

**EMAAR MISR FOR DEVELOPMENT
COMPANY (S.A.E.)
SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019
TOGETHER WITH AUDIT REPORT**

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

Separate Financial Statements

For the year ended 31 December 2019

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AUDITOR'S REPORT

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

Report on the separate financial statements

We have audited the accompanying separate financial statements of **EMAAR MISR FOR DEVELOPMENT COMPANY (S.A.E.)** represented in the financial position as of 31 December 2019 and the related statements of profit or loss, comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the separate Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the separate financial statements. The procedures selected depend on the auditor's professional judgment, including the assessment of the risks of material misstatement of the separate financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the separate financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the separate financial statements.

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

AUDITOR'S REPORT - Continued

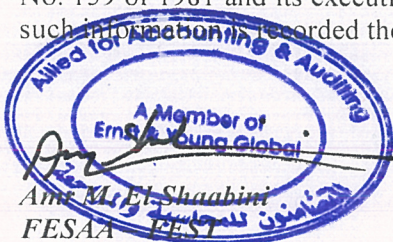
Opinion

In our opinion, the consolidated financial statements referred to above, give a true and fair view, in all material respects, of the consolidated financial position of **Emaar Misr For development (S.A.E) and It's subsidiary**, as of 31 December 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Egyptian Accounting Standards and the related applicable Egyptian laws and regulations.

Report on Other Legal and Regulatory Requirements

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

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



Amer M. El-Shaabini
FESAA - ESA
(RAA 9365)
(CMAR 103)

Cairo: 2 March 2020

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

Translation of separate financial statements
Originally issued in Arabic

SEPARATE STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Notes	2019 EGP	2018 EGP
ASSETS			
Non-current assets			
Fixed assets	4	2,148,856,278	2,071,171,897
Fixed assets under construction	5	958,519,586	495,136,462
Investment in subsidiary	6	42,500	42,500
Investment properties	7	561,795,690	270,492,391
Deferred tax assets	30	282,530,579	309,830,931
Total non-current assets		3,951,744,633	3,146,674,181
Current assets			
Development properties	8	16,495,848,060	12,316,514,109
Held to maturity investments	9	8,832,226,259	6,958,189,358
Accounts and notes receivables	10	2,086,227,655	2,434,163,451
Due from related parties	11a	10,318	10,318
Prepayments, other receivables and other debit balances	12	7,694,680,054	6,044,584,249
Cash on hand and at banks	13	3,510,775,510	5,325,611,405
Total current assets		38,619,767,856	33,079,072,890
TOTAL ASSETS		42,571,512,489	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 year		1,739,273,874	3,418,901,347
TOTAL EQUITY		15,881,976,907	14,142,703,033
LIABILITIES			
Non-current liabilities			
Credit facilities	14	10,255,590	10,340,475
Provision for employees' end-of-service benefits	15	37,890,032	31,491,984
Total non-current liabilities		48,145,622	41,832,459
Current liabilities			
Provisions	16	64,860,193	63,630,422
Trade payables, accrued expenses and other credit balances	17	8,326,256,538	6,424,802,290
Due to related parties	11a	168,354,585	144,690,327
Income tax payable		369,952,503	329,019,799
Advances from customers	19	17,270,405,232	14,690,623,133
Retentions payable	20	431,537,664	376,843,488
Credit facilities	14	84,885	479,589
Borrowings from related parties	11b	9,938,360	11,122,531
Total current liabilities		26,641,389,960	22,041,211,579
TOTAL LIABILITIES		26,689,535,582	22,083,044,038
TOTAL LIABILITIES AND EQUITY		42,571,512,489	36,225,747,071

Chairman

Board Director

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

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

SEPARATE STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2019

	Notes	2019 <i>EGP</i>	2018 <i>EGP</i>
Revenue	23	5,467,926,983	6,341,683,065
Cost of revenue	24	(3,239,514,598)	(3,762,184,682)
GROSS PROFIT		2,228,412,385	2,579,498,383
Selling and marketing expenses	25	(425,187,039)	(272,668,593)
General and administrative expenses	26	(1,372,422,425)	(455,877,431)
Finance income	27	1,763,573,596	1,680,929,938
Finance cost	28	(52,330,675)	(536,779)
Other income	29	229,587,011	225,635,088
Provisions	16	(18,574,842)	(17,731,894)
Provisions no longer required	16	5,784,608	2,243,283
PROFIT FOR THE YEAR BEFORE INCOME TAX		2,358,842,619	3,741,491,995
Income tax	30	(619,568,745)	(322,590,648)
PROFIT FOR THE YEAR		1,739,273,874	3,418,901,347
Earnings Per Share - basic and diluted	31	0.35	0.72

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

SEPARATE STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2019

	2019 <i>EGP</i>	2018 <i>EGP</i>
PROFIT FOR THE YEAR	1,739,273,874	3,418,901,347
OTHER COMPREHENSIVE INCOME	-	-
TOTAL COMPREHENSIVE INCOME	1,739,273,874	3,418,901,347

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

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

Translation of separate financial statements
Originally issued in Arabic

SEPARATE STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

	<i>Share capital</i>	<i>Share premium</i>	<i>Legal reserve</i>	<i>Retained Earnings</i>	<i>Profit for the year</i>	<i>Total</i>
	<i>EGP</i>	<i>EGP</i>	<i>EGP</i>	<i>EGP</i>	<i>EGP</i>	<i>EGP</i>
Balance at 1 January 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	-	-	-	-	1,739,273,874	1,739,273,874
Balance at 31 December 2019	4,529,338,000	1,350,286,168	434,015,997	7,829,062,868	1,739,273,874	15,881,976,907

The accompanying notes 1 to 36 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 year ended 31 December 2019

	<i>Share capital</i>	<i>Share premium</i>	<i>Legal reserve</i>	<i>Retained Earnings</i>	<i>Profit for the year</i>	<i>Total</i>
	<i>EGP</i>	<i>EGP</i>	<i>EGP</i>	<i>EGP</i>	<i>EGP</i>	<i>EGP</i>
Balance at 1 January 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	-	-	-	-	3,418,901,347	3,418,901,347
Balance at 31 December 2018	4,529,338,000	1,350,286,168	263,070,930	4,581,106,588	3,418,901,347	14,142,703,033

The accompanying notes 1 to 36 form an integral part of these Separate financial statement

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

SEPARATE STATEMENTS OF CASH FLOWS

For the year ended 31 December 2019

	Notes	2019 EGP	2018 EGP
Cash flows from operating activities			
Profit for the year before income tax		2,358,842,619	3,741,491,995
Depreciation expenses of fixed assets	4	180,366,509	113,237,647
Depreciation expenses of investment properties	7	5,467,099	4,919,916
Provision for employees' end-of-service benefits	15	50,500,692	14,079,231
Provisions charged during the year	16	18,574,842	17,731,894
Provision no longer required	16	(5,784,608)	(2,243,283)
Gain on disposal of fixed assets	4	(35,746,346)	-
Impairment of development properties	8	27,467,231	-
Finance costs	28	52,330,675	536,779
Finance income	27	(1,763,573,596)	(1,680,929,938)
		888,445,117	2,208,824,241
Cash from operating activities			
Changes in accounts and notes receivables		347,935,796	(191,288,859)
Changes in due from related party		-	(7,500)
Changes in prepayments, other receivables and other debit balances		(1,673,923,212)	(2,426,122,932)
Changes in development properties		(4,424,914,327)	(574,703,835)
Changes in advances from customers		2,579,782,099	2,100,697,357
Changes in trade payables, accrued expenses and other credit balances		1,886,980,835	1,532,596,222
Changes in due to related parties		38,097,127	38,198,802
Changes in retentions payable		54,694,176	111,972,404
Letter of guarantee and letter of credit margin	13	(1,727,934)	(10,858,396)
Provisions used	16	(11,560,463)	(45,703,464)
Employees' end-of-service benefits paid	15	(44,102,644)	(10,406,660)
Income tax paid		(551,335,691)	(119,651,884)
Net cash from operating activities		(911,629,121)	2,613,545,496
Cash flows from investing activities			
Finance income received		1,724,015,247	727,337,488
Acquisition of subsidiary		-	(42,500)
Purchase of fixed assets	4	(92,257,331)	(572,228,612)
Proceeds from sale of fixed assets	4	38,182,838	-
Purchase of investment properties	7	(76,573,778)	(1,389,916)
Payments in fixed assets under construction	5	(631,613,175)	(1,185,978,540)
Purchase of held to maturity investments		(11,555,226,260)	(10,224,924,251)
Proceeds from held to maturity investments		9,681,189,359	8,995,000,000
Time deposits (maturity over 3 months)	13	1,300,000,000	162,970,000
Net cash from investing activities		387,716,900	(2,099,256,331)
Cash flows from financing activities			
Payments of credit facilities	14	(479,589)	(15,682,421)
Finance cost paid		(54,427,111)	(5,620,014)
Net cash from financing activities		(54,906,700)	(21,302,435)
Net (decrease) increase in cash and cash equivalents		(578,818,921)	492,986,730
Net foreign exchange differences		62,255,092	(5,431,183)
Cash and cash equivalent at the beginning of the year	13	3,678,725,143	3,191,169,596
Cash and cash equivalent at the end of the year	13	3,162,161,314	3,678,725,143

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

Emaar Misr for Development Company (S.A.E)
NOTES TO THE SEPARATE FINANCIAL STATEMENTS
31 December 2019

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 year ended 31 December 2019 were authorized for issuance in accordance with the resolution of the directors on 1 March 2020.

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 ACCOUNTING POLICIES

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

2.3 STANDARDS ISSUED BUT NOT EFFECTIVE

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

EAS 47: Financial Instruments

EAS 47 Financial Instruments that replaces EAS 26 Financial Instruments: Recognition and Measurement. EAS 47 is issued in April 2019 and is effective for annual periods beginning on or after 1 January 2020 in Egypt, with early application permitted. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions. The Company elected not to early adopt EAS 47.

The Company’s financial assets would appear to satisfy the conditions for classification as either amortized cost or fair value through other comprehensive income or fair value through profit or loss.

The new impairment model requires the recognition of impairment provisions based on expected credit losses rather than only incurred credit losses as is the case under EAS 26. It applies to financial assets classified at amortized cost,

2.3 STANDARDS ISSUED BUT NOT EFFECTIVE (Continued)

debt instruments measured at fair value through other comprehensive income, contract assets under EAS 48 Revenue from Contracts with Customers, lease receivables, loan commitments and certain financial guarantee contracts.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Company's disclosures about its financial instruments.

The new standard requires the Company to review its accounting procedures and internal controls relating to the financial instruments for which reports are being issued. These changes have not yet been finalized.

EAS 48: Revenue from contracts with customers

EAS 48 was issued in April 2019, and effective from 1 January 2020 in Egypt, establishes a five-step model to account for revenue arising from contracts with customers. EAS 48 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including EAS 11 Revenue, EAS 8 Construction Contracts. Under EAS 48, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The new revenue standard will supersede all current revenue recognition requirements under EAS. A modified retrospective application is required for annual periods beginning on or after 1 January 2020. The Company elected not to early adopt the standard. The company will apply the new standard in its effective date using modified retrospective application.

EAS 49: Leases

EAS 49 was issued in April 2019 and effective date is 1 January 2020 in Egypt. This standard will replace EAS 20 "Accounting for finance Leases":

EAS 49 now requires lessees to recognize a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. There is an optional exemption of certain short-term leases and leases of low-value assets.

The mandatory date for adoption for the standard is 1 January 2020, and allows early adoption. The Company elected not to early adopt EAS 49.

2.4 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 the Company had transferred to the buyer the significant risks and rewards of ownership of the real estate units.

2.4 SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (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.

2.4 SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (Continued)

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

Impairment of non-financial assets

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 and is included in other income in the Statement of Profit or Loss.

Hospitality revenue

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

2.5 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.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

Fixed assets under construction

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

Impairment 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.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Social insurance and Employees' End-of-services

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

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

Foreign currencies

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

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

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

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

Contingent Liabilities and Assets

Contingent liabilities are not recognized in the 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.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

All assets and liabilities for which fair value is measured or disclosed in the 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 year ended 31 December 2019 were reported under one segment in the separate financial statements.

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4 FIXED ASSETS

	<i>Land</i>	<i>Buildings</i>	<i>Computers</i>	<i>Heavy equipment</i>	<i>Motor Vehicles</i>	<i>Furniture and office equipment</i>	<i>Model homes, Sales centre, Mock-up</i>	<i>Equipment and tools</i>	<i>Banners and other assets</i>	<i>Total</i>
	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP
Cost										
As of 1 January 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	1,854,725	14,167,615	25,361,274	6,673,600	3,212,992	7,008,747	15,963,500	18,014,878	-	92,257,331
Transfer from fixed assets under construction (Note 5)	-	156,365,695	-	-	-	7,673,170	4,191,186	-	-	168,230,051
Disposals	-	(2,237,662)	(46,060)	-	(1,718,500)	-	(331,162)	(58,075)	-	(4,391,459)
As of 31 December 2019	84,068,920	1,851,820,857	138,218,611	305,823,358	63,831,907	229,208,222	104,274,947	80,328,320	9,858,888	2,867,434,030
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	-	(52,098,262)	(38,967,210)	(19,600,939)	(7,956,272)	(46,083,987)	(4,816,762)	(10,839,567)	(3,510)	(180,366,509)
Disposals	-	437,080	28,637	-	1,195,375	-	275,826	18,049	-	1,954,967
As of 31 December 2019	-	(249,983,705)	(97,942,248)	(89,060,951)	(45,984,018)	(103,986,971)	(75,346,923)	(46,414,761)	(9,858,175)	(718,577,752)
Net carrying amount : At 31 December 2019	84,068,920	1,601,837,152	40,276,363	216,762,407	17,847,889	125,221,251	28,928,024	33,913,559	713	2,148,856,278
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:

- Gain from sale of fixed assets as follows:

	<i>2019 EGP</i>	<i>EGP</i>	<i>EGP</i>
Selling and marketing expenses (Note 25)	4,816,089		
General and administrative expenses (Note 26)	163,734,941		
Facility management expenses	10,724,979		
Depreciation expense charged to the statement of profit or loss	179,276,009		
Development properties (Note 8)	1,090,500		
Total depreciation expenses	180,366,509		
Proceeds from sale of fixed assets			38,182,838
Cost of disposed assets		4,391,459	
Accumulated depreciation of disposed assets		(1,954,967)	
Net book value of disposed assets			2,436,492
Gain from sale of fixed assets (Note 29)			35,746,346

Emaar Misr for Development Company (S.A.E)
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4 FIXED ASSETS (continued)

	<i>Land</i>	<i>Buildings</i>	<i>Computers</i>	<i>Heavy equipment</i>	<i>Motor Vehicles</i>	<i>Furniture and office equipment</i>	<i>Model homes, Sales centre, Mock-up</i>	<i>Equipment and tools</i>	<i>Banners and other assets</i>	<i>Total</i>
	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP
Cost										
As of 1 January 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	19,114,492	351,244,105	34,629,097	16,888,456	14,363,851	116,800,991	7,989,966	11,190,636	7,020	572,228,614
Transfer from fixed assets under construction (Note 5)	4,549,974	819,553,435	29,165,463	157,724,206	4,519,054	43,779,500	-	13,272,803	-	1,072,564,435
As of 31 December 2018	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
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	-	(35,042,505)	(21,214,355)	(26,867,575)	(5,989,645)	(14,599,863)	(3,374,463)	(6,146,444)	(2,797)	(113,237,647)
As of 31 December 2018	-	(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)
Net carrying amount : 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
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:

	<i>2018</i>
	<i>EGP</i>
Selling and marketing expenses (Note 25)	3,362,718
General and administrative expenses (Note 26)	101,371,993
Facility management expenses	7,412,436
Depreciation expense charged to the statement of profit or loss	112,147,147
Development properties (Note 8)	1,090,500
Total depreciation expenses	113,237,647

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5 FIXED ASSETS UNDER CONSTRUCTION

	2019 EGP	2018 EGP
Marassi project (buildings, furniture and fixtures)	650,602,936	324,904,539
Uptown Cairo project (buildings, furniture and fixtures)	135,755,339	83,870,624
MIVIDA project (buildings, furniture and fixtures)	172,161,311	86,361,299
	958,519,586	495,136,462

The movement of fixed assets under construction during the year ended 31 December 2019 and 2018 is as follows:

	2019 EGP	2018 EGP
Beginning balance	495,136,462	301,988,498
Additions during the year	631,613,175	1,185,978,540
Transfer from development properties (Note 8)	-	79,733,859
Transferred to fixed assets (Note 4)	(168,230,051)	(1,072,564,435)
Ending balance	958,519,586	495,136,462

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

	2019 EGP	2018 EGP
Cost		
Beginning balance	289,378,318	132,023,157
Additions	76,573,778	1,389,916
Transfer from Development properties (Note 8)	220,196,620	155,965,245
Ending balance	586,148,716	289,378,318
Accumulated depreciation		
Beginning balance	(18,885,927)	(13,966,011)
Depreciation charged for the year	(5,467,099)	(4,919,916)
Ending balance	(24,353,026)	(18,885,927)
Net carrying amount	561,795,690	270,492,391
	2019 EGP	2018 EGP
Land	15,491,698	15,491,698
Building	170,142,128	99,035,448
Under Construction	376,161,864	155,965,245
Net carrying amount	561,795,690	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 719,976,197 at 31 December 2019, (2018: EGP 441,435,535).

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.

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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	Level 1	Level 2	Level 3
	EGP	EGP	EGP	EGP
31 December 2019	719,976,197	-	-	719,976,197
31 December 2018	441,435,535	-	-	441,435,535

8 DEVELOPMENT PROPERTIES

	2019	2018
	EGP	EGP
Balance at the beginning of the year	12,316,514,109	11,736,727,039
Add: Cost incurred during the year	7,363,047,639	4,056,093,526
Add: Borrowing costs capitalised during the year	2,083,474	5,083,235
Add: Depreciation of fixed assets (capitalised portion) (Note 4)	1,090,500	1,090,500
Less: Transfers to investment properties (Note 7)	(220,196,620)	(155,965,245)
Less: Transfers to fixed assets under construction (Note 5)	-	(79,733,859)
Less: Transfers to cost of revenue during the year	(2,939,223,811)	(3,246,781,087)
Less: Impairment of development properties (Note 24)	(27,467,231)	-
Balance at the end of the year	16,495,848,060	12,316,514,109

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:

	2019	2018
	EGP	EGP
Mivida project	4,606,935,074	3,543,869,085
Marassi project	5,082,183,707	4,237,546,714
Uptown Cairo project	5,726,214,269	4,320,277,814
Cairo Gate project	1,108,501,836	215,340,091
	16,523,834,886	12,317,033,704
Less: Impairment of development properties	(27,986,826)	(519,595)
	16,495,848,060	12,316,514,109

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8 DEVELOPMENT PROPERTIES (Continued)

	2019 EGP	2018 EGP
Land (including land instalments interest due)*	2,075,773,721	2,272,253,503
Consultations and designs	3,058,144,581	2,532,985,391
Construction and infrastructure works	10,480,405,647	6,552,976,200
Capitalized finance costs	909,510,937	958,818,610
	<u>16,523,834,886</u>	<u>12,317,033,704</u>
Less: Impairment of development properties	(27,986,826)	(519,595)
	<u>16,495,848,060</u>	<u>12,316,514,109</u>

* The Company has completed the registration of Marassi project land and is in process of completing the required legal procedures related to official registration of the other remaining land owned as of 31 December 2019.

The movement of impairment of development properties as follows:

	2019 EGP	2018 EGP
Beginning balance	519,595	519,595
Impairment charged during the year	27,467,231	-
Ending balance	<u>27,986,826</u>	<u>519,595</u>

9 HELD TO MATURITY INVESTMENTS

	2019 EGP	2018 EGP
Treasury Bills	9,593,175,000	7,592,600,000
Unearned interest	(760,948,741)	(634,410,642)
Total held to maturity investments	<u>8,832,226,259</u>	<u>6,958,189,358</u>

	2019 EGP	2018 EGP
Amounts matures within 12 months	8,832,226,259	6,958,189,358
Amounts matures after 12 months	-	-
	<u>8,832,226,259</u>	<u>6,958,189,358</u>

10 ACCOUNTS AND NOTES RECEIVABLES

	2019 EGP	2018 EGP
Amounts receivable within 12 months	1,203,650,616	1,379,784,441
Amounts receivable after 12 months	1,244,349,269	1,448,830,843
	<u>2,447,999,885</u>	<u>2,828,615,284</u>
Unamortised discount	(364,903,587)	(399,682,168)
Amounts receivable, net	2,083,096,298	2,428,933,116
Accounts receivables, hotels	3,131,357	5,230,335
	<u>2,086,227,655</u>	<u>2,434,163,451</u>

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10 ACCOUNTS AND NOTES RECEIVABLES (continued)

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

	Total	Neither Past Due nor Impaired	Less than 30 days	Past due but not impaired		
				Between 30 to60 days	Between 60 to90 days	More than 90days
	EGP	EGP	EGP	EGP	EGP	EGP
31 December 2019	2,086,227,655	1,842,004,471	49,891,059	10,342,977	470,155	183,518,993
31 December 2018	2,434,163,451	2,128,731,027	48,915,118	12,052,099	13,067,701	231,397,506

As at 31 December 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 year, the following were the significant related party transactions, which were carried out in the normal course of business on terms agreed between the parties:

Company	Nature	Payments on behalf	IT software	2019 Management fees & other expenses	Consultancy fees	Revenue	Sold units*
		EGP	EGP	EGP	EGP	EGP	EGP
Turner Construction International Egypt	Joint venture	-	-	-	217,027,083	-	-
Emaar Properties – PJSC	Parent	1,448,092	34,976,275	-	-	-	-
Emaar Hospitality	Subsidiary of the parent	-	-	13,442,603	-	-	-
Emaar Hospitality and Hotels	Subsidiary of the parent	-	-	17,038,012	-	-	-
Board members and key management personnel		-	-	-	-	-	-
Company	Nature	Payments on behalf	Computer Software and IT Expenses	2018 Management fees	Consultancy fees	Revenue	Sold units*
		EGP	EGP	EGP	EGP	EGP	EGP
Turner Construction International Egypt	Joint venture	-	-	-	156,402,160	-	-
Emaar Properties – PJSC	Parent	1,541,752	23,028,171	-	-	-	-
Emaar Hospitality	Subsidiary of the parent	-	-	14,495,376	-	-	-
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 year.

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11 RELATED PARTY DISCLOSURES (continued)

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

a) Related party balances

Significant related party balances are as follows:

	Due from related parties EGP	Due to related parties EGP	2019 Trade payables and accruals EGP	Advance from customers EGP	Trade and notes receivables EGP
Parent**	-	144,972,372	-	-	-
Subsidiaries of the parent	10,318	23,382,213	-	-	-
Joint venture of the parent	-	-	245,504,019	-	-
Board members and key management personnel	-	-	-	-	550,677
	<u>10,318</u>	<u>168,354,585</u>	<u>245,504,019</u>	<u>-</u>	<u>550,677</u>

	Due from related parties EGP	Due to related parties EGP	2018 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
	<u>10,318</u>	<u>144,690,327</u>	<u>113,259,280</u>	<u>10,424,804</u>	<u>2,812,304</u>

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

b) Related party borrowings

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

	2019 EGP	2018 EGP
<i>Borrowings from related party</i>		
Emaar Properties PJSC – Parent	<u>9,938,360</u>	<u>11,122,531</u>
	<u>9,938,360</u>	<u>11,122,531</u>

c) Compensation of key management personnel

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

	2019 EGP	2018 EGP
Short-term benefits	27,256,044	28,395,967
End-of-service benefits	<u>5,685,526</u>	<u>1,661,082</u>
	<u>32,941,570</u>	<u>30,057,049</u>

12 PREPAYMENTS, OTHER RECEIVABLES AND OTHER DEBIT BALANCES

	2019 EGP	2018 EGP
Prepayments	7,470,061	9,455,978
Advances to contractors and suppliers	3,736,677,195	3,057,787,913
Advances to employees	3,034,127	3,065,289
Accrued interest income	75,459,910	99,287,313
Customers maintenance – Current accounts*	208,810,532	279,699,370
Tax authority- Value added tax	-	12,449,923
Customers maintenance – Time deposits*	3,156,511,620	2,263,318,210
Due from customers – facility and customer charges	326,363,280	161,778,734
Other receivables	180,353,329	157,741,519
	<u>7,694,680,054</u>	<u>6,044,584,249</u>

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

Customers' maintenance - Current account with an average effective interest rate of 10 % (2018: 12.83%) for balance of EGP 208,810,532 (2018: EGP 279,699,370).

Customers' maintenance - Time deposits with effective interest rate of 11.45% (2018: 14.82%) for balance of EGP 3,156,511,620 (2018: EGP 2,263,318,210).

	2019 EGP	2018 EGP
Amounts recoverable within 12 months	5,416,354,732	4,156,633,068
Amounts recoverable after 12 months	2,278,325,322	1,887,951,181
	<u>7,694,680,054</u>	<u>6,044,584,249</u>

13 CASH ON HAND AND AT BANK

	2019 EGP	2018 EGP
a) Egyptian pound		
Cash on hand	7,606,912	7,384,894
Current accounts	832,671,292	911,094,414
Time deposits	1,644,014,196	3,791,003,514
	<u>2,484,292,400</u>	<u>4,709,482,822</u>
b) Foreign currency		
Current accounts	1,026,483,110	616,128,583
	<u>1,026,483,110</u>	<u>616,128,583</u>
	<u>3,510,775,510</u>	<u>5,325,611,405</u>

13 CASH ON HAND AND AT BANK (Continued)

Bank balances and cash are denominated in the following currencies:

	2019	2018
	EGP	EGP
United Arab Emirates Dirham (AED)	235,217,544	154,423,646
United States Dollar (USD)	771,336,533	442,435,001
Euro (EUR)	13,606,673	15,832,774
Egyptian Pound (EGP)	2,484,292,400	4,709,482,822
Pound Sterling (GBP)	323	236
Saudi Riyals (SAR)	6,322,037	3,436,926
	<u>3,510,775,510</u>	<u>5,325,611,405</u>

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

Current account with an average effective interest rate of 10.56 % (2018: 12.44 %). Time deposits with an average effective interest rate of 11.52% (2018: 14.81%).

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

	2019	2018
	EGP	EGP
Bank balances and cash	3,510,775,510	5,325,611,405
Restricted cash/time deposit for letters of guarantee and credit*	(148,614,196)	(146,886,262)
Time deposits (maturity over 3 months)	(200,000,000)	(1,500,000,000)
Cash and cash equivalent	<u>3,162,161,314</u>	<u>3,678,725,143</u>

*Cash at banks as at 31 December 2019 include an amount of EGP 148,614,196 in form of two renewable time deposits as a margin of a letter of guarantee and two letter of credit issued by the company (Note 33).

14 CREDIT FACILITIES

The movement of credit facilities during the year ended 31 December 2019 and 2018 is as follows:

	2019	2018
	EGP	EGP
Balance at the beginning of the year	10,820,064	26,502,485
Borrowings repaid during the year	(479,589)	(15,682,421)
Balance at the end of the year	<u>10,340,475</u>	<u>10,820,064</u>

	2019	2018
	EGP	EGP
Maturing within 12 months	84,885	479,589
Maturing after 12 months	10,255,590	10,340,475
	<u>10,340,475</u>	<u>10,820,064</u>

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14 CREDIT FACILITIES (Continued)

			2019	2018
Type	Interest rate %	Latest maturity (renewal)	EGP	EGP
Current portion credit facilities				
Credit facility 1*	0.5%+ CBE Deposit Corridor rate	October 2020	84,885	479,589
Total current credit facilities			84,885	479,589
Non-current credit facilities				
Credit facility 1*	0.5%+ CBE Deposit Corridor rate	October 2020	-	84,885
Credit facility 2**	1%+CBE Average Discount Corridor rate	November 2021	10,255,590	10,255,590
Total non-current credit facilities			10,255,590	10,340,475
			10,340,475	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 year ended 31 December 2019 and 2018 is as follows:

	2019 EGP	2018 EGP
Balance at the beginning of the year	31,491,984	27,819,413
Provided during the year	50,500,692	14,079,231
Paid during the year	(44,102,644)	(10,406,660)
Balance at the end of the year	37,890,032	31,491,984

16 PROVISIONS

	Balance as of 1 January 2019 EGP	Charged during the year EGP	No longer required during the year EGP	Used during the year EGP	Balance as of 31 December 2019 EGP
Provision for legal claims	22,142,567	3,502,865	(5,784,608)	-	19,860,824
Provision for other claims	41,487,855	15,071,977	-	(11,560,463)	44,999,369
	63,630,422	18,574,842	(5,784,608)	(11,560,463)	64,860,193

	Balance as of 1 January 2018 EGP	Charged during the year EGP	No longer required during the year EGP	Used during the year EGP	Balance as of 31 December 2018 EGP
Provision for legal claims	12,025,064	17,561,468	(2,243,283)	(5,200,682)	22,142,567
Provision for other claims	81,820,211	170,426	-	(40,502,782)	41,487,855
	93,845,275	17,731,894	(2,243,283)	(45,703,464)	63,630,422

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16 PROVISIONS (Continued)

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

	2019 EGP	2018 EGP
Projects contracts cost accruals	3,165,187,682	2,884,285,032
Trade payables (suppliers, contractors and consultants)	1,122,021,333	604,633,169
Taxes payables (other than income tax) (Note 18)	56,591,984	25,811,220
Accrued expenses	389,108,648	203,323,439
Deferred revenue*	69,130,518	43,500,515
Social insurance authority	6,788,391	3,881,551
Other payables	19,634,462	22,585,174
Due to customers – Facility management	489,718,463	304,127,759
Customers maintenance payable**	3,008,075,057	2,332,654,431
	8,326,256,538	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

	2019 EGP	2018 EGP
Tax authority- stamp tax	2,447,670	1,447,688
Tax authority- withholding tax	25,031,697	20,092,119
Tax authority- value added tax	6,776,595	903,942
Tax authority- other tax	20,772,174	2,417,013
Tax authority- royalty tax	1,563,848	950,458
	56,591,984	25,811,220

19 ADVANCES FROM CUSTOMERS

	2019 EGP	2018 EGP
Uptown Cairo project	4,155,519,782	3,242,595,159
Marassi project	7,881,337,325	6,092,379,192
Mivida project	5,233,548,125	5,355,648,782
	17,270,405,232	14,690,623,133

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20 RETENTIONS PAYABLE

	2019 EGP	2018 EGP
Retentions payable within 12 months	44,797,065	125,750,387
Retentions payable after 12 months	386,740,599	251,093,101
	<u>431,537,664</u>	<u>376,843,488</u>

21 SHARE CAPITAL

	2019 EGP	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	<u>4529338000</u>	<u>4529338000</u>

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

	2019 EGP	2018 EGP
Revenue from property sales		
Marassi Project	2,182,689,496	1,704,059,576
Uptown Cairo Project	318,857,209	978,515,106
Mivida Project	2,966,380,278	3,659,108,383
Total revenue from property sales	<u>5,467,926,983</u>	<u>6,341,683,065</u>

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 7 years", the unit price vary based on the selected instalment schedule by the customer.

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24 COST OF REVENUE

	2019 EGP	2018 EGP
Cost of revenue from property sales		
Marassi Project	1,248,165,978	1,041,067,584
Uptown Cairo Project*	249,255,950	648,259,730
Mivida Project*	1,742,092,670	2,072,857,368
Total cost of revenue from property sales	3,239,514,598	3,762,184,682

The cost of revenue of Projects includes impairment loss 31 December 2019: EGP 27,467,231 (31 December 2018: EGP Nil).

25 SELLING AND MARKETING EXPENSES

	2019 EGP	2018 EGP
Advertisements	29,257,298	53,712,218
Depreciation expenses of fixed assets (Note 4)	4,816,089	3,362,718
Marketing production and materials	25,915,112	16,680,889
Events and exhibitions	28,911,642	30,181,027
Sales commission	302,660,186	146,532,196
Other marketing expenses	33,626,712	22,199,545
	425,187,039	272,668,593

26 GENERAL AND ADMINISTRATIVE EXPENSES

	2019 EGP	2018 EGP
Depreciation expenses of fixed assets (Note 4)	163,734,941	101,371,993
Depreciation expenses of investment property (Note 7)	5,467,099	4,919,916
Salaries and benefits	109,183,705	102,431,472
Professional fees	20,726,915	24,567,442
IT expenses	41,745,253	23,006,829
Travel and entertainment	14,508,978	13,780,090
Communication	5,439,800	5,902,064
Facility management expenses	71,436,640	55,253,862
Other bank charges	5,147,820	4,945,946
Contribution for health insurance	19,042,789	10,050,611
Donations	906,018,452	65,766,683
Other expenses	9,970,033	43,880,523
	1,372,422,425	455,877,431

27 FINANCE INCOME

	2019 EGP	2018 EGP
Interest from time deposits and bank current accounts	403,281,013	767,887,951
Interest from held to maturity investments	1,360,292,583	912,056,166
Net foreign exchange gain	-	985,821
	1,763,573,596	1,680,929,938

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28 FINANCE COST

	2019 EGP	2018 EGP
Interest on bank credit facilities and loans	479,602	518,056
Other bank charges	11,840	18,723
Net foreign exchange loss	51,839,233	-
	<u>52,330,675</u>	<u>536,779</u>

29 OTHER INCOME

	2019 EGP	2018 EGP
Customers service charges	34,619,396	36,791,854
Penalties and administrative fees	111,299,885	159,270,875
Hospitality net profit*	29,858,133	5,785,592
Operating lease income	17,329,829	16,118,480
Gain from sale of fixed assets (Note 4)	35,746,346	-
Other operating income	733,422	7,668,287
	<u>229,587,011</u>	<u>225,635,088</u>

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

30 INCOME TAX

	2019 EGP	2018 EGP
Statement of Profit or Loss		
Current income tax	(555,390,096)	(434,322,494)
Tax expenses from previous years inspection	(36,878,300)	-
Deferred income tax	(27,300,349)	111,731,846
	<u>(619,568,745)</u>	<u>(322,590,648)</u>

Deferred income tax

	Statement of financial position		Statement of Profit or Loss	
	2019 EGP	2018 EGP	2019 EGP	2018 EGP
Depreciation of fixed assets	(79,430,828)	(27,640,840)	(51,789,988)	(17,962,229)
Provisions and accruals	361,961,407	337,471,771	24,489,639	129,694,075
Net deferred income tax assets	<u>282,530,579</u>	<u>309,830,931</u>	<u>(27,300,349)</u>	<u>111,731,846</u>

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's records were inspected for the period from 1 January 2018 till 31 December 2018 and the company objected on the inspection result and the dispute points transferred to the internal committee that did not issue its decision till date.

No corporate tax inspection has taken place for the period from 1 January 2019 till 31 December 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, and the company is waiting to receive the tax claim.
- The company's records were not inspected from 1 January 2018 to 31 December 2019.

3. Sales Tax / VAT

- 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 31 December 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 31 December 2019.

31 EARNINGS PER SHARE

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

	2019 EGP	2018 EGP
Net profit for the year	1,739,273,874	3,418,901,347
Employees share (estimated)	<u>(165,231,018)</u>	<u>(136,045,499)</u>
Net profit attributable to the ordinary equity holders	1,574,042,856	3,282,855,848
Weighted average number of ordinary shares for basic and diluted earnings	4,529,338,000	4,529,338,000
EPS – basic and diluted	<u>0.35</u>	<u>0.72</u>

32 COMMITMENTS

At 31 December 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 12,397,371,374 (31 December 2018: EGP 12,713,854,841).

32 COMMITMENTS (continued)

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:

	2019 EGP	2018 EGP
Within one year	17,725,675	18,012,965
After one year but not more than five years	72,132,593	72,910,572
More than five years	40,325,794	72,728,450
	130,184,062	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" during the 2017 amounted to USD 1,709,338 (against time deposit to EGP 98,614,197) representing 90% of the contract value is fully covered (note 13).
- A letter of credit was issued in favour of "Siemens Technologies S.A.E" during the 2017 amounted to Euro 408,485 (equivalent to EGP 8,467,894) 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 against treasury bills of face value of EGP 44,975,000. The unexecuted works amounted to USD 3,501,681.

34 POST DATED CHECKS (OFF BALANCE SHEET)

The company maintains post-dated checks amounted to EGP 18,643,798,782 (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:

- Credit risk,
- Market risk, and
- Liquidity risk.

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

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

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

a) Credit risk

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

35 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

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.

	Change in rate	2019 Effect on profit before tax EGP	Change in rate	2018 Effect on profit before tax EGP
Financial asset	+1%	16,440,142	+1%	38,910,035
	- 1%	(16,440,142)	- 1%	(38,910,035)
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.

35 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

b) Market risk- continued

Exposure to foreign currency risk

The following tables demonstrate the sensitivity to a reasonably possible change in USD, EUR, AED, 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.

	2019		2018	
	Change in rate	Effect on profit before tax EGP	Change in rate	Effect on profit before tax EGP
USD	+10%	65,468,553	+10%	26,568,703
	-10%	(65,468,553)	-10%	(26,568,703)
AED	+10%	10,911,354	+10%	2,920,193
	-10%	(10,911,354)	-10%	(2,920,193)
EUR	+10%	1,155,971	+10%	1,320,160
	-10%	(1,155,971)	-10%	(1,320,160)
SAR	+10%	632,204	+10%	343,693
	-10%	(632,204)	-10%	(343,693)
GBP	+10%	32	+10%	24
	-10%	(32)	-10%	(24)

c) Liquidity risk

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

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

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

Financial liabilities

	Less than 3 Months EGP	3 to 12 months EGP	1 to 5 years EGP	Over 5 years EGP	Total EGP
<i>As at 31 December 2019</i>					
Credit facilities	374,030	1,120,999	11,430,803	-	12,925,832
Retentions payable	-	44,797,065	386,740,599	-	431,537,664
Trade payables, accrued expenses and other credit balances	5,249,050,963	-	-	-	5,249,050,963
Income tax payable	369,952,503	-	-	-	369,952,503
Borrowings from related parties	9,938,360	-	-	-	9,938,360
Due to related parties	168,354,585	-	-	-	168,354,585
Total undiscounted financial liabilities	5,797,670,441	45,918,064	398,171,402	-	6,241,759,907

35 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

c) Liquidity risk (Continued)

	Less than 3 Months EGP	3 to 12 months EGP	1 to 5 years EGP	Over 5 years EGP	Total EGP
<i>As at 31 December 2018</i>					
Credit facilities	706,027	1,645,207	13,771,948	-	16,123,182
Retentions payable	-	376,843,488	-	-	376,843,488
Trade payables, accrued expenses and other credit balances	4,048,647,445	-	-	-	4,048,647,445
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	<u>4,534,186,129</u>	<u>378,488,695</u>	<u>13,771,948</u>	<u>-</u>	<u>4,926,446,772</u>

36 FAIR VALUES OF FINANCIAL INSTRUMENTS

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

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