# EMAAR MISR FOR DEVELOPMENT COMPANY (S.A.E.)
## SEPARATE FINANCIAL STATEMENTS
### FOR THE PERIOD ENDED 30 SEPTEMBER 2019
### TOGETHER WITH REVIEW REPORT

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

**Separate Financial Statements**
**For the period ended 30 September 2019**

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Allied for Accounting & Auditing
Ragheb, Hamouda, Istanbouli, Tageldeen & El-Kilany
P.O. Box 20 Kattameya
Rama Tower
Ring Road, Zone #10A
Kattameya, Cairo, Egypt

Tel: +202 2726 0260
Fax: +202 2726 0100
Cairo.office@eg.ey.com
ey.com/mena

# INTERIM REVIEW REPOT

## REPORT ON REVIEW OF INTERIM SEPARATE 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 separate statement of financial position of **EMAAR MISR FOR DEVELOPMENT COMPANY – (S.A.E.)** as of 30 September 2019 as well as the related separate 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 separate financial statements does not give a true and fair view, in all material respects, of the separate financial position of the company as at 30 September 2019, and of its financial performance and its cash flows for the nine-month period then ended in accordance with Egyptian Accounting Standards.

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**Amr El Shaabini**
FESAA – FESTA
**(RAA. 9365)**
**(EFSAR .103)**

**Cairo: 4 November 2019**

# SEPARATE STATEMENT OF FINANCIAL POSITION

As at 30 September 2019

| | Notes | 30 September 2019 EGP | 31 December 2018 EGP |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Fixed assets | 4 | 2,072,552,572 | 2,071,171,897 |
| Fixed assets under construction | 5 | 948,144,163 | 495,136,462 |
| Investment in subsidiary | 6 | 42,500 | 42,500 |
| Investment properties | 7 | 494,051,069 | 270,492,391 |
| Deferred tax assets | 30 | 240,719,574 | 309,830,931 |
| **Total non-current assets** | | 3,755,509,878 | 3,146,674,181 |
| **Current assets** | | | |
| Development properties | 8 | 15,100,597,035 | 12,316,514,109 |
| Held to maturity investments | 9 | 9,025,520,489 | 6,958,189,358 |
| Accounts and notes receivables | 10 | 1,835,174,185 | 2,434,163,451 |
| Due from related parties | 11a | 10,318 | 10,318 |
| Prepayments and other receivables | 12 | 6,905,066,044 | 6,044,584,249 |
| Cash on hand and at banks | 13 | 3,756,338,191 | 5,325,611,405 |
| **Total current assets** | | 36,622,706,262 | 33,079,072,890 |
| **TOTAL ASSETS** | | 40,378,216,140 | 36,225,747,071 |
| **EQUITY AND LIABILITIES** | | | |
| **Equity** | | | |
| Share capital | 21 | 4,529,338,000 | 4,529,338,000 |
| Share premium | | 1,350,286,168 | 1,350,286,168 |
| Legal reserve | 22 | 434,015,997 | 263,070,930 |
| Retained earnings | | 7,829,062,868 | 4,581,106,588 |
| Profit for the period/year | | 628,995,310 | 3,418,901,347 |
| **TOTAL EQUITY** | | 14,771,698,343 | 14,142,703,033 |
| **LIABILITIES** | | | |
| **Non-current liabilities** | | | |
| Credit facilities | 14 | 10,276,990 | 10,340,475 |
| Provision for employees' end-of-service benefits | 15 | 30,195,372 | 31,491,984 |
| **Total non-current liabilities** | | 40,472,362 | 41,832,459 |
| **Current liabilities** | | | |
| Provisions | 16 | 67,280,185 | 63,630,422 |
| Trade payables, accrued expenses and other payables | 17 | 7,130,275,778 | 6,424,802,290 |
| Due to related parties | 11a | 162,802,472 | 144,690,327 |
| Income tax payable | | 95,727,658 | 329,019,799 |
| Advances from customers | 19 | 17,642,904,650 | 14,690,623,133 |
| Retentions payable | 20 | 456,833,060 | 376,843,488 |
| Credit facilities | 14 | 140,676 | 479,589 |
| Borrowings from related parties | 11b | 10,080,956 | 11,122,531 |
| **Total current liabilities** | | 25,566,045,435 | 22,041,211,579 |
| **TOTAL LIABILITIES** | | 25,606,517,797 | 22,083,044,038 |
| **TOTAL LIABILITIES AND EQUITY** | | 40,378,216,140 | 36,225,747,071 |

Chairman

Board Director

The accompanying notes 1 to 37 form an integral part of these separate financial statements.

# SEPERATE STATEMENT OF PROFIT OR LOSS

For the period ended 30 September 2019

| | | Nine months | | Three months | |
|---|---|---|---|---|---|
| | | **2019** | 2018 | **2019** | 2018 |
| | Notes | ***EGP*** | *EGP* | ***EGP*** | *EGP* |
| Revenue | 23 | **2,340,350,885** | 2,822,294,272 | **882,897,102** | 1,069,312,525 |
| Cost of revenue | 24 | **(1,390,303,525)** | (1,619,815,516) | **(535,402,937)** | (589,758,682) |
| **GROSS PROFIT** | | **950,047,360** | 1,202,478,756 | **347,494,165** | 479,553,843 |
| Selling and marketing expenses | 25 | **(255,912,487)** | (206,242,026) | **(111,571,529)** | (82,035,180) |
| General and administrative expenses | 26 | **(1,234,116,678)** | (311,127,408) | **(117,439,308)** | (139,807,807) |
| Finance income | 27 | **1,328,144,771** | 1,218,262,265 | **424,223,951** | 417,068,565 |
| Finance cost | 28 | **(44,954,360)** | (3,880,356) | **(20,547,304)** | (2,870,022) |
| Other income | 29 | **182,301,205** | 192,213,845 | **113,707,098** | 103,819,991 |
| Provisions | 16 | **(17,865,668)** | (3,997,387) | **(16,302,913)** | (161,220) |
| Provisions no longer required | 16 | **4,487,640** | 3,396,862 | **1,587,847** | 1,249,397 |
| **PROFIT FOR THE PERIOD BEFORE INCOME TAX** | | **912,131,783** | 2,091,104,551 | **621,152,007** | 776,817,567 |
| Income tax | 30 | **(283,136,473)** | (331,694,581) | **(86,454,699)** | (119,201,086) |
| **PROFIT FOR THE PERIOD** | | **628,995,310** | 1,759,409,970 | **534,697,308** | 657,616,481 |
| Earnings Per Share – basic and diluted | 31 | **0.13** | 0.37 | **0.11** | 0.14 |

The accompanying notes 1 to 37 form an integral part of these separate financial statements.

# SEPARATE STATEMENT OF COMPREHENSIVE INCOME

For the period ended 30 September 2019

| | *Nine months* | | *Three months* | |
|---|---|---|---|---|
| | ***2019*** | *2018* | ***2019*** | *2018* |
| | ***EGP*** | *EGP* | ***EGP*** | *EGP* |
| PROFIT FOR THE PERIOD | **628,995,310** | 1,759,409,970 | **534,697,308** | 657,616,481 |
| OTHER COMPREHENSIVE INCOME | - | - | - | - |
| **TOTAL COMPREHENSIVE INCOME** | **628,995,310** | 1,759,409,970 | **534,697,308** | 657,616,481 |

The accompanying notes 1 to 37 form an integral part of these separate financial statements.

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

## SEPARATE STATEMENT OF CHANGES IN EQUITY

For the period ended 30 September 2019

| | *Share capital* | *Share premium* | *Legal reserve* | *Retained Earnings* | *Profit for the period* | *Total* |
|---|---|---|---|---|---|---|
| | *EGP* | *EGP* | *EGP* | *EGP* | *EGP* | *EGP* |
| Balance at 1 January 2019 | 4,529,338,000 | 1,350,286,168 | 263,070,930 | 4,581,106,588 | 3,418,901,347 | 14,142,703,033 |
| Transfer to retained earnings and legal reserve | - | - | 170,945,067 | 3,247,956,280 | (3,418,901,347) | - |
| Total comprehensive income | - | - | - | - | 628,995,310 | 628,995,310 |
| **Balance at 30 September 2019** | **4,529,338,000** | **1,350,286,168** | **434,015,997** | **7,829,062,868** | **628,995,310** | **14,771,698,343** |

The accompanying notes 1 to 37 form an integral part of these separate financial statements.

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

### SEPARATE STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the period ended 30 September 2019

| | *Share capital* | *Share premium* | *Legal reserve* | *Retained Earnings* | *Profit for the Period* | *Total* |
|---|---|---|---|---|---|---|
| | *EGP* | *EGP* | *EGP* | *EGP* | *EGP* | *EGP* |
| 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 |
| 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 |
| **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** |

The accompanying notes 1 to 37 form an integral part of these Separate financial statement.

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

## SEPARATE STATEMENT OF CASH FLOW

For the period ended 30 September 2019

| | Notes | Nine months 2019 EGP | Nine months 2018 EGP |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Profit for the period before income tax | | **912,131,783** | 2,091,104,551 |
| Depreciation expenses of fixed assets | 4 | **131,731,836** | 54,339,037 |
| Depreciation expenses of investment properties | 7 | **3,681,900** | 3,679,028 |
| Provision for employees' end-of-service benefits | 15 | **34,018,609** | 8,175,955 |
| Provisions charged during the period | 16 | **17,865,668** | 3,997,387 |
| Provision no longer required | 16 | **(4,487,640)** | (3,396,862) |
| Gain on disposal of fixed assets | 4 | **(1,463,164)** | - |
| Finance costs | 28 | **44,954,360** | 3,880,356 |
| Finance income | 27 | **(1,328,144,771)** | (1,218,262,265) |
| | | **(189,711,419)** | 943,517,187 |
| **Cash from operations activities** | | | |
| Changes in accounts and notes receivables | | **598,989,266** | 184,149,878 |
| Changes in due from related parties | | | (7,500) |
| Changes in prepayments, other receivables and other debit balances | | **(821,359,241)** | (2,123,186,568) |
| Changes in development properties | | **(2,829,160,129)** | (1,111,646,026) |
| Changes in advances from customers | | **2,952,281,517** | 2,860,907,545 |
| Changes in trade payables, accrued expenses and other credit balances | | **715,664,090** | 530,295,898 |
| Changes in due to related parties | | **30,523,762** | 27,964,092 |
| Changes in retentions payable | | **79,989,572** | 82,642,208 |
| Letter of guarantee margin | | **518,782** | - |
| Provisions used | 16 | **(9,728,265)** | (12,601,227) |
| Employees' end-of-service benefits paid | 15 | **(35,315,221)** | (3,099,517) |
| Income tax paid | | **(447,317,259)** | (298,708,639) |
| **Net cash from (used in) operating activities** | | **45,375,455** | 1,080,227,331 |
| **Cash flows from investing activities** | | | |
| Finance income received | | **1,344,564,651** | 600,615,483 |
| Purchase of fixed assets | 4 | **(133,741,373)** | (56,341,729) |
| Proceeds from sale of fixed assets | 4 | **2,092,026** | - |
| Purchase of investment properties | 7 | **(180,608,069)** | (873,215) |
| Payments in fixed assets under construction | 5 | **(453,007,701)** | (1,114,684,870) |
| Acquisition of subsidiary | | - | (42,500) |
| Purchase of held to maturity investments | | **(9,784,996,560)** | (8,035,221,471) |
| Proceeds from held to maturity investments | | **7,717,665,429** | 5,840,325,000 |
| Time deposits (maturity over 3 months) | 13 | **750,000,000** | 312,970,000 |
| **Net cash from investing activities** | | **(738,031,597)** | (2,453,253,302) |
| **Cash flows from financing activities** | | | |
| Payment of credit facilities | 14 | **(402,398)** | (15,248,681) |
| Loans to related parties | | **(218,878)** | |
| Finance costs paid | | **(46,377,911)** | (8,133,206) |
| **Net cash (used in) financing activities** | | **(46,999,187)** | (23,381,887) |
| **Net increase in cash and cash equivalents** | | **(739,655,329)** | (1,396,407,858) |
| Net foreign currency exchange differences | | **(79,099,103)** | - |
| Cash and cash equivalent at the beginning of the period | 13 | **3,678,725,143** | 3,191,169,596 |
| **Cash and cash equivalent at the end of the period** | 13 | **2,859,970,711** | 1,794,761,738 |

The accompanying notes 1 to 37 form an integral part of these separate financial statements.

## 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 separate financial statements for the period ended 30 September 2019 were authorized for issuance in accordance with the resolution of the directors on 4 November 2019.

## 2.1 BASIS OF PREPARATION

The separate financial statements of the Company are prepared in accordance with Egyptian Accounting Standards ("EAS") and the applicable laws and regulations.

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

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

## 2.2 CHANGES IN ACCOUNTIING POLICIES

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

## 2.3 SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

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

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

The key judgements and estimates that have a significant impact on the separate 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 we 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 separate 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.

## 2.3 SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (continued)

**Estimations (continued)**

*Taxes (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.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Investment in subsidiaries**
Investments in subsidiaries are investments in entities in which the company has control, Control is achieved when the company 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 company controls an investee if, and only if, the company 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

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the company has less than a majority of the voting or similar rights of an investee, the company considers all relevant facts and circumstances in assessing whether it has power over an investee, including:
- The contractual arrangements with the other vote holders of the investee
- Right arising from other contractual arrangements
- The company voting rights and potential voting rights

The company 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 company obtains control over the subsidiary and ceases when the company loses control of the subsidiary.

Investments in subsidiaries are accounted for in the separate financial statements at cost including acquisition cost. In the event of impairment of the investment, the carrying amount is adjusted to the amount of that impairment and included in the statement of income or losses for each investment separately.

**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 in other income in the Statement of Profit or Loss.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

*Hospitality revenue*
Revenue from hotel accommodation, food and beverages and other services are recognised, net of discount and municipality fees, at the point at which the services are rendered in other income in the Statement of Profit or Loss.

*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.

**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 realizable value.

The cost of development properties includes the cost of land and other related expenditure which are capitalized when activities that are necessary to get the properties ready for sale are in progress. Net realizable value represents the estimated selling price less costs to be incurred in selling the property.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

**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).

**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 amortized 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 | 20-50 |
| 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.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

***Fixed Assets***

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.

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 separate 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 separate 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.

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.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 separate 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 separate 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 separate financial statements, All revenues of the Company in the Period ended 30 September 2019 were reported under one segment in the separate financial statements.

## 4 FIXED ASSETS

| | *Land* | *Buildings* | *Computers* | *Heavy equipment* | *Motor Vehicles* | *furniture and office equipment* | *Model homes, Sales centre, Mock-up* | *Equipment and tools* | *Banners and other assets* | ***Total*** |
|---|---|---|---|---|---|---|---|---|---|---|
| | EGP | EGP | EGP | EGP | EGP | EGP | EGP | EGP | EGP | **EGP** |
| **Cost** | | | | | | | | | | |
| As of 1 January 2019 | 82,214,195 | 1,683,525,209 | 112,903,397 | 299,149,758 | 62,337,415 | 214,526,305 | 84,451,423 | 62,371,517 | 9,858,888 | 2,611,338,107 |
| Additions | 1,225,442 | 89,897,570 | 15,407,567 | 6,275,600 | 2,414,000 | 3,232,422 | 5,477,639 | 9,811,133 | - | 133,741,373 |
| Disposals | - | - | (44,300) | - | (1,718,500) | (40,320) | (329,722) | (11,675) | - | (2,144,517) |
| **As of 30 September 2019** | **83,439,637** | **1,773,422,779** | **128,266,664** | **305,425,358** | **63,032,915** | **217,718,407** | **89,599,340** | **72,170,975** | **9,858,888** | **2,742,934,963** |
| **Accumulated depreciation** | | | | | | | | | | |
| As of 1 January 2019 | - | (198,322,523) | (59,003,675) | (69,460,012) | (39,223,121) | (57,902,984) | (70,805,987) | (35,593,243) | (9,854,665) | (540,166,210) |
| Depreciation | - | (37,932,617) | (28,891,640) | (14,211,759) | (5,769,414) | (34,132,586) | (3,298,251) | (7,492,939) | (2,630) | (131,731,836) |
| Disposals | - | - | 27,625 | - | 1,195,375 | 8,270 | 274,606 | 9,779 | - | 1,515,655 |
| **As of 30 September 2019** | - | **(236,255,140)** | **(87,867,690)** | **(83,671,771)** | **(43,797,160)** | **(92,027,300)** | **(73,829,632)** | **(43,076,403)** | **(9,857,295)** | **(670,382,391)** |
| **Net carrying amount :** | | | | | | | | | | |
| **At 30 September 2019** | **83,439,637** | **1,537,167,639** | **40,398,974** | **221,753,587** | **19,235,755** | **125,691,107** | **15,769,708** | **29,094,572** | **1,593** | **2,072,552,572** |
| At 31 December 2018 | 82,214,195 | 1,485,202,686 | 53,899,722 | 229,689,746 | 23,114,294 | 156,623,321 | 13,645,436 | 26,778,274 | 4,223 | 2,071,171,897 |

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

| | ***30 September 2019*** |
|---|---|
| Selling and marketing expenses (Note 25) | **3,297,577** |
| General and administrative expenses (Note 26) | **120,806,164** |
| Facility management expenses | **6,810,220** |
| Depreciation expense charged to the statement of profit or loss | **130,913,961** |
| Development properties (Note 8) | **817,875** |
| Total depreciation expenses | **131,731,836** |

- Gain from sale of fixed assets as follows:

| | ***EGP*** | ***EGP*** |
|---|---|---|
| Proceeds from sale of fixed assets | | **2,092,026** |
| Cost of disposed assets | **2,144,517** | |
| Accumulated depreciation of disposed assets | **(1,515,655)** | |
| Net book value of disposed assets | | **628,862** |
| Gain from sale of fixed assets (note 29) | | **1,463,164** |

## 4 FIXED ASSETS (continued)

| | *Land* | *Buildings* | *Computers* | *Heavy equipment* | *Motor Vehicles* | *furniture and office equipment* | *Model homes, Sales centre, Mock-up* | *Equipment and tools* | *Banners and other assets* | *Total* |
|---|---|---|---|---|---|---|---|---|---|---|
| | 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 |

## 5 FIXED ASSETS UNDER CONSTRUCTION

| | *30 September 2019* *EGP* | *31 December 2018* *EGP* |
|---|---|---|
| Marassi project (buildings, furniture and fixtures) | **712,147,406** | 324,904,539 |
| Uptown Cairo project (buildings, furniture and fixtures) | **109,425,689** | 83,870,624 |
| MIVIDA project (buildings, furniture and fixtures) | **126,571,068** | 86,361,299 |
| | **948,144,163** | 495,136,462 |

The movement of fixed assets under construction during the period ended 30 September 2019 and 2018 is as follows:

| | *30 September 2019* *EGP* | *30 September 2018* *EGP* |
|---|---|---|
| Beginning balance | **495,136,462** | 301,988,498 |
| Additions during the period | **453,007,701** | 1,114,684,870 |
| Transferred to fixed assets (Note 4) | - | (860,784,591) |
| Ending balance | **948,144,163** | 555,888,777 |

## 6 INVESTMENT IN SUBSIDIARY

During April 2018, the 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."

## 7 INVESTMENT PROPERTIES

| | *30 September 2019* *EGP* | *30 September 2018* *EGP* |
|---|---|---|
| **Cost** | | |
| Beginning balance | **289,378,317** | 132,023,157 |
| Additions | **180,608,069** | 873,215 |
| Transfer from Development properties (Note 8) | **46,632,510** | - |
| Ending balance | **516,618,896** | 132,896,372 |
| **Accumulated depreciation** | | |
| Beginning balance | **(18,885,927)** | (13,966,011) |
| Depreciation charged for the period | **(3,681,900)** | (3,679,028) |
| Ending balance | **(22,567,827)** | (17,645,039) |
| **Net carrying amount** | **494,051,069** | 115,251,333 |

| | *30 September 2019* *EGP* | *31 December 2018* *EGP* |
|---|---|---|
| Land | **15,491,697** | 15,491,698 |
| Building | **92,764,572** | 99,035,448 |
| Investment properties under Construction | **385,794,800** | 155,965,245 |
| **Net carrying amount** | **494,051,069** | 270,492,391 |

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 285,470,290 at 31 December 2018.

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.

## 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:

| | *Total* EGP | *Level 1* EGP | *Level 2* EGP | *Level 3* EGP |
|---|---|---|---|---|
| **30 September 2019*** | **285,470,290** | - | - | **285,470,290** |
| 31 December 2018 | 285,470,290 | - | - | 285,470,290 |

* The fair value of investment properties is based on latest valuation at 31 December 2018.

## 8 DEVELOPMENT PROPERTIES

| | ***30 September 2019*** EGP | *30 September 2018* EGP |
|---|---|---|
| Balance at the beginning of the period | **12,316,514,109** | 11,736,727,039 |
| Add: Cost incurred during the period | **4,077,390,235** | 2,604,911,648 |
| Add: Borrowing costs capitalised during the period | **1,555,307** | 4,406,542 |
| Add: Depreciation of fixed assets (capitalised portion) (Note 4) | **817,875** | 817,875 |
| Less: Transfers to investment properties (Note 7) | **(46,632,510)** | - |
| Less: Transfers to cost of revenue during the period | **(1,249,047,981)** | (1,494,083,497) |
| Balance at the end of the period | **15,100,597,035** | 12,852,779,607 |

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:**

| | ***30 September 2019*** EGP | *31 December 2018* EGP |
|---|---|---|
| Mivida project | **4,815,459,834** | 3,543,869,085 |
| Marassi project | **4,694,293,820** | 4,237,546,714 |
| Uptown Cairo project | **5,374,688,009** | 4,320,277,814 |
| Cairo Gate project | **216,674,967** | 215,340,091 |
| | **15,101,116,630** | 12,317,033,704 |
| Less: Impairment of development properties | **(519,595)** | (519,595) |
| | **15,100,597,035** | 12,316,514,109 |

## 8 DEVELOPMENT PROPERTIES (Continued)

| | 30 September 2019 EGP | 31 December 2018 EGP |
|---|---|---|
| Land *(Including interest of accrued installments ) | **2,160,805,427** | 2,272,253,503 |
| Consultations and designs | **2,913,040,841** | 2,532,985,391 |
| Construction and infrastructure works | **9,103,428,04٢** | 6,552,976,200 |
| Capitalized finance costs | **923,842,320** | 958,818,610 |
| | **15,101,116,630** | 12,317,033,704 |
| Less: Impairment of development properties | **(519,595)** | (519,595) |
| | **15,100,597,035** | 12,316,514,109 |

* The Company has completed the registeration of Marassi project land and is in process of completing the required legal procedures related to official registration of the other remianing land owned as of 30 September 2019.

The movement of impairment of development properties as follows:

| | 30 September 2019 EGP | 30 September2018 EGP |
|---|---|---|
| Beginning balance | **519,595** | 519,595 |
| Charged during the period | - | - |
| Ending balance | **519,595** | 519,595 |

## 9 HELD TO MATURITY INVESTMENTS

| | 30 September 2019 EGP | 31 December 2018 EGP |
|---|---|---|
| Treasury Bills | **9,927,350,000** | 7,592,600,000 |
| Unearned interest | **(901,829,511)** | (634,410,642) |
| **Total held to maturity investments** | **9,025,520,489** | 6,958,189,358 |

## 10 ACCOUNTS AND NOTES RECEIVABLES

| | 30 September 2019 EGP | 31 December 2018 EGP |
|---|---|---|
| Amounts receivable within 12 months | **1,063,135,844** | 1,379,784,441 |
| Amounts receivable after 12 months | **1,051,546,379** | 1,448,830,843 |
| | **2,114,682,223** | 2,828,615,284 |
| Unamortised discount | **(291,915,182)** | (399,682,168) |
| Amounts receivable, net | **1,822,767,041** | 2,428,933,116 |
| Accounts receivables, hotels | **12,407,144** | 5,230,335 |
| | **1,835,174,185** | 2,434,163,451 |

At 30 September 2019 and 31 December 2018, the ageing analysis of net accounts and notes receivables of delivered units is as follows:

| | Total | Neither Past Due nor Impaired | Past due but not impaired | | | |
|---|---|---|---|---|---|---|
| | | | Less than 30 days | Between 30 to60 days | Between 60 to90 days | More than 90days |
| | EGP | EGP | EGP | EGP | EGP | EGP |
| *30 September 2019* | **1,835,174,185** | **1,659,170,828** | **13,536,157** | **9,837,757** | **163,495** | **152,465,948** |
| *31 December 2018* | 2,434,163,451 | 2,128,731,027 | 48,915,118 | 12,052,099 | 13,067,701 | 231,397,506 |

## 10 ACCOUNTS AND NOTES RECEIVABLES (continued)

As at 30 September 2019, accounts and notes receivables were not impaired (impairment of 2018: 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 separate 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:

| | | 30 September 2019 | | | | | | |
|---|---|---|---|---|---|---|---|---|
| *Company* | *Nature* | *Payments on behalf* | *IT Expenses* | *Management fees & other expenses* | *Consultancy fees* | *Finance Cost* | *Revenue* | *Sold units** |
| | | *EGP* | *EGP* | *EGP* | *EGP* | *EGP* | *EGP* | *EGP* |
| Turner Construction International Egypt | Joint venture | - | - | - | **133,141,910** | - | - | - |
| Emaar Properties – PJSC | Ultimate Parent | **(1,314,624)** | **13,157,596** | - | - | **12,519,429** | - | - |
| Emaar Hospitality | Subsidiary of the parent | - | - | **1,117,182** | - | - | - | - |
| Emaar Hospitality and Hotels | Subsidiary of the parent | - | - | **17,436,191** | - | - | - | - |
| Board members and key management personnel | | - | - | - | - | - | - | - |

| | | 30 September 2018 | | | | | |
|---|---|---|---|---|---|---|---|
| *Company* | *Nature* | *Payments on behalf* | *IT expenses* | *Consultancy fees* | *Finance Cost* | *Revenue* | *Sold units** |
| | | *EGP* | *EGP* | *EGP* | *EGP* | *EGP* | *EGP* |
| 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 |

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

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

**a) Related party balances**
Significant related party balances are as follows:

| | 30 September 2019 | | | | |
|---|---|---|---|---|---|
| | *Due from related parties* | *Due to related parties* | *Trade payables and accruals* | *Advance from customers* | *Trade and notes receivables* |
| | *EGP* | *EGP* | *EGP* | *EGP* | *EGP* |
| Parent** | - | 124,462,293 | - | - | - |
| Subsidiaries of the parent | 10,318 | 38,340,179 | - | - | - |
| Joint venture of the parent | - | - | 163,573,185 | - | - |
| Board members and key management personnel | - | - | - | - | 601,116 |
| | 10,318 | 162,802,472 | 163,573,185 | - | 601,116 |

## 11 RELATED PARTY DISCLOSURES (continued)

| | 31 December 2018 | | | | |
|---|---|---|---|---|---|
| | *Due from related parties EGP* | *Due to related parties EGP* | *Trade payables and accruals EGP* | *Advance from customers EGP* | *Trade and notes receivables EGP* |
| Parent** | - | 124,903,523 | - | - | - |
| Subsidiaries of the parent | 10,318 | 19,786,804 | - | - | - |
| Joint venture of the parent | - | - | 113,259,280 | - | - |
| Board members and key management personnel | - | - | - | 10,424,804 | 2,812,304 |
| | 10,318 | 144,690,327 | 113,259,280 | 10,424,804 | 2,812,304 |

**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:

| | ***30 September 2019 EGP*** | *31 December 2018 EGP* |
|---|---|---|
| ***Borrowings from related party*** | | |
| Emaar Properties PJSC – Parent | **10,080,956** | 11,122,531 |
| | **10,080,956** | 11,122,531 |

### c) Compensation of key management personnel

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

| | ***30 September 2019 EGP*** | *30 September 2018 EGP* |
|---|---|---|
| Short-term benefits | **19,468,505** | 22,239,991 |
| End-of-service benefits | **3,931,485** | 1,696,011 |
| | **23,399,990** | 23,936,002 |

## 12 PREPAYMENTS AND OTHER RECEIVABLES

| | ***30 September 2019 EGP*** | *31 December 2018 EGP* |
|---|---|---|
| Prepayments | **8,836,320** | 9,455,978 |
| Advances to contractors and suppliers | **3,154,191,687** | 3,057,787,913 |
| Advances to employees | **2,880,924** | 3,065,289 |
| Accrued interest income | **138,409,867** | 99,287,313 |
| Customers maintenance – Current accounts* | **1,034,329,672** | 279,699,370 |
| Customers maintenance – Time deposits* | **2,080,842,500** | 2,263,318,210 |
| Tax authority- Value added tax | **10,442,782** | 12,449,923 |
| Due from customers – facility and customer charges | **268,567,940** | 195,301,544 |
| Other receivables | **206,564,352** | 124,218,709 |
| | **6,905,066,044** | 6,044,584,249 |

## 12 PREPAYMENTS AND OTHER RECEIVABLES (Continued)

*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 10% (2018: 12.83%) for balance of EGP 1,034,329,672 (2018: EGP 279,699,370).
Customers' maintenance - Time deposits with effective interest rate of 14.43% (2018: 14.82%) for balance of EGP 2,080,842,500 (2018: EGP 2,263,318,210).

| | *30 September 2019* EGP | *31 December 2018* EGP |
|---|---|---|
| Amounts recoverable within 12 months | **4,882,133,074** | 4,156,633,068 |
| Amounts recoverable after 12 months | **2,022,932,970** | 1,887,951,181 |
| | **6,905,066,044** | 6,044,584,249 |

## 13 CASH ON HAND AND AT BANK

| | *30 September 2019* EGP | *31 December 2018* EGP |
|---|---|---|
| **a) Egyptian pound** | | |
| Cash on hand | **96,585** | 7,384,894 |
| Current accounts | **922,677,965** | 911,094,414 |
| Time deposits | **1,889,418,368** | 3,791,003,514 |
| | **2,812,192,918** | 4,709,482,822 |
| **b) Foreign currency** | | |
| Current accounts | **944,145,273** | 616,128,583 |
| | **944,145,273** | 616,128,583 |
| | **3,756,338,191** | 5,325,611,405 |

**Bank balances and cash are denominated in the following currencies:**

| | *30 September 2019* EGP | *31 December 2018* EGP |
|---|---|---|
| United Arab Emirates Dirham (AED) | **225,186,839** | 154,423,646 |
| United States Dollar (USD) | **702,759,410** | 442,435,001 |
| Euro (EUR) | **10,827,196** | 15,832,774 |
| Egyptian Pound (EGP) | **2,812,192,918** | 4,709,482,822 |
| Pound Sterling (GBP) | **654** | 236 |
| Saudi Riyals (SAR) | **5,371,174** | 3,436,926 |
| | **3,756,338,191** | 5,325,611,405 |

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

Current account with an average effective interest rate of 11.19% (2018: 12.44%).Time deposits with an average effective interest rate of 14.3% (2018: 14.81%).

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

| | *30 September 2019* EGP | *31 December 2018* EGP |
|---|---|---|
| Bank balances and cash | **3,756,338,191** | 5,325,611,405 |
| Restricted cash/time deposit for letters of guarantee and credit* | **(146,367,480)** | (146,886,262) |
| Time deposits (maturity over 3 months) | **(750,000,000)** | (1,500,000,000) |
| **Cash and cash equivalent** | **2,859,970,711** | 3,678,725,143 |

*Cash at banks as at 30 September 2019 include an amount of EGP 146,367,480 in form of two renewable time deposits as a margin of a letter of guarantee and one letters of credit issued by the company (Note 33).

## 14 CREDIT FACILITIES

The movement of credit facilities during the period ended 30 September 2019 and 2018 is as follows:

| | ***30 September 2019*** ***EGP*** | *30 September 2018* *EGP* |
|---|---|---|
| Balance at the beginning of the period | **10,820,064** | 26,502,485 |
| Borrowings repaid during the period | **(402,398)** | (15,248,681) |
| Balance at the end of the period | **10,417,666** | 11,253,804 |

| | ***30 September 2019*** ***EGP*** | *31 December 2018* *EGP* |
|---|---|---|
| Maturing within 12 months | **140,676** | 479,589 |
| Maturing after 12 months | **10,276,990** | 10,340,475 |
| | **10,417,666** | 10,820,064 |

| *Type* | *Interest rate %* | *Latest maturity (renewal)* | ***30 September 2019*** ***EGP*** | *31 December 2018* *EGP* |
|---|---|---|---|---|
| **Current portion credit facilities** | | | | |
| Credit facility 1* | 0.5%+ CBE Deposit Corridor rate | April 2020 | **140,676** | 479,589 |
| **Total current credit facilities** | | | **140,676** | 479,589 |
| **Non-current credit facilities** | | | | |
| Credit facility 1* | 0.5%+ CBE Deposit Corridor rate | October 2020 | **21,400** | 84,885 |
| Credit facility 2** | 1%+CBE Average Discount Corridor rate | November 2021 | **10,255,590** | 10,255,590 |
| **Total non-current credit facilities** | | | **10,276,990** | 10,340,475 |
| | | | **10,417,666** | 10,820,064 |

* 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.

## 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 2019 and 2018 is as follows:

| | ***30 September 2019*** ***EGP*** | *30 September 2018* *EGP* |
|---|---|---|
| Balance at the beginning of the period | **31,491,984** | 27,819,413 |
| Provided during the period | **34,018,609** | 8,175,955 |
| Paid during the period | **(35,315,221)** | (3,099,517) |
| Balance at the end of the period | **30,195,372** | 32,895,851 |

## 16 PROVISIONS

| | Balance as of 1 January 2019 | Charged during the period | No longer required during the period | Used during the period | Balance as of 30 September 2019 |
|---|---|---|---|---|---|
| | **EGP** | **EGP** | **EGP** | **EGP** | **EGP** |
| Provision for legal claims | 22,142,567 | 2,873,372 | (4,487,640) | - | **20,528,299** |
| Provision for other claims | 41,487,855 | 14,992,296 | - | (9,728,265) | **46,751,886** |
| | **63,630,422** | **17,865,668** | **(4,487,640)** | **(9,728,265)** | **67,280,185** |

| | Balance as of 1 January 2018 | Charged during the period | No longer required during the period | Used during the period | Balance as of 30 September 2018 |
|---|---|---|---|---|---|
| | EGP | EGP | EGP | EGP | 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 |
| | 93,845,275 | 3,997,387 | (3,396,862) | (12,601,227) | 81,844,573 |

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 2019* | *31 December 2018* |
|---|---|---|
| | *EGP* | *EGP* |
| Projects contracts cost accruals | **2,734,903,788** | 2,874,234,420 |
| Trade payables (suppliers, contractors and consultants) | **624,098,643** | 604,633,169 |
| Taxes payables (other than income tax) (Note 18) | **56,537,815** | 25,811,220 |
| Accrued expenses | **385,265,369** | 213,374,051 |
| Deferred revenue* | **58,852,216** | 43,500,515 |
| Social insurance authority | **6,814,497** | 3,881,551 |
| Other payables | **37,426,636** | 22,585,174 |
| Due to customers – Facility management | **447,359,874** | 304,127,759 |
| Customers maintenance payable** | **2,779,016,940** | 2,332,654,431 |
| | **7,130,275,778** | 6,424,802,290 |

*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.

**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

| | *30 September 2019* | *31 December 2018* |
|---|---|---|
| | *EGP* | *EGP* |
| Tax authority- stamp tax | **1,733,952** | 1,447,688 |
| Tax authority- withholding tax | **17,379,174** | 20,071,332 |
| Tax authority- salary tax | **6,991,231** | 1,503,054 |
| Tax authority- other tax | **29,019,954** | 1,838,688 |
| Tax authority- royalty tax | **1,413,504** | 950,458 |
| | **56,537,815** | 25,811,220 |

## 19 ADVANCES FROM CUSTOMERS

| | 30 September 2019 EGP | 31 December 2018 EGP |
|---|---|---|
| Uptown Cairo project | 4,018,016,245 | 3,242,595,159 |
| Marassi project | 7,147,364,507 | 6,092,379,192 |
| Mivida project | 6,477,523,898 | 5,355,648,782 |
| | 17,642,904,650 | 14,690,623,133 |

## 20 RETENTIONS PAYABLE

| | 30 September 2019 EGP | 31 December 2018 EGP |
|---|---|---|
| Retentions payable within 12 months | 79,333,393 | 125,750,387 |
| Retentions payable after 12 months | 377,499,667 | 251,093,101 |
| | 456,833,060 | 376,843,488 |

## 21 SHARE CAPITAL

| | 30 September 2019 EGP | 31 December 2018 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 shares 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 | |
|---|---|---|---|---|
| | **2019** | 2018 | **2019** | 2018 |
| | **EGP** | EGP | **EGP** | EGP |
| **Revenue from property sales** | | | | |
| Marassi Project | **1,666,316,340** | 1,075,103,887 | **725,444,987** | 523,258,119 |
| Uptown Cairo Project | **88,679,297** | 815,860,076 | **9,157,915** | 263,586,837 |
| Mivida Project | **585,355,248** | 931,330,309 | **148,294,200** | 282,467,569 |
| **Total revenue from property sales** | **2,340,350,885** | 2,822,294,272 | **882,897,102** | 1,069,312,525 |

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 instalment schedule" to "till extended instalments schedule over 8 years", the unit price vary based on the selected instalment schedule by the customer.

## 24 COST OF REVENUE

| | Nine Months | | Three Months | |
|---|---|---|---|---|
| | **2019** | 2018 | **2019** | 2018 |
| | **EGP** | EGP | **EGP** | EGP |
| **Cost of revenue from property sales** | | | | |
| Marassi Project | **991,150,630** | 514,064,605 | **444,075,098** | 249,648,714 |
| Uptown Cairo Project | **49,739,500** | 543,934,811 | **3,670,449** | 176,252,598 |
| Mivida Project | **349,413,395** | 561,816,100 | **87,657,390** | 163,857,370 |
| **Total cost of revenue from property sales** | **1,390,303,525** | 1,619,815,516 | **535,402,937** | 589,758,682 |

## 25 SELLING AND MARKETING EXPENSES

| | Nine Months | | Three Months | |
|---|---|---|---|---|
| | **2019** | 2018 | **2019** | 2018 |
| | **EGP** | EGP | **EGP** | EGP |
| Advertisements | **20,374,648** | 42,131,165 | **6,885,087** | 14,926,600 |
| Depreciation expenses of fixed assets (Note 4) | **3,297,577** | 2,440,624 | **1,049,876** | 824,726 |
| Marketing production and materials | **21,389,254** | 15,542,347 | **4,145,014** | 2,026,153 |
| Events and exhibitions | **17,875,873** | 23,203,107 | **5,256,649** | 4,025,885 |
| Sales commission | **172,090,957** | 108,962,873 | **83,870,068** | 55,174,647 |
| Other marketing expenses | **20,884,178** | 13,961,910 | **10,364,835** | 5,057,169 |
| | **255,912,487** | 206,242,026 | **111,571,529** | 82,035,180 |

## 26 GENERAL AND ADMINSTRATIVE EXPENSES

| | Nine Months | | Three Months | |
|---|---|---|---|---|
| | **2019** | 2018 | **2019** | 2018 |
| | **EGP** | EGP | **EGP** | EGP |
| Depreciation expenses of fixed assets (Note 4) | **120,806,164** | 46,385,678 | **40,404,414** | 20,966,158 |
| Depreciation expenses of investment property (Note 7) | **3,681,900** | 3,679,028 | **1,203,461** | 1,230,390 |
| Salaries and benefits | **79,864,309** | 74,447,468 | **24,972,742** | 25,450,539 |
| Professional fees | **13,985,479** | 10,398,088 | **4,881,159** | 2,472,010 |
| IT expenses | **19,697,452** | 16,487,572 | **6,020,882** | 6,577,315 |
| Travel and entertainment | **10,141,484** | 9,294,767 | **5,124,123** | 4,141,678 |
| Communication | **4,068,840** | 4,401,710 | **811,223** | 1,606,163 |
| Facility management expenses | **55,552,333** | 37,367,426 | **26,112,629** | 14,796,341 |
| Other bank charges | **3,808,334** | 3,701,418 | **1,404,466** | 1,510,597 |
| Donations | **905,363,680** | 65,803,018 | **-** | 40,197,466 |
| Other expenses | **17,146,703** | 39,161,235 | **6,504,209** | 20,859,150 |
| | **1,234,116,678** | 311,127,408 | **117,439,308** | 139,807,807 |

## 27 FINANCE INCOME

| | *Nine Months* | | *Three Months* | |
|---|---|---|---|---|
| | **2019** | 2018 | **2019** | 2018 |
| | **EGP** | EGP | **EGP** | EGP |
| Interest from time deposits and bank current accounts | **334,830,707** | 625,354,063 | **108,901,065** | 143,281,515 |
| Interest from held to maturity investments | **993,314,064** | 592,908,202 | **315,322,886** | 273,787,050 |
| | **1,328,144,771** | 1,218,262,265 | **424,223,951** | 417,068,565 |

## 28 FINANCE COST

| | *Nine Months* | | *Three Months* | |
|---|---|---|---|---|
| | **2019** | 2018 | **2019** | 2018 |
| | **EGP** | EGP | **EGP** | EGP |
| Interest on bank credit facilities and loans | **341,394** | 398,725 | **83,251** | 132,117 |
| Other bank charges | **6,712** | 13,595 | **5,328** | 12,015 |
| Net foreign exchange loss | **44,606,254** | 3,468,036 | **20,458,725** | 2,725,890 |
| | **44,954,360** | 3,880,356 | **20,547,304** | 2,870,022 |

## 29 OTHER INCOME

| | *Nine Months* | | *Three Months* | |
|---|---|---|---|---|
| | **2019** | 2018 | **2019** | 2018 |
| | **EGP** | EGP | **EGP** | EGP |
| Customers service charges | **49,490,267** | 41,118,540 | **27,271,735** | 22,148,770 |
| Penalties and administrative fees | **84,541,052** | 120,915,288 | **37,346,823** | 49,299,662 |
| Hospitality net profit * | **38,316,948** | 11,134,088 | **45,783,434** | 21,892,981 |
| Operating lease income | **7,756,352** | 10,372,158 | **2,417,467** | 6,383,958 |
| Gain from sale of fixed assets (Note 4) | **1,463,164** | - | **887,639** | - |
| Other operating income | **733,422** | 8,673,771 | **-** | 4,094,620 |
| | **182,301,205** | 192,213,845 | **113,707,098** | 103,819,991 |

*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

| | *Nine Months* | | *Three Months* | |
|---|---|---|---|---|
| | **2019** | 2018 | **2019** | 2018 |
| | **EGP** | EGP | **EGP** | EGP |
| **Statement of Profit or Loss** | | | | |
| Current income tax | **(214,025,118)** | (305,341,049) | **(78,426,882)** | (109,595,468) |
| Deferred income tax | **(69,111,355)** | (26,353,532) | **(8,027,817)** | (9,605,618) |
| | **(283,136,473)** | (331,694,581) | **(86,454,699)** | (119,201,086) |

**Deferred income tax**

| | **Statement of financial position** | | **Statement of Profit or Loss** | |
|---|---|---|---|---|
| | **30 September 2019** | 31 December 2018 | **30 September 2019** | 30 September 2018 |
| | **EGP** | EGP | **EGP** | EGP |
| Depreciation of fixed assets | **(74,255,386)** | (27,640,840) | **(46,614,544)** | (3,169,741) |
| Provisions and accruals | **314,974,960** | 337,471,771 | **(22,496,811)** | (23,183,791) |
| **Net deferred income tax assets** | **240,719,574** | 309,830,931 | **(69,111,355)** | (26,353,532) |

## 30 INCOME TAX (CONTINUED)

**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 2017 and all tax dues were settled
- The Company enjoyed tax relief on the projects established in the urban area to 31 December 2018.
- The Company's records is under inspection from January 2018 till December 2018.
- No corporate tax inspection has taken place for the period from 1 January 2019 till 30 September 2019

2. **Salary Tax**

- The company's records were inspected since inception till 31 December 2016 and all tax dues were settled
- The company's records were inspected and the company for the period from 1 January 2017 till 31 December 2017. No tax claim is issued from tax authority till date.
- The company's records were not inspected from 1 January 2018 to 30 September 2019.

3. **Sales Tax / Value Added 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 and all tax dues were settled
- The company's records were not inspected for the period from 1 January 2018 to 30 September 2019.

4. **Stamp Tax**

- The company's records were inspected since inception till 31 December 2018 and tax dues were settled,
- The company's records were not inspected for the period from 1 January 2019 to 30 September 2019.

## 31 EARNINGS PER SHARE

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

| | *Nine months* | | *Three months* | |
|---|---|---|---|---|
| | ***2019*** | *2018* | ***2019*** | *2018* |
| | ***EGP*** | *EGP* | ***EGP*** | *EGP* |
| Net profit for the period | **628,995,310** | 1,759,409,970 | **534,697,308** | 657,616,481 |
| Employees share (estimated) | **(53,320,123)** | (102,332,014) | **(44,361,813)** | (34,963,610) |
| **Net profit attributable to the ordinary equity holders** | **575,675,187** | 1,657,077,956 | **490,335,495** | 622,652,871 |
| **Weighted average number of ordinary shares for basic and diluted earnings** | 4529338000 | 4529338000 | 4529338000 | 4529338000 |
| **EPS – basic and diluted** | **0.13** | 0.37 | **0.11** | 0.14 |

## 32 COMMITMENTS

At 30 September 2019, the company had commitments in respect of its assets under construction and development properties not provided for in the financial statements amounted to EGP 15,161,227,818 (31 December 2018: EGP 12,713,854,841).

**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:

| | *30 September 2019* *EGP* | *31 December 2018* *EGP* |
|---|---|---|
| **Within one year** | **17,836,571** | 18,012,965 |
| **After one year but not more than five years** | **63,217,406** | 72,910,572 |
| **More than five years** | **53,672,400** | 72,728,450 |
| | **134,726,377** | 163,651,987 |

## 33 CONTINGENT LIABILITIES

- A letter of guarantee was issued in favour of "Shore protection Authority" during the 2017 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" amounted to USD 4,361,688 (against time deposit to EGP 88,418,368) representing 90% of the contract value is fully covered. The unexecuted works amounted to USD 2,248,187 (note 13).
- A letter of credit was issued in favour of "Siemens Technologies S,A,E" during the 2017 amounted to Euro 408,485 (equivalent to EGP 7,744,875) is fully covered (note 13).
- A letter of credit was issued in favour of "Kharafi National for infrastructure projects developments – construction and services" during 2019 amounted to USD 6,318,952 (against treasury bills of face valueof EGP 131,175,000) representing 80% of the contract value is fully covered. The unexecuted works amounted to USD 3,613,436.

## 34 POST DATED CHECKS (OFF BALANCE SHEET)

The company maintains post-dated checks amounted to EGP 15,105,196,037 (31 December 2018: EGP 12,778,979,741) which represent post-dated checks of undelivered units and not included in statement of financial position, These checks represent future instalments 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.

**35 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)**

**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.

***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,

## 35 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

| | ***30 September 2019*** | | *30 September 2018* | |
|---|---|---|---|---|
| | ***Change in rate*** | ***Effect on profit before tax EGP*** | *Change in rate* | *Effect on profit before tax EGP* |
| Financial asset | **+1%** | **18,894,184** | +1% | 23,625,600 |
| | **- 1%** | **(18,894,184)** | - 1% | (23,625,600) |
| Financial liability | **+1%** | **(28,018)** | +1% | (28,018) |
| | **- 1%** | **28,018** | - 1% | 28,018 |

The interest rates on loans from related parties are described in Note 11-b to the separate financial statements, Interest rates on credit facilities from financial institutions are disclosed in Note 14 to the separate financial statements,

***Exposure to foreign currency risk***

The following tables demonstrate the sensitivity to a reasonably possible change in USD, EUR, AED,GBP 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 2019*** | | *30 September 2018* | |
|---|---|---|---|---|
| | **Change in rate** | **Effect on profit before tax EGP** | Change in rate | Effect on profit before tax EGP |
| **USD** | **+10%** | **55,451,553** | +10% | 14,416,704 |
| | **-10%** | **(55,451,553)** | -10% | (14,416,704) |
| **AED** | **+10%** | **10,072,626** | +10% | 1,120,090 |
| | **-10%** | **(10,072,626)** | -10% | (1,120,090) |
| **EUR** | **+10%** | **1,082,720** | +10% | 1,414,571 |
| | **-10%** | **(1,082,720)** | -10% | (1,414,571) |
| **SAR** | **+10%** | **537,117** | +10% | 499,658 |
| | **-10%** | **(537,117)** | -10% | (499,658) |
| **GBP** | **+10%** | **65** | +10% | - |
| | **-10%** | **(65)** | -10% | - |

### 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,

## 35 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

**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 2019* | | | | | |
| Credit facilities | **504,614** | **1,244,988** | **11,931,269** | - | **13,680,871** |
| Retentions payable | - | **79,333,393** | **377,499,667** | - | **456,833,060** |
| Trade payables, accrued expenses and other credit balances | **4,292,406,621** | - | - | - | **4,292,406,621** |
| Income tax payable | **95,727,658** | - | - | - | **95,727,658** |
| Borrowings from related parties | **10,080,956** | - | - | - | **10,080,956** |
| Due to related parties | **162,802,472** | - | - | - | **162,802,472** |
| **Total undiscounted financial liabilities** | **4,561,522,321** | **80,578,381** | **389,430,936** | - | **5,031,531,638** |

| | *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 2018* | | | | | |
| Credit facilities | 706,027 | 1,645,207 | 13,771,948 | - | 16,123,182 |
| Retentions payable | - | 125,750,387 | 251,093,101 | - | 376,843,488 |
| Trade payables, accrued expenses and other credit balances | 4,048,647,345 | - | - | - | 4,048,647,345 |
| Income tax payable | 329,019,799 | - | | - | 329,019,799 |
| Borrowings from related parties | 11,122,531 | - | - | - | 11,122,531 |
| Due to related parties | 144,690,327 | - | - | - | 144,690,327 |
| Total undiscounted financial liabilities | 4,534,186,129 | 127,395,594 | 264,865,049 | - | 4,926,446,772 |

## 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,

## 37 SUBSEQUENT EVENTS

On 27 July 2017 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. On 3 October 2019 Emaar Misr for Development S.A.E. (the Company) and El Nasr Housing and Development Company signed a settlement agreement at the Council of Ministries and the contract enforcement procedures shall be completed.
The settlement contract included the agreement to end the procedural, technical and financial points including the waiver of El Nasr Housing and Development Company in respect to the original arbitration and the abandonment of Emaar Misr for Development S.A.E. (the Company) of the corresponding one in front of Cairo Regional Centre for International Commercial Arbitration.