

PALM HILLS DEVELOPMENTS COMPANY
(An Egyptian Joint Stock Company)
Consolidated Financial Statements
Ended In 30 June 2020
Together with Review Report

PALM HILLS DEVELOPMENTS COMPANY S.A. E`
CONSOLIDATED FINANCIAL POSITION
As of 30 June 2020

| | Note no. | 30/6/2020 EGP | 31/12/2019 EGP |
|--|-----------------|--------------------------|---------------------------|
| <u>Non-current assets</u> | | | |
| Investments in associates | (8d-11b-33) | 150 327 688 | 143 369 813 |
| Investment property | (11f-34) | 387 942 093 | 393 482 537 |
| Notes receivable - long term | (16-36) | 15 189 094 018 | 15 318 676 533 |
| Projects under construction | (12-37) | 1 647 260 215 | 1 739 437 098 |
| Advance payments for investments acquisition | (44) | 194 907 301 | 194 907 301 |
| Fixed assets (net) | (13-38) | 1 436 344 061 | 1 353 868 932 |
| Deferred tax assets | (23b) | 3 360 403 | 3 549 962 |
| Employee stock ownership plan (ESOP) | (66) | 45 240 000 | 68 172 000 |
| Other long-term assets | | 2 979 508 | 1 390 733 |
| Total non-current assets | | 19 057 455 287 | 19 216 854 909 |
| <u>Current assets</u> | | | |
| Works in process | (14-39) | 7 712 569 659 | 8 115 250 280 |
| Held-to-maturity investments | (11d -35) | 1 144 672 559 | 924 376 849 |
| Cash and cash equivalents | (30-40) | 830 562 405 | 1 375 178 390 |
| Notes receivable - short term | (16-36) | 4 707 310 015 | 4 691 813 019 |
| Investments at fair value through profit and loss | (11e) | 69 374 919 | 87 513 020 |
| Accounts receivable | (41) | 1 550 888 586 | 1 272 279 369 |
| Suppliers - advance payments | | 492 041 422 | 451 528 500 |
| Debtors and other debit balances | (42) | 841 746 204 | 917 361 361 |
| Due from related parties | (63-43-27) | 427 255 084 | 418 965 567 |
| Total current assets | | 17 776 420 853 | 18 254 266 355 |
| <u>Current liabilities</u> | | | |
| Banks - credit balances | (45) | 65 544 717 | 87 237 713 |
| Bank- overdraft | (46) | 1 022 475 022 | 963 312 645 |
| Advances from customers | (47) | 14 463 797 099 | 14 212 609 702 |
| Completion of infrastructure liabilities | (21) | 58 062 734 | 95 083 416 |
| Provisions | (19) | 182 241 794 | 180 718 382 |
| Current portion of land purchase liabilities | (20-48) | 91 174 532 | 235 682 895 |
| Notes payable - short term | (50a) | 700 052 579 | 1 750 901 906 |
| Current portion of term loans | (51) | 356 906 382 | 295 132 857 |
| Suppliers & contractors | | 781 749 080 | 762 160 712 |
| Income tax payable | (23a) | 54 964 040 | 97 622 236 |
| Creditors & other credit balances | (52) | 753 387 071 | 630 784 392 |
| Joint shares arrangement - short term | | 1 348 403 381 | 1 081 181 760 |
| Due to related parties | (27-49-63a) | 6 829 728 | 6 639 555 |
| Total current liabilities | | 19 885 588 157 | 20 399 068 170 |
| Working capital | | (2 109 167 305) | (2 144 801 815) |
| Total investment | | 16 948 287 983 | 17 072 053 094 |
| <u>Financed as follows:</u> | | | |
| <u>Shareholders' equity</u> | | | |
| Share capital | (53) | 6 235 199 270 | 6 235 199 270 |
| Legal reserve | (56a) | 778 473 343 | 738 358 146 |
| Special reserve | (56b) | 176 513 271 | 176 513 272 |
| Treasury shares | | (46 990 266) | -- |
| ESOP Re-Measurement Reserve | | (32 760 000) | (9 828 000) |
| Retained earning | | 1 464 372 849 | 995 810 936 |
| Net profit for Year | | 276 585 132 | 846 785 352 |
| Equity attributable to equity holders of the parent | | 8 851 393 599 | 8 982 838 976 |
| Non-controlling interest | | 551 406 720 | 554 741 875 |
| Total shareholders' equity | | 9 402 800 319 | 9 537 580 851 |
| <u>Non-current liabilities</u> | | | |
| Land purchase liabilities | (20-48) | 128 728 426 | 150 258 255 |
| Notes payable - long term | (50b) | 1 985 335 673 | 1 438 142 381 |
| Other long-term liabilities – Residents' Association | (55) | 2 553 761 614 | 2 372 856 032 |
| long-term- loans | (51) | 2 697 768 592 | 2 801 072 865 |
| joint share arrangement– long terms | | 179 893 360 | 772 142 710 |
| Total non-current liabilities | | 7 545 487 665 | 7 534 472 243 |
| Total equity and non-current liabilities | | 16 948 287 983 | 17 072 053 094 |

- The accompanying notes from (1) to (66) form an integral part of these financial statements and are to be read therewith

Chief Financial Officer

Ali Thabet

Chairman

Yasseen Mansour

PALM HILLS DEVELOPMENTS COMPANY S.A.E
CONSOLIDATED STATEMENT OF INCOME (PROFIT OR LOSS)
For The Period Ended 30 June 2020

| | <u>Note No.</u> | <u>1 January 2020 Up To 30 June 2020 EGP</u> | <u>1 January 2019 Up To 30 June 2019 EGP</u> | <u>1 April 2020 Up To 30 June 2020 EGP</u> | <u>1 April 2019 Up To 30 June 2019 EGP</u> |
|--|---------------------|--|--|--|--|
| Revenues | | 2 008 212 010 | 2 515 075 370 | 873 182 853 | 1 556 992 588 |
| Deduct: - | | | | | |
| Cost of revenues | (28, 59) | 1 250 290 935 | 1 487 791 196 | 512 290 225 | 897 879 981 |
| Cash discount | (28, 59) | 7 340 952 | 19 703 612 | 2 832 351 | 7 576 904 |
| Gross profit | | 750 580 123 | 1 007 580 561 | 358 060 277 | 651 535 702 |
| Deduct: - | | | | | |
| General administrative, selling and marketing expenses | (60) | 373 726 361 | 357 805 632 | 185 186 537 | 220 389 154 |
| Interest on land purchase liabilities | | 53 602 260 | 100 580 184 | 26 801 130 | 19 006 311 |
| Administrative depreciation | | 47 150 908 | 41 526 526 | 23 656 184 | 20 762 126 |
| Securitization of receivables interest | | -- | 44 014 944 | -- | 35 916 013 |
| Finance costs & interests | | 104 886 110 | 104 681 317 | 43 293 198 | 49 817 108 |
| Refundable Interest on land purchase liabilities | | (127 547 612) | -- | (127 547 612) | -- |
| Provisions no longer required | | -- | (70 139 606) | -- | -- |
| Provision | | -- | 2 176 513 | -- | 700 240 |
| Total general, administrative, marketing and financing expenses, depreciation | | 451 818 026 | 580 645 510 | 151 389 437 | 346 590 952 |
| Add: - | | | | | |
| Interest income – amortization of discount on notes receivables | (59) | 8 560 440 | 44 717 593 | 4 280 220 | 22 358 796 |
| Gains on investments in fair value through profit or loss | | 4 159 808 | 5 432 020 | 1 826 448 | 2 485 062 |
| Interest income on held-to-maturity investments | | 16 220 026 | 60 907 460 | 6 785 421 | 15 439 562 |
| Total other revenues | | 28 940 274 | 111 057 073 | 12 892 089 | 40 283 420 |
| Net profit for the year before income tax & non-controlling interest | | 327 702 371 | 537 992 124 | 219 562 929 | 345 228 170 |
| Deduct: - | | | | | |
| Income tax | (23a) | 45 468 847 | 67 239 630 | 22 046 712 | 29 571 017 |
| Deferred tax | (23b) | 189 559 | 270 116 | 67 113 | 151 292 |
| Net profit for the year before & non-controlling interest | | 282 043 965 | 470 482 378 | 197 449 105 | 315 505 861 |
| Deduct: - | | | | | |
| Non-controlling interest share- subsidiaries | | 5 458 833 | 19 004 444 | 2 126 548 | 5 188 822 |
| Net profit for the year after income tax & non-controlling interest | | 276 585 132 | 451 477 934 | 195 322 556 | 310 317 039 |
| Earnings per share | (26, 65) | 0,089 | 0,146 | 0,063 | 0,0100 |

- The accompanying notes from (1) to (66) form an integral part of these financial statements and are to be read therewith.

Chief Financial Officer
Ali Thabet

Chairman
Yasseen Mansour

PALM HILLS DEVELOPMENTS COMPANY S.A.E
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the Period Ended 30 June 2020

| | <u>1 January</u> <u>2020 Up To</u> <u>30 June 2020</u> <u>EGP</u> | <u>1 January</u> <u>2019 Up To</u> <u>30 June 2019</u> <u>EGP</u> | <u>1 April 2019</u> <u>Up To</u> <u>30 June 2019</u> <u>EGP</u> | <u>1 April 2019</u> <u>Up To</u> <u>30 June 2019</u> <u>EGP</u> |
|--|--|--|--|--|
| Net profit for the period | 276 585 132 | 451 477 934 | 195 322 556 | 310 317 039 |
| Other comprehensive income | -- | -- | -- | -- |
| Total comprehensive income for the period, net of tax | <u>276 585 132</u> | <u>451 477 934</u> | <u>195 322 556</u> | <u>310 317 039</u> |
| <u>Attributable to: -</u> | | | | |
| Equity holders of the parent | 276 585 132 | 451 477 934 | 195 322 556 | 310 317 039 |
| Non-controlling interests | 5 458 833 | 19 004 444 | 2 126 548 | 5 188 822 |
| | <u>282 043 965</u> | <u>470 482 378</u> | <u>197 449 105</u> | <u>315 505 861</u> |

- The accompanying notes from (1) to (64) form an integral part of these financial statements and are to be read therewith.

Chief Financial Officer
Ali Thabet

Chairman
Yasseen Mansour

PALM HILLS DEVELOPMENTS COMPANY S.A.E
CONSOLIDATED STATEMENT OF CASH FLOWS
For the Period Ended 30 June 2020

| | <u>Note No.</u> | <u>30/6/2020</u> | <u>30/6/2019</u> |
|---|-----------------|----------------------|----------------------|
| | | <u>EGP</u> | <u>EGP</u> |
| Net profit for the period before income tax & non-controlling interest | | 327 702 371 | 537 992 124 |
| <u>Adjustments to reconcile net profit to net cash from operating activities</u> | | | |
| Interest on land purchase liabilities | | 53 602 260 | 100 580 184 |
| Administrative depreciation | (38) | 51 160 643 | 51 205 408 |
| Provision | | -- | 2 176 513 |
| Finance costs & interests | | 104 886 110 | 104 681 317 |
| Securitization of notes receivables interest | | -- | 44 014 944 |
| Share of profit / loss of associates | | 5 042 125 | (1 911 436) |
| Gain (loss) on disposal of fixed assets | (38) | (25 821) | (114 093) |
| Amortization of discount on notes receivables | | (8 560 440) | (44 717 592) |
| Provisions no longer required | | -- | (70 139 606) |
| Gains on investments in fair value through profit or loss | | (4 159 808) | (5 432 020) |
| Refundable Interest on land installments | | (127 547 612) | -- |
| Interest income on held to maturity investments | | (16 220 026) | (60 907 460) |
| Operating profit before changes in working capital items | | 385 879 801 | 657 428 283 |
| <u>Cash flow from operation activates</u> | | | |
| Change in work in progress | (14-39) | 246 895 572 | (812 059 164) |
| Change in held-to-maturity investments | | (220 295 710) | 860 709 266 |
| Change in notes receivables | | 122 645 959 | 365 214 850 |
| Change in investments in fair value through profit or loss | (11e -35) | 18 138 101 | (5 050 398) |
| Change in accounts receivable | | (278 609 218) | (128 924 002) |
| Change in suppliers - advance payments | | (40 512 920) | (11 691 380) |
| Change in debtors & other debit balances | (42) | 75 615 157 | (369 202 056) |
| Change in due to related parties | (49) | (8 289 517) | (37 439 581) |
| Change in advances from customers | (47) | 251 187 397 | 200 494 990 |
| Change in obligations to complete facilities | | (37 020 682) | -- |
| Provisions | | 1 523 412 | (932 113) |
| Change in notes payable | (50) | (429 710 683) | (282 047 270) |
| Change in due from related parties | (43) | 190 173 | 957 221 |
| Change in suppliers & contractors | | 19 588 368 | 125 575 910 |
| Income tax paid | (23a) | (88 127 043) | (249 106 896) |
| Change in creditors and other credit balances | (52) | 122 602 680 | 52 359 249 |
| Change in due to joint arrangement partners | | (325 027 728) | (132 865 471) |
| Change in other long term – Residents’ Association | | 180 905 583 | 272 108 080 |
| Net cash provided by (used in) operating activities | | (2 421 299) | 505 529 518 |
| <u>Cash flows from investing activities</u> | | | |
| Payments for purchase of fixed assets | (13-38) | (28 496 922) | (9 168 486) |
| Proceeds from sale of fixed assets | (13-38) | 174 590 | 261 162 |
| Payments for associate’s investment | | (12 000 000) | (50 000 000) |
| Payments for projects under construction | | (17 109 182) | (5 306 118) |
| Proceeds from real estate investment | | (714 257) | (2 519 330) |
| Payments in other assets | | (1 588 775) | -- |
| Proceeds from investments in fair value through profit or loss | | 4 159 808 | 5 432 020 |
| Proceeds from held-to-maturity investments | | 16 220 026 | 60 907 460 |
| Net cash (used in) provided by investing activities | | (39 354 711) | (393 292) |
| <u>Cash flows from financing activities</u> | | | |
| Banks - credit balances | (45) | (21 692 996) | 30 455 336 |
| Banks – overdraft | | 59 162 377 | 125 687 359 |
| Treasury shares | (54) | (46 990 266) | -- |
| Adjustments to retained earnings | | (338 108 242) | (115 911 909) |
| Non-controlling interest – dividends | | (8 793 989) | (9 789 151) |
| Payments in loans | | (468 947 037) | (501 320 000) |
| Proceeds from loans | | 427 416 288 | 11 670 399 |
| Securitization of notes receivables interest | | -- | (44 014 944) |
| Deferred tax | | -- | 3 078 |
| Finance costs & interests paid | | (104 886 110) | (104 681 317) |
| Net cash (used in) provided by financing activities | | (502 839 975) | (607 901 149) |
| Net increase in cash and cash equivalents during the period | | (544 615 986) | (102 764 923) |
| Cash and cash equivalents at beginning of the year | | 1 375 178 390 | 955 737 630 |
| Cash and cash equivalents as at 30 June 2020 | (30-40) | 830 562 405 | 852 972 707 |

- Non- Cash transactions are excluded from the cash flow statement.
- The accompanying notes from (1) to (64) form an integral part of these financial statements and are to be read therewith.

Chief Financial Officer
Ali Thabet

Chairman
Yasseen Mansour

PALM HILLS DEVELOPMENTS COMPANY S.A. E
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For The Period Ended 30 June 2020

| | <u>Share Capital</u> | <u>Legal reserve</u> | <u>Special reserve</u> | <u>Reserve for ESOP re- measurement</u> | <u>Retained earnings</u> | <u>Treasury shares</u> | <u>Net profit for the period</u> | <u>Total before Non-controlling equities</u> | <u>Total Non- controlling equities</u> | <u>Total Shareholders' After non- controlling equities</u> |
|-------------------------------------|--------------------------|----------------------|----------------------------|---|------------------------------|----------------------------|--------------------------------------|--|--|--|
| Balance as at 1 January 2019 | 6 157 199 270 | 708 524 277 | 476 064 168 | -- | 556 921 695 | -- | 811 741 618 | 8 710 451 028 | 505 090 067 | 9 215 541 095 |
| Transferred to retained earnings | -- | -- | -- | -- | 811 741 618 | -- | (811 741 618) | -- | -- | -- |
| Capital payment | 78 000 000 | -- | -- | -- | -- | -- | -- | 78 000 000 | -- | 78 000 000 |
| Transferred to legal reserve | -- | 26 395 466 | -- | -- | (26 395 466) | -- | -- | -- | -- | -- |
| ESOP Measurement Reserve | -- | -- | -- | 14 040 000 | -- | -- | -- | 14 040 000 | -- | 14 040 000 |
| Adjustments to retained earnings | -- | -- | -- | -- | (115 911 910) | -- | -- | (115 911 910) | -- | (115 911 910) |
| Non-controlling interest Dividend | -- | -- | -- | -- | -- | -- | -- | -- | (9 789 151) | (9 789 151) |
| Net profit for the period | -- | -- | -- | -- | -- | -- | 451 477 934 | 451 477 934 | 19 004 444 | 470 482 378 |
| Balance as at 30 June 2019 | <u>6 235 199 270</u> | <u>734 919 743</u> | <u>476 064 168</u> | <u>14 040 000</u> | <u>1 226 355 937</u> | <u>--</u> | <u>451 477 934</u> | <u>9 138 057 052</u> | <u>514 305 360</u> | <u>9 652 362 412</u> |
| Balance as at 1 January 2020 | 6 235 199 270 | 738 358 146 | 176 513 271 | (9 828 000) | 995 810 936 | -- | 846 785 352 | 8 982 838 976 | 554 741 876 | 9 537 580 851 |
| Transferred to retained earnings | -- | -- | -- | -- | 846 785 352 | -- | (846 785 352) | -- | -- | -- |
| Transferred to legal reserve | -- | 40 115 197 | -- | -- | (40 115 197) | -- | -- | -- | -- | -- |
| Treasury shares | -- | -- | -- | -- | -- | (46 990 266) | -- | (46 990 266) | -- | (46 990 266) |
| ESOP Measurement Reserve | -- | -- | -- | (22 932 000) | -- | -- | -- | (22 932 000) | -- | (22 932 000) |
| Adjustments to retained earnings | -- | -- | -- | -- | (338 108 242) | -- | -- | (338 108 242) | -- | (338 108 242) |
| Non-controlling interest Dividend | -- | -- | -- | -- | -- | -- | -- | -- | (8 793 989) | (8 793 989) |
| Net profit for the period | -- | -- | -- | -- | -- | -- | 276 585 132 | 276 585 132 | 5 458 833 | 282 043 965 |
| Balance as at 30 June 2020 | <u>6 235 199 270</u> | <u>778 473 344</u> | <u>176 513 271</u> | <u>(32 760 000)</u> | <u>1 464 372 849</u> | <u>(46 990 266)</u> | <u>276 585 132</u> | <u>8 851 393 599</u> | <u>551 406 720</u> | <u>9 402 800 318</u> |

-The accompanying notes from (1) to (66) form an integral part of these financial statements and are to be read therewith.

Chief Financial Officer
Ali Thabet

Chairman
Yasseen Mansour

Palm Hills Developments Company
(S.A.E)
Notes to the Consolidated
Financial Statements As of 30 June 2020

1. BACKGROUND

Palm Hills for Developments Company (S.A.E) was established according to the Investment Guarantee and Incentives Law No. (8) of 1997 which was replaced by the Investment Guarantee and Incentives Law No. (72) of 2017 and the Companies Law No. 159 of 1981 that was modified according to Law No. (4) of 2018 and their executive regulations, taking into consideration the Capital Market Law No. 95 of 1992 and its executive regulations.

2. COMPANY'S PURPOSE

The company's purpose is to invest in real estate in the New Cities and New Urban Communities including building, constructing, owning and managing residential compounds, resorts, villas and touristic villages, selling and the resale and associated services and facilities, leasing and the construction of integrated projects along with managing the entertainment activities associated with the company's in activities. All such activities are subject to the approval of appropriate authorities.

3. The Company's Location

The company's head office is located on the 6th of October City in the Giza Governorate and the main branch is located in the Smart Village.

4. COMMERCIAL REGISTER

The company is registered in the Commercial Register under No. 6801 dated 10 January 2005.

5. FINANCIAL YEAR

The company's financial year begins on 1 January and ends on 31 Dec. except for the first financial year which began as from the date of commencement of activity and ended on Dec. 31, 2012.

6. AUTHORIZATION OF THE FINANCIAL STATEMENTS

The Consolidated financial statements for the sixth Months ended in 30 June 2020 were authorized for issue by the board of directors on 31 August 2020.

7. STOCK EXCHANGE LISTING

The company was listed in the unofficial schedule no. (2) of the Cairo and Alexandria Stock Exchange on 27 Dec. 2006 and then listed in the official schedule no. (1) of the Cairo and Alexandria Stock Exchange in April 2008.

8. EXISTING PROJECTS

The company has several major activities for the development of new urban communities and tourist compounds through:

a) Building and constructing residential compounds

The objective of the company is to contribute in building integrated residential units, providing associated services, and entertainment complexes, while the Company possesses a large land bank which includes land with a total area of 1,392.20 acres approx. located at 6th October City, land with a total area of 456.84 acres approx. located at New Cairo City, land measuring a total area of 3262.05 acres approx. which is located at Sidi Abdel Rahman, El Alamin, Marsa Matrouh Governorate, land with a total area of 22.68 acres approx. located at Hurghada.

b) Other activity

According to a preliminary contract with a related party, the Company obtained a plot of land measuring approximately 1702.79 acres situated 49 KMs from the beginning of the Cairo-Alexandria Road to be transformed into Botanical Gardens by reclamation and cultivation using modern irrigation methods.

c) Joint Arrangement

The company and its subsidiaries adopted a new strategy as from the fiscal year ended 31 Dec. 2015 in relation to real estate development activities, through the conclusion of contracts as joint projects with some other parties, the contract provides that each contracting party to obtain a share of the contractual values of the financing, marketing and technical management of these projects as follows:

-Palm Hills Developments

Palm Hills Developments Company (real-estate developer) has contracted with one of the owners (owner) of the plot of land with an area of 135 acres in Alexandria-Abis-Moharram Bek-Cairo Alexandria Desert Road- to develop this area and under this contract the owner and the real estate developer receives a share of the total project revenues to be paid through the proceeds of the project. the company has not started marketing and selling the project units yet.

Palm Hills Developments Company and Palm for Urban Development Company (real-estate developer) has contracted with The Urban Communities Authority (owner) for the development of integrated residential project (Badya) on an area of 3000 acres in West Cairo on the basis of a revenue sharing system in that the company (real-estate developer) gets 74% for the business of the marketing and development of the project while the Authority (owner) receives 26% in addition to an in kind shares of project units -for land and supply of external facilities for the project, the real-estate developers started developing, marketing and selling the project units as from May 2018.

-Palm for Investment And Real Estate Development

Palm for Investment & Real Estate Development Company (real-estate developer) has contracted with The New Urban Communities Authority (owner) to develop land with a total area of 501,20 acres in New Cairo for the construction of an integrated urban project -Palm New Cairo- under this contract the Authority (owner) and the Company (real-estate developer) receives a share of total project revenues that paid through the proceeds of the project. the company started developing, marketing and selling the project units as from November 2016.

-Palm Real Estate Development

Palm Real Estate Development Company (real-estate developer) has contracted with Nasr City for Housing & Development Company (owner) to develop a land with a total area of 103.25 acres in New Cairo for the construction of an integrated urban project -Capital Gardens Project- under this contract the (owner) and the (real-estate developer) receives a share of total project revenues that paid through the proceeds of the project. the company started developing, marketing and selling the project units as from the fiscal year 2016.

-Palm Hills Development of Tourism and Real Estate

Palm Hills Development of Tourism and Real Estate Company (real-estate developer) has contracted with Batterjee Development of Tourism and Real Estate Company (owner) to develop land with a total area of 134.64 acres located in 85KM of Alexandria-Matroh Road - El Fouka village - for the construction of a full-service tourist resort, under this contract the (owner) and the (real-estate developer) receives a share of total project revenues that paid through the proceeds of the project. the company has not started marketing and selling the project units yet.

d) Investments in associates and subsidiaries

1- Direct investments in associates and subsidiaries as following: -

| | <u>Percentage</u> |
|--|--------------------------|
| | <u>share %</u> |
| Palm Hills Middle East Company for Real Estate Investment S.A. E | % 99.99 |
| Gawda for Trade Services S.A. E | %99.996 |
| New Cairo for Real Estate Developments S.A. E | %99.985 |
| Rakeen Egypt for Real Estate Investment S.A. E | %99.9454 |
| Palm for Real Estate Development S.A. E | %99.4 |
| Palm for Investment & Real Estate Development S.A. E | %99.4 |
| Palm Hills Development of Tourism and Real Estate S.A. E | %99.4 |
| Palm Hills for Tourism Investment S.A. E | %99.4 |
| Palm Hills Resorts S.A. E | %99.4 |
| Palm for Urban Development S.A. E | %99.4 |
| Palm for Constriction, real state dev. S.A. E | %99.4 |
| Palm Hills Properties S.A. E | %99.2 |
| Palm for Club Management S.A. E | %99.2 |
| Palm Alexandria for Real Estate S.A. E | %99.2 |
| United Engineering for Construction S.A. E | %98.88 |
| Palm Hills Hospitality S.A. E | %98 |

| | <u>Percentage</u> <u>share %</u> |
|---|-------------------------------------|
| East New Cairo for Real Estate Development S.A. E | %89 |
| Macor for Securities Investment Company S.A. E | %60 |
| Al Naeem for Hotels and Touristic Villages S.A. E | %60 |
| Gamsha for Tourist Development S.A. E | %59 |
| Royal Gardens for Real Estate Investment Company S.A. E | %51 |
| Nile Palm Al-Naeem for Real Estate Development S.A. E | %51 |
| Saudi Urban Development Company S.A. E | %51 |
| Coldwell Banker Palm Hills for Real Estate S.A. E | %49 |
| Six of October for Hotels and Touristic Services Company S.A. E | %00.24 |
| Arkan Palm | %39.99 |

2- Indirect investments in associates and subsidiaries as following: -

| | <u>Percentage</u> <u>share %</u> |
|--|-------------------------------------|
| Palm North Coast Hotels S.A. E | %97.412 |
| Palm Gamsha Hotels S.A. E | %87.50 |
| Middle East Company for Real Estate and Touristic Investment S.A.E | %96.04 |
| East New Cairo for Real Estate Development S.A. E | %10.998 |
| Asten College for Education | %71.82 |
| Palm Hills for Education S.A. E | %71.04 |

1- Direct investments in associates and subsidiaries

- Palm Hills Middle East Company for Real Estate Investment S.A.E. and Its Subsidiary

Palm Hills Middle East Company for Real Estate Investment S.A.E. is engaged in real estate investment in new cities and urban communities, and the construction, ownership and management of residential compounds, resorts, and villas. The company and its subsidiary are also involved in the sale and lease and other related services for managing integrated projects and entertainment activities.

- The company is registered in Egypt under commercial registration number 21091. The company's subsidiary is registered in Egypt under commercial registration number 25016. Both companies are registered under the provisions of the Investment Guarantees and Incentives Law No. 8 of 1997 and the Companies' Law No. 159 of 1981 and the statutes of Capital/ Market Law No. 95 of 1992.

- Gawda for Trade Services S.A.E

Gawda for Trade Services S.A.E is registered in Egypt under commercial registration number 10242 under the provisions of the Companies' Law No. 159 of 1981. The company is located at 66 Gameat El-Dewal El Arabia Street-Mohandessin- Cairo. The company is engaged in real estate investment in new cities, urban communities, remote areas and regions.

- **New Cairo for Real Estate Developments S.A.E**
New Cairo for Real Estate Development S.A.E. is registered in Egypt under commercial registration number 12613 under the provisions of the Investment Guarantees and Incentives Law No. 8 of 1997 and the Companies' Law No. 159 of 1981 and the Capital Market Law No. 95 of 1992. The company is located in plot 36 South investors' area in new Cairo. The company is engaged in construction, management, and the sale of hotels, motels, buildings and residential compounds and the purchase, development, diving and sale of land.
- **Khedma for the management of tourist resorts and real estate S.A.E**
An Egyptian joint stock company is subject to the provisions of Law No. 159 of 1981 and Law No. 95 of 1992 and their two implementing regulations. The purpose of the company is to supervise the implementation of projects and project management. The company was registered in the Commercial Registry with No. 136337 on June 18, 2019.
- **Rakeen Egypt for Real Estate Investment S.A.E**
Rakeen Egypt for Real Estate Investment S.A.E is registered in Egypt under commercial registration number 34611 under the provisions of the Investment Guarantees and Incentives Law No. 8 of 1997 and the Companies' Law No. 159 of 1981 and the statutes of Capital Market Law No. 95 of 1992. The company is located in 6th of October City. The company is engaged in leasing, construction and operation of hotels, motels, resorts and residential compounds, construction, generation of electricity, desalination of water, land acquisition, diving and constructing villas, residential units and offices malls and the marketing thereof.
- **Palm Sports Clubs Company S.A.E**
Palm Sports Clubs Company "an Egyptian joint stock company" was established in accordance with the provisions of Law No. 72 of 2017 and taking into account the provisions of Law No. 95 of 1992 issuing the Capital Law and its implementing regulations. The company was registered in Commercial Register No. 8348 on December 5, 2019, and the issued capital amounts to 2,000,000 Egyptian pounds, and the company's contribution is 99.9% of the capital. The main activity of the company is in the services of the sports field and includes management, marketing, operation, management of sports games, establishment of private clubs, academies, health clubs and fitness centers.

The company started practicing its main and usual activity through the conclusion of a contract to manage the Palm Hills Club - Palm Hills Resort in 6th of October City - owned by Palm Hills Development Company as of 1st January 2020
- **Palm for Real Estate Development S.A.E**
Palm for Real Estate Development S.A.E is registered in Egypt under commercial registration number 83974 under the provisions of the Companies' Law No. 159 of 1981 and the statutes of the Capital Market Law No. 95 of 1992. The company is engaged in real estate investment.

- **Palm for Investment & Real Estate Development S.A.E**

Palm for Investment & Real Estate Development S.A.E is registered in Egypt under commercial registration number 85861 under the provisions of the Companies' Law No. 159 of 1981 and the statutes of the Capital Market Law No. 95 of 1992. The company is engaged in real estate investment and real estate marketing.

- **Palm Hills Development of Tourism and Real Estate S.A.E**

Palm Hills Development of Tourism and Real Estate S.A.E is registered in Egypt under commercial registration number 92998 under the provisions of the Companies' Law No. 159 of 1981 and the statutes of the Capital Market Law No. 95 of 1992. The company is engaged in real estate investment and real estate marketing.

- **Palm Hills for Tourism Investment S.A.E**

Palm Hills for Tourism Investment S.A.E is registered in Egypt under commercial registration number 93156 under the provisions of the Companies' Law No. 159 of 1981 and the statutes of the Capital Market Law No. 95 of 1992. The company is engaged in real estate investment and real estate marketing.

The Company has not started its business yet.

- **Palm Hills Resorts S.A.E**

Palm Hills Resorts S.A.E is registered in Egypt under commercial registration number 93163 under the provisions of the Companies' Law No. 159 of 1981 and the statutes of the Capital Market Law No. 95 of 1992. The company is engaged in real estate investment and real estate marketing.

The Company has not started its business yet.

- **Palm for Urban Development S.A.E**

Palm for Urban Development S.A.E is registered in Egypt under commercial registration number 99183 under the provisions of the Companies' Law No. 159 of 1981 and the statutes of the Capital Market Law No. 95 of 1992. The company is engaged in real estate investment.

The Company has not started its business yet.

- **Palm Hills Properties S.A.E**

Palm Hills Properties S.A.E is registered in Egypt under commercial registration number 88228 under the provisions of the Companies' Law No. 159 of 1981 and the statutes of the Capital Market Law No. 95 of 1992. The company is engaged in real estate investment and real estate marketing.

The Company has not started its business yet.

- **Palm for Club Management S.A.E**

Palm for Club Management S.A.E is registered in Egypt under commercial registration number 101134 under the provisions of the Companies' Law No. 159 of 1981 and the statutes of the Capital Market Law No. 95 of 1992. The company is engaged in real estate marketing, establishing, managing, ownership, sale and rental of apartments and commercial malls and establishing and operating of hotels, motels, apartments, hotel suites and tourist villages

- **Palm Alexandria for Real Estate S.A.E**

Palm Alexandria for Real Estate S.A.E is registered in Egypt under commercial registration number 101133 under the provisions of the Companies' Law No. 159 of 1981 and the statutes of the Capital Market Law No. 95 of 1992. The company is engaged in real estate investment in new cities and urban communities.

The Company has not started its business yet.

- **United Engineering for Construction S.A.E**

United Engineering for Construction S.A.E is registered in Egypt under commercial registration number 56910 under the provisions of the Companies' Law No. 159 of 1981 and the statutes of the Capital Market Law No. 95 of 1992. The company is located at 40 Lebanon Street-Mohandessin-Giza. The company is engaged in construction.

- **Palm Hills Hospitality S.A.E**

Palm Hills Hospitality S.A.E is registered in Egypt under commercial registration number 45441 under the provisions of the Companies' Law No. 159 of 1981. The company is located in 11 El Nakhil Street- Dokki- Giza. The company is engaged in establishing and operating hotels, motels, resorts and residential compounds.

- **East New Cairo for Real Estate Development S.A.E**

East New Cairo for Real Estate Development S.A.E was established under the name of Kappci Company for Real Estate and touristic Development S.A.E. according to Law No. 159 of 1981 and its executive regulation and the company was registered under commercial registration No. 1429 of Ismailia at 20 March 2007.

- **Palm Hills Education S.A.E**

Palm Hills Education S.A.E is registered in Egypt under commercial registration number 103987 under the provisions of the Companies' Law No. 159 of 1981 and the statutes of the Capital Market Law No. 95 of 1992. The company is engaged in establishing, managing, rental and equipping of schools.

- **Macor for Securities Investment Company S.A.E**

Macor for Securities Investment Company S.A.E was established in Egypt on 8 March 2000 under the provisions of Capital Market Law No. 95 of 1992. The objective of the company is to contribute in the establishment or investment in the companies' securities especially the companies engaged in owning, renting and managing the hotels, motels and resorts.

- **Al Naeem for Hotels and Touristic Villages S.A.E**

Al Naeem for Hotels and Touristic Villages S.A.E is registered in Egypt under commercial registration number 32915 under the provisions of the Investment Guarantees and Incentives Law No. 8 of 1997 and the Companies' Law No. 159 of 1981 and the statutes of Capital Market Law No. 95 of 1992. The company is located in 6th of October City. The company is engaged in construction and operation of hotels in Hamata.

- **Gamsha for Tourist Development S.A.E**

Gamsha for Tourist Development S.A.E is registered in Egypt under commercial registration number 33955 under the provisions of the Companies' Law No. 159 of 1981. The company is located in 11 El Nakhil Street- Dokki-Giza. The company is engaged in real estate investments in new cities, urban communities, remote areas and regions outside the old valley.

- **Royal Gardens for Real Estate Investment Company S.A.E.**

Royal Gardens for Real Estate Investment Company S.A.E. is registered in Egypt under commercial registration number 21574 under the provisions of the Investment Guarantees and Incentives Law No. 8 of 1997 and the Companies' Law No. 159 of 1981 and the statutes of Capital Market Law No. 95 of 1992. The company is located in 11 El-Nakhil Street- Dokki-Giza.

The company is engaged in real estate investment in cities and new urban communities and the setup, execution, acquisition, and management of urban communities, resorts, villas and tourist villages through sale or lease. The company is also involved in all other types of related services such as finance leasing and construction.

- **Nile Palm Al-Naeem for Real Estate Development S.A.E**

Nile Palm Al-Naeem for Real Estate Development S.A.E is registered in Egypt under commercial registration number 27613 under the provisions of the Investment Guarantees and Incentives Law No. 8 of 1997 and the Companies' Law No. 159 of 1981 and the statutes of Capital Market Law No. 95 of 1992. The company is located in 40 Lebanon Street-Mohandessin-Giza. The company is engaged in real estate investment in new cities and urban communities, and also in the construction, ownership and management of residential compounds, resorts, and villas.

- **Saudi Urban Development Company S.A.E**

Saudi Urban Development Company S.A.E is registered in Egypt under commercial registration number 1971 under the provisions of the Companies' Law No. 159 of 1981. The company is located in 72 Gamet El- Dewal El Arabia Street- Mohandessin- Cairo. The company is engaged in the construction of advanced residential projects.

- **Coldwell Banker Palm Hills for Real Estate S.A.E**

Coldwell Banker Palm Hills for Real Estate S.A.E is registered in Egypt under commercial registration number 15970 on 17 August 2005 under the provisions of the Investment Guarantees and Incentives Law No. 8 of 1997 and the Companies' Law No. 159 of 1981 and the statutes of Capital Market Law No. 95 of 1992. The company is engaged in real estate investment.

- **Palm October for Hotels S.A.E**

Palm October for Hotels S.A.E is registered in Egypt under commercial registration number 38357 under the provisions of the Companies' Law No. 159 of 1981. The company is located at 11 El Nakhil Street- Dokki- Giza. The company is engaged in establishing and operating hotels, motels, resorts and residential compounds.

The Company has not started its business yet.

2- **Indirect investments in associates and subsidiaries**

| | <u>Percentage</u> |
|---|--------------------------|
| | <u>share %</u> |
| Palm North Coast Hotels S.A. E | %97.412 |
| Palm Gamsha Hotels S.A. E | %87.50 |
| Middle East Company for Real Estate and Touristic Investment S.A. E | %96.04 |
| East New Cairo for Real Estate Development S.A. E | %10.998 |
| Asten College for Education S.A. E | %71 |
| Palm hills for education | 71.86 |

- **Palm North Coast Hotels S.A.E**

Palm October for Hotels S.A.E is registered in Egypt under commercial registration number 48189 under the provisions of the Companies' Law No 159 of 1981. The company is located in 11 El Nakhil Street- Dokki- Giza. The company is engaged in establishing and operating the hotels, motels, resorts, and residential compounds.

- **Palm Gamsha Hotels S.A.E**

Palm October Hotels S.A.E is registered in Egypt under commercial registration number 46193 under the provisions of the Companies' Law No 159 of 1981. The company is located in 11 El Nakhil Street- Dokki- Giza. The company is engaged in establishing and operating the hotels, motels, resorts, and residential compounds.

- **Middle East Company for Real Estate and Touristic Investment S.A.E**

Middle East Company for Real Estate and Touristic Investment S.A.E is registered in Egypt under commercial registration number 25016 under the provisions of the Investment Guarantees and Incentives Law No. 8 of 1997 and the Companies' Law No. 159 of 1981.

The company is engaged in real estate investment in cities and new urban communities and the setup, execution, acquisition, and management of urban communities, hotel apartment and tourist villages.

- **East New Cairo for Real Estate Development S.A.E**

East New Cairo for Real Estate Development S.A.E was established under the name of Kappci Company for Real Estate and touristic Development S.A.E. according to Law No. 159 of 1981 and its executive regulation and the company was registered under commercial registration No. 1429 of Ismailia at 20 March 2007.

- **Asten College for Education**

Asten College for Education S.A.E is registered in Egypt under commercial registration number 106243 under the provisions of the Companies' Law No. 159 of 1981 and the statutes of the Capital Market Law No. 95 of 1992. The company is engaged in establishing, managing, rental and equipping of schools.

The Company has not started its business yet.

9. STATEMENT OF COMPLIANCE

These consolidated financial statements of Palm Hills Developments and its subsidiaries (the 'group') were prepared in accordance with Egyptian Accounting Standards and following the same accounting policies applied for the preparation of the previous financial statements.

10. SIGNIFICANT ACCOUNTING POLICIES APPLIED

a) Basic of consolidated financial statements preparation

The Company's management is responsible for the preparation the financial statements. The consolidated financial statements are prepared in accordance with Egyptian Accounting Standards and related Egyptian Laws and regulations.

b) Basic of consolidation

The consolidated financial statements comprise the financial statements of Palm Hills Developments Company and its subsidiaries which are all entities over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the

entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group.

The consolidated financial statements of Palm Hills Developments Company include its subsidiaries with the exception of the following:

| | <u>Percentage</u> <u>share %</u> | <u>Nature</u> |
|--|-------------------------------------|---------------|
| Coldwell Banker Palm Hills for Real Estate | 49% | Associate |

c) Consolidation procedures

In preparing consolidated financial statements, the Company combines the financial statements of the parent company and its subsidiaries line-by-line by adding together like items of assets, liabilities, equity, income and expenses the following steps are then taken:

- 1- Consolidated financial statements shall be prepared using uniform accounting policies. If a member of the group uses accounting policies other than those adopted in the consolidated financial statements, appropriate adjustments are made to its financial statements in preparing the consolidated financial statements.
- 2- The carrying amount of the parent's investment in each subsidiary and the parent's portion of equity of each subsidiary are eliminated. The difference between the cost of acquisition and the Company share in the fair value of the assets and liabilities of the investee is accounted for as a positive goodwill or as a negative goodwill and to be recognized on the consolidated income statement.
- 3- Combining balances and items of balance sheet as well as statements of income, changes in equity and cash flows, taking into account the acquisition date of subsidiaries, appropriate adjustments are made to cost of revenue, work in process and projects under construction which resulting from applying the acquisition method to account for resultant goodwill.
- 4- Intergroup balances, transactions shall be eliminated in full.
- 5- Profits and losses resulting from intergroup transactions are eliminated in full unless such transactions were eliminated or transferred to a third party.
- 6- Non-controlling interests in the net equity and in net earnings of subsidiary companies are included in a separate item "non-controlling interest" in the consolidated financial statements.
- 7- A subsidiary company is not included in the consolidated financial statements if the holding company loses its control over the financial and operational policies in this subsidiary starting from the date that control ceases.

d) Business combination

The group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquire and the equity interests issued by the group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The group recognizes any non-controlling interest in the acquire on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognized amounts of acquirer's identifiable net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquire is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognized in profit or loss.

Any contingent consideration to be transferred by the group is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognized either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

e) Intangible assets

1- Goodwill

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interests) and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognized at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the

combination, irrespective of whether other assets or liabilities of the acquire are assigned to those units.

Where goodwill has been allocated to a cash-generating unit (CGU) and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

2- Other intangible assets

Intangible assets are non-monetary assets which are without physical substantive. Intangible assets arise from contractual or other legal rights and from which future economic benefits (inflows of cash or other assets) are expected to flow and can be measured reliably. Intangible assets are initially measured at cost and to be re-measured at each financial year-end at cost of acquisition less accumulated amortization and accumulated impairment losses, which represents the fair value of those assets at that date.

f) Use of estimates and judgments

The preparation of the financial statements in conformity with Egyptian Accounting Standards requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and 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 that are readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on a going basis. Revisions to accounting estimates are recognized in the year in which the estimate is revised if the revision affects only that year or in the year of the revision and future years if the revision affects both current and future years. In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are described in the following notes:

- Revenue
- Estimated cost to complete projects
- Assets impairment
- Usufruct
- Investment Property

- Deferred tax
- Fair value of financial instruments

g) Changes in accounting policies

Changes in accounting policies are changes in the specific principles, bases, conventions, rules, and practices applied by the Company in preparing and presenting financial statements. A change in accounting policy may be a voluntary change from one accepted policy to another in the Framework of the Egyptian Accounting Standards, where such changes result in the financial statements providing reliable and more relevant information about the effects of transactions, other events or conditions on the Group's financial position, financial performance or cash flows. The change in accounting policy is applied retrospectively as an adjustment to the beginning balance of retained earnings as a component of equity.

h) Bookkeeping

1- Functional and presentation currency

These consolidated financial statements are presented in Egyptian pound, which is the currency of the primary economic environment in which the Group operates (the functional currency). Foreign currency transactions are translated into Egyptian pound using the exchange rates prevailing at the date of the transaction.

2- Foreign currency transactions and balances

Monetary assets and liabilities in foreign currencies are retranslated at the end of each year at the exchange rates then prevailing. Foreign exchange gains and losses resulting from valuation differences are recognized in the income statement.

i) Operating segment

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity) whose operating results are reviewed regularly by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available.

The Group has one operating segment which is real estate of all types and other operating segments are not identified according to EAS (41).

11. INVESTMENTS

a) Investments in subsidiaries

Subsidiaries are all companies that are controlled by the Company in that the Company owns more than half of the voting rights of a subsidiary, and Control is the power to govern the financial and operating policies of a subsidiary.

Investments in subsidiaries are stated at cost method. According to this method, investments recorded at cost- cost of acquisition- at the purchase order date less permanent impairment losses, if any, such impairment losses are recognized in income statement.

b) Investments in associates

Subsidiaries are all companies over which the Company has significant influence and that is neither a subsidiary nor an interest in a joint venture. Investments in associates are stated at equity method, under the equity method the investments in associates are initially recognized at cost and the carrying amount is increased or decreased to recognize the investor's share of the profit or loss of the associates after the date of acquisition.

Distributions received from associates reduce the carrying amounts of the investments. As an exception, investments in associates are initially recognized at cost based on preparing the consolidated financial statements available for public use.

c) Financial investments available for sale

Available-for-sale financial assets are any non-derivative financial assets designated on initial recognition as available for sale or any other instruments that are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss. Available-for-sale financial assets are initially recognized at fair value plus directly attributable costs of acquisition or issue.

Gains and losses arising from changes in the fair value of available for sale financial investments are recognized as equity until the financial asset is derecognized, or impaired, at which time, the cumulative gain or loss previously recognized in equity should be recognized in profit or loss.

The fair value for available-for-sale investments is identified based on the quoted price of the exchange market at the balance sheet date, except for investments which are not quoted in a stock exchange in an active market and whose fair value cannot be measured reliably in this case they are measured at cost.

d) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that an entity has the positive intention and ability to hold to maturity.

Held-to-maturity investments are initially recognized at fair value plus directly attributable costs of acquisition or issue, after initial recognition held-to-maturity investments are measured at amortized cost using the effective interest method less impairment losses.

Gains and losses are recognized in income statement when the investments are derecognized or impaired, as well as through the amortization process.

e) Investments at fair value through profit and loss

Investments at fair value through profit and loss includes financial assets acquired principally for the purpose of selling or repurchasing it in the near term or are designated as such upon initial recognition. Investments at fair value through profit and loss initially recognize at fair value plus directly attributable costs of acquisition, after initial recognition investments at fair value through profit and loss are measured at fair value and any changes therein are recognized in income statement.

f) Investments properties

Investment property is property (land or a building or both) held to earn rentals or for capital appreciation or both, rather than for use in the ordinary course of business. Investment property includes lands held for sale on long term. Investment property does not include property acquired exclusively with a view to subsequent disposal in the near future or for development and resale. Investment property Investment property is initially measured at cost, including transaction costs, subsequent to initial recognition Investment property is measured at cost less accumulated depreciation and any impairment in value. Investment property is derecognized on disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal.

12. PROJECTS UNDER CONSTRUCTION

Include the direct and indirect cost of land allocated to the Company for engaging in its main activity which had been allocated to build golf courses and hotels in Palm Hills Residential Compound in 6th of October City, as well infrastructure and construction costs of such projects. Projects under construction also include acquisition of commercial shops from an associate company.

13. FIXED ASSETS

Fixed assets are stated at historical cost –cost of acquisition-and to be depreciated by straight line method over the estimated useful life of the asset starting from the date of using the asset. Cost of acquisition does not include subsequent expenditure relating to routine maintenance or to ensure that a fixed asset maintains it original

assessed standard of performance and useful life and should be charged to the income statement. Carrying amount of fixed assets after initial measurement is stated at historical cost less accumulated depreciation and cumulative impairment losses (if any). The estimated useful lives are as follows:

| <u>Asset</u> | <u>Rate</u> |
|----------------------|-------------|
| Buildings | %5 |
| Tools & Equipment | % 25 |
| Furniture & Fixtures | % 25 – %33 |
| Vehicles | % 25 |

The carrying amount of a fixed asset should be derecognized on disposal or when no future economic benefits are expected to be earned from its disposal. The gain or loss on the disposal of an asset is the difference between the proceeds and the carrying amount and should be in profit and loss.

The residual value, the useful life and the depreciation method of an asset should be reviewed at least at each financial year-end.

An asset is impaired when its carrying amount exceeds its recoverable amount, At the end of each reporting period, an entity is required to assess whether there is any indication that an asset may be impaired and therefore the asset should be written down to its recoverable amount and the impairment loss shall be recognized in the income statement.

An impairment loss recognized in prior periods for an asset other than goodwill shall be reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. The increased carrying amount of an asset other than goodwill attributable to a reversal of an impairment loss shall not exceed the carrying amount that would have been determined (net of amortization or depreciation) had no impairment loss been recognized for the asset in prior years. Any impairment loss is recognized in the income statement.

14. WORK IN PROCESS

Work in process includes direct and indirect cost of land allocated to the Company for it to carry out its main activity whether the Company started the marketing activities for such lands or not, as well as construction and infrastructure costs and other indirect construction costs, that are related to contracted units, in which the required criteria of percentage of completion to be achieved has is not met yet to be recognized in income statement.

15. COMPLETED UNITS READY FOR SALE

Completed units ready for sale represent those units the Company started to build before or in conjunction with their marketing strategy and in accordance with the Master Plan.

All costs (cost of land, cost of developments and other indirect costs) attributable to such units are accumulated in the Work in Process Account until all units are completed for each phase. The cost is determined based on the outcome of multiplying the total area of the remaining completed units ready for sale at the date of consolidated balance sheet by the average meter cost of these units. Revenue from completed units ready for sale is recognized and matched to the cost of such units upon delivery. Completed units ready for sale are re-measured at each reporting period at the lower of cost or net realizable value.

16. NOTES RECEIVABLE

Notes receivable represent the checks which have certain maturity dates which the Company received as bank guarantees for the contractual values of the contracted units. Notes receivable are initially recognized at fair value at the date of contract and subsequently measured at amortized cost based on discounted future cash flow using the effective interest method.

17. Treasury shares

These are the shares of the company acquired in accordance with the decisions of the board of directors approved in this regard, and they are proven at the cost of the acquisition deducted from the equity and prove profits or losses of sale within equity.

18. IMPAIRMENT

An asset is impaired when its carrying amount or cash-generating unit exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use while value in use is the present value of estimated cash flow expected to be derived from an asset or cash-generating unit. An impairment loss is recognized in income statement. If there is an indication that there is an increasing in recoverable amount for an asset that increase is a reversal of the impairment. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

19. PROVISION

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event and it is probable that a flow of economic benefits will be required to settle the obligation; and the amount can be estimated reliably. Provision is charged to income statement. The provisions balances are reviewed on a going basis at the reporting date to disclose the best estimate on the current year and reflect the present value of expenditures required to settle the obligation where the time value of money is material.

20. LAND PURCHASE LIABILITY

Land purchase liability represents the obligations which incurred for purchase lands at certain amount and on certain maturity dates. Land purchase liability is recognized initially at the fair value. Land purchase liability is subsequently stated at amortized cost using the effective interest method.

21. COMPLETION OF INFRASTRUCTURE LIABILITIES

Completion of infrastructure liabilities presents the difference between the estimated cost and actual cost of the infrastructure in respect of the contracted units and to be deducted from earned revenue from plot of land of the contacted units.

22. CAPITALIZATION OF BORROWING COST

Capitalization of borrowing costs represents interest and other costs that the Company incurs in connection with the borrowing of funds which directly attributable to the acquisition, construction or production of a qualifying asset and would have been avoided if the expenditure on the qualifying asset had not been made .Capitalization should commence when expenditures are being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress while capitalization should be suspended during periods in which active development is interrupted. Capitalization should cease when substantially all of the activities necessary to prepare the asset for its intended use or sale are complete. Other indirect borrowing costs are recognized as expenses.

23. INCOME TAX

Taxation is provided in accordance with the Income Tax Law No. 91 of 2005.

(A) Current income tax

Current tax assets and liabilities are measured at the amount expected to be paid to (recovered from) the taxation authorities.

(B) Deferred tax

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

24. SHARE PREMIUM

Share premium is the amount received by a company over and above the face value of its shares. After deducting the issuance expenses attributable to the issuance, a part of share premium is credited to the legal reserve with limits of half of the Company's issued share capital, while the remaining balance of share premium is credited to special reserve, general assembly is responsible for determining the uses of such reserve, and it cannot be used for dividends.

25. Borrowing costs

The amount and value of the borrowing is initially recognized in the values received, and the amounts due within a year are classified within

the current obligations, unless the company has the right to postpone the payment of the loan balance for a period of more than one year after the date of the financial statements, then the loan balance is presented within the long-term liabilities.

The borrowing and loan costs are measured after the initial recognition of the loans on the basis of amortized cost using the effective interest rate method. The gains and losses for eliminating liabilities are included in the income statement (profits and losses) in addition to the depreciation process using the effective interest rate method.

26. EARNINGS PER SHARE

Basic EPS is calculated by dividing profit or loss from continuing operations and net profit or loss (after deducting employee share and board of director's remuneration – if any) attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the year.

27. RELATED PARTY TRANSACTIONS

Related party transactions present the direct and indirect relationship between the Company and its associates, subsidiaries or an interest in a joint venture, also the relationship between the Company and key management personnel or employees who exercise direct or indirect strong influence on the Company's decision making. A related party transaction is a transfer of resources, services, or obligations between related parties, regardless of whether a price is charged.

28. MATCHING OF REVENUES AND COSTS

The accounting treatment of signed contracts of villas and townhouses is based on the recognized revenue of the elements of the contact as follows:

a) Villas and townhouses

When the outcome of a construction contract can be estimated reliably, contract revenue and contract costs associated with the construction contract shall be recognized as revenue and expenses respectively by reference to the stage of completion of the contract activity at the end of the reporting.

The recognition of revenue and expenses by reference to the stage of completion of a contract is often referred to as the percentage of completion method. Under this method, contract revenue is matched with the contract costs incurred in reaching the stage of completion, resulting in the reporting of revenue, expenses and profit which can be attributed to the proportion of work completed.

Under the percentage of completion method, contract revenue is recognized as revenue in profit or loss in the accounting periods in which the work is performed. Contract costs are usually recognized as an expense in profit or loss in the accounting periods in which the work to which they relate is performed.

Cost of revenues includes the direct and indirect cost of land and the cost of construction and infrastructure, in addition to the indirect costs of construction.

b) Completed units ready for sale

Completed units ready for sale represent those units the Company started to build before or in conjunction with their marketing process and in accordance with the Master Plan. Completed units ready for sale (apartments of Palm Hills 7th Phase) are recognized at cost.

All costs (cost of land, cost of developments and other indirect costs) attributable to such units are accumulated in the Work in Process Account until all units are completed for each phase. The cost is determined based on the outcome of multiplying of the total area of the remaining completed units ready for sale at the date of consolidated balance sheet by the average meter cost of these units. Revenue from completed units ready for sale is recognized and matched to the cost of such units upon delivery. Completed units ready for sale are re-measured at each reporting period at the lower of cost or net realizable value.

c) Provision of completion

When the estimated contractual costs exceeded or it is probable that will exceed the contractual values, in such cases, any expected excess is recognized as an expense immediately.

29. REVENUE RECOGNITION

a) Sales revenues

1- Villas and townhouses

Revenue from the Company's main activity is recognized in the income statement over time based on percentage of completion for each contracted unit.

Completed units ready for sale

Completed units ready for sale represent the contractual values of contracted units Revenue is recognized in income statement at the point in time at which the entity transfers control of the asset to the customer

b) Investments in associates and subsidiaries

Revenue from investments in associates recognized based on equity method and in accordance with the company's share of the net profit or loss of the associate which is determined on the basis of current ownership interests, in addition to changes in the associate's other comprehensive income that have not been included in profit or loss.

Revenues from investments in subsidiaries are recognized based on cost method on the date the Company's right to receive such revenues is established or received which is more determinable.

c) Gain (loss) on sale of investments in securities

Gains (losses) from sale of investments in securities are recognized when a sale is consummated, and the Company has transferred to the buyer the usual risks and rewards of ownership. Such gains (losses) are measured by the difference between cost of acquisition and selling price less selling commission and expenses and to be recognized in profit or loss.

Revenues resulting from equity method application and revenues from cash dividends are eliminated in preparing the consolidated income statement.

d) Revenues from investment property

Revenues from investment in real estate are recognized when a sale is consummated, and the Company has in principle transferred to the buyer the usual risks of ownership. Such revenues are measured by the difference between cost of acquisition and selling price.

e) Revenues from mutual funds

Revenues from mutual fund are measured by the difference between cost of acquisition and selling price. Such revenues are recognized in profit or loss.

f) Interest income

Interest income is recognized in the profit or loss as it accrues using the effective interest rate method.

30. CASH AND CASH EQUIVALENTS

- For the purpose of the Statement of Cash Flows, cash and cash equivalents consist of cash in hand, bank balances and short-term deposits with an original maturity of three months or less.

31. FINANCIAL INSTRUMENTS & FAIR VALUE

- Financial instruments

The financial instruments of the Company are represented in the financial assets and liabilities. The Company's financial assets include cash on hand and at banks, notes receivable, checks under collection and debtors and other debit balances, financial liabilities include bank overdraft, advances from customers and creditors & other credit balances.

- **Financial instruments fair value**

The financial instruments of the Company are represented in the financial assets and liabilities. The Company's financial assets include cash on hand and at banks, notes receivable, checks under collection and debtors & other debit balances, financial liabilities include bank overdraft, advances from customers and creditors & other credit balances.

32. RISK MANAGEMENT

- **Interest rate risk**

The interest risk is represented in the interest rates changes and its effect on the current and future financial liabilities, represented in interests and commissions on bank overdraft, which may have a negative impact on the results of operations. The Company uses long-term financing sources with no interest represented in advances from customers.

- **Credit risk**

Credit risk is represented in the inability of credit customers to pay their dues. The Company has no significant consternation of credit risk, it has policies to ensure that contract is made with customers with an appropriate credit history, also according contracts concluded with the Company's customers, the ownership of the sold units is not transferred unless the full payments for these units are made.

33. INVESTMENTS IN ASSOCIATES

| | <u>30 June. 2020</u> | <u>31 Dec. 2019</u> |
|--|-----------------------------|----------------------------|
| | <u>EGP</u> | <u>EGP</u> |
| Naema for Touristic & Real Estate Investments S.A.E | 77 747 960 | 87 454 082 |
| Arkan palm for real state investment S.A. E | 60 406 763 | 52 155 114 |
| EFS palm for facilities services S.A. E | 6 392 348 | 980 000 |
| Villamora for Real Estate Development Company S.A. E | 2 535 617 | 2 535 617 |
| Coldwell Banker -Palm Hills for Real Estate S.A. E | 245 000 | 245 000 |
| The Cookery - Co for catering and restaurants S.A. E | 3 000 000 | -- |
| Balance as at 30 June 2020 | <u>150 327 688</u> | <u>143 369 813</u> |

| | <u>Assets</u> | <u>Liabilities</u> | <u>Shareholders' equity</u> | <u>Revenues</u> | <u>Expenses</u> |
|---|----------------------|---------------------------|------------------------------------|------------------------|------------------------|
| Naema for Touristic & Real Estate Investments | 167 778 028 | 12 263 706 | 155 514 322 | 4 696 559 | 4 330 133 |
| Palm Hills for Real Estate -Coldwell Banker | 500 000 | -- | 500 000 | -- | -- |
| Villamora for Real Estate Development Company | 2 535 617 | -- | 2 535 617 | -- | -- |
| Arkan palm for real state investment | 130 287 785 | -- | 130 287 785 | 4 943 286 | 259 405 |
| EFS palm for facilities services | 980 000 | -- | 980 000 | -- | -- |

34. INVESTMENT PROPERTY

| | <u>Acre</u> | <u>30 June. 2020</u> | <u>31 Dec. 2019</u> |
|--|--------------------|-----------------------------|----------------------------|
| | | <u>EGP</u> | <u>EGP</u> |
| <u>Real estate investments - land</u> | | | |
| Palm Hills Development Company - Botanica | 1759 | 212 512 738 | 212 512 738 |
| Gamsha for Tourist Development S.A.E | 22.679 | 115 791 517 | 115 457 048 |
| Total real estate investment - land | | <u>328 304 255</u> | <u>327 969 786</u> |
| <u>Real estate investments - Buildings</u> | | | |
| <u>Commercial shops - Palm Hills Resort</u> | | | |
| Cost of shops of 88 Street Mall. | | 68 518 386 | 68 138 598 |
| Accumulated depreciation | | (12 880 548) | (6 625 847) |
| Net cost of shops | | <u>55 637 838</u> | <u>61 512 751</u> |
| Vilas at villa mora resort | | 4 000 000 | 4 000 000 |
| Balance as at 30 June 2020 | | <u>387 942 093</u> | <u>393 482 537</u> |

35. HELD-TO-MATURITY INVESTMENT

| | <u>Face value</u> | <u>Unrecognized investment</u> | <u>Average return</u> | <u>Purchase price</u> |
|--|-----------------------------|--------------------------------|-------------------------|-----------------------------|
| | <u>EGP</u> | <u>return</u> <u>EGP</u> | <u>rate</u> <u>%</u> | <u>EGP</u> |
| Palm Hills Development | 621 750 000 | 29 461 715 | % 11 | 592 288 285 |
| Palm Hills Middle East Company for Real Estate Investment | 50 825 000 | 3 089 737 | % 11 | 47 735 263 |
| East New Cairo for Real Estate Development | 22 275 000 | 985 470 | % 11 | 21 289 530 |
| Gawda for Trade Services | 8 850 000 | 308 510 | % 11 | 8 541 490 |
| Middle East Company for Real Estate and Touristic Investment | 19 150 000 | 869 899 | % 11 | 18 280 101 |
| Palm Hills Development of Tourism and Real Estate | 5 150 000 | 57 584 | % 10 | 5 092 416 |
| Palm for investment and real state development | 49 850 000 | 3 259 332 | % 11 | 46 590 668 |
| Palm real state development | 58 200 000 | 3 531 477 | % 11 | 54 668 523 |
| Rakeen Egypt for Real Estate Investment | 154 200 000 | 6 514 609 | % 10 | 147 685 391 |
| Palm Hills for Urban Development Company | 125 000 | 13 359 | % 11 | 111 641 |
| Royal Gardens for Real Estate Investment Company | 67 325 000 | 2 278 118 | % 10 | 65 046 882 |
| Saudi Urban Development Company | 143 525 000 | 6 182 631 | % 11 | 137 342 369 |
| Balance as at 30 June 2020 | <u>1 201 225 000</u> | <u>56 552 442</u> | | <u>1 144 672 558</u> |

36. NOTES RECEIVABLE

| | <u>30 June. 2020</u> | <u>31 Dec. 2019</u> |
|---|------------------------------|------------------------------|
| | <u>EGP</u> | <u>EGP</u> |
| Short term notes receivable | 5 001 930 783 | 4 975 458 893 |
| Deduct: - | | |
| Notes receivable of joint venture | 268 228 213 | 266 524 999 |
| Unamortized discount | 26 392 555 | 17 120 875 |
| | <u>4 707 310 015</u> | <u>4 691 813 019</u> |
| Long term notes receivable | 16 474 056 873 | 16 574 145 275 |
| Deduct: - | | |
| Notes receivable of joint venture | 1 014 694 724 | 1 049 157 198 |
| Unamortized discount | 270 268 131 | 206 311 544 |
| Current value for long term notes receivable | <u>15 189 094 018</u> | <u>15 318 676 533</u> |
| Balance as at 30 June 2020 | <u>19 896 404 033</u> | <u>20 010 489 552</u> |

According to the Central Bank of Egypt's Board of Directors No.1906 of 2007 concerning the regulations and rules governing banking finance to real estate development companies operating in the field of housing units and construction for the purpose of their sale, Bank cannot discount trade and notes receivable, unless contracted units be delivered to customers.

Notes receivables balances included an amount of 1.29 billion EGP representing the value of checks received in exchange for maintenance deposits of contracted units, whose collected value reverts to the Workers' Union upon its establishment

in accordance with the provisions of the Building Law No. 119 of 2008 and its executive regulations and amendments thereof.

37. PROJECTS UNDER CONSTRUCTION

| | <u>30 June. 2020</u> | <u>31 Dec. 2019</u> |
|--|-----------------------------|-----------------------------|
| | <u>EGP</u> | <u>EGP</u> |
| Land | 311 908 565 | 320 940 357 |
| Construction of golf courses, hotels and clubs in the North Coast - transferred from work in Process | 1 258 650 250 | 1 354 075 939 |
| Palm club Constructions | 57 368 449 | 55 059 345 |
| Consultation and designs fees | 16 726 843 | 6 755 349 |
| Schools Construction cost | 2 606 107 | 2 606 108 |
| Balance as at 30 June 2020 | <u>1 647 260 214</u> | <u>1 739 437 098</u> |

*** The adjusted net cost of land is as follows:**

| | <u>Space</u> | <u>Cost of</u> | <u>Cost difference</u> | <u>Total</u> | <u>Discount</u> | <u>The net</u> |
|---|---------------|--------------------|------------------------|--------------------|------------------|--------------------|
| | <u>In</u> | <u>acquisition</u> | <u>Acquisition</u> | <u>Costs</u> | <u>current</u> | <u>Cost</u> |
| | <u>acres</u> | <u>Lands</u> | <u>Acquisition</u> | <u>EGP</u> | <u>Value</u> | <u>EGP</u> |
| | | <u>EGP</u> | <u>EGP</u> | | <u>EGP</u> | <u>EGP</u> |
| Sidi Abdel Rahman – Marsa Matrouh Governorate (Hotel) | 159.69 | 206 594 638 | 106 093 087 | 312 687 725 | (779 160) | 311 908 565 |
| Total Land | 159.69 | 206 594 638 | 106 093 087 | 312 687 725 | (779 160) | 311 908 565 |

38. FIXED ASSETS

Fixed assets (net) balance as at 30 June 2020 amounted to EGP 1 436 344 061 represented as follows:

| | <u>Cost as of Jan. 1,2020</u> | <u>Additions during the period</u> | <u>Disposals during the period</u> | <u>Cost as of 30 June 2020</u> | <u>Accumulated depreciation as of Jan. 1, 2020</u> | <u>Depreciation for the period</u> | <u>Depreciation of Disposals</u> | <u>Accumulated depreciation as of June 30, 2020</u> | <u>Net book value as 30 June 2020</u> |
|-----------------------------------|-----------------------------------|--|--|------------------------------------|--|--|--------------------------------------|---|---|
| | <u>EGP</u> | <u>EGP</u> | <u>EGP</u> | <u>EGP</u> | <u>EGP</u> | <u>EGP</u> | <u>EGP</u> | <u>EGP</u> | <u>EGP</u> |
| Land | 18 920 662 | 9 031 828 | -- | 27 952 490 | -- | -- | -- | -- | 27 952 490 |
| Buildings | 521 631 464 | 100 584 216 | -- | 622 215 680 | 242 383 858 | 8 376 777 | -- | 250 760 635 | 371 455 045 |
| Machinery & equipment | 185 325 275 | 12 088 104 | -- | 197 413 379 | 137 406 240 | 8 070 187 | -- | 145 476 427 | 51 936 952 |
| Vehicles | 25 417 616 | -- | -- | 25 417 616 | 19 076 905 | 1 544 741 | -- | 20 621 646 | 4 795 970 |
| Computer equipment | 84 746 569 | 1 192 928 | 65 550 | 85 873 947 | 67 922 845 | 4 795 665 | 50 401 | 72 668 109 | 13 205 838 |
| Leasehold improvements | 21 244 693 | -- | -- | 21 244 693 | 19 597 208 | 483 490 | -- | 20 080 698 | 1 163 995 |
| Furniture | 80 971 255 | 14 885 910 | 877 088 | 94 980 077 | 59 167 785 | 4 658 068 | 743 468 | 63 082 385 | 31 897 692 |
| Golf Courses | 1 123 489 349 | -- | -- | 1 123 489 349 | 95 283 623 | 27 230 159 | -- | 122 513 782 | 1 000 975 567 |
| Total cost | <u>2 061 746 883</u> | <u>137 782 986</u> | <u>942 638</u> | <u>2 198 587 231</u> | <u>640 838 464</u> | <u>55 159 087</u> | <u>793 869</u> | <u>695 203 682</u> | <u>1 503 383 854</u> |
| Impairment of Makor | | | | | | | | | (2 500 000) |
| Impairment of assets | | | | | | | | | (64 539 487) |
| Balance as at 30 June 2020 | | | | | | | | | <u>1 436 344 061</u> |

- Fixed assets depreciation For the Period Ended 30 June 2020 was allocated as follows:

| | |
|---|-------------------------|
| Operating assets-work in process | <u>EGP</u> 4 113 571 |
| Administrative depreciation (income statement) | 40 896 206 |
| Depreciation expense of hotel operations | 4 009 736 |
| Depreciation expense of Palm Hills Club's assets - club's operating statement | 6 139 572 |
| Total depreciation of fixed assets during the period | <u>55 159 087</u> |

- Capital Gains for The Period Ended 30 June 2020 amounted to EGP 25 821 as follows:

| | |
|---|-----------------------|
| Proceed from sale of fixed assets | <u>EGP</u> 174 590 |
| Deduct: | |
| Cost of assets sold | 942 638 |
| Accumulated depreciation of assets sold | 793 869 |
| Carrying amount of assets sold | <u>148 769</u> |
| | <u>25 821</u> |

Fixed assets (net) balance as at 31 Dec. 2019 amounted to EGP 1 353 868 932 represented as follows:

| | <u>Cost as of</u> <u>Jan. 1,2019</u> | <u>Additions</u> <u>during the</u> <u>year</u> | <u>Disposals</u> <u>during the</u> <u>year</u> | <u>Cost as of</u> <u>Dec. 31,2019</u> | <u>Accumulated</u> <u>depreciation as</u> <u>of Jan. 1, 2019</u> | <u>Depreciation for</u> <u>the year</u> | <u>Depreciation</u> <u>of Disposals</u> | <u>Accumulated</u> <u>depreciation as of</u> <u>Dec. 31,2019</u> | <u>Net book value as</u> <u>of Dec. 31,2019</u> |
|-----------------------------------|---|--|--|--|--|--|--|--|--|
| | <u>EGP</u> | <u>EGP</u> | <u>EGP</u> | <u>EGP</u> | <u>EGP</u> | <u>EGP</u> | <u>EGP</u> | <u>EGP</u> | <u>EGP</u> |
| Land | 18 920 662 | -- | -- | 18 920 662 | -- | -- | -- | -- | 18 920 662 |
| Buildings | 513 522 992 | 8 431 840 | 323 368 | 521 631 464 | 226 767 598 | 15 814 592 | 198 332 | 242 383 858 | 279 247 606 |
| Machinery & equipment | 175 576 604 | 10 409 290 | 660 619 | 185 325 275 | 121 935 380 | 15 848 388 | 377 528 | 137 406 240 | 47 919 035 |
| Vehicles | 23 484 129 | 3 348 517 | 1 415 030 | 25 417 616 | 17 713 785 | 2 778 150 | 1 415 030 | 19 076 905 | 6 340 711 |
| Computer equipment | 79 394 347 | 5 557 290 | 205 068 | 84 746 569 | 56 126 506 | 11 953 617 | 157 278 | 67 922 845 | 16 823 724 |
| Leasehold improvements | 21 501 456 | -- | 256 763 | 21 244 693 | 18 774 659 | 1 079 312 | 256 763 | 19 597 208 | 1 647 485 |
| Furniture | 73 656 071 | 7 677 204 | 362 020 | 80 971 255 | 52 354 255 | 7 158 502 | 344 972 | 59 167 785 | 21 803 470 |
| Golf Courses | 1 123 281 546 | 207 803 | -- | 1 123 489 349 | 40 834 849 | 54 448 774 | -- | 95 283 623 | 1 028 205 726 |
| Total cost | 2 029 337 807 | 35 631 944 | 3 222 868 | 2 061 746 883 | 534 507 032 | 109 081 335 | 2 749 903 | 640 838 464 | 1 420 908 419 |
| Impairment of Makor | | | | | | | | | (2 500 000) |
| Impairment of assets | | | | | | | | | (64 539 487) |
| Balance as at 31 Dec. 2019 | | | | | | | | | 1 353 868 932 |

- Fixed assets depreciation for the year ended 31 Dec. 2019 was allocated as follows:

| | |
|---|--------------------|
| | <u>EGP</u> |
| Operating assets-work in process | 8 833 795 |
| Administrative depreciation (income statement) | 80 340 330 |
| Depreciation expense of hotel operations | 7 695 675 |
| Depreciation expense of Palm Hills Club's assets - club's operating statement | 12 211 536 |
| Total depreciation of fixed assets during the year | 109 081 335 |

- Capital Gains for the year ended 31 Dec. 2019 amounted to EGP 485 794 as follows:

| | | |
|--|--------------------|----------------|
| Proceed from sale of fixed assets | <u>EGP</u> | 958 759 |
| Deduct: | | |
| Cost of assets sold | 3 222 868 | |
| Accumulated depreciation of assets sold | <u>(2 749 903)</u> | |
| Carrying amount of assets sold | | 472 965 |
| Gain on sale of fixed assets as at December 31, 2019 | | 485 794 |

39. WORK IN PROCESS

| | <u>30 June 2020</u> | <u>31 Dec. 2019</u> |
|-----------------------------------|-----------------------------|-----------------------------|
| | <u>EGP</u> | <u>EGP</u> |
| Land acquisition cost | 2 659 014 179 | 3 357 943 814 |
| Cost of construction | 5 008 004 766 | 4 711 755 752 |
| Completed units ready for sale | <u>45 550 714</u> | <u>45 550 714</u> |
| Balance as at 30 June 2020 | <u>7 712 569 659</u> | <u>8 115 250 280</u> |

* The interest of the loans capitalized on the item of work in Process and allocated to financing construction in the existing projects according to the concluded loan contracts for The Period Ended 30 June 2020 amounted to EGP **100 471 881**.

40. CASH AND CASH EQUIVALENTS

| | <u>30 June. 2020</u> | <u>31 Dec. 2019</u> |
|--|-----------------------------|-----------------------------|
| | <u>EGP</u> | <u>EGP</u> |
| Banks-current accounts- EGP | 768 562 852 | 1 315 427 641 |
| Banks-current accounts- foreign currency | 11 911 583 | 11 826 112 |
| Banks – Deposits- EGP | 2 500 000 | 2 500 000 |
| Cash on hand- EGP | 47 587 969 | 45 424 637 |
| Balance as at 30 June 2020 | <u>830 562 405</u> | <u>1 375 178 390</u> |

41. ACCOUNTS RECEIVABLE

| | <u>30 June. 2020</u> | <u>31 Dec. 2019</u> |
|--|-----------------------------|-----------------------------|
| | <u>EGP</u> | <u>EGP</u> |
| Palm Hills Developments Company customers | 483 417 007 | 367 166 654 |
| Palm Hills Middle East Company for Real Estate Investment customers | 145 643 254 | 115 131 552 |
| Royal Gardens for Real Estate Investment Company customers | 7 893 051 | 8 835 737 |
| New Cairo for Real Estate Developments customers | 1 451 015 | 1 538 515 |
| Gawda for Trade Services customers | 1 129 029 | 1 129 029 |
| Saudi Urban Development Company customers | 74 316 819 | 54 196 781 |
| Rakeen Egypt for Real Estate Investment customers | 105 343 544 | 90 135 050 |
| East New Cairo for Real Estate Development customers | 101 614 589 | 124 422 692 |
| Middle East Company for Real Estate and Touristic Investment customers | 3 467 664 | 3 568 968 |
| United Engineering for Construction | 3 387 484 | 1 533 262 |
| Palm Real Estate Development | 51 767 920 | 42 092 690 |
| Palm for Investment and Real Estate Development | 303 752 151 | 223 565 640 |
| Palm Hills Development of Tourism and Real Estate | 1 748 966 | 6 245 506 |
| Palm Hills Properties | 3 542 277 | 2 968 295 |
| Palm for Urban Development | 255 409 715 | 224 685 919 |
| Palm for Clubs Management | 7 004 101 | 5 063 079 |
| Balance as at 30 June 2020 | <u>1 550 888 586</u> | <u>1 272 279 369</u> |

42. DEBTORS AND OTHER DEBIT BALANCES

| | <u>30 June. 2020</u> | <u>31 Dec. 2019</u> |
|-----------------------------------|-----------------------------|----------------------------|
| | <u>EGP</u> | <u>EGP</u> |
| Residents' Association | 483 324 055 | 399 029 882 |
| Investments debtors | 5 019 431 | 5 019 431 |
| Deposits with others | 111 679 807 | 265 685 022 |
| Prepaid expenses | 103 040 178 | 81 095 808 |
| Accrued interests | 35 981 585 | 32 864 324 |
| Withholding tax from source | 126 379 | 55 229 137 |
| Insurances of guarantee Letters | 29 323 019 | 14 557 606 |
| Loans to employee & custodies | 12 926 292 | 9 159 944 |
| Other debit balances | 60 325 457 | 54 720 207 |
| Balance as at 30 June 2020 | <u>841 746 202</u> | <u>917 361 361</u> |

43. DUE FROM RELATED PARTIES

| | <u>30 June 2020</u> | <u>31 Dec. 2019</u> |
|--|----------------------------|----------------------------|
| | <u>EGP</u> | <u>EGP</u> |
| Al Ethadia for Real Estate S.A. E | 249 858 071 | 236 663 231 |
| Al Naeem for investments | 48 755 256 | 48 755 256 |
| Debtors of dividends | 127 689 298 | 127 689 298 |
| Coldwell Banker -Palm Hills for Real Estate S.A. E | 20 480 | 20 480 |
| Novotel Cairo 6th Of October S.A. E | -- | 2 601 390 |
| Mercure Ismailia Hotel S.A. E | -- | 2 959 192 |
| The Chocuri-Co for catering and catering | 500 000 | -- |
| Baltan S.A. E | 269 320 | -- |
| Palm Hills – Saudi | -- | 269 320 |
| Arkan Palm Real Estate Investment S.A. E | 162 659 | 7 100 |
| Balance as at 30 June 2020 | <u>427 255 084</u> | <u>418 965 567</u> |

44. ADVANCE PAYMENTS FOR INVESTMENTS ACQUISITION

| | <u>Nature of</u> | <u>30 June 2020</u> | <u>31 Dec 2019</u> |
|--|---------------------------|----------------------------|---------------------------|
| | <u>transaction</u> | | |
| | | <u>EGP</u> | <u>EGP</u> |
| kenzy company for restaurant | Establishment | 4 209 316 | 4 209 316 |
| Palm Hills – Saudi | Establishment | 135 121 743 | 135 121 743 |
| Gamsha for Tourist Development S.A. E | Acquisition | 4 010 000 | 4 010 000 |
| Middle East Company for Real Estate and Touristic Investment | Acquisition | 10 262 352 | 10 262 352 |
| Al Naeem for Hotels and Touristic Villages | Acquisition | 41 303 890 | 41 303 890 |
| Balance as at 30 June 2020 | | <u>194 907 301</u> | <u>194 907 301</u> |

45. BANKS- CREDIT BALANCES

| | <u>30 June 2020</u> | <u>31 Dec 2019</u> |
|-----------------------------------|----------------------------|---------------------------|
| | <u>EGP</u> | <u>EGP</u> |
| Banks –EGP | 62 620 409 | 83 102 389 |
| Banks-foreign currencies | 2 924 308 | 4 135 324 |
| Balance as at 30 June 2020 | <u>65 544 717</u> | <u>87 237 713</u> |

46. BANK OVERDRAFT

| | <u>30 June 2020</u> | <u>31 Dec 2019</u> |
|-----------------------------------|-----------------------------|---------------------------|
| | <u>EGP</u> | <u>EGP</u> |
| CIB - Bank | 463 784 534 | 376 765 397 |
| Arab - Bank | 249 144 077 | 299 630 120 |
| Ahli United Bank | 6 716 000 | 6 798 641 |
| Arab - African Bank | 302 830 411 | 280 118 487 |
| Balance as at 30 June 2020 | <u>1 022 475 022</u> | <u>963 312 645</u> |

47. ADVANCES FROM CUSTOMERS

| | <u>Down</u> <u>payments</u> <u>EGP</u> | <u>Advances for</u> <u>contracting</u> <u>EGP</u> | <u>30 June</u> <u>2020</u> <u>EGP</u> | <u>31 December</u> <u>2020</u> <u>EGP</u> |
|--|--|---|---|---|
| Palm Hills Developments Company | 109 538 849 | 4 501 957 422 | 4 611 496 271 | 4 142 932 948 |
| Palm Hills Middle East Company for Real Estate Investment | 39 041 498 | 260 157 319 | 299 198 817 | 275 295 709 |
| Royal Gardens for Real Estate Investment Company | -- | 2 628 725 | 2 628 725 | 2 628 725 |
| New Cairo for Real Estate Developments | -- | 4 502 838 | 4 502 838 | 4 502 838 |
| Saudi Urban Development Company | 695 760 | 355 323 724 | 356 019 484 | 353 131 022 |
| Rakeen Egypt for Real Estate Investment | 14 674 791 | 781 924 631 | 796 599 422 | 731 743 201 |
| East New Cairo for Real Estate Development | 355 893 | 129 295 056 | 129 650 949 | 181 606 167 |
| Middle East Company for Real Estate and Touristic Investment | 464 338 | -- | 464 338 | 2 184 061 |
| United Engineering for Construction | 87 401 368 | -- | 87 401 368 | 75 487 001 |
| Palm for Real Estate Development S.A. E | -- | 969 301 720 | 969 301 720 | 1 146 588 831 |
| Palm for Investment & Real Estate Development | 3 688 216 | 3 873 089 665 | 3 876 777 881 | 3 826 597 345 |
| Palm Hills Development of Tourism and Real Estate | 3 450 313 | 307 340 617 | 310 790 930 | 344 170 462 |
| Palm Hills Properties | -- | 11 239 281 | 11 239 280 | 12 249 226 |
| Palm for Urban Development | 2 518 504 | 3 004 367 182 | 3 006 885 685 | 3 112 321 578 |
| Palm for Clubs Management | 839 389 | -- | 839 389 | 1 170 586 |
| Balance as at 30 June 2020 | <u>262 668 919</u> | <u>14 201 128 180</u> | <u>14 463 797 099</u> | <u>14 212 609 702</u> |

48. LAND PURCHASE LIABILITIES

| | <u>30 June. 2020</u> | <u>31 Dec. 2019</u> |
|--|---------------------------|---------------------------|
| | <u>EGP</u> | <u>EGP</u> |
| Land purchase liabilities - short term | 91 174 532 | 235 682 895 |
| Land purchase liabilities - long term | 128 728 426 | 150 258 255 |
| Balance as at 30 June 2020 | <u>219 902 958</u> | <u>385 941 150</u> |

49. DUE TO RELATED PARTIES

| | <u>30 June. 2020</u> | <u>31 Dec. 2019</u> |
|--|-------------------------|-------------------------|
| | <u>EGP</u> | <u>EGP</u> |
| El Mansour & El Maghraby Investment and Development | 4 103 938 | 4 103 938 |
| Villamora for Real Estate Development Company S.A. E | 2 535 616 | 2 535 617 |
| Mercure Ismailia Hotel | 190 174 | -- |
| Balance as at 30 June 2020 | <u>6 829 728</u> | <u>6 639 555</u> |

50. NOTES PAYABLE

A) Short Term Notes Payable

| | <u>30 June. 2020</u> | <u>31 Dec. 2019</u> |
|---|---------------------------|-----------------------------|
| | <u>EGP</u> | <u>EGP</u> |
| Notes payable- Land (New Urban Communities Authority) | 122 594 380 | 1 579 682 655 |
| Deduct: - | | |
| Deferred installments interest | -- | 561 178 711 |
| Net Short-Term Notes Payable - Lands | <u>122 594 380</u> | <u>1 018 503 944</u> |
| Add: - | | |
| Other notes payable | 794 543 804 | 945 720 533 |
| Deduct: - | | |
| Deferred interests | 217 085 605 | 213 322 571 |
| Balance as at 30 June 2020 | <u>700 052 579</u> | <u>1 750 901 906</u> |

B) Long Term Notes Payable

| | <u>30 June. 2020</u> | <u>31 Dec. 2019</u> |
|---|-----------------------------|-----------------------------|
| | <u>EGP</u> | <u>EGP</u> |
| Notes payable- Land (New Urban Communities Authority) | 1 971 528 200 | 1 218 688 273 |
| Deduct: - | | |
| Deferred installments interest | 515 648 261 | 541 400 627 |
| Net Long-Term Notes Payable - Lands | <u>1 455 879 939</u> | <u>677 287 646</u> |
| Add: - | | |
| Other notes payable | 1 165 545 468 | 1 451 794 896 |
| Deduct: - | | |
| Deferred installments interest | 636 089 734 | 690 940 161 |
| Balance as at 30 June 2020 | <u>1 985 335 673</u> | <u>1 438 142 381</u> |

51. LOANS

This item is represented as follows:

| | <u>30.June. 2020</u> | | <u>31 Dec. 2019</u> | |
|--|----------------------|----------------------|---------------------|----------------------|
| | <u>Short term</u> | <u>long term</u> | <u>Short term</u> | <u>long term</u> |
| | <u>EGP</u> | <u>EGP</u> | <u>EGP</u> | <u>EGP</u> |
| <u>Misr Bank</u> Revolving medium-term loan with Banque Misr in the amount of EGP 750 million to finance projects of Palm Hills Middle East for Real Estate Investment. | -- | -- | 134 327 622 | -- |
| <u>CIB Bank</u> Commercial International Bank A medium-term financing contract of 1.073 for a period of 5 years to pay off the existing debts of the Arab African Bank and some other banks, with a 1% return, in addition to Corridor Lending Rate. | 149 352 688 | 923 852 102 | 59 497 372 | 1 013 707 418 |
| <u>Arab African International Bank (AAIB)</u> A medium loan with Arab African International Bank (AAIB) amounted to EGP 100 million for United Engineering for Construction | 48 712 966 | -- | 15 544 001 | 44 080 222 |
| <u>Emirates Bank Dubai</u> Medium term financing of 100 million Egyptian pounds for United Engineering and Contracting. | -- | -- | -- | -- |
| <u>Arab Bank</u> A current limit owed within the limits of the amount of 300 million Egyptian pounds without guarantee. | -- | 299 938 496 | -- | 299 998 735 |
| <u>National Bank of Egypt</u> Medium term joint financing of 1.24 billion Egyptian pounds to finance <u>the Palm Hills Development Company</u> project of 190 acres in 6th of October City | 149 641 835 | 1 055 760 597 | 85 763 862 | 1 139 354 545 |
| <u>Arab African International Bank (AAIB)</u> A medium-term loan with Arab African International Bank (AAIB) amounted to EGP 485 million for a period of 7.5 years to finance <u>projects of Palm Hills Developments and Rakeen Egypt</u> for Real Estate Investment | -- | -- | -- | 303 931 945 |
| <u>Ahli united bank</u> Revolving financing in the amount of 505 million Egyptian pounds to refinance the debt granted by the Arab African Bank, as well as refinance part of the investment cost on the project from the company's own resources. | 9 198 893 | 418 217 397 | -- | -- |
| Balance as at 30 June 2020 | <u>356 906 382</u> | <u>2 697 768 592</u> | <u>295 132 857</u> | <u>2 801 072 865</u> |

52. CREDITORS AND OTHER CREDIT BALANCES

| | <u>30 June. 2020</u> | <u>31 Dec. 2019</u> |
|--------------------------------------|----------------------|---------------------|
| | <u>EGP</u> | <u>EGP</u> |
| Other credit balances | 232 664 280 | 201 669 888 |
| Insurance for others | 172 963 476 | 155 916 656 |
| Social insurance | 56 218 918 | 48 444 502 |
| Accounts receivable under settlement | 229 489 669 | 147 918 520 |
| Accrued expenses | 62 050 728 | 76 834 826 |
| Balance as at 30 June 2020 | <u>753 387 071</u> | <u>630 784 392</u> |

53. CAPITAL

The Company's authorized capital amounts EGP 10 000 000 000. The Company's issued and paid in capital amounts to EGP 6 235 199 270 representing 3 117 599 635 shares with a par value of EGP 2 per share as follows:

| <u>Issued capital</u> | <u>EGP</u> |
|--|-------------------|
| The Company's issued capital was determined at EGP 121 500 000 representing 1 215 000 shares with a par value of EGP 100 per share. | 121 500 000 |
| On 20 Dec. 2006, the Company's Extra-Ordinary General Assembly Meeting approved the issued Capital increase amounting to EGP 185,500,000 to be after such increasing amounted EGP 307,000,000 representing 3,070,000 shares with a par value of EGP 100 per share. | 307 000 000 |
| On 13 May 2007, the Company's Board of Directors approved the issued Capital increase amounting to EGP 93,000,000 to be after such increasing amounted EGP 400,000,000 representing 4,000,000 shares with a par value of EGP 100 per share. | 400 000 000 |
| On 15 July 2007, the Company's Board of Directors approved the issued Capital increase amounting to EGP 200,000,000 to be after such increasing amounted EGP 600,000,000 representing 6,000,000 shares with a par value of EGP 100 per share. | 600 000 000 |
| On 6 November 2007, the Company's Board of Directors approved the issued Capital increase amounting to EGP 200,000,000 to be after such increasing amounted EGP 800,000,000 representing 8,000,000 shares with a par value of EGP 100 per share. The Company's Extra-Ordinary General Assembly Meeting held in March 2009 approved a 50-for-1 stock split and the par value of the Company's share reduced to EGP 2 per share. | 800 000 000 |
| On 27 March 2008, the Company's Board of Directors approved the issued Capital increase amounting to EGP 32,000,000 to be after such increasing amounted EGP 832,000,000 representing 416,000,000 shares with a par value of EGP 2 per share. | 832 000 000 |
| On 8 May 2008, the Company's Board of Directors approved the issued Capital increase amounting to EGP 99,840,000 to be after such increasing amounted EGP 931,840,000 representing 465,920,000 shares with a par value of EGP 2 per share. | 931 840 000 |
| On 30 June 2009, the Company's Board of Directors approved the issued Capital increase amounting to EGP 465,880,000 to be after such increasing amounted EGP 1,397,760,000 representing 698,880,000 shares with a par value of EGP 2 per share. | 1 397 760 000 |
| On 28 January 2010, the Company's Extra-Ordinary General Assembly Meeting approved the issued Capital increase amounting to EGP 698,880,000 to be after such increasing amounted EGP 2,096,640,000 representing 1,048,320,000 shares with a par value of EGP 2 per share. | 2 096 640 000 |
| On 22 Sep. 2013, the Company's Extra-Ordinary General Assembly Meeting approved the issued Capital increase amounting to EGP 600,000,000 to be after such increasing amounted EGP 2,696,640,000 representing 1,348,320,000 shares with a par value of EGP 2 per share. | 2 696 640 000 |
| On 8 February 2015, the Company's Extra-ordinary General Assembly Meeting approved the issued Capital increase amounting to EGP 1 648 000 000 to be after such increasing amounted EGP 4 344 640 000 representing 2 172 320 000 shares with a par value of EGP 2 per share. | 4 344 640 000 |
| On 29 November 2015, the Company's Extra-Ordinary General Assembly Meeting approved the Capital increase out of retained earnings amounting to EGP 53 359 478 to be after such increasing amounted EGP 4 397 999 478 representing 2 198 999 739 shares with a par value of EGP 2 per share. | 4 397 999 478 |
| On 13 March 2016, the Company's Extra-Ordinary General Assembly Meeting approved the issued Capital increase out of retained earnings via the issuance of bonus shares amounting to EGP 53 359 478 to be after such increasing amounted EGP 4 397 999 478 representing 949 726 2 308 shares with a par value of EGP 2 per share. | 4 617 899 452 |
| On 6 September 2018, the Company's Extra-Ordinary General Assembly Meeting approved the issued Capital increase out of retained earnings via the issuance of bonus shares amounting to EGP 769 649 909 to be after such increasing amounted EGP 6 157 199 270 represent 3 078 599 635 shares with a par value of EGP 2 per share. | 6 157 199 270 |
| On 4 April 2019, the Company's Extra-Ordinary General Assembly Meeting approved the issued Capital increase out of retained earnings via the issuance of bonus shares amounting to EGP 78 000 000 to be after such increasing amounted EGP 6 235 199 270 representing 3 117 599 635 shares with a par value of EGP 2 per share. | 6 235 199 270 |

54. TREASURY SHARES

The Board of Directors of the company, in its session held on March 2, 2020, approved the purchase of treasury shares, with a maximum of 62 351 992 shares representing 2% of the total issued capital shares, and the implementation was carried out during the period from March 2, 2020 to March 15, 2020, and the number of shares purchased reached 30 June 2020, 36 350,000 shares worth EGP 46,990,266, with an average cost per share of EGP 1.29.

- Outstanding Shares

The outstanding shares consist of the number of issued and subscribed shares minus the number of shares acquired as treasury shares, as follows:

| | <u>Number of Shares</u> | <u>Face value / acquisition value EGP</u> | <u>Pounds per share</u> |
|---|-----------------------------|---|-----------------------------|
| The issued share capital subscribed in <u>DEDUCT:</u> | 3 117 599 635 | 6 235 199 270 | 2 |
| Treasury shares at cost | <u>36 350 000</u> | <u>46 990 266</u> | <u>1,29</u> |
| The number of shares outstanding and the net value of the issued and paid-up capital | <u>3 081 249 635</u> | <u>6 188 209 004</u> | |

55. OTHER LONG-TERM LIABILITIES- RESIDENTS' ASSOCIATION

Other long term liabilities represent time deposit checks received from residents or customers due on the sold units to finance the maintenance and other running expenses, such time deposit checks are temporarily invested in favor of residents until the compound has separate legal personality and separate assets and liabilities, then the compound's management and its General Assembly will be responsible for running the compound's assets and liabilities according to the Buildings & Housing Low No.119 for 2008. Other long-term liabilities balance as at 30 June 2020 amounted to EGP 2 553 761 614.

56. RESERVES

a) Legal reserve

| | <u>30 June. 2020</u> | <u>31 Dec. 2019</u> |
|--|----------------------|---------------------|
| | <u>EGP</u> | <u>EGP</u> |
| Beginning balance | 738 358 146 | 708 524 277 |
| Transferred from the prior year profit | <u>40 115 197</u> | <u>29 833 869</u> |
| Balance as at 30 June 2020 | <u>778 473 343</u> | <u>738 358 146</u> |

b) Special reserve

The net balance of the special reserve on June 30, 2020 amounted to EGP 176 513 271 after depreciation, and the special reserve is the value of the reserve formed to meet the expected decline in the value of some real estate investments of the company and its subsidiary companies, in implementation of the decision of the company's Ordinary General Assembly at its meeting held on June 30, 2012, through profits The stage, where the position of some real estate investments was settled by exclusion in exchange for reducing the reserve for the same value for some of the lands invested in it through one of the subsidiary companies for the lack of economic viability and the withdrawal of the allocation. The value of the reduction during the year 2019 amounted to 299 550 896 EGP

57. Joint Share Arrangement

The arrangement for joint represents the net share of the Partners (Owner) for the value of the land and the preparation of the external facilities in accordance with the approved contract and in the projected time for the annual payments. follows: -

| | <u>30 June 2020</u> | <u>30 June 2020</u> | <u>31 Dec 2019</u> | <u>31 Dec. 2019</u> |
|------------------------------------|-----------------------------|---------------------------|-----------------------------|---------------------------|
| | <u>Short term</u> | <u>Long term</u> | <u>Short term</u> | <u>Long term</u> |
| | <u>EGP</u> | <u>EGP</u> | <u>EGP</u> | <u>EGP</u> |
| Partners in Palm New Cairo-Project | 964 699 123 | 179 893 360 | 535 761 232 | 748 379 032 |
| Partners in Hacienda West -Project | -- | -- | -- | 23 019 437 |
| Partners in (Badya) Project | 383 704 258 | -- | 545 420 528 | 744 241 |
| Balance as at 30 June 2020 | <u>1 348 403 381</u> | <u>179 893 360</u> | <u>1 081 181 760</u> | <u>772 142 710</u> |

58. REVENUES

| | <u>30 June. 2020</u> | <u>30 June. 2019</u> |
|--|-----------------------------|-----------------------------|
| | <u>EGP</u> | <u>EGP</u> |
| Revenues from building and development activities | 1 891 910 738 | 2 340 131 200 |
| Revenues from the construction activity | 8 551 993 | 44 465 224 |
| The owner's share in the profits of operating the hotels | 2 696 103 | 33 831 493 |
| Other revenues (note 62) | 77 163 665 | 46 432 314 |
| Revenues from the commercial activity | 2 943 714 | 2 931 866 |
| Revenues from Palm Hills Club | 24 945 797 | 47 283 273 |
| Total as at 30 June 2020 | <u>2 008 212 010</u> | <u>2 515 075 370</u> |

59. COST OF REVENUES

| | <u>30 June. 2020</u> | <u>30 June. 2019</u> |
|--|-----------------------------|-----------------------------|
| | <u>EGP</u> | <u>EGP</u> |
| Cost of building and development activities | 1 221 411 126 | 1 424 678 203 |
| Depreciation of Fixed Assets – Macor | 4 009 736 | 3 759 941 |
| Depreciation of Fixed Assets – Palm Hills Club | 6 139 582 | 5 918 941 |
| Cost of the construction activity | 7 499 543 | 35 984 073 |
| Cost of the commercial activity | 95 579 | 66 781 |
| Operation cost -Palm Hills Club | 11 135 368 | 17 383 257 |
| | <u>1 250 290 935</u> | <u>1 487 791 196</u> |

60. General Administrative, Selling and Marketing Expenses

| | <u>30 June. 2020</u> | <u>30 June. 2019</u> |
|----------------------------------|---------------------------|---------------------------|
| | <u>EGP</u> | <u>EGP</u> |
| Wages and salaries | 167 070 329 | 159 759 922 |
| Selling and marketing expenses | 99 397 290 | 91 037 531 |
| Communications expenses | 1 293 222 | 1 507 981 |
| Utilities | 20 136 199 | 12 031 469 |
| Professional and Government fees | 19 082 798 | 27 403 907 |
| Maintenance and Insurance | 30 835 867 | 25 358 244 |
| Travel and transportation | 625 316 | 7 432 441 |
| Symbiotic contribution | 5 053 740 | 6 614 250 |
| Bank charges | 1 739 301 | 1 554 815 |
| Other administrative expenses | 28 492 299 | 25 405 072 |
| Total as at 30 June 2020 | <u>373 726 361</u> | <u>357 805 632</u> |

61. Gains on Investments in Fair value through profit or loss

| | <u>Realized</u> <u>returns at</u> <u>30 June .2020</u> <u>EGP</u> | <u>Realized</u> <u>returns at</u> <u>30 June .2019</u> <u>EGP</u> |
|--|--|--|
| Gains on sale of mutual funds certificates | 4 159 808 | 5 432 020 |
| Total as at 30 June 2020 | 4 159 808 | 5 432 020 |

62. OTHER REVENUES

| | <u>30 June.2020</u> <u>EGP</u> | <u>30 June.2019</u> <u>EGP</u> |
|--------------------------------------|-----------------------------------|-----------------------------------|
| Transfer fees and delay benefits | 47 194 062 | 14 100 614 |
| Revenues from selling fixed asset | 25 821 | 114 093 |
| Retrieve the value of the facilities | 4 566 193 | 7 097 958 |
| Miscellaneous revenues | 25 377 589 | 25 119 649 |
| Total as at 30 June 2020 | 77 163 665 | 46 432 314 |

63. TRANSACTION WITH RELATED PARTIES

Summary of significant transactions concluded and the resulting balances at the balance sheet date were as follows: -

a- Transaction with related parties

| <u>Party</u> | <u>Relationship</u> | <u>Nature of</u> <u>transaction</u> | <u>Amount of</u> <u>transaction</u> <u>EGP</u> |
|---|---------------------|--|--|
| Palm Hills Middle East Company for Real Estate Investment S.A. E | A subsidiary | Finance | 944 594 670 |
| Royal Gardens for Real Estate Investment Company S.A. E | A subsidiary | Finance | 7 026 837 |
| Middle East Company for Real Estate and Touristic Investment S.A. E | A subsidiary | Finance | 211 294 803 |
| Gawda for Trade Services S.A. E | A subsidiary | Finance | 60 121 845 |
| Rakeen Egypt for Real Estate Investment S.A. E | A subsidiary | Finance | 2 720 814 623 |
| Saudi Urban Development Company S.A. E | A subsidiary | Finance | 70 685 442 |
| Nile Palm Al Naeem Co. For Real Estate Development S.A. E | A subsidiary | Finance | 12 632 |
| Al Ethadia for Real Estate S.A. E | A Related party | Finance | 41 354 293 |
| East New Cairo for Real Estate Development S.A. E | A subsidiary | Finance | 1 931 391 147 |
| New Cairo for Real Estate Development S.A. E | A subsidiary | Finance | 8 997 605 |
| EL Naeem Co. For Hotels & Touristic Villages S.A. E | A subsidiary | Finance | 18 134 |
| Gemsha for Tourism Development S.A. E | A subsidiary | Finance | 532 565 |
| United Engineering for Construction S.A. E | A subsidiary | Finance | 5 163 960 |
| Al-Mansour and Al-Maghribi S.A. E | A subsidiary | Finance | 52 000 000 |
| Palm for Real Estate Development S.A. E | A subsidiary | Finance | 41 302 195 |
| Palm for Investment and Real Estate Development S.A. E | A subsidiary | Finance | 121 116 356 |

| | | | |
|---|--------------|---------|-------------|
| Palm Hills Properties S.A. E | A subsidiary | Finance | 10 796 618 |
| Palm Hills Development of Tourism and Real Estate S.A. E | A subsidiary | Finance | 42 777 164 |
| Palm Hills for Investment Tourism S.A. E | A subsidiary | Finance | 112 660 |
| Palm Hills Resorts S.A. E | A subsidiary | Finance | 3 112 657 |
| Palm Hills Education S.A. E | A subsidiary | Finance | 55 000 |
| Palm for Urban Development S.A. E | A subsidiary | Finance | 111 397 516 |
| Palm for Club Management S.A. E | A subsidiary | Finance | 18 251 519 |
| Palm Alexandria for Real Estate S.A.E | A subsidiary | Finance | 108 553 |
| Asten collage S.A. E | A subsidiary | Finance | 55 000 |
| Palm El Alamein for Real Estate Development S.A. E | A subsidiary | Finance | 155 559 |
| Palm for Constructions and Real Estate Development S.A. E | A subsidiary | Finance | 1 948 |
| Khedma for tourists and urban resorts management S.A. E | A subsidiary | Finance | 4 867 866 |
| Palm Sports Clubs S.A. E | A subsidiary | Finance | 53 816 847 |
| The Cocori Restaurants Company S.A. E | A subsidiary | Finance | 500 000 |

b- Balances excluded as a result of consolidation

| <u>Party</u> | <u>Item as in balance sheet</u> | <u>EGP</u> |
|---|---------------------------------|---------------|
| Palm Hills Middle East Company for Real Estate Investment S.A. E | Due from related parties | 1 805 054 193 |
| Royal Gardens for Real Estate Investment Company S.A. E | Due to related parties | (1 637 018) |
| Middle East Company for Real Estate and Touristic Investment S.A. E | Due to related parties | (148 329 529) |
| Gawda for Trade Services S.A. E | Due to related parties | (52 032 971) |
| Rakeen Egypt for Real Estate Investment S.A. E | Due from related parties | 497 645 474 |
| Saudi Urban Development Company S.A. E | Due to related parties | (63 538 948) |
| Nile Palm Al-Naeem for Real Estate Development S.A. E | Due to related parties | (44 273 955) |
| Al Ethadia for Real Estate S.A. E | Due from related parties | 239 027 628 |
| East New Cairo for Real Estate Development S.A. E | Due to related parties | (185 107 262) |
| Palm October for Hotels S.A.E | Due from related parties | 11 332 088 |
| New Cairo for Real Estate Developments S.A.E | Due from related parties | 3 725 929 |
| Al Naeem for Hotels and Touristic Villages S.A. E | Due to related parties | (125 522 589) |
| Gamsha for Tourist Development S.A. E | Due from related parties | 70 133 826 |
| United Engineering for Construction S.A. E | Due to related parties | (12 766 500) |
| El Mansour & El Maghraby Investment and Development S.A. E | Due to related parties | (4 103 939) |
| Palm Gamsha for Hotels S.A. E | Due from related parties | 30 050 |
| Palm North Coast Hotels S.A.E | Due from related parties | 26 858 |
| Palm for Real Estate Development S.A. E | Due to related parties | (1 058 559) |
| Palm for Investment and Real Estate Development S.A. E | Due from related parties | 61 706 624 |
| Palm Hills Properties S.A. E | Due to related parties | (7 816 639) |
| Palm Hills Development of Tourism and Real Estate S.A. E | Due from related parties | 110 697 112 |

| | | |
|---|--------------------------|---------------|
| Palm Hills for Investment Tourism S.A. E | Due to related parties | (25 248 991) |
| Palm Hills Resorts S.A. E | Due from related parties | 3 407 266 |
| Palm Hills for hotel S.A. E | Due from related parties | 100 333 074 |
| Palm Hills Education S.A. E | Due from related parties | 1 613 121 |
| Saudi Baltan Company S.A. E | Due from related parties | 269 320 |
| Coldwell Banker - Palm Hills for Real Estate S.A.E | Due from related parties | 20 480 |
| Palm for Urban Development S.A. E | Due to related parties | (151 837 331) |
| Palm for Club Management S.A. E | Due to related parties | (10 985 081) |
| Palm Alexandria for Real Estate S.A.E | Due from related parties | 2 326 744 |
| Asten College for Education S.A. E | Due from related parties | 378 861 |
| Palm El Alamein for Real Estate Development S.A. E | Due from related parties | 162 659 |
| Palm for Constructions and Real Estate Development S.A.E | Due to related parties | (43 152 681) |
| khedma for management of tourist and urban resorts S.A. E | Due from related parties | 500 |
| Palm sports for clubs | Due from related parties | 7 870 301 |
| The Cocori Restaurants Company S.A. E | Due from related parties | 500 000 |

64. TAX STATUS

The Company was exempted from income tax for ten years to end on 31 Dec. 2015 while several companies within the group are subject to corporate tax and others are exempted.

a) Corporate tax

- The Company started its operations on 14 March 2005
- The Company is exempted from income tax for ten years to end on 31 Dec. 2015
- Years 2005 to 2009
These years have been inspected and settled with the Tax Authority.
- Years 2010 to 2014
These years are currently being inspected.
- Years 2015 to 2018
Tax returns were provided for this period.

b) Payroll tax

- From inception till 2011
This period has been inspected and differences were paid.
- Years 2012 to 2014 under inspecting.
- The company pays the deducted income tax of the employees on regularly basis within the legal dates.
- Years 2015 – 2018 the company pays the Taxes due on regularly basis within the legal dates

c) **Stamp tax**

- The company is subject to the Law No. 111 of 1980 and its amendments and executive regulations.

- From inception till 31/7/2006

The company was notified by tax forms and the taxes due were paid according to / as per these forms.

- From 1/8/2006 till 31/12/2015

This period has been inspected and the resulting disputes been settled.

- Years 2016 to 2019

The company pays the taxes due on regularly basis within the legal dates.

65. EARNINGS PER SHARE

| | <u>30 June. 2020</u> | <u>30 June. 2019</u> |
|-----------------------------------|-----------------------------|-----------------------------|
| | <u>EGP</u> | <u>EGP</u> |
| Net profit for the period | 276 585 132 | 451 477 934 |
| <u>Divided by: -</u> | | |
| Weighted average number of shares | 3 081 249 635 | 3 081 249 635 |
| Earnings per share | <u>0.089</u> | <u>0.146</u> |

66. EMPLOYEE STOCK OWNERSHIP PLAN (ESOP)

On 29 November 2015, The Company's Extraordinary General Assembly Meeting approved issued capital increase out of retained earnings balance as at 31 Dec. 2014 of EGP 53 359 478 for an employee stock ownership plan (ESOP) representing 26 679 739 shares. In addition to 1 333 987 shares which represent share of employee stock ownership plan according to the company's extraordinary general assembly meeting in 13 June 2016, the total number of shares of (ESOP) become 28 013 725 , shares The right to sell was exercised for the entire number of system shares.

The Company's Extraordinary General Assembly has been invited to meeting on 13 May 2018 to discuss the extension of (ESOP) according to the previous regulations and conditions, And that decided to extend the order by issuing 39 million shares, worth EGP 78 million, are allocated entirely to the system, and in light of the approval of the general assembly of the company on April 4, 2019, for that increase, the commercial register has been marked on June 26, 2019, and the fair value of these shares on June 30, 2020 amounted to 45,240,000 EGP at 1,16 EGP per share.