

**PALM HILLS DEVELOPMENTS COMPANY**  
**(An Egyptian Joint Stock Company)**  
**Consolidated Financial Statements**  
**For The Three Months Ended 31 March 2016**  
**Together With Review Report**

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

**As of 31 March 2016**

	<u>Note no.</u>	<u>31/3/2016</u> <u>EGP</u>	<u>31/12/2015</u> <u>EGP</u> After restatement
<b><u>Long term assets</u></b>			
Investments in associates	(8c,11b,29)	76 836 232	78 506 490
Investment property	(11f, 30)	854 664 787	854 664 787
Notes receivable - long term	(16-32)	5 164 816 969	4 546 281 603
Projects under construction	(12-33)	879 420 979	858 654 273
Advance payments for investments acquisition	(41)	184 335 633	184 335 633
Employee stock ownership plan (ESOP)		77 371 243	--
Fixed assets (net)	(13-34)	336 412 215	334 622 621
Deferred tax assets	(22b)	11 905 364	11 948 094
Other long term assets		1 390 733	1 390 733
<b>Total long term assets</b>		<b>7 587 154 155</b>	<b>6 870 404 234</b>
<b><u>Current assets</u></b>			
Works in process	(14-35)	6 645 565 971	6 463 686 823
Held-to-maturity investments	(11d -31)	390 006 710	613 045 694
Cash and cash equivalents	(28-36)	1 276 902 134	965 669 547
Notes receivable - short term	(16-32)	2 146 382 309	2 371 034 595
Investments at fair value through profit and loss	(11e)	70 934 072	67 112 711
Accounts receivable	(37)	675 992 231	704 029 344
Suppliers - advance payments		325 140 787	384 777 356
Debtors and other debit balances	(38)	255 486 862	174 854 197
Guaranteed payments – joint arrangement	(39)	90 000 000	--
Due from related parties	(25-40-61)	198 509 612	172 391 893
<b>Total current assets</b>		<b>12 074 920 688</b>	<b>11 916 602 160</b>
<b><u>Current liabilities</u></b>			
Banks - credit balances	(42)	28 213 453	31 035 055
Bank- over draft	(43)	76 893 450	80 236 967
Advances from customers	(44)	6 319 885 258	6 249 432 179
Dividends payable		329 849 961	--
Completion of infrastructure liabilities	(20)	144 241 911	173 648 127
Provisions	(18)	117 336 029	116 843 823
Current portion land purchase liabilities	(19-45)	233 461 661	263 318 760
Due to related parties	(25-46-61)	254 638 263	226 318 984
Investment purchase liabilities	(47)	44 256 746	44 256 746
Notes payable - short term	(48a)	735 589 542	473 692 756
Current portion of term loans	(49)	410 234 296	80 814 000
Suppliers & contractors		268 160 172	406 849 941
Income tax payable	(22a)	81 370 481	46 631 446
Creditors & other credit balances	(50)	324 708 602	345 368 413
<b>Total current liabilities</b>		<b>9 368 839 827</b>	<b>8 538 447 197</b>
<b>Working capital</b>		<b>2 706 080 861</b>	<b>3 378 154 963</b>
<b>Total investment</b>		<b>10 293 235 016</b>	<b>10 248 559 197</b>
<b><u>Financed as follows:</u></b>			
<b><u>Shareholders' equity</u></b>			
Share capital	(51)	4 397 999 478	4 344 640 000
Legal reserve	(53)	624 902 404	585 103 921
Special reserve	(53)	524 212 885	524 212 885
Bonus share		219 899 974	--
Reserve for ESOP re-measurement		24 011 765	--
Retained earnings		34 537 958	(212 391 123)
Net profit for the period		105 427 178	915 563 280
<b>Equity attributable to equity holders of the parent</b>		<b>5 930 991 641</b>	<b>6 157 128 963</b>
<b>Non-controlling interest</b>		<b>311 149 050</b>	<b>270 774 426</b>
<b>Total shareholders' equity</b>		<b>6 242 140 691</b>	<b>6 427 903 389</b>
<b><u>Long term liabilities</u></b>			
Land purchase liabilities	(19-45)	266 893 276	268 236 463
Notes payable - long term	(48b)	292 053 854	148 532 031
Other long term liabilities – Residents' Association	(52)	516 961 732	485 600 026
Loans	(49)	2 975 185 463	2 918 287 288
<b>Total long term liabilities</b>		<b>4 051 094 325</b>	<b>3 820 655 808</b>
<b>Total equity and non-current liabilities</b>		<b>10 293 235 016</b>	<b>10 248 559 197</b>

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

Chief Financial Officer

Chairman

Ali Thabet

Yasseen Mansour

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

	<u>Note No.</u>	<u>31 March 2016 EGP</u>	<u>31 March 2015 EGP After restatement</u>
<b>Revenues</b>	(27, 54)	1 071 535 221	743 365 806
Deduct:-			
Cost of revenues	(26, 55)	747 751 688	413 504 467
Cash discount		15 785 288	16 441 520
<b>Gross profit</b>		<u><b>307 998 245</b></u>	<u><b>313 419 819</b></u>
Deduct:-			
General administrative, selling and marketing expenses	(56)	117 354 859	91 008 797
Interest expenses – amortization of discount on land liability		--	3 129 498
Administrative depreciation		2 640 870	2 073 861
Interest on land purchase liabilities		25 151 025	48 572 016
Provision		607 361	--
Finance costs & interests		5 123 348	2 867 947
		<u>150 877 463</u>	<u>147 652 119</u>
<u>Add:</u>			
Interest income – amortization of discount on notes receivables		11 515 295	23 049 514
Gains on investments in fair value through profit or loss		1 415 201	1 214 744
Interest income on held-to-maturity investments		25 747 560	75 718
		<u>38 678 056</u>	<u>24 339 976</u>
<b>Net profit for the period before income tax &amp; non-controlling interest</b>		<u><b>195 798 838</b></u>	<u><b>190 107 676</b></u>
Deduct:-			
Deferred tax	(22b)	--	60 000
Income tax expense	(22a)	45 907 927	1 186 049
<b>Net profit for the period before &amp; non-controlling interest</b>		<u><b>149 890 911</b></u>	<u><b>188 861 627</b></u>
Deduct:-			
Non-controlling interest share- subsidiaries		44 463 733	3 264 093
<b>Net profit for the period after income tax &amp; non-controlling interest</b>		<u><b>105 427 178</b></u>	<u><b>185 597 534</b></u>
<b>Earnings per share</b>	(24, 60)	<u><b>0.041</b></u>	<u><b>0.117</b></u>

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

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

**Chairman**  
**Yasseen Mansour**

**PALM HILLS DEVELOPMENTS COMPANY S.A.E**  
**CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME**  
**For The Period Ended 31 March 2016**

	<u>Note No.</u>	<b>31 March 2016 <u>EGP</u></b>	<b>31 March 2015 <u>EGP</u> After restatement</b>
Net profit for the period		149 890 911	188 861 627
Other comprehensive income		--	--
<b>Total comprehensive income for the year, net of tax</b>		<b><u>149 890 911</u></b>	<b><u>188 861 627</u></b>
Attributable to:			
Equity holders of the parent		105 427 178	185 597 534
Non-controlling interests		44 463 733	3 264 093
		<b><u>149 890 911</u></b>	<b><u>188 861 627</u></b>

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

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

**Chairman**  
**Yasseen Mansour**

**PALM HILLS DEVELOPMENTS COMPANY S.A.E**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**For The Period Ended 31 March 2016**

	<u>Note No.</u>	<u>31/3/2016</u> EGP	<u>31/3/2015</u> EGP
Net profit for the period before income tax & non-controlling interest		195 798 838	190 107 676
<b><u>Adjustments to reconcile net profit to net cash from operating activities</u></b>			
Administrative depreciation	(34)	6 046 687	5 100 118
Interest expenses – amortization of discount on land liability		--	3 129 498
Interest on land purchase liabilities		25 151 025	48 572 016
Provision formed		607 361	--
Finance costs & interests		5 123 348	2 867 947
Share of profit/ loss of associates	(29)	1 670 258	1 110 100
Gain on disposal of property & equipment	(34)	(61)	(6 649)
Gains on investments in fair value through profit or loss		(1 415 201)	(1 214 744)
Interest income		(25 747 558)	(75 718)
Interest income – amortization of discount on notes receivables	(32)	(11 515 295)	(23 049 514)
<b>Operating profit before changes in working capital items</b>		<b>195 719 402</b>	<b>226 540 730</b>
<b><u>Changes in working capital items</u></b>			
Change in work in process	(14-35)	(211 901 190)	(113 595 218)
Change in notes receivables	(16-32)	(382 367 784)	(751 754 017)
Change in investments in fair value through profit or loss	(11e)	(3 821 361)	(3 469 029)
Change in held-to-maturity investments		223 038 984	(666 615)
Change in accounts receivable	(37)	28 037 113	118 677 658
Change in suppliers - advance payments		59 636 569	(51 286 005)
Change in debtors & other debit balances	(38)	(80 632 666)	(26 475 338)
Change in due from related parties	(25-40)	(26 117 719)	(17 750 802)
Change in advances from customers	(44)	70 453 079	569 934 597
Change in completion of infrastructure liabilities	(20)	(29 406 216)	(36 400 426)
Provisions		(115 155)	(71 214)
Change in due to related parties	(25-46)	28 319 279	(24 659 767)
Change in Guaranteed payments – joint arrangement	(39)	(90 000 000)	--
Change in notes payable	(48)	380 267 584	(185 447 194)
Change in suppliers & contractors		(138 689 769)	125 848 917
Income tax paid		(11 168 892)	(329 420)
Change in creditors and other credit balances	(50)	(20 659 811)	49 876 070
Change in other long term – Residents' Association		31 361 706	26 696 847
<b>Net cash (used in) operating activities</b>		<b>21 953 154</b>	<b>(94 330 226)</b>
<b><u>Cash flows from investing activities</u></b>			
Payments for purchase of fixed assets	(34)	(9 020 053)	(5 817 379)
Proceeds from sale of fixed assets	(34)	5 588	19 365
proceeds from / payments for projects under construction	(12-33)	(20 766 706)	288 008
Proceeds from investments in fair value through profit or loss		1 415 201	1 214 744
Interest received		25 747 558	75 718
<b>Net cash (used in) provided by investing activities</b>		<b>(2 618 412)</b>	<b>(4 219 544)</b>
<b><u>Cash flows from financing activities</u></b>			
Banks - credit balances	(42)	(2 821 602)	17 972 785
Banks – overdraft		(3 343 517)	--
Adjustments to retained earnings		(40 305 363)	(55 390 240)
Non-controlling interest – dividends		(4 089 108)	(2 591 861)
Deferred tax		42 730	77 199
Dividends		(38 780 418)	--
Proceeds from loans	(49)	386 318 471	242 737 819
Finance costs & interests		(5 123 348)	(2 867 947)
<b>Net cash provided by financing activities</b>		<b>291 897 845</b>	<b>199 937 755</b>
Net increase in cash and cash equivalents during the period		311 232 587	101 387 985
Cash and cash equivalents at beginning of the period		965 669 547	194 949 064
<b>Cash and cash equivalents as at 31 March 2016</b>	(28-36)	<b>1 276 902 134</b>	<b>296 337 049</b>

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

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

**Chairman**  
**Yasseen Mansour**

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

<u>Note No.</u>	<u>Share capital</u>	<u>Legal reserve</u>	<u>Special reserve</u>	<u>Bonus share</u>	<u>Reserve for ESOP re-measurement</u>	<u>Retained earnings</u>	<u>Net profit for the period</u>	<u>Total</u>	<u>Non-controlling interest</u>	<u>Total Shareholders' equity</u>
<b>Balance as at 1 January 2015</b>	2 696 640 000	566 469 569	524 212 885	--	--	(272 361 289)	353 290 475	<b>3 868 251 640</b>	255 951 133	4 124 202 773
Transferred to retained earnings	--	--	--	--	--	353 290 475	(353 290 475)	--	--	--
Adjustments to retained earnings	--	--	--	--	--	(55 390 240)	--	<b>(55 390 240)</b>	--	(55 390 240)
Adjustments to non-controlling interest	--	--	--	--	--	--	--	--	(2 591 861)	(2 591 861)
Transferred to legal reserve	--	1 092 149	--	--	--	(1 092 149)	--	--	--	--
Profit for the period	--	--	--	--	--	--	185 597 534	<b>185 597 534</b>	3 264 093	188 861 627
<b>Balance as at 31 March 2015</b>	<b>2 696 640 000</b>	<b>567 561 718</b>	<b>524 212 885</b>	<b>--</b>	<b>--</b>	<b>24 446 797</b>	<b>185 597 534</b>	<b>3 998 458 934</b>	<b>256 623 365</b>	<b>4 255 082 299</b>
<b>Balance as at 1 January 2016</b>	<b>4 344 640 000</b>	<b>585 103 921</b>	<b>524 212 885</b>	<b>--</b>	<b>--</b>	<b>(171 750 887)</b>	<b>1 031 492 706</b>	<b>6 313 698 625</b>	<b>270 774 426</b>	<b>6 584 473 051</b>
Cumulative impact for adoption of new accounting policies	(65) --	--	--	--	--	(40 640 236)	(115 929 426)	(156 569 662)	--	(156 569 662)
<b>Balance as at 1 January 2016</b>	<b>4 344 640 000</b>	<b>585 103 921</b>	<b>524 212 885</b>	<b>--</b>	<b>--</b>	<b>(212 391 123)</b>	<b>915 563 280</b>	<b>6 157 128 963</b>	<b>270 774 426</b>	<b>6 427 903 389</b>
Transferred to retained earnings	--	--	--	--	--	915 563 280	(915 563 280)	--	--	--
Adjustments to retained earnings	--	--	--	--	--	(40 305 364)	--	<b>(40 305 364)</b>	--	(40 305 364)
Bonus share	(66) --	--	--	219 899 974	--	(219 899 974)	--	--	--	--
Transferred to legal reserve	--	39 798 483	--	--	--	(39 798 483)	--	--	--	--
Capital increase out of retained earnings	53 359 478	--	--	--	--	(53 359 478)	--	--	--	--
Amounts set aside for Employee stock ownership plan (ESOP)	--	--	--	--	--	53 359 478	--	<b>53 359 478</b>	--	53 359 478
Reserve for ESOP re-measurement	(67) --	--	--	--	24 011 765	--	--	<b>24 011 765</b>	--	24 011 765
Dividends	--	--	--	--	--	(368 630 379)	--	<b>(368 630 379)</b>	(4 089 109)	(372 719 488)
<b>Net profit for the period</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>105 427 178</b>	<b>105 427 178</b>	<b>44 463 733</b>	<b>149 890 911</b>
<b>Balance as at 31 March 2016</b>	(51) <b>4 397 999 478</b>	<b>624 902 404</b>	<b>524 212 885</b>	<b>219 899 974</b>	<b>24 011 765</b>	<b>34 537 957</b>	<b>105 427 178</b>	<b>5 930 991 641</b>	<b>311 149 050</b>	<b>6 242 140 691</b>

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

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

**Chairman**  
**Yasseen Mansour**

**Palm Hills Developments Company**  
**(S.A.E)**

**Notes to the Consolidated**  
**Financial Statements as of 31 March 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 4 November 2015.

**7. Stock Exchange Listing**

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

**8. Existing Projects**

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

**a) Building and constructing residential compounds**

The objective of the company is to contribute in building integrated residential units, providing associated services, and entertainment complexes, while the Company possesses a large land bank which includes land with a total area of 1,200.60 acres approx. located at 6<sup>th</sup> October City, land with a total area of 456.84 acres approx. located at New Cairo City, land measuring a total area of 3,513.60 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 1,759.46 acres situated 49 Kms from the beginning of the Cairo-Alexandria Road to be transformed into Botanical Gardens by reclamation and cultivation using modern irrigation methods.

**c) Investments in associates and subsidiaries**

1- Direct investments in associates and subsidiaries

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

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

Palm Hills Middle East Company for Real Estate Investment S.A.E. is engaged in real estate investment in new cities and urban communities, and also the construction, ownership and management of residential compounds,



resorts, and villas. The company and its subsidiary are also involved in the sale and lease and other related services for managing integrated projects and entertainment activities.

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

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

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

- **New Cairo for Real Estate Developments S.A.E**

New Cairo for Real Estate Development S.A.E. is registered in Egypt under commercial registration number 12613 under the provisions of the Investment Guarantees and Incentives law No. 8 of 1997 and the Companies' Law No. 159 of 1981 and the Capital Market Law No. 95 of 1992. The company is located in plot 36 South investors' area in new Cairo. The company is engaged in construction, management, and the sale of hotels, motels, buildings and residential compounds and the purchase, development, diving and sale of land.

- **Rakeen Egypt for Real Estate Investment S.A.E**

Rakeen Egypt for Real Estate Investment S.A.E is registered in Egypt under commercial registration number 34611 under the provisions of the Investment Guarantees and Incentives law No. 8 of 1997 and the Companies' Law No. 159 of 1981 and the statutes of Capital Market Law No. 95 of 1992. The company is located in 6<sup>th</sup> of October City. The company is engaged in leasing, construction and operation of hotels, motels, resorts and residential compounds, construction, generation of electricity, desalination of water, land acquisition, diving and constructing villas, residential units and offices malls and the marketing thereof.

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

Palm Hills Hospitality S.A.E is registered in Egypt under commercial registration number 45441 under the provisions of the Companies' Law No

159 of 1981. The company is located in 11 El Nakhil Street- Dokki- Giza. The company is engaged in establishing and operating hotels, motels, resorts and residential compounds.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Palm for Real Estate Development S.A.E is registered in Egypt under commercial registration number 83974 under the provisions of the Companies' Law No. 159 of 1981 and the statutes of the Capital Market Law No. 95 of 1992. The company is engaged in real estate investment.

- **Palm Investment & Real Estate Development S.A.E**

Palm for Investment & Real Estate Development S.A.E is registered in Egypt under commercial registration number 85861 under the provisions of the Companies' Law No. 159 of 1981 and the statutes of the Capital Market Law No. 95 of 1992. The company is engaged in real estate investment and real estate marketing.

The Company has not started its business yet.

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

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

The Company has not started its business yet.

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

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

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

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

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

- **Palm Gamscha Hotels S.A.E**

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

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

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

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

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

**9. Statement of Compliance**

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

**10. Significant Accounting Policies Applied**

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

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

**b) Basic of consolidation**

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

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

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

**c) Consolidation procedures**

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

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

**d) Business combination**

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

**e) Intangible assets**

**1- Goodwill**

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

**2- Other intangible assets**

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

**f) Use of estimates and judgments**

The preparation of the financial statements in conformity with Egyptian Accounting Standards requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about the carrying values of assets and liabilities that are readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on a going basis. Revisions to accounting estimates are recognized in the year in which the estimate is revised if the

revision affects only that year or in the year of the revision and future years if the revision affects both current and future years. In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are described in the following notes:

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

**g) Changes in accounting policies**

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

**h) Bookkeeping**

**1- Functional and presentation currency**

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

**2- Foreign currency transactions and balances**

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



**i) Operating segment**

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

The Group has one operating segment which is real estate of all types and other operating segments are not identified according to EAS 41.11

**11. Investments**

**a) Investments in subsidiaries**

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

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

**b) Investments in associates**

Subsidiaries are all companies over which the Company has significant influence and that is neither a subsidiary nor an interest in a joint venture. Investments in associates are stated at equity method, under the equity method the investments in associates are initially recognized at cost and the carrying amount is increased or decreased to recognize the investor's share of the profit or loss of the associates after the date of acquisition. Distributions received from associates reduce the carrying amounts of the investments. As an exception, investments in associates are initially recognized at cost based on preparing the consolidated financial statements available for public use.

**c) Financial investments available for sale**

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

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

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

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

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

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

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

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

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

**f) Investments properties**

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

## **12. Projects Under Construction**

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

## **13. Fixed Assets**

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

<b><u>Asset</u></b>	<b><u>Rate</u></b>
Buildings	%5
Tools & Equipment	% 25
Furniture & Fixtures	% 25 – %33
Vehicles	% 25

The carrying amount of a fixed asset should be derecognized on disposal or when no future economic benefits are expected to be earned from its disposal. The gain or loss on the disposal of an asset is the difference between the proceeds and the carrying amount and should be in profit and loss.

The residual value, the useful life and the depreciation method of an asset should be reviewed at least at each financial year-end.

An asset is impaired when its carrying amount exceeds its recoverable amount, At the end of each reporting period, an entity is required to assess whether there is any indication that an asset may be impaired and therefore the asset should be written down to its recoverable amount and the impairment loss shall be recognized in the income statement.

An impairment loss recognized in prior periods for an asset other than goodwill shall be reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. The increased carrying amount of an asset other than goodwill attributable to a reversal of an impairment loss shall not exceed the carrying

amount that would have been determined (net of amortization or depreciation) had no impairment loss been recognized for the asset in prior years. Any impairment loss is recognized in the income statement.

#### **14. Work In Process**

Work in process includes direct and indirect cost of land allocated to the Company for it to carry out its main activity whether the Company started the marketing activates for such lands or not, as well as construction and infrastructure costs and other indirect construction costs, that are related to contracted units, in which the required criteria of percentage of completion to be achieved has is not met yet to be recognized in income statement.

#### **15. Completed Units Ready For Sale**

Completed units ready for sale represent those units the Company started to build before or in conjunction with their marketing strategy and in accordance with the Master Plan.

All costs (cost of land, cost of developments and other indirect costs) attributable to such units are accumulated in the Work in Process Account until all units are completed for each phase. The cost is determined based on the outcome of multiplying the total area of the remaining completed units ready for sale at the date of consolidated balance sheet by the average meter cost of these units. Revenue from completed units ready for sale is recognized and matched to the cost of such units upon delivery. Completed units ready for sale are re-measured at each reporting period at the lower of cost or net realizable value.

#### **16. Notes Receivable**

Notes receivable represent the checks which have certain maturity dates which the Company received as bank guarantees for the contractual values of the contracted units. Notes receivable are initially recognized at fair value at the date of contract and subsequently measured at amortized cost based on discounted future cash flow using the effective interest method.

#### **17. Impairment**

An asset is impaired when its carrying amount or cash-generating unit exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use while value in use is the present value of estimated cash flow expected to be derived from an asset or cash-generating unit. An impairment lost is recognized in income statement. If there is an indication that there is an increasing in recoverable amount for an asset that increase is a reversal of the impairment. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

## **18. Provision**

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event and it is probable that a flow of economic benefits will be required to settle the obligation; and the amount can be estimated reliably. Provision is charged to income statement. The provisions balances are reviewed on a going basis at the reporting date to disclose the best estimate on the current year, and reflect the present value of expenditures required to settle the obligation where the time value of money is material.

## **19. Land Purchase Liability**

Land purchase liability represents the obligations which incurred for purchase lands at certain amount and on certain maturity dates. Land purchase liability is recognized initially at the fair value. Land purchase liability is subsequently stated at amortized cost using the effective interest method.

## **20. Completion of Infrastructure Liabilities**

Completion of infrastructure liabilities presents the difference between the estimated cost and actual cost of the infrastructure in respect of the contracted units and to be deducted from earned revenue from plot of land of the contacted units.

## **21. Capitalization of Borrowing Cost**

Capitalization of borrowing costs represents interest and other costs that the Company incurs in connection with the borrowing of funds which directly attributable to the acquisition, construction or production of a qualifying asset and would have been avoided if the expenditure on the qualifying asset had not been made. Capitalization should commence when expenditures are being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress while capitalization should be suspended during periods in which active development is interrupted. Capitalization should cease when substantially all of the activities necessary to prepare the asset for its intended use or sale are complete. Other indirect borrowing costs are recognized as expenses.

## **22. Income Tax**

Taxation is provided in accordance with the Income Tax Law No. 91 of 2005.

### **(A) Current income tax**

Current tax assets and liabilities are measured at the amount expected to be paid to (recovered from) the taxation authorities.

## **(B) Deferred tax**

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

### **23. Share Premium**

Share premium is the amount received by a company over and above the face value of its shares. After deducting the issuance expenses attributable to the issuance, a part of share premium is credited to the legal reserve with limits of half of the Company's issued share capital, while the remaining balance of share premium is credited to special reserve, general assembly is responsible for determining the uses of such reserve, and it cannot be used for dividends.

### **24. Earnings Per Share**

Basic EPS is calculated by dividing profit or loss from continuing operations and net profit or loss (after deducting employee share and board of directors remuneration – if any ) attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the period.

### **25. Related Party Transactions**

Related party transactions present the direct and indirect relationship between the Company and its associates, subsidiaries or an interest in a joint venture, also the relationship between the Company and key management personnel or employees who exercise direct or indirect strong influence on the Company's decision making. A related party transaction is a transfer of resources, services, or obligations between related parties, regardless of whether a price is charged.

### **26. Matching of Revenues And Costs**

The accounting treatment of signed contracts of villas and townhouses is based on the recognized revenue of the elements of the contact as follows:

#### **a) Villas and townhouses**

When the outcome of a construction contract can be estimated reliably, contract revenue and contract costs associated with the construction contract shall be recognized as revenue and expenses respectively by reference to the stage of completion of the contract activity at the end of the reporting.

The recognition of revenue and expenses by reference to the stage of completion of a contract is often referred to as the percentage of completion method. Under this method, contract revenue is matched with the contract costs incurred in reaching the stage of completion, resulting in the reporting of revenue, expenses and profit which can be attributed to the proportion of work completed.

Under the percentage of completion method, contract revenue is recognized as revenue in profit or loss in the accounting periods in which the work is performed. Contract costs are usually recognised as an expense in profit or loss in the accounting periods in which the work to which they relate is performed.

Cost of revenues includes the direct and indirect cost of land and the cost of construction and infrastructure, in addition to the indirect costs of construction.

- **Completed units ready for sale**

Completed units ready for sale represent those units the Company started to build before or in conjunction with their marketing process and in accordance with the Master Plan. Completed units ready for sale (apartments of Palm Hills 7th Phase) are recognized at cost.

All costs (cost of land, cost of developments and other indirect costs) attributable to such units are accumulated in the Work in Process Account until all units are completed for each phase. The cost is determined based on the outcome of multiplying of the total area of the remaining completed units ready for sale at the date of consolidated balance sheet by the average meter cost of these units. Revenue from completed units ready for sale is recognized and matched to the cost of such units upon delivery. Completed units ready for sale are re-measured at each reporting period at the lower of cost or net realizable value.

- **Provision of completion**

When the estimated contractual costs exceeded or it is probable that will exceed the contractual values, in such cases, any expected excess is recognized as an expense immediately.

**27. Revenue Recognition**

**(A) Sales revenues**

**1- Villas and townhouses**

Revenue from the Company's main activity is recognized in the income statement over time based on percentage of completion for each contracted unit.

## **2- Completed units ready for sale**

Completed units ready for sale represent the contractual values of contracted units Revenue is recognized in income statement at the point in time at which the entity transfers control of the asset to the customer

### **(B) Investments in associates and subsidiaries**

Revenue from investments in associates recognized based on equity method and in accordance with the company's share of the net profit or loss of the associate which is determined on the basis of current ownership interests, in addition to changes in the associate's other comprehensive income that have not been included in profit or loss.

Revenues from investments in subsidiaries are recognized based on cost method on the date the Company's right to receive such revenues is established or actually received which is more determinable.

### **(C) Gain (loss) on sale of investments in securities**

Gains (losses) from sale of investments in securities are recognized when a sale is consummated and the Company has transferred to the buyer the usual risks and rewards of ownership. Such gains (losses) are measured by the difference between cost of acquisition and selling price less selling commission and expenses and to be recognized in profit or loss.

Revenues resulting from equity method application and revenues from cash dividends are eliminated in preparing the consolidated income statement.

### **(D) Revenues from investment property**

Revenues from investment in real estate are recognized when a sale is consummated and the Company has in principle transferred to the buyer the usual risks of ownership. Such revenues are measured by the difference between cost of acquisition and selling price.

### **(E) Revenues from mutual funds**

Revenues from mutual fund are measured by the difference between cost of acquisition and selling price. Such revenues are recognized in profit or loss.

### **(F) Interest income**

Interest income is recognized in the profit or loss as it accrues using the effective interest rate method.

## **28. Cash And Cash Equivalents**

For the purpose of the Statement of Cash Flows, cash and cash equivalents consist of cash in hand, bank balances and short-term deposits with an original maturity of three months or less.



## **29. Investments In Associates**

	<u>31 March</u> <u>2016</u> <u>EGP</u>	<u>31 December</u> <u>2015</u> <u>EGP</u>
Naema for Touristic & Real Estate Investments S.A.E	56 224 832	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 March 2016</b>	<b><u>76 836 232</u></b>	<b><u>78 506 490</u></b>

## **30. Investment Property**

	<u>Acre</u>	<u>31 March</u> <u>2016</u> <u>EGP</u>	<u>31 December</u> <u>2015</u> <u>EGP</u>
Palm Hills Development Company S.A.E	1759	212 027 278	212 027 278
Palm Hills Middle East Company for Real Estate Investment S.A.E *	2434	529 111 484	529 111 484
Gamsha for Tourist Development S.A.E	22.679	113 526 025	113 526 025
<b>Balance as at 31 March 2016</b>	<b><u>4215.679</u></b>	<b><u>854 664 787</u></b>	<b><u>854 664 787</u></b>

\* Represented in the acquisition cost of a plot of land of a total area of 2,494 which located in El Alamein, Marsa Matrouh Governorate. The Contract between the Company and Marsa Matrouh Governorate regarding acquiring a plot of land of a total area of 2,229 acre has been revoked and it has not been disposed yet. In addition to that, the Company sold 252,000 square meters plot located in North Coast and resulting in a capital gain.

## **31. Held-to-maturity investments**

	<u>Face value</u> <u>EGP</u>	<u>Unrecognize</u> <u>d</u> <u>investment</u> <u>return</u> <u>EGP</u>	<u>Average</u> <u>return rate</u> <u>%</u>	<u>Purchase</u> <u>price</u> <u>EGP</u>
Palm Hills Development	349 175 000	16 813 911	%11	332 361 089
East New Cairo for Real Estate Development	7 525 000	812 073	%11	6 712 927
Gawda for Trade Services	2 600 000	279 945	%11	2 320 055
Middle East Company for Real Estate and Touristic Investment	4 575 000	481 776	%11	4 093 224
Royal Gardens for Real Estate Investment Company	9 700 000	1 048 042	%11	8 651 958
Palm Hills Middle East Company for Real Estate Investment	20 550 000	1 493 155	%11	19 056 845
New Cairo for Real Estate Development	17 400 000	633 946	%11	16 766 054
Rakeen Egypt for Real Estate Investment	50 000	5 443		44 557
<b>Balance as at 31 March 2016</b>	<b><u>411 575 000</u></b>	<b><u>21 568 292</u></b>		<b><u>390 006 710</u></b>

### **32. Notes Receivable**

	<b><u>31 March</u></b> <b><u>2016</u></b> <b><u>EGP</u></b>	<b><u>31 December</u></b> <b><u>2015</u></b> <b><u>EGP</u></b>
Short term notes receivable	2 200 182 539	2 417 095 771
Deduct: unamortized discount	<u>53 800 230</u>	<u>46 061 176</u>
	<b><u>2 146 382 309</u></b>	<b><u>2 371 034 595</u></b>
Long term notes receivable	5 284 333 559	4 682 206 154
Deduct: unamortized discount	<u>119 516 590</u>	<u>135 924 551</u>
	<b><u>5 164 816 969</u></b>	<b><u>4 546 281 603</u></b>
<b>Balance as at 31 March 2016</b>	<b><u>7 311 199 278</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 March</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	467 044 387	461 848 265
Consultation and designs fees	17 081 097	14 981 482
Commercial shops - Palm Hills Resort	34 701 498	34 498 647
Mall (8)	<u>20 489 332</u>	<u>7 221 214</u>
<b>Balance as at 31 March 2016</b>	<b><u>879 420 979</u></b>	<b><u>858 654 273</u></b>

### 34. Fixed Assets

Fixed assets (net) balance as at 31 March 2016 amounted to EGP 336 412 215 represented as follows:

	<u>Cost as of January 1,2015</u>	<u>Additions during the period</u>	<u>Disposals during the period</u>	<u>Cost as of March 31,2015</u>	<u>Accumulated depreciation as of January 1, 2015</u>	<u>Depreciation for the period</u>	<u>Accumulated depreciation of disposals</u>	<u>Accumulated depreciation as of March 31,2015</u>	<u>Net book value as of March 30,2016</u>	<u>Net book value as of December 31,2015</u>
	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>
Land	18 920 662	--	--	18 920 662	--	--	--	--	18 920 662	18 920 662
Buildings	509 623 460	--	--	509 623 460	179 792 340	3 918 799	--	183 711 139	325 912 321	335 129 973
Machinery & equipment	114 730 811	6 219 941	--	120 950 752	89 420 963	1 280 510	--	90 701 473	30 249 279	18 252 396
Vehicles	15 623 582	--	--	15 623 582	14 297 422	94 068	--	14 391 490	1 232 092	833 033
Computer equipment	37 849 806	1 291 023	6 138	39 134 691	26 190 974	1 206 402	611	27 396 765	11 737 926	5 673 764
Leasehold improvements	17 686 292	14 774	--	17 701 066	16 851 733	68 645	--	16 920 378	780 688	962 192
Furniture	52 304 194	1 494 315	--	53 798 509	38 523 267	656 508	--	39 179 775	14 618 734	5 045 115
<b>Total cost</b>	<u>766 738 807</u>	<u>9 020 053</u>	<u>6 138</u>	<u>775 752 722</u>	<u>365 076 699</u>	<u>7 224 932</u>	<u>611</u>	<u>372 301 020</u>	<u>403 451 702</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 March 2016</b>									<u>336 412 215</u>	<u>334 622 621</u>

- Fixed assets depreciation for the period ended 31 March 2016 was allocated as follows:

	<u>EGP</u>
Operating assets-work in process	1 178 245
Administrative depreciation (income statement)	2 640 870
Depreciation expense of hotel operations	1 484 403
Depreciation expense of Palm Hills Club's assets - club's operating statement	1 921 414
	<u>7 224 932</u>

- Capital Gains for the period ended 31 March 2016 amounted to EGP 61 as follows:

	<u>EGP</u>	<u>EGP</u>
Proceed from sale of fixed assets		5 588
Deduct:		
Cost of assets sold	6 138	
Accumulated depreciation of assets sold	611	
Carrying amount of assets sold		5 527
		<u>61</u>

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

	<u>Cost as of</u> <u>January</u> <u>1,2015</u>	<u>Additions</u> <u>during the</u> <u>period</u>	<u>Disposals</u> <u>during the</u> <u>period</u>	<u>Cost as of</u> <u>March 30,2015</u>	<u>Accumulated</u> <u>depreciation as</u> <u>of January 1,</u> <u>2015</u>	<u>Depreciation</u> <u>for the period</u>	<u>Accumulated</u> <u>depreciation</u> <u>of disposals</u>	<u>Accumulated</u> <u>depreciation</u> <u>as of March</u> <u>30,2015</u>	<u>Net book</u> <u>value as of</u> <u>December</u> <u>31,2015</u>	<u>Net book</u> <u>value as of</u> <u>December</u> <u>31,2014</u>
	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>
Land	18 920 662	--	--	18 920 662	--	--	--	--	18 920 662	18 920 662
Buildings	499 580 380	10 651 313	(608 233)	509 623 460	164 450 407	15 600 533	(258 599)	179 792 341	335 129 973	329 831 118
Machinery & equipment	103 776 953	12 449 196	(1 495 338)	114 730 810	85 524 556	5 044 945	(1 148 542)	89 420 959	18 252 396	25 309 852
Vehicles	18 836 680	1 050 440	(4 263 538)	15 623 582	18 003 647	478 208	(4 184 435)	14 297 421	833 033	1 326 161
Computer equipment	29 909 744	8 848 097	(908 035)	37 849 806	24 235 980	2 863 029	(908 035)	26 190 975	5 673 764	11 658 831
Leasehold improvements	17 239 707	449 441	(2 856)	17 686 292	16 277 545	577 045	(2 856)	16 851 734	962 162	834 557
Furniture	42 035 719	10 741 453	(472 978)	52 304 194	36 990 604	1 831 237	(298 574)	38 523 268	5 045 115	13 780 926
<b>Total cost</b>	<b>730 299 845</b>	<b>44 189 938</b>	<b>(7 750 978)</b>	<b>766 738 805</b>	<b>345 482 740</b>	<b>26 394 998</b>	<b>(6 801 041)</b>	<b>365 076 697</b>	<b>384 817 105</b>	<b>401 662 108</b>
Impairment of Macor									(2 500 000)	(2 500 000)
Impairment of assets									(64 539 487)	(64 539 487)
<b>Balance as at 31 March</b> <b>2016</b>									<b>334 622 621</b>	<b>317 777 618</b>

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

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

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

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

**35. Work In Process**

	<b><u>Cost of sales recognized in income statement</u></b>				
	<b><u>Total as at 31 December 2015</u></b> <b><u>EGP</u></b>	<b><u>As at 31 December 2015</u></b> <b><u>EGP</u></b>	<b><u>For the period ended 31 March 2016</u></b> <b><u>EGP</u></b>	<b><u>31 March 2016</u></b> <b><u>EGP</u></b>	<b><u>31 December 2015</u></b> <b><u>EGP</u></b>
Land acquisition cost	4 803 977 949	2 217 844 175	157 841 351	2 428 292 424	2 304 356 753
Cost of construction	9 525 895 347	4 740 232 065	583 511 290	4 202 151 992	4 146 208 515
Completed units ready for sale	189 907 169	172 785 614	--	15 121 555	13 121 555
<b>Balance as at 31 March 2016</b>	<b>14 517 780 465</b>	<b>7 130 861 854</b>	<b>741 352 640</b>	<b>6 645 565 971</b>	<b>6 463 686 823</b>

\* Borrowing cost capitalized on work in process for the period ended 31 March 2016 amounted to EGP 87 576 541 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 March</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	901 740 351	618 976 015
Banks-current accounts- foreign currency	8 260 681	4 343 049
Banks – Deposits- EGP	354 631 368	335 197 735
Banks – Deposits- foreign currency	489 737	--
Cash on hand- EGP	9 469 421	7 152 748
Cash on hand- foreign currency	2 310 577	--
<b>Balance as at 31 March 2016</b>	<b><u>1 276 902 134</u></b>	<b><u>965 669 547</u></b>

### **37. Accounts Receivable**

	<b><u>31 March</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	202 982 783	211 712 942
Palm Hills Middle East Company for Real Estate Investment customers	111 247 050	120 110 559
New Cairo for Real Estate Developments customers	4 002 529	3 918 460
Royal Gardens for Real Estate Investment Company customers	10 993 980	15 319 226
Gawda for Trade Services customers	2 950 654	4 607 252
Saudi Urban Development Company customers	54 661 260	29 462 962
Rakeen Egypt for Real Estate Investment customers	140 007 869	163 225 819
East New Cairo for Real Estate Development customers	112 184 720	111 756 142
Middle East Company for Real Estate and Touristic Investment customers	36 961 386	38 456 824
United Engineering for Construction S.A.E	--	5 459 158
<b>Balance as at 31 March 2016</b>	<b><u>675 992 231</u></b>	<b><u>704 029 344</u></b>

### **38. Debtors And Other Debit Balances**

	<b><u>31 March</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	5 005 455	5 003 455
Deposits with others	3 484 840	3 244 340
Prepaid expenses	16 736 492	6 985 681
Loans to employee & custodies	8 520 313	4 588 822
Due from City for Real Estate Development Company	5 522 741	5 522 741
Advance payments for land acquisition	49 271 056	49 271 323
Residents' Association	56 355 779	50 113 919
Other debit balances	110 590 186	50 123 916
<b>Balance as at 31 March 2016</b>	<b><u>255 486 862</u></b>	<b><u>174 854 197</u></b>

### **39. Guaranteed payments – joint arrangement**

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

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

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

	<b><u>31 March</u></b> <b><u>2016</u></b> <b><u>EGP</u></b>	<b><u>31 December</u></b> <b><u>2015</u></b> <b><u>EGP</u></b>
Al Ethadia for Real Estate S.A.E	146 264 411	119 447 836
Al Naeem for investments	48 755 256	48 755 256
Coldwell Banker -Palm Hills for Real Estate S.A.E	20 480	20 480
Novotel Cairo 6th Of October S.A.E	1 614 876	1 261 608
Palm Hills Education S.A.E	184 125	184 125
Mercure Ismailia Hotel	1 401 144	2 453 268
Palm Hills – Saudi	269 320	269 320
<b>Balance as at 31 March 2016</b>	<b>198 509 612</b>	<b>172 391 893</b>

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

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

**42. Banks- Credit Balances**

	<u>31 March 2016</u>	<u>31 December</u> <u>2015</u>
	<u>EGP</u>	<u>EGP</u>
Banks –EGP	25 928 478	28 764 486
Banks-foreign currencies	2 284 975	2 270 569
<b>Balance as at 31 March 2016</b>	<b><u>28 213 453</u></b>	<b><u>31 035 055</u></b>

**43. Bank Overdraft**

	<u>31 March 2016</u>	<u>31 December</u> <u>2015</u>
	<u>EGP</u>	<u>EGP</u>
Banks –EGP	76 893 450	80 236 967
<b>Balance as at 31 March 2016</b>	<b><u>76 893 450</u></b>	<b><u>80 236 967</u></b>



#### **44. Advances From Customers**

	<u>Palm Hills Development Company S.A.E EGP</u>	<u>Palm Hills Middle East Company for Real Estate Investment S.A.E EGP</u>	<u>Royal Gardens for Real Estate Investment Company S.A.E EGP</u>	<u>New Cairo for Real Estate Developments S.A.E EGP</u>	<u>Middle East Company for Real Estate and Touristic Investment S.A.E EGP</u>	<u>Gawda for Trade Services S.A.E EGP</u>	<u>Rakeen Egypt for Real Estate Investment S.A.E EGP</u>	<u>Saudi Urban Development Company S.A.E EGP</u>	<u>United Engineering for Construction S.A.E EGP</u>	<u>East New Cairo for Real Estate Development S.A.E EGP</u>	<u>Palm for Real Estate Development S.A.E</u>	<u>Balance as at 31 March 2016 EGP</u>
<b>Real estate activities</b>												
Down payments	68 383 986	9 842 942	1 175 171	--	14 751 286	--	29 854 654	34 200 749	--	13 240 705	143 723 607	315 173 099
Advances for contracting	8 440 751 097	3 216 622 221	986 880 590	293 703 159	578 350 723	353 337 794	1 901 089 946	1 184 513 878	--	1 841 323 611	--	18 796 573 019
	<b>8 509 135 083</b>	<b>3 226 465 163</b>	<b>988 055 761</b>	<b>293 703 159</b>	<b>593 102 009</b>	<b>353 337 794</b>	<b>1 930 944 600</b>	<b>1 218 714 627</b>	<b>--</b>	<b>1 854 564 316</b>	<b>143 723 607</b>	<b>19 111 746 119</b>
<b>Commercial activities</b>	22 799 961	--	--	--	--	--	--	--	--	85 019 807	--	107 819 768
<b>Construction activities</b>	--	--	--	--	--	--	--	--	33 623 440	--	--	33 623 440
	<b>8 531 935 043</b>	<b>3 226 465 163</b>	<b>988 055 761</b>	<b>293 730 159</b>	<b>593 102 009</b>	<b>353 337 794</b>	<b>1 930 944 600</b>	<b>1 218 714 627</b>	<b>33 623 440</b>	<b>1 939 584 123</b>	<b>143 723 607</b>	<b>19 253 189 326</b>
<b>Exclude:-</b> amounts recognized in income statements as at 31 March 2016	6 321 410 816	2 001 646 152	864 143 013	290 150 721	441 303 149	345 451 551	665 669 106	302 050 988	--	1 119 065 355	--	12 350 890 850
<b>Advances from customers (net)</b>	2 210 524 228	1 224 819 011	123 912 749	3 552 438	151 798 860	7 886 243	1 265 275 494	916 663 639	33 623 440	820 518 768	143 723 607	6 902 298 476
Unamortized discount - accounts receivable	196 431 146	91 754 950	3 989 527	--	34 836 171	--	87 110 029	43 724 801	--	124 566 595	--	582 413 218
<b>Balance as at 31 March 2016</b>	<b>2 014 093 082</b>	<b>1 133 064 061</b>	<b>119 923 222</b>	<b>3 552 438</b>	<b>116 962 689</b>	<b>7 886 243</b>	<b>1 178 165 466</b>	<b>872 938 838</b>	<b>33 623 440</b>	<b>695 952 173</b>	<b>143 723 607</b>	<b>6 319 885 258</b>

**45. Land Purchase Liabilities**

	<u>31 March</u> <u>2016</u> <u>EGP</u>	<u>31 December</u> <u>2015</u> <u>EGP</u>
Land purchase liabilities - short term	233 461 661	263 318 760
Land purchase liabilities - long term	266 893 276	268 236 463
<b>Balance as at 31 March 2016</b>	<b><u>500 354 937</u></b>	<b><u>531 555 223</u></b>

**46. Due To Related Parties**

	<u>31 March</u> <u>2016</u> <u>EGP</u>	<u>31 December</u> <u>2015</u> <u>EGP</u>
El Mansour & El Maghraby Investment and Development	218 044 998	190 581 109
Due to shareholders Villamora for Real Estate	19 347 824	19 347 824
Development Company S.A.E	17 245 441	16 390 051
<b>Balance as at 31 March 2016</b>	<b><u>254 638 263</u></b>	<b><u>226 318 984</u></b>

**47. Investment purchase liabilities**

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

**48. Notes Payable**

**A) Short Term Notes Payable**

	<u>31 March</u> <u>2016</u> <u>EGP</u>	<u>31 December</u> <u>2015</u> <u>EGP</u>
Notes payable- Land (New Urban Communities Authority)	532 720 710	366 203 302
<b>Deduct:-</b>		
Delayed installments interest	141 197 912	167 018 308
	<b><u>391 522 798</u></b>	<b><u>199 184 994</u></b>
<b>Add:-</b>		
Other notes payable	344 066 744	274 507 762
<b>Balance as at 31 March 2016</b>	<b><u>735 589 542</u></b>	<b><u>473 692 756</u></b>

**B) Long Term Notes Payable**

	<u>31 March</u> <u>2016</u> <u>EGP</u>	<u>31 December</u> <u>2015</u> <u>EGP</u>
Notes payable- Land (New Urban Communities Authority)	106 770 708	110 898 452
<b>Deduct:-</b>		
Delayed installments interest	34 923 008	--
	<b><u>71 847 700</u></b>	<b><u>110 898 452</u></b>
<b>Add:-</b>		
Other notes payable	369 493 428	37 633 579
<b>Deduct:-</b>		
Delayed installments interest	149 287 274	--
	<b><u>220 206 154</u></b>	<b><u>37 633 579</u></b>
<b>Balance as at 31 March 2016</b>	<b><u>292 053 854</u></b>	<b><u>148 532 031</u></b>

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

	<u>31 March 2016</u>		<u>31 December 2015</u>	
	<u>Short term</u> <u>EGP</u>	<u>long term</u> <u>EGP</u>	<u>Short term</u> <u>EGP</u>	<u>long term</u> <u>EGP</u>
<b><u>Misr Bank</u></b> Revolving medium term loan with Misr Bank in the amount of EGP 750 million to finance projects of Palm Hills Middle East for Real Estate Investment.	--	685 999 990	--	635 999 990
<b>Arab African International Bank (AAIB)</b> A medium loan with Arab African International Bank (AAIB) amounted to EGP 100 million for United Engineering for Construction	24 564 000	55 272 395	24 564 000	61 413 580
<b>Arab African International Bank (AAIB)</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.	257 600 000	2 086 411 959	--	2 064 399 007
<b>Arab African International Bank (AAIB)</b> A medium term loan with Arab African International Bank (AAIB) amounted to EGP 225 million to finance projects of <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.	56 250 000	147 501 119	56 250 000	96 704 794
<b>Arab African International Bank (AAIB)</b> A short term loan with Arab African International Bank (AAIB) amounted to EGP 200 million for one year and is repayable on monthly for <u>Palm Hills Development Company</u> .	200 000 000	--	--	--
<b>Abu Dhabi Islamic Bank (ADIB)</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> .	71 820 296	--	--	59 769 917
<b>Balance as at 31 March 2016</b>	<b>410 234 296</b>	<b>2 975 185 463</b>	<b>80 814 000</b>	<b>2 918 287 288</b>

**50. Creditors And Other Credit Balances**

	<u>31 March</u> <u>2016</u> <u>EGP</u>	<u>31 December</u> <u>2015</u> <u>EGP</u>
Other credit balances	180 420 793	164 768 292
Increase in construction area liabilities	95 500 000	95 500 000
Accounts receivable under settlement	20 524 507	58 635 067
Accrued expenses	28 263 302	26 465 054
<b>Balance as at 31 March 2016</b>	<b>324 708 602</b>	<b>345 368 413</b>

## **51. Capital**

The Company's authorized capital amounts EGP 6 000 000 000. The Company's issued and paid in capital amounts to EGP **4 344 640 000** representing **2 198 999 739** shares with a par value of EGP 2 per share as follows:

<u>Issued capital</u>	<u>EGP</u>
The Company's issued capital was determined at EGP 121 500 000 representing 1 215 000 shares with a par value of EGP 100 per share.	<u>121 500 000</u>
On 20 December 2006, the Company's Extra-ordinary General Assembly Meeting approved the issued Capital increase amounting to EGP 185,500,000 to be after such increasing amounted EGP 307,000,000 representing 3,070,000 shares with a par value of EGP 100 per share.	<u>307 000 000</u>
On 13 May 2007, the Company's Board of Directors approved the issued Capital increase amounting to EGP 93,000,000 to be after such increasing amounted EGP 400,000,000 representing 4,000,000 shares with a par value of EGP 100 per share.	<u>400 000 000</u>
On 15 July 2007, the Company's Board of Directors approved the issued Capital increase amounting to EGP 200,000,000 to be after such increasing amounted EGP 600,000,000 representing 6,000,000 shares with a par value of EGP 100 per share.	<u>600 000 000</u>
On 6 November 2007, the Company's Board of Directors approved the issued Capital increase amounting to EGP 200,000,000 to be after such increasing amounted EGP 800,000,000 representing 8,000,000 shares with a par value of EGP 100 per share. The Company's Extra-ordinary General Assembly Meeting held in March 2009 approved a 50-for-1 stock split and the par value of the Company's share reduced to EGP 2 per share.	<u>800 000 000</u>
On 27 March 2008, the Company's Board of Directors approved the issued Capital increase amounting to EGP 32,000,000 to be after such increasing amounted EGP 832,000,000 representing 416,000,000 shares with a par value of EGP 2 per share.	<u>832 000 000</u>
On 8 May 2008, the Company's Board of Directors approved the issued Capital increase amounting to EGP 99,840,000 to be after such increasing amounted EGP 931,840,000 representing 465,920,000 shares with a par value of EGP 2 per share.	<u>931 840 000</u>
On 31 March 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 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 raising issued capital by EGP 219 899 974 (109 949 987 shares).

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

## **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 March 2016 amounted to EGP **516 961 732** .

## **53. Reserves**

### **a) Legal reserve**

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

### **b) Special reserve**

Special reserve is used to meet any expected impairment of some investment properties according to the Company's Ordinary General Assembly Meeting on 31 March 2012 as a deduction from retained earnings.

## **54. Revenues**

	<b><u>31 March</u></b> <b><u>2016</u></b> <b><u>EGP</u></b>	<b><u>31 March</u></b> <b><u>2015</u></b> <b><u>EGP</u></b>
Revenue from building and development activities	1 126 163 084	745 079 536
Sale of completed units ready for sale	--	23 152 316
Revenue from the construction activity	6 447 826	--
Revenue from hospitality activities	4 160 173	6 524 174
Other revenues	12 403 021	10 996 682
Net operating profit (loss) – Palm Hills Club	9 021 061	1 400 714
<b>Deduct:-</b>		
Unamortized discount- notes receivable	86 659 944	43 787 616
<b>Total as at 31 March 2016</b>	<b><u>1 071 535 221</u></b>	<b><u>743 365 806</u></b>

**55. Cost of Revenues**

	<u>31 March</u> <u>2016</u> <u>EGP</u>	<u>31 March</u> <u>2015</u> <u>EGP</u>
Cost of building and development activities	741 352 641	393 947 965
Cost of completed units ready for sale	--	18 363 027
Depreciation of Fixed Assets – hospitality operations	1 484 403	1 193 475
Cost of the construction activity	4 914 644	--
<b>Total as at 31 March 2016</b>	<b><u>747 751 688</u></b>	<b><u>413 504 467</u></b>

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

	<u>31 March</u> <u>2016</u> <u>EGP</u>	<u>31 March</u> <u>2015</u> <u>EGP</u>
Wages and salaries	49 493 138	50 415 955
Selling and marketing expenses	31 023 714	16 331 527
Communications expenses	386 560	236 311
Utilities	3 217 494	2 212 022
Professional and Government fees	14 398 145	13 849 477
Maintenance and Insurance	4 337 564	2 019 701
Travel and transportation	636 259	358 197
Bank charges	317 511	1 449 717
Other administrative expenses	13 544 474	4 135 890
<b>Total as at 31 March 2016</b>	<b><u>117 354 859</u></b>	<b><u>91 008 797</u></b>

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

	<u>31 March</u> <u>2016</u> <u>EGP</u>	<u>31 March</u> <u>2015</u> <u>EGP</u>
Revenues	16 803 578	10 787 387
Less:		
Cost of revenue	2 717 903	3 457 776
	<b><u>14 085 674</u></b>	<b><u>7 329 611</u></b>
Less:		
General administrative expenses	3 435 505	4 472 820
Depreciation of Fixed Assets	1 921 415	1 832 782
	<b><u>5 356 920</u></b>	<b><u>6 305 602</u></b>
Add:		
Other revenues	292 307	376 705
<b>Net operating profit (Loss)</b>	<b><u>9 021 061</u></b>	<b><u>1 400 714</u></b>

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

	<u>31 March</u> <u>2016</u> <u>EGP</u>	<u>31 March</u> <u>2015</u> <u>EGP</u>
Gains on sale of mutual funds certificates	1 415 201	1 214 744
<b>Total as at 31 March 2016</b>	<u>1 415 201</u>	<u>1 214 744</u>

**59. Other Revenues**

	<u>31 March</u> <u>2016</u> <u>EGP</u>	<u>31 March</u> <u>2015</u> <u>EGP</u>
E-compound revenues	8 527 910	3 882 676
Miscellaneous revenues	2 468 772	8 520 345
<b>Total as at 31 March 2016</b>	<u>10 996 682</u>	<u>12 403 021</u>

**60. Earnings per share**

	<u>31 March</u> <u>2016</u> <u>EGP</u>	<u>31 March</u> <u>2015</u> <u>EGP</u>
Net profit for the period	105 427 178	185 597 534
<b>Deduct:</b>		
estimated remuneration of the board of directors and employees' profit-sharing	10 015 582	17 631 766
Weighted average number of shares	2 198 999 739	1 348 320 000
<b>Earnings per share</b>	<u>0.041</u>	<u>0.117</u>

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

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

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

<u>Party</u>	<u>Relationship</u>	<u>Nature of transaction</u>	<u>Amount of transaction EGP</u>
Palm Hills Middle East Company for Real Estate Investment S.A.E	A subsidiary	Finance	95 567 777
Royal Gardens for Real Estate Investment Company S.A.E	A subsidiary	Finance	14 334 498
Middle East Company for Real Estate and Touristic Investment S.A.E	A subsidiary	Finance	77 155 459
Gawda for Trade Services S.A.E	A subsidiary	Finance	9 018 180
Rakeen Egypt for Real Estate Investment S.A.E	A subsidiary	Finance	141 962 505
Saudi Urban Development Company S.A.E	A subsidiary	Finance	7 587 980
Nile Palm Al-Naeem for Real Estate Development S.A.E	A subsidiary	Finance	124 000
Al Ethadia for Real Estate S.A.E	A Related party	Finance	42 364 822
East New Cairo for Real Estate Development S.A.E	A subsidiary	Finance	202 877 808
New Cairo for Real Estate Development S.A.E	A subsidiary	Finance	42 462 596
Al Naeem for Hotels and Touristic Villages S.A.E	A subsidiary	Finance	95 841 327
Gemsha for Tourist Development S.A.E	A subsidiary	Finance	10 000 000
United Engineering for Construction S.A.E	A subsidiary	Finance	29 315 924
El Mansour & El Maghraby Investment and Development	A main shareholder	Finance	69 300 000
Palm for Real Estate Development	A subsidiary	Finance	11 931 542
Palm for Investment & Real Estate Development	A subsidiary	Finance	1 389 589
Palm Hills Properties	A subsidiary	Finance	500 500
Palm Hills for Tourist & Real Estate Development			<u>40 000 000</u>

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

<u>Party</u>	<u>Item as in balance sheet</u>	<u>31 March 2016 EGP</u>
Palm October for Hotels S.A.E	Due from related parties	52 397 308
Palm Hills Hospitality S.A.E	Due from related parties	100 254 292
Rakeen Egypt for Real Estate Investment S.A.E	Due from related parties	234 680 297
Saudi Urban Development Company S.A.E	Due from related parties	159 387 212
Palm Hills Middle East Company for Real Estate Investment S.A.E	Due from related parties	817 693 138
Gemsha for Tourist Development S.A.E	Due from related parties	58 302 742
Al Ethadia for Real Estate S.A.E	Due from related parties	132 680 030
Coldwell Banker Palm Hills for Real Estate	Due from related parties	20 480
Palm Hills Education S.A.E	Due from related parties	184 125
East New Cairo for Real Estate Development S.A.E	Due from related parties	292 654 083
Palm Hills – Saudi	Due from related parties	269 320
Palm Hills Properties	Due from related parties	500
Palm Hills for Tourist & Real Estate Development	Due from related parties	40 000 0000
Palm for Investment & Real Estate Development	Due from related parties	50 781 611
Royal Gardens for Real Estate Investment Company S.A.E	Due to related parties	7 032 472
United Engineering for Construction S.A.E	Due to related parties	11 181 501
Palm North Coast Hotels S.A.E	Due to related parties	56 586
Palm Gemsha for Hotels S.A.E	Due to related parties	53 394
Nile Palm Al-Naeem for Real Estate Development S.A.E	Due to related parties	47 424 559
New Cairo for Real Estate Developments S.A.E	Due to related parties	11 160 544
Middle East Company for Real Estate and Touristic Investment S.A.E	Due to related parties	96 535 683
Al Naeem for Hotels and Touristic Villages S.A.E	Due to related parties	117 179 071
Gawda for Trade Services S.A.E	Due to related parties	67 775 947
Shareholders – credit balances	Due to related parties	--
El Mansour & El Maghraby Investment and Development	Due to related parties	112 812 170
Palm for Real Estate Development S.A.E	Due to related parties	<u>11 485 542</u>



## **62. Tax Status**

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

### **a) Corporate tax**

- The Company started its operations on 13 March 2005
- The Company is exempted from income tax for ten years to end on 31 December 2015
- Years 2005 to 2009  
These years have been inspected and settled with the Tax Authority.
- Years 2010 to 2012  
These years are currently being inspected.
- Years 2013 to 2015  
Tax returns were provided for this period.

### **b) Payroll tax**

- From inception till 2010  
This period has been inspected and differences were paid.
- Years 2011 to 2015  
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 2015
- The company pays the taxes due on regularly basis within the legal dates.

## **63. Financial Instruments & Fair Value**

### **- Financial instruments**

The financial instruments of the Company are represented in the financial assets and liabilities. The Company's financial assets include cash on hand and at banks, notes receivable, checks under collection and debtors and other debit balances, financial liabilities include bank overdraft, advances from customers and creditors & other credit balances.

### **- Financial instruments fair value**

The financial instruments of the Company are represented in the financial assets and liabilities. The Company's financial assets include cash on hand and at banks, notes receivable, checks under collection and debtors & other debit balances, financial liabilities include bank overdraft, advances from customers and creditors & other credit balances.

#### **64. Risk Management**

**- Interest rate risk**

The interest risk is represented in the interest rates changes and its affect on the current and future financial liabilities, represented in interests and commissions on bank overdraft, which may have a negative impact on the results of operations. The Company uses long-term financing sources with no interest represented in advances from customers.

**- Credit risk**

Credit risk is represented in the inability of credit customers to pay their dues. The Company has no significant consternation of credit risk, it has policies to ensure that contract are made with customers with an appropriate credit history, also according contracts concluded with the Company's customers, the ownership of the sold units is not transferred unless the full payments for these units are made.

#### **65. Comparative Figures**

The comparative figures have been restated because of changes in the accounting policy for sales revenue recognition for the villas and townhouses from accounting for the separately identifiable components of a single contract, where revenue from the sale of the plot of land of the villas and townhouses is fully recognized when a sale is concluded and contracts are signed and revenue from the construction of villas and townhouse is recognized based on the completion percentage and when the percentage of completion is reached 100% of the estimated development costs for each phase to accounting for the contract in its entirety, which the recognition of revenue and expenses by reference to the stage of completion of a contract is often referred to as the percentage of completion method. Under this method, contract revenue is matched with the contract costs incurred in reaching the stage of completion, resulting in the reporting of revenue, expenses and profit which can be attributed to the proportion of work completed.

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

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

## **66. Dividends**

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

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

## **67. Employee stock ownership plan (ESOP)**

On 29 November 2015 The Company's Extraordinary General Assembly Meeting approved issued capital increase out of retained earnings balance as at 31 December 2014 of EGP 53 359 478 for an employee stock ownership plan (ESOP ) representing 26 679 739 shares.

As at 31 March 2016 the Company re-measured the fair value of granted options and recognized EGP 24 011 765 in the ESOP re-measurement reserve, therefore the fair value of the granted options amounted EGP 77 371 243 as at 31 March 2016 and these granted options have not been exercised yet.