

**PALM HILLS DEVELOPMENTS COMPANY**

**(An Egyptian Joint Stock Company)  
Consolidated Financial Statements  
For The Year Ended 31 December 2016**

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

**As of 31 December 2016**

	<b><u>Note no.</u></b>	<b><u>31/12/2016</u></b>	<b><u>31/12/2015</u></b>
		<b><u>EGP</u></b>	<b><u>EGP</u></b>
<b><u>Long term assets</u></b>			
Investments in associates	(8c,11b,29)	79 225 699	78 506 490
Investment property	(11f, 30)	888 506 292	854 664 787
Notes receivable - long term	(16-32)	7 300 039 694	4 546 281 603
Projects under construction	(12-33)	877 766 742	858 654 273
Advance payments for investments acquisition	(41)	184 335 633	184 335 633
Fixed assets (net)	(13-34)	351 608 405	334 622 621
Deferred tax assets	(22b)	10 302 108	11 948 094
Employee stock ownership plan (ESOP)		81 286 779	--
Other long term assets		1 390 733	1 390 733
<b>Total long term assets</b>		<b>9 774 462 085</b>	<b>6 870 404 234</b>
<b><u>Current assets</u></b>			
Works in process	(14-35)	6 410 745 955	6 463 686 823
Held-to-maturity investments	(11d -31)	153 328 081	613 045 694
Cash and cash equivalents	(28-36)	808 516 570	965 669 547
Notes receivable - short term	(16-32)	3 295 528 203	2 371 034 595
Investments at fair value through profit and loss	(11e)	58 471 043	67 112 711
Accounts receivable	(37)	757 056 711	704 029 344
Suppliers - advance payments		489 064 327	384 777 356
Debtors and other debit balances	(38)	218 476 677	174 854 197
Guaranteed payments – joint arrangement	(39)	40 000 000	--
Due from related parties	(25-40-60)	244 124 840	172 391 893
<b>Total current assets</b>		<b>12 475 312 407</b>	<b>11 916 602 160</b>
<b><u>Current liabilities</u></b>			
Banks - credit balances	(42)	42 176 487	31 035 055
Bank- over draft	(43)	79 410 353	80 236 967
Advances from customers	(44)	7 744 755 120	6 249 432 179
Completion of infrastructure liabilities	(20)	95 083 418	173 648 127
Provisions	(18)	169 386 850	116 843 823
Current portion land purchase liabilities	(19-45)	60 651 029	263 318 760
Investment purchase liabilities	(47)	44 256 746	44 256 746
Notes payable - short term	(48a)	974 301 860	473 692 756
Current portion of term loans	(49)	541 014 619	80 814 000
Suppliers & contractors		448 465 529	406 849 941
Income tax payable	(22a)	126 628 749	46 631 446
Creditors & other credit balances	(50)	522 256 001	345 368 413
Due to joint arrangement partners		160 424 409	--
Due to related parties	(25-46-60)	131 333 860	226 318 984
<b>Total current liabilities</b>		<b>11 140 145 030</b>	<b>8 538 447 197</b>
<b>Working capital</b>		<b>1 335 167 377</b>	<b>3 378 154 963</b>
<b>Total investment</b>		<b>11 109 629 462</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	(53a)	630 142 410	585 103 921
Special reserve	(53b)	524 212 885	524 212 885
ESOP Re-Measurement Reserve		31 492 645	--
Retained earnings		(222 478 993)	(212 391 123)
Net profit for the period		639 795 380	915 563 280
<b>Equity attributable to equity holders of the parent</b>		<b>6 221 063 779</b>	<b>6 157 128 963</b>
<b>Non-controlling interest</b>		<b>412 151 516</b>	<b>270 774 426</b>
<b>Total shareholders' equity</b>		<b>6 633 215 295</b>	<b>6 427 903 389</b>
<b><u>Long term liabilities</u></b>			
Land purchase liabilities	(19-45)	169 799 525	268 236 463
Notes payable - long term	(48b)	612 700 591	148 532 031
Other long term liabilities – Residents' Association	(52)	736 444 356	485 600 026
Loans	(49)	2 957 469 695	2 918 287 288
<b>Total long term liabilities</b>		<b>4 476 414 167</b>	<b>3 820 655 808</b>
<b>Total equity and non-current liabilities</b>		<b>11 109 629 462</b>	<b>10 248 559 197</b>

- Auditor's Report "attached"
- The accompanying notes from (1) to (66) form an integral part of these financial statements and are to be read therewith

Chief Financial Officer

Ali Thabet

Chairman

Yasseen Mansour

**PALM HILLS DEVELOPMENTS COMPANY S.A.E**  
**CONSOLIDATED STATEMENT OF INCOME (PROFIT OR LOSS)**  
**For The Year Ended 31 December 2016**

	<u>Note No.</u>	<u>31 December 2016 EGP</u>	<u>31 December 2015 EGP</u>
<b>Revenues</b>	(27a, 54)	<b>5 630 638 584</b>	3 641 651 579
		<b>5 630 638 584</b>	3 641 651 579
Deduct:-			
Cost of revenues	(26, 55)	<b>3 886 883 392</b>	2 442 124 439
Cash discount		<b>64 593 041</b>	49 558 559
<b>Total cost</b>		<b>3 951 476 433</b>	2 491 682 998
<b>Gross profit</b>		<b>1 679 162 151</b>	1 149 968 581
Deduct:-			
Interest expenses – amortization of discount on land liability		--	12 517 996
General administrative, selling and marketing expenses	(56)	<b>664 116 093</b>	496 141 823
Interest on land purchase liabilities		<b>118 644 138</b>	74 993 297
Provision		<b>52 734 530</b>	104 652 613
Administrative depreciation		<b>13 991 204</b>	9 115 472
Finance costs & interests		<b>57 581 565</b>	38 504 185
		<b>907 067 530</b>	735 925 386
<u>Add:</u>			
Interest income – amortization of discount on notes receivables		<b>46 061 177</b>	92 198 062
Gains on investments in fair value through profit or loss	(57)	<b>5 812 829</b>	6 296 340
Capital gains on investment property		--	425 735 602
Interest income on held-to-maturity investments		<b>89 201 435</b>	47 976 173
		<b>141 075 441</b>	572 206 177
<b>Net profit for the year before income tax &amp; non-controlling interest</b>		<b>913 170 062</b>	986 249 372
Deduct:-			
Income tax expense	(22a)	<b>126 311 226</b>	45 770 332
Deferred tax	(22b)	<b>1 603 256</b>	(8 026 478)
<b>Net profit for the year before &amp; non-controlling interest</b>		<b>785 255 580</b>	948 505 518
Deduct:-			
Non-controlling interest share- subsidiaries		<b>145 460 200</b>	32 942 238
<b>Net profit for the year after income tax &amp; non-controlling interest</b>		<b>639 795 380</b>	915 563 280
<b>Earnings per share</b>	(24, 59)	<b>0.237</b>	0.339

- The accompanying notes from (1) to (66) 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 Year Ended 31 December 2016**

	<u>Note</u> <u>No.</u>	31 December 2016 <u>EGP</u>	31 December 2015 <u>EGP</u>
Net profit for the year		785 255 580	948 505 518
Other comprehensive income		--	--
<b>Total comprehensive income for the year, net of tax</b>		<u>785 255 580</u>	<u>948 505 518</u>
Attributable to:			
Equity holders of the parent		639 795 380	915 563 280
Non-controlling interests		145 460 200	32 942 238
		<u>785 255 580</u>	<u>948 505 518</u>

- The accompanying notes from (1) to (66) 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 Year Ended 31 December 2016**

	<u>Note No.</u>	<u>31/12/2016</u>	<u>31/12/2015</u>
		<u>EGP</u>	<u>EGP</u>
Net profit for the year before income tax & non-controlling interest		913 170 062	986 249 372
<b><u>Adjustments to reconcile net profit to net cash from operating activities</u></b>			
Interest on land purchase liabilities		118 644 138	74 993 297
Interest expenses – amortization of discount on land liability		--	12 517 996
Administrative depreciation	(34)	28 961 212	21 874 437
Provision formed		52 734 530	104 652 613
Finance costs & interests		57 581 565	38 504 185
Share of profit of associates	(29)	(719 209)	(1 343 036)
Gain on disposal of property & equipment		(32 642)	(865 352)
Interest income – amortization of discount on notes receivables	(32)	(46 061 177)	(92 198 062)
Gains on investments in fair value through profit or loss		(5 812 829)	(6 296 340)
Interest income on held to maturity investments		(89 201 435)	(47 976 173)
Gain on disposal of property & equipment	(34)	--	(425 735 602)
<b>Operating profit before changes in working capital items</b>		<b>1 029 264 215</b>	<b>664 377 335</b>
<b><u>Changes in working capital items</u></b>			
Change in work in process	(14-35)	(276 748 881)	(434 704 825)
Change in notes receivables	(16-32)	(3 632 190 523)	(2 552 718 339)
Change in investments in fair value through profit or loss	(11e)	8 641 668	(10 256 631)
Change in held-to-maturity investments		459 717 613	(593 388 468)
Change in accounts receivable	(37)	(53 027 367)	417 954 079
Change in suppliers - advance payments		(104 286 971)	(11 575 798)
Change in debtors & other debit balances	(38)	(43 622 480)	(55 874 630)
Change in Guaranteed payments – joint arrangement	(39)	(40 000 000)	--
Change in due from related parties	(25-40)	(71 732 945)	(82 187 878)
Change in advances from customers	(44)	1 495 322 941	1 230 203 971
Change in completion of infrastructure liabilities	(20)	(78 564 711)	39 810 248
Provisions		(191 503)	597 197
Change in due to related parties	(25-46)	(94 985 124)	(419 994 385)
Change in notes payable	(48)	846 133 526	(805 297 794)
Change in suppliers & contractors		41 615 588	(7 431 322)
Income tax paid		(46 313 923)	(87 623 792)
Change in creditors and other credit balances	(50)	176 887 588	(41 601 930)
Change in other long term – Residents' Association		250 844 330	90 237 742
Due to joint arrangement partners		160 424 409	--
<b>Net cash provided by (used in) operating activities</b>		<b>27 187 448</b>	<b>(2 659 475 222)</b>
<b><u>Cash flows from investing activities</u></b>			
Payments for purchase of fixed assets	(34)	(51 218 379)	(44 189 940)
Proceeds from sale of fixed assets	(34)	47 600	1 815 290
payments for projects under construction	(12-33)	(19 112 467)	(1 274 994)
Proceeds from sale of investment property		--	657 047 713
Proceeds from investments in fair value through profit or loss		5 812 829	6 296 340
Proceeds from sale of other assets		--	4 122 800
Interest income on held to maturity investments		89 201 435	18 854 874
<b>Net cash provided by investing activities</b>		<b>24 731 018</b>	<b>642 672 083</b>
<b><u>Cash flows from financing activities</u></b>			
Share capital increase		--	1 648 000 000
Banks - credit balances	(42)	11 141 432	(8 162 505)
Banks – overdraft		(826 614)	80 236 967
Non-controlling interest – dividends		(4 083 109)	(18 343 945)
Deferred tax		42 729	77 199
Proceeds from ESOP		3 565 344	--
Dividends		(373 668 512)	--
Proceeds from loans	(49)	499 383 026	1 362 748 067
Adjustments to retained earnings		(287 444 176)	(245 963 024)
Finance costs & interests		(57 581 565)	(38 504 185)
<b>Net cash (used in) provided by financing activities</b>		<b>(209 471 444)</b>	<b>2 780 088 574</b>
Net increase in cash and cash equivalents during the year		(157 152 978)	763 285 436
Cash and cash equivalents at beginning of the year		965 669 548	202 384 112
<b>Cash and cash equivalents as at 31 December 2016</b>	(28-36)	<b>808 516 570</b>	<b>965 669 548</b>

- Non- Cash transactions are excluded from the cash flow statement.
- The accompanying notes from (1) to (66) form an integral part of these financial statements and are to be read therewith.

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

**Chairman**  
**Yasseen Mansour**

**PALM HILLS DEVELOPMENTS COMPANY S.A.E**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**For The Year Ended 31 December 2016**

Note No.	<u>Share capital</u>	<u>Legal reserve</u>	<u>Special reserve</u>	<u>Retained earnings</u>	<u>Reserve for ESOP re-measurement</u>	<u>Net profit for the year</u>	<u>Total</u>	<u>Non-controlling interest</u>	<u>Total Shareholders' equity</u>
<b>Balance as at 1 January 2015</b>	2 696 640 000	566 469 569	524 212 885	(272 361 289)	--	353 290 475	3 868 251 640	255 951 133	4 124 202 773
Transferred to retained earnings	--	--	--	353 290 475	--	(353 290 475)	--	--	--
Share capital increase	1 648 000 000	--	--	--	--	--	1 648 000 000	--	1 648 000 000
Transferred to legal reserve	--	18 634 352	--	(18 634 352)	--	--	--	--	--
Adjustments to retained earnings	--	--	--	(274 685 957)	--	--	(274 685 957)	--	(274 685 957)
Non-controlling interest	--	--	--	--	--	--	--	(18 118 944)	(18 118 944)
Net profit for the year	--	--	--	--	--	915 563 280	915 563 280	32 942 237	948 505 517
<b>Balance as at 31 December 2015</b>	<u>4 344 640 000</u>	<u>585 103 921</u>	<u>524 212 885</u>	<u>(212 391 123)</u>	<u>--</u>	<u>915 563 280</u>	<u>6 157 128 963</u>	<u>270 774 426</u>	<u>6 427 903 389</u>
<b>Balance as at 1 January 2016</b>	4 344 640 000	585 103 921	524 212 885	(212 391 123)	--	915 563 280	6 157 128 963	270 774 426	6 427 903 389
Transferred to retained earnings	--	--	--	915 563 280	--	(915 563 280)	--	--	--
Share capital increase	219 899 974	--	--	219 899 974	--	--	--	--	--
Transferred to legal reserve	--	45 038 489	--	(45 038 489)	--	--	--	--	--
Amounts set aside for Employee stock ownership plan (ESOP)	53 359 478	--	--	--	--	--	53 359 478	--	53 359 478
Reserve for ESOP re-measurement (66)	--	--	--	--	31 492 645	--	31 492 645	--	31 492 645
Adjustments to retained earnings	--	--	--	( 287 044 176)	--	--	( 287 044 176)	--	( 287 044 176)
Dividends	--	--	--	( 373 668 512)	--	--	( 373 668 512)	(4 083 109)	( 377 751 621)
Net profit for the year	--	--	--	--	--	639 795 380	639 795 380	145 460 199	785 255 579
<b>Balance as at 31 December 2016</b> (51)	<u>4 617 899 452</u>	<u>630 142 410</u>	<u>524 212 885</u>	<u>(222 478 994)</u>	<u>31 492 645</u>	<u>639 795 380</u>	<u>6 221 063 779</u>	<u>412 151 516</u>	<u>6 633 215 295</u>

-The accompanying notes from (1) to (66) form an integral part of these financial statements and are to be read therewith

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

**Chairman**  
**Yasseen Mansour**

**Palm Hills Developments Company**  
**(S.A.E)**  
**Notes to the Consolidated**  
**Financial Statements as of 31 December 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 February 7, 2017.

**7. STOCK EXCHANGE LISTING**

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

**8. EXISTING PROJECTS**

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

**a) Building and constructing residential compounds**

The objective of the company is to contribute in building integrated residential units, providing associated services, and entertainment complexes, while the Company possesses a large land bank which includes land with a total area of 1,200.60 acres approx. located at 6th October City, land with a total area of 456.84 acres approx. located at New Cairo City, land measuring a total area of 3237.74 acres approx. which is located at Sidi Abdel Rahman, El Alamin, Marsa Matrouh Governorate, land with a total area of 22. 70 acres approx. located at Hurghada City and land with a total area of 3.20 acre approx. which is located at Alexandria.

**b) Other activity**

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

**c) Investments in associates and subsidiaries**

1- Direct investments in associates and subsidiaries

	<u>Percentage share</u>
	<u>%</u>
Palm Hills Middle East Company for Real Estate Investment S.A.E	% 99.99
Gawda for Trade Services S.A.E	%99.996
New Cairo for Real Estate Developments S.A.E	%99.985
Rakeen Egypt for Real Estate Investment S.A.E	%99.9454
Palm for Real Estate Development S.A.E	99.4%
Palm for Investment & Real Estate Development S.A.E	99.4%
Palm Hills Development of Tourism and Real Estate S.A.E	99.4%
Palm Hills for Tourism Investment S.A.E	99.4%
Palm Hills Resorts S.A.E	99.4%
Palm Hills Properties S.A.E	99.2%
United Engineering for Construction S.A.E	98.88%
Palm Hills Hospitality S.A.E	%98
East New Cairo for Real Estate Development S.A.E	%89
Macor for Securities Investment Company S.A.E	%60
Al Naeem for Hotels and Touristic Villages S.A.E	%60
Gamsha for Tourist Development S.A.E	%59
Royal Gardens for Real Estate Investment Company S.A.E	%51
Nile Palm Al-Naeem for Real Estate Development S.A.E	%51
Saudi Urban Development Company S.A.E	%51
Coldwell Banker Palm Hills for Real Estate	%49
Six of October for Hotels and Touristic Services Company S.A.E	%00.24
<b>- Palm Hills Middle East Company for Real Estate Investment S.A.E. and Its Subsidiary</b>	



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.

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

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

- **Palm Hills for Tourism Investment (PHTI)**

Palm Hills for Tourism Investment S.A.E is registered in Egypt under commercial registration number **93156** under the provisions of the Companies' Law No. 159 of 1981 and the statutes of the Capital Market Law No. 95 of

1992. The company is engaged in real estate investment and real estate marketing.

The Company has not started its business yet.

### **Palm Hills Resorts (PHR)**

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

The Company has not started its business yet.

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

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

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

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

	<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

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

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

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

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

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

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

**9. STATEMENT OF COMPLIANCE**

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

**10. SIGNIFICANT ACCOUNTING POLICIES APPLIED**

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

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

**b) Basic of consolidation**

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

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

	<u>Percentage</u> <u>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 contract 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>31 December</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	58 614 299	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 31 December 2016</b>	<b><u>79 225 699</u></b>	<b><u>78 506 490</u></b>

## **30. INVESTMENT PROPERTY**

	<u>Acre</u>	<u>31 December</u> <u>2016</u> <u>EGP</u>	<u>31 December</u> <u>2015</u> <u>EGP</u>
<b><u>Lands</u></b>			
Palm Hills Development Company S.A.E	1759	212 027 278	212 027 278
Palm Hills Middle East Company for Real Estate Investment S.A.E *	2434	529 111 484	529 111 484
Gamsha for Tourist Development S.A.E	22.679	113 526 025	113 526 025
	<b><u>4215.679</u></b>	<b><u>854 664 787</u></b>	<b><u>854 664 787</u></b>
<b><u>Buildings</u></b>			
<b>Commercial shops - Palm Hills Resort</b>			
Cost of shops of 88 Street Mall.		35 008 454	--
Accumulated depreciation		(1 166 949)	--
<b>Net cost of shops</b>		<b><u>33 841 505</u></b>	<b><u>--</u></b>
<b>Balance as at 31 December 2016</b>		<b><u>888 506 292</u></b>	<b><u>854 664 787</u></b>

## **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</u> <u>rate</u> <u>%</u>	<u>Purchase</u> <u>price</u> <u>EGP</u>
Palm Hills Development	41 624 785	2 668 200	%10	38 956 585
East New Cairo for Real Estate Development	25 125 000	1 602 750	%10	23 522 250
Gawda for Trade Services	3 400 000	88 439	%10	3 311 561
Middle East Company for Real Estate and Touristic Investment	7 625 000	370 343	%10	7 254 657
Royal Gardens for Real Estate Investment Company	16 900 000	639 495	%10	16 260 505
Palm Hills Middle East Company for Real Estate Investment	33 200 000	1 155 247	%10	32 044 753
New Cairo for Real Estate Development	22 750 000	1 180 313	%10	21 569 687
Rakeen Egypt for Real Estate Investment	1 425 000	154 592	%10	1 270 408
Saudi Urban Development Company	10 125 000	987 325	%10	9 137 675
<b>Balance as at 31 December 2016</b>	<b><u>162 174 785</u></b>	<b><u>8 846 704</u></b>		<b><u>153 328 081</u></b>

### **32. NOTES RECEIVABLE**

	<b><u>31 December</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	3 415 881 492	2 417 095 771
Deduct: Notes receivable of joint venture	53 162 030	--
Deduct: Unamortized discount	<u>67 191 258</u>	<u>46 061 176</u>
	<b><u>3 295 528 203</u></b>	<b><u>2 371 034 595</u></b>
Long term notes receivable		
Deduct: Notes receivable of joint venture	242 524 406	--
Deduct: unamortized discount	<u>137 209 991</u>	<u>135 924 551</u>
	<b><u>7 300 039 694</u></b>	<b><u>4 546 281 603</u></b>
<b>Balance as at 31 December 2016</b>	<b><u>10 595 567 897</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>31 December</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	10 126 782	14 981 482
Commercial shops - Palm Hills Resort	--	34 498 647
Mall (8)	<u>32 217 502</u>	<u>7 221 214</u>
<b>Balance as at 31 December 2016</b>	<b><u>877 766 742</u></b>	<b><u>858 654 273</u></b>

### 34. **FIXED ASSETS**

Fixed assets (net) balance as at 31 December 2016 amounted to EGP 351 608 405 represented as follows:

	<u>Cost as of</u> <u>January</u> <u>1,2016</u>	<u>Additions</u> <u>during the</u> <u>year</u>	<u>Disposals</u> <u>during the</u> <u>year</u>	<u>Cost as of</u> <u>December</u> <u>31,2016</u>	<u>Accumulated</u> <u>depreciation as</u> <u>of January 1,</u> <u>2016</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>31,2016</u>	<u>Net book</u> <u>value as of</u> <u>December</u> <u>31,2016</u>	<u>Net book</u> <u>value as of</u> <u>December</u> <u>31,2015</u>
	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>
Land	18 920 662	--	--	18 920 662	--	--	--	--	18 920 662	18 920 662
Buildings	509 623 460	150 702	--	509 774 162	179 792 340	15 675 856	--	195 468 196	314 305 966	335 129 973
Machinery & equipment	114 730 811	24 098 820	24 741	138 804 890	89 420 963	7 725 480	24 741	97 121 702	41 683 188	18 252 396
Vehicles	15 623 582	1 676 300	105 000	17 194 882	14 297 422	477 263	105 000	14 669 685	2 525 197	833 033
Computer equipment	37 849 806	16 808 839	384 796	54 273 849	26 190 974	6 630 757	373 652	32 448 079	21 825 770	5 673 764
Leasehold improvements	17 686 292	14 774	--	17 701 066	16 851 733	240 774	--	17 092 507	608 559	962 162
Furniture	52 304 194	8 468 944	134 414	60 638 724	38 523 267	3 467 507	130 600	41 860 174	18 778 550	5 045 115
<b>Total cost</b>	<u>766 738 807</u>	<u>51 218 379</u>	<u>648 951</u>	<u>817 308 235</u>	<u>365 076 699</u>	<u>34 217 637</u>	<u>633 993</u>	<u>398 660 343</u>	<u>418 647 892</u>	<u>384 817 105</u>
Impairment of Macor									(2 500 000)	(2 500 000)
Impairment of assets									(64 539 487)	(64 539 487)
<b>Balance as at 31 December 2016</b>									<u>351 608 405</u>	<u>334 622 621</u>

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

	<u>EGP</u>
Operating assets-work in process	6 493 564
Administrative depreciation (income statement)	12 824 256
Depreciation expense of hotel operations	6 245 862
Depreciation expense of Palm Hills Club's assets - club's operating statement	8 724 146
	<u>34 287 828</u>

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

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

- Fixed assets (net) balance as at 31 December 2015 amounted to EGP 334 622 621 represented as follows:

	<u>Cost as of January 1,2015</u>	<u>Additions during the year</u>	<u>Disposals during the year</u>	<u>Cost as of December 31,2015</u>	<u>Accumulated depreciation as of January 1, 2015</u>	<u>Depreciation for the year</u>	<u>Accumulated depreciation of disposals</u>	<u>Accumulated depreciation as of December 31,2015</u>	<u>Net book value as of December 31,2015</u>	<u>Net book value as of December 31,2014</u>
	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>
Land	18 920 662	--	--	18 920 662	--	--	--	--	18 920 662	18 920 662
Buildings	499 580 380	10 651 313	(608 233)	509 623 460	164 450 407	15 600 533	(258 599)	179 792 341	335 129 973	329 831 118
Machinery & equipment	103 776 953	12 449 196	(1 495 338)	114 730 810	85 524 556	5 044 945	(1 148 542)	89 420 959	18 252 396	25 309 852
Vehicles	18 836 680	1 050 440	(4 263 538)	15 623 582	18 003 647	478 208	(4 184 435)	14 297 421	833 033	1 326 161
Computer equipment	29 909 744	8 848 097	(908 035)	37 849 806	24 235 980	2 863 029	(908 035)	26 190 975	5 673 764	11 658 831
Leasehold improvements	17 239 707	449 441	(2 856)	17 686 292	16 277 545	577 045	(2 856)	16 851 734	962 162	834 557
Furniture	42 035 719	10 741 453	(472 978)	52 304 194	36 990 604	1 831 237	(298 574)	38 523 268	5 045 115	13 780 926
<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 2015</b>									<b>334 622 621</b>	<b>317 777 618</b>

- Fixed assets depreciation for the year ended 31 December 2016 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 year ended 31 December 2016 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 31 December 2016</u> <u>EGP</u>	<u>As at 31 December 2015</u> <u>EGP</u>	<u>For the year ended 31 December 2016</u> <u>EGP</u>	<u>31 December 2016</u> <u>EGP</u>	<u>31 December 2015</u> <u>EGP</u>
Land acquisition cost	4 846 232 021	2 159 346 411	688 477 713	1 998 407 897	2 304 356 753
Cost of construction	11 929 904 893	4 622 092 611	2 910 595 779	4 397 216 503	4 146 208 515
Completed units ready for sale	187 907 169	170 682 114	2 103 500	15 121 555	13 121 555
<b>Balance as at 31 December 2016</b>	<b>16 964 044 083</b>	<b>6 952 121 137</b>	<b>3 601 176 992</b>	<b>6 410 745 955</b>	<b>6 463 686 823</b>

\* Borrowing cost capitalized on work in process for the year ended 31 December 2016 amounted to EGP **414 871 014** The capitalization rate used to determine the amount of borrowing costs eligible for capitalization is 11.56%.

### **36. CASH AND CASH EQUIVALENTS**

	<b><u>31 December</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>
Banks-current accounts- EGP	405 401 961	618 976 015
Banks-current accounts- foreign currency	20 135 726	4 343 049
Banks – Deposits- EGP	350 101 394	335 197 735
Cash on hand- EGP	32 877 489	7 152 748
<b>Balance as at 31 December 2016</b>	<b><u>808 516 570</u></b>	<b><u>965 669 547</u></b>

### **37. ACCOUNTS RECEIVABLE**

	<b><u>31 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 Developments Company customers	248 358 902	211 712 942
Palm Hills Middle East Company for Real Estate Investment customers	134 409 736	120 110 559
New Cairo for Real Estate Developments customers	2 432 862	3 918 460
Royal Gardens for Real Estate Investment Company customers	23 854 680	15 319 226
Gawda for Trade Services customers	4 906 414	4 607 252
Saudi Urban Development Company customers	50 229 087	29 462 962
Rakeen Egypt for Real Estate Investment customers	115 164 240	163 225 819
East New Cairo for Real Estate Development customers	101 801 380	111 756 142
Middle East Company for Real Estate and Touristic Investment customers	28 179 947	38 456 824
United Engineering for Construction S.A.E	3 800 381	5 459 158
Palm Real Estate Development S.A.E	43 879 971	--
Palm For Investment And Real Estate Development	39 111	--
<b>Balance as at 31 December 2016</b>	<b><u>757 056 711</u></b>	<b><u>704 029 344</u></b>

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

	<b><u>31 December</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>
Investments debtors	5 011 455	5 003 455
Deposits with others	5 641 802	3 244 340
Prepaid expenses	18 833 154	6 985 681
Loans to employee & custodies	8 315 790	4 588 822
Due from City for Real Estate Development Company	5 522 741	5 522 741
Advance payments for land acquisition	118 982 019	49 271 323
Residents' Association	32 050 330	50 113 919
Other debit balances	24 119 386	50 123 916
<b>Balance as at 31 December 2016</b>	<b><u>218 476 677</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:

	<u>31 December</u> <u>2016</u> <u>EGP</u>	<u>31 December</u> <u>2015</u> <u>EGP</u>
Palm Hills for Tourist & Real Estate Development	40 000 000	--
<b>Balance as at 31 December 2016</b>	<b>40 000 000</b>	<b>--</b>

### **40. DUE FROM RELATED PARTIES**

	<u>31 December</u> <u>2016</u> <u>EGP</u>	<u>31 December</u> <u>2015</u> <u>EGP</u>
Al Ethadia for Real Estate S.A.E	185 563 424	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	2 510 272	1 261 608
Palm Hills Education S.A.E	184 125	184 125
Mercure Ismailia Hotel	6 821 963	2 453 268
Palm Hills – Saudi	269 320	269 320
<b>Balance as at 31 December 2016</b>	<b>244 124 840</b>	<b>172 391 893</b>

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

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



**42. BANKS- CREDIT BALANCES**

	<u>31 December</u> <u>2016</u>	<u>31 December</u> <u>2015</u>
	<u>EGP</u>	<u>EGP</u>
Banks –EGP	40 248 216	28 764 486
Banks-foreign currencies	1 928 271	2 270 569
<b>Balance as at 31 December 2016</b>	<b><u>42 176 487</u></b>	<b><u>31 035 055</u></b>

**43. BANK OVERDRAFT**

	<u>31 December</u> <u>2016</u>	<u>31 December</u> <u>2015</u>
	<u>EGP</u>	<u>EGP</u>
Banks –EGP	79 410 353	80 236 967
<b>Balance as at 31 December 2016</b>	<b><u>79 410 353</u></b>	<b><u>80 236 967</u></b>

#### **44. ADVANCES FROM CUSTOMERS**

	<b><u>Palm Hills Development Company S.A.E EGP</u></b>	<b><u>Palm Hills Middle East Company for Real Estate Investment S.A.E EGP</u></b>	<b><u>Rakeen Egypt for Real Estate Investment S.A.E EGP</u></b>	<b><u>Middle East Company for Real Estate and Touristic Investment S.A.E EGP</u></b>	<b><u>New Cairo for Real Estate Developments S.A.E EGP</u></b>	<b><u>Royal Gardens for Real Estate Investment Company S.A.E EGP</u></b>	<b><u>Saudi Urban Development Company S.A.E EGP</u></b>	<b><u>East New Cairo for Real Estate Development S.A.E EGP</u></b>	<b><u>Gawda for Trade Services S.A.E EGP</u></b>	<b><u>Palm for Real Estate Development S.A.E The company's share in Capital Gardens Compound) EGP</u></b>	<b><u>Palm For Investment And Real Estate Development S.A.E EGP</u></b>	<b><u>United Engineering for Construction S.A.E EGP</u></b>	<b><u>Balance as at 31 December 2016 EGP</u></b>
<b><u>Real estate activities</u></b>													
Down payments	36 236 884	5 554 932	27 343 756	335 000	--	2 439 925	1 878 760	7 861 758	--	2 862 382	17 888 795	--	102 402 192
Advances for contracting	9 900 823 577	4 138 288 024	2 324 248 685	599 574 066	294 078 159	1 009 827 867	1 798 638 622	2 274 112 416	354 016 599	688 302 789	839 217 124	--	24 221 127 930
<b><u>Total real estate activities</u></b>	<b><u>9 937 060 461</u></b>	<b><u>4 143 842 956</u></b>	<b><u>2 351 592 441</u></b>	<b><u>599 909 066</u></b>	<b><u>294 078 159</u></b>	<b><u>1 012 267 792</u></b>	<b><u>1 800 517 382</u></b>	<b><u>2 281 974 174</u></b>	<b><u>354 016 599</u></b>	<b><u>691 165 171</u></b>	<b><u>857 105 919</u></b>	<b><u>.....</u></b>	<b><u>24 323 530 122</u></b>
<b><u>Commercial activities</u></b>	25 374 907	--	--	--	--	--	--	240 656 684	--	--	--	--	266 031 591
<b><u>Construction activities</u></b>	--	--	--	--	--	--	--	--	--	--	--	55 926 226	55 926 226
	<b><u>9 962 435 368</u></b>	<b><u>4 143 842 956</u></b>	<b><u>2 351 592 441</u></b>	<b><u>599 909 066</u></b>	<b><u>294 078 159</u></b>	<b><u>1 012 267 792</u></b>	<b><u>1 800 517 382</u></b>	<b><u>2 522 630 858</u></b>	<b><u>354 016 599</u></b>	<b><u>691 165 172</u></b>	<b><u>857 105 919</u></b>	<b><u>55 926 226</u></b>	<b><u>24 645 487 939</u></b>
<b>Exclude:-</b> amounts recognized in income statements as at 31 December 2016	(7 504 681 555)	(2 685 856 436)	(1 069 453 633)	(504 108 168)	(290 900 721)	(970 421 827)	(863 914 540)	(1 855 284 362)	(353 765 387)	--	(379 140 147)	--	(16 477 526 775)
<b>Advances from customers (net)</b>	<b>2 457 753 814</b>	<b>1 457 986 520</b>	<b>1 282 138 809</b>	<b>95 800 898</b>	<b>3 177 438</b>	<b>41 845 965</b>	<b>936 602 842</b>	<b>667 346 496</b>	<b>251 212</b>	<b>691 165 172</b>	<b>477 965 772</b>	<b>55 926 226</b>	<b>8 167 961 164</b>
Unamortized discount - accounts receivable	(153 671 047)	(90 207 491)	(78 935 433)	(19 780 831)	--	(44 142)	(8 763 432)	(71 803 670)	--	--	--	--	(423 206 045)
<b>Balance as at 31 December 2016</b>	<b><u>2 304 082 767</u></b>	<b><u>1 367 779 029</u></b>	<b><u>1 203 203 376</u></b>	<b><u>76 020 067</u></b>	<b><u>3 177 438</u></b>	<b><u>41 801 823</u></b>	<b><u>927 839 411</u></b>	<b><u>595 542 827</u></b>	<b><u>251 212</u></b>	<b><u>691 165 172</u></b>	<b><u>477 965 772</u></b>	<b><u>55 926 226</u></b>	<b><u>7 744 755 120</u></b>

**45. LAND PURCHASE LIABILITIES**

	<u>31 December</u> <u>2016</u> <u>EGP</u>	<u>31 December</u> <u>2015</u> <u>EGP</u>
Land purchase liabilities - short term	60 651 029	263 318 760
Land purchase liabilities - long term	169 799 525	268 236 463
<b>Balance as at 31 December 2016</b>	<b>230 450 554</b>	<b>531 555 223</b>

**46. DUE TO RELATED PARTIES**

	<u>31 December</u> <u>2016</u> <u>EGP</u>	<u>31 December</u> <u>2015</u> <u>EGP</u>
El Mansour & El Maghraby Investment and Development	92 112 385	190 581 109
Due to shareholders Villamora for Real Estate Development Company S.A.E	19 347 824 19 873 650	19 347 824 16 390 051
<b>Balance as at 31 December 2016</b>	<b>131 333 860</b>	<b>226 318 984</b>

**47. INVESTMENT PURCHASE LIABILITIES**

	<u>31 December</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 31 December 2016</b>	<b>44 256 746</b>	<b>44 256 746</b>

**48. NOTES PAYABLE**

**A) Short Term Notes Payable**

	<u>31 December</u> <u>2016</u> <u>EGP</u>	<u>31 December</u> <u>2015</u> <u>EGP</u>
Notes payable- Land (New Urban Communities Authority)	615 260 497	366 203 302
<b>Deduct:-</b> Delayed installments interest	93 486 582	167 018 308
	<b>521 773 915</b>	<b>199 184 994</b>
<b>Add:-</b> Other notes payable	554 818 902	274 507 762
<b>Deduct:-</b> Delayed installments interest	102 290 957	--
<b>Balance as at 31 December 2016</b>	<b>974 301 860</b>	<b>473 692 756</b>

**B) Long Term Notes Payable**

	<u>31 December</u> <u>2016</u> <u>EGP</u>	<u>31 December</u> <u>2015</u> <u>EGP</u>
Notes payable- Land (New Urban Communities Authority)	28 991 768	110 898 452
<b>Deduct:-</b> Delayed installments interest	5 882 861	--
	<b>23 108 907</b>	<b>110 898 452</b>
<b>Add:-</b> Other notes payable	1 106 203 723	37 633 579
<b>Deduct:-</b> Delayed installments interest	516 612 039	--
<b>Balance as at 31 December 2016</b>	<b>612 700 591</b>	<b>148 532 031</b>

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

	<u>December 2016 31</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.	18 750 000	721 249 980	--	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	35 621 000	36 848 117	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.	230 400 000	2 038 657 312	--	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.	32 142 857	160 714 286	56 250 000	96 704 794
<b><u>Arab African International Bank (AAIB)</u></b>				
Mudaraba Contract with Abu Dhabi Islamic Bank (ADIB) amounted to EGP 96 403 044 for 3 years for <u>Saudi Urban Development Company</u> .	24 100 761	--	--	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 31 December 2016</b>	<u>541 014 619</u>	<u>2 957 469 695</u>	<u>80 814 000</u>	<u>2 918 287 288</u>

**50. CREDITORS AND OTHER CREDIT BALANCES**

	<u>31 December</u> <u>2016</u> <u>EGP</u>	<u>31 December</u> <u>2015</u> <u>EGP</u>
Other credit balances	210 058 404	164 768 292
Increase in construction area liabilities	95 500 000	95 500 000
Accounts receivable under settlement	170 605 682	58 635 067
Accrued expenses	46 091 915	26 465 054
<b>Balance as at 31 December 2016</b>	<u>522 256 001</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 31 December 2016 amounted to EGP **736 444 356 .**

## **53. RESERVES**

### **a) Legal reserve**

	<b><u>31 December</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 year's profit	45 038 489	18 634 352
<b>Balance as at 31 December 2016</b>	<b><u>630 142 410</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 September 2012 as a deduction from retained earnings.

## **54. REVENUES**

	<b><u>31 December</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>
Revenues from building and development activities	5 417 129 098	3 445 978 756
Sale of completed units ready for sale	3 563 054	53 768 207
Revenues from the construction activity	22 776 278	26 713 884
Revenues from hospitality activities	40 457 503	30 186 984
Other revenues	83 961 538	43 105 277
Revenues from the commercial activity	5 474 102	--
Revenues from Palm Hills Club	57 277 011	41 898 471
<b>Total as at 31 December 2016</b>	<b><u>5 630 638 584</u></b>	<b><u>3 641 651 579</u></b>

**55. COST OF REVENUES**

	<u>31 December</u> <u>2016</u> <u>EGP</u>	<u>31 December</u> <u>2015</u> <u>EGP</u>
Cost of building and development activities	3 837 411 158	2 363 168 951
Cost of completed units ready for sale	2 103 500	40 483 327
Depreciation of Fixed Assets – hospitality operations	6 245 862	5 373 786
Cost of the construction activity	16 035 164	15 762 561
Cost of the commercial activity	3 556 420	--
Operation cost -Palm Hills Club	12 807 142	9 950 634
Depreciation of Fixed Assets- Palm Hills Club	8 724 146	7 385 180
<b>Total as at 31 December 2016</b>	<b><u>3 886 883 392</u></b>	<b><u>2 442 124 439</u></b>

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

	<u>31 December</u> <u>2016</u> <u>EGP</u>	<u>31 December</u> <u>2015</u> <u>EGP</u>
Wages and salaries	254 417 064	200 357 746
Selling and marketing expenses	168 619 676	219 867 629
Communications expenses	2 422 177	1 705 297
Utilities	33 111 488	25 639 397
Professional and Government fees	89 990 209	104 529 321
Maintenance and Insurance	31 810 366	22 060 605
Travel and transportation	8 426 248	6 703 346
Bank charges	6 587 406	7 549 239
Other administrative expenses	68 731 459	27 729 243
<b>Total as at 31 December 2016</b>	<b><u>664 116 093</u></b>	<b><u>496 141 823</u></b>

**57. GAINS ON INVESTMENTS IN FAIR VALUE THROUGH PROFIT OR LOSS**

	<u>31 December</u> <u>2016</u> <u>EGP</u>	<u>31 December</u> <u>2015</u> <u>EGP</u>
Gains on sale of mutual funds certificates	<b><u>5 812 829</u></b>	<b><u>6 296 340</u></b>
<b>Total as at 31 December 2016</b>	<b><u>5 812 829</u></b>	<b><u>6 296 340</u></b>

**58. OTHER REVENUES**

	<b><u>31 December</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>
E-compound revenues	13 061 426	16 888 710
Gain on disposal of property & equipment	32 642	865 351
Miscellaneous revenues	70 867 470	25 351 216
<b>Total as at 31 December 2016</b>	<b><u>83 961 538</u></b>	<b><u>43 105 277</u></b>

**59. EARNINGS PER SHARE**

	<b><u>31 December</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>
Net profit for the year	639 795 380	915 563 280
<b>Deduct:</b>	60 780 561	86 978 512
estimated remuneration of the board of directors and employees' profit-sharing		
Weighted average number of shares	<u>2 308 949 726</u>	<u>2 308 949 726</u>
<b>Earnings per share</b>	<b><u>0.237</u></b>	<b><u>0.339</u></b>



## **60. TRANSACTION WITH RELATED PARTIES**

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

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

<u>Party</u>	<u>Relationship</u>	<u>Nature of transaction</u>	<u>Amount of transaction EGP</u>
Palm Hills Middle East Company for Real Estate Investment S.A.E	A subsidiary	Finance	1 010 695 468
Royal Gardens for Real Estate Investment Company S.A.E	A subsidiary	Finance	46 335 177
Middle East Company for Real Estate and Touristic Investment S.A.E	A subsidiary	Finance	185 797 134
Gawda for Trade Services S.A.E	A subsidiary	Finance	60 856 149
Rakeen Egypt for Real Estate Investment S.A.E	A subsidiary	Finance	543 287 643
Saudi Urban Development Company S.A.E	A subsidiary	Finance	61 156 335
Nile Palm Al-Naeem for Real Estate Development S.A.E	A subsidiary	Finance	3 081 419
Al Ethadia for Real Estate S.A.E	A Related party	Finance	178 943 316
East New Cairo for Real Estate Development S.A.E	A subsidiary	Finance	1 004 568 351
Palm October For Hotels S.A.E	A subsidiary	Finance	42 035 797
New Cairo for Real Estate Development S.A.E	A subsidiary	Finance	167 093 104
Al Naeem for Hotels and Touristic Villages S.A.E	A subsidiary	Finance	229 998 175
Gemsha for Tourist Development S.A.E	A subsidiary	Finance	20 340 201
United Engineering for Construction S.A.E	A subsidiary	Finance	34 808 656
El Mansour & El Maghraby Investment and Development	A main shareholder	Finance	493 772 042
Palm Gemsha for Hotels S.A.E	A main shareholder	Finance	30 641
Palm North Coast Hotels S.A.	A main shareholder	Finance	30 641
Palm for Real Estate Development	A subsidiary	Finance	164 574 021
Palm for Investment & Real Estate Development	A subsidiary	Finance	63 229 685
Palm Hills Properties	A subsidiary	Finance	530 500
Palm Hills for Tourist & Real Estate Development	A subsidiary	Finance	40 703 454
Palm Hills for Investment Tourism	A subsidiary	Finance	62 981 918
Palm Hills Resorts	A subsidiary	Finance	648 149
Palm Hills Hospitality S.A.E	A subsidiary	Finance	28 088
Palm Hills Education S.A.E	A subsidiary	Finance	1 248 004
Palm for Urban Development	A subsidiary	Finance	501 000
Palm for Club Management	A subsidiary	Finance	7 163 109

### **b- Resulting balances from these transactions**

<u>Party</u>	<u>Item as in balance sheet</u>	<u>31 December 2016 EGP</u>
Palm Hills Middle East Company for Real Estate Investment S.A.E	Due from related parties	843 874 247
Royal Gardens for Real Estate Investment Company S.A.E	Due from related parties	4 388 953
Middle East Company for Real Estate and Touristic Investment S.A.E	Due from related parties	(114 567 239)
Gawda for Trade Services S.A.E	Due from related parties	(45 864 598)
Rakeen Egypt for Real Estate Investment S.A.E	Due from related parties	189 211 540
Saudi Urban Development Company S.A.E	Due from related parties	184 317 664
Nile Palm Al-Naeem for Real Estate Development S.A.E	Due from related parties	(44 806 087)
Al Ethadia for Real Estate S.A.E	Due from related parties	169 240 528
East New Cairo for Real Estate Development S.A.E	Due from related parties	421 733 508
Palm October for Hotels S.A.E	Due from related parties	11 387 218
New Cairo for Real Estate Developments S.A.E	Due from related parties	14 119 149

Al Naeem for Hotels and Touristic Villages S.A.E	Due from related parties	(127 530 474)
Gemsha for Tourist Development S.A.E	Due from related parties	68 519 692
United Engineering for Construction S.A.E	Due from related parties	(11 498 966)
Palm Hills Education S.A.E	Due from related parties	184 125
El Mansour & El Maghraby Investment and Development	Due to related parties	(49 379 578)
Palm Gemsha for Hotels S.A.E	Due to related parties	(84 035)
Palm North Coast Hotels S.A.E	Due to related parties	(87 227)
Palm for Real Estate Development S.A.E	Due to related parties	9 318 669
Palm For Investment And Real Estate Development	Due to related parties	109 105 071
Palm Hills Properties	Due to related parties	30 500
Palm Hills Development of Tourism and Real Estate	Due to related parties	40 203 454
Palm Hills for Investment Tourism	Due to related parties	62 481 918
Palm Hills Resorts	Due to related parties	184 149
Palm Hills Hospitality S.A.E	Due to related parties	100 226 204
Palm Hills – Saudi	Due to related parties	269 320
Coldwell Banker Palm Hills for Real Estate	Due to related parties	20 480
Palm for Urban Development	Due to related parties	1 000
Palm for Club Management	Due to related parties	(7 163 109)

## **61. 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.

## **62. 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.

## **63. 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.

## **64. 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 contacts 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>	

## **65. 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.

## **66. 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

Only 1 876 497 shares have been exercised during the year and the Company re-measured the fair value of granted options and recognized EGP 31 492 645 in the ESOP re-measurement reserve, therefore the fair value of the granted options amounted EGP 81 286 779 as at 31 December 2016 and these granted options have not been exercised yet.