

**EMAAR MISR FOR DEVELOPMENT COMPANY (S.A.E.)
FOR THE YEAR ENDED 31 DECEMBER 2015
TOGETHER WITH AUDITOR'S REPORT**



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Translation of Auditor's report
Originally issued in Arabic

AUDITOR'S REPORT

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

Report on the financial statements

We have audited the accompanying financial statements of **EMAAR MISR FOR DEVELOPMENT COMPANY (S.A.E.)** represented in the balance sheet as of 31 December 2015 and the related statements of income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

in our opinion, the financial statements referred to above, give a true and fair view in all material respects of the financial position of Emaar Misr For development (S.A.E) as of 31 December 2015 and of its financial performance and its cash flows for the year then ended in accordance with Egyptian Accounting Standards and the related applicable Egyptian laws and regulations .

Amr El Shaaban

FESAA – FESF
(RAA. 9365)
(EFSAR .103)



Cairo: 3 March 2015

EMAAR MISR FOR DEVELOPMENT COMPANY – (S.A.E.)

BALANCE SHEET

As Of 31 December 2015

	Note	31/12/2015 EGP	31/12/2014 EGP
Non-current assets			
Fixed assets	(3)	510,871,745	531,551,015
Fixed assets under construction	(4)	65,983,022	45,732,626
Investment properties	(5)	79,281,356	84,866,442
Held to maturity investments	(7)	867,835,636	-
Deferred tax asset	(21)	89,324,852	96,324,334
Total non-current assets		1,613,296,611	758,474,417
Current assets			
Development properties	(6)	9,876,750,208	9,809,475,474
Held to maturity investments	(7)	1,068,385,745	-
Accounts and notes receivable	(8)	1,380,891,635	862,177,323
Due from related parties	(33)	2,818	13,126
Prepayments and other debit balances	(9)	1,481,732,021	777,679,984
Cash on hand and at banks	(10)	2,092,569,704	871,900,404
Total current assets		15,900,332,131	12,321,246,311
Current liabilities			
Provisions	(12)	50,521,690	53,004,970
Credit facilities	(14)	132,550,519	815,666,363
Suppliers, accrued expenses and other credit balances	(15)	2,152,605,942	1,423,931,169
Income tax payable		14,728,532	-
Retention payable	(17)	189,258,360	207,371,874
Advances from customers	(11)	7,330,175,161	5,733,822,529
Land purchase liability	(13)	247,664,609	166,998,103
Loan due to related parties	(22)	4,842,083	4,445,292
Due to related parties	(33)	9,250,255	4,812,802
Total current liabilities		10,131,597,151	8,410,053,102
Working capital		5,768,734,980	3,911,193,209
Total investment		7,382,031,591	4,669,667,626
Financed as follows:			
Equity			
Paid up capital	(18)	4,619,338,000	878,338,000
Legal reserve	(19)	21,145,120	247,803
Paid under capital increase	(18)	-	3,141,000,000
Treasury stocks	(18)	(342,503,840)	-
Additional paid in capital		1,602,790,008	-
Accumulated deficit		(15,483,796)	(412,532,806)
Profit for the year		854,673,084	417,946,327
Total equity		6,739,958,576	4,024,999,324
Non-Current liabilities			
Land purchase liability	(13)	471,115,573	635,340,594
Provision for employees' end-of-service benefits	(23)	12,291,596	8,852,688
Credit facilities	(14)	158,665,846	475,020
Non-Current liabilities		642,073,015	644,668,302
Total finance of working capital and non-current assets		7,382,031,591	4,669,667,626

Board Member

Chairman

- The accompanying notes from (1) to (36) are an integral part of these financial statements.
- Auditor's report attached.

EMAAR MISR FOR DEVELOPMENT COMPANY – (S.A.E.)

BALANCE SHEET

As Of 31 December 2015

- Auditor's report attached.

	Note	31/12/2015 EGP	31/12/2014 EGP
Revenues	(24)	3,237,263,142	2,603,926,691
Cost of revenues	(24)	(2,259,142,109)	(1,826,867,902)
GROSS PROFIT		978,121,033	777,058,789
Selling and marketing expenses	(25)	(187,412,592)	(136,241,423)
General and administrative expenses	(26)	(210,992,460)	(192,734,877)
Finance expense	(28)	(6,747,281)	(27,488,703)
Finance income		229,088,676	29,946,133
Provisions	(12)	(2,275,529)	(3,538,485)
Provisions no longer required	(12)	2,617,272	-
Foreign exchange differences		11,752,964	(84,419,319)
Other income	(27)	68,127,281	28,848,232
PROFIT BEFORE INCOME TAX		882,279,364	391,430,347
Income tax	(21)	(27,606,280)	26,515,980
PROFIT FOR THE YEAR		854,673,084	417,946,327
Earnings per share	(29)	0.16	0.43

- The accompanying notes from (1) to (36) are an integral part of these financial statements.

EMAAR MISR FOR DEVELOPMENT COMPANY – (S.A.E.)

STATEMENT OF CHANGE IN EQUITY

For The Year Ended 31 December 2015

Note	Paid up Capital		Legal Reserve		Paid under capital increase		Treasury Stock		Additional paid in capital		Accumulated deficit		Profits for the year		Total	
	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP
Balance as of 1 January 2014	878,338,000	-	196,491	-	119,544,000	-	-	-	-	-	(413,507,739)	-	1,026,245	585,596,997	-	-
Transferred to accumulated deficit and legal reserve	-	-	51,312	-	-	-	-	-	-	-	974,933	-	(1,026,245)	-	-	-
Cancellation of paid under capital increase	-	-	-	-	(119,544,000)	-	-	-	-	-	-	-	-	(119,544,000)	-	-
Capital increase	-	-	-	-	3,141,000,000	-	-	-	-	-	-	-	-	3,141,000,000	-	-
Profit for the Year	-	-	-	-	-	-	-	-	-	-	-	-	417,946,327	417,946,327	-	-
Balance as of 31 December 2014	878,338,000	-	247,803	-	3,141,000,000	-	-	-	-	-	(412,532,806)	-	417,946,327	4,024,999,324	-	-
Balance as of 1 January 2015	878,338,000	-	247,803	-	3,141,000,000	-	-	-	-	-	(412,532,806)	-	417,946,327	4,024,999,324	-	-
Transferred to accumulated deficit and legal reserve	-	-	20,897,317	-	-	-	-	-	-	-	397,049,010	-	(417,946,327)	-	-	-
Capital increase	3,141,000,000	-	-	-	(3,141,000,000)	-	-	-	-	-	-	-	-	2,202,790,008	-	-
Issuance of shares	600,000,000	-	-	-	-	-	-	-	1,602,790,008	-	-	-	-	(342,503,840)	-	-
Treasury stocks	-	-	-	-	-	-	(342,503,840)	-	-	-	-	-	-	854,673,084	-	-
Profit for the year	-	-	-	-	-	-	-	-	-	-	-	-	-	854,673,084	-	-
Balance as of 31 December 2015	4,619,338,000	-	21,145,120	-	-	-	(342,503,840)	-	1,602,790,008	-	(15,483,796)	-	854,673,084	6,739,958,576	-	-

-The accompanying notes from (1) to (36) are an integral part of these financial statements.

EMAAR MISR FOR DEVELOPMENT COMPANY – (S.A.E.)

STATEMENT OF CASH FLOWS For The Year Ended 31 December 2015

	Note	31/12/2015 EGP	31/12/2014 EGP
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before income taxes		882,279,364	391,430,347
Depreciation of fixed assets	(3)	60,974,722	57,225,036
Depreciation of investment properties	(5)	3,888,586	2,164,531
Amortization of debit balance related to finance sale lease back	(27)	-	2,945,158
(Gain) from disposal of fixed assets	(3)	(650,251)	(1,324,340)
Impairments of development properties	(6)	-	56,577,454
Reversal of impairments of development properties	(6)	(50,516,444)	-
Provision of employees end-of-service benefits	(23)	6,301,749	3,004,714
Provisions	(12)	2,275,529	3,538,485
Provisions no longer required	(12)	(2,617,272)	-
Finance costs	(28)	6,747,281	27,488,703
Finance income		(229,088,676)	(29,946,133)
Operating income before changes in working capital		107,080,475	132,087,853
Change in development properties			
Change in accounts and notes receivable	(8)	(518,714,312)	(468,669,227)
Change in due from related parties		10,308	28,313
Change in prepayments and other debit balances	(9)	(656,364,890)	(371,828,622)
Change in advances from customers	(11)	1,596,352,632	921,187,638
Change in retention payables	(17)	(18,113,514)	4,258,392
Change in due to related parties		4,236,851	3,776,994
Change in suppliers, accrued expenses and other credit balances		711,741,763	460,654,886
Employees end-of-service benefits paid	(23)	(2,862,841)	(920,801)
Provisions used	(12)	(2,141,537)	-
Income tax paid		(5,878,266)	-
NET CASH FLOWS PROVIDED FROM OPERATING ACTIVITIES		1,894,941,257	1,193,679,381
CASH FLOWS FROM INVESTING ACTIVITIES			
Finance income received		181,401,529	25,539,048
Payment to acquire fixed assets	(3)	(29,123,581)	(89,394,622)
Payment to acquire investment properties	(5)	(290,000)	-
Payment to acquire fixed assets under construction	(4)	(26,202,491)	(41,473,656)
Payment to acquire investments held to maturity		(1,936,221,381)	-
Proceeds from sale of fixed assets	(3)	1,508,704	5,201,435
NET CASH FLOWS (USED IN) INVESTING ACTIVITIES		(1,808,927,220)	(100,127,795)
CASH FLOWS FROM FINANCING ACTIVITIES			
Finance costs paid		(72,233,271)	(175,434,105)
Proceeds from related party		200,602	1,165,514,850
Proceeds from related parties loan		396,791	130,196
Payment of expenses of issuance of shares		(48,743,289)	-
Proceeds from amounts paid under capital increase		-	54,765,100
Proceeds from issuance of shares		2,280,000,000	-
Payments of treasury stocks		(342,503,840)	-
Payments of land purchase liability		(157,536,712)	(35,977,484)
Proceeds from credit facilities	(14)	415,837,225	334,759,930
Payments of credit facilities	(14)	(940,762,243)	(1,735,198,432)
NET CASH FLOWS PROVIDED FROM (USED IN) FINANCING ACTIVITIES		1,134,655,263	(391,439,945)
Net change in cash and cash equivalent during the year		1,220,669,300	702,111,641
Cash and cash equivalent - beginning of the year	(10)	871,900,404	169,788,763
CASH AND CASH EQUIVALENT - END OF THE YEAR	(10)	2,092,569,704	871,900,404

- The accompanying notes from (1) to (36) are an integral part of these financial statements.

EMAAR MISR FOR DEVELOPMENT COMPANY – (S.A.E.)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

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 on 4 March 2015.

The purpose of the Company is:

- Planning and construction of urban districts and providing them with utilities and services,
- 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,
- Designing, constructing, managing, operating and maintenance of power plants with their different sources and distribution networks.

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

The Company's parent is Emaar Properties PJSC.

These financial statements for the year ended 31 December 2015 were authorized for issuance in accordance with the resolution of the directors on 2 March 2016.

2 SIGNIFICANT ACCOUNTING POLICIES

2-1 Basis of preparation

The financial statements of the company have been prepared in accordance with the Egyptian Accounting Standards and the applicable laws and regulations.

The financial statements of the company have been prepared in Egyptian Pound (EGP)

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

2-2 Changes in accounting policies

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

2-3 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 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 either actually or implied.

- *Interest income*

Interest income is recognised as the interest accrues using the effective interest method.

EMAAR MISR FOR DEVELOPMENT COMPANY – (S.A.E.)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

- *Rental income from operating lease*

Rental income arising from operating leases is accounted for on straight-line basis over the lease terms and included in income statement.

- *Revenue of Services*

Revenue from services is recognised when the services has been rendered.

2-4 Cost of revenues

Cost of revenues for the sold units is comprised from the followings:

- Costs that are directly related to the sold unit .
- Costs that are attributable to the activity in general and can be allocated to the unit sold.
- Such other costs as are specifically chargeable to the customer under the terms of the contract signed by the customer.

2-5 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 balance sheet date, then the loan balance should be classified as long term liabilities.

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest rate method. Gains and losses are recognized in the income statement 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 income statement.

2-6 Cost of Borrowing

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 period in which they are incurred. The borrowings costs are represented in interest and other finance costs that company pay to obtain the funds.

2-7 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 balance sheet (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 income for the period, except to the extent that the tax arises from a transaction or event which is recognized, in the same or a different period, directly in equity.

EMAAR MISR FOR DEVELOPMENT COMPANY – (S.A.E.)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

2-8 Development Properties

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

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

2-9 Investment property

Investment property which held to earn rental or for capitalize appreciation or both is measured at cost including acquisition cost or construction cost or any other related direct cost .

After initial recognition Investment property is 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 years .

2-10 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.

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 profit or loss when the investments are derecognized or impaired, impairment is recovered, as well as through the amortization process

2-11 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 income as incurred.

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

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

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 income when the asset is derecognized.

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

EMAAR MISR FOR DEVELOPMENT COMPANY – (S.A.E.)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

2-11 Fixed assets (continued)

The Company assesses at each balance sheet 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 income.

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 income.

2-12 Fixed assets under construction

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

2-13 Impairment

Impairment of financial assets

The Company assesses at each balance sheet 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 balance sheet 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 income.

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 income.

2-14 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 .

2-15 Suppliers and accrued expenses

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

2-16 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.

EMAAR MISR FOR DEVELOPMENT COMPANY – (S.A.E.)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

2-17 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.

2-18 Foreign currencies

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

Monetary assets and liabilities denominated in foreign currencies are retranslated using the exchange rate prevailing at the balance sheet date. All differences are recognized in the statement of income.

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.

2-19 Contingent Liabilities and Assets

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

2-20 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.

2-21 Accounting estimates

The preparation of financial statements in accordance with Egyptian Accounting Standards requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses during the financial years. Actual results could differ from these estimates.

2-22 Statement of cash flows

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

2-23 Expenses

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

2-24 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 income. Reversal of impairment is recognized in the statement of income in the period in which it occurs.

EMAAR MISR FOR DEVELOPMENT COMPANY – (S.A.E.)

NOTES OF THE FINANCIAL STATEMENTS

31 December 2015

4 FIXED ASSETS UNDER CONSTRUCTION

Balance as of 1 January 2015 EGP	Additions during the year EGP	Transferred to fixed assets EGP	Balance as of 31 December 2015 EGP
45,732,626	26,202,491	(5,952,095)	65,983,022
<u>45,732,626</u>	<u>26,202,491</u>	<u>(5,952,095)</u>	<u>65,983,022</u>
Balance as of 1 January 2014 EGP	Additions during the year EGP	Transferred to fixed assets EGP	Balance as of 31 December 2014 EGP
39,627,550	41,473,656	(35,368,580)	45,732,626
<u>39,627,550</u>	<u>41,473,656</u>	<u>(35,368,580)</u>	<u>45,732,626</u>

	31/12/2015 EGP	31/12/2014 EGP
Marassi project (buildings, furniture and fixtures)	34,391,433	19,183,775
Uptown Cairo project (buildings, furniture and fixtures)	2,230,820	1,348,342
MIVIDA Cairo project (buildings, furniture and fixtures)	29,360,769	25,200,509
	<u>65,983,022</u>	<u>45,732,626</u>

5 INVESTEMENT PROPERTIES

	Land EGP	Building EGP	Total EGP
Cost			
At 1 January 2015	11,881,336	75,149,637	87,030,973
Additions	-	290,000	290,000
Disposals	-	(2,265,784)	(2,265,784)
At 31 December 2015	<u>11,881,336</u>	<u>73,173,853</u>	<u>85,055,189</u>
Accumulated depreciation			
At January 2015	-	(2,164,531)	(2,164,531)
Depreciation for the year	-	(3,888,586)	(3,888,586)
Disposals	-	279,284	279,284
At 31 December 2015	-	<u>(5,773,833)</u>	<u>(5,773,833)</u>
Net book value as of 31 December 2015	<u>11,881,336</u>	<u>67,400,020</u>	<u>79,281,356</u>
	Land EGP	Building EGP	Total EGP
Cost			
At 1 January 2014	-	11,431,616	11,431,616
Transferred from development properties (note 6)	11,881,336	63,718,021	75,599,357
At 31 December 2014	<u>11,881,336</u>	<u>75,149,637</u>	<u>87,030,973</u>
Accumulated depreciation			
At 1 January 2014	-	-	-
Depreciation for the period	-	(2,164,531)	(2,164,531)
At 31 December 2014	-	<u>(2,164,531)</u>	<u>(2,164,531)</u>
Net book value as of 31 December 2014	<u>11,881,336</u>	<u>72,985,106</u>	<u>84,866,442</u>

EMAAR MISR FOR DEVELOPMENT COMPANY – (S.A.E.)

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31 December 2015

5 INVESTMENT PROPERTIES (continued)

As at 31 December 2015 investments properties with net book value amounted to 79,281,356 represents a leased floor from office building in Mivida in addition to a mall at Marassi project .

The fair values of the investments properties are based on valuations performed by Osoul Appraisals and Consultancy Company, (independent valuer.) which is a specialist in valuing investment properties. The fair value for this investment property amounted to EGP 185,383,373 according to their issued report dated 28 December 2015.

6 DEVELOPMENT PROPERTIES

	31/12/2015 EGP	31/12/2014 EGP
Beginning of the year	9,866,052,928	9,850,314,011
Additions during the year	1,948,183,074	1,331,968,868
Capitalized borrowing cost during the year	55,938,796	124,957,230
Capitalized amortization of discounting of land purchase liability and rescheduled instalments interest due	77,563,953	93,268,434
Depreciation for the year (capitalized portion) (note 3)	775,501	775,501
Transfer to fixed assets (note 3)	(6,078,229)	(8,426,309)
Transfer to investments properties (note 5)	-	(75,599,357)
Cost recognized for delivered units charged to income statement	(2,059,624,807)	(1,451,205,450)
	<u>9,882,811,218</u>	<u>9,866,052,928</u>
Less: Impairment of development properties	<u>(6,061,010)</u>	<u>(56,577,454)</u>
	<u>9,876,750,208</u>	<u>9,809,475,474</u>

Development properties are analysed as follows:

	31/12/2015 EGP	31/12/2014 EGP
Mivida project	3,101,413,280	3,065,675,217
Marassi project	3,508,791,163	3,683,666,698
Uptown Cairo project	3,044,617,948	2,888,723,186
Cairo Gate project	225,162,089	225,162,089
Smart Village project	2,825,738	2,825,738
	<u>9,882,811,218</u>	<u>9,866,052,928</u>
Less: Impairment of development properties	<u>(6,061,010)</u>	<u>(56,577,454)</u>
	<u>9,876,750,208</u>	<u>9,809,475,474</u>

	31/12/2015 EGP	31/12/2014 EGP
Land (including land instalments interest due)*	3,053,949,047	3,157,962,970
Consultations and designs	1,590,764,460	1,368,179,863
Construction and infrastructure works	4,118,396,072	4,198,887,724
Capitalized finance costs	1,119,701,639	1,141,022,371
	<u>9,882,811,218</u>	<u>9,866,052,928</u>
Less: Impairment of development properties	<u>(6,061,010)</u>	<u>(56,577,454)</u>
	<u>9,876,750,208</u>	<u>9,809,475,474</u>

* The Company is in process of completing the required legal procedures related to official registration of all land owned as of 31 December 2015.

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31 December 2015

6 DEVELOPMENT PROPERTIES (continued)

The movement of impairment of development properties as follows:

	31/12/2015 EGP	31/12/2014 EGP
Beginning balance	56,577,454	-
Charged during the year	-	56,577,454
Reversed during the year	(50,516,444)	-
Ending balance	<u>6,061,010</u>	<u>56,577,454</u>

7 HELD TO MATURITY INVESTMENTS

	31/12/2015 EGP	31/12/2014 EGP
Treasury Bills	400,000,000	-
(Unearned interest)	(19,338,363)	-
	<u>380,661,637</u>	<u>-</u>
Bonds	1,555,559,744	-
	<u>1,555,559,744</u>	<u>-</u>
Total held to maturity investments	<u>1,936,221,381</u>	<u>-</u>
	31/12/2015 EGP	31/12/2014 EGP
Investments mature within 12 months	1,068,385,745	-
Investments mature within more than 12 months	867,835,636	-
Total held to maturity investments	<u>1,936,221,381</u>	<u>-</u>

8 ACCOUNTS AND NOTES RECEIVABLE

	31/12/2015 EGP	31/12/2014 EGP
Uptown Cairo delivered units receivable – Gross	225,039,742	203,613,033
Marassi delivered units receivable – Gross	1,128,741,805	679,623,479
Mivida delivered units receivable – Gross	402,185,186	244,520,140
Unamortized discount	(380,482,992)	(268,672,597)
	<u>1,375,483,741</u>	<u>859,084,055</u>
Other accounts receivable – Hotels	5,407,894	3,093,268
	<u>1,380,891,635</u>	<u>862,177,323</u>

EMAAR MISR FOR DEVELOPMENT COMPANY – (S.A.E.)

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31 December 2015

9 PREPAYMENTS AND OTHER DEBIT BALANCES

	31/12/2015 EGP	31/12/2014 EGP
Prepayments	9,293,030	5,714,124
Advances to suppliers	772,725,895	404,478,822
Accrued interest	52,925,141	5,237,994
Customers maintenance – Current accounts*	34,288,629	13,950,205
Customers maintenance – Time deposits*	517,160,435	280,143,593
Other debit balances	95,338,891	68,155,246
	<u>1,481,732,021</u>	<u>777,679,984</u>

*These amounts represents amounts collected from customers, which are invested in interest bearing current accounts and time deposits to finance the facility management expenses for delivered units, These amounts are deposited in bank current accounts with average effective interest rate of 6.75 % (2014: 7%), and time deposits with average effective interest rate is 9.2% (2014: 9.13%)

10 CASH ON HAND AND AT BANKS

	31/12/2015 EGP	31/12/2014 EGP
a) Egyptian pound		
Cash on hand	2,354,927	2,352,369
Current accounts	356,756,845	297,902,687
Time deposits (maturity within 3 months)	1,687,900,000	513,000,000
	<u>2,047,011,772</u>	<u>813,255,056</u>
b) Foreign currency		
Current accounts	45,557,932	58,645,348
	<u>45,557,932</u>	<u>58,645,348</u>
	<u>2,092,569,704</u>	<u>871,900,404</u>

*Current accounts with an average effective interest rate of 7 % (2014:7%) and the time deposits with an average effective rate of 9.2% (2014: 8.5%)

11 ADVANCES FROM CUSTOMERS

	31/12/2015 EGP	31/12/2014 EGP
Uptown Cairo project	1,634,132,428	1,278,577,907
Marassi project	2,211,666,098	1,832,857,483
Mivida project	3,484,376,635	2,622,387,139
	<u>7,330,175,161</u>	<u>5,733,822,529</u>

EMAAR MISR FOR DEVELOPMENT COMPANY – (S.A.E.)

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31 December 2015

12 PROVISIONS

	Balance as of 1 January 2015 EGP	Charged during the year EGP	Used during the year EGP	Provision no longer required EGP	Balance as of 31 December 2015 EGP
Provision for legal claims	3,289,108	2,275,529	-	(2,617,272)	2,947,365
Provision for other claims	49,715,862	-	(2,141,537)	-	47,574,325
	<u>53,004,970</u>	<u>2,275,529</u>	<u>(2,141,537)</u>	<u>(2,617,272)</u>	<u>50,521,690</u>

	Balance as of 1 January 2014 EGP	Charged during the year EGP	Used during the year EGP	Provision no longer required EGP	Balance as of 31 December 2014 EGP
Provision for legal claims	-	3,289,108	-	-	3,289,108
Provision for other claims	49,466,485	249,377	-	-	49,715,862
	<u>49,466,485</u>	<u>3,538,485</u>	<u>-</u>	<u>-</u>	<u>53,004,970</u>

13 LAND PURCHASE LIABILITY

	31/12/2015 EGP	31/12/2014 EGP
Land purchase liability		
Cairo Gate project	13,000,000	13,000,000
Marassi Project	-	13,626,772
Urban Community Authority – Mivida project	787,175,378	931,085,319
Total land purchase liability	<u>800,175,378</u>	<u>957,712,091</u>
Discount of land purchased liabilities (interest not due yet)	<u>(81,395,196)</u>	<u>(155,373,394)</u>
Total Land purchase liability –Net	<u>718,780,182</u>	<u>802,338,697</u>

	31/12/2015 EGP	31/12/2014 EGP
Land purchase liability		
Total current portion	247,664,609	166,998,103
Total non-current portion	471,115,573	635,340,594
Total land purchase liability – Net	<u>718,780,182</u>	<u>802,338,697</u>

The Company calculated the present value of the financial liability by calculating the present value of all the future cash payments using 10% (2014: 10%) discount rate, These calculations resulted in a discount amounted to EGP 81,395,196 (2014: EGP 155,373,394).

EMAAR MISR FOR DEVELOPMENT COMPANY – (S.A.E.)

NOTES OF THE FINANCIAL STATEMENTS

31 December 2015

14 CREDIT FACILITIES

		31/12/2015	31/12/2014
		EGP	EGP
Local currency			
<i>Bank credit facilities</i>	<i>Interest rate</i>		
Credit facility (1)	1% + CBE Lending corridor Rate	-	271,286,528
Credit facility (2)*	1.5% + CBE Deposit corridor Rate	34,427,947	950,040
Credit facility (3)	2.5% + CBE Average corridor Rate	-	223,593,303
Credit facility (4)	2% + CBE Lending corridor Rate	-	265,767,136
Credit facility (5)	2.25% + CBE Lending corridor Rate	-	54,069,356
Credit facility (7)***	0.5% + CBE Lending corridor Rate	98,122,572	-
Total current portion		132,550,519	815,666,363
Credit facility (2) *	1.5% + CBE Deposit corridor Rate	9,735,734	475,020
Credit facility (6)**	1.5% + CBE Average Discount corridor Rate	130,351,421	-
Credit facility (7) ***	0.5% + CBE Lending corridor Rate	18,578,691	-
Total non-current portion		158,665,846	475,020
Total credit facilities		291,216,365	816,141,383

* Credit facility (2) is against discounted post-dated checks of customer's units who settled 50% of their units value.

** Credit facility (6) secured by customers post-dated cheques of delivered units with maximum financing amounting to 90% of its value.

*** Credit facility (7) is against discounted post-dated checks of customer's who delivered units .

The movement of credit facilities as follows:

	31/12/2015	31/12/2014
	EGP	EGP
Beginning balance	816,141,383	2,216,579,885
Provided during the year	415,837,225	334,759,930
Paid during the year	(940,762,243)	(1,735,198,432)
Ending balance	291,216,365	816,141,383

15 SUPPLIERS, ACCRUED EXPENSES AND OTHER CREDIT BALANCES

	31/12/2015	31/12/2014
	EGP	EGP
Accrued expenses	730,541,695	397,740,375
Accrued infrastructure costs of delivered units	647,155,959	505,819,291
Consultants payable	20,437,220	33,685,987
Contractors payable	155,660,397	111,470,694
Social insurance authority	2,469,202	1,487,666
Deferred revenue*	4,095,464	19,725,502
Due to tax authority (note 16)	8,901,673	5,865,759
Suppliers and other credit balances	36,406,742	27,116,008
Customers maintenance payable**	546,937,590	321,019,887
	2,152,605,942	1,423,931,169

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

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**Customers maintenance payable represents the collected instalments in respect of delivered units that are used to finance facility management expenses.

16 DUE TO TAX AUTHORITY

	31/12/2015 EGP	31/12/2014 EGP
Tax authority- stamp tax	1,053,835	1,002,857
Tax authority- withholding tax	5,632,514	3,170,683
Tax authority- salary tax	1,783,233	1,145,255
Tax authority- sales tax	60,859	32,174
Tax authority- other tax	341,408	512,030
Tax authority- royalty tax	29,824	2,760
	<u>8,901,673</u>	<u>5,865,759</u>

17 RETENTION PAYABLE

	31/12/2015 EGP	31/12/2014 EGP
Retentions payable within 12 months	106,987,647	149,911,052
Retentions payable more than 12 months	82,270,713	57,460,822
	<u>189,258,360</u>	<u>207,371,874</u>

18 CAPITAL

On 31 December 2014, The Company's issued and paid up capital amounted to EGP 878,338,000 divided over 87833800 shares of par value EGP 10 each.

Shareholders' names	Nationality	Number of shares	Amount in EGP	Share capital %
EMAAR Properties – PJSC	UAE	86077124	860,771,240	98
EMAAR Properties – L.L.C.	UAE	878338	8,783,380	1
Emirates Telal Phase One – L.L.C.	UAE	878338	8,783,380	1
		<u>87833800</u>	<u>878,338,000</u>	<u>100</u>

On 16 December 2014, an extraordinary general assembly meeting was held and approved the company capital increase by EGP 3,141,000,000 to be EGP 4,019,338,000, the total amount will be paid at subscription as follows:

- Deducting an amount of EGP 3,086,234,900 from shareholders current account (Emaar Properties PJSC) presented on statement of financial position as of 30 June 2014.
- Payment an amount of EGP 54,765,100 through cash deposit at bank.

On 15 March 2015, the company has registered the increase and updated the commercial register, The company's issued and paid up capital on 31 March 2015 amounted to EGP 4,019,338,000 divided over 401933800 shares of par value EGP 10 each.

Shareholders' names	Nationality	Number of shares	Amount in EGP	Share capital %
EMAAR Properties – PJSC	UAE	393895124	3,938,951,240	98
EMAAR Properties – L.L.C.	UAE	4019338	40,193,380	1
Emirates Telal Phase One – L.L.C.	UAE	4019338	40,193,380	1
		<u>401933800</u>	<u>4,019,338,000</u>	<u>100</u>

EMAAR MISR FOR DEVELOPMENT COMPANY – (S.A.E.)

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On 31 March 2015, an extraordinary general assembly meeting was held and approved adjusting the shares par value from EGP 10 (Ten Egyptian Pounds) per share to EGP 1 (One Egyptian Pound) per share preliminary to be issued in Egyptian stock market and updated the commercial register on 5 May 2015, The company's authorized capital amounted to EGP 4.5 Billion and issued and paid up capital amounted to EGP 4,019,338,000 divided over 4019338000 shares.

On 11 May 2015, an extraordinary general assembly meeting was held and approved the increase of the company authorized capital to be EGP 10,000,000,000 and issued capital to be EGP 600,000,000 with EGP 3.80 per share as an issue price. The company's issued and paid up capital after increase amounted to be EGP 4,619,338,000 divided over 4619338000 shares, The company additional paid in capital amounted to EGP 1,594,567,988 after deducting expenses of EGP 85,432,012 and updated the commercial register on 29 June 2015 as follows:

Shareholders' names	Nationality	Number of shares	Amount in EGP	Share capital %
EMAAR Properties – PJSC	UAE	3938951240	3,938,951,240	85.27
EMAAR Properties – L.L.C.	UAE	40193380	40,193,380	0.87
Emirates Telal Phase One – L.L.C.	UAE	40193380	40,193,380	0.87
Public & private subscription		600000000	600,000,000	12.99
		<u>4619338000</u>	<u>4,619,338,000</u>	<u>100</u>

On 4 August 2015, The company acquired 90 million ordinary shares at price of EGP 3.8 per share amounted to EGP 342,000,000 to stabilize the share price in open market associated with costs of EGP 503,840 in accordance with stability of share price in the market after issuance.

19 LEGAL RESERVE

As required by Egyptian Companies' law and the Company's articles of association, 5% of the net profit for the prior years 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.

20 POST DATED CHECKS (OFF BALANCE SHEET)

The company maintains postdated checks amounted to EGP 8,753,875,475 (2014: EGP 6,675,722,570), received from their customers recorded as off balance sheet items, Those postdated checks represent the future installments upon the payment schedule of each customer upon the company's policy,

21 INCOME TAXES

	31/12/2015 EGP	31/12/2014 EGP
Current income tax	(20,606,798)	-
Deferred tax	(6,999,482)	26,515,980
Income tax	<u>(27,606,280)</u>	<u>26,515,980</u>

DEFERRED INCOME TAXES

	Balance sheet		Statement of income	
	2015 EGP	2014 EGP	2015 EGP	2014 EGP
Depreciation of fixed assets	(7,222,497)	(8,607,325)	1,384,828	(9,184,736)
Carried forward tax losses	-	-	-	(27,354,743)
Provisions and accrued expenses	96,547,349	104,931,659	(8,384,310)	63,055,459
Deferred income tax asset	<u>89,324,852</u>	<u>96,324,334</u>	<u>(6,999,482)</u>	<u>26,515,980</u>

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22 LOAN DUE TO RELATED PARTIES

	31/12/2015 EGP	31/12/2014 EGP
Emaar Properties PJSC *	4,842,083	4,445,292
	<u>4,842,083</u>	<u>4,445,292</u>

*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.

23 EMPLOYEES' END-OF-SERVICE BENEFITS

	31/12/2015 EGP	31/12/2014 EGP
Beginning balance of the year	8,852,688	6,768,775
Formed during the year	6,301,749	3,004,714
Used during the year	(2,862,841)	(920,801)
Ending balance of the year	<u>12,291,596</u>	<u>8,852,688</u>

24 REVENUE AND COST OF REVENUES

	31/12/2015 EGP	31/12/2014 EGP
Revenues		
Marassi Project	1,582,792,265	1,560,671,751
Uptown Cairo Project	533,163,477	311,385,612
Mivida Project	1,121,307,400	731,869,328
	<u>3,237,263,142</u>	<u>2,603,926,691</u>
	31/12/2015 EGP	31/12/2014 EGP
Cost of revenue		
Marassi Project	1,026,133,380	954,912,965
Uptown Cairo Project *	428,122,869	302,454,037
Mivida Project	804,885,860	569,500,900
	<u>2,259,142,109</u>	<u>1,826,867,902</u>

* Uptown Cairo Project Cost of revenue includes reversal of impairment of the value of development properties amounted EGP 50,516,444 (note 6) (2014 includes impairment of the value of development properties amounted EGP 56,577,454)

25 SELLING AND MARKETING EXPENSES

	31/12/2015 EGP	31/12/2014 EGP
Advertisement	78,461,190	44,556,513
Depreciation of Model Homes (note 3)	7,185,228	7,134,584
Marketing production and material	5,974,390	8,742,509
Events and exhibition	9,280,130	9,920,197
Sales commission	73,366,346	52,268,988
Other marketing expenses	13,145,308	13,618,632
	<u>187,412,592</u>	<u>136,241,423</u>

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26 GENERAL AND ADMINISTRATIVE EXPENSES

	31/12/2015 EGP	31/12/2014 EGP
Salaries and benefits	80,814,905	56,220,733
Professional fees	6,038,611	8,430,676
Depreciation of fixed assets (Note 3)	46,942,612	45,671,292
Depreciation investment properties	3,609,302	2,164,531
IT expenses	8,491,323	8,516,621
Travel and entertainment	8,244,405	6,393,551
Cleaning and maintenance	7,415,838	7,163,052
Communications	2,431,887	2,676,242
Facility management expense	31,304,382	39,017,768
Other bank charges	2,007,313	1,612,403
Other expenses	13,691,882	14,868,008
	<u>210,992,460</u>	<u>192,734,877</u>

27 OTHER INCOME

	31/12/2015 EGP	31/12/2014 EGP
Other income from customers (service charges and penalties)	54,982,020	29,536,062
Operating lease income	7,673,396	4,433,825
Operating profit (losses) from El Alamain hotel , Golf club, Beach club in Marassi and Golf club in UTC	2,999,963	(3,500,838)
Amortization of the debit balance related to finance sale lease back	-	(2,945,157)
Gain from disposal of fixed assets (note 3)	650,251	1,324,340
Other operating income	1,821,651	-
	<u>68,127,281</u>	<u>28,848,232</u>

28 FINANCE EXPENSES

	31/12/2015 EGP	31/12/2014 EGP
Bank interest expenses	6,688,350	22,014,835
Letters of Guarantees – Loans	9,467	4,979,839
Other finance expense	49,464	494,029
	<u>6,747,281</u>	<u>27,488,703</u>

29 EARNINGS PER SHARE

Earnings per share amounts are calculated based on the weighted average number of ordinary shares outstanding during the year.

	31/12/2015 EGP	31/12/2014 EGP
Net profit for the year	854,673,084	417,946,327
Employees share (estimated)	(81,193,943)	(39,704,901)
Net profit attributable to the ordinary equity holders	<u>773,479,141</u>	<u>378,241,426</u>
Weighted average number of ordinary shares during the year	<u>4930874193</u>	<u>878338000</u>
Earnings per share in profit of the year	<u>0.16</u>	<u>0.43</u>

*Based on the Extraordinary General Assembly Meeting held on 28 December 2015, the company amended its article of association to not distribute dividends to the Board of directors without dividends declaration.

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30 COMMITMENTS

At 31 December 2015, the company had commitments in respect of its projects not provided for in the financial statements amounted to EGP 6,619,437,412 (December 2014: EGP 4,123,265,496).

31 CONTINGENT LIABILITIES

At 31 December 2015 the company has no contingent liabilities in respect than what was provided for in the provisions above or what was disclosed in note (12) and note (32).

32 TAX SITUATION

a) Corporate tax

- The company's tax returns are presented on time.
- The company's records were inspected since inception till 31 December 2008, The tax authority sent a claim requiring the company to pay. The company objected on the results and the disputed points have been transferred to the Internal Committee which issued its decision by resolving some disputed points and transferred others to the appeal committee.
- The company's records were inspected for period from 1 January 2009 till 31 December 2010, and the company filed an objection on the tax authority's claim and transferred to the internal committee.
- The company's records were not inspected for the period from 1 January 2011 till 31 December 2014. The company submitted tax returns for such period within the legal grace period.
- The company's records were not inspected for the period from 1 January 2015 till 31 December 2015.
- The company enjoys tax relief on the projects established in the urban area till 31 December 2018.

b) Salary tax

- The company's records were inspected till the year 2008 and all tax dues were settled.
- The company records are under inspection for years from 2009 till 2010.
- The company's records were not inspected from 2011 till date.

c) Stamp duty tax

- The company's records were inspected since inception till 2010 and tax due were settled.
- The company's records were not inspected for the period from 2011 till date.

d) Sales tax

- The company records were inspected since inception till the year 2013, all tax differences were settled.
- The company's records were not inspected for the period from 2014 till date.

EMAAR MISR FOR DEVELOPMENT COMPANY – (S.A.E.)

NOTES OF THE FINANCIAL STATEMENTS

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33 RELATED PARTIES

A- RELATED PARTY TRANSACTIONS

Related parties represented in parent company, associated companies, major Shareholder, directors and key management personnel of the Company, and entities controlled, jointly or significantly influenced by such parties, pricing policies and term of these transaction are approved by the company's management,

Transaction with related parties included in the financial statements are as follows :

Company	Nature	31 December 2015						Delivered Units	Sold units
		Payments on behalf	IT expenses	Consultancy fees	Finance costs	Financing	EGP		
Turner Construction International Egypt	Joint venture of the parent	-	-	99,450,920	-	-	-	-	-
Emaar Properties – PJSC	Parent	1,150,553	5,387,404	-	-	200,602	-	-	-
Board members and key management personnel	-	-	-	-	-	-	-	-	-
		31 December 2014						Delivered Units	Sold units
Company	Nature	Other Expenses	IT expenses	Consultancy fees	Finance costs	Financing	EGP		
Turner Construction International Egypt	Joint venture of the parent	-	-	69,428,237	-	-	-	-	-
Emaar Properties – PJSC	Parent	1,332,472	4,724,572	-	(2,300,515)	(1,798,230,892)	-	-	-
Board members and key management personnel	-	-	-	-	-	-	28,079,781	-	18,231,064

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NOTES OF THE FINANCIAL STATEMENTS

31 December 2015

33 RELATED PARTIES (continued)

B- RELATED PARTIES BALANCES

Company name	Relationship	31 December 2015		Suppliers, accrued expenses EGP	Advances from customers EGP	Accounts Receivables and note Receivables EGP
		Due from related parties EGP	Due to related parties EGP			
EMAAR Properties – PJSC	Parents	-	9,250,255	-	-	-
EMAAR PAKISTAN	Affiliate	2,818	-	-	-	-
Turner Construction Middle East (Dubai)	Joint venture of the parent	-	-	10,678,614	-	-
Turner Construction International Egypt	Joint venture of the parent	-	-	42,049,096	-	-
Board members and key management personnel		2,818	9,250,255	52,727,710	37,893,181	1,806,352
					37,893,181	1,806,352

Company name	Relationship	31 December 2014		Suppliers, accrued expenses EGP	Advances from customers EGP	Accounts Receivables and note Receivables EGP
		Due from related parties EGP	Due to related parties EGP			
EMAAR Properties – PJSC	Parents	-	4,812,802	-	-	-
EMAAR PAKISTAN	Affiliate	2,818	-	-	-	-
EMAAR MALLS	Affiliate	10,308	-	-	-	-
EMAAR MOROCCO	Affiliate	-	-	-	-	-
Turner Construction Middle East (Dubai)	Joint venture of the parent	-	-	9,803,542	-	-
Turner Construction International Egypt	Joint venture of the parent	-	-	43,375,000	-	-
Board members and key management personnel		13,126	4,812,802	53,178,542	33,904,029	2,189,539
					33,904,029	2,189,539

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33 RELATED PARTIES (continued)

C- Compensation of key management personnel

The remuneration of key management personnel during the year ended 31 December 2015 and 2014 was as follows:

	2015 EGP	2014 EGP
Short-term benefits	19,486,888	18,365,717
End-of-service benefits	3,331,941	1,075,582
	<u>22,818,829</u>	<u>19,441,299</u>

34 FAIR VALUES OF FINANCIAL INSTRUMENTS

The company's financial instruments are represented in financial assets and financial liabilities. The financial assets include cash on hands and at banks, accounts and notes receivable, due from related parties and other debit balances. The financial liabilities include credit facilities, suppliers, accrued expenses, due to related parties and other credit balances and creditors of land purchased.

The significant accounting policies applied for the recognition and measurement of the above mentioned financial assets and liabilities and the related income and expenses are included in note (2) of the notes to the financial statements.

The fair value of the financial assets and liabilities are not materially different from their carrying amounts at the date of the balance sheet.

35 RISK MANAGEMENT

a) 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 is exposed to interest rate risk on its interest bearing assets and liabilities represented in : Bank deposits and credit facilities with variable interest

b) Foreign Currency Risk

The foreign currency risk is the risk that the value of the financial assets and liabilities and the related cash inflows and outflows in foreign currencies will fluctuate due to changes in foreign currency exchange rates. The total financial assets denominated in foreign currencies amount to EGP 45,557,932 whereas, the total financial liabilities denominated in foreign currencies amount to EGP 93,081,646.

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c) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The company is exposed to credit risk on its bank balances, its accounts receivable and due from related parties and other debit balances as follows:

	31/12/2015	31/12/2014
	EGP	EGP
Bank balances (note 10)	2,090,214,777	869,548,035
Accounts and notes receivables (note 8)	1,380,891,635	826,177,323
Current accounts and time deposit (note 9)	551,449,064	294,093,798
Accrued interest (note 9)	52,925,141	5,237,994
Held to maturity investments	1,936,221,381	-
Other debit balances (note 9)	95,338,892	68,155,246
Due from related parties (note 33 B)	2,818	13,126
	<u>6,107,043,708</u>	<u>2,063,225,522</u>

- *Account and notes receivables*

The company reduces the credit risk related to account and notes receivables by maintaining the power of attorney for delivered units until the customers pay all due amounts.

The company has the right to terminate the contracts for the defaulted customers and deduct penalties from the amounts due.

- *Bank balances*

The company reduces the credit risk related to bank balances by dealing with reputable banks.

- *Other debit balances, due from related parties and other assets*

The maximum risks the company has for these assets are the carrying amount of the assets.

d) Price risk

The company is exposed to property price risk, Factors that apply generally to the real estate development industry, many of which are macroeconomic in nature and beyond the control of the company's may affect the economic performance of the investment properties in general.

- National, regional and local economic climate;
- Nature of the real estate market;
- Increase in supply and a reduction in demand for the properties;
- Changes in interest and inflation rates and the limited availability of financing;
- Governmental laws, rules and regulations, specially in relation to financing, environmental usage, tax and insurance; and
- Acts of nature that may affect the properties.

e) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash, and the availability of financing through an adequate amount of committed credit facilities, Due to the dynamic nature of the underlying business, company treasury aims to maintain flexibility in financing by keeping committed credit lines available.

The following tables summaries the due date of liabilities:

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	31 December 2015				Total EGP
	Less than 3 Month EGP	From 3 to 12 Months EGP	From 1 to 5 Years EGP	More than 5 Years EGP	
Credit Facilities	36,020,581	119,558,820	178,368,844	17,470,082	351,418,327
Retention payable	-	106,987,647	82,270,713	-	189,258,360
Land purchase liability	143,909,940	113,916,845	542,348,593	-	800,175,378
Loan due to related parties	4,842,083	-	-	-	4,842,083
Due to related parties	9,250,255	-	-	-	9,250,255
Suppliers, accrued expenses and other credit balances	1,616,068,645	-	-	-	1,616,068,645
Total undiscounted liabilities	1,810,091,504	340,463,312	802,988,150	17,470,082	2,971,013,048

	31 December 2014				Total EGP
	Less than 3 Month EGP	From 3 to 12 Months EGP	From 1 to 5 Years EGP	More than 5 Years EGP	
Credit Facilities	-	916,946,921	475,020	-	917,421,941
Retention payable	-	149,911,052	57,460,822	-	207,371,874
Land purchase-liability	143,909,940	26,626,772	787,175,379	-	957,712,091
Loan due to related parties	4,500,896	-	-	-	4,500,896
Due to related parties	4,812,802	-	-	-	4,812,802
Suppliers, accrued expenses and other credit balances	1,083,185,780	-	-	-	1,083,185,780
Total undiscounted liabilities	1,236,409,418	1,093,484,745	845,111,221	-	3,175,005,384

36 COMPARATIVE FIGURES

Certain comparative figures for year 2014 have been reclassified to conform to the current period's presentation.