

**EMAAR MISR FOR DEVELOPMENT
COMPANY (S.A.E.)
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017
TOGETHER WITH AUDIT REPORT**

Emaar Misr for Development Company (S.A.E.)

Financial Statements

For the year ended 31 Decemeber 2017

Table of Contents

	<u>Page</u>
Audit Report of Financial Statements	3
Statement of Financial Position	4
Statement of Profit or Loss	5
Statement of Comprehensive Income	6
Statement of Changes in Equity	7 – 8
Statement of Cash Flows	9
Notes to the Financial Statements	10 – 36

AUDITOR'S REPORT

TO THE SHAREHOLDERS OF EMAAR MISR FOR DEVELOPMENT COMPANY (S.A.E.)

Report on the financial statements

We have audited the accompanying financial statements of **EMAAR MISR FOR DEVELOPMENT COMPANY (S.A.E.)** represented in the financial position as of 31 December 2017 and the related statements of profit or loss, comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

These financial statements are the responsibility of the Company's Management, as Management is responsible for the preparation and fair presentation of the financial statements in accordance with Egyptian Accounting Standards and applicable 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. This 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 financial statements based on our audit. We conducted our audit in accordance with Egyptian Standards on Auditing and applicable Egyptian laws. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance that 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 professional 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 these financial statements.

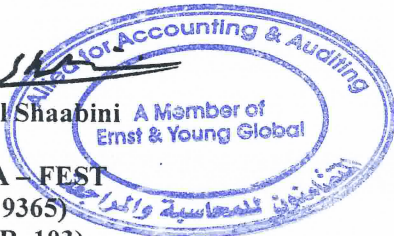
Opinion

In our opinion, the financial statements referred to above, give a true and fair view in all material respects of the financial position of Emaar Misr For development (S.A.E) as of 31 December 2017 and of its financial performance and its cash flows for the year then ended in accordance with Egyptian Accounting Standards and the related applicable Egyptian laws and regulations .

Report on Other Legal and Regulatory Requirements

The Company maintains proper accounting records that comply with the laws and the Company's articles of association and the financial statements agree with the Company's records.

The financial information included in the Board of Directors' Report, prepared in accordance with Law No. 159 of 1981 and its executive regulation, is in agreement with the books of the Company insofar as such information is recorded therein.


Amr El Shaabini A Member of
Ernst & Young Global

FESAA – FEST
(RAA. 9365)
(EFSAR .103)

Cairo: 25 February 2018

Emaar Misr for Development Company (S.A.E)

STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

	Notes	2017 EGP	2016 EGP
ASSETS			
Non-current assets			
Fixed assets	4	539,616,495	481,673,322
Fixed assets under construction	5	301,988,498	142,897,443
Investment properties	6	118,057,146	84,592,422
Deferred tax assets	30	198,099,085	143,345,677
Total non-current assets		1,157,761,224	852,508,864
Current assets			
Development properties	7	11,736,727,039	10,753,680,883
Held to maturity investments	8	5,269,895,686	3,506,460,195
Accounts and notes receivables	9	2,242,874,592	2,034,577,751
Due from related parties	10a	2,818	2,818
Prepayments, other receivables and other debit balances	11	3,604,325,005	2,118,275,740
Cash on hand and at banks	12	4,990,167,462	3,077,078,395
Total current assets		27,843,992,602	21,490,075,782
TOTAL ASSETS		29,001,753,826	22,342,584,646
EQUITY AND LIABILITIES			
Equity			
Share capital	21	4,529,338,000	4,529,338,000
Legal reserve	22	148,057,414	63,878,774
Share premium		1,350,286,168	1,350,286,168
Retained earnings		2,395,849,780	796,455,634
Profit for the year		2,300,270,324	1,683,572,786
TOTAL EQUITY		10,723,801,686	8,423,531,362
LIABILITIES			
Non-current liabilities			
Credit facilities	13	10,820,064	33,948,029
Provision for employees' end-of-service benefits	14	27,819,413	20,115,209
Total non-current liabilities		38,639,477	54,063,238
Current liabilities			
Provisions	15	93,845,275	53,558,703
Trade payables, accrued expenses and other credit balances	16	4,919,561,171	3,430,203,061
Due to related parties	10a	106,665,120	78,203,943
Income tax payable		237,812,881	136,683,151
Advances from customers	18	12,589,925,776	9,382,546,247
Retentions payable	19	264,871,084	214,021,954
Credit facilities	13	15,682,421	27,114,390
Borrowings from related parties	10b	10,948,935	11,296,127
Land purchase liabilities	20	-	531,362,470
Total current liabilities		18,239,312,663	13,864,990,046
TOTAL LIABILITIES		18,277,952,140	13,919,053,284
TOTAL LIABILITIES AND EQUITY		29,001,753,826	22,342,584,646

Chairman

Board Director

The accompanying notes 1 to 36 form an integral part of these financial statements.
Audit report attached.

STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2017

	Notes	2017 <i>EGP</i>	2016 <i>EGP</i>
Revenue	23	4,511,007,479	4,008,925,078
Cost of revenue	24	(2,797,505,966)	(2,406,672,071)
GROSS PROFIT		1,713,501,513	1,602,253,007
Selling and marketing expenses	25	(231,234,606)	(190,018,303)
General and administrative expenses	26	(269,147,877)	(210,865,409)
Finance income	27	1,376,653,874	581,218,325
Finance cost	28	(1,392,555)	(89,801,912)
Other income	29	216,997,097	115,268,368
Provisions	15	(45,474,441)	(4,007,501)
Provisions no longer required	15	1,988,481	626,500
PROFIT FOR THE YEAR BEFORE INCOME TAX		2,761,891,486	1,804,673,075
Income tax	30	(461,621,162)	(121,100,289)
PROFIT FOR THE YEAR		2,300,270,324	1,683,572,786
Earnings Per Share - basic and diluted	31	0.48	0.35

The accompanying notes 1 to 36 form an integral part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2017

	2017 <i>EGP</i>	2016 <i>EGP</i>
PROFIT FOR THE YEAR	2,300,270,324	1,683,572,786
OTHER COMPREHENSIVE INCOME	-	-
TOTAL COMPREHENSIVE INCOME	2,300,270,324	1,683,572,786

The accompanying notes 1 to 36 form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2017

	<i>Share capital</i>	<i>Share premium</i>	<i>Legal reserve</i>	<i>Retained Earnings</i>	<i>Profit for the Year</i>	<i>Total</i>
	<i>EGP</i>	<i>EGP</i>	<i>EGP</i>	<i>EGP</i>	<i>EGP</i>	<i>EGP</i>
Balance at 1 January 2017	4,529,338,000	1,350,286,168	63,878,774	796,455,634	1,683,572,786	8,423,531,362
Transfer to retained earnings and legal reserve	-	-	84,178,640	1,599,394,146	(1,683,572,786)	-
Total comprehensive income	-	-	-	-	2,300,270,324	2,300,270,324
Balance at 31 December 2017	<u>4,529,338,000</u>	<u>1,350,286,168</u>	<u>148,057,414</u>	<u>2,395,849,780</u>	<u>2,300,270,324</u>	<u>10,723,801,686</u>

The accompanying notes 1 to 36 form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY (CONTINUED)

	<i>Share capital</i>	<i>Share premium</i>	<i>Treasury Shares</i>	<i>Legal reserve</i>	<i>Retained Earnings/ (accumulated deficit)</i>	<i>Profit for the year</i>	<i>Total</i>
	<i>EGP</i>	<i>EGP</i>	<i>EGP</i>	<i>EGP</i>	<i>EGP</i>	<i>EGP</i>	<i>EGP</i>
Balance at 1 January 2016	4,619,338,000	1,602,790,008	(342,503,840)	21,145,120	(15,483,796)	854,673,084	6,739,958,576
Transfer to accumulated deficit and legal reserve	-	-	-	42,733,654	811,939,430	(854,673,084)	-
Redemption of treasury stocks	(90,000,000)	(252,503,840)	342,503,840	-	-	-	-
Total comprehensive income	-	-	-	-	-	1,683,572,786	1,683,572,786
Balance at 31 December 2016	4,529,338,000	1,350,286,168	-	63,878,774	796,455,634	1,683,572,786	8,423,531,362

The accompanying notes 1 to 36 form an integral part of these financial statements.

Emaar Misr for Development Company (S.A.E)

STATEMENTS OF CASH FLOWS

For the year ended 31 December 2017

	Notes	2017 EGP	2016 EGP
Cash flows from operating activities			
Profit for the year before income tax		2,761,891,486	1,804,673,075
Depreciation expenses of fixed assets	4	55,327,802	55,650,123
Depreciation expenses of investment properties	6	4,423,564	3,768,614
Provision for employees' end-of-service benefits	14	12,366,226	9,331,951
Provision for employees' end-of-service benefits no longer required	14	(3,229,279)	-
Provisions charged during the year	15	45,474,441	4,007,501
Provision no longer required	15	(1,988,481)	(626,500)
Gain on disposal of fixed assets	4	(909,481)	(503,770)
Reversal of impairment of development properties	7	(768,060)	(4,773,355)
Finance costs	28	1,392,555	89,801,912
Finance income	27	(1,376,653,874)	(581,218,325)
Cash from operations activities		1,497,326,899	1,380,111,226
Changes in accounts and notes receivables		(208,296,841)	(653,686,116)
Changes in prepayments, other receivables and other debit balances		(1,407,369,726)	(571,020,854)
Changes in development properties		(1,138,884,681)	(805,815,805)
Changes in advances from customers		3,207,379,531	2,052,371,086
Changes in trade payables, accrued expenses and other credit balances		1,494,140,550	1,183,451,579
Changes in due to related parties		31,517,681	49,806,983
Changes in retentions payable		50,849,130	24,763,594
Gurantee for letter of gurantee and restricted cash	12	(136,027,866)	-
Provisions used	15	(3,199,388)	(343,988)
Employees' end-of-service benefits paid	14	(1,432,743)	(1,508,338)
Income tax paid		(456,185,678)	(49,317,457)
Net cash from operating activities		2,929,816,868	2,608,811,910
Cash flows from investing activities			
Finance income received		582,308,886	228,678,736
Purchase of fixed assets	4	(33,923,476)	(26,085,334)
Proceeds from sale of fixed assets	4	983,239	631,645
Purchase of investment properties	6	(1,042,515)	(9,079,680)
Payments in fixed assets under construction	5	(97,436,667)	(77,408,662)
Purchase of held to maturity investments		(9,210,837,465)	(2,921,294,402)
Proceeds from held to maturity investments		8,200,412,518	1,668,664,398
Time deposits (maturity over 3 months)	12	(1,662,970,000)	-
Net cash from investing activities		(2,222,505,480)	(1,135,893,299)
Cash flows from financing activities			
Proceeds from credit facilities	13	28,581,081	18,578,691
Repayment of credit facilities	13	(63,141,015)	(248,732,637)
Finance costs paid		(10,627,838)	(29,730,933)
Payments of land purchase liabilities		(543,418,946)	(244,826,785)
Net cash from financing activities		(588,606,718)	(504,711,664)
Increase in cash and cash equivalents		118,704,670	968,206,947
Net foreign exchange differences		(4,613,469)	16,301,744
Cash and cash equivalent at the beginning of the year	12	3,077,078,395	2,092,569,704
Cash and cash equivalent at the end of the year	12	3,191,169,596	3,077,078,395

The accompanying notes 1 to 36 form an integral part of these financial statements.

Emaar Misr for Development Company (S.A.E)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

1 BACKGROUND

Emaar Misr for Development Company (S.A.E.) (the "Company") is a joint stock company established in Egypt under the Investment Guarantees and Incentives Law No. 8 of 1997. The Company was registered in the commercial register on 16 March 2005 under No. 12841.

The listing of Emaar Misr for Development Company (S.A.E.) on the Egyptian stock exchange was approved in 4 March 2015 according to resolution of listing committee of Egyptian stock exchange.

The purpose of the Company is:

- Planning and construction of urban districts and providing them with utilities and services,
- Designing, constructing, managing, operating and maintenance of power plants with their different sources and distribution networks.
- Constructing, operating, managing and maintenance of water desalination and refining plants together with their distribution networks,
- Constructing, operating, managing and maintenance of sewage systems,
- Projects development, investment and real estate development,
- Owning, constructing, managing and touristic marketing for hotels, motels, lodges and tourism villages and its related supplementary activities in servicing, entertainment, sporting, commercial, and cultural,
- Establishing and operating yachts marina, golf courses and diving centres and its related supplementary activities,
- Finance leasing,

The Company is currently engaged in planning and construction of urban districts and providing them with utilities, services and projects development, investment and real estate development.

The Company's parent is Emaar Properties PJSC.

These financial statements for the year ended 31 December 2017 were authorized for issuance in accordance with the resolution of the directors on 25 February 2018.

2.1 BASIS OF PREPARATION

The financial statements of the Company are prepared in accordance with Egyptian Accounting Standards ("EAS").

The financial statements have been prepared in Egyptian pounds (EGP), which is the Company's functional and presentation currency.

The financial statements have been prepared under the going concern assumption on a historical cost basis.

2.2 CHANGES IN ACCOUNTING POLICIES

The accounting policies adopted this year are consistent with those of the previous year.

2.3 SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of these 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 years.

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

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

Judgments

Revenue recognition for real estate units

In making their judgment, the management considered the detailed criteria for the recognition of revenue from the sale of real estate units as set out in EAS 11 *Revenue*, and, in particular, whether the Company had transferred to the buyer the significant risks and rewards of ownership of the real estate units.

2.3 SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (continued)

Judgments (continued)

Classification of properties

The Company determines whether a property is classified as investment property or development property:

Investment property comprises land and buildings that are not occupied substantially for use by, or in the operations of, the Company, nor for sale in the ordinary course of business, but are held primarily to earn rental income and capital appreciation. These land and buildings are substantially rented to tenants and not intended to be sold in the ordinary course of business.

Development property comprises property that is held for sale in the ordinary course of business. Principally, this is residential property that the Company develops and intends to sell before or on completion of construction.

Operating lease commitments – Company as lessor

The Company has entered into leases on its investment properties. The Company has determined, based on an evaluation of the terms and conditions of the arrangements, finance lease criteria are not met and accounts for the contracts as operating leases.

Estimations

Estimation of net realisable value for development property

Development property is stated at the lower of cost or net realisable value (NRV).

NRV for completed property is assessed by reference to market conditions and prices existing at the reporting date and is determined by the Company, based on comparable transactions.

NRV in respect of development property under construction is assessed with reference to market prices at the reporting date for similar completed property, less estimated costs to complete construction.

Valuation of investment properties

The Company hires the services of third party professionally qualified valuers to obtain estimates of the market value of investment properties using recognised valuation techniques for the purposes of their impairment review and disclosures in the financial statements.

Impairment of trade and other receivables

An estimate of the collectible amount of trade and other receivables is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and a provision applied according to the length of time past due, based on historical recovery rates.

Useful lives of fixed assets and investment properties

The Company's management determines the estimated useful lives of its fixed assets and investment properties for calculating depreciation. This estimate is determined after considering the expected usage of the asset or physical wear and tear. The management periodically reviews estimated useful lives and the depreciation method to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from these assets.

Cost to complete the projects

The Company estimates the cost to complete the projects in order to determine the cost attributable to revenue being recognised. These estimates include the cost of providing infrastructure, potential claims by contractors as evaluated by the project consultant and the cost of meeting other contractual obligations to the customers.

2.3 SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (continued)

Estimations (continued)

Taxes

The Company is subject to income taxes in Egypt. Significant judgment is required to determine the total provision for current and deferred taxes. The Company established provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities in Egypt. The amount of such provision is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the Company and the responsible tax authority. Such differences of interpretations may arise on a wide variety of issues depending on the conditions prevailing in Egypt.

Deferred tax assets are recognised for unused accumulated tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

Impairment of non-financial assets

The Company assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. The non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. When value in use calculations are undertaken, management estimates the expected future cash flows from the asset or cash-generating unit and chooses a suitable discount rate in order to calculate the present value of those cash flows.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue and costs, if applicable, can be measured reliably.

Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes and duty.

The specific recognition criteria described below must also be met before revenue is recognized.

Revenue of sale of completed development property

The Company recognises revenue of sale of property when the risks and rewards of ownership of the property have been transferred to the buyer which occurs when the units are delivered either actually or implied.

Rental income from lease of investment properties

Rental income arising from operating leases on investment property is accounted for on a straight-line basis over the lease terms and is included in other income in the Statement of Profit or Loss.

Hospitality revenue

Revenue from hotel accommodation, food and beverages and other related services are recognised, net of discount and municipality fees, at the point at which the services are rendered.

Finance income

Finance income is recognised as it accrues using the effective interest rate (EIR) method. EIR is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability.

Customers' charges

Income arising from providing utilities (water and electricity) to customers is recognised when rendered. Customer charges revenues are included in other income in the Statement of Profit or Loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Borrowing

Borrowings are initially recognized at the value of the consideration received. Amounts maturing within a year are classified as current liabilities, unless the Company has the right to postpone the settlement for a period exceeding one year after the financial position date, then the loan balance should be classified as long term liabilities.

After initial recognition, credit facilities are subsequently measured at amortized cost using the effective interest rate method. Gains and losses are recognized in the statement of profit or loss when the liabilities are derecognized as well as through the effective interest rate method amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the effective interest rate. The effective interest rate amortization is included in finance cost in the statement of profit or loss.

Borrowing cost

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale are capitalised as part of the cost of the assets. All other borrowing costs are expensed in the year in which they are incurred. The borrowings costs are represented in interest and other finance costs that company pay to obtain the funds.

Income tax

Income tax is calculated in accordance with the Egyptian tax law.

Current income tax

Current income tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from or paid to the tax authority.

Deferred income tax

Deferred income tax is recognized using the liability method on temporary differences between the amount attributed to an asset or liability for tax purposes (tax base) and its carrying amount in the financial position (accounting base) using the applicable tax rate.

Deferred tax asset is recognized when it is probable that the asset can be utilized to reduce future taxable profits and the asset is reduced by the portion that will not create future benefit.

Current and deferred tax shall be recognized as income or an expense and included in the statement of profit or loss for the year, except to the extent that the tax arises from a transaction or event which is recognized, in the same or a different year, directly in equity.

Development Properties

Properties acquired, constructed in the course of construction for sale are classified as development properties. Unsold properties are stated at the lower of cost or net realisable value.

The cost of development properties includes the cost of land and other related expenditure which are capitalised 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.

Investment properties

Investment properties are land and buildings which are held to earn rental or for capital appreciation or both. Investments properties are measured at cost including acquisition cost or construction cost or any other related direct cost.

After initial recognition Investment properties are measured at cost less accumulated depreciation and any accumulated impairment value depreciation is completed using the straight line method according to the estimated useful life of the assets (20 – 50 years) .

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Held to maturity investments

Held to maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the company's management has the positive intention and ability to hold to maturity.

This classification requires using high degree of professional judgment and to achieve that, the company evaluate its intention of keeping these investments till maturity date. If not, except in some rare circumstances such as selling of insignificant investments prior to maturity date then, all held to maturity investments re-classified to available for sale investments. Accordingly, Investments will be measured at fair value not amortised cost and cease any classification of investments.

Held to maturity investments are initially recognized at fair value inclusive direct attributable expenses.

After initial recognition, the held to maturity investments are measured at amortized cost using the effective interest method less impairment. Gains and losses are recognized in statement of profit or loss when the investments are derecognized or impaired, impairment is recovered, as well as through the amortization process

Fixed assets

Fixed assets are stated at historical cost net of accumulated depreciation and accumulated impairment losses. Such cost includes the cost of replacing part of the plant and equipment when that cost is incurred, if the recognition criteria are met. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in statement of profit or loss as incurred.

Depreciation of an asset begins when it is in the location and condition necessary for it to be capable of operating in the manner intended by management , and is computed using the straight-line method according to the estimated useful life of the asset as follows:

	Years
Buildings	20
Model homes and other assets	6
Machinery and equipment	4
Motor vehicles	4
Computers	2
Furniture, fixtures and office equipment	4
Banners	4
Heavy equipment	4-20
Tools	2

Fixed assets are derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognizing of the asset is included in the statement of profit or loss when the asset is derecognized.

The assets residual values, useful lives and methods of depreciation are reviewed at each financial year end.

The Company assesses at each financial position date whether there is an indication that fixed assets may be impaired. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses are recognized in the statement of profit or loss.

A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized.

The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of profit or loss.

Fixed assets under construction

Fixed assets under construction represent the amounts that are paid for the purpose of constructing or purchasing fixed assets until it is ready to be used in the operation, upon which it is transferred to fixed assets. Fixed assets under construction are valued at cost net of impairment loss (if any) .

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment

Impairment of financial assets

The Company assesses at each financial position date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Impairment of non financial assets

The Company assesses at each financial position date whether there is an indication that an asset may be impaired. Where the carrying amount of an asset or cash-generating unit's (CGU) exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses are recognized in the statement of profit or loss.

A previously recognized impairment loss is only reversed if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of profit or loss.

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 .

Trade payables and accrued expenses

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

Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. Provisions are reviewed at the financial position date and adjusted to reflect the current best estimate.

Where the effect of the time value of money is material, the amount of a provision should be the present value of the expected expenditures required to settle the obligation. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

Social insurance and Employees' End-of-services

a- Social Insurance: The Company makes contributions to the General Authority for Social Insurance calculated as a percentage of the employees' salaries. The Company's obligations are limited to these contributions, which are expensed when due.

b- Employees' End-of-services: The Company provides end-of-service benefits to its employees. The entitlement to these benefits is usually based upon the employees' final salary and length of service, subject to the completion of a minimum service period. The costs of these benefits are accrued over the period of employment.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies

Transactions in foreign currencies are recorded at the rate prevailing at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated using the exchange rate prevailing at the financial position date. All differences are recognized in the statement of profit or loss.

Nonmonetary items that are measured at historical cost in foreign currency are translated using the exchange rates prevailing at the dates of the initial recognition.

Nonmonetary items measured at fair value in a foreign currency are translated using the exchange rates prevailing at the date when the fair value is determined.

Contingent Liabilities and Assets

Contingent liabilities are not recognized in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognized in the financial statements but disclosed when an inflow of economic benefits is probable.

Related party transactions

Related parties represent in parent company , associated companies, major shareholders, directors and key management personnel of the Company, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the boards of directors.

Statement of cash flows

The statement of cash flows is prepared using the indirect method.

Expenses

All expenses including operating expenses, general and administrative expenses and other expenses are recognized and charged to the statement of profit or loss in the financial year in which these expenses were incurred.

Accounts receivable and other debit balances

Accounts receivable and other debit balances are stated at book less any impairment losses.

Impairment losses are measured as the difference between the receivables carrying amount and the present value of estimated future cash flows. The impairment loss is recognized in the statement of profit or loss. Reversal of impairment is recognized in the statement of profit or loss in the year in which it occurs.

Fair value measurement

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 the most advantageous market for the asset or liability.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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.

For assets traded in an active market, fair value is determined by reference to quoted market bid prices.

The fair value of interest-bearing items is estimated based on discounted cash flows using interest rates for items with similar terms and risk characteristics.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement (Continued)

For unquoted assets, fair value is determined by reference to the market value of a similar asset or is based on the expected discounted cash flows.

The Company 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 – Fair value measurements are those derived from quoted prices in an active market (that are unadjusted) for identical assets or liabilities.
- Level 2 – Fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 – Fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation at the end of each reporting period.

For the purpose of fair value disclosures, the Company 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.

3 SEGMENT INFORMATION

Currently the Company's main business segment is developing projects and selling the developed units. Revenues, profits and investments in other business segments are currently immaterial. Accordingly retail, commercial and hospitality business segments do not meet the criteria of reportable segments under EAS (41), and as such, are not separately disclosed in the financial statements. All revenues of the Company in the year ended 31 December 2017 were reported under one segment in the financial statements.

Emaar Misr for Development Company (S.A.E)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

4 FIXED ASSETS

	<i>Land</i>	<i>Buildings</i>	<i>Computers</i>	<i>Heavy equipment</i>	<i>Motor Vehicles</i>	<i>office equipment, furniture and fixtures</i>	<i>Model homes, Sales centre, Mock-up</i>	<i>Equipment and tools</i>	<i>Banners and other assets</i>	<i>Total</i>
	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP
Cost										
As of 1 January 2017	28,781,986	461,953,875	38,638,626	119,825,121	37,681,674	50,703,555	75,578,656	32,500,986	9,851,868	855,516,347
Additions	-	1,136,180	10,474,841	4,711,975	6,236,585	4,900,609	1,056,194	5,407,092	-	33,923,476
Transfer from fixed assets under construction (Note 5)	10,939,290	49,653,514	-	-	-	-	-	-	-	60,592,804
Transfer from Development properties (Note 7)	18,828,453	-	-	-	-	-	-	-	-	18,828,453
Disposals	-	(15,900)	(4,630)	-	(463,749)	(1,658,350)	(173,393)	-	-	(2,316,022)
As of 31 December 2017	<u>58,549,729</u>	<u>512,727,669</u>	<u>49,108,837</u>	<u>124,537,096</u>	<u>43,454,510</u>	<u>53,945,814</u>	<u>76,461,457</u>	<u>37,908,078</u>	<u>9,851,868</u>	<u>966,545,058</u>
Accumulated depreciation										
As of 1 January 2017	-	(139,476,465)	(30,813,978)	(34,844,891)	(29,080,386)	(40,638,886)	(63,779,902)	(25,356,649)	(9,851,868)	(373,843,025)
Depreciation	-	(23,810,390)	(6,979,972)	(7,747,546)	(4,616,839)	(4,322,585)	(3,760,320)	(4,090,150)	-	(55,327,802)
Disposals	-	6,837	4,630	-	463,749	1,658,350	108,698	-	-	2,242,264
As of 31 December 2017	<u>-</u>	<u>(163,280,018)</u>	<u>(37,789,320)</u>	<u>(42,592,437)</u>	<u>(33,233,476)</u>	<u>(43,303,121)</u>	<u>(67,431,524)</u>	<u>(29,446,799)</u>	<u>(9,851,868)</u>	<u>(426,928,563)</u>
Net carrying amount : At 31 December 2017	<u>58,549,729</u>	<u>349,447,651</u>	<u>11,319,517</u>	<u>81,944,659</u>	<u>10,221,034</u>	<u>10,642,693</u>	<u>9,029,933</u>	<u>8,461,279</u>	<u>-</u>	<u>539,616,495</u>
At 31 December 2016	<u>28,781,986</u>	<u>322,477,410</u>	<u>7,824,648</u>	<u>84,980,230</u>	<u>8,601,288</u>	<u>10,064,669</u>	<u>11,798,754</u>	<u>7,144,337</u>	<u>-</u>	<u>481,673,322</u>

There is no mortgage or restriction on fixed assets.

Depreciation expense is allocated as follows:

	2017 EGP
Selling and marketing expenses (Note 25)	3,748,243
General and administrative expenses (Note 26)	45,052,553
Facility management expenses	5,646,506
Depreciation expense charged to the statement of profit or loss	54,447,302
Development properties (Note 7)	880,500
Total depreciation expenses	55,327,802

- Gain from sale of fixed assets as follows:

	EGP	EGP
Proceeds from sale of fixed assets		983,239
Cost of disposed assets	2,316,022	
Accumulated depreciation of disposed assets	(2,242,264)	
Net book value of disposed assets		73,758
Gain from sale of fixed assets (Note 29)		909,481

Emaar Misr for Development Company (S.A.E)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

4 FIXED ASSETS (continued)

	<i>Land</i>	<i>Buildings</i>	<i>Computers</i>	<i>Heavy equipment</i>	<i>Motor Vehicles</i>	<i>office equipment, furniture and fixtures</i>	<i>Model homes, Sales centre, Mock-up</i>	<i>Equipment and tools</i>	<i>Banners and other assets</i>	<i>Total</i>
	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP
Cost										
As of 1 January 2016	28,781,986	459,155,038	30,956,664	115,537,971	34,969,722	47,750,543	72,597,955	30,312,575	9,851,868	829,914,322
Additions	-	2,798,837	7,187,721	4,287,150	3,689,502	2,953,012	2,980,701	2,188,411	-	26,085,334
Transferred from fixed assets under construction	-	-	494,241	-	-	-	-	-	-	494,241
Disposals	-	-	-	-	(977,550)	-	-	-	-	(977,550)
As of 31 December 2016	28,781,986	461,953,875	38,638,626	119,825,121	37,681,674	50,703,555	75,578,656	32,500,986	9,851,868	855,516,347
Accumulated depreciation										
As of 1 January 2016	-	(115,768,028)	(25,050,807)	(26,856,966)	(25,458,641)	(35,906,023)	(58,898,225)	(21,252,019)	(9,851,868)	(319,042,577)
Depreciation	-	(23,708,437)	(5,763,171)	(7,987,925)	(4,471,420)	(4,732,863)	(4,881,677)	(4,104,630)	-	(55,650,123)
Disposals	-	-	-	-	849,675	-	-	-	-	849,675
As of 31 December 2016	-	(139,476,465)	(30,813,978)	(34,844,891)	(29,080,386)	(40,638,886)	(63,779,902)	(25,356,649)	(9,851,868)	(373,843,025)
Net carrying amount : At 31 December 2016	28,781,986	322,477,410	7,824,648	84,980,230	8,601,288	10,064,669	11,798,754	7,144,337	-	481,673,322

There is no mortgage or restriction on fixed assets.

Depreciation expense is allocated as follows:

	2016 EGP
Selling and marketing expenses (Note 25)	4,869,598
General and administrative expenses (Note 26)	46,338,627
Facility Management expenses	3,666,397
Depreciation expense charged to the statement of profit or loss	54,874,622
Development properties (Note 7)	775,501
Total depreciation expenses	<u>55,650,123</u>

- Gain from sale of fixed assets as follows:

	EGP	EGP
Proceeds from sale of fixed assets		631,645
Cost of disposed assets	977,550	
Accumulated depreciation of disposed assets	(849,675)	
Net book value of disposed assets		127,875
Gain from sale of fixed assets (Note 29)		<u>503,770</u>

Emaar Misr for Development Company (S.A.E.)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

5 FIXED ASSETS UNDER CONSTRUCTION

	2017 EGP	2016 EGP
Marassi project (buildings, furniture and fixtures)	267,760,555	70,573,561
Uptown Cairo project (buildings, furniture and fixtures)	8,929,003	3,805,579
MIVIDA project (buildings, furniture and fixtures)	25,298,940	68,518,303
	301,988,498	142,897,443

The movement of fixed assets under construction during the year ended 31 December 2017 and 2016 is as follows:

	2017 EGP	2016 EGP
Beginning balance	142,897,443	65,983,022
Additions during the year	97,436,667	77,408,662
Transfer from development properties (Note 7)	122,247,192	-
Transferred to fixed assets (Note 4)	(60,592,804)	(494,241)
Ending balance	301,988,498	142,897,443

6 INVESTMENT PROPERTIES

	2017 EGP	2016 EGP
Cost		
Beginning balance	94,134,869	85,055,189
Additions	1,042,515	9,079,680
Transfer from Development properties (Note 7)	36,845,773	-
Ending balance	132,023,157	94,134,869
Accumulated depreciation		
Beginning balance	(9,542,447)	(5,773,833)
Depreciation charged for the year	(4,423,564)	(3,768,614)
Ending balance	(13,966,011)	(9,542,447)
Net carrying amount	118,057,146	84,592,422
	2017 EGP	2016 EGP
Land	15,491,697	11,881,336
Building	102,565,449	72,711,086
Net carrying amount	118,057,146	84,592,422

The valuation of the company's investment properties are performed by Arab Group for Appraisals & Consultancy (independent valuer). The fair value of investment properties is EGP 262,935,400 at 31 December 2017 (31 December 2016: EGP 206,810,588).

The buildings and land are valued using market approach by an independent valuer. The market was researched and a minimum of three recent sales of properties were selected that were considered to be most comparable to the subject property. Adjustment was made when appropriate to reflect the market reaction to those items of significant variation. If a significant item in a comparable property is superior to, or more favourable than, the subject property a negative adjustment was made to reduce the sales price of the comparable and, if a significant item in a comparable property is inferior to, or less favourable than the subject property, a positive adjustment was made to increase the adjusted sales price of the comparable.

Emaar Misr for Development Company (S.A.E.)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

6 INVESTMENT PROPERTIES (Continued)

Fair value hierarchy

The Company uses the following hierarchy for determining and disclosing the fair value of its investment properties by valuation technique:

	Total EGP	Level 1 EGP	Level 2 EGP	Level 3 EGP
2017	262,935,400	-	-	262,935,400
2016	206,810,588	-	-	206,810,588

7 DEVELOPMENT PROPERTIES

	2017 EGP	2016 EGP
Balance at the beginning of the year	10,753,680,883	9,876,750,208
Add: Cost incurred during the year	3,517,149,720	3,001,183,679
Add: Borrowing costs capitalised during the year	9,258,358	15,758,180
Add: Land discounting capitalised	23,986,124	57,409,073
Add: Depreciation of fixed assets (capitalised portion) (Note 4)	880,500	775,501
Less: Charged to profit or loss during the year	-	(6,825,738)
Less: Transfers to fixed assets (Note 4)	(18,828,453)	-
Less: Transfers to investment properties (Note 6)	(36,845,773)	-
Less: Transfers to fixed assets under construction (Note 5)	(122,247,192)	-
Less: Transfers to cost of revenue during the year	(2,391,075,188)	(2,196,143,375)
Add: Reversal of impairment of development properties (Note 24)	768,060	4,773,355
Balance at the end of the year	11,736,727,039	10,753,680,883

Properties acquired, constructed or in the course of construction for sale in the ordinary course of business are classified as development properties and include the costs of:

- Land;
- Amounts paid to contractors for construction including the cost of construction of infrastructure; and
- Borrowing costs, planning and design costs, costs of site preparation, professional fees for legal services, construction overheads and other related costs.

Common infrastructure costs are allocated to various projects and forms part of the estimated cost to complete a project in order to determine the cost attributable to revenue being recognised. The development plan of some of the development properties is estimated to be over 10 years.

Development properties are analysed as follows:

	2017 EGP	2016 EGP
Mivida project	4,032,525,251	3,625,540,986
Marassi project	3,695,167,089	3,589,402,051
Uptown Cairo project	3,799,960,853	3,318,863,412
Cairo Gate project*	209,593,441	221,162,089
	11,737,246,634	10,754,968,538
Less: Impairment of development properties	(519,595)	(1,287,655)
	11,736,727,039	10,753,680,883

*During June 2017 the Company signed an addendum to land purchase agreement of Cairo Gate, accordingly the land area became 623,153 Sqm instead of 673,540 Sqm.

7 DEVELOPMENT PROPERTIES (CONTINUED)

	<i>2017</i> <i>EGP</i>	<i>2016</i> <i>EGP</i>
Land (including land instalments interest due)*	2,590,321,176	2,911,304,513
Consultations and designs	2,206,094,759	1,815,695,530
Construction and infrastructure works	5,927,463,601	4,959,830,939
Capitalized finance costs	1,013,367,098	1,068,137,556
	<u>11,737,246,634</u>	<u>10,754,968,538</u>
Less: Impairment of development properties	(519,595)	(1,287,655)
	<u>11,736,727,039</u>	<u>10,753,680,883</u>

* The Company is in process of completing the required legal procedures related to official registration of all land owned as of 31 December 2017.

The movement of impairment of development properties as follows:

	<i>2017</i> <i>EGP</i>	<i>2016</i> <i>EGP</i>
Beginning balance	1,287,655	6,061,010
Reversed during the year	(768,060)	(4,773,355)
Ending balance	<u>519,595</u>	<u>1,287,655</u>

8 HELD TO MATURITY INVESTMENTS

	<i>2017</i> <i>EGP</i>	<i>2016</i> <i>EGP</i>
Treasury Bills	5,505,575,000	2,753,100,000
Unearned interest	(235,679,314)	(111,052,323)
	<u>5,269,895,686</u>	<u>2,642,047,677</u>
Bonds	-	864,412,518
	-	864,412,518
Total held to maturity investments	<u>5,269,895,686</u>	<u>3,506,460,195</u>
	<i>2017</i> <i>EGP</i>	<i>2016</i> <i>EGP</i>
Amounts matures within 12 months	5,269,895,686	3,506,460,195
Amounts matures after 12 months	-	-
	<u>5,269,895,686</u>	<u>3,506,460,195</u>

9 ACCOUNTS AND NOTES RECEIVABLES

	<i>2017</i> <i>EGP</i>	<i>2016</i> <i>EGP</i>
Amounts receivable within 12 months	1,150,466,110	897,213,524
Amounts receivable after 12 months	1,500,183,882	1,578,181,923
	<u>2,650,649,992</u>	<u>2,475,395,447</u>
Unamortised discount	(411,193,307)	(446,259,567)
Amounts receivable, net	2,239,456,685	2,029,135,880
Accounts receivables, hotels	3,417,907	5,441,871
	<u>2,242,874,592</u>	<u>2,034,577,751</u>

9 ACCOUNTS AND NOTES RECEIVABLES (CONTINUED)

At 31 December 2017, the ageing analysis of net accounts and notes receivables of delivered units is as follows:

	<i>Total</i>	<i>Neither Past Due nor Impaired</i>	<i>Less than 30 days</i>	<i>Past due but not impaired</i>		<i>More than 90days</i>
	<i>EGP</i>	<i>EGP</i>	<i>EGP</i>	<i>Between 30 to60 days</i>	<i>Between 60 to90 days</i>	<i>EGP</i>
2017	<u>2,242,874,592</u>	<u>2,118,206,452</u>	<u>16,364,637</u>	<u>11,215,750</u>	<u>1,136,275</u>	<u>95,951,478</u>
2016	<u>2,034,577,751</u>	<u>1,951,431,456</u>	<u>10,422,049</u>	<u>9,060,645</u>	<u>480,178</u>	<u>63,183,423</u>

As at 31 December 2017, accounts and notes receivables were not impaired (impairment of 2016: nil)

Refer to Note 35a on credit risks of trade receivables, which discusses how the company manages and measures credit quality of trade receivables that are past due not impaired.

10 RELATED PARTY DISCLOSURES

For the purpose of these financial statements, parties are considered to be related to the Company, if the Company has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Company and the party are subject to common control. Related parties may be individuals or other entities.

Related party transactions

During the year, the following were the significant related party transactions, which were carried out in the normal course of business on terms agreed between the parties:

<i>Company</i>	<i>Nature</i>	<i>Payments on behalf EGP</i>	<i>IT expenses EGP</i>	<i>2017 Consultancy fees EGP</i>	<i>Revenue EGP</i>	<i>Sold units* EGP</i>
Turner Construction International Egypt	Joint venture	-	-	146,941,121	-	-
Emaar Properties – PJSC	Parent	12,780,013	15,681,164	-	-	-
Board members and key management personnel		-	-	-	2,324,213	4,101,888
<i>Company</i>	<i>Nature</i>	<i>Payments on behalf EGP</i>	<i>IT expenses EGP</i>	<i>2016 Consultancy fees EGP</i>	<i>Revenue EGP</i>	<i>Sold units* EGP</i>
Turner Construction International Egypt	Joint venture	-	-	102,675,471	-	-
Emaar Properties – PJSC	Parent	54,083,655	9,578,605	-	-	-
Board members and key management personnel		-	-	-	27,396,607	-

*Sold units transactions represent sales contracts signed with related parties during the year.

10 RELATED PARTY DISCLOSURES (CONTINUED)

The related parties' transactions described above resulted in the following balances:

a) Related party balances

Significant related party balances are as follows:

	<i>Due from related parties</i>	<i>Due to related parties</i>	<i>2017 Trade payables and accruals</i>	<i>Advance from customers</i>	<i>Trade and notes receivables</i>
	<i>EGP</i>	<i>EGP</i>	<i>EGP</i>	<i>EGP</i>	<i>EGP</i>
Parent**	-	101,373,692	-	-	-
Subsidiaries of the parent	2,818	5,291,428	-	-	-
Joint venture of the parent	-	-	145,800,945	-	-
Board members and key management personnel	-	-	-	12,116,171	4,676,012
	<u>2,818</u>	<u>106,665,120</u>	<u>145,800,945</u>	<u>12,116,171</u>	<u>4,676,012</u>
	<i>Due from related parties</i>	<i>Due to related parties</i>	<i>2016 Trade payables and accruals</i>	<i>Advance from customers</i>	<i>Trade and notes receivables</i>
	<i>EGP</i>	<i>EGP</i>	<i>EGP</i>	<i>EGP</i>	<i>EGP</i>
Parent**	-	72,912,515	-	-	-
Subsidiaries of the parent	2,818	5,291,428	-	-	-
Joint venture of the parent	-	-	98,984,138	-	-
Board members and key management personnel	-	-	-	9,523,532	5,682,045
	<u>2,818</u>	<u>78,203,943</u>	<u>98,984,138</u>	<u>9,523,532</u>	<u>5,682,045</u>

**Due to parent represent a current account, callable by the parent, non-interest bearing, which resulted mainly from the financing and support received from the parent and other operating activities.

b) Related party borrowings

During year 2010, Emaar Misr was granted a loan from Emaar Properties PJSC, with a limit of USD 1,150,000, at interest rate (1%) per year over LIBOR. The balances are as follows:

	<i>2017 EGP</i>	<i>2016 EGP</i>
<i>Borrowings from related party</i>		
Emaar Properties PJSC – Parent	10,948,935	11,296,127
	<u>10,948,935</u>	<u>11,296,127</u>

c) Compensation of key management personnel

The remuneration of key management personnel during the year was as follows:

	<i>2017 EGP</i>	<i>2016 EGP</i>
Short-term benefits	25,529,746	17,776,759
End-of-service benefits	6,890,447	6,213,724
	<u>32,420,193</u>	<u>23,990,483</u>

Emaar Misr for Development Company (S.A.E.)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

11 PREPAYMENTS, OTHER RECEIVABLES AND OTHER DEBIT BALANCES

	2017 EGP	2016 EGP
Prepayments	5,855,707	6,834,604
Advances to contractors and suppliers	1,564,483,537	901,814,317
Advances to employees	5,477,472	2,939,496
Accrued interest	85,101,454	86,832,621
Customers maintenance – Current accounts*	188,227,892	96,909,802
Customers maintenance – Time deposits*	1,555,020,197	876,465,354
Due from customers – facility and customer charges	116,669,364	88,951,872
Other receivables	83,489,382	57,527,674
	<u>3,604,325,005</u>	<u>2,118,275,740</u>

*These amounts represents amounts collected from customers, which are invested in interest bearing current accounts and time deposits, the interest income generated is used for the purpose of financing the facility management expenses for delivered units, the company cannot use these amounts except for this purpose.

Customers' maintenance - Current account with an average effective interest rate of 11.66% (2016: 9.8%) for balance of EGP 188,227,892 (2016: EGP 96,909,802)

Customers' maintenance - Time deposits with effective interest rate of 15.96% (2016: 11.49%) for balance of EGP 1,555,020,197 (2016: EGP 876,465,354).

	2017 EGP	2016 EGP
Amounts recoverable within 12 months	2,749,638,944	1,558,446,020
Amounts recoverable after 12 months	854,686,061	559,829,720
	<u>3,604,325,005</u>	<u>2,118,275,740</u>

12 CASH ON HAND AND AT BANK

	2017 EGP	2016 EGP
a) Egyptian pound		
Cash on hand	421,639	16,340,534
Current accounts	691,230,093	313,989,729
Time deposits	4,069,669,972	2,723,894,881
	<u>4,761,321,704</u>	<u>3,054,225,144</u>
b) Foreign currency		
Current accounts	228,845,758	22,853,251
	<u>228,845,758</u>	<u>22,853,251</u>
	<u>4,990,167,462</u>	<u>3,077,078,395</u>

Bank balances and cash are denominated in the following currencies:

	2017 EGP	2016 EGP
United Arab Emirates Dirham (AED)	69,556,472	1,563,148
United States Dollar (USD)	147,427,114	16,204,338
Euro (EUR)	10,485,360	5,004,674
Egyptian Pound (EGP)	4,761,321,704	3,054,225,144
Saudi Riyals (SAR)	1,376,812	81,091
	<u>4,990,167,462</u>	<u>3,077,078,395</u>

Emaar Misr for Development Company (S.A.E.)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

12 CASH ON HAND AND AT BANK (CONTINUED)

Cash at banks earn interest based on prevailing bank deposit rates.

Current account with an average effective interest rate of 11.66 % (2016:10.3%).Time deposits with an average effective interest rate of 16.27% (2016: 14.62%).

For the purpose of statement of cash flow cash and cash equivalents represents the following:

	2017 EGP	2016 EGP
Bank balances and cash	4,990,167,462	3,077,078,395
Restricted cash/time deposit for letters of guarantee and credit*	(136,027,866)	-
Time deposits (maturity over 3 months)	(1,662,970,000)	-
Cash and cash equivalent	3,191,169,596	3,077,078,395

*Cash at banks as at 31 December 2017 include an amount of EGP 136,027,866 in form of two renewable time deposits as well as cash balance at bank as a margin of a letter of guarantee and two letters of credit issued by the company (Note 33).

13 CREDIT FACILITIES

The movement of credit facilities during the year ended 31 December 2017 and 2016 is as follows:

	2017 EGP	2016 EGP
Balance at the beginning of the year	61,062,419	291,216,365
Borrowings drawn down during the year	28,581,081	18,578,691
Borrowings repaid during the year	(63,141,015)	(248,732,637)
Balance at the end of the year	26,502,485	61,062,419

	2017 EGP	2016 EGP
Maturing within 12 months	15,682,421	27,114,390
Maturing after 12 months	10,820,064	33,948,029
	26,502,485	61,062,419

Type	Interest rate %	Latest maturity (renewal)	2017 EGP	2016 EGP
Current portion credit facilities				
Credit facility 1*	1.5%+CBE Deposit Corridor rate	December 2018	1,549,905	4,348,410
Credit facility 3***	0.5%+CBE Lending Corridor rate	October 2018	14,132,516	22,765,980
Total current credit facilities			15,682,421	27,114,390
Non-current credit facilities				
Credit facility 1*	1.5%+CBE Deposit Corridor rate	October 2020	564,474	3,692,439
Credit facility 2**	1%+CBE Average Discount Corridor rate	November 2021	10,255,590	30,255,590
Total non-current credit facilities			10,820,064	33,948,029
			26,502,485	61,062,419

* Credit facility (1) is against discounted post-dated checks of customer's units who settled 30% of their units' value.

** Credit facility (2) secured by post-dated checks of delivered units with maximum financing amounting to 90% of its value.

*** Credit facility (3) is against discounted post-dated checks of customer's who delivered units.

Emaar Misr for Development Company (S.A.E.)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

14 PROVISION FOR EMPLOYEES' END-OF-SERVICE BENEFITS

End-of-Service Benefits

The movement in the provision for employees' end-of-service benefits during the year ended 31 December 2017 and 2016 is as follows:

	2017 EGP	2016 EGP
Balance at the beginning of the year	20,115,209	12,291,596
Provided during the year	12,366,226	9,331,951
Paid during the year	(1,432,743)	(1,508,338)
No longer required during the year	(3,229,279)	-
Balance at the end of the year	27,819,413	20,115,209

15 PROVISIONS

	Balance as of 1 January 2017	Charged during the year	No longer required during the year	Used during the year	Balance as of 31 December 2017
	EGP	EGP	EGP	EGP	EGP
Provision for legal claims	6,328,366	7,685,179	(1,988,481)	-	12,025,064
Provision for other claims	47,230,337	37,789,262	-	(3,199,388)	81,820,211
	53,558,703	45,474,441	(1,988,481)	(3,199,388)	93,845,275

	Balance as of 1 January 2016	Charged during the year	No longer required during the year	Used during the year	Balance as of 31 December 2016
	EGP	EGP	EGP	EGP	EGP
Provision for legal claims	2,947,365	4,007,501	(626,500)	-	6,328,366
Provision for other claims	47,574,325	-	-	(343,988)	47,230,337
	50,521,690	4,007,501	(626,500)	(343,988)	53,558,703

No other material contingent liabilities other than what was provided for in the provisions above or what was disclosed in note 30 in respect of tax position and note 33 contingent liabilities.

16 TRADE PAYABLES, ACCRUED EXPENSES AND OTHER CREDIT BALANCES

	2017 EGP	2016 EGP
Projects contracts cost accruals	2,436,747,129	1,904,176,968
Trade payables (suppliers, contractors and consultants)	501,747,123	344,436,556
Taxes payables (other than income tax) (Note 17)	15,724,296	16,665,927
Accrued expenses	145,357,768	129,258,409
Deferred revenue*	28,782,558	27,355,364
Social insurance authority	3,604,566	3,023,583
Other payables	13,939,583	6,628,606
Due to customers – Facility management	141,466,756	31,615,386
Customers maintenance payable**	1,632,191,392	967,042,262
	4,919,561,171	3,430,203,061

*Deferred revenue represents amounts deducted from customers who cancelled their contracts. Customers can use these amounts to buy new units from the company during one year. If these amounts are not used by customers, the company has the right to keep these amounts and thus transfer to revenue.

16 TRADE PAYABLES, ACCRUED EXPENSES AND OTHER CREDIT BALANCES (CONTINUED)

**Customers maintenance payable represents the collected instalments that are used to finance facility management expenses. These amounts are invested in deposits and interest-bearing current accounts for this purpose (Note 11).

Trade payables, accrued expenses and other credit balances are non-interest bearing and for explanations on the company's liquidity risk management process, refer to (Note 35c).

17 TAXES PAYABLES

	<i>2017</i> <i>EGP</i>	<i>2016</i> <i>EGP</i>
Tax authority- stamp tax	453,430	1,064,404
Tax authority- withholding tax	8,890,546	5,493,184
Tax authority- salary tax	1,765,718	8,032,278
Tax authority- value added tax	2,107,496	1,369,105
Tax authority- other tax	1,946,091	706,956
Tax authority- royalty tax	561,015	-
	<u>15,724,296</u>	<u>16,665,927</u>

18 ADVANCES FROM CUSTOMERS

The movement of advances from customers during the year ended 31 December 2017 and 2016 is as follows:

	<i>31 December 2017</i> <i>EGP</i>	<i>31 December 2016</i> <i>EGP</i>
Balance at the beginning of the year	9,382,546,247	7,330,175,161
Add: amounts collected during the year	7,683,320,748	6,127,072,738
Less: delivered units during the year	(4,475,941,219)	(4,074,701,652)
Balance at the end of the year	<u>12,589,925,776</u>	<u>9,382,546,247</u>

	<i>2017</i> <i>EGP</i>	<i>2016</i> <i>EGP</i>
Uptown Cairo project	2,795,392,832	2,028,110,475
Marassi project	4,215,742,379	2,855,840,525
Mivida project	5,578,790,565	4,498,595,247
	<u>12,589,925,776</u>	<u>9,382,546,247</u>

19 RETENTIONS PAYABLE

	<i>2017</i> <i>EGP</i>	<i>2016</i> <i>EGP</i>
Retentions payable within 12 months	80,399,549	84,741,527
Retentions payable after 12 months	184,471,535	129,280,427
	<u>264,871,084</u>	<u>214,021,954</u>

Emaar Misr for Development Company (S.A.E.)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

20 LAND PURCHASE LIABILITIES

	2017 EGP	2016 EGP
Gross land purchase liabilities		
Cairo Gate project	-	13,000,000
Urban Community Authority – Mivida project	-	542,348,594
	-	555,348,594
Unamortised discount	-	(23,986,124)
Present value of land purchase liabilities	-	531,362,470

The land purchase liabilities were settled during the year.

The effective interest rate used to discount land purchase liabilities was 10% in 2016. The amortisation of the discount as of 31 December 2016 amounted to EGP 23,986,124 is charged to development properties.

21 SHARE CAPITAL

	2017 EGP	2016 EGP
Authorised capital (shares of EGP 1 each)	10,000,000,000	10,000,000,000
Issued and fully paid-up	4,529,338,000	4,529,338,000
Number of shares	4,529,338,000	4,529,338,000

On 31 March 2015, an extraordinary general assembly meeting was held and approved adjusting the shares par value from EGP 10 per share to EGP 1 per share, the number of shares was adjusted from 401933800 share to be 4019338000 share and updated the commercial register on 5 May 2015.

On 11 May 2015, an extraordinary general assembly meeting was held and approved the Company capital increase by EGP 600,000,000 with issuance price EGP 3.80 per share to be EGP 4,619,338,000 divided on 4619338000 share, the share premium amounted to EGP 1,602,790,008 after deducting expenses of EGP 77,209,992 and updated the commercial register on 29 June 2015.

On 4 August 2015, the Company acquired 90 million ordinary shares (treasury shares) at price of EGP 3.80 per share amounted to EGP 342,000,000 to stabilize the share price in open market in addition to costs of EGP 503,840 in accordance with stability of share price in the market after issuance.

On 18 August 2016, the extraordinary general assembly meeting that was held on that date approved the reduction of the Company's capital by 90 million ordinary shares representing the treasury shares acquired during 2015 to be 4,529,338,000 share and the share premium reduced by EGP 252,503,840 and updated in the commercial register on 10 November 2016.

22 LEGAL RESERVE

As required by Egyptian Companies' law and the Company's articles of association, 5% of the net profit for the prior year is to be transferred to legal reserve. The Company may resolve to discontinue such annual transfers when the reserve totals 50% of the issued share capital.

23 REVENUE

	2017 EGP	2016 EGP
Revenue from property sales		
Marassi Project	1,721,656,203	1,826,521,888
Uptown Cairo Project	779,626,543	876,586,540
Mivida Project	2,009,724,733	1,305,816,650
Total revenue from property sales	4,511,007,479	4,008,925,078

Revenue from property sales represents sales value of units handed over during the year discounted at the effective interest rate, the Company introduces several payment scenarios, ranging from "till delivery installment schedule" to "till extended installments schedule over 7 years", the unit price vary based on the selected installment schedule by the customer.

Emaar Misr for Development Company (S.A.E.)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

24 COST OF REVENUE

	2017 EGP	2016 EGP
Cost of revenue from property sales		
Marassi Project	996,402,340	962,567,458
Uptown Cairo Project*	474,836,836	614,968,961
Mivida Project	1,326,266,790	829,135,652
Total cost of revenue from property sales	2,797,505,966	2,406,672,071

*The cost of revenue of Uptown Cairo Project includes the reversal of an impairment loss EGP 768,060 (2016: EGP 4,773,355) (Note 7).

25 SELLING AND MARKETING EXPENSES

	2017 EGP	2016 EGP
Advertisements	46,431,414	50,061,948
Depreciation expenses of fixed assets (Note 4)	3,748,243	4,869,598
Marketing production and materials	17,375,008	9,852,355
Events and exhibitions	20,379,790	13,754,054
Sales commission	124,191,602	98,888,633
Other marketing expenses	19,108,549	12,591,715
	231,234,606	190,018,303

26 GENERAL AND ADMINISTRATIVE EXPENSES

	2017 EGP	2016 EGP
Depreciation expenses of fixed assets (Note 4)	45,052,553	46,338,627
Depreciation expenses of investment property (Note 6)	4,423,564	3,768,614
Salaries and benefits	89,634,034	65,025,890
Professional fees	19,231,950	7,812,538
IT expenses	20,406,322	11,177,239
Travel and entertainment	11,835,965	7,966,432
Communication	3,444,885	2,245,138
Facility management expenses	52,358,077	39,860,390
Other bank charges	3,977,877	2,517,082
Other expenses	18,782,650	24,153,459
	269,147,877	210,865,409

27 FINANCE INCOME

	2017 EGP	2016 EGP
Interest from time deposits and bank current accounts	563,559,333	263,609,516
Interest from held to maturity investments	792,947,219	317,608,809
Net foreign exchange gain	20,147,322	-
	1,376,653,874	581,218,325

Emaar Misr for Development Company (S.A.E.)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

28 FINANCE COST

	2017 EGP	2016 EGP
Interest on bank credit facilities and loans	1,372,288	6,120,743
Other bank charges	20,267	37,897
Net foreign exchange loss	-	83,643,272
	<u>1,392,555</u>	<u>89,801,912</u>

29 OTHER INCOME

	2017 EGP	2016 EGP
Customers service charges	31,032,138	17,571,073
Penalties and administrative fees	151,183,284	83,483,509
Hospitality net profit or (loss)*	1,922,401	(798,474)
Operating lease income	16,005,974	8,470,605
Gain from sale of fixed assets (Note 4)	909,481	503,770
Other operating income	15,943,819	6,037,885
	<u>216,997,097</u>	<u>115,268,368</u>

*Hospitality net profit or loss represents the net results of operation from El Alamain hotel, golf club, beach club in Marassi and Golf club in Uptown Cairo and Community club in Mivida.

30 INCOME TAX

	2017 EGP	2016 EGP
Statement of Profit or Loss		
Current income tax	(348,645,086)	(175,121,114)
Tax expenses from previous years inspection	(167,729,484)	-
Deferred income tax	54,753,408	54,020,825
	<u>(461,621,162)</u>	<u>(121,100,289)</u>

Deferred income tax

	Statement of financial position		Statement of Profit or Loss	
	2017 EGP	2016 EGP	2017 EGP	2016 EGP
Depreciation of fixed assets	(9,678,611)	(8,543,911)	(1,134,700)	(1,321,414)
Provisions and accruals	207,777,696	151,889,588	55,888,108	55,342,239
Net deferred income tax assets	<u>198,099,085</u>	<u>143,345,677</u>	<u>54,753,408</u>	<u>54,020,825</u>

The company's tax position is as follows:

1. Corporate Tax

- The Company regularly files its corporate income tax return on due dates.
- The Company's records were inspected since inception till 31 December 2015 and all tax dues were settled. The Company objected on applying the additional tax as per law no. 44 of 2014 on the exempted portion of the taxable amount and this dispute point transferred to the appeal committee.
- The Company's records are currently under inspection for the period from 1 January 2016 till 31 December 2016.
- The Company's records were not inspected for the period from 1 January 2017 till 31 December 2017.
- The Company enjoys tax relief on the projects established in the urban area to 31 December 2018.

2. Salary Tax

- The company's records were inspected since inception till 31 December 2010 and all tax dues were settled.
- The company's records are currently under inspection for the period from 1 January 2011 till 31 December 2015.
- The company's records were not inspected from 1 January 2016 to 31 December 2017

3. Sales Tax

- The company's records were inspected since inception till 31 December 2013 and all tax dues were settled.
- The company's records were inspected for the period from 1 January 2014 till 31 December 2015 and the company objected on the sales tax claim, the dispute transferred to committee that did not issue its decision till date.
- The company's records were not inspected for the period from 1 January 2016 to 31 December 2017.

4. Stamp Tax

- The company's records were inspected since inception till 31 December 2010 and tax due were settled.
- The company's records are currently under inspection for the period from 1 January 2011 till 31 December 2016.
- The company's records were not inspected for the period from 1 January 2017 to 31 December 2017.

31 EARNINGS PER SHARE

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to the ordinary equity holders by the weighted average number of ordinary shares outstanding during the year. The company has no dilutive shares.

	<i>2017</i> <i>EGP</i>	<i>2016</i> <i>EGP</i>
Net profit for the year	2,300,270,324	1,683,572,786
Employees share (estimated)	(124,964,992)	(97,262,998)
Net profit attributable to the ordinary equity holders	2,175,305,332	1,586,309,788
Weighted average number of ordinary shares for basic and diluted earnings	4,529,338,000	4,529,338,000
EPS – basic and diluted	0.48	0.35

32 COMMITMENTS

At 31 December 2017, the company had commitments in respect of its assets under construction and development properties not provided for in the financial statements amounted to 7,457,519,075 (31 December 2016: EGP 7,419,654,640).

Operating lease commitments - as lessor

The company has entered into leases on its investment properties. The future minimum rentals receivable under non-cancellable operating leases contracted for as at the reporting date but not recognised as receivables, are as follows:

	<i>2017</i> <i>EGP</i>	<i>2016</i> <i>EGP</i>
Within one year	17,315,731	9,951,334
After one year but not more than five years	70,379,636	26,453,636
More than five years	92,717,780	9,240,026
	180,413,147	45,644,996

33 CONTINGENT LIABILITIES

- Emaar Misr for Development S.A.E. (the Company) received a request for arbitration initiated by El Nasr Housing and Development Company in connection with Zahraa Al-Mokattam land sales agreement. The Company's position in respect of these proceedings is that they are baseless and are not substantiated in law or in facts. The Company is confident that it has a strong legal position; the arbitration will be decided in its favor and will not have material financial impact on the Company.
- A letter of guarantee was issued in favour of "Shore protection Authority" during the year valid till 2022, the letter of guarantee margin amounted to EGP 50 million is fully covered (note 12).
- A letter of credit was issued in favour of "Kharafi National for infrastructure projects developments – construction and services" during the year amounted to USD 4,361,688 (equivalent to EGP 77,559,972) representing 90% of the contract value is fully covered (note 12).
- A letter of credit was issued in favour of "siemens Technologies S.A.E" during the year amounted to Euro 408,485 (equivalent to EGP 8,467,894) is fully covered (note 12).

34 POST DATED CHECKS (OFF BALANCE SHEET)

The company maintains post dated checks amounted to EGP 12,037,674,830 (31 December 2016: EGP 10,341,533,433) which represent post dated checks of undelivered units and not included in statement of financial position. These checks represent future installements according to payment schedule of each customer according to company's policies.

35 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Overview

The Company has exposure to the following risks from its use of financial instruments:

- a) Credit risk,
- b) Market risk, and
- c) Liquidity risk.

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital.

The Board of Directors of the Parent Company has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's senior management are responsible for developing and monitoring the risk management policies and report regularly to the Parent Company on their activities.

The Company's current financial risk management framework is a combination of formally documented risk management policies in certain areas and informal risk management policies in other areas.

a) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company is exposed to credit risk principally from its receivables from customers, due from related parties, other receivables and from its financing activities, including deposits with banks and financial institutions.

Trade and notes receivables

The Company has entered into contracts for the sale of residential and commercial units on an instalment basis. The instalments are specified in the contracts. The Company is exposed to credit risk in respect of instalments due. However, the legal ownership of residential and commercial units is transferred to the buyer only after all the instalments are recovered. In addition, instalment dues are monitored on an ongoing basis with the result that the Company's exposure to bad debts is not significant.

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the Company's customer base, including the default risk of the industry and country, in which customers operate, has less influence on credit risk. The Company earns its revenues from a large number of customers.

35 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)**a) Credit risk (Continued)*****Other financial assets***

With respect to credit risk arising from the other financial assets of the Company at amortised cost, the Company's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these assets.

Bank Balances

The Company reduces the credit risk related to bank balances by dealing with reputable banks. Credit risk from balances with banks and financial institutions is managed by local Company's treasury supported by the Parent Company. The Company limits its exposure to credit risk by only placing balances with international banks and local banks of good repute. Given the profile of its bankers, management does not expect any counterparty to fail to meet its obligations.

Due from related parties

Due from related parties relates to transactions arising in the normal course of business with minimal credit risk, with a maximum exposure equal to the carrying amount of these balances.

b) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices, such as currency risk and interest rate risk, which will affect the Company's income. Financial instruments affected by market risk include credit facilities and deposits. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. The Company does not hold or issue derivative financial instruments.

Exposure to interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's obligations with floating interest rates and interest bearing time deposits.

Interest on financial instruments having floating rates is re-priced at intervals of less than one year.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates with all other variables held constant, of the Company's profit before tax (through the impact on floating rate borrowings).

There is no impact on the Company's equity other than the profit impact stated below.

	2017		2016	
	<i>Change in rate</i>	<i>Effect on profit before tax EGP</i>	<i>Change in rate</i>	<i>Effect on profit before tax EGP</i>
Financial asset	+1%	40,696,700	+1%	27,238,949
	- 1%	(40,696,700)	- 1%	(27,238,949)
Financial liability	+1%	(28,018)	+1%	(82,658)
	- 1%	28,018	- 1%	82,658

The interest rates on loans from related parties are described in Note 10-b to the financial statements. Interest rates on credit facilities from financial institutions are disclosed in Note 13 to the financial statements.

Exposure to foreign currency risk

The following tables demonstrate the sensitivity to a reasonably possible change in USD, EUR, AED and SAR exchange rates, with all other variables held constant. The impact on the company's profit before tax is due to changes in the value of monetary assets and liabilities. The company's exposure to foreign currency changes for all other currencies is not material.

	2017		2016	
	Change in rate	Effect on profit before tax EGP	Change in rate	Effect on profit before tax EGP
USD	+10%	5,001,773	+10%	(10,005,791)
	-10%	(5,001,773)	-10%	10,005,791
AED	+10%	(3,213,021)	+10%	(7,696,263)
	-10%	3,213,021	-10%	7,696,263
EUR	+10%	1,002,572	+10%	417,370
	-10%	(1,002,572)	-10%	(417,370)
SAR	+10%	137,681	+10%	8,109
	-10%	(137,681)	-10%	(8,109)

c) Liquidity risk

The cash flows, funding requirements and liquidity of the Company are monitored by local company management supported by the Parent Company. The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of bank borrowings. The Company manages liquidity risk by maintaining adequate reserves and borrowing facilities, by continuously monitoring forecasted and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The Company currently has sufficient cash on demand to meet expected operational expenses, including the servicing of financial obligations.

The table below summarises the maturity profile of the Company's financial liabilities based on contractual undiscounted payments.

Financial liabilities

	Less than 3 Months EGP	3 to 12 months EGP	1 to 5 years EGP	Over 5 years EGP	Total EGP
As at 31 December 2017					
Credit facilities	5,593,647	15,105,944	17,015,234	-	37,714,825
Retentions payable	-	80,399,549	184,471,535	-	264,871,084
Trade payables, accrued expenses and other credit balances	3,258,587,221	-	-	-	3,258,587,221
Income tax payable	237,812,881	-	-	-	237,812,881
Borrowings from related parties	10,948,935	-	-	-	10,948,935
Due to related parties	106,665,120	-	-	-	106,665,120
Total undiscounted financial liabilities	3,619,607,804	95,505,493	201,486,769	-	3,916,600,066
	Less than 3 Months EGP	3 to 12 months EGP	1 to 5 years EGP	Over 5 years EGP	Total EGP
As at 31 December 2016					
Credit facilities	21,037,209	15,057,688	50,590,959	-	86,685,856
Retentions payable	-	84,741,527	129,280,427	-	214,021,954
Trade payables, accrued expenses and other credit balances	2,435,805,435	-	-	-	2,435,805,435
Income tax payable	136,683,151	-	-	-	136,683,151
Borrowings from related parties	11,296,127	-	-	-	11,296,127
Due to related parties	78,203,943	-	-	-	78,203,943
Land purchase liabilities	33,638,948	521,709,645	-	-	555,348,593
Total undiscounted financial liabilities	2,716,664,813	621,508,860	179,871,386	-	3,518,045,059

36 FAIR VALUES OF FINANCIAL INSTRUMENTS

Financial instruments comprise financial assets and financial liabilities,

Financial assets of the company include bank balances and cash, accounts and notes receivables, other receivables, held to maturity investments and due from related parties. Financial liabilities of the company include credit facilities, trade payables, accrued expenses and other credit balances, due to related parties, borrowings from related parties and retentions payable.

The fair values of the financial assets and liabilities are not materially different from their carrying value unless stated otherwise.