



**PALM HILLS DEVELOPMENTS COMPANY
S.A.E AND ITS SUBSIDIARIES**


UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

31 MARCH 2016

Palm Hills Developments Company S.A.E and its Subsidiaries

INTERM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For The Three Months Ended 31 March 2016

For the three months ended 31 March

	2016 (Unaudited) EGP	2015 (Unaudited) (restated) EGP
		
Revenues	1,079,610,046	753,129,184
Cost of revenues	(752,391,006)	(418,795,025)
GROSS PROFIT	327,219,040	334,334,158
Selling and administrative expenses	(139,823,883)	(113,996,997)
Interest income	11,515,295	23,125,232
Finance costs	(30,274,373)	(54,569,461)
Other income	27,162,759	1,290,462
PROFIT BEFORE INCOME TAX	195,798,838	190,107,676
Income tax expense	(45,907,927)	(1,246,049)
PROFIT FOR THE YEAR	149,890,911	188,861,627
Other comprehensive income	-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	149,890,911	188,861,627
Profit attributable to:		
Equity holders of the parent	105,427,178	185,597,534
Non-controlling interests	44,463,733	3,264,093
	149,890,911	188,861,627
Basic and diluted earnings per share for profit attributable to the equity holders of the parent (expressed in EGP per share)	0.041	0.117

The attached notes from 1 to 5 are an integral part of these condensed interim consolidated financial statements.

Palm Hills Developments Company S.A.E and its Subsidiaries

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2016

	31 March 2016 (Unaudited) EGP	31 December 2015 (Audited)(Restated) EGP
ASSETS		
Non-current assets		
Investment property	1,734,085,766	1,713,319,060
Property and equipment	336,412,215	334,622,621
Advance payments for investment acquisitions	204,702,033	204,702,033
Investment in associates	56,469,832	58,140,090
Notes receivable	5,164,816,969	4,546,281,603
Employees share option plan	77,371,243	-
Deferred tax assets	11,905,364	11,948,094
	<u>7,585,763,422</u>	<u>6,869,013,501</u>
Current assets		
Notes receivable	2,146,382,309	2,371,034,595
Accounts receivable and prepayments	1,546,520,225	1,437,443,524
Bank balances and cash	1,276,902,134	965,669,547
Financial assets at fair value through profit or loss – Held for trading	70,934,072	67,112,711
Financial assets held-to-maturity	390,006,710	613,045,694
Development properties	2,428,292,424	2,166,452,586
	<u>7,859,037,874</u>	<u>7,620,758,657</u>
TOTAL ASSETS	<u><u>15,444,801,296</u></u>	<u><u>14,489,772,158</u></u>
EQUITY AND LIABILITIES		
Equity		
Share capital	4,397,999,478	4,344,640,000
Statutory reserve	624,914,822	585,116,339
Special reserve	524,200,467	524,200,467
Share-based payments reserve	24,011,765	-
Retained earnings	359,865,110	703,172,157
	<u>5,930,991,642</u>	<u>6,157,128,963</u>
Equity attributable to equity holders of the parent	311,149,050	270,774,426
Non-controlling interests		
Total equity	<u>6,242,140,692</u>	<u>6,427,903,389</u>
Non-current liabilities		
Term loans	2,975,185,463	2,918,287,288
Land purchase liabilities	266,893,276	268,236,463
Notes payable	292,053,854	148,532,031
Other non-current liabilities	516,961,732	485,600,026
	<u>4,051,094,325</u>	<u>3,820,655,808</u>
Current liabilities		
Bank overdrafts	105,106,903	111,272,022
Term loans	410,234,296	80,814,000
Land purchase liabilities	233,461,661	263,318,760
Accounts payable and accruals	1,338,949,773	1,139,637,907
Notes payable	735,589,542	473,692,756
Advances from customers	456,616,307	265,374,490
Billings in excess of costs	1,790,237,316	1,860,471,580
Income tax payable	81,370,481	46,631,446
	<u>5,151,566,279</u>	<u>4,241,212,961</u>
Total liabilities	<u>9,202,660,604</u>	<u>8,061,868,769</u>
TOTAL EQUITY AND LIABILITIES	<u><u>15,444,801,296</u></u>	<u><u>14,489,772,158</u></u>

Ali Thabet
(Chief Financial Officer)

Yassien Mansour
(Chairman)

The attached notes from 1 to 5 are an integral part of these condensed interim consolidated financial statements.

Palm Hills Developments Company S.A.E and its Subsidiaries

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For The Three Months Ended 31 March 2016
(Unaudited)



Attributable to equity holders of the parent

	Share capital		Statutory reserve	Special reserve	Share-based payments reserve	Retained earnings		Non-controlling interests		Total	
	EGP	EGP				EGP	EGP	EGP	EGP	EGP	EGP
Balance as at 1 January 2016	4,344,640,000	585,116,339	524,200,467	-	859,741,819	6,313,698,625	270,774,426	6,584,473,051			
Adjustment to equity	-	-	-	-	(196,875,026)	(196,875,026)	-	(196,875,026)			
Balance as at 1 January 2016 (restated)	4,344,640,000	585,116,339	524,200,467	-	662,866,793	6,116,823,599	270,774,426	6,387,598,025			
Comprehensive income											
Profit for the period	-	-	-	-	105,427,178	105,427,178	44,463,733	149,890,911			
Other comprehensive income	-	-	-	-	-	-	-	-			
Total comprehensive income for March 2016	-	-	-	-	105,427,178	105,427,178	44,463,733	149,890,911			
Share capital	53,359,478	-	-	-	-	53,359,478	-	53,359,478			
Dividends	-	-	-	-	(368,630,378)	(368,630,378)	(4,089,109)	(372,719,487)			
Transfer to statutory reserve	-	39,798,483	-	-	(39,798,483)	-	-	-			
Share-based payments	-	-	-	24,011,765	-	24,011,765	-	24,011,765			
Balance at 31 March 2016	4,397,999,478	624,914,822	524,200,467	24,011,765	359,865,110	5,930,991,642	311,149,050	6,242,140,692			

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Palm Hills Developments Company S.A.E and its Subsidiaries

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For The Three Months Ended 31 March 2015
(Unaudited)



Attributable to equity holders of the parent

	Share capital		Statutory Reserve	Special Reserve	Retained earnings	Total		Non-controlling interests		Total	
	EGP	EGP				EGP	EGP	EGP	EGP	EGP	EGP
Balance as at 1 January 2015	2,696,640,000	566,481,987	524,200,467	80,929,186	3,868,251,640	255,951,133	4,124,202,773				
Adjustment to equity	-	-	-	(55,390,240)	(55,390,240)	(2,591,861)	(57,982,101)				
Balance as at 1 January 2015 (recstated)	2,696,640,000	566,481,987	524,200,467	25,538,946	3,812,861,400	253,359,272	4,066,220,672				
Comprehensive income	-	-	-	185,597,534	185,597,534	3,264,093	188,861,627				
Profit for the period	-	-	-	-	-	-	-				
Other comprehensive income	-	-	-	-	-	-	-				
Total comprehensive income for March 2015 (restated)	-	-	-	185,597,534	185,597,534	3,264,093	188,861,627				
Transfer to statutory reserve	-	1,092,149	-	(1,092,149)	-	-	-				
Balance at 31 March 2015	2,696,640,000	567,574,136	524,200,467	210,044,331	3,998,458,934	256,623,365	4,255,082,299				

The attached notes from 1 to 5 are an integral part of these condensed interim consolidated financial statements.

Palm Hills Developments Company S.A.E and its Subsidiaries

CONSOLIDATED STATEMENT OF CASH FLOWS

For The Three Months Ended 31 March 2016



For the three months ended 31 March

	2016 (Unaudited) EGP	2015 (Unaudited) EGP
OPERATING ACTIVITIES		
Profit (before income tax)	195,798,838	219,210,769
Depreciation of property and equipment	6,046,687	5,100,118
Interest income	(11,515,295)	(23,125,232)
Finance cost	30,274,373	54,569,461
Share of loss of associates	1,670,258	1,110,100
(Gain) from financial assets at fair value through profit or loss – held for trading	(1,415,201)	(1,214,744)
(Gain) on disposal of property and equipment	(61)	(6,649)
	<u>220,859,599</u>	<u>255,643,823</u>
Working capital adjustments:		
(Increase) in notes receivable	(382,367,785)	(834,049,748)
(Increase) in accounts receivable and prepayments	(109,076,701)	(14,523,695)
(Increase) decrease in development properties	(318,820,043)	135,443,237
Increase (decrease) in notes payable	380,267,584	(35,644,588)
(Decrease) increase in accounts payable and accruals	(130,538,095)	188,683,215
Increase (decrease) in advances from customers	191,241,817	(797,983)
(Decrease) increase in billings in excess of costs	(109,329,023)	130,701,647
Increase in other non-current liabilities	31,361,706	26,696,847
	<u>(226,400,941)</u>	<u>(147,847,245)</u>
Cash used in operations	(226,400,941)	(147,847,245)
Interest paid	(5,123,348)	(2,867,947)
Tax paid	(11,126,162)	(252,238)
	<u>(242,650,451)</u>	<u>(150,967,430)</u>
Net cash flows used in operating activities	<u>(242,650,451)</u>	<u>(150,967,430)</u>
INVESTING ACTIVITIES		
Purchase of properties and equipment	(9,020,053)	(5,817,379)
Proceeds from sale of properties and equipment	5,588	19,365
Purchase of investment properties	(20,766,706)	288,007
Purchase of financial assets at fair value through profit or loss – held for trading	(3,821,361)	(33,034,582)
Proceeds from sale of financial assets at fair value through profit or loss – held for trading	1,415,201	30,780,297
Purchase of financial assets held-to-maturity	223,038,984	(666,615)
Interest received	25,747,560	75,718
	<u>216,599,213</u>	<u>(8,355,189)</u>
Net cash flows from (used in) investing activities	<u>216,599,213</u>	<u>(8,355,189)</u>
FINANCING ACTIVITIES		
Proceeds from borrowings	386,318,471	247,212,450
Repayments of borrowings	-	(4,474,631)
Dividends to non-controlling interests	(42,869,527)	-
	<u>343,448,944</u>	<u>242,737,819</u>
Net cash flows from financing activities	<u>343,448,944</u>	<u>242,737,819</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	<u>317,397,706</u>	<u>83,415,200</u>
Cash and cash equivalents at 1 January	854,397,525	155,751,504
CASH AND CASH EQUIVALENTS AT 31 MARCH	<u><u>1,171,795,231</u></u>	<u><u>239,166,704</u></u>

The attached notes from 1 to 5 are an integral part of these condensed interim consolidated financial statements.

Palm Hills Developments Company S.A.E and its Subsidiaries

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS At 31 March 2016



1 ACTIVITIES

Palm Hills for Development 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 statutes of the Capital Market Law No. 95 of 1992 and its executive regulations. The company's headquarters is located in 6th of October City in Giza Governorate, whilst the main branch is located in Smart Village.

The company was registered in the Commercial Register under No. (6801) on 10 January 2005, and was listed in the unofficial schedule no. (2) of the Cairo and Alexandria Stock Exchanges on 27 December 2006. The company was listed in the official schedule no. (1) Of the Cairo and Alexandria Stock Exchange on April 2008 and on the London Stock Exchange on 8 May 2008.

The company was established to invest in real estate in the New Cities and New Urban Communities including building, constructing, possessing and managing residential compounds, resorts, villas and tourist villages, sale or lease as well as all the services, facilities, leasing and construction of integrated projects and managing the entertainment activities associated with the company's in activities. All such activities are subject to the approval of appropriate authorities.

These group unaudited condensed interim consolidated financial statements were authorised for issue by the board of directors on 08 May 2016.

All the company operations are located in Egypt; it has only one identifiable operating reportable segment which is real estate development, club, hospitality and construction do not meet the criteria of reportable segment neither separately nor in aggregate.

The company participated in the capital of sixteen direct subsidiary companies as follows:

1-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 statutes of 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, dividing and sale of land.

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

Royal Gardens for Real Estate Investment Company S.A.E. is registered in Cairo under commercial registration number 21574 under the provisions of 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 set up, 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.

3-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 and its subsidiary, Middle East Company for Real Estate and Touristic Investment S.A.E are 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 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.

Palm Hills Developments Company S.A.E and its Subsidiaries

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

At 31 March 2016



1 ACTIVITIES – continued

4- 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.

5- 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.

6- 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-Mohandeseen-Cairo. The company is engaged in the construction of advanced residential projects.

7- Rakeem Egypt for Real Estate Investment S.A.E

Rakeem 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 Giza Governorate. 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, dividing and constructing villas, residential units and offices malls and the marketing thereof.

8- 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 Giza Governorate. The company is engaged in construction and operation of hotels in Hamata.

9- 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 in 66 Gamet El-Dewal El Arabia Street-Mohandeseen- Giza Governorate. The company is engaged in real estate investments in new cities, urban communities, remote areas and regions.

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

East New Cairo for Real Estate Development 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.

The company's name was modified at 25 June 2008 to East New Cairo for Real Estate Development and the company's location was changed to 35 Abo Bakr El Sedik St., - Heliopolis and it registered under the commercial registration No. 35539 on 13/11/2008.

The company is established to operate in all the fields of Real Estate investments, construction, and development of residential areas.

Palm Hills Developments Company S.A.E and its Subsidiaries

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

At 31 March 2016

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1 ACTIVITIES – continued

11- Macor for Securities Investment Company S.A.E and its subsidiaries

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 establishment or investment in the companies' securities especially the companies engaged in owning, renting and managing the hotels, motels and resorts.

The company has the following subsidiaries:

Six of October for Hotels and Touristic Services Company S.A.E

Six of October Company for Hotels and Touristic Services Company S.A.E was established in Egypt on 15 December 1998 under the provisions of the Investment Guarantees and Incentives law No. 8 of 1997 for the purpose of establishing and operating a four star Hotel in Six of October City operated by Accor for Hotels.

Hotels & Touristic Floating Restaurants Company S.A.E

Hotels and Touristic Floating Restaurants Company SAE was established in Egypt on 10 August 1988 under the provisions of the Companies' law No. 159 of 1981 for the purpose of establishing and operating hotels and touristic units and provide all its facilities.

Ismailia for Tourism Company S.A.E

Ismailia for Tourism Company S.A.E was established in Egypt on 1979. The company is working under the provisions of the Companies' law No. 159 of 1981 for the purpose of establishing and operating hotels, motels and touristic units.

12- Palm Hills Hospitality S.A.E and its subsidiaries:

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 Governorate.

The company is engaged in establishing and operating hotels, motels, resorts and residential compounds.
The company has the following subsidiaries:

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 in 11 El Nakhil Street-Dokki- Giza Governorate.

The company is engaged in establishing and operating hotels, motels, resorts and residential compounds.

Palm Gamsaha Hotels S.A.E

Palm October for 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 Governorate.

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 Governorate.

The company is engaged in establishing and operating the hotels, motels, resorts and residential compounds.

13- 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 on 14 June 2015 under the provisions of the Companies' Law No 159 of 1981 considering the provisions of Capital Market law No. 95 of 1992. The company is located in Smart Village - Giza Governorate.

The company is engaged in real estate investment in new cities and urban communities, establishing rent departments and trade malls, establishing, renting and operating the hotels.

Palm Hills Developments Company S.A.E and its Subsidiaries

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

At 31 March 2016

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1 ACTIVITIES – continued

14- *Palm for Investment and Real Estate Development S.A.E*

Palm for Investment and Real Estate Development S.A.E. is registered in Egypt under commercial registration number 85861 on 1 September 2015 under the provisions of the Companies' Law No 159 of 1981 considering the provisions of Capital Market law No. 95 of 1992. The company is located in Smart Village - Giza Governorate.

The company is engaged in real estate investment and marketing, establishing rent departments and trade malls, establishing, renting and operating the hotels and sport clubs. Establish and operating the human resource devolvement centres.

15- *Palm Hills Real Estate S.A.E*

Palm Hills Real Estate S.A.E. is registered in Egypt under commercial registration number 88228 on 26 November 2015 under the provisions of the Companies' Law No 159 of 1981 considering the provisions of Capital Market law No. 95 of 1992. The company is located in Smart Village - Giza Governorate.

The company is engaged in real estate investment and marketing, establishing rent departments and trade malls, establishing, renting and operating the hotels and sport clubs.

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

United Engineering Company 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 considering the provisions of Capital Market law No. 95 of 1992. The company is located in Smart Village - Giza Governorate.

The company is engaged in real estate and infrastructure construction, interior and exterior decorations of real estate and hotel projects.

The financial year end for each of the entities in the Group is 31 December.

2.1 BASIS OF PREPARATION

Preparation of interim consolidated financial statements

The interim consolidated financial statements have been prepared on a historical cost basis, except for financial assets at fair value through profit or loss that have been measured at fair value. The interim consolidated financial statements are presented in Egyptian Pounds (EGP).

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. Changes in assumptions may have a significant impact on the financial statements in the period the assumptions changed. Management believes that the underlying assumptions are appropriate. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the interim consolidated financial statements are disclosed in Note 2.4.

Statement of compliance

The interim consolidated financial statements of Palm Hills Developments S.A.E and its subsidiaries (the "group") have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Palm Hills Developments Company S.A.E and its Subsidiaries

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

At 31 March 2016



2.1 BASIS OF PREPARATION - continued

Income and cash flow statements

The Group presents its statement of comprehensive income by function of expense.

The Group reports cash flows from operating activities using the indirect method.

Cash flows from investing and financing activities are determined using the direct method.

Basis of consolidation

The interim consolidated financial statements comprise the unaudited interim financial statements of the Group and its subsidiaries as at 31 March 2016. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary
- Derecognises the carrying amount of any non-controlling interests
- Derecognises the cumulative translation differences recorded in equity
- Recognises the fair value of the consideration received
- Recognises the fair value of any investment retained
- Recognises any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognised in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

Palm Hills Developments Company S.A.E and its Subsidiaries

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

At 31 March 2016

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2.1 BASIS OF PREPARATION - continued Business combinations and goodwill - continued

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, any previously held equity interest is re-measured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss. It is then considered in the determination of goodwill.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IAS 39 *Financial Instruments: Recognition and Measurement*, is measured at fair value with changes in fair value recognised either in either profit or loss or as a change to OCI. If the contingent consideration is not within the scope of IAS 39, it is measured in accordance with the appropriate IFRS. Contingent consideration that is classified as equity is not re-measured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the re-assessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

Investment in associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

The Group's investments in its associate are accounted for using the equity method. Under the equity method, the investment in an associate is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

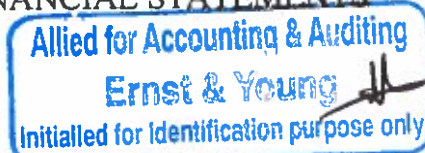
The statement of profit or loss reflects the Group's share of the results of operations of the associate. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The aggregate of the Group's share of profit or loss of an associate is shown on the face of the statement of profit or loss outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate.

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2.1 BASIS OF PREPARATION - continued Investment in associates - continued

The financial statements of the associate are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate or joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, then recognises the loss as 'Share of profit of an associate and ain the statement of profit or loss.

Upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

The accounting policies used in the preparation of the financial statements are consistent with those used in the preparation of the financial statements for the year ended 31 December 2015, except for the adoption of the following new standards and interpretation effective as of 1 January 2016 if applicable:

Amendments to IAS 19 Defined Benefit Plans: Employee Contributions

IAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognize such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. This amendment is effective for annual periods beginning on or after 1 July 2014. It is not expected that this amendment would be relevant to the company, since the company has no defined benefit plans with contributions from employees or third parties.

Annual improvements 2010-2012 Cycle

These improvements are effective from 1 July 2014 and are not have a material impact on the Group. They include:

IFRS 2 Share-based Payment

This improvement is applied prospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting. These amendments will not have any impact on the Company's financial statements.

IFRS 3 Business Combinations

The amendment is applied prospectively and clarifies that all contingent consideration arrangements classified as liabilities (or assets) arising from a business combination should be subsequently measured at fair value through profit or loss whether or not they fall within the scope of IFRS 9 (or IAS 39, as applicable). These amendments will not have any impact on the Company's financial statements.

IFRS 8 Operating Segments

The amendments are applied retrospectively and clarifies that:

- An entity must disclose the judgments made by management in applying the aggregation criteria in paragraph 12 of IFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar'
- The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.

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2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES - continued

IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets

The amendment is applied retrospectively and clarifies in IAS 16 and IAS 38 that the asset may be revalued by reference to observable data on either the gross or the net carrying amount. In addition, the accumulated depreciation or amortisation is the difference between the gross and carrying amounts of the asset. These amendments will not have any impact on the Company's financial statements.

IAS 24 Related Party Disclosures

The amendment is applied retrospectively and clarifies that a management entity (an entity that provides key management personnel services) is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. This amendment is not relevant for the Group as it does not receive any management services from other entities.

Annual improvements 2011-2013 Cycle

These improvements are effective from 1 July 2014 and are not have a material impact on the Company. They include:

IFRS 3 Business Combinations

The amendment is applied prospectively and clarifies for the scope exceptions within IFRS 3 that:

- Joint arrangements, not just joint ventures, are outside the scope of IFRS 3.
- This scope exception applies only to the accounting in the financial statements of the joint arrangement itself.

Palm Hills Developments Company SAE is not a joint arrangement, and thus this amendment is not relevant for the Group and its subsidiaries.

IFRS 13 Fair Value Measurement

The amendment is applied prospectively and clarifies that the portfolio exception in IFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of IAS 39. The Group does not apply the portfolio exception in IFRS 13.

IAS 40 Investment Property

The description of ancillary services in IAS 40 differentiates between investment property and owner-occupied property (i.e., property, plant and equipment). The amendment is applied prospectively and clarifies that IFRS 3, and not the description of ancillary services in IAS 40, is used to determine if the transaction is the purchase of an asset or business combination. In previous periods, the Group has relied on IFRS 3, not IAS 40, in determining whether an acquisition is of an asset or is a business acquisition. Thus, this amendment did not impact the accounting policy of the Group.

IFRS 14 Regulatory Deferral Accounts

IFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of IFRS. Entities that adopt IFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of profit or loss. The standard requires disclosures on the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements. IFRS 14 is effective for annual periods beginning on or after 1 January 2016.

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2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES - continued

Amendments to IFRS 11 *Joint Arrangements: Accounting for Acquisitions of Interests*

The amendments to IFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business must apply the relevant IFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to IFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party. The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments will not have any impact on the Company's financial statements.

Amendments to IAS 16 and IAS 38: *Clarification of Acceptable Methods of Depreciation and Amortisation*

The amendments clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are effective prospectively for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments will not have any impact on the Company's financial statements.

Amendments to IAS 16 and IAS 41 *Agriculture: Bearer Plants*

The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of IAS 41. Instead, IAS 16 will apply. After initial recognition, bearer plants will be measured under IAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of IAS 41 measured at fair value less costs to sell. For government grants related to bearer plants, IAS 20 Accounting for Government Grants and Disclosure of Government Assistance will apply. The amendments are retrospectively effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments will not have any impact on the Company's financial statements.

Amendments to IAS 27: *Equity Method in Separate Financial Statements*

The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying IFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively. For first-time adopters of IFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to IFRS. The amendments are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments will not have any impact on the Company's financial statements.

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the company's financial statements are disclosed below. The company intends to adopt these standards, if applicable, when they become effective.

IFRS 9 *Financial Instruments*

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments which reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. Early application of previous versions of IFRS 9 (2009, 2010 and 2013) is permitted if the date of initial application is before 1 February 2015. The Group is not expecting that the adoption of IFRS 9 will result in a material impact.

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2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES - continued

IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from Contracts with customers. Under IFRS 15 revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognising revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2017 with early adoption permitted. The company is currently assessing the impact of IFRS 15.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Revenue recognition

Provided it is probable that the economic benefits will flow to the group and the revenue and costs can be measured reliably, revenue is recognised in the statement of comprehensive income as follows: -

Construction contracts

Revenue on construction contracts is recognised based on percentage of completion. Under the percentage of completion method contract revenue is recognised over the period of the contract. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Variations in contract work, claims and incentive payments are included in contract revenue to the extent that they have been agreed with the customer and are capable of being reliably measured.

The group uses the 'percentage-of-completion method' to determine the appropriate amount to recognise in a given period. The stage of completion is measured by reference to the contract costs incurred up to the balance sheet date as a percentage of total estimated costs for each contract.

The group presents as an asset the gross amount due from customers for contract work for all contracts in progress for which costs incurred plus recognised profits (less recognised losses) exceed progress billings. Progress billings not yet paid by customers and retention are included within notes receivable. The group presents as a liability the gross amount due to customers for contract work for all contracts in progress for which progress billings exceed costs incurred plus recognised profits (less recognised losses).

Revenue from club and hospitality activities

Service and management charges are recognised in the accounting period in which the services are rendered.

Interest

Interest income is recognised as the interest accrues using the effective interest method, under which the rate used exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Cost of revenues

Cost of revenues includes the cost of land and development costs. Development costs include the cost of infrastructure and construction.

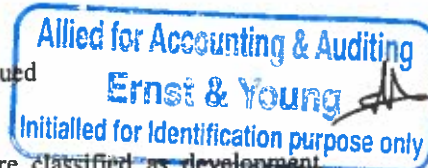
Borrowing cost

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily take a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

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2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued



Development properties

Properties acquired, constructed or in the course of construction for sale are classified as development properties. Development properties are stated at cost plus attributable profit/loss less progress billings or, if lower, net realisable value. The cost of development properties includes the cost of land and other related expenditure, which are capitalised as and when activities that are necessary to get the properties ready for sale are in progress. Net realisable value represents the estimated selling price less costs to be incurred in selling the property.

Income tax

Taxation is provided in accordance with Egyptian fiscal regulations.

Deferred income tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on laws that have been enacted at the balance sheet date.

Deferred income tax assets are recognised for all deductible temporary differences and carry-forward of unused tax assets and unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax assets and unused tax losses can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Property and equipment

Property and equipment is stated at cost less accumulated depreciation and any impairment in value. Land and projects under construction are not depreciated.

Depreciation is calculated on a straight-line basis using the following depreciation rates:

Buildings	5%
Tools & Equipment	25%
Vehicles	20 - 25%
Furniture & Fixtures	25 - 33%

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of those parts that are replaced is derecognised. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

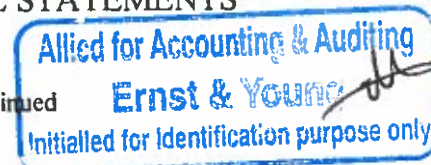
Investment property

Investment property, which is property held to earn rentals and/or for capital appreciation (including property under construction for such purposes), is measured initially at its cost, including transaction costs. Investment property also includes property that is being constructed or developed for future use as investment property. Subsequent to initial recognition, investment property is measured at cost less accumulated depreciation and any impairment in value. Land and projects under construction are not depreciated. If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment.

Subsequent expenditure is capitalised to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed when incurred. When part of an investment property is replaced, the carrying amount of the replaced part is derecognised.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Impairment of non- financial assets

Assets that have an indefinite useful life, for example goodwill, are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of these assets may not be recoverable. Whenever the carrying amount of these assets exceeds their recoverable amount, an impairment loss is recognised in the statement of comprehensive income. The recoverable amount is the higher of an asset's net selling price and the value in use. The net selling price is the amount obtainable from the sale of an asset in an arm's length transaction while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

Impairment and uncollectibility of financial assets

An assessment is made at each balance sheet date to determine whether there is objective evidence that a specific financial asset may be impaired. If such evidence exists, any impairment loss is recognised in the statement of comprehensive income. Impairment is determined as follows:

- For assets carried at fair value, impairment is the difference between cost and fair value, less any impairment loss previously recognised in the statement of comprehensive income;
- For assets carried at cost, impairment is the difference between carrying value and the present value of future cash flows discounted at the current market rate of return for a similar financial asset;
- For assets carried at amortised cost, impairment is the difference between carrying amount and the present value of future cash flows discounted at the original effective interest rate.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Financial assets at fair value through profit or loss – Held for trading

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling or repurchasing in the near term. Assets in this category are classified as current assets. Regular way purchases and sales of financial assets are recognised on the trade-date – the date on which the group commits to purchase or sell the asset. Financial assets carried at fair value through profit or losses are initially recognised at fair value, and transaction costs are expensed in the statement of comprehensive income. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the group has transferred substantially all risks and rewards of ownership. Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the statement of comprehensive income within 'other (losses)/income – net' in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the statement of comprehensive income as part of other income when the group's right to receive payments is established.

Financial assets held-to-maturity

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Group has the positive intention and ability to hold them to maturity. After initial measurement, held to maturity investments are measured at amortised cost using the EIR, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance income in the statement of comprehensive income. The losses arising from impairment are recognised in the statement of comprehensive income as finance costs.

Accounts receivable

Accounts receivable are stated at original invoice amount less a provision for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when there is no possibility of recovery.

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2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Notes receivable

Notes receivable are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

Prepayments

Prepayments are carried at cost less any accumulated impairment losses.

Intangible assets

Intangible assets acquired separately are reported at cost less accumulated amortisation and accumulated impairment losses. Amortisation is charged on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

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, net of outstanding bank overdrafts.

Accounts payable and accruals

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

Land purchase liability

Land purchase liability is recognised initially at the fair value. Land purchase liability is subsequently stated at amortised cost using the effective interest method.

When a liability is incurred for the purchase of land. Liability is to be recorded at the fair market value of the land received or at an amount that reasonably approximates the market value of the liability, whichever is more clearly determinable. If the fair value of the land or liability is not determinable, the present value of the liability is determined using a market interest rate to discount all future payments. The difference between present and face value of the liability is recorded as a discount and amortised to interest expense using the effective interest method.

Notes payable

Notes payable are recognised initially at fair value. Notes payable is subsequently stated at amortised cost using the effective interest method.

Borrowings

Borrowings are recognised initially at the fair value, net of transaction cost incurred. Borrowings are subsequently stated at amortised cost, any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of comprehensive income over the period of the borrowings using the effective interest method.

Provisions

Provisions for legal claims are recognised when the group has a present legal or constructive obligations as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

Share capital

Shares are classified as equity when there is no obligation to transfer cash or other assets.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. All differences are taken to the statement of comprehensive income.

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2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Dividends distribution

Dividend distribution to the Group's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved.

Fair value measurements

The fair values of financial instruments measured at amortised cost are disclosed in (note 33). There are no financial or non-financial assets and liabilities that are measured and carried in the statement of financial position at fair value.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible to by the Company.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Fair value measurements - continued

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

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2.4 SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of these consolidated financial statements requires management to make judgments and estimates that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures and the disclosure of contingent liabilities at the reporting date. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the assets or liabilities affected in future periods.

Estimates and their underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised.

The key judgements and estimates that have a significant impact on the financial statement of the group are discussed below:

Judgments

Revenue recognition

The group has entered into a number of contracts with buyers for the sale of land and villas. Determining whether an agreement for the construction of real estate falls within the scope of IAS 11 or IAS 18 depends on the terms of the agreement and all the surrounding facts and circumstances, and judgment is made with respect to each agreement.

If the contract under consideration meets the definition of a 'construction contract' in IAS 11, then the accounting for the contract is determined in accordance with that Standard. An agreement for the construction of real estate meets the definition of a construction contract when the buyer is able to specify:

- the major structural elements of the design of the real estate before construction begins;
- and/or
- major structural changes once construction is in progress (whether it exercises that ability or not).

In contrast, if construction could take place independently of the agreement and buyers have only limited ability to influence the design of the real estate (e.g. to select a design from a range of options specified by the entity, or to specify only minor variations to the basic design), the agreement will be for the sale of goods and within the scope of IAS 18.

Estimation uncertainty

Cost of revenues

The cost of revenues in respect of land sales is based on the total estimated cost of the land site over the total usable land area in a particular development.

Costs to complete the projects

The group uses the percentage-of-completion method in accounting for its fixed-price contracts to construct villas and townhouses. Use of the percentage-of-completion method requires the group to estimate the construction executed to date as a proportion of the total construction to be executed. Were the proportion of construction executed to total construction to be executed to differ by 10% from management's estimates, the amount of revenue recognised in the period would be increased by EGP 406,732,234 if the proportion performed were increased, or would be decreased by EGP 406,732,234 if the proportion performed were decreased.

Income tax

Certain subsidiaries of the group are subject to income tax. Significant estimates are required in determining the provision for income taxes. There are some transactions and calculations for which the ultimate tax determination is uncertain. The group recognises liabilities for anticipated tax audit issues based on estimates whether additional tax will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

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2.4 SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

Estimate of fair values of properties and development properties acquired in a business combination

When acquiring subsidiaries whose primary asset is property it is assumed that the difference between the price paid and net tangible assets acquired relates to the value of the property.

Impairment of non-financial assets

The group tests annually whether non-financial assets have suffered any impairment, in accordance with the accounting policy stated in Note 2.3. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates.

Estimation used in discounting of non-current receivables

In determining the appropriate discount rate for non-current receivables, management considers the average depositing corridor rate announced by the Central Bank of Egypt.

3 SHARE CAPITAL

<i>Date</i>	<i>Authorised</i>	<i>No. of shares</i>	<i>Par value</i>	<i>Issued and fully paid (EGP)</i>
Establishment date	350,000,000	1,215,000	100	121,500,000
20 December 2006	350,000,000	3,070,000	100	307,000,000
13 May 2007	1,500,000,000	4,000,000	100	400,000,000
15 May 2007	1,500,000,000	6,000,000	100	600,000,000
6 November 2007	1,500,000,000	8,000,000	100	800,000,000
27 March 2008	3,500,000,000	416,000,000	2	832,000,000
10 April 2008	3,500,000,000	465,920,000	2	931,840,000
31 March 2009	3,500,000,000	698,880,000	2	1,397,760,000
28 January 2010	3,500,000,000	1,048,320,000	2	2,096,640,000
17 February 2014	3,500,000,000	1,348,320,000	2	2,696,640,000
27 July 2015	6,000,000,000	2,172,320,000	2	4,344,640,000
16 February 2015	6,000,000,000	2,198,999,739	2	4,397,999,478

4 RESERVES

STATUTORY RESERVE

As required by the Egyptian company law and Group's Articles of Association 5% of the net profit for the year has to be transferred to statutory reserve. The Group may resolve to discontinue such annual transfers when the reserve totals 50% of the issued capital.

SPECIAL RESERVE

As permitted by the Egyptian company law and the Group's Article of Association, The Board of Directors of Palm Hills development and its subsidiary Palm Hills Middle East Company for Real Estate Investment S.A.E decided to transfer an amount of EGP 524,200,467 from retained earnings to a special reserve to be used in the future expenditures. The decision has been approved by the General Assembly Meeting of these companies.

Palm Hills Developments Company S.A.E and its Subsidiaries

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS At 31 March 2016



5 GROUP ENTITIES

	31 March 2016 %	31 December 2015 %
Subsidiaries:		
New Cairo for Real Estate Developments S.A.E	99.99%	99.99%
Royal Gardens for Real Estate Investment Company S.A.E	51%	51%
Palm Hills Middle East Company for Real Estate Investment S.A.E and its subsidiary, Middle East Company for Real Estate and Touristic Investment S.A.E	99.95% 87.5%	99.95% 87.5%
Gamsha for Tourist Development S.A.E	59%	59%
Nile Palm Al-Naem for Real Estate Development S.A.E	51%	51%
Saudi Urban Development Company S.A.E	51%	51%
Rakeen Egypt for Real Estate Investment S.A.E	99.95%	99.95%
Al Naem for the hotels and touristic Villages S.A.E	60%	60%
Gawda for trade services SAE	100%	100%
East New Cairo for Real Estate Development S.A.E	99.99%	99.99%
United Engineering Company for Construction S.A.E	98.875%	98.875%
Palm for Real Estate Development S.A.E	99.4%	99.4%
Palm for Investment and Real Estate Development S.A.E	99.4%	99.4%
Palm Hills Real Estate S.A.E	99.2%	99.2%
Macor for Securities Investment Co. S.A.E and its subsidiaries and associates:	60%	60%
Subsidiaries:		
Six of October for Hotels and Touristic Services Company S.A.E	79.95%	79.95%
Hotels & Touristic Floating Restaurants Company S.A.E	99.99%	99.99%
Ismailia for Tourism Company S.A.E	55.12%	55.12%
Associate:		
El Nema for Touristic & Real Estate Company S.A.E	49.99%	49.99%
Palm Hills Hospitality S.A.E and its subsidiaries:	98%	98%
Palm October for Hotels S.A.E	99.75%	99.75%
Palm Gamsha Hotels S.A.E	98%	98%
Palm North Coast Hotels S.A.E	99.4%	99.4%
Associate:		
Coldwell Banker – Palm Hills for Real Estate Investments – S.A.E	49%	49%
Advance payments for investments acquisition		
Villamora for Real Estate Development Company S.A.E	20.36%	20.36%
Baltan Group – Saudi Joint stock company	51%	51%
Gamsha for Tourist Development S.A.E (59% subsidiary)	1%	1%