u></b> <b><u>EGP</u></b>
Al Ethadia for Real Estate S.A.E	165 357 951	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	1 000 995	1 261 608
Palm Hills Education S.A.E	184 125	184 125
Mercure Ismailia Hotel	2 675 503	2 453 268
Palm Hills – Saudi	269 320	269 320
<b>Balance as at 30 June 2016</b>	<b><u>218 263 630</u></b>	<b><u>172 391 893</u></b>

### **41. Advance Payments For Investments Acquisition**

	<b><u>Nature of</u></b> <b><u>transaction</u></b>	<b><u>30 June</u></b> <b><u>2016</u></b> <b><u>EGP</u></b>	<b><u>31 December</u></b> <b><u>2015</u></b> <b><u>EGP</u></b>
Palm Hills – Saudi	Establishment	135 121 743	135 121 743
Villamora for Real Estate Development Company S.A.E	Acquisition	3 900 000	3 900 000
Gamsha for Tourist Development S.A.E	Acquisition	4 010 000	4 010 000
Al Naeem for Hotels and Touristic Villages	Acquisition	41 303 890	41 303 890
<b>Balance as at 30 June 2016</b>		<b><u>184 335 633</u></b>	<b><u>184 335 633</u></b>

**42. Banks- Credit Balances**

	<u>30 June 2016</u>	<u>31 December</u> <u>2015</u>
	<u>EGP</u>	<u>EGP</u>
Banks –EGP	31 930 202	28 764 486
Banks-foreign currencies	--	2 270 569
<b>Balance as at 30 June 2016</b>	<b><u>31 930 202</u></b>	<b><u>31 035 055</u></b>

**43. Bank Overdraft**

	<u>30 June 2016</u>	<u>31 December</u> <u>2015</u>
	<u>EGP</u>	<u>EGP</u>
Banks –EGP	70 691 002	80 236 967
<b>Balance as at 30 June 2016</b>	<b><u>70 691 002</u></b>	<b><u>80 236 967</u></b>

#### **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>Rakeen Egypt for Real Estate Investment S.A.E EGP</u>	<u>Middle East Company for Real Estate and Touristic Investment S.A.E EGP</u>	<u>New Cairo for Real Estate Developments S.A.E EGP</u>	<u>Royal Gardens for Real Estate Investment Company 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 30 June 2016 EGP</u>
<b>Real estate activities</b>												
Down payments	60 174 261	4 815 807	31 027 590	14 751 286	--	--	8 983 288	21 054 830	--	22 583 857	--	163 390 918
Advances for contracting	8 868 235 457	3 300 799 263	1 965 435 478	576 330 286	293 778 159	997 178 411	1 550 469 050	1 845 705 834	353 496 348	453 918 454	--	20 205 346 741
<b>Total real estate activities</b>	<b>8 928 409 718</b>	<b>3 305 614 770</b>	<b>1 996 463 068</b>	<b>591 081 572</b>	<b>293 778 159</b>	<b>997 178 411</b>	<b>1 559 452 338</b>	<b>1 866 760 664</b>	<b>353 496 348</b>	<b>476 502 311</b>		<b>20 368 737 659</b>
<b>Commercial activities</b>	24 997 801	--	--	--	--	--	--	179 702 093	--	--	--	204 699 894
<b>Construction activities</b>	--	--	--	--	--	--	--	--	--	--	17 235 926	17 235 926
	8 953 407 519	3 305 615 070	1 996 463 068	591 081 572	293 778 159	997 178 411	1 559 452 338	2 046 462 338	353 496 348	476 502 311	17 235 926	20 590 673 479
<b>Exclude:-</b> amounts recognized in income statements as at 30 June 2016	(6 614 265 522)	(2 091 012 663)	(698 105 704)	(447 293 369)	(290 150 721)	(916 536 539)	(542 430 244)	292 138 706 (1)	(347 287 526)	---	--	(13 239 775 950)
<b>Advances from customers (net)</b>	2 339 141 997	1 214 620 407	1 298 357 364	143 788 203	3 627 438	80 086 915	1 017 022 094	754 324 051	6 208 622	476 502 311	17 235 926	7 350 879 529
Unamortized discount - accounts receivable	(160 941 650)	(80 518 788)	(86 598 155)	(35 005 870)	--	--	(27 303 339)	(98 555 871)	--	--	--	(488 368 715)
<b>Balance as at 30 June 2016</b>	<b>2 178 200 347</b>	<b>1 134 083 617</b>	<b>1 211 759 210</b>	<b>108 782 333</b>	<b>3 627 438</b>	<b>80 641 872</b>	<b>989 718 756</b>	<b>655 768 180</b>	<b>6 208 622</b>	<b>476 502 311</b>	<b>17 235 926</b>	<b>6 862 528 814</b>

**45. Land Purchase Liabilities**

	<u>30 June</u> <u>2016</u> <u>EGP</u>	<u>31 December</u> <u>2015</u> <u>EGP</u>
Land purchase liabilities - short term	286 175 347	263 318 760
Land purchase liabilities - long term	218 029 210	268 236 463
<b>Balance as at 30 June 2016</b>	<b>504 204 557</b>	<b>531 555 223</b>

**46. Due To Related Parties**

	<u>30 June</u> <u>2016</u> <u>EGP</u>	<u>31 December</u> <u>2015</u> <u>EGP</u>
El Mansour & El Maghraby Investment and Development	167 135 273	190 581 109
Due to shareholders Villamora for Real Estate Development Company S.A.E	13 647 824	19 347 824
<b>Balance as at 30 June 2016</b>	<b>199 187 729</b>	<b>226 318 984</b>

**47. Investment purchase liabilities**

	<u>30 June</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
<b>Balance as at 30 June 2016</b>	<b>44 256 746</b>	<b>44 256 746</b>

**48. Notes Payable**

**A) Short Term Notes Payable**

	<u>30 June</u> <u>2016</u> <u>EGP</u>	<u>31 December</u> <u>2015</u> <u>EGP</u>
Notes payable- Land (New Urban Communities Authority)	481 756 528	366 203 302
<b>Deduct:-</b>		
Delayed installments interest	119 483 933	167 018 308
	<b>362 272 595</b>	<b>199 184 994</b>
<b>Add:-</b> Other notes payable	454 569 244	--
<b>Deduct:-</b> Delayed installments interest	151 235 199	274 507 762
<b>Balance as at 30 June 2016</b>	<b>665 606 640</b>	<b>473 692 756</b>

**B) Long Term Notes Payable**

	<u>30 June</u> <u>2016</u> <u>EGP</u>	<u>31 December</u> <u>2015</u> <u>EGP</u>
Notes payable- Land (New Urban Communities Authority)	78 990 349	110 898 452
<b>Deduct:-</b>		
Delayed installments interest	25 472 616	--

	53 517 733	110 898 452
<b>Add:-</b>		
Other notes payable	450 929 566	37 633 579
<b>Deduct:-</b>		
Unamortized discount	81 991 662	--
	<u>368 938 234</u>	<u>37 633 579</u>
<b>Balance as at 30 June 2016</b>	<u>422 455 967</u>	<u>148 532 031</u>

**49. Loans** This item is represented as follows:

	<u>30 June 2016</u>		<u>31 December 2015</u>	
	<u>Short term</u> <u>EGP</u>	<u>long term</u> <u>EGP</u>	<u>Short term</u> <u>EGP</u>	<u>long term</u> <u>EGP</u>
<b><u>Misr Bank</u></b>				
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.	--	719 999 995	--	635 999 990
<b><u>Arab African International Bank (AAIB)</u></b>				
A medium loan with Arab African International Bank (AAIB) amounted to EGP 100 million for United Engineering for Construction	24 564 032	55 272 323	24 564 000	61 413 580
<b><u>Arab African International Bank (AAIB)</u></b>				
A medium term loan with the Arab African International Bank (AAIB) amounted to EGP 2.4 billion <u>to finance projects of Palm Hills Developments and Rakeen Egypt for Real Estate Investment</u> secured by the assignment of projects' cash and bears an interest rate of 3.25% above deposit corridor rate.	115 200 000	2 109 212 449	--	2 064 399 007
<b><u>Arab African International Bank (AAIB)</u></b>				
A medium term loan with Arab African International Bank (AAIB) amounted to EGP 225 million to finance projects of <u>East New Cairo for Real Estate Development</u> 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.	86 387 838	128 571 429	56 250 000	96 704 794
Mudaraba Contract with Abu Dhabi Islamic Bank (ADIB) amounted to EGP 96 403 044 for 3 years for <u>Saudi Urban Development Company</u> .	70 836 152	--	--	59 769 917
<b><u>Arab Bank</u></b>				
A loan secured by notes receivable of delivered units	200 000 000	--	--	--
<b>Balance as at 30 June 2016</b>	<u>496 988 023</u>	<u>3 013 056 190</u>	<u>80 814 000</u>	<u>2 918 287 288</u>

**50. Creditors And Other Credit Balances**

	<u>30 June</u> <u>2016</u> <u>EGP</u>	<u>31 December</u> <u>2015</u> <u>EGP</u>
Other credit balances	192 262 409	164 768 292
Increase in construction area liabilities	95 500 000	95 500 000
Accounts receivable under settlement	207 186 747	58 635 067
Accrued expenses	31 550 386	26 465 054
<b>Balance as at 30 June 2016</b>	<u>526 499 533</u>	<u>345 368 413</u>

## **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:

<b><u>Issued capital</u></b>	<b><u>EGP</u></b>
The Company's issued capital was determined at EGP 121 500 000 representing 1 215 000 shares with a par value of EGP 100 per share.	<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 June 2016 amounted to EGP **585 364 475** .

## **53. Reserves**

### **a) Legal reserve**

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

### **b) Special reserve**

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

## **54. Revenues**

	<b><u>30 June</u></b> <b><u>2016</u></b> <b><u>EGP</u></b>	<b><u>30 June</u></b> <b><u>2015</u></b> <b><u>EGP</u></b>
Revenue from building and development activities	2 260 373 674	1 501 516 854
Revenue from the construction activity	16 831 843	--
Sale of completed units ready for sale	--	26 768 207
Revenue from hospitality activities	11 548 402	15 365 735
Other revenues	25 288 635	18 467 845
Net operating profit (loss) – Palm Hills Club	15 838 395	5 110 466
<b>Deduct:-</b>		
Unamortized discount- notes receivable	186 673 152	90 923 332
<b>Total as at 30 June 2016</b>	<b><u>2 143 207 797</u></b>	<b><u>1 476 305 774</u></b>

**55. Cost of Revenues**

	<u>30 June</u> <u>2016</u> <u>EGP</u>	<u>30 June</u> <u>2015</u> <u>EGP</u>
Cost of building and development activities	1 510 868 574	824 119 729
Cost of completed units ready for sale	--	20 483 327
Depreciation of Fixed Assets – hospitality operations	2 980 333	2 502 078
Cost of the construction activity	11 825 395	--
<b>Total as at 30 June 2016</b>	<b><u>1 525 674 302</u></b>	<b><u>847 105 134</u></b>

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

	<u>30 June</u> <u>2016</u> <u>EGP</u>	<u>30 June</u> <u>2015</u> <u>EGP</u>
Wages and salaries	111 776 297	89 634 388
Selling and marketing expenses	65 720 900	37 002 020
Communications expenses	826 335	41 787 133
Utilities	10 339 455	592 472
Professional and Government fees	31 535 747	9 005 022
Maintenance and Insurance	8 802 747	4 365 960
Travel and transportation	1 415 527	1 145 230
Bank charges	869 585	2 235 406
Other administrative expenses	24 465 596	4 800 904
<b>Total as at 30 June 2016</b>	<b><u>255 752 189</u></b>	<b><u>190 568 535</u></b>

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

	<u>30 June</u> <u>2016</u> <u>EGP</u>	<u>30 June</u> <u>2015</u> <u>EGP</u>
Revenues	33 085 496	21 671 364
Less:		
Cost of revenue	<u>6 530 374</u>	<u>5 535 655</u>
	<b>26 555 122</b>	<b>16 135 709</b>
Less:		
General administrative expenses	7 959 225	7 806 463
Depreciation of Fixed Assets	<u>4 141 693</u>	<u>3 674 458</u>
	<b>12 100 918</b>	<b>11 480 921</b>
Add:		
Other revenues	1 384 191	455 678
<b>Net operating profit (Loss)</b>	<b><u>15 838 395</u></b>	<b><u>5 110 466</u></b>

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

	<u>30 June</u> <u>2016</u> <u>EGP</u>	<u>30 June</u> <u>2015</u> <u>EGP</u>
Gains on sale of mutual funds certificates	2 709 448	2 348 307
<b>Total as at 30 June 2016</b>	<b>2 709 448</b>	<b>2 348 307</b>

**59. Other Revenues**

	<u>30 June</u> <u>2016</u> <u>EGP</u>	<u>30 June</u> <u>2015</u> <u>EGP</u>
E-compound revenues	6 898 376	11 346 510
Gain on disposal of property & equipment	35 222	1 458 973
Miscellaneous revenues	18 355 037	5 662 362
<b>Total as at 30 June 2016</b>	<b>25 288 635</b>	<b>18 467 845</b>

**60. Earnings per share**

	<u>30 June</u> <u>2016</u> <u>EGP</u>	<u>30 June</u> <u>2015</u> <u>EGP</u>
Net profit for the period	169 331 248	598 816 967
<b>Deduct:</b>		
estimated remuneration of the board of directors and employees' profit-sharing	16 086 469	56 887 612
Weighted average number of shares	2 308 949 726	1 348 320 000
<b>Earnings per share</b>	<b>0.063</b>	<b>0.351</b>

## **61. Transaction With Related Parties**

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

### **a- Transaction with related parties**

<u>Party</u>	<u>Relationship</u>	<u>Nature of transaction</u>	<u>Amount of transaction EGP</u>
Palm Hills Middle East Company for Real Estate Investment S.A.E	A subsidiary	Finance	215 917 207
Royal Gardens for Real Estate Investment Company S.A.E	A subsidiary	Finance	15 408 360
Middle East Company for Real Estate and Touristic Investment S.A.E	A subsidiary	Finance	97 425 332
Gawda for Trade Services S.A.E	A subsidiary	Finance	28 802 483
Rakeen Egypt for Real Estate Investment S.A.E	A subsidiary	Finance	182 097 825
Saudi Urban Development Company S.A.E	A subsidiary	Finance	27 241 702
Nile Palm Al-Naeem for Real Estate Development S.A.E	A subsidiary	Finance	2 844 321
Al Ethadia for Real Estate S.A.E	A Related party	Finance	90 732 484
East New Cairo for Real Estate Development S.A.E	A subsidiary	Finance	419 341 376
New Cairo for Real Estate Development S.A.E	A subsidiary	Finance	83 695 164
Al Naeem for Hotels and Touristic Villages S.A.E	A subsidiary	Finance	157 610 948
Gemsha for Tourist Development S.A.E	A subsidiary	Finance	10 275 683
United Engineering for Construction S.A.E	A subsidiary	Finance	31 755 824
El Mansour & El Maghraby Investment and Development	A main shareholder	Finance	210 209 725
Palm for Real Estate Development	A subsidiary	Finance	29 727 125
Palm for Investment & Real Estate Development	A subsidiary	Finance	5 410 622
Palm Hills Properties	A subsidiary	Finance	500 500
Palm Hills for Tourist & Real Estate Development	A subsidiary	Finance	40 330 201
Palm Hills for Investment Tourism	A subsidiary	Finance	15 340 201
Palm Hills Resorts	A subsidiary	Finance	310 201
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 June 2016 EGP</u>
Palm October for Hotels S.A.E	Due from related parties	52 397 308
Palm Hills Hospitality S.A.E	Due from related parties	100 254 292
Rakeen Egypt for Real Estate Investment S.A.E	Due from related parties	231 532 545
Saudi Urban Development Company S.A.E	Due from related parties	173 679 816
Palm Hills Middle East Company for Real Estate Investment S.A.E	Due from related parties	836 685 177
Al Ethadia for Real Estate S.A.E	Due from related parties	147 596 914
Coldwell Banker Palm Hills for Real Estate	Due from related parties	20 480
Palm Hills Education S.A.E	Due from related parties	184 125
East New Cairo for Real Estate Development S.A.E	Due from related parties	361 964 848
Palm Hills – Saudi	Due from related parties	269 320
Palm Hills Properties	Due from related parties	500
Gemsha for Tourist Development S.A.E	Due from related parties	58 578 425
Palm Hills Development of Tourism and Real Estate	Due to related parties	40 330 201
Royal Gardens for Real Estate Investment Company S.A.E	Due to related parties	(5 958 610)
United Engineering for Construction S.A.E	Due to related parties	(11 155 176)
Palm North Coast Hotels S.A.E	Due to related parties	(56 586)
Palm Gemsha for Hotels S.A.E	Due to related parties	(53 394)
Nile Palm Al-Naeem for Real Estate Development S.A.E	Due to related parties	(44 704 238)

New Cairo for Real Estate Developments S.A.E	Due to related parties	(1 577 244)
Middle East Company for Real Estate and Touristic Investment S.A.E	Due to related parties	(82 325 030)
Al Naeem for Hotels and Touristic Villages S.A.E	Due to related parties	(117 179 071)
Gawda for Trade Services S.A.E	Due to related parties	(53 935 419)
Palm For Investment And Real Estate Development	Due to related parties	53 009 725
El Mansour & El Maghraby Investment and Development	Due to related parties	(61 702 445)
Palm Hills for Investment Tourism	Due to related parties	15 340 201
Palm Hills Resorts	Due to related parties	310 201
Palm for Real Estate Development S.A.E	Due to related parties	<u>234 009</u>

## **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 June 2016 the Company re-measured the fair value of granted options and recognized EGP **6 163 020** in the ESOP re-measurement reserve, therefore the fair value of the granted options amounted EGP **62 190 470** as at 30 June 2016 and these granted options have not been exercised yet.