

Translation originally issued in Arabic

Nasr City 12-2018 E

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

**SUMMARIZED SEPARATE
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 SEPARATE FINANCIAL STATEMENTS**

We have audited the separate financial statements of Madinet Nasr for Housing and Development S.A.E. for the year ended 31 December 2018, from which the attached summary separate 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 18 February 2019, we expressed an unqualified audit opinion, on the separate financial statements for the year then ended, from which the attached summary separate financial statements are derived.

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

In order to obtain a comprehensive understanding of the company's separate 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 separate 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, 19 February 2019

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

SEPARATE 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>
Non current Assets			
Fixed assets (Net)	4/1	42,801,213	38,984,793
Projects under construction	4/2	17,482,227	10,106,923
Investment in subsidiaries	5/1	75,428,513	45,381,960
Held to maturity investments	5/2	121,962	121,962
Available for sale investments	5/3	4,514,110	4,514,110
Investment properties	5/4	4,282,547	4,348,677
Long term notes receivables (Net)	7	6,149,282,308	5,079,241,323
Amounts due from related parties	30	-	10,000,000
Deferred tax assets	20	1,878,565	1,665,597
Total non current assets		<u>6,295,791,445</u>	<u>5,194,365,345</u>
Current Assets			
Housing and development projects – WIP	6	1,455,180,109	1,279,706,549
Housing and development projects – Finished properties	6	78,545,714	78,262,306
Inventory – materials		657,387	-
Short term notes receivable	7	2,239,238,936	1,642,361,356
Trade receivables (Net)	7	400,773,988	173,561,775
Trade payables - debit balances (Net)	8/1	147,577,614	106,447,671
Debtors and other debit balances	9	265,149,804	174,086,839
Investments at fair value through profit or loss	5/5	12,169,504	10,807,609
Held to maturity investments – Treasury bills	5/6	115,893,797	-
Bank deposits for projects maintenance	19	317,330,755	192,332,965
Cash and bank balances	10	394,278,740	203,923,463
Total current assets		<u>5,426,796,348</u>	<u>3,861,490,533</u>
Total assets		<u>11,722,587,793</u>	<u>9,055,855,878</u>
Equity			
Issued and paid up capital	16	1,200,000,000	997,100,389
Legal reserve		170,478,648	123,313,788
Retained earnings		894,645,685	296,577,953
Net profit for the year		1,069,653,619	943,297,203
Total shareholders' equity		<u>3,334,777,952</u>	<u>2,360,289,333</u>
Non-current Liabilities			
Unearned revenue	11	6,694,922,866	5,119,108,765
Term loans	17	238,780,101	207,152,774
Long term notes payable	15	39,255,924	-
Total Non-current liabilities		<u>6,972,958,891</u>	<u>5,326,261,539</u>
Current Liabilities			
Provisions	12	79,954,518	70,061,807
Project infrastructure completion liabilities	13	116,553,019	170,827,359
Creditors and other credit balances	15	250,244,794	229,511,508
Current portion of long term loans	17	137,768,093	177,892,520
Short term loans	18	111,666,664	56,875,747
Bank's overdraft (credit facilities)	18	12,231,854	91,216,797
Creditors of deposits for projects maintenance	19	319,154,859	192,401,793
Trade payables	8/2	64,268,104	95,018,306
Tax Authority		311,049,096	279,044,422
Dividends payable		11,959,949	6,454,747
Total current liabilities		<u>1,414,850,950</u>	<u>1,369,305,006</u>
Total liabilities		<u>8,387,809,841</u>	<u>6,695,566,545</u>
Total Equity and Liabilities		<u>11,722,587,793</u>	<u>9,055,855,878</u>

Auditors' report "attached".

CFO**Mr. Mohamed Abdelsalam****Managing Director****Eng. Ahmed Ali Elhitamy****Chairman****Eng. Mohamed Hazem Barakat**

The attached notes from 1 to 37 form part of these summary separate financial statements.

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

SEPARATE 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 revenue	22-a	2,380,532,841	2,118,863,167
Less:			
Cost of revenue	22-b	<u>(694,096,950)</u>	<u>(570,919,427)</u>
Gross Profit		1,686,435,891	1,547,943,740
Selling and marketing expenses	23	(206,216,925)	(252,810,416)
General and administrative expenses	24	(96,843,675)	(91,897,568)
Provisions	12	(10,731,930)	(4,720,662)
Finance cost		(103,320,080)	(20,863,007)
Financing income	25	38,576,756	25,290,052
Other operating income	26	<u>68,911,244</u>	<u>43,785,421</u>
Operating profit		1,376,811,281	1,246,727,560
Return on investments held to maturity and available for sale		521,616	814,439
Impairment in subsidiaries	8/1	(24,375,000)	-
Reverse of impairment in investments in subsidiaries	5/1	19,518,646	-
Other expenses	27	<u>(3,851,365)</u>	<u>(35,750,574)</u>
Net profit for the year before tax		1,368,625,178	1,211,791,425
Income tax	21	(299,184,527)	(267,792,596)
Deferred tax	20	<u>212,968</u>	<u>(701,626)</u>
Net profit for the year		<u>1,069,653,619</u>	<u>943,297,203</u>
Earnings per share for the year	28	<u>0.80</u>	<u>0.71</u>

CFO

Mr. Mohamed Abdelsalam

Managing Director

Eng. Ahmed Ali Elhitamy

Chairman

Eng. Mohamed Hazem Barakat

The attached notes from 1 to 37 form part of these summary separate financial statements.

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

SEPARATE STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2018

	<i>31/12/2018</i> <i>L.E.</i>	<i>31/12/2017</i> <i>L.E.</i>
Net profit for the year	1,069,653,619	943,297,203
Other comprehensive income	-	-
Total comprehensive income for the year	<u>1,069,653,619</u>	<u>943,297,203</u>

CFO

Mr. Mohamed Abdelsalam

Managing Director

Eng. Ahmed Ali Elhitamy

Chairman

Eng. Mohamed Hazem Barakat

The attached notes from 1 to 37 form part of these summary separate financial statements.

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

SEPARATE STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

	<i>Issued and paid up capital</i>	<i>Treasury shares</i>	<i>Legal reserve</i>	<i>Retained earnings</i>	<i>Net profit for the year</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>
Balance at 1 January 2017	500,000,000	(74,633,025)	86,375,259	336,060,528	738,770,573	1,586,573,335
Sale of 4 million treasury shares	-	74,633,025	-	(1,433,024)	-	73,200,001
Transferred to retained earnings	-	-	-	738,770,573	(738,770,573)	-
Dividends for 2016	-	-	-	(223,000,000)	-	(223,000,000)
Transfer to legal reserve	-	-	36,938,529	(36,938,529)	-	-
Capital increase according to the decision of Extraordinary General Assembly Meeting held on 29 March 2017	500,000,000	-	-	(500,000,000)	-	-
Capital reduction by value of bonus shares	(2,899,611)	-	-	(16,881,595)	-	(19,781,206)
Comprehensive income for the year	-	-	-	-	943,297,203	943,297,203
Balance at 31 December 2017	997,100,389	-	123,313,788	296,577,953	943,297,203	2,360,289,333
Transferred to retained earnings	-	-	-	943,297,203	(943,297,203)	-
Dividends for 2017	-	-	-	(95,165,000)	-	(95,165,000)
Transfer to legal reserve	-	-	47,164,860	(47,164,860)	-	-
Capital increase in accordance with the Extraordinary General Assembly meeting held on 1/4/2018 (Note 16)	202,899,611	-	-	(202,899,611)	-	-
Comprehensive income for the year	-	-	-	-	1,069,653,619	1,069,653,619
Balance at 31 December 2018	1,200,000,000	-	170,478,648	894,645,685	1,069,653,619	3,334,777,952

CFO

Mr. Mohamed Abdelsalam

Managing Director

Eng. Ahmed Ali Elhitamy

Chairman

Eng. Mohamed Hazem Barakat

The attached notes from 1 to 37 form part of these summary separate financial statements.

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

SEPARATE STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

	<i>Note</i>	<i>31/12/2018 L.E.</i>	<i>31/12/2017 L.E.</i>
OPERATING ACTIVITIES			
Net profit for the year before tax		1,368,625,178	1,211,791,425
Adjustments for:			
Depreciation of fixed assets and investment properties	4/1, 5/4	10,417,376	3,754,195
Capital loss	27	9,613	-
Provisions	12	10,731,930	4,720,662
Impairment in investments in subsidiaries	8/1	24,375,000	-
Bad debts	27	3,016	-
Reverse of impairment of investments in subsidiaries	5/1	(19,518,646)	-
Return on investments held to maturity and available for sale		(521,616)	(814,439)
Deferred profits and accrued interests on installments during the year (Net)		(51,898,384)	(75,024,473)
Return on treasury bills		(1,778,342)	-
(Gain)/Loss on foreign currencies exchange	26	(18,641)	183,530
Operating profit before working capital changes:		<u>1,340,426,484</u>	<u>1,144,610,900</u>
Housing and development projects- lands, completed and incompleted units and material		(176,414,355)	(345,700,379)
Trade receivables, customers, trade payables and notes receivables and maintenance deposits		(1,924,756,829)	(2,935,355,056)
Trade payables – unearned revenue, creditors, projects' infrastructure completion liabilities and long term notes payable		1,550,778,775	2,326,352,041
Provisions used	12	(839,219)	(30,001,928)
Dividends paid to Board of Directors and employees		(89,659,798)	(67,099,034)
Investment held to maturity- Treasury bills		(99,515,455)	-
Income tax paid		(267,179,854)	(253,267,376)
Net cash from/(used in) operating activities		<u>332,839,749</u>	<u>(160,460,832)</u>
INVESTING ACTIVITIES:			
Payments for purchase of fixed assets and Projects under construction		(19,371,708)	(25,044,716)
Proceeds from investments held to maturity and available for sale		521,616	45,985
Proceeds from amounts due from related parties	30	10,000,000	-
Investment in subsidiary	5/1	(85,000,000)	-
Net cash used in investing activities		<u>(93,850,092)</u>	<u>(24,998,731)</u>

The attached notes from 1 to 37 form part of these summary separate financial statements.

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

SEPARATE 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)
Treasury shares		-	73,200,001
Payments for long term loans	17	(218,463,844)	(6,291,698)
Proceeds from long term loans	17	209,966,744	127,755,776
Payments for short term loans	18	(280,219,456)	(119,028,092)
Proceeds from short term loans	18	335,010,373	156,570,506
Net cash from financing activities		<u>46,293,817</u>	<u>82,206,493</u>
Change in cash and cash equivalents		285,283,474	(103,253,070)
Cash and cash equivalents at the beginning of the year		123,514,275	226,950,875
Gain/(Loss) on foreign exchange	26	18,641	(183,530)
Total cash and cash equivalents at the end of the year		408,816,390	123,514,275
Less:			
Restricted time deposits against letters of guarantee	18	(4,592,268)	(4,592,268)
Restricted investment certificates against letters of guarantee	18	(9,203,122)	-
Cash and cash equivalents at the end of the year	18	<u><u>395,021,000</u></u>	<u><u>118,922,007</u></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 presented in the transfer from Projects under construction to fixed assets during the year.
- An amount of L.E. 317,330,755 (2017: L.E. 192,332,965) presented bank accounts and deposits against management, operation, and maintenance projects' creditors.
- An amount of L.E. 202,899,611 (2017: L.E. 500,000,000) represented paid up capital increase by issuance free shares from retained earnings.

CFO
Mr. Mohamed Abdelsalam

Managing Director
Eng. Ahmed Ali Elhitamy

Chairman
Eng. Mohamed Hazem Barakat

The attached notes from 1 to 37 form part of these summary separate financial statements.

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

NOTES TO THE SUMMARIZED SEPARATE 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 then changed to Joint Stock Company according to Presidential Decree No 2908/1964 under the umbrella of the Public Sector Authority for Housing by Presidential Decree No. 469/1983.

The company transferred to an Egyptian joint stock company under the provisions of Law No. 203 for 1991 issued on 19/06/1991 under the umbrella of the Holding Company for Housing under the name of Madinet Nasr Housing and Development. The Extraordinary General Assembly of the company held on 30/6/1996 approved the change to the provisions of Law No. 159 for 1981 and its executive regulations and published in company's journal on January 1997 rather than the provisions of Law No. 203 for 1991.

The company was registered in the Commercial Register No. 300874 on 23 December 1996 under tax card No. 095-009-200.

1.2 Activity

The company is engaged in all activities related to real estate development for lands, 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 all residential, administrative, tourists, recreational and all projects necessary to achieve these purposes, and all real estate, financial, commercial and entertainment operations related to these purposes, as well as carrying out designs, and engineering consultancy and supervision of the execution to 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 St., 2nd Area, Nasr City, Cairo, Egypt.

The Chairman is Eng. Mohamed Hazem Barakat.

The company is listed on Egyptian Stock Exchange and London Stock Exchange on GDR admission system.

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

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

NOTES TO THE SUMMARIZED SEPARATE FINANCIAL STATEMENTS

31 December 2018

2. USE OF ESTIMATES AND JUDGMENTS

The preparation of separate 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 assumption 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 year in which the estimate is revised and the future periods if it affects future periods.

The following estimates and judgments that is affect on financial statements are as follows:

- Depreciation of fixed assets and Investment properties.
- Provisions
- Impairment of assets values
- Taxation
- Liabilities for utilities completion
- Amortization of the discount of present value for notes receivable

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Basis of preparation of the summarized separate financial statements

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

The separate 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 separate financial statements are presented in Egyptian Pounds.

According to the Egyptian Accounting Standard No. 42 (Consolidated Financial Statements) and Article 188 of the Executive Regulations of the Companies Law No. 159 of 1981, the company prepares consolidated financial statements.

b) Fixed assets and depreciation

Fixed assets are recorded on purchase at cost and are presented in the statement of 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 labour 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.

NOTES TO THE SUMMARIZED SEPARATE FINANCIAL STATEMENTS

31 December 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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 separate income statement as an expense when incurred.

Depreciation is provided on a straight line basis to write off the cost less estimated residual value of each asset - other than land - over its expected useful life.

Based on the periodic review, the aging and depreciations rates of fixed assets for the year ended 31 December 2018 were adjusted as follow:

	<i>Useful life Before Adjustment</i>	<i>Useful life After Adjustment</i>
Buildings	50	40
Improvements- Building owned	50	8
Improvements- Leasehold building	5 or the duration of the lease whichever is lower	5 or the duration of the lease whichever is lower
Machinery and equipment for production	5	5
Motor vehicles	5	5
Computers and servers	3-10	5-8
Programs	3-10	3
Tools and equipment	1	2
Furniture and office equipment	3-10	2-8

The adjustment of the depreciation rates led to a decrease in the profits 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 properties when the asset is complete and ready for its intended use. Projects under construction are recorded at cost less impairment, if any.

d) Investment in subsidiaries

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

In case of impairment, the carrying amount of the impairment loss is reduced and charged to the separate statement of income for each investment. The impairment loss is reversed in prior periods so that the carrying amount of the investment does not exceed its original net worth before the impairment loss is recognized in value.

e) Available for sales investments

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 separate statement of income.

f) 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 rate. When the investment is impaired, the impairment loss is adjusted against book value and included in the separate statement of income.

g) Investment properties

Investment properties are measured at cost model and depreciation expense charged to the separate 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 separate income statement.

h) 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 separate financial statements at fair value which represents the market price at the valuation date. Changes in fair value are charged to the separate statement of income.

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 separate statement of income.

j) Separate statement of cash flows

The separate statement of cash flow 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), bank current accounts, and short term highly liquid investments, which can be easily converted to cash, less credit banks and pledged time deposits against letters of guarantee.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

l) Receivables and other debtors

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. (If any)

The notes receivable are the value of 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 separate financial statements; notes receivable are re-measured at amortized cost; which is determined by discounting the future cash flows of the notes 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 separate 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 separate income statement.

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 separate 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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Financial Assets

At the end of the reporting period, 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 separate income statement.

n) Provisions

Provisions are recognized when there is a present legal or constructive obligation 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 separate financial position date and adjusted (if necessary) to present the best current estimate.

o) Unearned revenue, payables and other creditors

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 separate 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 separate 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.

p) Treasury shares

Treasury shares are recorded at cost and deducted from shareholders equity. Gain or loss from sale of shares is included in 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 recoded after collection of the agreed upon price and delivery to the customer in accordance with the terms of the contract.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *Continued*

2. Installment Sales

Revenue on sales during the year are recorded when the related land and property is actually received by the customers or, where delay in receiving by customer is due to circumstances out of the company's control, according to the contractual terms as follows:

- Total sale of value of land and property is recorded as sales during the year after deduction of profit relating to deferred installments on those sales. Such deduction is recorded as a liability (profit from deferred installments) when all 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.
- Interest on installments is recorded directly in credit balances (Deferred interests on installments) at the time of sale.
- Deferred installments profit and deferred interests on installments which related to sale of land and properties in prior years are recognized on the actual 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 year of the contract. Revenue recognized from sales agreements according to the stages included in the sales agreements according to the following:

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

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *Continued*

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 operation 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 revenues*

- Rental income is recognized on a time-apportioned basis. Interest income on deposits and bonds is recognized on a time basis and using the target rate of return on the financial asset.
- Dividend income is recognized in the separate statement of income when the right to receive dividends from the investee is established and is recognized after the date of acquisition.

s) Direct and indirect cost

Direct and indirect costs incurred for the constructions of the real estate are accumulated in the inventor account for constructions. Cost of the completed contracts are comprises of land cost, cost of building constructed and other indirect costs.

t) 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 separate 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 separate income statement in the year in which they are approved for early retirement.

u) 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 separate 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 year except for instances that taxes are established from:

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *Continued*

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities according to the accounting basis used in the separate 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 separate 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.

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.

v) Earnings per share

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

w) 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 separate statement of income on a time-apportioned basis using the effective interest rate.

An asset eligible to bear the cost of borrowing necessarily requires a long period of time to process it for use for its intended purposes or to sell it. This applies to land and building facilities items as fixed assets under construction (under construction projects) and incomplete inventory of reconstruction and housing projects.

Capitalization of borrowing costs begins as part of the cost of the qualifying asset to bear the cost of borrowing when:

- Expenditure on the qualified asset.
- The Company incurs a borrowing cost.
- The activities required for the preparation of the asset for use for purposes specified for it or for its sale to others are currently under implementation.

Capitalization of borrowing costs is suspended during periods in which the effective construction of the asset is impaired. Capitalization is contingent upon the completion of all material activities necessary to prepare the qualifying asset to bear the borrowing cost for its intended use or to sell it to third parties.

NOTES TO THE SUMMARIZED SEPARATE FINANCIAL STATEMENTS

31 December 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *Continued*

x) 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.

y) 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 separate financial position date are translated at the rate of exchange ruling at that date. Retranslation exchange profit and loss is taken to the separate statement of income.

z) Related parties' transactions

Related parties transactions carried out by the company within its normal course of business, are recognized pursuant to the conditions set out by the Board of Directors on an arm's length basis.

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

NOTES TO THE SUMMARIZED SEPARATE FINANCIAL STATEMENTS

31 December 2018

4/1 FIXED ASSETS

	<i>Land (*) L.E.</i>	<i>Buildings and constructions (*) L.E.</i>	<i>Machinery and equipment L.E.</i>	<i>Motor vehicles L.E.</i>	<i>Tools L.E.</i>	<i>Furniture and office equipment L.E.</i>	<i>Computers and software L.E.</i>	<i>Total L.E.</i>
Cost:								
At 1 January 2018	1,351,229	20,940,185	2,677,829	3,186,826	513,777	9,982,111	19,149,893	57,801,850
Additions during the year	-	1,016,896	1,357,786	22,777	4,047	2,030,055	7,920,858	12,352,419
Transferred from Projects under construction (Note 4/2)	-	5,000	1,823,505	-	-	-	-	1,828,505
Disposals during the year	-	-	-	-	-	(45,303)	(29,670)	(74,973)
At 31 December 2018	<u>1,351,229</u>	<u>21,962,081</u>	<u>5,859,120</u>	<u>3,209,603</u>	<u>517,824</u>	<u>11,966,863</u>	<u>27,041,081</u>	<u>71,907,801</u>
Accumulated depreciation:								
At 1 January 2018	-	3,011,868	1,898,261	3,119,830	511,389	5,111,871	5,163,838	18,817,057
Provided during the year	-	2,001,027	914,675	25,975	2,460	1,608,064	5,799,044	10,351,245
Disposals during the year	-	-	-	-	-	(44,298)	(17,416)	(61,714)
At 31 December 2018	<u>-</u>	<u>5,012,895</u>	<u>2,812,936</u>	<u>3,145,805</u>	<u>513,849</u>	<u>6,675,637</u>	<u>10,945,466</u>	<u>29,106,588</u>
Net book value:								
At 31 December 2018	<u>1,351,229</u>	<u>16,949,186</u>	<u>3,046,184</u>	<u>63,798</u>	<u>3,975</u>	<u>5,291,226</u>	<u>16,095,615</u>	<u>42,801,213</u>
At 31 December 2017	<u>1,351,229</u>	<u>17,928,317</u>	<u>779,568</u>	<u>66,996</u>	<u>2,388</u>	<u>4,870,240</u>	<u>13,986,055</u>	<u>38,984,793</u>

(*) Land and buildings includes land and building of the social club and the playground for Madinet Nasr for Housing and Development Employees' club, and the book value is approximately L.E. 1.3 million for land and L.E. 4.5 million for buildings. There are no guarantees or pledging on fixed assets at the date of the separate financial statements.

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

NOTES TO THE SUMMARIZED SEPARATE FINANCIAL STATEMENTS

31 December 2018

4/1 FIXED ASSETS – Continued

a) The fully depreciated assets and still working are as follows:

	<i>31/12/2018</i>	<i>31/12/2017</i>
	<i>L.E.</i>	<i>L.E.</i>
Buildings and constructions	114,889	114,889
Motor vehicles	3,105,900	3,043,609
Furniture and office equipment	1,235,017	1,235,017
Computers and software	228,491	165,090
Machinery and equipment	862,022	687,728
Tools	512,241	509,868
	<u>6,058,560</u>	<u>5,756,201</u>

b) Depreciation for the year is allocated as follows:

	<i>31/12/2018</i>	<i>31/12/2017</i>
	<i>L.E.</i>	<i>L.E.</i>
Cost of sales	524,884	222,274
Selling and marketing expenses (Note 23)	1,796,196	142,712
General and administrative expenses (Note 24)	8,030,165	3,333,224
	<u>10,351,245</u>	<u>3,698,210</u>

4/2 PROJECTS UNDER CONSTRUCTION

	<i>31/12/2018</i>	<i>31/12/2017</i>
	<i>L.E.</i>	<i>L.E.</i>
Balance at the beginning of the year	10,106,923	375,308
Additions during the year	9,203,809	10,034,718
Transferred to fixed assets (Note 4/1)	(1,828,505)	(303,103)
Balance at the end of the year	<u>17,482,227</u>	<u>10,106,923</u>

5. INVESTMENTS

5/1 Investments in subsidiaries

	<i>Contribution</i>	<i>31/12/2018</i>	<i>31/12/2017</i>
	<i>%</i>	<i>L.E.</i>	<i>L.E.</i>
Al Nasr Co. for Utilities and Erections – S.A.E. (*)	98.37	155,815,000	70,815,000
Impairment of investment		(145,287,093)	(70,815,000)
		10,527,907	-
Al Nasr Co. for Civil Works – S.A.E.	52.46	64,900,606	64,900,606
Impairment of investment (**)		-	(19,518,646)
		<u>75,428,513</u>	<u>45,381,960</u>

(*) Investment in subsidiary (Al Nasr Co for Utilities and Erections) was increased by L.E. 85 Million, the value of the issued and paid up capital increase during December 2018.

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

NOTES TO THE SUMMARIZED SEPARATE FINANCIAL STATEMENTS

31 December 2018

5. INVESTMENTS - Continued

(**) The movements in impairment of investments are as follows:

	<i>31/12/2018</i>	<i>31/12/2017</i>
	<i>L.E.</i>	<i>L.E.</i>
Impairment balance at the beginning year	90,333,646	90,333,646
Transferred from impairment of amounts due from related parties. (Notes 8/1)	74,472,093	-
Reserve of impairment in subsidiaries (Al Nasr For Civil Works)	(19,518,646)	-
Impairment balance at the end of year	<u>145,287,093</u>	<u>90,333,646</u>

The impairment of Al Nasr Co. for Civil Works' investment represents the decline of shares' market price by cost which is listed in the separate financial statements for the year ended 31 December 2016, which the company accomplished significant improvement in current financial position compared with year 2016 which has been positively reflected on the market value of shares, consequently there is no indication for impairment in the cost of investment, and the impairment was reversed during the year.

5/2 Held to maturities investments

	<i>31/12/2018</i>	<i>31/12/2017</i>
	<i>L.E.</i>	<i>L.E.</i>
Investments in Governmental treasury bonds (non-active market)	<u>121,962</u>	<u>121,962</u>

5/3 Available for sale investments

	<i>Contribution</i>	<i>31/12/2018</i>	<i>31/12/2017</i>
	<i>%</i>	<i>L.E.</i>	<i>L.E.</i>
Egyptian Kuwaiti Real Estate Development	7.503	4,314,110	4,314,110
High Education House (S.A.E)	1.2	<u>200,000</u>	<u>200,000</u>
		<u>4,514,110</u>	<u>4,514,110</u>

Available for sale investments are not listed in active market (stock exchange), the company's management considers that there is no significant difference between the cost of investments and its fair value as the date of separate financial statements.

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

NOTES TO THE SUMMARIZED SEPARATE FINANCIAL STATEMENTS

31 December 2018

5. INVESTMENTS - Continued**5/4 Investment properties**

	<i>31/12/2018</i>	<i>31/12/2017</i>
	<i>L.E.</i>	<i>L.E.</i>
Allocated land for Developing and Housing Projects (**)	176,318	48,067
Title held land on sold properties	3,427,692	3,427,691
Rental buildings (Net) (*)	678,537	872,919
	<u>4,282,547</u>	<u>4,348,677</u>

The fair values of investment properties are not less than its book value.

(*) Rental buildings (Net)

	<i>Residential</i>	<i>None</i>	
	<i>units</i>	<i>residential</i>	
	<i>L.E.</i>	<i>units</i>	<i>Total</i>
	<i>L.E.</i>	<i>L.E.</i>	<i>L.E.</i>
Cost:			
At 1 January 2018	545,997	2,882,169	3,428,166
Disposals during the year (**)	-	(236,411)	(236,411)
At 31 December 2018	<u>545,997</u>	<u>2,645,758</u>	<u>3,191,755</u>
Accumulated depreciation:			
At 1 January 2018	447,958	2,107,289	2,555,247
Provided during the year (Note 22-b)	9,905	56,226	66,131
Disposals during the year	-	(108,160)	(108,160)
At 31 December 2018	<u>457,863</u>	<u>2,055,355</u>	<u>2,513,218</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>

(**) 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.

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

NOTES TO THE SUMMARIZED SEPARATE FINANCIAL STATEMENTS

31 December 2018

5. INVESTMENTS - Continued

Cost of investment properties which are fully depreciated and still in use are as follows:

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

5/5 Investments at fair value through profit and loss

	<i>31/12/2018</i>	<i>31/12/2017</i>
	<i>L.E.</i>	<i>L.E.</i>
<u>Investment certificates in:</u>		
Bank Misr Investment Fund (Day-By-Day)	275,845	240,662
QNB Investment Fund	1,098,848	992,307
Banque Du Caire Investment Fund (Day-By-Day)	776,798	859,676
United Bank Investment Fund (Rakhaa) (*)	9,996,054	8,693,005
Arab Investment Bank Investment Fund	21,959	21,959
	<u>12,169,504</u>	<u>10,807,609</u>

(*) United Bank Investment Fund (Rakhaa) includes restricted investment certificates by L.E. 9,203,122 against letters of guarantee as of separate financial statements date. (Note 18)

5/6 Held to maturities investments – Treasury Bills

	<i>31/12/2018</i>	<i>31/12/2017</i>
	<i>L.E.</i>	<i>L.E.</i>
Treasury Bills - 63 days (Note 18)	14,600,000	-
Treasury Bills - 124 days	106,500,000	-
Less:		
Not accrued interest	(5,206,203)	-
	<u>115,893,797</u>	<u>-</u>

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

NOTES TO THE SUMMARIZED SEPARATE FINANCIAL STATEMENTS

31 December 2018

6. HOUSING AND DEVELOPMENT PROJECTS

	<i>31/12/2018</i>	<i>31/12/2017</i>
	<i>L.E.</i>	<i>L.E.</i>
<u>Unfinished properties and lands:</u>		
El Waha Project	46,841,246	141,766,889
6 th October Project (Nasr Gardens)	203,688,886	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>1,455,180,109</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
6 th October Project (Nasr Gardens)	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>1,533,725,823</u>	<u>1,357,968,855</u>

Housing and development projects has been recorded at cost which is not less than net realizable value as the separate financial statements date.

7. TRADE AND NOTES RECEIVABLES

	<i>31/12/2018</i>	<i>31/12/2017</i>
	<i>L.E.</i>	<i>L.E.</i>
<u>Long term notes receivable</u>		
Tag Sultan customers	339,937,210	450,606,088
Tag City customers (Zone T)	2,040,268,312	2,467,547,802
Tag City customers (Zone B)	1,470,693,448	257,133,516
Premira customers	63,480,106	82,497,978
Capital Gardens customers (*)	376,806,276	304,306,214
Sarai City 1 customers	917,561,199	638,082,019
Sarai City 2 customers	1,978,825,254	2,153,329,435
Sarai City 3 customers	317,033,107	-
Total long term notes receivables	<u>7,504,604,912</u>	<u>6,353,503,052</u>
Less:		
Tag Sultan Project	(56,209,331)	(72,679,392)
Tag City (Zone T)	(331,669,477)	(447,929,785)
Tag City (Zone B)	(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 receivables	<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 SEPARATE FINANCIAL STATEMENTS

31 December 2018

7. TRADE AND NOTES RECEIVABLES – Continued

	<i>31/12/2018</i>	<i>31/12/2017</i>
	<i>L.E.</i>	<i>L.E.</i>
<u>Short term notes receivable</u>		
Tag Sultan Project	229,264,003	239,698,796
Tag City Project (Zone T)	573,873,051	548,036,867
Tag City Project (Zone B)	380,222,994	57,907,386
Premira Project	34,611,060	51,796,263
Capital Gardens customers (*)	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 debtors</u>		
Tag Sultan	9,133,903	4,830,678
Tag City (Zone T)	124,501,331	59,461,906
Tag City (Zone B)	32,555,901	-
Premira	741,706	516,394
Sarai City 1	32,253,825	54,767,667
Sarai City 2	108,857,586	-
Sarai City 3	7,384,828	-
El Waha and Nasr City	192,192,698	242,857,571
Land	90,408,858	51,471,905
Leaseholders	1,361,496	1,128,196
	<u>599,392,132</u>	<u>415,034,317</u>
Less:		
Deferred profits and interests on outstanding installments (Note 14)	(183,956,762)	(226,811,160)
Impairment of customers balances	(14,661,382)	(14,661,382)
	<u>400,773,988</u>	<u>173,561,775</u>

(*) Capital Gardens project is a joint operation between the company and Palm Hills For Development Company in accordance with joint operations Contract dated on 5 July 2015. The company's share is 36% of total project's revenues (Note 30)

8. TRADE PAYABLES

8/1 Trade payables - debit balances

	<i>31/12/2018</i>	<i>31/12/2017</i>
	<i>L.E.</i>	<i>L.E.</i>
Suppliers and contractors	108,037,003	81,551,666
Amount due from related parties (Note 30)	39,540,611	74,993,098
	<u>147,577,614</u>	<u>156,544,764</u>
Less:		
Impairment of due from related parties(*)	-	(50,097,093)
	<u>147,577,614</u>	<u>106,447,671</u>

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

NOTES TO THE SUMMARIZED SEPARATE FINANCIAL STATEMENTS

31 December 2018

8. TRADE PAYABLES - Continued

(*) The movements in impairment of amounts due from related parties are as follows:

	<i>31/12/2018</i>	<i>31/12/2017</i>
	<i>L.E.</i>	<i>L.E.</i>
Impairment balance at the beginning year	50,097,093	50,097,093
Provided during the year	24,375,000	-
Transfer during the year (Note 5/1) (**)	<u>(74,472,093)</u>	<u>-</u>
Impairment balance at the end of year	<u>-</u>	<u>50,097,093</u>

(**) The impairment transferred during the year represents the full amount of impairment trade payable - debit balances to the impairment in subsidiaries (Al Nasr Co. for Utilities and Erections).

8/2 Trade payable – credit balances

	<i>31/12/2018</i>	<i>31/12/2017</i>
	<i>L.E.</i>	<i>L.E.</i>
Trade payables	44,713,398	81,118,069
Amount due to related parties (Note 30)	<u>19,554,706</u>	<u>13,900,237</u>
	<u>64,268,104</u>	<u>95,018,306</u>

9. DEBTORS AND OTHER DEBIT BALANCES

	<i>31/12/2018</i>	<i>31/12/2017</i>
	<i>L.E.</i>	<i>L.E.</i>
Cheques under collection	202,968	1,826,132
Refundable deposits	19,194,708	2,653,909
Prepaid expenses	237,589,608	160,601,026
Accrued income (interests)	-	693,257
Cash margin on letters of guarantee (Note 29)	6,892,374	6,892,374
Other debit balances	<u>1,270,146</u>	<u>1,420,141</u>
	<u>265,149,804</u>	<u>174,086,839</u>

10. CASH AND BANK BALANCES

	<i>31/12/2018</i>	<i>31/12/2017</i>
	<i>L.E.</i>	<i>L.E.</i>
Cash on hand	649,568	125,117
Bank current accounts with return	388,029,172	198,198,346
Time deposits (3 months) (*)	<u>5,600,000</u>	<u>5,600,000</u>
	<u>394,278,740</u>	<u>203,923,463</u>

(*) Time deposits include. L.E. 4,592,268 (2017: L.E. 4,592,268) as restricted time deposits against letters of guarantee. (Notes 18, 29)

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

NOTES TO THE SUMMARIZED SEPARATE FINANCIAL STATEMENTS

31 December 2018

11. UNEARNED REVENUE

	31/12/2018	31/12/2017
	L.E.	L.E.
Tag Sultan project	203,252,825	518,912,026
Premira project	31,162,943	133,437,248
Tag City (Zone T) project	2,131,674,074	2,010,245,953
Tag City (Zone B) project	1,316,699,988	198,573,733
Capital Gardens project	134,825,919	99,520,063
Sarai City project	2,877,307,117	2,158,419,742
	<u>6,694,922,866</u>	<u>5,119,108,765</u>

12. PROVISIONS

	Balance at	Provided	Used during the	Balance at
	1/1/2018	during the year	year	31/12/2018
	L.E.	L.E.	L.E.	L.E.
Disputed taxes provision	12,228,706	-	(250,235)	11,978,471
Claims provision	34,548,893	10,721,929	-	45,270,822
Legal provision	20,757,528	10,001	-	20,767,529
Other provisions	2,526,680	-	(588,984)	1,937,696
	<u>70,061,807</u>	<u>10,731,930</u>	<u>(839,219)</u>	<u>79,954,518</u>

13. PROJECT INFRASTRUCTURE COMPLETION LIABILITIES

	Balance at	Provided	Work executed	Balance at
	1/1/2018	L.E.	L.E.	31/12/2018
	L.E.	L.E.	L.E.	L.E.
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	1,452,338	-	4,311,598
El Waha Project	13,802,885	7,835,241	(17,482,308)	4,155,818
Nasr City project	686,216	-	-	686,216
	<u>170,827,359</u>	<u>149,925,960</u>	<u>(204,200,300)</u>	<u>116,553,019</u>

This balance represents estimated amounts to complete utilities for projects that have not been completely delivered.

14. DEFERRED PROFITS and INTERESTS ON OUTSTANDING INSTALLMENTS

	Land	Properties	Total
	L.E.	L.E.	L.E.
<u>31/12/2018</u>			
Balance at beginning of the year	48,852,758	177,958,402	226,811,160
Additions during the year	14,685,971	-	14,685,971
Due during the year (Note 22/A)	(19,025,841)	(32,872,543)	(51,898,384)
Disposals during the year	(4,126,171)	(1,515,814)	(5,641,985)
Balance at the end of the year (Note 7)	<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 22/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 7)	<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 SEPARATE FINANCIAL STATEMENTS

31 December 2018

15. CREDITORS AND OTHER CREDIT BALANCES

	<i>31/12/2018</i>	<i>31/12/2017</i>
	<i>L.E.</i>	<i>L.E.</i>
Notes payable- Purchase of lands (*)	39,255,924	-
Notes payable	30,528,823	9,131,934
Support to National Housing Project	880,000	880,000
Final retention and other refundable deposits	39,666,203	37,332,179
Down payment for reservation of land and property sales (El Waha and 6th October)	4,867,098	6,069,741
Down payment for reservation of land and property sales (Tag Sultan – T Zone – Premira)	11,522,792	7,781,757
Selling and marketing commissions	37,771,979	23,304,415
Premira collections	1,791,217	-
Employees bonus account	8,154,789	8,289,465
Customers' balances for canceled reservations	13,115,179	12,004,283
Proceeds for maintenance expenses and counters	9,368,610	9,886,005
Accrued interest on long term loans	16,679,297	19,222,292
Prepaid income of rents	-	18,586
Governmental authorities	22,092,348	25,486,635
Accrued expenses	5,363,225	45,748,121
Early retirement benefits and others	44,853	21,010,313
Fixed assets creditors	751,475	1,395,353
Proceeds from customers under reconciliation	4,469,837	1,205,209
Takaful contribution	3,574,807	-
Other	346,338	745,220
	<u>250,244,794</u>	<u>229,511,508</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%)	<u>(20,001,900)</u>	-
	80,007,600	-
Less: Settlement (**)	<u>(1,495,752)</u>	-
	<u>78,511,848</u>	-

The balance in the separate financial statements is classified as follows:

	<i>31/12/2018</i>	<i>31/12/2017</i>
	<i>L.E.</i>	<i>L.E.</i>
Long term liabilities		
Long term notes payable	39,255,924	-
Current liabilities		
Creditors and other credit balances	<u>39,255,924</u>	-
	<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 SEPARATE FINANCIAL STATEMENTS

31 December 2018

16. 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 capital	<u>1,200,000,000</u>	<u>997,100,389</u>

List of percentage of shares of issued and paid up capital for shareholders as of 31 December 2018 is as follows:

<i>Name</i>	<i>No. of shares</i>	<i>Nominal value</i>	<i>Contribution %</i>
		<i>L.E.</i>	<i>L.E.</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%
BPI 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 Olayan Saudi Investment Co. Ltd.	42,303,187	42,303,187	3.53%
Banque Misr	38,023,030	38,023,030	3.17%
Other shareholders	565,110,529	565,110,529	47.09%
	<u>1,200,000,000</u>	<u>1,200,000,000</u>	<u>100.00%</u>

17. TERM LOANS

	<i>31/12/2018</i>			
	<i>National Investment Bank</i>	<i>Arab Investment Bank</i>	<i>Commercial International Bank</i>	<i>Total</i>
	<i>L.E.</i>	<i>L.E.</i>	<i>L.E.</i>	<i>L.E.</i>
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
Payments of installments 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>375,310,381</u>	<u>376,548,194</u>

Classification in the statement of financial position as follows:

Current liabilities:

Current portion of long term loans	<u>491,458</u>	<u>-</u>	<u>137,276,635</u>	<u>137,768,093</u>
------------------------------------	----------------	----------	--------------------	--------------------

Non current liabilities:

Long term loans	<u>746,355</u>	<u>-</u>	<u>238,033,746</u>	<u>238,780,101</u>
-----------------	----------------	----------	--------------------	--------------------

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

NOTES TO THE SUMMARIZED SEPARATE FINANCIAL STATEMENTS

31 December 2018

17. TERM LOANS - Continued

	<i>31/12/2017</i>			
	<i>National</i>	<i>Arab</i>	<i>Commercial</i>	<i>Total</i>
	<i>Investment</i>	<i>Investment</i>	<i>International</i>	
	<i>Bank</i>	<i>Bank</i>	<i>Bank</i>	
<i>L.E.</i>	<i>L.E.</i>	<i>L.E.</i>		
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
Payments of installments 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>385,045,294</u>

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

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

Non current liabilities:

Long term loans	<u>1,237,813</u>	<u>-</u>	<u>205,914,961</u>	<u>207,152,774</u>
-----------------	------------------	----------	--------------------	--------------------

18. CASH AND CASH EQUIVALENTS

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

	<i>31/12/2018</i>	<i>31/12/2017</i>
	<i>L.E.</i>	<i>L.E.</i>
Cash and bank balances (Note 10)	394,278,740	203,923,463
Investment at fair value through profit and loss (Note 5/5)	12,169,504	10,807,609
Investment held to maturity – Treasury bills (Note 5/6)	14,600,000	-
Less:		
Bank's overdraft - Credit facilities	(12,231,854)	(91,216,797)
	<u>408,816,390</u>	<u>123,514,275</u>
Less:		
Restricted time deposits against letters of guarantee (Note 10)	(4,592,268)	(4,592,268)
Restricted investment certificates against letters of guarantee (Note 5/5)	(9,203,122)	-
Cash and cash equivalents at the end of the year	<u>395,021,000</u>	<u>118,922,007</u>

Short term loan

	<i>31/12/2018</i>	<i>31/12/2017</i>
	<i>L.E.</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>111,666,664</u>	<u>56,875,747</u>

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

NOTES TO THE SUMMARIZED SEPARATE FINANCIAL STATEMENTS

31 December 2018

19. CREDITORS OF PROJECT DEPOSITS FOR MAINTENANCE

	<i>31/12/2018</i>	<i>31/12/2017</i>
	<i>L.E.</i>	<i>L.E.</i>
Bank current 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 revenue	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 creditors	<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) included this collection and invested in deposits and interest-bearing bank accounts. The remaining balance amounting to L.E. 783,970,111 at 31 December 2018 (2017: L.E. 584,239,380) will be collected on maturity dates during the subsequent periods, the deposit's ranges from 1 to 6 months.

20. DEFERRED TAX

	<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	4,712,404	-	4,712,404	-
Total deferred tax assets/(liability)	<u>4,712,404</u>	<u>(2,833,839)</u>	<u>4,712,404</u>	<u>(3,046,807)</u>
Net deferred tax Asset/(liability)	<u>1,878,565</u>	<u>-</u>	<u>1,665,597</u>	<u>-</u>
Deferred tax charged to the separate statement of income	<u><u>212,968</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>(701,626)</u></u>

Unrecorded deferred tax assets

	<i>31/12/2018</i>	<i>31/12/2017</i>
	<i>L.E.</i>	<i>L.E.</i>
Unrecorded deferred tax assets (provisions and impairment)	<u><u>11,193,595</u></u>	<u><u>14,594,957</u></u>

Deferred tax assets did not include the balances of litigation provision, as there is no high probability to use the deferred tax in the future.

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

NOTES TO THE SUMMARIZED SEPARATE FINANCIAL STATEMENTS

31 December 2018

21. RECONCILIATIONS TO CALCULATE THE EFFECTIVE INCOME TAX RATE

	<i>31/12/2018</i>	<i>31/12/2017</i>
	<i>L.E.</i>	<i>L.E.</i>
Net accounting profit before tax	1,368,625,178	1,211,791,425
Reconciliation		
Net movement of provisions and debtors' impairment	10,142,946	(24,378,441)
Net impairment in subsidiaries	4,856,354	-
Difference of taxable and accountable depreciation	936,910	(2,055,145)
Capital loss	9,613	-
Provided/(Used) of utilities completion liabilities	(54,274,340)	1,398,418
Exempted income	(5,418,011)	(6,368,939)
Non-deductible expenditures	4,277,391	9,802,000
Taxable profit	1,329,156,041	1,190,189,318
Tax rate	22.50%	22.50%
Calculated income tax (includes an amount of L.E. 355,668 as tax on return on treasury bills)	299,060,110	267,792,596
Tax on dividends	124,417	-
Income tax	299,184,527	267,792,596
Actual tax rate	21.86%	22.1%

22. REVENUES AND COST OF REVENUES

22-a Net revenues

	<i>31/12/2018</i>	<i>31/12/2017</i>
	<i>L.E.</i>	<i>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	109,577,312	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
Total property sales revenue	1,966,445,743	1,882,303,182
Land sales revenue - El Waha and Original City project	218,849,803	-
Total property and land sales revenues	2,185,295,546	1,882,303,182

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

NOTES TO THE SUMMARIZED SEPARATE FINANCIAL STATEMENTS

31 December 2018

22. REVENUES AND COST OF REVENUES - Continued

	31/12/2018	31/12/2017
	L.E.	L.E.
Less:		
Tag Sultan Project sales returns	(5,010,656)	(595,813)
Premira sales returns	(244,400)	(1,268,155)
Tag City (Zone T) sales returns	(62,196,450)	(14,596,545)
Tag City (Zone B) sales returns	(14,713,395)	-
Capital Garden sales returns	(6,408,791)	(2,453,717)
Sarai City 1 project sales returns	(14,008,185)	(1,262,000)
Sarai City 2 project sales returns	(110,490,462)	(14,590,210)
El Waha Project sales returns	(1,653,493)	(1,051,980)
Total finished properties sales returns	<u>(214,725,832)</u>	<u>(35,818,420)</u>
Net sales	<u>1,970,569,714</u>	<u>1,846,484,762</u>
Amortization of notes receivable of present value discount	356,852,504	196,193,872
Profit, interest and installments due during the year (Note 14)	51,898,384	74,783,687
Profit, interest and installments during the year	-	240,786
Return on investment properties	<u>1,212,239</u>	<u>1,160,060</u>
Net sales revenue	<u><u>2,380,532,841</u></u>	<u><u>2,118,863,167</u></u>

22-b Cost of revenues

	31/12/2018	31/12/2017
	L.E.	L.E.
<u>Cost of sold property</u>		
Cost of Tag Sultan Project	410,016,453	326,193,018
Cost of Premira Project	152,963,303	426,196
Cost of Tag City (Zone T) Project	10,249,150	37,657,692
Cost of Tag City (Zone B) Project	53,971,424	9,039,691
Cost of Capital Garden project	2,897,684	2,401,916
Cost of Sarai City 1 project	38,199,727	599,170
Cost of Sarai City 2 project	44,245,311	198,174,514
Cost of Sarai City 3 project	11,660,770	-
Cost of land sold - El Waha project	-	439,897
Total cost of properties sales	<u>724,203,822</u>	<u>574,932,094</u>
Cost of land sold	<u>3,419,157</u>	<u>-</u>
Total cost of land and finished properties sales	<u><u>727,622,979</u></u>	<u><u>574,932,094</u></u>
Less:		
Cost of Tag Sultan sales returns	(2,140,606)	(106,559)
Cost of Premira sales returns	(61,107)	(307,140)
Cost of Tag City (Zone T) Project sales returns	(5,350,010)	(671,254)
Cost of Tag City (Zone B) project sales returns	(1,586,469)	-
Cost of Capital Garden project sales returns	(207,201)	(82,286)
Cost of Sarai City 1 project sales returns	(2,302,987)	(163,725)
Cost of Sarai City 2 project sales returns	(21,660,373)	(2,684,952)
Cost of El Waha sales returns	(283,407)	(52,736)
Total cost of sales returns	<u>(33,592,160)</u>	<u>(4,068,652)</u>
Net cost of sales	<u>694,030,819</u>	<u>570,863,442</u>
Depreciation of investment properties (Note 5/4)	66,131	55,985
Cost of revenue	<u><u>694,096,950</u></u>	<u><u>570,919,427</u></u>

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

NOTES TO THE SUMMARIZED SEPARATE FINANCIAL STATEMENTS

31 December 2018

23. SELLING AND MARKETING EXPENSES

	<i>31/12/2018</i>	<i>31/12/2017</i>
	<i>L.E.</i>	<i>L.E.</i>
Salaries and wages	1,737,127	1,633,530
Sales and marketing concession	65,402,123	79,123,161
Advertisement expenses (including stamp tax)	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
Transportation and sundry expenses	7,572,981	1,184,628
	<u>206,216,925</u>	<u>252,810,416</u>

24. GENERAL AND ADMINISTRATIVE EXPENSES

	<i>31/12/2018</i>	<i>31/12/2017</i>
	<i>L.E.</i>	<i>L.E.</i>
Salaries, wages and equivalent	32,158,327	48,105,770
Board of Directors remuneration	5,596,613	4,825,613
Advertisement expenses	1,921,154	1,336,226
Transportation and communications expenses	7,731,272	6,223,815
Consulting fees, training and conferences	11,268,321	8,868,903
Depreciation (Note 4/1)	8,030,165	3,333,224
Maintenance expenses, and software licenses	8,181,192	3,262,424
Rent of electronic data storage sites	3,493,612	980,750
Raw materials, fuel and spare parts	5,840,161	3,591,953
Property tax and stamp tax	1,810,059	1,018,270
International deposit certificates at London Stock		
Exchange expenses	2,399,368	3,982,432
Security, cleaning and training expenses	2,783,113	1,741,475
Bank charges	3,744,468	1,385,922
Other service expenses	1,885,850	3,240,791
	<u>96,843,675</u>	<u>91,897,568</u>

25. FINANCING INCOME

	<i>31/12/2018</i>	<i>31/12/2017</i>
	<i>L.E.</i>	<i>L.E.</i>
Income from investment at fair value through profit and loss	1,596,395	5,288,485
Credit interest	35,202,019	20,001,567
Return on treasury bills	1,778,342	-
	<u>38,576,756</u>	<u>25,290,052</u>

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

NOTES TO THE SUMMARIZED SEPARATE FINANCIAL STATEMENTS

31 December 2018

26. OTHER OPERATING INCOME

	<i>31/12/2018</i>	<i>31/12/2017</i>
	<i>L.E.</i>	<i>L.E.</i>
Administrative fees from customers (for redemption assignment etc.)	50,550,574	18,319,866
Delay fines on customers	9,519,359	18,845,767
Delay penalty on contractors	96,000	4,112,118
Sundry revenue	8,726,670	2,507,670
Gain on foreign exchange	18,641	-
	<u>68,911,244</u>	<u>43,785,421</u>

27. OTHER EXPENSES

	<i>31/12/2018</i>	<i>31/12/2017</i>
	<i>L.E.</i>	<i>L.E.</i>
Compensations and fines	63,929	9,573,402
Donations for others	200,000	25,993,642
Loss on foreign exchange	-	183,530
Capital losses	9,613	-
Bad debt - customers	3,016	-
Takaful contribution for medical care	3,574,807	-
	<u>3,851,365</u>	<u>35,750,574</u>

28. 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	1,069,653,619	943,297,203
Less: Estimated employees and Board of Directors share in profit	(104,730,000)	(95,165,000)
Shareholders share in net profit	<u>964,923,619</u>	<u>848,132,203</u>
Weighted average numbers of shares outstanding during the year	<u>1,200,000,000</u>	<u>1,199,891,468</u>
Earnings per share	<u>0.80</u>	<u>0.71</u>

29. CONTINGENT LIABILITIES**Letters of guarantee**

The letters of guarantees issued amounted to L.E. 23,204,040 by National Bank of Egypt, Banque Misr, and United Bank as of 31 December 2018 as a guarantee of Al Nasr Company for Utilities and Erections – subsidiary in favor of third parties (2017: L.E. 93,834,885), the letters are secured by the company's time deposits amounted to L.E. 4,592,268 (2017: L.E. 4,592,268) – (Note 10), and margin of letters of guarantee by L.E. 6,892,374 (2017: L.E. 6,892,374) – (Note 9).

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

NOTES TO THE SUMMARIZED SEPARATE FINANCIAL STATEMENTS

31 December 2018

30. TRANSACTIONS WITH RELATED PARTIES

Related parties are represented in the shareholding by the company and companies in which the shareholders have directly or indirectly shares that entitles them to exercise control or significant influence.

The company has some transactions with the related parties that include subcontracting of the building, utilities and installation works according to the following:

	<i>Nature of relationship</i>	<i>Nature of transactions</i>	<i>31/12/2018 L.E.</i>	<i>31/12/2017 L.E.</i>
Al Nasr Co. for Utilities and Erections - S.A.E.	Subsidiary	Utilities and installation works	<u>71,732,854</u>	<u>53,509,196</u>
Al Nasr Co. for Civil Works S.A.E.	Subsidiary	Buildings and utilities works	<u>35,046,444</u>	<u>4,333,597</u>

Balances of related parties are as follows:

	<i>Nature of relationship</i>	<i>Nature of transactions</i>	<i>31/12/2018 L.E.</i>	<i>31/12/2017 L.E.</i>
Amounts due from related parties:				
a) Al Nasr Co, for Utilities and Erections S.A.E.	Subsidiary	Long term loan (*)	-	10,000,000
		Supplier (Debit)	29,959,015	68,148,494
		Supplier (Debit)	14,891	1,345,177
		Advance	27,870	103,819
b) Al Nasr Co, for Civil Works S.A.E.	Subsidiary	Supplier (Debit)	504,535	377,824
		Advance	9,034,300	5,017,784
			<u>39,540,611</u>	<u>74,993,098</u>
c) Capital Gardens Project	Joint operations	Long term- Notes Receivable	376,806,276	304,306,214
		Present value discount	(153,670,025)	(130,856,066)
		Net	223,136,251	173,450,148
		Short term- Notes Receivables	90,767,155	65,753,278
			<u>313,903,406</u>	<u>239,203,426</u>
Amounts due to related parties:				
a) Al Nasr Co, for Utilities and Erections S.A.E.	Subsidiary	Retention	7,844,902	6,416,618
		Supplier (Credit)	3,424,460	5,918,659
b) Al Nasr Co, for Civil Works S.A.E.	Subsidiary	Supplier (Credit)	6,042,757	815,121
		Warranty	2,242,587	749,839
			<u>19,554,706</u>	<u>13,900,237</u>

- The Board of Directors agreed in its meeting held on 18/8/2008 to grant Al Nasr Co, for Utilities and Erections – S.A.E. loan with no interest amounting to L.E. 10 million and the fully amount has been settled during the year.
- Amount due to/from related parties are disclosed in Notes 7, 8/1 and 8/2.

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

NOTES TO THE SUMMARIZED SEPARATE FINANCIAL STATEMENTS

31 December 2018

31. TAX POSITION

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

32. FINANCIAL INSTRUMENTS AND RELATED RISKS

On-financial position financial instruments comprise cash and bank balances, financial investments, debtors, creditors, and amounts due from/to related parties, Notes to the separate 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 takes delay penalties upon later installments which exceeded their due dates 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.

The following are due dates of the 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>				
Long term loans	137,768,093	28,813,357	209,966,744	376,548,194
Creditors and other credit balances	250,244,794	-	-	250,244,794
Short term loans	111,666,664	-	-	111,666,664
Suppliers and taxes	375,317,200	-	-	375,317,200
Long term notes payable	-	39,255,924	-	39,255,924
	<u>874,996,751</u>	<u>68,069,281</u>	<u>209,966,744</u>	<u>1,153,032,776</u>
<u>31/12/2017</u>				
Long term loans	177,892,520	207,152,774	-	385,045,294
Creditors and other credit balances	229,511,508	-	-	229,511,508
Short term loans	56,875,747	-	-	56,875,747
Suppliers and taxes	374,062,728	-	-	374,062,728
	<u>838,342,503</u>	<u>207,152,774</u>	<u>-</u>	<u>1,045,495,277</u>

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

NOTES TO THE SUMMARIZED SEPARATE FINANCIAL STATEMENTS

31 December 2018

32. FINANCIAL INSTRUMENTS AND RELATED RISKS - Continued• **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 balances takes place in order to reduce this risk to the minimum as possible.

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

	31/12/2018	31/12/2017
	L.E.	L.E.
<u>Financial assets instruments with fixed interest rate</u>		
Financial assets – trade receivable	<u>10,343,235,980</u>	<u>8,410,898,725</u>
<u>Financial liabilities instruments with variable interest rate</u>		
Financial liabilities- short term loans	<u>500,446,712</u>	<u>533,137,838</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 neither takes a loan in foreign currencies nor keep currencies rather than Egyptian pound.

33. CONTRACTUAL COMMITMENTS

The value of contracts with contractors for the implementation of housing and development projects amounted to L.E. 1.7 billion, the executed works till 31 December 2018 amounted to L.E. 1.02 billion. Contractors' dues have been paid in accordance with the contracts.

34. FAIR VALUE

The fair values of financial assets and liabilities are not materially different from their carrying value as of 31 December 2018, except for investments held for sale.

35. COMPARATIVE FIGURES

Certain of prior year figures have been amended to conform to the separate financial statement presentation for the current year.

36. 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.

31 December 2018

37. 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.