

**EMAAR MISR FOR DEVELOPMENT
COMPANY (S.A.E.)
INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2018
TOGETHER WITH REVIEW REPORT**

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

**Interim Consolidated Financial Statements
For the period ended 30 September 2018**

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REPORT ON REVIEW OF INTERIM CONSOLIDATED FINANCIAL STATEMENTS TO THE MEMBERS OF THE BOARD OF DIRECTORS OF EMAAR MISR FOR DEVELOPMENT COMPANY (S.A.E.)

Introduction

We have reviewed the accompanying consolidated statement of financial position of **EMAAR MISR FOR DEVELOPMENT COMPANY – (S.A.E.)** and its subsidiary (the “Company”) as of 30 September 2018 as well as the related consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the nine -month period then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of these interim financial statements in accordance with Egyptian Accounting Standards. Our responsibility is to express a conclusion on these interim financial statements based on our review.

Scope of Review

We conducted our review in accordance with Egyptian Standard on Review Engagements No. 2410, “Review of Interim Financial Statements Performed by the Independent Auditor of the Entity.” A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Egyptian Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim consolidated financial statements does not give a true and fair view, in all material respects, of the consolidated financial position of the company as at 30 September 2018, and of its financial performance and its cash flows for the nine-month period then ended in accordance with Egyptian Accounting Standards.


Amr El Shaabini


**FESAA – FEST
(RAA. 9365)
(EFSAR .103)**

Cairo: 5 November 2018

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2018

	Notes	30 September 2018 EGP	31 December 2017 EGP
ASSETS			
Non-current assets			
Fixed assets	4	1,402,403,778	539,616,495
Fixed assets under construction	5	555,888,777	301,988,498
Investment properties	7	115,251,333	118,057,146
Deferred tax assets	30	171,745,553	198,099,085
Total non-current assets		2,245,289,441	1,157,761,224
Current assets			
Development properties	8	12,852,779,607	11,736,727,039
Held to maturity investments	9	8,057,700,145	5,269,895,686
Accounts and notes receivables	10	2,058,724,714	2,242,874,592
Due from related parties	11a	10,318	2,818
Prepayments, other receivables and other debit balances	12	5,752,250,153	3,604,325,005
Cash on hand and at banks	13	3,280,840,004	4,990,167,462
Total current assets		32,002,304,941	27,843,992,602
TOTAL ASSETS		34,247,594,382	29,001,753,826
EQUITY AND LIABILITIES			
Equity			
Share capital	21	4,529,338,000	4,529,338,000
Legal reserve	22	263,070,930	148,057,414
Share premium		1,350,286,168	1,350,286,168
Retained earnings		4,581,106,588	2,395,849,780
Profit for the period / year		1,759,409,970	2,300,270,324
Total equity of shareholders of parent company		12,483,211,656	10,723,801,686
Non-controlling interest		7,500	-
Total equity		12,483,219,156	10,723,801,686
LIABILITIES			
Non-current liabilities			
Credit facilities	14	10,417,666	10,820,064
Provision for employees' end-of-service benefits	15	32,895,851	27,819,413
Total non-current liabilities		43,313,517	38,639,477
Current liabilities			
Provisions	16	81,844,573	93,845,275
Trade payables, accrued expenses and other credit balances	17	5,450,011,161	4,919,561,171
Due to related parties	11a	134,629,212	106,665,120
Income tax payable		244,445,077	237,812,881
Advances from customers	19	15,450,833,321	12,589,925,776
Retentions payable	20	347,513,292	264,871,084
Credit facilities	14	836,138	15,682,421
Borrowings from related parties	11b	10,948,935	10,948,935
Total current liabilities		21,721,061,709	18,239,312,663
TOTAL LIABILITIES		21,764,375,226	18,277,952,140
TOTAL LIABILITIES AND EQUITY		34,247,594,382	29,001,753,826

Chairman

Board Director

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the period ended 30 September 2018

	Notes	<i>Nine Months</i>		<i>Three Months</i>	
		2018 EGP	2017 EGP	2018 EGP	2017 EGP
Revenue	23	2,822,294,272	2,599,314,505	1,069,312,525	840,749,465
Cost of revenue	24	(1,619,815,516)	(1,558,832,435)	(589,758,682)	(456,444,475)
GROSS PROFIT		1,202,478,756	1,040,482,070	479,553,843	384,304,990
Selling and marketing expenses	25	(206,242,026)	(169,549,094)	(82,035,180)	(72,429,710)
General and administrative expenses	26	(311,127,408)	(189,401,624)	(139,807,807)	(63,927,062)
Finance income	27	1,218,262,265	955,914,510	417,068,565	368,259,987
Finance cost	28	(3,880,356)	(1,187,058)	(2,870,022)	(499,765)
Other income	29	192,213,845	171,971,155	103,819,991	79,719,375
Provisions	16	(3,997,387)	(13,579,890)	(161,220)	397,759
Provisions no longer required	16	3,396,862	1,627,437	1,249,397	147,853
PROFIT FOR THE PERIOD BEFORE INCOME TAX		2,091,104,551	1,796,277,506	776,817,567	695,973,427
Income tax	30	(331,694,581)	(339,899,750)	(119,201,086)	(216,543,423)
PROFIT FOR THE PERIOD		1,759,409,970	1,456,377,756	657,616,481	479,430,004
Attributable to :					
Parent company		1,759,409,970	1,456,377,756	657,616,481	479,430,004
Non-controlling interest		-	-	-	-
PROFITS FOR THE PERIOD		1,759,409,970	1,456,377,756	657,616,481	479,430,004
Earnings Per Share - basic and diluted	31	0.37	0.30	0.14	0.10

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the period ended 30 September 2018

	<i>Nine Months</i>		<i>Three Months</i>	
	<i>2018</i>	<i>2017</i>	<i>2018</i>	<i>2017</i>
	<i>EGP</i>	<i>EGP</i>	<i>EGP</i>	<i>EGP</i>
PROFIT FOR THE PERIOD	1,759,409,970	1,456,377,756	657,616,481	479,430,004
OTHER COMPREHENSIVE INCOME	-	-	-	-
TOTAL COMPREHENSIVE INCOME	<u>1,759,409,970</u>	<u>1,456,377,756</u>	<u>657,616,481</u>	<u>479,430,004</u>
Attributable to :				
Parent Company	1,759,409,970	1,456,377,756	657,616,481	479,430,004
Non-Controlling Interest	-	-	-	-
TOTAL COMPERHENSIVE INCOME	<u>1,759,409,970</u>	<u>1,456,377,756</u>	<u>657,616,481</u>	<u>479,430,004</u>

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the period ended 30 September 2018

	<i>Share capital</i>	<i>Share premium</i>	<i>Legal reserve</i>	<i>Retained Earnings</i>	<i>Profit for the Period</i>	<i>Total equity of parent company</i>	<i>Non-controlling interest</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>	<i>EGP</i>
Balance at 1 January 2018	4,529,338,000	1,350,286,168	148,057,414	2,395,849,780	2,300,270,324	10,723,801,686	-	10,723,801,686
Transfer to retained earnings and legal reserve	-	-	115,013,516	2,185,256,808	(2,300,270,324)	-	-	-
Total comprehensive income	-	-	-	-	1,759,409,970	1,759,409,970	-	1,759,409,970
Non-controlling interest (Acquisition of a subsidiary)	-	-	-	-	-	-	7,500	7,500
Balance at 30 September 2018	4,529,338,000	1,350,286,168	263,070,930	4,581,106,588	1,759,409,970	12,483,211,656	7,500	12,483,219,156

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

	<i>Share capital</i>	<i>Share premium</i>	<i>Legal reserve</i>	<i>Retained Earnings</i>	<i>Profit for the Period</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	-	-	-	-	1,456,377,756	1,456,377,756
Balance at 30 September 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>1,456,377,756</u>	<u>9,879,909,118</u>

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

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the period ended 30 September 2018

Translation of financial statements
Originally issued in Arabic

		<i>Nine Months</i>	
	Notes	<i>2018</i> <i>EGP</i>	<i>2017</i> <i>EGP</i>
Cash flows from operating activities			
Profit for the period before income tax		2,091,104,551	1,796,277,506
Depreciation expenses of fixed assets	4	54,339,037	41,358,274
Depreciation expenses of investment properties	7	3,679,028	3,144,111
Provision for employees' end-of-service benefits	15	8,175,955	10,455,616
Provision for employees' end-of-service benefits no longer required	15	-	(3,229,279)
Provisions charged during the period	16	3,997,387	13,579,890
Provision no longer required	16	(3,396,862)	(1,627,437)
Gain on disposal of fixed assets	4	-	(304,874)
Reversal impairment of development properties	8	-	(768,060)
Finance costs	28	3,880,356	1,187,058
Finance income	27	(1,218,262,265)	(955,914,510)
Cash from operations activities		943,517,187	904,158,295
Changes in accounts and notes receivables		184,149,878	(5,471,736)
Changes in prepayments, other receivables and other debit balances		(2,123,186,568)	(753,123,523)
Changes in development properties		(1,111,646,026)	(839,418,298)
Changes in advances from customers		2,860,907,545	2,596,747,116
Changes in trade payables, accrued expenses and other credit balances		530,296,298	656,468,069
Changes in due to related parties		27,964,092	28,155,916
Changes in retentions payable		82,642,208	28,814,701
Letter of gurantee margin		-	(127,559,972)
Provisions used	16	(12,601,227)	(3,036,134)
Employees' end-of-service benefits paid	15	(3,099,517)	(648,655)
Income tax paid		(298,708,639)	(327,032,730)
Net cash from operating activities		1,080,235,231	2,158,053,049
Cash flows from investing activities			
Finance income received		600,615,483	958,369,683
Purchase of fixed assets	4	(56,341,729)	(25,850,262)
Proceeds from sale of fixed assets	4	-	378,632
Purchase of investment properties	7	(873,215)	(1,025,515)
Payments in fixed assets under construction	5	(1,114,684,870)	(49,793,831)
Purchase of held to maturity investments		(8,035,221,471)	(7,088,145,303)
Proceeds from held to maturity investments		5,840,325,000	5,688,550,566
Time deposits (maturity over 3 months)	13	312,970,000	(732,970,000)
Net cash from investing activities		(2,453,210,802)	(1,250,486,030)
Cash flows from financing activities			
Proceeds from credit facilities	14	-	28,381,584
Payment of credit facilities	14	(15,248,681)	(26,117,790)
Finance costs paid		(8,133,206)	(7,824,760)
Payments of land purchase liabilities		-	(543,418,946)
Net cash from financing activities		(23,381,887)	(548,979,912)
Increase in cash and cash equivalents		(1,396,357,458)	358,587,107
Net foreign exchange differences		-	(4,613,465)
Cash and cash equivalent at the beginning of the period	13	3,191,169,596	3,077,078,395
Cash and cash equivalent at the end of the period	13	1,794,812,138	3,431,052,037

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30 September 2018

1 BACKGROUND

Emaar Misr for Development Company (S.A.E.) (the “Company” or the “Parent 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 Group 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 Group 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 Group’s ultimate parent is Emaar Properties PJSC.

These consolidated financial statements for the nine months ended 30 September 2018 were authorized for issuance in accordance with the resolution of the directors on 5 November 2018.

2.1 BASIS OF PREPARATION

The consolidated financial statements of the group are prepared in accordance with Egyptian Accounting Standards (“EAS”) and the applicable laws and regulations.

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

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

2.2 BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiary as at and for the period ended 30 September 2018. 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
- The ability to use its power over the investee to affect its returns

The Group re-assess whether or not it controls an investee if facts and circumstances indicates that there are changes to one or more of the three elements of controls. 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 consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

2.2 BASIS OF CONSOLIDATION (continued)

Accounting for business combination under EAS 29 only applies if it is considered that a business has been acquired. For acquisitions meeting the definition of a business, the acquisition method of accounting is used to account for the acquisition of subsidiaries by the Parent Company. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any Non-controlling interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the consolidated statement of profit or loss.

The following steps are followed in preparing the consolidated financial statements:

- a- Eliminate the carrying amount of the Parent Company investment in each subsidiary and the Parent Company share of equity of each subsidiary.
 - b- Identify the non-controlling interest in the profit or loss of the consolidated subsidiaries for the reporting period.
 - c- Identify the non-controlling interests in the net assets of consolidated subsidiaries and presented in the consolidated financial statement separately from the Parent ownership interests. Non-controlling interests in the net assets consist of:
 - (1) The amount of non-controlling interests as of the original date of combination.
 - (2) The non-controlling interests' share of changes in equity since the date of the combination.
 - d- Intergroup balances and transactions, revenues and expenses are eliminated.
- The separate financial statements of the Parent Company and its subsidiaries used in the preparation of the consolidated financial statements are prepared as of the same date.
 - The separate financial statements of the Parent Company and its subsidiaries used in the preparation of the consolidated financial statements are prepared using uniform accounting policies for similar transactions and other events with similar circumstances.
 - Non-controlling interests are presented in the consolidated financial position within equity, separately from the equity of the owners of the Parent Company, and the non-controlling interests share in the group profit or loss is presented separately.
 - Non-controlling interests presented in the consolidated financial statements are as follows:

Company name	% of non-controlling interest
Emaar International Company LLC - UAE	15%

2.3 CHANGES IN ACCOUNTING POLICIES

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

2.4 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:

2.4 SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (continued)

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.

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.

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.

2.4 SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (continued)

Estimations – Continued

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.

2.5 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.

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.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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. Investment 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) .

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**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	20-50
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).

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.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment - Continued

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.

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 ultimate 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.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 period ended 30 September 2018 were reported under one segment in the financial statements.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30 September 2018

4 FIXED ASSETS

	<i>Land</i>	<i>Buildings</i>	<i>Computers</i>	<i>Heavy equipment</i>	<i>Motor Vehicles</i>	<i>Furniture</i>	<i>Model homes, Sales centre, Mock-up</i>	<i>Office equipment</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 2018	58,549,729	512,727,669	49,108,837	124,537,096	43,454,510	53,945,814	76,461,457	37,908,078	9,851,868	966,545,058
Additions	-	4,012,737	26,230,040	4,215,769	7,791,700	8,038,562	2,727,887	3,318,014	7,020	56,341,729
Transfer from fixed assets under construction (Note 5)	-	788,376,842	24,522,788	-	2,605,000	40,250,174	-	5,029,787	-	860,784,591
As of 30 September 2018	58,549,729	1,305,117,248	99,861,665	128,752,865	53,851,210	102,234,550	79,189,344	46,255,879	9,858,888	1,883,671,378
Accumulated depreciation										
As of 1 January 2018	-	(163,280,018)	(37,789,320)	(42,592,437)	(33,233,476)	(43,303,121)	(67,431,524)	(29,446,799)	(9,851,868)	(426,928,563)
Depreciation	-	(22,366,254)	(11,401,937)	(5,578,118)	(3,626,742)	(5,529,816)	(2,448,676)	(3,385,574)	(1,920)	(54,339,037)
As of 30 September 2018	-	(185,646,272)	(49,191,257)	(48,170,555)	(36,860,218)	(48,832,937)	(69,880,200)	(32,832,373)	(9,853,788)	(481,267,600)
Net carrying amount : At 30 September 2018	58,549,729	1,119,470,976	50,670,408	80,582,310	16,990,992	53,401,613	9,309,144	13,423,506	5,100	1,402,403,778
At 31 December 2017	58,549,729	349,447,651	11,319,517	81,944,659	10,221,034	10,642,693	9,029,933	8,461,279	-	539,616,495

- There is no mortgage or restriction on fixed assets.
- Depreciation expense is allocated as follows:

	30 September 2018
	EGP
Selling and marketing expenses (Note 25)	2,440,624
General and administrative expenses (Note 26)	46,385,678
Facility management expenses	4,694,860
Depreciation expense charged to the statement of profit or loss	53,521,162
Development properties (Note 8)	817,875
Total depreciation expenses	54,339,037

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30 September 2018

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 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	-	348,496	6,639,882	4,244,579	5,743,585	3,215,068	924,400	4,734,252	-	25,850,262
Disposals	-	(15,900)	(4,630)	-	-	(1,658,350)	(173,393)	-	-	(1,852,273)
As of 30 September 2017	<u>28,781,986</u>	<u>462,286,471</u>	<u>45,273,878</u>	<u>124,069,700</u>	<u>43,425,259</u>	<u>52,260,273</u>	<u>76,329,663</u>	<u>37,235,238</u>	<u>9,851,868</u>	<u>879,514,336</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	-	(17,853,425)	(5,067,929)	(5,807,461)	(3,319,737)	(3,309,706)	(2,930,351)	(3,069,665)	-	(41,358,274)
Disposals	-	6,837	4,630	-	-	1,658,350	108,698	-	-	1,778,515
As of 30 September 2017	<u>-</u>	<u>(157,323,053)</u>	<u>(35,877,277)</u>	<u>(40,652,352)</u>	<u>(32,400,123)</u>	<u>(42,290,242)</u>	<u>(66,601,555)</u>	<u>(28,426,314)</u>	<u>(9,851,868)</u>	<u>(413,422,784)</u>
Net carrying amount : At 30 September 2017	<u>28,781,986</u>	<u>304,963,418</u>	<u>9,396,601</u>	<u>83,417,348</u>	<u>11,025,136</u>	<u>9,970,031</u>	<u>9,728,108</u>	<u>8,808,924</u>	<u>-</u>	<u>466,091,552</u>

- There is no mortgage or restriction on fixed assets.
- Depreciation expense is allocated as follows:

- Gain from sale of fixed assets as follows:

	<i>30 September 2017 EGP</i>		<i>EGP</i>	<i>EGP</i>
Selling and marketing expenses (Note 25)	2,921,291			
General and administrative expenses (Note 26)	33,683,268			
Facility Management expenses	4,145,840			
Depreciation expense charged to the statement of profit or loss	<u>40,750,399</u>			
Development properties (Note 8)	607,875			
Total depreciation expenses	<u>41,358,274</u>			
		Proceeds from sale of fixed assets		378,632
		Cost of disposed assets	1,852,273	
		Accumulated depreciation of disposed assets	<u>(1,778,515)</u>	
		Net book value of disposed assets		73,758
		Gain from sale of fixed assets (Note 29)		<u>304,874</u>

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30 September 2018

5 FIXED ASSETS UNDER CONSTRUCTION

	30 September 2018 EGP	31 December 2017 EGP
Marassi project (buildings, furniture and fixtures)	434,897,701	267,760,555
Uptown Cairo project (buildings, furniture and fixtures)	79,565,735	8,929,003
MIVIDA project (buildings, furniture and fixtures)	41,425,341	25,298,940
	<u>555,888,777</u>	<u>301,988,498</u>

The movement of fixed assets under construction during the period ended 30 September 2018 and 2017 is as follows:

	30 September 2018 EGP	30 September 2017 EGP
Beginning balance	301,988,498	142,897,443
Additions during the period	1,114,684,870	49,793,831
Transferred to fixed assets (Note 4)	(860,784,591)	-
Ending balance	<u>555,888,777</u>	<u>192,691,274</u>

6 BUSINESS COMBINATION

During April 2018, the parent company acquired 85% of the quotas of "Emaar Facility Management L.L.C." which amounts to EGP 50,000 at its par value. The cost of investment amounted to EGP 42,500. The Company changed its legal name of its newly acquired subsidiary to become "IJADA Facility Management L.L.C." This business combination did not result in goodwill or bargain purchase gain.

7 INVESTMENT PROPERTIES

	30 September 2018 EGP	30 September 2017 EGP
Cost		
Beginning balance	132,023,157	94,134,869
Additions	873,215	1,025,515
Ending balance	<u>132,896,372</u>	<u>95,160,384</u>
Accumulated depreciation		
Beginning balance	(13,966,011)	(9,542,447)
Depreciation charged for the period	(3,679,028)	(3,144,111)
Ending balance	<u>(17,645,039)</u>	<u>(12,686,558)</u>
Net carrying amount	<u>115,251,333</u>	<u>82,473,826</u>
	30 September 2018 EGP	31 December 2017 EGP
Land	15,491,697	15,491,697
Building	<u>99,759,636</u>	<u>102,565,449</u>
Net carrying amount	<u>115,251,333</u>	<u>118,057,146</u>

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.

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 CONSOLIDATED FINANCIAL STATEMENTS

30 September 2018

7 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:

	<i>Total EGP</i>	<i>Level 1 EGP</i>	<i>Level 2 EGP</i>	<i>Level 3 EGP</i>
30 September 2018*	262,935,400	-	-	262,935,400
31 December 2017	262,935,400	-	-	262,935,400

* The fair value of investment properties is based on latest valuation at 31 December 2017.

8 DEVELOPMENT PROPERTIES

	<i>30 September 2018 EGP</i>	<i>30 September 2017 EGP</i>
Balance at the beginning of the period	11,736,727,039	10,753,680,883
Add: Cost incurred during the period	2,604,911,648	2,168,382,034
Add: Borrowing costs capitalised during the period	4,406,542	7,199,321
Add: Land discounting capitalised	-	23,986,124
Add: Depreciation of fixed assets (capitalised portion) (Note 4)	817,875	607,875
Less: Transfers to cost of revenue during the period	(1,494,083,497)	(1,341,501,257)
Add: Reversal of impairment of development properties	-	768,060
Balance at the end of the period	12,852,779,607	11,613,123,040

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:

	<i>30 September 2018 EGP</i>	<i>31 December 2017 EGP</i>
Mivida project	4,357,697,748	4,032,525,251
Marassi project	4,198,784,903	3,695,167,089
Uptown Cairo project	4,083,472,775	3,799,960,853
Cairo Gate project	213,343,776	209,593,441
	12,853,299,202	11,737,246,634
Less: Impairment of development properties	(519,595)	(519,595)
	12,852,779,607	11,736,727,039

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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8 DEVELOPMENT PROPERTIES (CONTINUED)

	30 September 2018 EGP	31 December 2017 EGP
Land (including land instalments interest due)*	2,505,366,748	2,590,321,176
Consultations and designs	2,535,494,089	2,206,094,759
Construction and infrastructure works	6,830,777,177	5,927,463,601
Capitalized finance costs	981,661,188	1,013,367,098
	<u>12,853,299,202</u>	<u>11,737,246,634</u>
Less: Impairment of development properties	(519,595)	(519,595)
	<u>12,852,779,607</u>	<u>11,736,727,039</u>

* The Company is in process of completing the required legal procedures related to official registration of all land owned as of 30 September 2018.

The movement of impairment of development properties as follows:

	30 September 2018 EGP	30 September 2017 EGP
Beginning balance	519,595	1,287,655
Charged during the period	-	(768,060)
Ending balance	<u>519,595</u>	<u>519,595</u>

9 HELD TO MATURITY INVESTMENTS

	30 September 2018 EGP	31 December 2017 EGP
Treasury Bills	8,810,100,000	5,505,575,000
Unearned interest	(752,399,855)	(235,679,314)
Total held to maturity investments	<u>8,057,700,145</u>	<u>5,269,895,686</u>

	30 September 2018 EGP	31 December 2017 EGP
Amounts matures within 12 months	8,057,700,145	5,269,895,686
Amounts matures after 12 months	-	-
	<u>8,057,700,145</u>	<u>5,269,895,686</u>

10 ACCOUNTS AND NOTES RECEIVABLES

	30 September 2018 EGP	31 December 2017 EGP
Amounts receivable within 12 months	1,112,839,590	1,150,466,110
Amounts receivable after 12 months	1,295,081,162	1,500,183,882
	<u>2,407,920,752</u>	<u>2,650,649,992</u>
Unamortised discount	(362,537,428)	(411,193,307)
Amounts receivable, net	2,045,383,324	2,239,456,685
Accounts receivables, hotels	13,341,390	3,417,907
	<u>2,058,724,714</u>	<u>2,242,874,592</u>

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

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30 September 2018

10 ACCOUNTS AND NOTES RECEIVABLES (continued)

At 30 September 2018 and 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>Between 30 to 60 days</i>	<i>Between 60 to 90 days</i>	<i>More than 90 days</i>
	<i>EGP</i>	<i>EGP</i>	<i>EGP</i>	<i>EGP</i>	<i>EGP</i>	<i>EGP</i>
30 September 2018	2,058,724,714	1,917,236,604	18,761,119	9,333,432	6,619,138	106,774,421
31 December 2017	2,242,874,592	2,118,206,452	16,364,637	11,215,750	1,136,275	95,951,478

As at 30 September 2018, accounts and notes receivables were not impaired (impairment of 2017: 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.

11 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 period, 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>30 September 2018</i>					
		<i>Payments on behalf EGP</i>	<i>Assets- Computers EGP</i>	<i>Consultancy fees EGP</i>	<i>Finance Cost EGP</i>	<i>Revenue EGP</i>	<i>Sold units* EGP</i>
Turner Construction International Egypt	Joint venture	-	-	115,977,771	-	-	-
Emaar Properties – PJSC	Ultimate Parent	(1,475,527)	18,726,992	-	262,834	-	-
Board members and key management personnel		-	-	-	-	5,925,672	7,144,776

<i>Company</i>	<i>Nature</i>	<i>30 September 2017</i>					
		<i>Payments on behalf EGP</i>	<i>Assets- Computers EGP</i>	<i>Consultancy fees EGP</i>	<i>Finance Cost EGP</i>	<i>Revenue EGP</i>	<i>Sold units* EGP</i>
Turner Construction International Egypt	Joint venture	-	-	110,450,983	-	-	-
Emaar Properties – PJSC	Ultimate Parent	13,070,046	12,209,360	-	186,215	-	-
Board members and key management personnel		-	-	-	-	2,341,449	4,101,888

*Sold units transactions represent sales contracts signed with Board members and Key management personnel during the period.

11 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:

	30 September 2018				
	<i>Due from related parties</i>	<i>Due to related parties</i>	<i>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>
Ultimate Parent**	-	118,625,157	-	-	-
Subsidiaries of the ultimate parent	10,318	16,004,055	-	-	-
Joint venture of the ultimate parent	-	-	200,476,297	-	-
Board members and key management personnel	-	-	-	9,692,329	3,090,078
	<u>10,318</u>	<u>134,629,212</u>	<u>200,476,297</u>	<u>9,692,329</u>	<u>3,090,078</u>

	31 December 2017				
	<i>Due from related parties</i>	<i>Due to related parties</i>	<i>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>
Ultimate Parent**	-	101,373,692	-	-	-
Subsidiaries of the ultimate parent	2,818	5,291,428	-	-	-
Joint venture of the ultimate 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>

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

	30 September 2018	31 December 2017
	<i>EGP</i>	<i>EGP</i>
<i>Borrowings from related party</i>		
Emaar Properties PJSC – Ultimate Parent	10,948,935	10,948,935
	<u>10,948,935</u>	<u>10,948,935</u>

c) Compensation of key management personnel

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

	30 September 2018	30 September 2017
	<i>EGP</i>	<i>EGP</i>
Short-term benefits	22,239,991	18,910,652
End-of-service benefits	1,696,011	2,550,031
	<u>23,936,002</u>	<u>21,460,683</u>

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

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12 PREPAYMENTS, OTHER RECEIVABLES AND OTHER DEBIT BALANCES

	30 September 2018 EGP	31 December 2017 EGP
Prepayments	8,914,774	5,855,707
Advances to contractors and suppliers	3,021,516,345	1,564,483,537
Advances to employees	3,946,873	5,477,472
Accrued interest income	109,840,034	85,101,454
Tax authority- Value added tax	10,139,954	-
Customers maintenance – Current accounts*	320,241,774	188,227,892
Customers maintenance – Time deposits*	2,021,047,945	1,555,020,197
Due from customers – facility and customer charges	152,161,260	116,669,364
Other receivables	104,441,194	83,489,382
	<u>5,752,250,153</u>	<u>3,604,325,005</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% (2017: 11.66%) for balance of EGP 320,241,774 (2017: EGP 188,227,892)

Customers' maintenance - Time deposits with effective interest rate of 16% (2017: 15.96%) for balance of EGP 2,021,047,945 (2017: EGP 1,555,020,197).

	30 September 2018 EGP	31 December 2017 EGP
Amounts recoverable within 12 months	3,944,180,016	2,749,638,944
Amounts recoverable after 12 months	1,808,070,137	854,686,061
	<u>5,752,250,153</u>	<u>3,604,325,005</u>

13 CASH ON HAND AND AT BANK

	30 September 2018 EGP	31 December 2017 EGP
a) Egyptian pound		
Cash on hand	85,352	421,639
Current accounts	419,887,592	691,230,093
Time deposits	2,362,559,972	4,069,669,972
	<u>2,782,532,916</u>	<u>4,761,321,704</u>
b) Foreign currency		
Current accounts	498,307,088	228,845,758
	<u>498,307,088</u>	<u>228,845,758</u>
	<u>3,280,840,004</u>	<u>4,990,167,462</u>

Bank balances and cash are denominated in the following currencies:

	30 September 2018 EGP	31 December 2017 EGP
United Arab Emirates Dirham (AED)	130,139,045	69,556,472
United States Dollar (USD)	348,096,414	147,427,114
Euro (EUR)	15,075,048	10,485,360
Egyptian Pound (EGP)	2,782,532,917	4,761,321,704
Saudi Riyals (SAR)	4,996,580	1,376,812
	<u>3,280,840,004</u>	<u>4,990,167,462</u>

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

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13 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 11.96% (2017: 11.66 %)

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

	30 September 2018 EGP	31 December 2017 EGP
Bank balances and cash	3,280,840,004	4,990,167,463
Restricted cash/time deposit for letters of guarantee and credit*	(136,027,866)	(136,027,866)
Time deposits (maturity over 3 months)	(1,350,000,000)	(1,662,970,000)
Cash and cash equivalent	1,794,812,138	3,191,169,597

*Cash at banks as at 30 September 2018 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).

14 CREDIT FACILITIES

The movement of credit facilities during the period ended 30 September 2018 and 2017 is as follows:

	30 September 2018 EGP	30 September 2017 EGP
Balance at the beginning of the period	26,502,485	61,062,419
Borrowings drawn down during the period	-	28,381,584
Borrowings repaid during the period	(15,248,681)	(26,117,790)
Balance at the end of the period	11,253,804	63,326,213

	30 September 2018 EGP	31 December 2017 EGP
Maturing within 12 months	836,138	15,682,421
Maturing after 12 months	10,417,666	10,820,064
	11,253,804	26,502,485

Type	Interest rate %	Latest maturity (renewal)	30 September 2018 EGP	31 December 2017 EGP
Current portion credit facilities				
Credit facility 1*	1.5%+CBE Deposit Corridor rate	June 2019	636,641	1,549,905
Credit facility 3***	0.5%+CBE Lending Corridor rate	October 2018	199,497	14,132,516
Total current credit facilities			836,138	15,682,421
Non-current credit facilities				
Credit facility 1*	1.5%+CBE Deposit Corridor rate	October 2020	162,076	564,474
Credit facility 2**	1%+CBE Average Discount Corridor rate	November 2021	10,255,590	10,255,590
Total non-current credit facilities			10,417,666	10,820,064
			11,253,804	26,502,485

* 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.

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15 PROVISION FOR EMPLOYEES' END-OF-SERVICE BENEFITS

End-of-Service Benefits

The movement in the provision for employees' end-of-service benefits during the period ended 30 September 2018 and 2017 is as follows:

	30 September 2018 EGP	30 September 2017 EGP
Balance at the beginning of the period	27,819,413	20,115,209
Provided during the period	8,175,955	10,455,616
Paid during the period	(3,099,517)	(648,655)
No longer required during the period	-	(3,229,279)
Balance at the end of the period	<u>32,895,851</u>	<u>26,692,891</u>

16 PROVISIONS

	Balance as of 1 January 2018 EGP	Charged during the period EGP	No longer required during the period EGP	Used during the period EGP	Balance as of 30 September 2018 EGP
Provision for legal claims	12,025,064	3,771,819	(3,396,862)	(4,836,683)	7,563,338
Provision for other claims	81,820,211	225,568	-	(7,764,544)	74,281,235
	<u>93,845,275</u>	<u>3,997,387</u>	<u>(3,396,862)</u>	<u>(12,601,227)</u>	<u>81,844,573</u>

	Balance as of 1 January 2017 EGP	Charged during the period EGP	No longer required during the period EGP	Used during the period EGP	Balance as of 30 September 2017 EGP
Provision for legal claims	6,328,366	1,579,890	(1,627,437)	(237,790)	6,043,029
Provision for other claims	47,230,337	12,000,000	-	(2,798,344)	56,431,993
	<u>53,558,703</u>	<u>13,579,890</u>	<u>(1,627,437)</u>	<u>(3,036,134)</u>	<u>62,475,022</u>

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.

17 TRADE PAYABLES, ACCRUED EXPENSES AND OTHER CREDIT BALANCES

	30 September 2018 EGP	31 December 2017 EGP
Projects contracts cost accruals	2,043,031,969	2,436,747,129
Trade payables (suppliers, contractors and consultants)	653,622,047	501,747,123
Taxes payables (other than income tax) (Note 18)	26,779,582	15,724,296
Accrued expenses	214,625,712	145,357,768
Deferred revenue*	47,216,404	28,782,558
Social insurance authority	4,009,807	3,604,566
Other payables	34,272,501	13,939,583
Due to customers – Facility management	277,728,114	141,466,756
Customers maintenance payable**	2,148,725,025	1,632,191,392
	<u>5,450,011,161</u>	<u>4,919,561,171</u>

*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.

17 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 12).

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).

18 TAXES PAYABLES

	<i>30 September 2018</i> <i>EGP</i>	<i>31 December 2017</i> <i>EGP</i>
Tax authority- stamp tax	2,044,199	453,430
Tax authority- withholding tax	10,956,319	8,890,546
Tax authority- salary tax	2,340,024	1,765,718
Tax authority- value added tax	-	2,107,496
Tax authority- other tax	10,839,025	1,946,091
Tax authority- royalty tax	600,015	561,015
	<u>26,779,582</u>	<u>15,724,296</u>

19 ADVANCES FROM CUSTOMERS

The movement of advances from customers during the period ended 30 September 2018 and 2017 is as follows:

	<i>30 September 2018</i> <i>EGP</i>	<i>30 September 2017</i> <i>EGP</i>
Balance at the beginning of the period	12,589,925,776	9,382,546,247
Add: amounts collected during the period	5,634,545,938	5,135,863,921
Less: delivered units during the period	(2,773,638,393)	(2,539,116,805)
Balance at the end of the period	<u>15,450,833,321</u>	<u>11,979,293,363</u>

	<i>30 September 2018</i> <i>EGP</i>	<i>31 December 2017</i> <i>EGP</i>
Uptown Cairo project	3,051,826,204	2,795,392,832
Marassi project	5,645,082,436	4,215,742,379
Mivida project	6,753,924,681	5,578,790,565
	<u>15,450,833,321</u>	<u>12,589,925,776</u>

20 RETENTIONS PAYABLE

	<i>30 September 2018</i> <i>EGP</i>	<i>31 December 2017</i> <i>EGP</i>
Retentions payable within 12 months	123,830,870	80,399,549
Retentions payable after 12 months	223,682,422	184,471,535
	<u>347,513,292</u>	<u>264,871,084</u>

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21 SHARE CAPITAL

	30 September 2018	31 December 2017
	EGP	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	4529338000	4529338000

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 shares 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 shares, 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 shares 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

	Nine Months		Three Months	
	2018	2017	2018	2017
	EGP	EGP	EGP	EGP
Revenue from sale of development properties				
Marassi Project	1,075,103,887	1,296,829,376	523,258,119	472,446,167
Uptown Cairo Project	815,860,076	322,312,152	263,586,837	146,264,657
Mivida Project	931,330,309	980,172,977	282,467,569	222,038,641
	2,822,294,272	2,599,314,505	1,069,312,525	840,749,465

Revenue from property sales represents sales value of units handed over during the period 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.

24 COST OF REVENUE

	Nine Months		Three Months	
	2018	2017	2018	2017
	EGP	EGP	EGP	EGP
Cost of revenue from sale of development properties				
Marassi Project	514,064,605	765,825,618	249,648,714	251,060,546
Uptown Cairo Project	543,934,811	152,923,499	176,252,598	63,640,707
Mivida Project	561,816,100	640,083,318	163,857,370	141,743,222
	1,619,815,516	1,558,832,435	589,758,682	456,444,475

The cost of revenue of Uptown Cairo Project includes the reversal of an impairment loss 30 September 2018:Nil (30 September 2017: EGP 786,060).

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25 SELLING AND MARKETING EXPENSES

	<i>Nine Months</i>		<i>Three Months</i>	
	2018	2017	2018	2017
	EGP	EGP	EGP	EGP
Advertisements	42,131,165	40,447,973	14,926,600	18,704,659
Depreciation expenses of fixed assets (Note 4)	2,440,624	2,921,291	824,726	945,661
Marketing production and materials	15,542,347	6,859,321	2,026,153	779,247
Events and exhibitions	23,203,107	15,039,538	4,025,885	1,998,599
Sales commission	108,962,873	93,844,356	55,174,647	45,696,559
Other marketing expenses	13,961,910	10,436,615	5,057,169	4,304,985
	206,242,026	169,549,094	82,035,180	72,429,710

26 GENERAL AND ADMINISTRATIVE EXPENSES

	<i>Nine Months</i>		<i>Three Months</i>	
	2018	2017	2018	2017
	EGP	EGP	EGP	EGP
Depreciation expenses of fixed assets (Note 4)	46,385,678	33,683,268	20,966,158	11,340,165
Depreciation expenses of investment property (Note 7)	3,679,028	3,144,111	1,230,390	1,057,884
Salaries and benefits	74,447,468	67,854,564	25,450,539	20,604,779
Professional fees	10,398,088	13,207,246	2,472,010	4,753,274
IT expenses	16,487,572	15,645,552	6,577,315	4,885,543
Travel and entertainment	9,294,767	8,317,916	4,141,678	4,162,554
Communication	4,401,710	3,036,715	1,606,163	945,236
Facility management expenses	37,367,426	29,894,615	14,796,341	11,058,647
Other bank charges	3,701,418	2,842,818	1,510,597	1,040,797
Donations	65,803,018	3,183,799	40,197,466	49,250
Other expenses	39,161,235	8,591,020	20,859,150	4,028,933
	311,127,408	189,401,624	139,807,807	63,927,062

27 FINANCE INCOME

	<i>Nine Months</i>		<i>Three Months</i>	
	2018	2017	2018	2017
	EGP	EGP	EGP	EGP
Interest from time deposits and bank current accounts	625,354,063	377,593,711	143,281,515	152,172,742
Interest from held to maturity investments	592,908,202	560,054,215	273,787,050	209,993,735
Net foreign exchange gain	-	18,266,584	-	6,093,510
	1,218,262,265	955,914,510	417,068,565	368,259,987

28 FINANCE COST

	<i>Nine Months</i>		<i>Three Months</i>	
	2018	2017	2018	2017
	EGP	EGP	EGP	EGP
Interest on bank credit facilities and loans	398,725	1,166,791	132,117	486,850
Other bank charges	13,595	20,267	12,015	12,915
Net foreign exchange loss	3,468,036	-	2,725,890	-
	3,880,356	1,187,058	2,870,022	499,765

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29 OTHER INCOME

	<i>Nine Months</i>		<i>Three Months</i>	
	2018	2017	2018	2017
	EGP	EGP	EGP	EGP
Customers service charges	41,118,540	33,985,806	22,148,770	10,584,438
Penalties and administrative fees	120,915,288	104,603,416	49,299,662	37,458,424
Hospitality net (loss)*	11,134,088	14,903,713	21,892,981	24,478,706
Operating lease income	10,372,158	7,174,988	6,383,958	3,641,591
Gain from sale of fixed assets (Note 4)	-	304,874	-	(27,791)
Other operating income	8,673,771	10,998,358	4,094,620	3,584,007
	192,213,845	171,971,155	103,819,991	79,719,375

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

30 INCOME TAX

	<i>Nine Months</i>		<i>Three Months</i>	
	2018	2017	2018	2017
	EGP	EGP	EGP	EGP
Statement of Profit or Loss				
Current income tax	(305,341,049)	(352,409,064)	(109,595,468)	(212,380,501)
Deferred income tax	(26,353,532)	12,509,314	(9,605,618)	(4,162,922)
	(331,694,581)	(339,899,750)	(119,201,086)	(216,543,423)

Deferred income tax

	Statement of financial position		Statement of Profit or Loss	
	30 September 2018	31 December 2017	30 September 2018	30 September 2017
	EGP	EGP	EGP	EGP
Depreciation of fixed assets	(12,848,352)	(9,678,611)	(3,169,741)	(745,316)
Provisions and accruals	184,593,905	207,777,696	(23,183,791)	13,254,630
Net deferred income tax assets	171,745,553	198,099,085	(26,353,532)	12,509,314

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 2016 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 tax authority is in process of the corporate tax inspection for period from 1 January 2017 till 31 December 2017.
- The Company's records were not inspected for the period from 1 January 2018 till 30 September 2018.
- The Company enjoys tax relief on the projects established in the urban area to 31 December 2018.

Salary Tax

- The company's records were inspected since inception till 31 December 2010 and all tax dues were settled.
- The company's records were inspected and the company is waiting to receive the tax claim for the period from 1 January 2015 till 31 December 2015. The Tax Authority finalized the inspection process, and the company is waiting to receive the tax claim.
- The tax authority has inspected the company for the period from 1 January 2011 till 31 December 2014. The tax authority has issued the tax claim and send it to the company; the company's management informed us that it would reconcile the difference with tax authority.
- The company's records were not inspected from 1 January 2016 to 30 September 2018.

30 INCOME TAX (continued)**2. 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 tax authority has inspected the company for the period from 1 January 2016 till 31 December 2017
- The company's records were not inspected for the period from 1 January 2018 to 30 September 2018.

3. Stamp Tax

- The company's records were inspected since inception till 31 December 2017 and tax dues were settled.
- The company's records were not inspected for the period from 1 January 2018 to 30 September 2018.

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 period. The company has no dilutive shares.

	<i>Nine months</i>		<i>Three months</i>	
	<i>2018</i>	<i>2017</i>	<i>2018</i>	<i>2017</i>
	<i>EGP</i>	<i>EGP</i>	<i>EGP</i>	<i>EGP</i>
Net profit for the period	1,759,409,970	1,456,377,756	657,616,481	479,430,004
Employees share (estimated)	(102,332,014)	(94,586,044)	(34,963,610)	(28,734,089)
Net profit attributable to the ordinary equity holders	1,657,077,956	1,361,791,712	622,652,871	450,695,915
Weighted average number of ordinary shares for basic and diluted earnings	4529338000	4529338000	4529338000	4529338000
EPS – basic and diluted	0.37	0.30	0.14	0.10

32 COMMITMENTS

At 30 September 2018, the company had commitments in respect of its assets under construction and development properties not provided for in the financial statements amounted to EGP 12,109,298,350 (31 December 2017: EGP 7,457,519,075).

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>30 September 2018</i>	<i>31 December 2017</i>
	<i>EGP</i>	<i>EGP</i>
Within one year	18,034,176	17,315,731
After one year but not more than five years	72,648,258	70,379,636
More than five years	78,243,506	92,717,780
	168,925,940	180,413,147

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 13).
- 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 77,027,410) representing 90% of the contract value is fully covered (note 13).
- 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 13).

34 POST DATED CHECKS (OFF BALANCE SHEET)

The company maintains post dated checks amounted to EGP 12,579,279,724 (31 December 2017: EGP 12,037,674,830) 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 INSTRUMENTS 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.

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.

35 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)**a) Credit risk - Continued*****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. In addition, the local banks are under the supervision of the central Bank of Egypt and thus their exposure to credit risk is minimal.

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.

	30 September 2018		30 September 2017	
	<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%	23,625,600	+1%	33,368,700
	- 1%	(23,625,600)	- 1%	(33,368,700)
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 11-b to the financial statements. Interest rates on credit facilities from financial institutions are disclosed in Note 14 to the financial statements.

35 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

b) Market risk - continued**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.

	30 September 2018		30 September 2017	
	Change in rate	Effect on profit before tax EGP	Change in rate	Effect on profit before tax EGP
USD	+10%	14,416,704	+10%	(7,438,029)
	-10%	(14,416,704)	-10%	7,438,029
AED	+10%	1,120,090	+10%	(3,909,897)
	-10%	(1,120,090)	-10%	3,909,897
EUR	+10%	1,414,571	+10%	70,719
	-10%	(1,414,571)	-10%	(70,719)
SAR	+10%	499,658	+10%	113,946
	-10%	(499,658)	-10%	(113,946)

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 30 September 2018					
Credit facilities	1,056,512	2,005,372	14,428,698	-	17,490,582
Retentions payable	-	123,831,271	223,682,422	-	347,513,693
Trade payables, accrued expenses and other credit balances	3,243,929,378	-	-	-	3,243,929,378
Income tax payable	244,445,077	-	-	-	244,445,077
Borrowings from related parties	10,948,935	-	-	-	10,948,935
Due to related parties	134,629,212	-	-	-	134,629,212
Total undiscounted financial liabilities	3,635,009,114	125,836,643	238,111,120	-	3,998,956,877

c) Liquidity risk - Continued

	<i>Less than 3 Months EGP</i>	<i>3 to 12 months EGP</i>	<i>1 to 5 years EGP</i>	<i>Over 5 years EGP</i>	<i>Total EGP</i>
<i>As at 31 December 2017</i>					
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	<u>3,619,607,804</u>	<u>95,505,493</u>	<u>201,486,769</u>	<u>-</u>	<u>3,916,600,066</u>

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.