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**MADINET NASR FOR HOUSING AND
DEVELOPMENT S.A.E.**

**SUMMARIZED CONSOLIDATED
FINANCIAL STATEMENTS
AND AUDITOR'S REPORT THEREON**

AT 31 DECEMBER 2018

**TO THE SHAREHOLDERS OF
MADINET NASR FOR HOUSING AND DEVELOPMENT S.A.E.**

**REPORT OF THE INDEPENDENT AUDITOR ON THE SUMMARY
CONSOLIDATED FINANCIAL STATEMENTS**

We have audited the consolidated financial statements of Madinet Nasr for Housing and Development S.A.E. for the year ended 31 December 2018, from which the attached summary consolidated financial statements are derived, in accordance with the Egyptian Standards on Auditing and the relevant laws and regulations. As stated in our Arabic audit report dated 20 February 2019, we expressed an unqualified audit opinion, with an emphasis of matter regarding going concern for a subsidiary, on the consolidated financial statements for the year then ended, from which the attached summary of consolidated financial statements are derived.

In our opinion, the attached summary consolidated financial statements are consistent in all material respects, with the audited consolidated financial statements for the year then ended.

In order to obtain a comprehensive understanding of the company's consolidated financial position as of 31 December 2018, the results of its operations for the year then ended and our scope of audit, you should refer to the Arabic audited consolidated financial statements for the year ended 31 December 2018 and our report thereon.

Mohanad T. Khaled

Fellow of ACCA

Fellow of ESAA

R.A.A. 22444

FRA No. 375

Cairo, 21 February 2019

Madinet Nasr for Housing and Development S.A.E.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2018

	<i>Note</i>	<i>31/12/2018</i> <i>L.E.</i>	<i>31/12/2017</i> <i>L.E.</i>
Assets			
Non-Current Assets			
Fixed assets (Net)	4/1	54,445,418	54,660,510
Projects under construction	4/2	18,121,810	10,746,506
Held to maturity investments	5/1	672,200	672,200
Available for sale investments	5/2	4,833,310	4,829,302
Investments properties	5/3	12,859,265	10,220,066
Long term notes receivable (Net)	8	6,149,282,308	5,079,241,323
Deferred tax asset	32	8,128,980	11,960,016
Total Non-Current Assets		<u>6,248,343,291</u>	<u>5,172,329,923</u>
Current Assets			
Inventories	6	54,799,073	54,221,611
Housing & development projects – WIP	7	1,455,180,110	1,279,706,549
Housing & development projects – Finished properties	7	78,545,714	78,262,306
Short term notes receivable	8	2,239,238,936	1,642,361,356
Trade receivables (Net)	8	775,260,676	492,957,726
Trade payables – debit balances (Net)	9	237,000,511	228,219,941
Debtors and other debit balances	10	262,711,025	174,260,035
Cash margin on letters of guarantee		10,290,918	10,329,638
Tax Authority		632,377	-
Investments at fair value through profit and loss	5/4	12,169,504	10,807,609
Investments held to maturity – Treasury bills	5/5	115,893,797	-
Bank deposits for projects' maintenance	21	317,330,755	192,332,965
Cash and bank balances	11	485,592,406	268,982,819
		<u>6,044,645,802</u>	<u>4,432,442,555</u>
Assets held for sale	4/3	-	14,731,191
Total Current Assets		<u>6,044,645,802</u>	<u>4,447,173,746</u>
Total Assets		<u>12,292,989,093</u>	<u>9,619,503,669</u>
EQUITY AND LIABILITIES			
Equity			
Issued and paid up capital	17	1,200,000,000	997,100,389
Legal reserve		170,478,648	123,313,788
Retained earnings		918,233,758	332,036,186
Net profit for the year		1,084,591,561	931,621,229
Issued capital and reserves attributable to owners of the parent		3,373,303,967	2,384,071,592
Non-controlling interest	18	96,136,160	70,527,049
Total Equity		<u>3,469,440,127</u>	<u>2,454,598,641</u>

CFO

Mr. Mohamed Abdelsalam

Managing Director

Eng. Ahmed Ali Elhitamy

Chairman

Eng. Mohamed Hazem Barakat

The attached notes from 1 to 40 form part of these summary consolidated financial statements.

Madinet Nasr for Housing and Development S.A.E.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION - Continued

At 31 December 2018

	<i>Note</i>	<i>31/12/2018</i> <i>L.E.</i>	<i>31/12/2017</i> <i>L.E.</i>
Non-Current Liabilities			
Unearned revenues	12	6,694,922,865	5,119,108,765
Long term notes payable	16	39,255,924	-
Term loans	19	238,780,101	207,152,774
Total Non-Current Liabilities		<u>6,972,958,890</u>	<u>5,326,261,539</u>
Current Liabilities			
Creditors – customers		39,066,777	79,187,826
Provisions	13	124,043,415	128,640,704
Trade payables		110,376,171	150,410,550
Project infrastructure completion liabilities	14	116,553,018	170,827,359
Dividends payable		12,195,918	6,962,447
Creditors & other credit balances	16	493,389,921	447,929,948
Current portion of long term loans	19	137,768,093	177,892,520
Short term loans	20	111,666,664	56,875,747
Liabilities for projects' maintenance	21	319,154,859	192,401,793
Credit banks (credit facilities)	20	66,295,682	130,804,575
Tax Authority		320,079,558	296,710,020
Total current liabilities		<u>1,850,590,076</u>	<u>1,838,643,489</u>
Total Liabilities		<u>8,823,548,966</u>	<u>7,164,905,028</u>
Total EQUITY AND LIABILITIES		<u>12,292,989,093</u>	<u>9,619,503,669</u>

Auditor's report attached.

CFO

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Madinet Nasr for Housing and Development S.A.E.

CONSOLIDATED STATEMENT OF INCOME (PROFIT OR LOSS)

For the year ended 31 December 2018

	<i>Note</i>	<i>31/12/2018</i> <i>L.E.</i>	<i>31/12/2017</i> <i>L.E.</i>
Net revenues	23-a	2,782,727,509	2,428,257,956
Less:			
Cost of revenues	23-b	(992,348,517)	(840,532,674)
Gross Profit		1,790,378,992	1,587,725,282
Less:			
Selling and marketing expenses	25	(206,216,925)	(252,810,416)
General and administrative expenses	26	(114,025,186)	(112,163,005)
Impairment of receivables		(500,000)	(2,927,501)
Impairment of trade payables - debit balances		(4,981,724)	-
Decrease in inventory		(265,000)	-
Provisions	13	(30,931,930)	(32,720,662)
Provisions no longer required		3,950,000	4,328,290
Finance expenses		(112,878,889)	(28,371,826)
Add:			
Finance income	27	45,427,791	31,254,148
Other operating income	28	74,405,491	46,226,306
Operating profit		1,444,362,620	1,240,540,616
Return on investments held to maturity and available for sale		527,860	845,622
Other expenses	29	(16,627,544)	(38,669,391)
Net profit for the year before tax		1,428,262,936	1,202,716,847
Income tax		(314,055,252)	(272,441,848)
Deferred tax	32	(3,831,036)	2,778,187
Net profit for the year		1,110,376,648	933,053,186
Add/(Less): Non-controlling interest		(25,785,087)	(1,431,957)
Attributable to owners of the parent	30	1,084,591,561	931,621,229
Earnings per share for the year	34	0.82	0.84

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Chairman

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Madinet Nasr for Housing and Development S.A.E.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2018

	<i>31/12/2018</i>	<i>31/12/2017</i>
	<i>L.E.</i>	<i>L.E.</i>
Net profit for the year	1,110,376,648	933,053,186
Other comprehensive income	<u>4,008</u>	<u>8,580</u>
Total comprehensive income for the year	1,110,380,656	933,061,766
Non-controlling interest	<u>(25,786,992)</u>	<u>(1,436,036)</u>
Attributable to owners of the parent	<u><u>1,084,593,664</u></u>	<u><u>931,625,730</u></u>

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Madinet Nasr for Housing and Development S.A.E.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the year ended 31 December 2018

	<i>Issued and paid up Capital L.E.</i>	<i>Treasury stocks L.E.</i>	<i>Legal reserve L.E.</i>	<i>Retained earnings L.E.</i>	<i>Net profit for the year L.E.</i>	<i>Total owners of the parent L.E.</i>	<i>Non- controlling interest L.E.</i>	<i>Total Equity L.E.</i>
Balance at 1 January 2017	500,000,000	(74,633,025)	86,375,259	344,351,026	766,575,412	1,622,668,672	69,672,444	1,692,341,116
Sale of treasury stocks of 4 million stocks	-	74,633,025	-	(1,433,024)	-	73,200,001	-	73,200,001
Transferred to retained earnings	-	-	-	766,575,412	(766,575,412)	-	-	-
Dividends for 2016	-	-	-	(223,000,000)	-	(223,000,000)	-	(223,000,000)
Transferred to legal reserve	-	-	36,938,529	(36,938,529)	-	-	-	-
Increase in capital according to Extraordinary General Assembly Meeting held on 29/3/2017	500,000,000	-	-	(500,000,000)	-	-	-	-
Used retained earnings for Al Nasr Company for Civil Works	-	-	-	(641,605)	-	(641,605)	(581,431)	(1,223,036)
Decrease in share capital by cancelled share option	(2,899,611)	-	-	(16,881,595)	-	(19,781,206)	-	(19,781,206)
Total comprehensive income	-	-	-	4,501	931,621,229	931,625,730	1,436,036	933,061,766
Balance at 31 December 2017	997,100,389	-	123,313,788	332,036,186	931,621,229	2,384,071,592	70,527,049	2,454,598,641
Transferred to retained earnings	-	-	-	931,621,229	(931,621,229)	-	-	-
Dividends for 2017	-	-	-	(95,165,000)	-	(95,165,000)	-	(95,165,000)
Transferred to legal reserve	-	-	47,164,860	(47,164,860)	-	-	-	-
Increase in capital according to Extraordinary General Assembly Meeting held on 1/4/2018 (Note 17)	202,899,611	-	-	(202,899,611)	-	-	-	-
Dividends for Al Nasr Company for Civil Works	-	-	-	(196,289)	-	(196,289)	(177,881)	(374,170)
Total comprehensive income	-	-	-	2,103	1,084,591,561	1,084,593,664	25,786,992	1,110,380,656
Balance at 31 December 2017	<u>1,200,000,000</u>	<u>-</u>	<u>170,478,648</u>	<u>918,233,758</u>	<u>1,084,591,561</u>	<u>3,373,303,967</u>	<u>96,136,160</u>	<u>3,469,440,127</u>

CFO

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Managing Director

Eng. Ahmed Ali Elhitamy

Chairman

Eng. Mohamed Hazem Barakat

The attached notes from 1 to 40 form part of these summary consolidated financial statements.

Madinet Nasr for Housing and Development S.A.E.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

	<i>Note</i>	31/12/2018	31/12/2017
		L.E.	L.E.
OPERATING ACTIVITIES			
Net profit for the year before tax		1,428,262,936	1,202,716,847
Adjustments for:			
Depreciation of fixed assets and investment properties	4/1 ، 5/3	14,733,730	8,281,988
Provisions, decrease in investment and impairment		36,678,654	35,648,163
Provisions no longer required		(3,950,000)	(4,328,290)
Return from available for sale investments		(527,860)	(845,622)
Gain on sale of fixed assets		(899,673)	(190)
Net recognized installment - sale profit and interest		(51,898,384)	(75,024,473)
Gain on foreign exchange differences		(32,515)	-
Operating profit before working capital changes		1,422,366,888	1,166,448,423
Inventory and housing and development projects		(176,599,431)	(338,442,904)
Trade receivables, debtors, debit balances and notes receivable		(1,831,830,517)	(3,029,611,504)
Trade payables and other credit balances		1,351,187,452	2,368,066,666
Used provisions	13	(25,259,219)	(31,644,173)
Dividends paid to Board of Directors and employees		(90,127,818)	(67,802,382)
Income tax paid		(291,318,091)	(253,844,643)
Investment held to maturity		(101,293,797)	-
Investments held for sale		14,731,191	-
Net cash from/(used in) operating activities		271,856,658	(186,830,517)
INVESTING ACTIVITIES:			
Payments for purchase of fixed assets and projects under construction		(19,660,197)	(25,256,038)
Payments for investment properties		(2,705,329)	(898,103)
Return on investments held to maturity		527,860	49,668
Proceeds from sale of fixed assets		912,933	5,000
Net cash used in investing activities		(20,924,733)	(26,099,473)

The attached notes from 1 to 40 form part of these summary consolidated financial statements.

Madinet Nasr for Housing and Development S.A.E.

CONSOLIDATED STATEMENT OF CASH FLOWS - Continued

For the year ended 31 December 2018

	<i>Note</i>	<i>31/12/2018</i> <i>L.E.</i>	<i>31/12/2017</i> <i>L.E.</i>
FINANCING ACTIVITIES:			
Dividends paid to shareholders		-	(150,000,000)
Sale of treasury stocks		-	73,200,001
Non-controlling interest		(177,881)	(637,384)
Proceeds from long term loans	19	209,966,744	127,755,776
Payments of long term loans	19	(218,463,845)	(6,291,698)
Payments of short term loans	20	(280,219,456)	(119,028,092)
Proceeds from short term loans	20	335,010,373	156,570,506
Net cash from financing activities		<u>46,115,935</u>	<u>81,569,109</u>
Change in cash and cash equivalents		297,047,860	(131,360,881)
Cash and cash equivalents at the beginning of the year		148,985,853	280,346,734
Gain of foreign exchange differences		32,515	-
Total cash and cash equivalents at the end of the year		446,066,228	148,985,853
Less: Pledged time deposits against letters of guarantee		(88,682,048)	(65,691,426)
Pledged investment certificates against letters of guarantee		(9,203,122)	-
Cash and cash equivalents at the end of the year	20	<u>348,181,058</u>	<u>83,294,427</u>

NON-CASH TRANSACTIONS:

The statement of cash flows does not include the following non-cash transactions:

- An amount of L.E. 1,828,505 (2017: L.E. 303,103) represents amount transferred from projects under construction to fixed assets during the year.
- An amount of L.E. 317,330,755 (2017: L.E. 192,332,965) represents bank accounts and deposits against liabilities for projects maintenance.
- An amount of L.E. 202,899,611 (2017: L.E. 500,000,000) represents increase in paid up capital through issuance of free shares financed from retained earnings.

<u>CFO</u>	<u>Managing Director</u>	<u>Chairman</u>
Mr. Mohamed Abdelsalam	Eng. Ahmed Ali Elhitamy	Eng. Mohamed Hazem Barakat

The attached notes from 1 to 40 form part of these summary consolidated financial statements.

NOTES TO THE SUMMARIZED CONSOLIDATED FINANCIAL STATEMENTS

31 December 2018

1. COMPANY BACKGROUND

1.1 Legal form of the company

Madinet Nasr for Housing and Development S.A.E. was incorporated in accordance with the Presidential Decree No. 815/1959 and was changed to Joint Stock Company according to Presidential Decree No 2908/1964, then became a subsidiary of Public Sector Authority for Housing by Presidential Decree No. 469/1983.

The company was converted under the provisions of Law No. 203 for 1991 issued on 30/06/1996 to an Egyptian Joint Stock Company as a subsidiary to the Holding Company for Housing under the name of Madinet Nasr Housing and Development. The Extraordinary General Assembly of the company held on 30/06/1996 approved the change in the governing laws under which the company was operating from the provisions of Law No. 203 for 1991 to the provisions of Law No. 159 for 1981 and its executive regulations and published in company's journal on January 1997.

The Company was registered in the Commercial Registry under No. (300874) dated 23 December 1996 and Tax Registration No. 095-009-200.

1.2 Activity

The company is engaged in all activities related to real estate development for land, buildings and facilities including acquisition of land and real estate, sale and rental, dividing it and providing all types of facilities necessary for reconstruction and connected to it in Nasr City and other areas nationwide, the purchase and development, utilization, leasing and sale of all buildings and land. The company can establish, manage and invest in all residential, administrative, tourist, recreational and all projects necessary to achieve these purposes, and all real estate operations, financial, commercial and entertainment related to these purposes, as well as carrying out design, and engineering consultancy, and supervision of the execution by others.

BIG Investment Group Limited - Egypt is considered the main shareholder of the company.

1.3 Duration

The company's term is 50 years starting from the date of the registration in the commercial register and has been renewed for another 25 started from 23/12/1996 to 22/12/2021.

1.4 Location

The company's head office is located at 4, Youssef Abbass, Nasr City, Cairo, Egypt.

The Chairman is Eng. Mohamed Hazem Barakat.

The company's ordinary shares are listed on the Egyptian Exchange (EGX) and, as Global Depositary Receipts (GDRs),

The company's Board of Directors has approved the consolidated financial statements for the year ended 31 December 2018 on 17 February 2019.

NOTES TO THE SUMMARIZED CONSOLIDATED FINANCIAL STATEMENTS

31 December 2018

1. COMPANY BACKGROUND - Continued**1.5 Basis of consolidation**

A subsidiary is a company in which the company owns more than 50% of the share capital and the company exercises the right to control the investee when the company is exposed or entitled to variable returns through the company's contribution to the investee company and has the ability to affect those returns through its authority over the company. Therefore the company controls the investee company when the company has all the following:

- Power over the investee.
- Exposure or right to variable returns by contributing to the investee company.
- The ability to use the authority on the investee company to influence the amount of proceeds obtained from it.

Investments in subsidiaries are carried at cost less impairment losses, if any.

- The consolidated financial statements include the financial statements of the company and its subsidiaries.
- The financial statements of the subsidiaries are prepared for the same reporting year as the parent company, using consistent accounting policies.
- All intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions that are recognized as assets and liabilities, are eliminated in full.
- Subsidiaries are fully consolidated from date of acquisition, being the date on which the group obtains control, and continue to be consolidated until the date such control ceases.
- Non-controlling interests represent the portion of total comprehensive income and net assets not held by the group are presented separately in statement of income and within equity in consolidated financial position, separate from owners of parent's equity.

The following is a listing of subsidiaries:

<i>Subsidiary</i>	<i>Percentage Ownership</i>	<i>Activity</i>
Al Nasr for Civil Works S.A.E.	52.46%	Civil construction
Al Nasr for Utilities and Erection S.A.E.	98.37% (Direct investment) 0.79% (Indirect investment)	Civil construction

2. USE OF ESTIMATES AND JUDGMENTS

The preparation of consolidated financial statements in accordance with Egyptian Accounting Standards requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable, under the circumstances, the results of which form the basis of making the judgments about the carrying values of assets and liabilities. Actual results may differ from those estimates.

The estimates and underlying assumptions are reviewed on a continuous basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and the future periods if it affects future periods.

NOTES TO THE SUMMARIZED CONSOLIDATED FINANCIAL STATEMENTS

31 December 2018

2. USE OF ESTIMATES AND JUDGMENTS

The following are items on the consolidated financial statements that are effected by judgments, assumptions, and estimates:

- Depreciation of fixed assets and investment property
- Provisions
- Assets impairment
- Taxation
- Cost of sales and cost of completion of infrastructure liability
- Amortization of the discount of present value of notes receivable

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Basis of preparation of consolidated financial statements

The consolidated financial statements were prepared in accordance with the Egyptian Accounting Standards and relevant local laws and regulations.

The consolidated financial statements are prepared under the historical cost convention modified for measurement of available for sale investments, held to maturity investments and investment at fair value through profit and loss.

The consolidated financial statements are presented in Egyptian Pounds which presents the functional currency of the group.

b) Fixed assets and depreciation

Fixed assets are recorded on purchase at cost and are presented in the consolidated financial position net of accumulated depreciation and impairment losses. Historical costs include costs associated with the purchase of the asset. For assets constructed internally, the cost of the asset includes the cost of raw materials, direct labor and other direct costs incurred in bringing each asset to its location and the purpose for which it was acquired, as well as the costs of removal and rearrangement of the site, where the assets are located.

Components are accounted for on an item of fixed assets that have different useful lives as separate items within those fixed assets.

The carrying amount of fixed assets includes the cost of replacing a part or component of such assets when it is expected to obtain future economic benefits as a result of spending that cost. Other costs allocated to the consolidated statement of income as an expense when incurred.

NOTES TO THE SUMMARIZED CONSOLIDATED FINANCIAL STATEMENTS

31 December 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Depreciation is provided on a straight line basis to write off the cost less estimated residual value of each asset – other than land. Estimated useful lives are reviewed periodically and on review base useful lives are adjusted and relevant rates for year 2018 as follows:

	<i>MNHD</i>		<i>Al Nasr for Civil Works Years Useful life</i>	<i>Al Nasr for Utilities & Erections Years Useful life</i>
	<i>Useful life Before Adjustment</i>	<i>Useful life After Adjustment</i>		
Buildings	50	40	10-40	20-50
Improvements- Leasehold building	5 or the duration of the lease whichever is lower	5 or the duration of the lease whichever is lower	-	-
Improvements- Building owned	50	8	-	-
Machinery & equipment for production	-	-	2-10	2-10
Machinery & equipment	5	5	-	-
Motor vehicles	5	5	5-10	4-6
Computers and servers	3-10	5-8	-	-
Programs	3-10	3	-	-
Tools & equipment	1	2	4-10	4-12
Furniture & office equipment	10	2-8	10	10-15

The adjustment of the depreciation rates led to decrease in the profit for the year by approximately L.E. 4 million.

c) **Projects under construction**

Projects under construction are recorded at cost which includes all the direct costs incurred on the assets to reach its final position. These are transferred to fixed assets or investment property when the asset is complete and ready for its intended use. Projects under construction are recorded at cost less impairment, if any.

d) **Available for sales investment**

Available for sale investments are initially recorded at cost and are subsequently measured at fair value. Changes in fair value are reported as a separate component of other comprehensive income. Where available for sale investments could not be measured reliably, as the market for an investment is not active (and for unlisted securities), these are stated at cost less impairment losses, if any. Impairment loss is charged to the consolidated statement of income.

NOTES TO THE SUMMARIZED CONSOLIDATED FINANCIAL STATEMENTS

31 December 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - *Continued*

e) Held to maturity investments

Held to maturity investments are carried at amortized cost using the effective interest method. Premiums or discounts (if any) are amortized using the effective interest method. When the investment is impaired, the impairment loss is adjusted against book value and included in the consolidated statement of income.

f) Investment properties

Investment properties are measured at cost model and depreciation expense carried to the consolidated statement of income according to the straight-line method over the estimated useful life of all investment property except the land. In case of such assets are impaired, the loss is included in the consolidated income statement.

g) Investments at fair value through profit and loss

Investments at fair value through profit and loss are initially recorded at cost and revaluated at the date of consolidated financial statements at fair value which represents the market price at the valuation date. Changes in fair value are charged to the consolidated statement of income.

h) Inventories

Inventories are stated at the lower of cost or net realizable value. Costs include expenses incurred in bringing each product to its present location and condition. Cost of raw materials, packing materials, spare parts, fuel and oil is determined on an weighted average basis.

Net realizable value is based on estimated selling price less selling and completion cost.

i) Housing and development projects

All cost incurred on housing and development projects are included in this account. At point of sale, this account is adjusted based on actual per meter cost of land or units sold. Housing and development projects are measured at the lower of cost and net realizable value. In case of decrease the net realizable value under the cost, the decrease is charged to the consolidated statement of income.

j) Consolidated statement of cash flows

Consolidated statement of cash flows is prepared according to the indirect method

k) Cash and cash equivalents

Cash and cash equivalents include cash on hand, time deposits (due within 3 months), investments at fair value through profit and loss, bank current accounts, and short term highly liquid investments, which can be easily converted to cash, less overdrafts (credit banks) and pledged time deposits against letters of guarantee.

NOTES TO THE SUMMARIZED CONSOLIDATED FINANCIAL STATEMENTS

31 December 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - *Continued*

l) Trade receivables, notes receivables and other debit balances

Trade accounts receivable stated at cost net of allowance for doubtful debts, which is estimated for amounts not expected to be collected in full. Other debtors stated at cost less any impairment.

Notes receivable represents are the value of the Post Dated Checks (PDCs) obtained from the customers in payment of the remaining contractual values of the contracted real estate units. The initial recognition of the notes receivable is at fair value at the time the contract is entered into with the customers. At the date of preparation of the consolidated financial statements, notes receivable are re-measured at amortized cost which is determined by discounting the future cash flows of the notes receivable using the rate of return that discounts the nominal value of the instruments to the current cash price for selling the real estate units.

m) Assets impairment

Non-Financial Assets

At the consolidated financial statements date, the company reviews the carrying amounts of its owned non financial assets to determine whether there is any indication that those assets may be impaired. If any such indication exists, the company estimates the recoverable amount for each asset separately in order to estimate the impairment losses. In case the recoverable amount of the asset cannot be properly estimated, the company estimates the recoverable amounts for the cash-generating unit which is related to the asset.

In case of using a reasonable and consistent basis for allocating of the assets to the cash generating units, the company's general assets would be also allocated to these units. If this is unattainable, the general assets of the company shall be allocated to the smallest group of the cash-generating units, which the company determined using logical and fixed bases.

The asset recoverable amount or the cash-generating unit is represented by the higher of the fair value (less the estimated selling costs) or the estimated amount from the usage of the asset (or the cash generating unit).

The estimated future cash flow from the usage of the assets, or the cash generating unit using a discount rate before tax is discounted in order to reach the present value for these flows which represents the estimated amount from using the asset (or the cash generating unit).

This rate reflects current market assessments of the time value of money and the risks specific to the asset, which were not taken into consideration when estimating the future cash flow generated from it. When the recoverable amount of the asset (cash generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash generating unit) is reduced to its recoverable amount with the impairment loss recognized immediately in the consolidated income statement.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - *Continued*

In case the impairment on asset (or cash generating unit) decreases subsequently, and this decrease is related in a logical manner to one event or more taking place after the initial recognition of the impairment at the profit or losses, a reversal is done for the revised amount of losses (or a part of it)- which had been recognized previously- in the consolidated income statement, and the carrying amount for the asset is increased (or the cash generating unit) with the new estimated recoverable amount provided that the revised carrying amount of the asset after revising (or the cash generating unit) does not exceed the carrying amount determined for the asset, had the recognized losses resulting from impairment, not been recognized in previous years

Financial Assets

At the consolidated financial statements date, the company determines whether there is any indication that its financial assets may be impaired.

Financial assets are exposed to impairment when an objective evidence that the estimated future cash flow have been affected by the event or more established at a date subsequent to the initial recognition of the financial asset.

The carrying value of all financial assets is reduced directly with the impairment losses except those related to the reduction in the expected value of the collections from the customers debts and other debit balances, where a formed allowances for impairment loss is done on its value. When the debt of the clients or the owner of the debit balance is uncollectible, a written off discount is applied upon this account. All the changes in the book value relating to this account are recognized in the consolidated income statement.

n) Provisions

Provisions are recognized when there is a present obligation (legal or constructive) as a result of a past event, it is probable an outflow of resources embodying economic benefits will be required to settle this obligation and a reliable estimate can be made for the obligation.

Provisions are reviewed at the consolidated statement of financial position date and adjusted (if necessary) to present the best current estimate.

o) Unearned revenue, payables and other credit balances

The value of unearned revenues on real estate units (villas, townhouses, twin houses, apartments and garages) contracted for sale and were not delivered to customers on the date of the consolidated statement of financial position is recorded as a liability at the cash price of those units (after discounting the future contractual value of these units to reach the cash sale price). These balances are recognized as sales income in the consolidated statement of income on the date of delivery.

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

NOTES TO THE SUMMARIZED CONSOLIDATED FINANCIAL STATEMENTS

31 December 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - *Continued*

p) Treasury stocks

Treasury stocks are recorded at cost and deducted from shareholders equity. Gain or loss from sale of shares is included in the retained earnings.

q) Dividends

Dividends are recorded as liability during the year when declared.

r) Revenue recognition

1. *Cash sales*

Sales of land and property is recorded after collection of the agreed upon price and delivery to the customer in accordance with the terms of the contract.

2. *Installment Sales*

- Total sale of value of land and property is recorded as sales during the period after deduction of profit relating to deferred installments on those sales. Such deduction is recorded as a liability (profit from deferred installments) when the following terms for sales are met as:
 - The risk and rewards of ownership of units sold is not transferred to the buyer until settlement of all installments due from the buyers and the transfer of ownership to buyer.
 - The company has the right of managerial intervention and supervision on units sold to guarantee that the buyer is a bidding by the contractual terms.
 - According to the signed contracts with the customers, the company has the right to cancel the contracts if all installments due were not paid.
- Deferred installments profit and deferred interests on installments which related to sale of land and properties in prior years are recognized on the accrual basis when the installments full due adjusting the profit margin by cost incurred on projects during the year.

3. *Revenue from real estate contracts*

The company is performing the activity of real estate and marketing to this activity through customers' contracts which give them the right to have real estate villa, town house and unit over the period of the contract. Revenue recognized from sales agreements according to the stages included in the sales agreements according to the following:

- Development of land for construction of real estate
- Construction of the building
- Finishing of units

NOTES TO THE SUMMARIZED CONSOLIDATED FINANCIAL STATEMENTS

31 December 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - *Continued*

4. *Joint arrangement*

A joint arrangement is an arrangement in which two or more parties have joint control. It is either a joint operation or a joint venture. A joint arrangement is that the parties are bound by a contractual agreement granting joint control to two or more parties of the arrangement.

The classification of a joint arrangement as a joint operation or a joint venture depends on the rights and obligations (undertakings) of the parties to the arrangement. The joint operation becomes a joint arrangement when its parties have joint control over the rights over the assets and the obligations associated with the arrangement. These parties are called joint operators. A joint venture is a joint arrangement when its parties have joint control over the rights over the net assets associated with the arrangement. These parties are called shareholders in joint ventures. The entity shall apply the judgment in assessing whether the joint arrangement is a joint operation or a joint venture.

The joint operator shall account for assets, liabilities, income and expenses related to its share in the joint operation in accordance with the Egyptian Accounting Standards applicable to such assets, liabilities, revenues and expenses.

On 31 December 2015, the Company adopted a new strategy to execute a joint venture development contract based on a share in the revenue of the sales. The Company receives its share against the land provided for development by the other co-developer who will receive the rest of the sale revenue against incurring the development cost.

5. *Other revenue:*

- Rent, time deposits interest and bonds revenue recorded on the accrual basis.
- Dividends revenue are recognized and recorded as income when they become legally payable by the investee companies and realized after acquisition date.

6. *Contracting Revenue*

Contracting revenue of the two subsidiary companies included value of contracts with customers, approved change orders, incentives, and other claims. Revenue from contracting is recognized following percentage-of-completion method.

s) *Direct and indirect cost*

Direct and indirect costs incurred for the constructions of the real estate are accumulated in the housing and development projects inventory account. Cost of the completed units are comprises of land cost, cost of building constructed and other indirect costs.

NOTES TO THE SUMMARIZED CONSOLIDATED FINANCIAL STATEMENTS

31 December 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - *Continued*

t) Operating rent

Operating rent are recorded in the consolidated statement of income on a straight line method over the rent period.

u) Employees' benefits

The company contributes to the social insurance scheme for the benefit of its employees in accordance with the Social Insurance Law. Contributions of workers and employers are calculated at a fixed rate of wages. The company's commitment is represented in value of its contribution. The company's contributions are charged to the statement of income. The company gives employees who have reached retirement age, end of service gratuity up to a maximum of 50 thousand Egyptian pounds. The Company also applies an optional early retirement scheme. End of service benefits for employees benefiting from this system are charged to the consolidated statement of income in the period in which they are approved for early retirement.

v) Taxation

Income tax

Taxation is accounted according to Egyptian laws and regulations.

Income tax expense that is calculated on the profits of the company represents the sum of the tax currently payable (calculated according to the applied laws and regulations and using the tax rates prevailing as of the consolidated financial statements date) and deferred tax. Current and deferred taxes are recognized as income or expenses and included in the profits or losses of the period except for instances that taxes are established from:

- A transaction or event recognized, in the same period or other period, outside profit or loss either in other comprehensive income or directly in equity, or
- Business combinations.

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities according to the accounting basis used in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates that have been enacted or substantively enacted at the consolidated financial statements date.

Deferred tax liabilities are generally recognized (generated from taxable temporary differences in the future) while deferred tax assets recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

NOTES TO THE SUMMARIZED CONSOLIDATED FINANCIAL STATEMENTS

31 December 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - *Continued*

The carrying amount of deferred tax assets is reduced to the extent that it is no longer probable that sufficient taxable profits will be available in future years to allow all or part of the asset to be recovered. The balance sheet method is used in accounting for deferred assets and liabilities and they are recognized as non-current assets and liabilities.

w) Earnings per share

Earnings per share are calculated by dividing the net profit for the period after deduct employees share in profit and Board of Directors remuneration by the weighted average number of outstanding shares during the year.

x) Borrowing cost

Borrowing costs directly attributable to the acquisition, construction or production of a qualified asset for capitalization of cost of borrowing; are capitalized as part of the cost of the asset. Other borrowing costs are charged as an expense in the consolidated statement of income on a time-apportioned basis using the effective interest rate.

y) Legal reserve

As required, by the Companies Law No. 159 of 1981 and the company's Articles of Association 5% of the profit for the year is transferred to the legal reserve. The company may resolve to discontinue such annual transfers when the reserve totals 50% of the issued share capital. The legal reserve cannot be distributed except in cases stated in the Law.

z) Foreign currency transactions

The company's functional currency is the Egyptian pound. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the consolidated financial statements date are translated at the rate of exchange ruling at that date. Retranslation exchange profit and loss is taken to the consolidated statement of income.

Madinet Nasr for Housing and Development S.A.E.

NOTES TO THE SUMMARIZED CONSOLIDATED FINANCIAL STATEMENTS

31 December 2018

4/1 FIXED ASSETS

	<i>Land</i>	<i>Buildings and constructions</i>	<i>Machinery & equipment</i>	<i>Motor vehicles</i>	<i>Tools</i>	<i>Furniture & office equipment</i>	<i>Computers & software</i>	<i>Total</i>
	(*)	(*)						
	<i>L.E.</i>	<i>L.E.</i>	<i>L.E.</i>	<i>L.E.</i>	<i>L.E.</i>	<i>L.E.</i>	<i>L.E.</i>	<i>L.E.</i>
Cost:								
At 1 January 2018	1,660,315	27,309,432	34,189,173	18,918,416	3,916,640	15,159,854	19,149,893	120,303,723
Additions during the year	-	1,021,396	1,360,579	22,777	16,008	2,295,643	7,920,858	12,637,261
Transferred from projects under construction (4/2)	-	5,000	1,823,505	-	-	-	-	1,828,505
Disposals	-	(70,230)	(156,354)	(1,159,658)	(26,864)	(68,065)	(29,670)	(1,510,841)
At 31 December 2018	<u>1,660,315</u>	<u>28,265,598</u>	<u>37,216,903</u>	<u>17,781,535</u>	<u>3,905,784</u>	<u>17,387,432</u>	<u>27,041,081</u>	<u>133,258,648</u>
Accumulated depreciation:								
At 1 January 2018	-	5,243,742	25,306,511	17,157,637	3,482,875	9,288,610	5,163,838	65,643,213
Provided during the year	-	2,215,271	3,988,740	687,973	69,867	1,906,704	5,799,044	14,667,599
Related to disposals	-	(70,230)	(156,354)	(1,159,658)	(26,864)	(67,060)	(17,416)	(1,497,582)
At 31 December 2018	-	<u>7,388,783</u>	<u>29,138,897</u>	<u>16,685,952</u>	<u>3,525,878</u>	<u>11,128,254</u>	<u>10,945,466</u>	<u>78,813,230</u>
Net book value:								
At 31 December 2018	<u>1,660,315</u>	<u>20,876,815</u>	<u>8,078,006</u>	<u>1,095,583</u>	<u>379,906</u>	<u>6,259,178</u>	<u>16,095,615</u>	<u>54,445,418</u>
At 31 December 2017	<u>1,660,315</u>	<u>22,065,690</u>	<u>8,882,662</u>	<u>1,760,779</u>	<u>433,765</u>	<u>5,871,244</u>	<u>13,986,055</u>	<u>54,660,510</u>

(*) Land and buildings includes land and buildings of the social club and the playground rented for Madinet Nasr for Housing and Development club by book value approximately L.E. 1.3 million and L.E. 4.5 million for land and buildings respectively, also the buildings and constructions of El Nasr for Utilities on a plot of land of 7,780 M² by a usufruct right for the company with unlimited period and there are negotiation to purchase this land.

NOTES TO THE SUMMARIZED CONSOLIDATED FINANCIAL STATEMENTS

31 December 2018

4/1 FIXED ASSETS - Continued

a) Fully depreciated assets and still operating are as follows:

	31/12/2018	31/12/2017
	L.E.	L.E.
Buildings and constructions	728,518	527,078
Motor vehicles	14,987,989	14,982,407
Furniture and office equipment	4,607,960	4,442,618
Machinery and equipment	17,681,571	17,617,372
Computers and software	228,491	165,090
Tools	3,238,300	3,254,703
	<u>41,472,829</u>	<u>40,989,268</u>

b) Depreciation for the year is allocated as follows:

	31/12/2018	31/12/2017
	L.E.	L.E.
Cost of sales	4,538,538	4,487,256
Selling & marketing expenses (Note 25)	1,796,196	142,712
General and administrative expenses (Note 26)	8,332,865	3,596,035
	<u>14,667,599</u>	<u>8,226,003</u>

4/2 PROJECTS UNDER CONSTRUCTION

	31/12/2018	31/12/2017
	L.E.	L.E.
Balance at the beginning of the year	10,106,923	375,308
Additions	9,203,809	10,034,718
Transferred to fixed assets (Note 4/1)	<u>(1,828,505)</u>	<u>(303,103)</u>
Balance at the end of the year (Parent Co.)	17,482,227	10,106,923
Al Nasr Company for Civil Works	<u>639,583</u>	<u>639,583</u>
	<u>18,121,810</u>	<u>10,746,506</u>

4/3 ASSETS HELD FOR SALE - Al Nasr Company for Civil Works

	31/12/2018	31/12/2017
	L.E.	L.E.
Land and building of administrative building in Nasr City	-	3,665,877
Cost of work executed for administrative building in Nasr City	-	11,065,314
	<u>-</u>	<u>14,731,191</u>

The land and building has been transferred from projects under construction to assets held for sale based on Board of Directors' decision to sell the building, selling contract was signed on 3 April 2018.

Madinet Nasr for Housing and Development S.A.E.

NOTES TO THE SUMMARIZED CONSOLIDATED FINANCIAL STATEMENTS

31 December 2018

5. INVESTMENTS**5/1 Held to maturity investments**

	<i>31/12/2018</i> <i>L.E.</i>	<i>31/12/2017</i> <i>L.E.</i>
Investments in Governmental bonds	<u>672,200</u>	<u>672,200</u>

5/2 Available for sale investments

	<i>Contribution</i> <i>%</i>	<i>31/12/2018</i> <i>L.E.</i>	<i>31/12/2017</i> <i>L.E.</i>
Egyptian Kuwaiti Real Estate Development (*)	7,503	4,314,110	4,314,110
High Education House (S.A.E.) (*)	1,76	300,000	300,000
El Nasr Transformers & Electrical Products Co. (El-Maco)	0.01	19,200	15,192
El Nasr Co. for Clay Brick Production (*)	0.8	200,000	200,000
		<u>4,833,310</u>	<u>4,829,302</u>

(*) Available for sale investments are not traded in active market, the management point of view that there is no material variance between the cost and the fair value.

5/3 Investments properties

	<i>31/12/2018</i> <i>L.E.</i>	<i>31/12/2017</i> <i>L.E.</i>
Allocated land for Development and Housing Projects (**)	8,753,037	5,919,456
Held land ownership on sold properties	3,427,691	3,427,691
Rented building – Net (*)	678,537	872,919
	<u>12,859,265</u>	<u>10,220,066</u>

Fair value of investment properties is not less than its book value.

(*) Rented buildings (Net)

	<i>Residential</i> <i>units</i> <i>L.E.</i>	<i>None</i> <i>residential</i> <i>units</i> <i>L.E.</i>	<i>Total</i> <i>L.E.</i>
Cost:			
At 1 January 2018	545,998	2,882,169	3,428,167
Disposals during the year (**)	-	(236,411)	(236,411)
At 31 December 2018	<u>545,998</u>	<u>2,645,758</u>	<u>3,191,756</u>
Accumulated depreciation:			
At 1 January 2018	447,959	2,107,289	2,555,248
Provided during the year (Note 23-b)	9,905	56,226	66,131
Disposals	-	(108,160)	(108,160)
At 31 December 2018	<u>457,864</u>	<u>2,055,355</u>	<u>2,513,219</u>
Net book value:			
At 31 December 2018	<u>88,134</u>	<u>590,403</u>	<u>678,537</u>
At 31 December 2017	<u>98,039</u>	<u>774,880</u>	<u>872,919</u>

NOTES TO THE SUMMARIZED CONSOLIDATED FINANCIAL STATEMENTS

31 December 2018

5. INVESTMENTS - Continued

(**) Stadiums buildings' which is located in Suez Road by 74,543 M² was exchanged with piece of land by 60,000 M² from Armed Forces Lands Projects Authority and added to Allocated land for developing and housing Projects by cost not by fair value as considered that similar fair value of two pieces of land without determination in accordance with signed protocol between the two parties dated on 5 January 2016.

- Fully depreciated investment properties and still used are as follows:

	31/12/2018	31/12/2017
	L.E.	L.E.
Residential units	109,417	53,602
Non-residential units	300,737	248,273
	<u>410,154</u>	<u>301,875</u>

5/4 Investments at fair value through profit and loss

	31/12/2018	31/12/2017
	L.E.	L.E.
<u>Investment certificates in:</u>		
Bank Misr Investment Fund (Day-By-Day)	275,845	240,662
QNB Investment Fund	1,098,849	992,307
Banque Du Caire Investment Fund	776,798	859,676
United Bank Investment Fund (*)	9,996,054	8,693,005
SAIB Investment Fund	21,958	21,959
	<u>12,169,504</u>	<u>10,807,609</u>

(*) United Bank Investment Fund (Rakhaa) includes pledged investment certificates by L.E. 9,203,122 against letters of guarantee as of consolidated financial statement date. (Note 20)

5/5 Investments held to maturity – Treasury bills

	31/12/2018	31/12/2017
	L.E.	L.E.
Treasury bills – Maturity 63 days (Note 20)	14,600,000	-
Treasury bills – Maturity 124 days	106,500,000	-
Less:		
Non accrued interest	(5,206,203)	-
	<u>115,893,797</u>	<u>-</u>

6. INVENTORIES

	31/12/2018	31/12/2017
	L.E.	L.E.
Materials	47,593,662	47,528,173
Fuel and oil	89,931	319,803
Spare parts and supplies	1,612,819	957,739
Others (materials on site & WIP)	5,902,661	5,550,896
	<u>55,199,073</u>	<u>54,356,611</u>
Less: Decrease in inventory	(400,000)	(135,000)
	<u>54,799,073</u>	<u>54,221,611</u>

Madinet Nasr for Housing and Development S.A.E.

NOTES TO THE SUMMARIZED CONSOLIDATED FINANCIAL STATEMENTS

31 December 2018

7. HOUSING AND DEVELOPMENT PROJECTS

	<i>31/12/2018</i> <i>L.E.</i>	<i>31/12/2017</i> <i>L.E.</i>
<u>Unfinished properties and lands:</u>		
El Waha Project	46,841,246	141,766,889
6th October Project	203,688,887	133,832,030
Tag City Project	793,409,875	608,086,720
Nasr City (Main City) Project	1,046,791	2,297,896
Sarai City	410,193,311	393,723,014
	<u>1,455,180,110</u>	<u>1,279,706,549</u>
<u>Finished properties:</u>		
El Waha Project	6,680,048	6,420,410
Nasr City (Main City) Project	11,587,224	11,563,454
6th October Project	60,278,442	60,278,442
	<u>78,545,714</u>	<u>78,262,306</u>
Total unfinished properties and lands and finished properties	<u>1,533,725,824</u>	<u>1,357,968,855</u>

8. TRADE AND NOTES RECEIVABLE

	<i>31/12/2018</i> <i>L.E.</i>	<i>31/12/2017</i> <i>L.E.</i>
<u>Long term notes receivable</u>		
Tag Sultan Project	339,937,210	450,606,088
Tag City (Zone T) Project	2,040,268,312	2,467,547,802
Tag City (Zone B) Project	1,470,693,448	257,133,516
Premira Project	63,480,106	82,497,978
Capital Gardens (*)	376,806,276	304,306,214
Sarai City 1	917,561,199	638,082,019
Sarai City 2	1,978,825,254	2,153,329,435
Sarai City 3	317,033,107	-
Total long term notes receivables	<u>7,504,604,912</u>	<u>6,353,503,052</u>
<u>Less: Discount to present value</u>		
Tag Sultan Project	(56,209,331)	(72,679,392)
Tag City (Zone T) Project	(331,669,477)	(447,929,785)
Tag City (Zone B) Project	(238,347,477)	(41,881,651)
Premira Project	(20,754,041)	(29,156,749)
Capital Gardens (*)	(153,670,025)	(130,856,066)
Sarai City 1	(138,844,423)	(108,523,928)
Sarai City 2	(367,285,477)	(443,234,158)
Sarai City 3	(48,542,353)	-
Total present value discount	<u>(1,355,322,604)</u>	<u>(1,274,261,729)</u>
Net long term notes receivable at present value	<u>6,149,282,308</u>	<u>5,079,241,323</u>

Madinet Nasr for Housing and Development S.A.E.

NOTES TO THE SUMMARIZED CONSOLIDATED FINANCIAL STATEMENTS

31 December 2018

8. TRADE AND NOTES RECEIVABLE - Continued

	31/12/2018	31/12/2017
	L.E.	L.E.
<u>Short term notes receivable</u>		
Tag Sultan Project	229,264,003	239,698,796
Tag City (Zone T) Project	573,873,051	548,036,867
Tag City (Zone B) Project	380,222,994	57,907,386
Premira Project	34,611,060	51,796,263
Capital Gardens (*)	90,767,155	65,753,278
Sarai City 1	281,999,760	167,922,665
Sarai City 2	576,448,134	511,246,101
Sarai City 3	72,052,779	-
	<u>2,239,238,936</u>	<u>1,642,361,356</u>
<u>Trade receivables</u>		
Tag Sultan Project	9,133,903	4,830,678
Tag City (Zone T) Project	124,501,331	59,461,906
Tag City (Zone B) Project	32,555,901	-
Premira Project	741,706	516,394
Sarai City 1	32,253,825	14,988,397
Sarai City 2	108,857,586	39,779,270
Sarai City 3	7,384,828	-
El Waha and Nasr City project	192,192,698	242,857,571
Land	90,408,858	51,471,905
Rent	1,361,496	1,128,196
Construction contracts	410,169,590	356,186,354
	<u>1,009,561,722</u>	<u>771,220,671</u>
Less: Deferred profit & interest on outstanding installments (Note 15)	(183,956,762)	(226,811,160)
Less: Impairment of trade receivables	(50,344,284)	(51,451,785)
	<u>775,260,676</u>	<u>492,957,726</u>

(*) Capital Gardens' project represents joint operation between the company and Palm Hills for Development Company S.A.E. in accordance with the signed contract on 5 July 2015, the company's share is 36% of total project's revenues. (Note 22)

9. TRADE PAYABLES – DEBIT BALANCES - NET

	31/12/2018	31/12/2017
	L.E.	L.E.
Trade payables & contractors	294,255,424	264,834,133
Less: Impairment in trade payables – debit balances	(57,254,913)	(36,614,192)
	<u>237,000,511</u>	<u>228,219,941</u>

NOTES TO THE SUMMARIZED CONSOLIDATED FINANCIAL STATEMENTS

31 December 2018

10. DEBTORS AND OTHER DEBIT BALANCES - NET

	31/12/2018	31/12/2017
	L.E.	L.E.
Margin of letter of credit	-	4,464,558
Cheques under collection	202,968	1,826,132
Prepaid expenses	237,589,608	160,601,026
Accrued income	1,738,534	2,180,029
Refundable deposits	21,558,357	3,373,402
Other debit balances	1,684,718	1,878,048
	<u>262,774,185</u>	<u>174,323,195</u>
Less: Impairment in debtors and other debit balances	(63,160)	(63,160)
	<u>262,711,025</u>	<u>174,260,035</u>

11. CASH AND BANK BALANCES

	31/12/2018	31/12/2017
	L.E.	L.E.
Bank balances	-	62,508
Cash on hand	674,982	544,923
Bank current accounts with return	395,227,644	201,676,230
Time deposits (*)	89,689,780	66,699,158
	<u>485,592,406</u>	<u>268,982,819</u>

(*) Time deposit on 31 December 2018 included L.E. 88,682,048 (2017: L.E. 65,691,426) pledged time deposits against letters of guarantee.

12. UNEARNED REVENUES

	31/12/2018	31/12/2017
	L.E.	L.E.
Tag Sultan Project customers	203,252,824	518,912,026
Premira Project customers	31,162,943	133,437,248
Zone T Project customers	2,131,674,074	2,010,245,953
Zone B Project customers	1,316,699,988	198,573,733
Capital Gardens customers	134,825,919	99,520,063
Sarai City customers	2,877,307,117	2,158,419,742
	<u>6,694,922,865</u>	<u>5,119,108,765</u>

Madinet Nasr for Housing and Development S.A.E.

NOTES TO THE SUMMARIZED CONSOLIDATED FINANCIAL STATEMENTS

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13. PROVISIONS

	<i>Balance at 1/1/2018</i>	<i>Provided during the year</i>	<i>Used during the year</i>	<i>Transferred during the year</i>	<i>No longer required</i>	<i>Balance at 31/12/2018</i>
	<i>L.E.</i>	<i>L.E.</i>	<i>L.E.</i>	<i>L.E.</i>	<i>L.E.</i>	<i>L.E.</i>
Disputed taxes provision	12,228,706	-	(250,235)	-	-	11,978,471
Claims provision	47,909,366	12,921,929	(920,000)	(8,320,000)	(1,500,000)	50,091,295
Legal provision	37,466,727	10,010,001	(23,000,000)	-	(450,000)	24,026,728
General provision	15,000,000	-	-	-	-	15,000,000
Other provisions	16,035,905	8,000,000	(1,088,984)	2,000,000	(2,000,000)	22,946,921
	<u>128,640,704</u>	<u>30,931,930</u>	<u>(25,259,219)</u>	<u>(6,320,000)</u>	<u>(3,950,000)</u>	<u>124,043,415</u>

14. PROJECT INFRASTRUCTURE COMPLETION LIABILITIES

	<i>Balance at 1/1/2018</i>	<i>Formed for the sales of the year</i>	<i>Work executed during the year</i>	<i>Balance at 31/12//2018</i>
	<i>L.E.</i>	<i>L.E.</i>	<i>L.E.</i>	<i>L.E.</i>
Tag City project	79,323,864	62,227,373	(92,748,361)	48,802,876
Sarai City project	74,155,134	78,411,008	(93,969,631)	58,596,511
Capital Gardens project	2,859,260	1,452,337	-	4,311,597
El Waha Project	13,802,885	7,835,241	(17,482,308)	4,155,818
Nasr City (Main City) project	686,216	-	-	686,216
	<u>170,827,359</u>	<u>149,925,959</u>	<u>(204,200,300)</u>	<u>116,553,018</u>

15. DEFERRED PROFIT & INTEREST ON OUTSTANDING INSTALLMENTS

	<i>Land L.E.</i>	<i>Properties L.E.</i>	<i>Total L.E.</i>
<u>31/12/2018</u>			
Balance at beginning of the year	48,852,758	177,958,402	226,811,160
Additions during the year	14,685,972	-	14,685,972
Due during the year (Note 23-a)	(19,025,841)	(32,872,543)	(51,898,384)
Disposals during the year	(4,126,172)	(1,515,814)	(5,641,986)
Balance at the end of the year (Note 8)	<u>40,386,717</u>	<u>143,570,045</u>	<u>183,956,762</u>
<u>31/12/2017</u>			
Balance at beginning of the year	80,544,379	224,405,842	304,950,221
Due during the year (Note 23-a)	(31,639,428)	(43,144,259)	(74,783,687)
Disposals during the year	(52,193)	(3,303,181)	(3,355,374)
Balance at the end of the year (Note 8)	<u>48,852,758</u>	<u>177,958,402</u>	<u>226,811,160</u>

Madinet Nasr for Housing and Development S.A.E.

NOTES TO THE SUMMARIZED CONSOLIDATED FINANCIAL STATEMENTS

31 December 2018

16. CREDITORS AND OTHER CREDIT BALANCES

	<i>31/12/2018</i>	<i>31/12/2017</i>
	<i>L.E.</i>	<i>L.E.</i>
Non current liabilities:		
Notes payable - Land purchase (*)	39,255,924	-
Current liabilities:		
Notes payable	57,479,882	9,131,934
Notes payable - Land purchase (*)	39,255,924	-
Support to National Housing Project	880,000	880,000
Final retention and other refundable deposits	233,512,058	222,190,231
Down payment for land & property sales (El Waha & 6th October)	4,867,098	6,069,741
Down payment for land & property sales (Tag Sultan, T Zone and Premira)	11,522,792	7,781,757
Customers collection (Gas, water)	1,791,217	-
Selling and marketing commissions	37,771,979	23,304,415
Employees' bonus accrued	8,154,789	12,886,045
Contractors under settlement	14,167,814	19,337,418
Engineering stamp and Building Union stamp	172,603	107,356
Customers' balances for canceled reservations	13,115,179	12,004,283
Proceeds for maintenance expenses and counters	9,368,611	9,886,005
Accrued interest on term loans	16,679,297	19,222,292
Customers' deposits under settlement	4,469,837	-
Rental prepaid income	40,055	18,586
Governmental authorities	27,579,195	34,108,271
Accrued commercials expenses	5,363,225	45,748,121
Early retirement benefits and others	1,700,630	25,253,493
Comprehensive medical care	4,031,616	-
Other	1,466,120	-
	<u>493,389,921</u>	<u>447,929,948</u>
	<u>532,645,845</u>	<u>447,929,948</u>

(*) The Company has purchased pieces of lands in Tag City project from its own Customers by L.E. 100,009,500 and it has paid 20% as an advance payment of total lands price, the rest amount against notes payable over (8) quarterly advances ended in year 2020.

	<i>31/12/2018</i>	<i>31/12/2017</i>
	<i>L.E.</i>	<i>L.E.</i>
Purchase price	100,009,500	-
Less: Advance payment (20%)	(20,001,900)	-
	<u>80,007,600</u>	-
Less: Settlement (**)	(1,495,752)	-
	<u>78,511,848</u>	-

The balance classified in consolidated financial statements as follows:

	<i>31/12/2018</i>	<i>31/12/2017</i>
	<i>L.E.</i>	<i>L.E.</i>
Non current liabilities:		
Long term notes payable	39,255,924	-
Current liabilities:		
Short term notes payable	39,255,924	-
	<u>78,511,848</u>	-

(**) Settlement is represented in the rest of amounts due from the company's customers regarding selling lands to its customers previously.

Madinet Nasr for Housing and Development S.A.E.

NOTES TO THE SUMMARIZED CONSOLIDATED FINANCIAL STATEMENTS

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17. SHARE CAPITAL**Authorized capital:**

The authorized capital is five billion Egyptian Pounds.

	<i>31/12/2018</i>	<i>31/12/2017</i>
	<i>L.E.</i>	<i>L.E.</i>
Issued and paid up:		
1.2 billion shares of L.E. 1 each (2017: 997.1 million shares)	<u>1,200,000,000</u>	<u>997,100,389</u>

Following are a list of percentage of shares of issued and paid up capital for shareholders as of 31 December 2018:

	<i>No. of shares</i>	<i>Nominal value</i>	<i>Contribution</i>
		<i>L.E.</i>	<i>%</i>
BIG Investment Group Ltd.	238,590,867	238,590,867	19.88%
Holding Co. for Construction and Development	182,285,249	182,285,249	15.19%
BPE Holding for Financial Investments S.A.E.	89,462,770	89,462,770	7.45%
National Investment Bank	44,224,368	44,224,368	3.69%
Al Alian Co. for Investments Ltd.	42,303,187	42,303,187	3.53%
Banque Misr	38,023,030	38,023,030	3.17%
Other shareholders	<u>565,110,529</u>	<u>565,110,529</u>	<u>47.09%</u>
	<u>1,200,000,000</u>	<u>1,200,000,000</u>	<u>100%</u>

18. NON-CONTROLLING INTEREST

	<i>Non- controlling interest in net assets %</i>	<i>31/12/2018 Non- controlling interest share in net assets L.E.</i>	<i>31/12/2017 Non- controlling interest share in net assets L.E.</i>
Al Nasr Company for Civil Works	47.54	97,821,365	72,064,471
Al Nasr Company for Utilities & Erection	0.79	<u>(1,685,205)</u>	<u>(1,537,422)</u>
Total non-controlling interest		<u>96,136,160</u>	<u>70,527,049</u>

Madinet Nasr for Housing and Development S.A.E.

NOTES TO THE SUMMARIZED CONSOLIDATED FINANCIAL STATEMENTS

31 December 2018

19. TERM LOANS**Madinet Nasr for Housing & Development S.A.E.**

	(A)	(B)	(C)	(D)	Total
	<i>National Investment Bank</i>	<i>Arab Investment Bank</i>	<i>Commercial International Bank – Tag Sultan</i>	<i>Commercial International Bank – Tag City</i>	
	<i>L.E.</i>	<i>L.E.</i>	<i>L.E.</i>	<i>L.E.</i>	<i>L.E.</i>
<u>31/12/2018</u>					
Balance at the beginning of the year	1,694,337	2,026,971	381,323,986	-	385,045,294
Proceeds during the year	-	-	-	209,966,744	209,966,744
Installments paid during the year	(456,524)	(2,026,971)	(215,980,349)	-	(218,463,844)
Balance at the end of the year	<u>1,237,813</u>	<u>-</u>	<u>165,343,637</u>	<u>209,966,744</u>	<u>376,548,194</u>

Classified in financial position as follows:**Current liabilities:**

Current portion of term loans	<u>491,458</u>	<u>-</u>	<u>137,276,635</u>	<u>-</u>	<u>137,768,093</u>
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Non-current liabilities:

Term loans	<u>746,355</u>	<u>-</u>	<u>28,067,002</u>	<u>209,966,744</u>	<u>238,780,101</u>
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31/12/2017

Balance at the beginning of the year	2,129,076	7,883,930	253,568,210	-	263,581,216
Proceeds during the year	-	-	127,755,776	-	127,755,776
Installments paid during the year	(434,739)	(5,856,959)	-	-	(6,291,698)
Balance at the end of the year	<u>1,694,337</u>	<u>2,026,971</u>	<u>381,323,986</u>	<u>-</u>	<u>385,045,294</u>

Classified in financial position as follows:**Current liabilities:**

Current portion of term loans	<u>456,524</u>	<u>2,026,971</u>	<u>175,409,025</u>	<u>-</u>	<u>177,892,520</u>
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Non-current liabilities:

Term loans	<u>1,237,813</u>	<u>-</u>	<u>205,914,961</u>	<u>-</u>	<u>207,152,774</u>
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Madinet Nasr for Housing and Development S.A.E.

NOTES TO THE SUMMARIZED CONSOLIDATED FINANCIAL STATEMENTS

31 December 2018

20. CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the consolidated statement of cash flows comprise the following consolidated financial position amounts:

	<i>31/12/2018</i> <i>L.E.</i>	<i>31/12/2017</i> <i>L.E.</i>
Cash and bank balances (Note 11)	485,592,406	268,982,819
Investment at fair value through profit and loss (Note 5/4)	12,169,504	10,807,609
Investment held to maturity - short term (Note 5/5)	14,600,000	-
Less:		
Credit banks - credit facilities	(66,295,682)	(130,804,575)
Cash and cash equivalents at the end of the year	<u>446,066,228</u>	<u>148,985,853</u>
Less:		
Pledged time deposits against letters of guarantee (Note 11)	(88,682,048)	(65,691,426)
Pledged investment certificates against letters of guarantee (Note 5/4)	(9,203,122)	-
Cash and cash equivalents at the end of the year	<u><u>348,181,058</u></u>	<u><u>83,294,427</u></u>

The balance of credit banks are summarized as follows:

	<i>31/12/2018</i> <i>L.E.</i>	<i>31/12/2017</i> <i>L.E.</i>
Madinet Nasr for Housing Development (Parent company)	12,231,854	91,216,797
Al Nasr Company for Civil Works (Subsidiary)	53,984,401	39,587,778
Al Nasr Company for Utilities and Erections (Subsidiary)	79,427	-
	<u>66,295,682</u>	<u>130,804,575</u>

Short term loans

	<i>31/12/2018</i> <i>L.E.</i>	<i>31/12/2017</i> <i>L.E.</i>
Balance at the beginning of the year	56,875,747	19,333,333
Proceeds during the year	335,010,373	156,570,506
Installments and interests paid during the year	(280,219,456)	(119,028,092)
Balance at the end of the year	<u><u>111,666,664</u></u>	<u><u>56,875,747</u></u>

21. PROJECT'S MAINTENANCE DEPOSITS AND LIABILITIES

	<i>31/12/2018</i> <i>L.E.</i>	<i>31/12/2017</i> <i>L.E.</i>
Bank current saving accounts	11,082,624	5,656,271
Time deposits	286,322,778	169,258,322
Cheques under collection	14,428,599	17,418,372
Accrued revenues	5,496,754	-
Project maintenance deposit liabilities	<u>317,330,755</u>	<u>192,332,965</u>
Amounts under settlement	<u>1,824,104</u>	<u>68,828</u>
Project maintenance deposit and liabilities	<u><u>319,154,859</u></u>	<u><u>192,401,793</u></u>

The checks received from the customers for the project management, operation and maintenance account amounted to L.E. 1,101,300,866 (2017: L.E. 776,641,173). The sum of L.E. 317,330,755 (2017: L.E. 192,332,965) was collected and invested in deposits and interest-bearing bank accounts. The remaining balance amounting to L.E. 783,970,111 (2017: L.E. 584,239,380) at 31 December 2018 will be collected on maturity dates during the following periods, the maturity dates of bank deposits ranges between 1 to 6 months.

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22. TRANSACTIONS WITH RELATED PARTIES

	<i>Nature of relationship</i>	<i>Nature of Account</i>	<i>Balance at 31/12/2018 L.E.</i>	<i>Balance at 31/12/2017 L.E.</i>
Capital Gardens project	Joint operation	Long term notes payable	376,806,276	304,306,214
		Discount of present value	(153,670,025)	(130,856,066)
		Net	<u>223,136,251</u>	<u>173,450,148</u>
		Short term notes payable	90,767,155	65,753,278
			<u>313,903,406</u>	<u>239,203,426</u>

23. REVENUES AND COST OF REVENUES**23-a Net Revenues**

	<i>31/12/2018 L.E.</i>	<i>31/12/2017 L.E.</i>
<u>Property sales revenue</u>		
Tag Sultan Project	464,473,720	395,061,991
Premira Project	130,787,705	1,813,600
Tag city (Zone T) Project	109,577,314	351,753,211
Tag city (Zone B) Project	482,850,181	82,791,267
Capital Garden project	98,204,017	66,574,239
Sarai City 1 project	247,455,090	1,585,516
Sarai City 2 project	250,547,438	980,792,899
Sarai City 3 project	182,430,280	-
El Waha Project	120,000	1,930,459
Property sales revenue	<u>1,966,445,745</u>	<u>1,882,303,182</u>
Land sales revenue - El Waha Project	218,849,803	-
Total property and land sales revenues	<u>2,185,295,548</u>	<u>1,882,303,182</u>
Contracting revenues - Al Nasr Company for Civil Works	299,434,554	185,918,859
Contracting revenues - Al Nasr Company for Utilities & Erections	102,760,112	123,475,930
Less: Property sales returns		
Tag Sultan Project	(5,010,656)	(595,813)
Premira Project	(244,400)	(1,268,155)
Tag City (Zone T)	(62,196,450)	(14,596,545)
Tag City (Zone B)	(14,713,395)	-
Capital Garden project	(6,408,791)	(2,453,717)
Sarai City 1 project	(14,008,185)	(1,262,000)
Sarai City 2 project	(110,490,462)	(14,590,210)
El Waha Project	(1,653,493)	(1,051,980)
Total property sales returns	<u>(214,725,832)</u>	<u>(35,818,420)</u>
Net sales	<u>2,372,764,382</u>	<u>2,155,879,551</u>
Amortization of discount of present value of notes receivable	356,852,504	196,193,872
Profit & interest from deferred sales installments during the year (Note 15)	51,898,384	74,783,687
Profit & interest from sales installments during the year	-	240,786
Return on investment properties	1,212,239	1,160,060
Net revenue	<u>2,782,727,509</u>	<u>2,428,257,956</u>

Madinet Nasr for Housing and Development S.A.E.

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23. REVENUES AND COST OF REVENUES - Continued**23-b Cost of Revenues**

	31/12/2018	31/12/2017
	L.E.	L.E.
<u>Cost of sold property</u>		
Tag Sultan Project	410,016,453	326,193,018
Premira Project	152,963,303	426,196
Tag City (Zone T) project	10,249,150	37,657,692
Tag City (Zone B) project	53,971,424	9,039,691
Capital Garden project	2,897,684	2,401,916
Sarai City 1 project	38,199,727	599,170
Sarai City 2 project	44,245,311	198,174,514
Sarai City 3 project	11,660,770	-
El Waha Project	-	439,897
Cost of property sales	<u>724,203,822</u>	<u>574,932,094</u>
Total cost of lands sales	<u>3,419,157</u>	<u>-</u>
Total cost of property sales	727,622,979	574,932,094
Cost - Al Nasr Company for Civil Works	191,736,651	153,270,200
Cost - Al Nasr Company for Utilities and Erections	106,514,916	116,343,047
Less: Cost of sold property sales returns:		
Tag Sultan project	(2,140,606)	(106,559)
Premira project	(61,107)	(307,140)
Tag City (Zone T) project	(5,350,010)	(671,254)
Tag City (Zone B) project	(1,586,469)	-
Capital Garden project	(207,201)	(82,286)
Sarai City 1 project	(2,302,987)	(163,725)
Sarai City 2 project	(21,660,373)	(2,684,952)
El Waha Project	(283,407)	(52,736)
Total cost of returns	<u>(33,592,160)</u>	<u>(4,068,652)</u>
Net cost of sales	992,282,386	840,476,689
Depreciation of investment properties (Note 5/3)	66,131	55,985
Cost of revenues	<u><u>992,348,517</u></u>	<u><u>840,532,674</u></u>

24. CONSTRUCTIONS COMMITMENTS**Al Nasr Co. for Civil Works – (Subsidiary Company)**

Contracts for executing utilities and civil constructions amounted to L.E. 3,310 million at 31/12/2018, executed amount at that date amounted to L.E. 2,648 million.

Al Nasr Utilities and Erections Co. – (Subsidiary Company)

Contracts for executing utilities and civil constructions amounted to L.E. 221 million at 31/12/2018, executed amount at that date amounted to L.E. 103 million.

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25. SELLING AND MARKETING EXPENSES

	31/12/2018	31/12/2017
	L.E.	L.E.
Salaries, wages and equivalent	1,737,127	1,633,530
Selling and marketing commissions	65,402,123	79,123,161
Advertisements	114,197,942	156,090,872
Rent	10,642,810	7,838,789
Professional fees	4,867,746	6,796,724
Depreciation (Note 4/1)	1,796,196	142,712
Sundry expenses	7,572,981	1,184,628
	<u>206,216,925</u>	<u>252,810,416</u>

26. GENERAL AND ADMINISTRATIVE EXPENSES

	31/12/2018	31/12/2017
	L.E.	L.E.
Salaries, wages and equivalent	42,006,711	59,389,096
Board of Directors salaries and allowances	8,584,394	10,212,206
Depreciation (Note 4/1)	8,332,865	3,596,035
Other expenses	55,101,216	38,965,668
	<u>114,025,186</u>	<u>112,163,005</u>

27. FINANCE INCOME

	31/12/2018	31/12/2017
	L.E.	L.E.
Income from investments at fair value through profit and loss	1,596,395	5,288,485
Interest on bank deposit	42,053,054	25,965,663
Return on treasury bills	1,778,342	-
	<u>45,427,791</u>	<u>31,254,148</u>

28. OTHER OPERATING INCOME

	31/12/2018	31/12/2017
	L.E.	L.E.
Administrative fees	50,550,575	18,319,866
Customers delay payment penalties	9,519,359	18,845,767
Contractors delivery delay penalties	96,000	4,112,118
Sundry revenue	12,740,914	4,948,365
Foreign exchange gain	32,515	-
Capital gains	909,286	190
Gain on sale of raw materials	556,842	-
	<u>74,405,491</u>	<u>46,226,306</u>

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NOTES TO THE SUMMARIZED CONSOLIDATED FINANCIAL STATEMENTS

31 December 2018

29. OTHER EXPENSES

	<i>31/12/2018</i>	<i>31/12/2017</i>
	<i>L.E.</i>	<i>L.E.</i>
Compensations and fines	9,434,003	9,707,861
Comprehensive medical care	4,031,616	-
Donations for others	200,000	26,003,642
Capital loss	9,613	-
Foreign exchange loss	-	44,216
Sundry expenses	<u>2,952,312</u>	<u>2,913,672</u>
	<u>16,627,544</u>	<u>38,669,391</u>

30. CONSOLIDATED STATEMENT OF INCOME

	<i>31/12/2018</i>	<i>31/12/2017</i>
	<i>L.E.</i>	<i>L.E.</i>
Net profit from Madinet Nasr for Housing & Development S.A.E.	1,069,653,619	943,297,203
Group portion in net profits/(losses) of subsidiaries companies	10,081,588	(11,675,974)
Reverse of impairment in investments	(19,518,646)	-
Reverse of impairment of trade payables - debit balance transferred to investments	24,375,000	-
	<u>1,084,591,561</u>	<u>931,621,229</u>

31. CONTINGENT LIABILITIES**Letters of guarantee**

National Bank of Egypt, Banque Misr, United Bank and others, have issued letters of guarantee amounting to L.E. 244.2 million at 31 December 2018 (2017: L.E. 291 million), in favor of third parties, which are secured by part of the company's time deposits amounting to L.E. 88,682,048 (2017: L.E. 65,691,426) and cash margin on letters of guarantee by L.E. 10,290,918 (2017: L.E. 10,329,638).

32. DEFERRED TAX**Madinet Nasr for Housing and Development (Parent company)**

	<i>31/12/2018</i>		<i>31/12/2017</i>	
	<i>Assets</i>	<i>(Liabilities)</i>	<i>Assets</i>	<i>(Liabilities)</i>
	<i>L.E.</i>	<i>L.E.</i>	<i>L.E.</i>	<i>L.E.</i>
Fixed assets	-	(2,833,839)	-	(3,046,807)
Provisions	<u>4,712,404</u>	<u>-</u>	<u>4,712,404</u>	<u>-</u>
Total deferred tax (liabilities)/ assets	<u>4,712,404</u>	<u>(2,833,839)</u>	<u>4,712,404</u>	<u>(3,046,807)</u>
Net deferred tax assets	<u>1,878,565</u>	<u>-</u>	<u>1,665,597</u>	<u>-</u>
Deferred tax charged to the statement of income	<u>212,968</u>	<u>-</u>	<u>-</u>	<u>(701,626)</u>

Madinet Nasr for Housing and Development S.A.E.

NOTES TO THE SUMMARIZED CONSOLIDATED FINANCIAL STATEMENTS

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32. DEFERRED TAX - Continued

	31/12/2018 L.E.	31/12/2017 L.E.
Unrecorded deferred tax assets (provisions)	11,193,595	14,594,957

Al Nasr Co. for Civil Works – (Subsidiary Company)

	<u>31/12/2018</u>		<u>31/12/2017</u>	
	<i>Assets</i> L.E.	<i>(Liabilities)</i> L.E.	<i>Assets</i> L.E.	<i>(Liabilities)</i> L.E.
Fixed assets	-	(55,557)	-	(267,557)
Provisions	6,305,972	-	8,078,410	-
Total deferred tax (liabilities)/ assets	<u>6,305,972</u>	<u>(55,557)</u>	<u>8,078,410</u>	<u>(267,557)</u>
Net deferred tax assets	<u>6,250,415</u>	-	<u>7,810,853</u>	-
Deferred tax charged to the statement of income	<u>(1,560,438)</u>	-	<u>3,479,813</u>	-

Al Nasr for Utilities and Erections Co. – (Subsidiary Company)

	<u>31/12/2018</u>		<u>31/12/2017</u>	
	<i>Assets</i> L.E.	<i>(Liabilities)</i> L.E.	<i>Assets</i> L.E.	<i>(Liabilities)</i> L.E.
Fixed assets	-	-	-	(43,868)
Unused taxable losses	-	-	2,527,434	-
Total deferred tax (liabilities)/ assets	-	-	<u>2,527,434</u>	<u>(43,868)</u>
Net deferred tax assets	-	-	<u>2,483,566</u>	-
Deferred tax charged to the statement of income	-	<u>(2,483,566)</u>	-	-

The effect on consolidated financial statements

Total deferred tax asset (financial position)	8,128,980	-	11,960,016	-
Total charged to the statement of income	-	<u>(3,831,036)</u>	<u>2,778,187</u>	-

33. TAX STATUS**Madinet Nasr for Housing and Development S.A.E. (Parent company)**

The company submits tax returns to the Tax Authority on due dates and pays taxes according to these returns.

Al Nasr Co. for Civil Works – S.A.E. (Subsidiary company)

Tax returns submitted on due dates, the tax has been settled and paid.

NOTES TO THE SUMMARIZED CONSOLIDATED FINANCIAL STATEMENTS

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33 TAX STATUS - Continued**Al Nasr Co. for Utilities and Erections – S.A.E. (Subsidiary company)**

Tax returns were submitted on due dates, the company has objected on tax claims received from the Tax Authority.

34 EARNINGS PER SHARE

	<i>31/12/2018</i>	<i>31/12/2017</i>
	<i>L.E.</i>	<i>L.E.</i>
Net profit for the year after tax	1,084,591,561	931,621,229
Less:		
Board of Directors and employees share in profit	<u>(104,730,000)</u>	<u>(95,165,000)</u>
Shareholders share in net profit	<u>979,861,561</u>	<u>836,456,229</u>
Weighted average numbers of shares outstanding during the year	<u>1,200,000,000</u>	<u>996,991,857</u>
Earnings per share	<u>0.82</u>	<u>0.84</u>

35. FINANCIAL INSTRUMENTS AND RELATED RISKS

On-balance sheet financial instruments comprise cash and bank balances, financial investments, debtors, creditors, and amounts due from/to related parties. Notes to the financial statements include the accounting policies adopted in the recognition and measurement of financial instruments.

The significant risks associated with the financial instruments and the procedures followed by the company to mitigate these risks are as follows:

- ***Credit risk***

Credit risk is the risk that debtors fail to settle the amounts due from them. The company seeks to reduce this risk to the minimum by agreeing with the customers to transfer property after settling all of their debts, also the company charges customers for delay penalties calculated on settlement.

- ***Liquidity risk***

Liquidity risk represents all factors which affect the company's ability to pay part or all of its obligations. According to the company's policy sufficient liquidity is maintained which reduce the risk to the minimum.

NOTES TO THE SUMMARIZED CONSOLIDATED FINANCIAL STATEMENTS

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35. FINANCIAL INSTRUMENTS AND RELATED RISKS - Continued

The following are due dates of the financial liabilities:

	<i>Less than one year L.E.</i>	<i>1 – 2 years L.E.</i>	<i>More than 2 years L.E.</i>	<i>Book value L.E.</i>
<u>31/12/2018</u>				
Term loans	137,768,093	28,813,357	209,966,744	376,548,194
Creditors and other credit balances	493,389,921	-	-	493,389,921
Short term loans	111,666,664	-	-	111,666,664
Trade payables and tax	430,455,729	-	-	430,455,729
Long term notes payable	-	39,255,924	-	39,255,924
	<u>1,173,280,407</u>	<u>68,069,281</u>	<u>209,966,744</u>	<u>1,451,316,432</u>
<u>31/12/2017</u>				
Term loans	177,892,520	207,152,774	-	385,045,294
Creditors and other credit balances	447,929,948	-	-	447,929,948
Short term loans	56,875,747	-	-	56,875,747
Trade payables and tax	447,120,570	-	-	447,120,570
	<u>1,129,818,785</u>	<u>207,152,774</u>	<u>-</u>	<u>1,336,971,559</u>

- **Interest rate risk**

Interest rate risk represents the risk of changes in the rate of interest. Time deposits, loans and bank overdrafts are subject to this risk. The company uses most of its deposits in settling its loans and overdraft balances whenever a gap between debit and credit interest rates takes place in order to reduce this risk to the minimum as possible.

The following are the financial assets and liabilities according to interest rate type:

	<i>31/12/2018 L.E.</i>	<i>31/12/2017 L.E.</i>
<u>Financial assets instruments with fixed interest rate</u>		
Financial assets (trade and notes receivable)	<u>11,016,179,755</u>	<u>8,756,459,021</u>
<u>Financial liabilities instruments with floating interest rate</u>		
Financial liabilities (Long and short term loans and credit banks)	<u>554,510,540</u>	<u>572,725,616</u>

- **Foreign currency risk**

Foreign currency risk represents the changes in the currency rates which affect the receipts and disbursements and the translation of assets and liabilities in foreign currencies. The company policy is not to take a loan in foreign currencies nor keep significant balances in currencies other than Egyptian pound.

NOTES TO THE SUMMARIZED CONSOLIDATED FINANCIAL STATEMENTS

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36. CONTRACTUAL COMMITMENTS

The value of contracts with contractors for the implementation of housing and development projects amounted to L.E. 1.7 billion as of 31/12/2018. Contractors' dues have been paid in accordance with the contracts.

37. FAIR VALUE

The fair values of financial assets and liabilities are not materially different from their carrying value at the financial position date, except for investments available for sale.

38. COMPARATIVE FIGURES

Certain prior year figures have been reclassified to conform to the financial statement presentation for the current year.

39. EARLY RETIREMENT

In accordance with the Board of Directors' Decision No. 26 of 22/12/2016 and the General Assembly Resolution of 29/3/2017, the application of some employees was approved for an optional early retirement. An amount of L.E. 28 million was provided during 2016 where the number of 50 employees retired in 2017. An amount of L.E. 20 million was charged during 2017 to complete the program in 2018.

40. SUBSEQUENT EVENTS TO FINANCIAL POSITION DATE

- On 14 October 2018, the company has received an offer from 6th of October Company for Development and Investment S.A.E. (SODIC) regarding Mandatory Purchase offer for the company's shares by direct exchange for shares only.
- On 15 October 2018, the Board of Directors had decided studying the offer and mandates the Managing Director for hiring an independent financial consultant to present report to Board of Directors as the legal counsel has been hired for that deal, and information exchanged between the two companies, until the company receive the final offer from SODIC.
- On 22 January 2019, the Board of Directors have decided not to complete negotiations with SODIC regarding the intention to make an obligatory purchase offer on the company's shares, according to the disclosure submitted to the Egyptian Stock Exchange on that date.