

PALM HILLS DEVELOPMENTS COMPANY
(An Egyptian Joint Stock Company)
Consolidated Financial Statements
For The Year Ended 31 December 2015
Together With Auditor's Report

AUDITOR'S REPORT**To: The Board of Directors of Palm Hills Developments Company (S.A.E)****Report on the Financial Statements**

We have audited the accompanying consolidated financial statements of Palm Hills Developments Company "An Egyptian Joint Stock Company" and its subsidiaries ("the Group"), which comprise the consolidated balance sheet as of 31 December 2015, and the related consolidated statements of income, changes in equity and cash flows for the financial year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

These consolidated financial statements are the responsibility of Company's management. Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the Egyptian Accounting Standards and in the light of the prevailing Egyptian laws, management responsibility includes, designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; management responsibility also includes selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the Egyptian Standards on Auditing and in the light of the prevailing Egyptian laws. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the consolidated financial statements.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Palm Hills Developments Company as of 31 December 2015, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the Egyptian Accounting Standards and the Egyptian laws and regulations relating to the preparation of these financial statements.

Explanatory paragraphs

Without qualifying our opinion, the cost of land is recorded according to preliminary contracts and allotment letters received from Urban Communities Authority (6th of October, new Cairo). Transfer and register of title for the mentioned plots of land depends on the fulfilment of financial standards and construction rules imposed by Urban Communities Authority.

*- The companies of the Group recognized the revenues from **the construction** of the units under construction or under delivery according to percentage of completion method policy. Percentage of completion is measured by reference to the contract constructions costs incurred up to the balance sheet date as a percentage of total estimated constructions costs based on the engineering management reports in respect of contracted units at the level of each stage (Notes numbers 27, 28, 53.54).*

The financial statements and the related auditors report have been originally issued in Arabic and translated upon request of the management. However it shouldn't be used or circulated to any third parties.

Report on Other Legal and Regulatory Requirements

The Company maintains financial accounting records, which includes all that is required by law and the Company's statutes, and the consolidated financial statements are in agreement with these records.

Alaa A-Azim Mansour

MAZARS Mostafa Shawki

Public Accountants & Consultants

Cairo, February 4, 2016



PALM HILLS DEVELOPMENTS COMPANY S.A.E
CONSOLIDATED BALANCE SHEET
As of 31 December 2015

	<u>Note no.</u>	<u>31/12/2015</u> <u>EGP</u>	<u>31/12/2014</u> <u>EGP</u>
<u>Long term assets</u>			
Investments in associates	(8c,11b,29)	78 506 490	77 163 454
Investment property	(11f, 30)	854 664 787	1 085 976 898
Notes receivable - long term	(16-32)	4 546 281 603	2 665 204 247
Projects under construction	(12-33)	858 654 273	857 379 279
Advance payments for investments acquisition	(40)	184 335 633	184 335 633
Fixed assets (net)	(13-34)	334 622 621	317 777 618
Deferred tax assets	(22b)	11 948 094	3 998 815
Other long term assets		1 390 733	5 513 534
Total long term assets		6 870 404 234	5 197 349 478
<u>Current assets</u>			
Works in process	(14-35)	6 540 616 090	6 101 970 193
Held-to-maturity investments	(31-11d)	613 045 694	19 657 226
Cash and cash equivalents	(28-36)	965 669 547	202 384 112
Notes receivable - short term	(16-32)	2 371 034 595	1 607 195 550
Investments at fair value through profit and loss	(11e)	67 112 711	56 856 080
Accounts receivable	(37)	704 029 344	1 121 983 423
Suppliers - advance payments		384 777 356	373 201 558
Debtors and other debit balances	(38)	174 854 197	118 979 567
Due from related parties	(25-39-59)	172 391 893	90 204 015
Total current assets		11 993 531 427	9 692 431 724
<u>Current liabilities</u>			
Banks - credit balances	(41)	31 035 055	39 197 560
Bank- over draft		80 236 967	--
Advances from customers	(42)	6 169 791 784	5 008 131 347
Completion of infrastructure liabilities	(20)	173 648 127	133 837 879
Provisions	(18)	116 843 823	11 594 013
Current portion land purchase liabilities	(19-43a)	263 318 760	216 568 788
Due to related parties	(25-44-59)	226 318 984	646 313 369
Investment purchase liabilities	(45)	44 256 746	44 256 746
Notes payable - short term	(46a)	473 692 756	816 018 291
Current portion of term loans	(47)	80 814 000	174 410 000
Suppliers & contractors		406 849 941	414 281 264
Income tax payable	(22a)	46 631 446	88 484 906
Creditors & other credit balances	(48)	345 368 413	416 091 642
Total current liabilities		8 458 806 802	8 009 185 805
Working capital		3 534 724 625	1 683 245 919
Total investment		10 405 128 859	6 880 595 397
<u>Financed as follows:</u>			
<u>Shareholders' equity</u>			
Share capital	(49)	4 344 640 000	2 696 640 000
Legal reserve	(51)	585 103 921	566 469 569
Special reserve		524 212 885	524 212 885
Retained (deficit)		(171 750 887)	(260 443 986)
Net profit for the period		1 031 492 706	353 290 475
Equity attributable to equity holders of the parent		6 313 698 625	3 880 168 943
Non-controlling interest		270 774 426	256 176 133
Total shareholders' equity		6 584 473 051	4 136 345 076
<u>Long term liabilities</u>			
Land purchase liabilities	(19-43b)	268 236 463	350 433 822
Notes payable - long term	(46b)	148 532 031	536 510 993
Other long term liabilities – Residents' Association	(50)	485 600 026	395 362 285
Loans	(47)	2 918 287 288	1 461 943 221
Total long term liabilities		3 820 655 808	2 744 250 321
Total equity and non-current liabilities		10 405 128 859	6 880 595 397

- Auditor's Report "attached"

- The accompanying notes from (1) to (64) form an integral part of these financial statements and are to be read therewith

Chief Financial Officer
Ali Thabet

Chairman
Yasseen Mansour

PALM HILLS DEVELOPMENTS COMPANY S.A.E
CONSOLIDATED STATEMENT OF INCOME
For The Year Ended 31 December 2015

	<u>Note No.</u>	<u>31 December 2015 EGP</u>	<u>31 December 2014 EGP</u>
Revenues	(27a, 52)	3 560 584 644	2 106 065 002
		3 560 584 644	2 106 065 002
Deduct:-			
Cost of revenues	(26, 53)	2 312 796 013	1 359 171 054
Cash discount		49 558 559	41 475 145
Total cost		2 362 354 572	1 400 646 199
Gross profit		1 198 230 072	705 418 803
Deduct:-			
Interest expenses – amortization of discount on land liability		12 517 996	27 784 532
General administrative, selling and marketing expenses	(54)	479 866 405	280 336 442
Interest on land purchase liabilities		74 993 297	140 128 549
Provision		104 652 613	482 400
Administrative depreciation		9 115 472	7 492 182
Finance costs & interests		38 504 185	76 086 336
		719 649 968	532 310 441
<u>Add:</u>			
Net operating profit (loss) – Palm Hills Club	(55)	9 276 841	(13 874 223)
Interest income – amortization of discount on notes receivables		92 198 062	136 250 133
Gains on investments at fair value through profit or loss	(56)	6 296 340	4 881 558
Capital gains on investment property	(58)	425 735 602	--
Interest income on held-to-maturity investments		47 976 173	4 038 931
Other revenues	(57)	42 115 676	77 692 636
		623 598 693	208 989 035
Net profit for the period before income tax & non-controlling interest		1 102 178 797	382 097 397
Deduct:-			
Income tax expense	(22a)	(8 026 478)	(9 835 039)
Deferred tax	(22b)	45 770 332	18 655 440
Net profit for the period before & non-controlling interest		1 064 434 943	373 276 996
Deduct:-			
Non-controlling interest share- subsidiaries		32 942 237	19 986 521
Net profit for the period after income tax & non-controlling interest		1 031 492 706	353 290 475

- The accompanying notes from (1) to (64) form an integral part of these financial statements and are to be read therewith.

Chief Financial Officer
Ali Thabet

Chairman
Yasseen Mansour

PALM HILLS DEVELOPMENTS COMPANY S.A.E
CONSOLIDATED STATEMENT OF CASH FLOWS
For The Year Ended 31 December 2015

	<u>Note No.</u>	<u>31/12/2015</u>	<u>31/12/2014</u>
		<u>EGP</u>	<u>EGP</u>
Net profit for the period before income tax & non-controlling interest		1 102 178 797	382 097 397
<u>Adjustments to reconcile net profit to net cash from operating activities</u>			
Interest on land purchase liabilities	(45)	74 993 297	140 128 549
Interest expenses – amortization of discount on land liability	(43)	12 517 996	27 784 532
Administrative depreciation	(34)	21 874 437	21 467 737
Provision formed		104 652 613	482 400
Finance costs & interests		38 504 185	76 086 336
Share of profit of associates	(29)	(1 343 036)	(3 097 037)
Gain on disposal of property & equipment	(34)	(865 352)	(5 842 606)
Interest income – amortization of discount on notes receivables	(32)	(92 198 062)	(136 250 133)
Gain on investments at fair value through profit or loss		(6 296 340)	(4 881 558)
Gains on held-to-maturity investments	(31)	(47 976 173)	(4 038 931)
Gain on sale of subsidiaries		--	(25 500 000)
Capital gain on investment property		(425 735 602)	--
Operating profit before changes in working capital items		780 306 760	468 436 686
<u>Changes in working capital items</u>			
Change in work in process	(14-35)	(482 090 718)	(413 963 305)
Change in notes receivables	(16-32)	(2 552 718 339)	(1 393 054 087)
Change in investments at fair value through profit or loss	(11e)	(10 256 631)	7 495 182
Change in held-to-maturity investments		(593 388 468)	(19 657 226)
Change in accounts receivable	(37)	417 954 079	334 067 227
Change in suppliers - advance payments		(11 575 798)	(32 896 848)
Change in debtors & other debit balances	(38)	(55 874 630)	31 719 025
Change in due from related parties	(25-39)	(82 187 878)	24 533 829
Change in advances from customers	(42)	1 161 660 437	856 589 375
Change in completion of infrastructure liabilities	(20)	39 810 248	(100 137 641)
Provisions		597 197	(119 376)
Change in due to related parties	(25-44)	(419 994 385)	2 237 060
Change in investment purchase liabilities	(45)	--	(80 851 840)
Change in notes payable	(46)	(805 297 794)	(303 172 722)
Change in Suppliers & contractors		(7 431 322)	99 506 637
Income tax paid		(87 623 792)	(2 852)
Change in creditors and other credit balances	(48)	(41 601 930)	(30 152 448)
Change in other long term – Residents' Association		90 237 742	60 957 746
Net cash (used in) operating activities		(2 659 475 223)	(488 465 578)
<u>Cash flows from investing activities</u>			
Payments for purchase of fixed assets	(34)	(44 189 940)	(12 513 982)
Proceeds from sale of fixed assets	(34)	1 815 290	7 049 410
Advance payments for investments acquisition		--	(5 000 000)
Payments for projects under construction	(12-33)	(1 274 994)	(80 891 934)
Proceeds from sale of investment property		657 047 713	(714 435)
Proceeds from investments at fair value through profit or loss	(56)	6 296 340	4 881 558
Proceeds from other assets		4 122 800	--
Proceeds from held-to-maturity investments		18 854 874	4 038 931
Proceeds from sale of associates		--	76 500 000
Available for sale investments		--	5 082 625
Net cash provided by (used in) investing activities		642 672 083	(1 567 827)
<u>Cash flows from financing activities</u>			
Share capital increase		1 648 000 000	600 000 000
Banks - credit balances	(41)	(8 162 505)	(17 769 418)
Banks – overdraft		80 236 967	(226 711 926)
Non-controlling interest – dividends		(18 343 945)	(9 081 482)
Deferred tax		77 199	(17)
Repayments of loans	(47)	--	(598 906 877)
Proceeds from loans	(47)	1 362 748 067	1 218 658 750
Adjustments to retained earnings		(245 963 024)	(316 167 729)
Finance costs & interests		(38 504 185)	(76 086 336)
Net cash provided by financing activities		2 780 088 575	573 934 965
Net increase in cash and cash equivalents during the period		763 285 435	83 901 560
Cash and cash equivalents at beginning of the period		202 384 112	118 482 552
Cash and cash equivalents as at 31 December 2015	(28-36)	965 669 547	202 384 112

-Non- Cash transactions are excluded from the cash flow statement.

- The accompanying notes from (1) to (64) form an integral part of these financial statements and are to be read therewith.

Chief Financial Officer
Ali Thabet

Chairman
Yasseen Mansour

PALM HILLS DEVELOPMENTS COMPANY S.A.E
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For The Year Ended 31 December 2015

	<u>Share capital</u> EGP	<u>Legal reserve</u> EGP	<u>Special reserve</u> EGP	<u>Retained earnings (deficit)</u> EGP	<u>Net profit for the period</u> EGP	<u>Total</u> EGP	<u>Non- controlling interest</u> EGP	<u>Total Shareholders' equity</u> EGP
Balance as at 1 January 2014	2 096 640 000	558 109 843	524 212 885	(186 722 625)	238 888 791	3 231 128 894	245 042 204	3 476 171 098
Adjustments to retained earnings	--	--	--	(304 250 426)	--	(304 250 426)	(4 205 233)	(308 455 659)
Adjustments to non-controlling interest	--	--	--	--	--	--	10 155 135	10 155 135
Transferred to retained earnings	--	--	--	238 888 791	(238 888 791)	--	--	--
Transferred to legal reserve	--	8 359 726	--	(8 359 726)	--	--	2 259 322	2 259 322
Dividends	--	--	--	--	--	--	(17 061 816)	(17 061 816)
Share capital increase	600 000 000	--	--	--	--	600 000 000	--	600 000 000
Profit for the period	--	--	--	--	353 290 475	353 290 475	19 986 521	373 276 996
Balance as at 31 December 2014	<u>2 696 640 000</u>	<u>566 469 569</u>	<u>524 212 885</u>	<u>(260 443 986)</u>	<u>353 290 475</u>	<u>3 880 168 943</u>	<u>256 176 133</u>	<u>4 136 345 076</u>
Balance as at 1 January 2015	2 696 640 000	566 469 569	524 212 885	(260 443 986)	353 290 475	3 880 168 943	256 176 133	4 136 345 076
Adjustments to retained earnings	--	--	--	(245 963 024)	--	(245 963 024)	--	(245 963 024)
Transferred to retained earnings	--	--	--	353 290 475	(353 290 475)	--	--	--
Transferred to legal reserve	--	18 634 352	--	(18 634 352)	--	--	--	--
Non-controlling interest	--	--	--	--	--	--	(18 343 945)	(18 343 945)
Share capital increase	1 648 000 000	--	--	--	--	1 648 000 000	--	1 648 000 000
Profit for the period	--	--	--	--	1 031 492 706	1 031 492 706	32 942 237	1 064 434 943
Balance as at 31 December 2015	<u>4 344 640 000</u>	<u>585 103 921</u>	<u>524 212 885</u>	<u>(171 750 887)</u>	<u>1 031 492 706</u>	<u>6 313 698 625</u>	<u>270 774 426</u>	<u>6 584 473 051</u>

-The accompanying notes from (1) to (64) form an integral part of these financial statements and are to be read therewith

Chief Financial Officer
Ali Thabet

Chairman
Yasseen Mansour

Palm Hills Developments Company
(S.A.E)

Notes to the Consolidated
Financial Statements as of 31 December 2015

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 stand alone 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 6th October City, land with a total area of 418.95 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 6th of October City. The company is engaged in leasing, construction and operation of hotels, motels, resorts and residential compounds, construction, generation of electricity, desalination of water, land acquisition, diving and constructing villas, residential units and offices malls and the marketing thereof.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

United Engineering for Construction S.A.E is registered in Egypt under commercial registration number 56910 under the provisions 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 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 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 Investment & Real Estate Development S.A.E

S.A.E Palm for Investment & Real Estate Development S.A.E is registered in Egypt under commercial registration number 85861 under the provisions 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 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 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 and real estate marketing.

The Company has not started its business yet.

2- Indirect investments in associates and subsidiaries

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

- **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) Segment Reporting

1- Business segment

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments.

2- Geographical segment

A geographical segment is a segment which is engaged in providing products or services within a particular economic environment that are subject to risks and returns different from those of segments operating in other economic environments.

The Group's business scope is in the Arab Republic of Egypt, so the Group has one geographical segment and there is no need to be reportable. The Group has one business segment that is real estate of all kinds, Hotel activity is not identified as reportable business segments because the revenues, operating results and customers of such activity representing less than 10% of the Group's revenues and results of operating.

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 is initially measured at cost, including transaction costs, subsequent to initial recognition Investment property is measured at cost less accumulated depreciation and any impairment in value. Investment property is derecognized on disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal.

12. Projects Under Construction

Include the direct and indirect cost of land allocated to the Company for engaging in its main activity which had been allocated to build golf courses and hotels in Palm Hills Residential Compound in 6th of October City, as well infrastructure and construction costs of such projects. Projects under construction also include building and construction costs of the golf courses and planned hotel in North Cost.

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 it 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 loses (if any). The estimated useful lives are as follows:

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

The carrying amount of a fixed asset should be derecognized on disposal or when no future economic benefits are expected to be earned from its disposal. The gain

or loss on the disposal of an asset is the difference between the proceeds and the carrying amount and should be in profit and loss.

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

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

An impairment loss recognized in prior periods for an asset other than goodwill shall be reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized The increased carrying amount of an asset other than goodwill attributable to a reversal of an impairment loss shall not exceed the carrying amount that would have been determined (net of amortization or depreciation) had no impairment loss been recognized for the asset in prior years. Any impairment loss is recognized in the income statement.

14. Work In Process

Work in process includes direct and indirect cost of land allocated to the Company for it to carry out its main activity whether the Company started the marketing activates for such lands or not, as well as construction and infrastructure costs and other indirect construction costs, that are related to contracted units, in which the required percentage of completion to be achieved has not completed 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 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 the total area of the remaining completed units ready for sale at the date of consolidated balance sheet by the average meter cost of these units. Revenue from completed units ready for sale is recognized and matched to the cost of such units upon delivery. Completed units ready for sale are re-measured at each reporting period at the lower of cost or net realizable value.

16. Notes Receivable

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

17. Impairment

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

18. Provision

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

19. Land Purchase Liability

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

20. Completion of Infrastructure Liabilities

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

21. Capitalization of Borrowing Cost

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

22. Income Tax

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

(A) Current income tax

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

(B) Deferred tax

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

23. Share Premium

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

24. Earnings Per Share

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

25. Related Party Transactions

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

26. Matching of Revenues And Costs

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

- **Revenue from land**

Revenues on the sale of plots of lands attributable to villas and townhouses when a sale is consummated and the contracts are signed and in accordance with the Company's credit policy. Revenue is recognized in the income statement and is to be matched with the cost of land of the contracted units.

- **Revenue from constructions**

Revenue and cost of constructions are recognized based on the percentage-of-completion as follows:

- **Percentage of completion**

Percentage of completion is measured by reference to the contract constructions costs incurred up to the balance sheet date as a percentage of total estimated constructions costs for each contract.

- **Cost of revenues**

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.

Costs of land are fully recorded in income statement plus constructions of contracted units, in which the percentage of completion reached to 100%.

- **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 as follows:

- 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.
- 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.

2- Completed units ready for sale

Completed units ready for sale represent the contractual values of contracted units. Revenue is recognized in income statement and to be matched with related costs when a sale is consummated and contracts are signed.

(B) Investments in associates and subsidiaries

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

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

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

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

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

(D) Revenues from investment property

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

(E) Revenues from mutual funds

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

(F) Interest income

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

28. Cash And Cash Equivalents

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

29. Investments In Associates

	<u>31 December</u> <u>2015</u> <u>EGP</u>	<u>31 December</u> <u>2014</u> <u>EGP</u>
*Naema for Touristic & Real Estate Investments S.A.E	57 895 090	56 552 054
Villamora for Real Estate Development Company S.A.E	20 366 400	20 366 400
Coldwell Banker -Palm Hills for Real Estate S.A.E	245 000	245 000
Balance as at 31 December 2015	78 506 490	77 163 454

30. Investment Property

	<u>Acree</u>	<u>31 December</u> <u>2015</u> <u>EGP</u>	<u>31 December</u> <u>2014</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	577 111 484
Gamsha for Tourist Development S.A.E	22.679	113 526 025	108 228 721
Nile Palm Al-Naeem for Real Estate Development S.A.E **	3.33	--	188 609 415
Balance as at 31 December 2015	4219	854 664 787	1 085 976 898

* 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 (Note-58).

** The Company signed a land sale agreement of 13,000 square meters plot in downtown Alexandria and resulting in a capital gain (Note-58).

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	584 023 278	18 402 742	%11	565 620 536
East New Cairo for Real Estate Development	5 725 000	84 115	%11	5 640 885
Gawda for Trade Services	1 850 000	28 393	%11	1 821 607
Middle East Company for Real Estate and Touristic Investment	3 175 000	18 403	%11	3 156 597
Royal Gardens for Real Estate Investment Company	6 825 000	97 371	%11	6 727 629
Palm Hills Middle East Company for Real Estate Investment	13 500 000	64 819	%11	13 435 181
New Cairo for Real Estate Development	16 700 000	56 741	%11	16 643 259
Balance as at 31 December 2015	631 798 278	18 752 584		613 045 694

32. Notes Receivable

	<u>31 December</u> <u>2015</u> <u>EGP</u>	<u>31 December</u> <u>2014</u> <u>EGP</u>
Short term notes receivable	2 417 095 771	1 699 393 614
Deduct: unamortized discount	<u>46 061 176</u>	<u>92 198 064</u>
	<u>2 371 034 595</u>	<u>1 607 195 550</u>
Long term notes receivable	4 682 206 154	2 777 930 840
Deduct: unamortized discount	<u>135 924 551</u>	<u>112 726 593</u>
	<u>4 546 281 603</u>	<u>2 665 204 247</u>
Balance as at 31 December 2015	<u>6 917 316 198</u>	<u>4 272 399 797</u>

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

33. Projects Under Construction

	<u>31 December</u> <u>2015</u> <u>EGP</u>	<u>31 December</u> <u>2014</u> <u>EGP</u>
Land	340 104 665	340 104 665
Construction of Golf Club and Hotel in 6th of October City	461 848 265	461 848 265
Consultation and designs fees	14 981 482	26 320 693
Commercial shops - Palm Hills Resort	34 498 647	29 105 654
Mall (8)	<u>7 221 214</u>	<u>--</u>
Balance as at 31 December 2015	<u>858 654 273</u>	<u>857 379 279</u>

34. Fixed Assets

Fixed assets (net) balance as at 31 December 2015 amounted to EGP 326 432 293 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>September</u> <u>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</u> <u>September</u> <u>30,2015</u>	<u>Net book</u> <u>value as of</u> <u>September</u> <u>30,2015</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	329 831 118	335 129 973
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	25 309 852	18 252 396
Vehicles	18 836 680	1 050 440	(4 263 538)	15 623 582	18 003 647	478 208	(4 184 435)	14 297 421	1 326 161	833 033
Computer equipment	29 909 744	8 848 097	(908 035)	37 849 806	24 235 980	2 863 029	(908 035)	26 190 975	11 658 831	5 673 764
Leasehold improvements	17 239 707	449 441	(2 856)	17 686 292	16 277 545	577 045	(2 856)	16 851 734	834 557	962 162
Furniture	42 035 719	10 741 453	(472 978)	52 304 194	36 990 604	1 831 237	(298 574)	38 523 268	13 780 926	5 045 115
Total cost	730 299 845	44 189 938	(7 750 978)	766 738 805	345 482 740	26 394 998	(6 801 041)	365 076 697	401 662 108	384 817 105
Impairment of Macor									(2 500 000)	(2 500 000)
Impairment of assets									(64 539 487)	(64 539 487)
Balance as at 31 December 2015									334 622 621	317 777 618

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

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

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

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

35. Work In Process

	<u>Cost of sales recognized in income statement</u>				
	<u>Total as at</u> <u>31 December 2015</u> <u>EGP</u>	<u>As at 31 December</u> <u>2014</u> <u>EGP</u>	<u>For the period</u> <u>ended 31 December</u> <u>2015</u> <u>EGP</u>	<u>31 December</u> <u>2015</u> <u>EGP</u>	<u>31 December</u> <u>2014</u> <u>EGP</u>
Land acquisition cost	4 539 008 133	1 891 714 199	413 591 752	2 233 702 182	2 424 957 676
Cost of construction	8 784 626 450	2 653 249 510	1 837 584 587	4 293 792 353	3 623 407 635
Completed units ready for sale	<u>187 907 169</u>	<u>134 302 287</u>	<u>40 483 327</u>	<u>13 121 555</u>	<u>53 604 882</u>
Balance as at 31 December 2015	<u>13 511 541 753</u>	<u>4 679 265 997</u>	<u>2 291 659 666</u>	<u>6 540 616 090</u>	<u>6 101 970 193</u>

* Borrowing cost capitalized on work in process for the year ended 31 December 2015 amounted to EGP **343 930 889** The capitalization rate used to determine the amount of borrowing costs eligible for capitalization is 11.56%.

36. Cash And Cash Equivalents

	<u>31 December</u> <u>2015</u> <u>EGP</u>	<u>31 December</u> <u>2014</u> <u>EGP</u>
Banks-current accounts- EGP	618 976 015	184 755 480
Banks-current accounts- foreign currency	4 343 049	4 916 509
Banks – Deposits-EGP	335 197 735	7 390 217
Cash on hand	7 152 748	5 321 906
Balance as at 31 December 2015	965 669 547	202 384 112

37. Accounts Receivable

	<u>31 December</u> <u>2015</u> <u>EGP</u>	<u>31 December</u> <u>2014</u> <u>EGP</u>
Palm Hills Developments Company customers	211 712 942	374 788 281
Palm Hills Middle East Company for Real Estate Investment customers	120 110 559	160 328 907
New Cairo for Real Estate Developments customers	3 918 460	5 506 434
Royal Gardens for Real Estate Investment Company customers	15 319 226	20 241 482
Gawda for Trade Services customers	4 607 252	2 834 999
Saudi Urban Development Company customers	29 462 962	43 426 830
Rakeen Egypt for Real Estate Investment customers	163 225 819	285 294 244
East New Cairo for Real Estate Development customers	111 756 142	133 471 995
Middle East Company for Real Estate and Touristic Investment customers	38 456 824	96 090 251
United Engineering for Construction S.A.E	5 459 158	--
Balance as at 31 December 2015	704 029 344	1 121 983 423

38. Debtors And Other Debit Balances

	<u>31 December</u> <u>2015</u> <u>EGP</u>	<u>31 December</u> <u>2014</u> <u>EGP</u>
Tax Authority	--	23 756 481
Investments debtors	5 003 455	4 483 115
Deposits with others	3 244 340	6 092 067
Prepaid expenses	6 985 681	2 872 715
Loans to employee & custodies	4 588 822	1 661 967
Due from City for Real Estate Development Company	5 522 741	5 522 741
Advance payments for land acquisition	49 271 323	47 260 820
Residents' Association	50 113 919	13 879 866
Other debit balances	50 123 916	13 449 795
Balance as at 31 December 2015	174 854 197	118 979 567

39. Due From Related Parties

	<u>31 December</u> <u>2015</u> <u>EGP</u>	<u>31 December</u> <u>2014</u> <u>EGP</u>
Al Ethadia for Real Estate S.A.E	119 447 836	86 700 732
Al Naeem for investments	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	1 261 608	891 050
Palm Hills Education S.A.E	184 125	184 125
Mercure Ismailia Hotel	2 453 268	2 138 308
Baltan Group	269 320	269 320
Balance as at 31 December 2015	172 391 893	90 204 015

40. Advance Payments For Investments Acquisition

	<u>Nature of</u> <u>transaction</u>	<u>31 December</u> <u>2015</u> <u>EGP</u>	<u>31 December</u> <u>2014</u> <u>EGP</u>
Palm Hills – Saudi	Establishment	135 121 743	135 121 743
Villamora for Real Estate Development Company S.A.E	Acquisition	3 900 000	3 900 000
Gamsha for Tourist Development S.A.E	Acquisition	4 010 000	4 010 000
Al Naeem for Hotels and Touristic Villages	Acquisition	41 303 890	41 303 890
Balance as at 31 December 2015		184 335 633	184 335 633

41. Banks- Credit Balances

	<u>31 December</u> <u>2015</u> <u>EGP</u>	<u>31 December</u> <u>2014</u> <u>EGP</u>
Banks –EGP	28 764 486	37 658 893
Banks-foreign currencies	2 270 569	1 538 667
Balance as at 31 December 2015	31 035 055	39 197 560

42. Advances From Customers

	<u>Palm Hills Development Company S.A.E</u> EGP	<u>Palm Hills Middle East Company for Real Estate Investment S.A.E</u> EGP	<u>Rakeen Egypt for Real Estate Investment S.A.E</u> EGP	<u>Middle East Company for Real Estate and Touristic Investment S.A.E</u> EGP	<u>New Cairo for Real Estate Developments S.A.E</u> EGP	<u>Royal Gardens for Real Estate Investment Company S.A.E</u> EGP	<u>Saudi Urban Development Company S.A.E</u> EGP	<u>East New Cairo for Real Estate Development S.A.E</u> EGP	<u>Palm for Real Estate Development S.A.E</u>	<u>Gawda for Trade Services S.A.E</u> EGP	<u>United Engineering for Construction S.A.E</u> EGP	<u>Balance as at December 2015 31</u> EGP
<u>Real estate activities</u>												
Down payments	63 720 238	10 712 097	25 185 891	15 331 236	--	2 786 550	2 377 285	11 854 800	--	113 243 837	--	245 211 933
Advances for contracting	7 936 539 042	3 182 119 811	1 879 342 574	584 328 787	293 328 159	972 350 822	912 252 926	1 771 496 629	352 789 403	--	--	17 884 548 153
	8 000 259 280	3 192 831 908	1 904 528 465	599 660 023	293 328 159	975 137 372	914 630 211	1 783 351 428	352 789 403	113 243 837	--	18 129 760 086
<u>Commercial activities</u>	20 162 557	--	--	--	--	--	--	--	--	--	--	20 162 557
<u>Construction activities</u>	--	--	--	--	--	--	--	--	--	--	38 542 738	38 542 738
	8 020 421 837	3 192 831 908	1 904 528 465	599 660 023	293 328 159	975 137 372	914 630 211	1 783 351 428	352 789 403	113 243 837	38 542 738	18 188 465 381
Exclude:- amounts recognized in income statements as at 31 December 2015	(5 949 895 799)	(1 917 429 633)	(602 577 893)	(434 194 014)	(290 150 721)	(817 663 922)	(2 554 464)	(1 004 222 729)	(344 836 204)	--	--	(11 363 525 378)
Advances from customers (net)	2 070 526 038	1 275 402 275	1 301 950 573	165 466 009	3 177 438	157 473 451	912 075 747	779 128 699	7 953 199	113 243 837	38 542 738	6 824 940 004
Unamortized discount - accounts receivable	(228 889 788)	(104 452 545)	(89 610 736)	(26 203 153)	--	(7 978 752)	(65 001 031)	(133 012 216)	--	--	--	(655 148 220)
Balance as at 31 December 2015	1 841 636 250	1 170 949 729	1 212 339 837	139 262 856	3 177 438	149 494 698	847 074 716	646 116 484	7 953 199	113 243 837	38 542 738	6 169 791 784

43. Land Purchase Liabilities

A) Land purchase liabilities - short term

	<u>31 December</u> <u>2015</u> <u>EGP</u>	<u>31 December</u> <u>2014</u> <u>EGP</u>
Land purchase liabilities - short term	263 318 760	243 620 378
Deduct:		
unamortized discount	--	27 051 590
Balance as at 31 December 2015	<u>263 318 760</u>	<u>216 568 788</u>

B) Land purchase liabilities - long term

	<u>31 December</u> <u>2015</u> <u>EGP</u>	<u>31 December</u> <u>2014</u> <u>EGP</u>
Land purchase liabilities - long term	268 236 463	421 513 653
Deduct		
Delayed installments interest	--	60 309 305
Unamortized discount	--	10 770 526
Balance as at 31 December 2015	<u>268 236 463</u>	<u>350 433 822</u>

44. Due To Related Parties

	<u>31 December</u> <u>2015</u> <u>EGP</u>	<u>31 December</u> <u>2014</u> <u>EGP</u>
El Mansour & El Maghraby Investment and Development	190 581 109	529 035 086
Due to shareholders	19 347 824	109 849 464
Villamora for Real Estate Development Company S.A.E	16 390 051	7 428 819
Balance as at 31 December 2015	<u>226 318 984</u>	<u>646 313 369</u>

45. Investment purchase liabilities

	<u>31 December</u> <u>2015</u> <u>EGP</u>	<u>31 December</u> <u>2014</u> <u>EGP</u>
Shareholders of Saudi Urban Development Company	44 256 746	44 256 746
Balance as at 31 December 2015	<u>44 256 746</u>	<u>44 256 746</u>

46. Notes Payable

A) Short Term Notes Payable

	<u>31 December</u> <u>2015</u> <u>EGP</u>	<u>31 December</u> <u>2014</u> <u>EGP</u>
Notes payable- Land (New Urban Communities Authority)	366 203 302	580 075 984
Deduct:-		
Delayed installments interest	167 018 308	--
	<u>199 184 994</u>	<u>580 075 984</u>
Add:- Other notes payable	274 507 762	235 942 307
Balance as at 31 December 2015	<u>473 692 756</u>	<u>816 018 291</u>

B) Long Term Notes Payable

	<u>31 December</u> <u>2015</u> <u>EGP</u>	<u>31 December</u> <u>2014</u> <u>EGP</u>
Notes payable- Land (New Urban Communities Authority)	110 898 452	753 070 640
Deduct:-		
Delayed installments interest	--	342 859 837
	<u>110 898 452</u>	<u>410 210 803</u>
Add:-		
Other notes payable	37 633 579	126 300 190
Balance as at 31 December 2015	<u><u>148 532 031</u></u>	<u><u>536 510 993</u></u>

47. Loans This item is represented as follows:

	<u>31 December 2015</u>		<u>31 December 2014</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>
<u>Misr Bank</u> 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.	--	635 999 990	166 939 000	166 890 086
<u>Arab African International Bank (AAIB)</u> A medium loan with Arab African International Bank (AAIB) amounted to EGP 100 million for United Engineering for Construction	24 564 000	61 413 580	--	--
<u>Arab African International Bank (AAIB)</u> A medium term loan with the Arab African International Bank (AAIB) amounted to EGP 2.4 billion to finance projects of Palm Hills Developments and Rakeen Egypt for Real Estate Investment secured by the assignment of projects' cash and bears an interest rate of 3.25% above deposit corridor rate.	--	2 064 399 007	--	1 218 658 750
<u>Arab African International Bank (AAIB)</u> A medium term loan with Arab African International Bank (AAIB) amounted to EGP 225 million to finance projects of East New Cairo for Real Estate Development secured by the assignment of projects' cash flow and bears an interest rate of 2.75% above deposit corridor rate and is repayable on quarterly installments from 30 September 2013 to September 2018.	56 250 000	96 704 794	7 471 000	52 293 623
<u>Abu Dhabi Islamic Bank (ADIB)</u> Mudaraba Contract with Abu Dhabi Islamic Bank (ADIB) amounted to EGP 96 403 044 for 3 years for Saudi Urban Development Company.	--	59 769 917	--	24 100 762
Balance as at 31 December 2015	<u><u>80 814 000</u></u>	<u><u>2 918 287 288</u></u>	<u><u>174 410 000</u></u>	<u><u>1 461 943 221</u></u>

48. Creditors And Other Credit Balances

	<u>31 December</u> <u>2015</u> <u>EGP</u>	<u>31 December</u> <u>2014</u> <u>EGP</u>
Other credit balances	164 768 292	140 679 556
Increase in construction area liabilities	95 500 000	95 500 000
Accounts receivable under settlement	58 635 067	140 734 461
Accrued expenses	26 465 054	39 177 625
Balance as at 31 December 2015	<u><u>345 368 413</u></u>	<u><u>416 091 642</u></u>

49. 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 2 172 320 000 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>

50. Other Long Term Liabilities- Residents' Association

Other long term liabilities represent time deposit checks received from residents or customers due on the sold units to finance the maintenance and other running expenses, such time deposit checks are temporarily invested in favor of residents until the compound has separate legal personality and separate assets and liabilities, then the compound's management and its General Assembly will be responsible for running the compound's assets and liabilities according to the Buildings & Housing Law No.119 for 2008. Other long term liabilities balance as at 31 December 2015 amounted to EGP **485 600 027**.

51. Reserves

a) Legal reserve

	<u>31 December</u> <u>2015</u> <u>EGP</u>	<u>31 December</u> <u>2014</u> <u>EGP</u>
Beginning balance	566 469 569	558 109 843
Transferred from the prior period's profit	18 634 352	8 359 726
Balance as at 31 December 2015	585 103 921	566 469 569

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.

52. Revenues

	<u>31 December</u> <u>2015</u> <u>EGP</u>	<u>31 December</u> <u>2014</u> <u>EGP</u>
Revenue from Sale of land development	2 230 620 648	1 375 267 289
Revenue from building-up area	1 467 837 920	848 480 148
Sale of completed units ready for sale	53 768 207	5 351 690
Revenue from construction activities	26 713 884	--
Revenue from hospitality activities	30 186 984	19 036 780
Deduct:-		
Unamortized discount- notes receivable	248 543 000	142 070 905
Total as at 31 December 2015	3 560 584 643	2 106 065 002

53. Cost of Revenues

	<u>31 December</u> <u>2015</u> <u>EGP</u>	<u>31 December</u> <u>2014</u> <u>EGP</u>
Cost of land development	413 591 752	347 518 937
Constructions and infrastructure	1 837 584 587	1 000 319 714
Cost of completed units ready for sale	40 483 327	5 632 268
Depreciation of Fixed Assets – Macor for Securities Investment Company	5 373 786	5 700 135
Total as at 31 December 2015	2 312 796 013	1 359 171 054

54. General Administrative, Selling And Marketing Expenses

	<u>31 December</u> <u>2015</u> <u>EGP</u>	<u>31 December</u> <u>2014</u> <u>EGP</u>
Wages and salaries	134 996 310	73 977 539
Selling and marketing expenses	179 675 694	124 199 304
Communications expenses	1 608 126	969 842
Utilities	22 921 145	21 160 192
Professional and Government fees	81 946 078	40 245 126
Maintenance and Insurance	16 033 945	11 327 690
Travel and transportation	6 703 346	1 544 043
Bank charges	7 549 239	2 078 221
Other administrative expenses	28 432 522	4 834 485
Total as at 31 December 2015	<u><u>479 866 405</u></u>	<u><u>280 336 442</u></u>

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

	<u>31 December</u> <u>2015</u> <u>EGP</u>	<u>31 December</u> <u>2014</u> <u>EGP</u>
Revenues	41 898 472	20 015 166
<u>Less:</u>		
Cost of revenue	<u>9 950 634</u>	<u>10 694 147</u>
	31 947 838	9 321 019
<u>Less:</u>		
General administrative expenses	16 275 418	16 087 133
Depreciation of Fixed Assets	<u>7 385 180</u>	<u>8 275 420</u>
	23 660 598	24 362 553
<u>Add:</u>		
Other revenues	<u>989 601</u>	<u>1 167 311</u>
Net operating profit (Loss)	<u><u>9 276 841</u></u>	<u><u>(13 874 223)</u></u>

56. Gains On Investments at Fair Value Through Profit Or Loss

	<u>31 December</u> <u>2015</u> <u>EGP</u>	<u>31 December</u> <u>2014</u> <u>EGP</u>
Gains on sale of mutual funds certificates	6 296 340	4 881 558
Total as at 31 December 2015	<u><u>6 296 340</u></u>	<u><u>4 881 558</u></u>

57. Other Revenues

	<u>31 December</u> <u>2015</u> <u>EGP</u>	<u>31 December</u> <u>2014</u> <u>EGP</u>
Gain on sale of subsidiaries	--	25 500 000
E-compound revenues	16 888 710	19 609 825
Gains from the sale of fixed assets	867 322	5 842 606
Miscellaneous revenues	24 359 644	26 740 502
Total as at 31 December 2015	<u>42 115 676</u>	<u>77 692 636</u>

58. Capital Gain on Investment Property

The Company signed a land sale agreement of 13,000 square meters plot in downtown Alexandria, in addition to and a land sale agreement of 252,000 square meters plot located in North Coast as follows:

	<u>Capital gain</u> <u>EGP</u>	<u>Meter</u>
A plot of land located in downtown Alexandria	133 535 602	13 000
A plot of land located in North Coast	292 200 000	252 000
Total as at 31 December 2015	<u>425 735 602</u>	

59. 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</u> <u>EGP</u>
Palm Hills Middle East Company for Real Estate Investment S.A.E	A subsidiary	Finance	1 170 804 794
Royal Gardens for Real Estate Investment Company S.A.E	A subsidiary	Finance	49 132 551
Middle East Company for Real Estate and Touristic Investment S.A.E	A subsidiary	Finance	323 788 526
Gawda for Trade Services S.A.E	A subsidiary	Finance	92 352 563
Rakeen Egypt for Real Estate Investment S.A.E	A subsidiary	Finance	516 071 924
Saudi Urban Development Company S.A.E	A subsidiary	Finance	21 958 636
Nile Palm Al-Naeem for Real Estate Development S.A.E	A subsidiary	Finance	317 301 470
Al Ethadia for Real Estate S.A.E	A Related party	Finance	85 783 392
East New Cairo for Real Estate Development S.A.E	A subsidiary	Finance	806 676 085
Palm October for Hotels S.A.E	A subsidiary	Finance	407 920
New Cairo for Real Estate Development S.A.E	A subsidiary	Finance	203 741 573
Al Naeem for Hotels and Touristic Villages S.A.E	A subsidiary	Finance	510 066 890
Gemsha for Tourist Development S.A.E	A subsidiary	Finance	152 610 673

United Engineering for Construction S.A.E	A subsidiary	Finance	24 378 317
El Mansour & El Maghraby Investment and Development	A main shareholder	Finance	1 306 492 933
Palm Gemsha for Hotels S.A.E	A subsidiary	Finance	61 000
Palm North Coast Hotels S.A.E	A subsidiary	Finance	61 000
Palm for Real Estate Development	A subsidiary	Finance	750 000
Palm for Investment & Real Estate Development	A subsidiary	Finance	50 755 300
Palm Hills Properties	A subsidiary	Finance	500 000

b- Resulting balances from these transactions

<u>Party</u>	<u>Item as in balance sheet</u>	<u>31 December 2015</u>	
		<u>EGP</u>	
Royal Gardens for Real Estate Investment Company S.A.E	Due from related parties	8 465 835	
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	233 662 434	
Saudi Urban Development Company S.A.E	Due from related parties	153 286 197	
Palm Hills Middle East Company for Real Estate Investment S.A.E	Due from related parties	810 397 091	
Gemsha for Tourist Development S.A.E	Due from related parties	68 302 742	
Al Ethadia for Real Estate S.A.E	Due from related parties	111 573 875	
Coldwell Banker Palm Hills for Real Estate	Due from related parties	20 480	
Palm Hills Education S.A.E	Due from related parties	184 124	
United Engineering for Construction S.A.E	Due from related parties	15 878 216	
East New Cairo for Real Estate Development S.A.E	Due from related parties	179 572 821	
Baltan Group	Due from related parties	269 320	
Palm for Investment & Real Estate Development	Due from related parties	49 755 300	
Palm North Coast Hotels S.A.E	Due from related parties	56 586	
Palm Gemsha for Hotels S.A.E	Due from related parties	53 394	
Nile Palm Al-Naeem for Real Estate Development S.A.E	Due from related parties	47 548 559	
New Cairo for Real Estate Developments S.A.E	Due to related parties	12 255 993	
Middle East Company for Real Estate and Touristic Investment S.A.E	Due to related parties	129 528 178	
Al Naeem for Hotels and Touristic Villages S.A.E	Due to related parties	109 607 366	
Gawda for Trade Services S.A.E	Due to related parties	73 453 937	
Shareholders – credit balances	Due to related parties	19 347 824	
El Mansour & El Maghraby Investment and Development	Due to related parties	135 912 170	
Palm Hills Properties	Due to related parties	250 000	
Palm for Real Estate Development	Due to related parties	250 000	

60. Tax Status

The Company is 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 tax authority.
- Years 2010 to 2012
These years are currently being inspected.
- Years 2013 to 2014
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 2014
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 2014
 - The company pays the taxes due on regularly basis within the legal dates.

61. 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.

62. 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 (Note-37).

63. Comparative Figures

Some comparative figures were reclassified to conform to the current year's presentation of the financial statements.

The consolidated financial statements were impacted by combining the assets and liabilities of United Engineering for Construction S.A.E.

64. Employees' stock option

According to On 25 March 2015, the Company's Ordinary General Assembly Meeting approved renewing the Employees' stock option plan according to Ministerial decree No. 282 for year 2005. The Company is about to finalize the legal and executive procedures needed for such plan. On 29 November 2015, The Company's Extra- Ordinary General Assembly Meeting approved the issued Capital increase by the amount of retained earnings balance as of 31 December 2014 which amounted 53 359 478 for the stock option plan representing 679 739 26, On 14 May 2015, the Egyptian Financial Supervisory Authority approved the capital increase.