

**PALM HILLS DEVELOPMENTS COMPANY**  
**(An Egyptian Joint Stock Company)**  
**Consolidated Financial Statements**  
**Ended In 31 December 2019**  
**Together With Review Report**

**PALM HILLS DEVELOPMENTS COMPANY S.A.E`  
CONSOLIDATED FINANCIAL POSITION**

**As of 31 December 2019**

|  | <b><u>Note no.</u></b> | <b><u>31/12/2019</u></b>      | <b><u>31/12/2018</u></b>     |
|--|------------------------|-------------------------------|------------------------------|
|  |                        | <b><u>EGP</u></b>             | <b><u>EGP</u></b>            |
| <b><u>Non-current assets</u></b>                           |                        |                               |                              |
| Investments in associates                                  | (8d-11b-31)            | 143 369 813                   | 97 447 485                   |
| Investment property  | (11f-32)               | 393 482 537                   | 769 612 116                  |
| Notes receivable - long term                               | (16-34)                | 15 318 676 533                | 12 991 366 008               |
| Projects under construction                                | (12-35)                | 1 739 437 098                 | 106 029 940                  |
| Advance payments for investments acquisition               | (43)                   | 194 907 301                   | 194 597 985                  |
| Fixed assets (net)   | (13-36)                | 1 353 868 932                 | 1 427 791 288                |
| Deferred tax assets  | (22b)                  | 3 549 962                     | 4 469 461                    |
| Employee stock ownership plan (ESOP)                       |                        | 68 172 000                    | --                           |
| Other long-term assets                                     |                        | 1 390 733                     | 1 390 733                    |
| <b>Total non-current assets</b>                            |                        | <b><u>19 216 854 909</u></b>  | <b><u>15 592 705 016</u></b> |
| <b><u>Current assets</u></b>                               |                        |                               |                              |
| Works in process   | (14-37)                | 8115250279                    | 9 091 529 513                |
| Held-to-maturity investments                               | (11d -33)              | 924 376 849                   | 1 750 818 937                |
| Cash and cash equivalents                                  | (28-38)                | 1375178390                    | 955 737 630                  |
| Notes receivable - short term                              | (16-34)                | 4 691 813 019                 | 4 235 390 443                |
| Investments at fair value through profit and loss          | (11e)                  | 87 513 020                    | 75 866 550                   |
| Accounts receivable  | (39)                   | 1 272 279 369                 | 1 061 705 100                |
| Suppliers - advance payments                               |                        | 451 528 501                   | 494 372 865                  |
| Debtors and other debit balances                           | (40)                   | 917361361                     | 984 450 924                  |
| Guaranteed payments –joint arrangement                     | (41)                   | --                            | --                           |
| Due from related parties                                   | (25-42-61a)            | 418 965 567                   | 359 632 650                  |
| <b>Total current assets</b>                                |                        | <b><u>18 254 266 355</u></b>  | <b><u>19 009 504 612</u></b> |
| <b><u>Current liabilities</u></b>                          |                        |                               |                              |
| Banks - credit balances                                    | (44)                   | 87 237 713                    | 57 735 773                   |
| Bank- over draft   | (45)                   | 963 312 645                   | 897 807 291                  |
| Advances from customers                                    | (46)                   | 14 212 609 702                | 11 484 809 418               |
| Completion of infrastructure liabilities                   | (20)                   | 95 083 416                    | 95 083 416                   |
| Provisions   | (18)                   | 180 718 382                   | 251 706 423                  |
| Current portion of land purchase liabilities               | (19-47)                | 235 682 895                   | 158 981 836                  |
| Notes payable - short term                                 | (49a)                  | 1750901906                    | 1 586 917 804                |
| Current portion of term loans                              | (50)                   | 295 132 857                   | 1 101 130 295                |
| Suppliers & contractors                                    |                        | 762160712                     | 704 440 148                  |
| Income tax payable   | (22a)                  | 97622236                      | 251 569 213                  |
| Creditors & other credit balances                          | (51)                   | 630 784 392                   | 617 219 159                  |
| Joint shares arrangement - short term                      |                        | 1 081 181 760                 | 749 682 921                  |
| Due to related parties                                     | (25-48-61a)            | 6 639 555                     | 28 187 870                   |
| <b>Total current liabilities</b>                           |                        | <b><u>20 399 068 170</u></b>  | <b><u>17 985 271 568</u></b> |
| <b>Working capital</b>                                     |                        | <b><u>(2 144 801 815)</u></b> | <b><u>1 024 233 045</u></b>  |
| <b>Total investment</b>                                    |                        | <b><u>17 072 053 094</u></b>  | <b><u>16 616 938 061</u></b> |
| <b><u>Financed as follows:</u></b>                         |                        |                               |                              |
| <b><u>Shareholders' equity</u></b>                         |                        |                               |                              |
| Share capital  | (52)                   | 6 235 199 270                 | 6 157 199 270                |
| Legal reserve  | (54a)                  | 738 358 146                   | 708 524 277                  |
| Special reserve  | (54b)                  | 176 513 272                   | 476 064 168                  |
| ESOP Re-Measurement Reserve                                |                        | (9 828 000)                   | --                           |
| Retained earning   |                        | 995 810 936                   | 556 921 695                  |
| Net profit for Year  |                        | 846785352                     | 811 741 618                  |
| <b>Equity attributable to equity holders of the parent</b> |                        | <b><u>8 982 838 976</u></b>   | <b><u>8 710 451 028</u></b>  |
| <b>Non-controlling interest</b>                            |                        | <b><u>554 741 876</u></b>     | <b><u>505 090 067</u></b>    |
| <b>Total shareholders' equity</b>                          |                        | <b><u>9 537 580 851</u></b>   | <b><u>9 215 541 095</u></b>  |
| <b><u>Non-current liabilities</u></b>                      |                        |                               |                              |
| Land purchase liabilities                                  | (19-47)                | 150 258 255                   | 298 279 545                  |
| Notes payable - long term                                  | (49b)                  | 1 438 142 381                 | 1 660 456 660                |
| Other long-term liabilities – Residents' Association       | (53)                   | 2 372 856 032                 | 1 671 535 652                |
| long-term- loans   | (50)                   | 2 801 072 865                 | 2 657 711 596                |
| joint share arrangement– long terms                        |                        | 772 142 710                   | 1 113 413 513                |
| <b>Total non-current liabilities</b>                       |                        | <b><u>7 534 472 243</u></b>   | <b><u>7 401 396 967</u></b>  |
| <b>Total equity and non-current liabilities</b>            |                        | <b><u>17 072 053 094</u></b>  | <b><u>16 616 938 061</u></b> |

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

Chief Financial Officer

Chairman

**Ali Thabet**

**Yasseen Mansour**

**PALM HILLS DEVELOPMENTS COMPANY S.A.E**  
**CONSOLIDATED STATEMENT OF INCOME (PROFIT OR LOSS)**  
**For The Period Ended 31 December 2019**

|   | <u>Note<br/>No.</u> | <u>Financial<br/>Period<br/>31/12/2019<br/>EGP</u> | <u>Financial<br/>31/12/2018<br/>EGP</u> |
|---|---------------------|--|---|
| <b>Revenues</b>   | (27a, 56)           | 6 224 424 420                                      | 7 422 755 711                           |
| <b><u>Deduct: -</u></b>   |                     |  |   |
| Cost of revenues  | (26, 57)            | 3 864 919 977                                      | 4 743 416 578                           |
| Cash discount   |                     | 30 482 154   | 92 016 436                              |
| <b>Gross profit</b>   |                     | <u>2 329 022 289</u>                               | <u>2 587 322 697</u>                    |
| <b><u>Deduct: -</u></b>   |                     |  |   |
| General administrative, selling and marketing expenses                          | (58)                | 936 434 469  | 963 480 133                             |
| Securitization of receivables interest  |                     | 80 524 301   | 114 002 667                             |
| Administrative depreciation   |                     | 80 340 330   | 66 807 195                              |
| Provision   | (18)                | 1 476 273  | 12 248 359                              |
| Finance costs & interests   |                     | 244 647 449  | 200 063 965                             |
| Interest on land purchase liabilities   |                     | 235 494 597  | 249 564 532                             |
| Provision no longer required  |                     | (70 139 606)                                       | --                                      |
|   |                     | <u>1 508 777 813</u>                               | <u>1 606 166 851</u>                    |
| <b><u>Add: -</u></b>  |                     |  |   |
| Gains on investments in fair value through profit or loss                       | (59)                | 11 045 951   | 8 693 291                               |
| Interest income – amortization of discount on notes receivables                 |                     | 89 435 184   | 80 525 531                              |
| Interest income on held-to-maturity investments                                 |                     | 84 018 747   | 88 882 418                              |
| <b>Total other revenues</b>   |                     | <u>184 499 882</u>                                 | <u>178 101 240</u>                      |
| <b>Net profit for the year before income tax &amp; non-controlling interest</b> |                     | <b>1 004 744 358</b>                               | <b>1 159 257 086</b>                    |
| <b><u>Deduct: -</u></b>   |                     |  |   |
| Deferred tax  | (22a)               | 916 421  | 873 609                                 |
| Income tax  | (22b)               | 97 601 625   | 251 517 389                             |
| <b>Net profit for the year before &amp; non-controlling interest</b>            |                     | <b>906 226 312</b>                                 | <b>906 866 088</b>                      |
| <b><u>Deduct: -</u></b>   |                     |  |   |
| Non-controlling interest share- subsidiaries                                    |                     | 59 440 960   | 95 124 470                              |
| <b>Net profit for the year after income tax &amp; non-controlling interest</b>  |                     | <u>846 785 352</u>                                 | <u>811 741 618</u>                      |
| <b>Earnings per share</b>   | (24, 63)            | <u>0.272</u>                                       | <u>0.260</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 COMPREHENSIVE INCOME**  
**For the Period Ended 31 December 2019**

|  | <u>31/12/2019</u><br><u>EGP</u> | <u>31/12/2018</u><br><u>EGP</u> |
|--|---------------------------------|---------------------------------|
| Net profit for the period                                    | 846 785 352                     | 811 741 618                     |
| Other comprehensive income                                   | --                              | --                              |
| <b>Total comprehensive income for the period, net of tax</b> | <b><u>846 785 352</u></b>       | <b><u>811 741 618</u></b>       |
| <b><u>Attributable to: -</u></b>                             |                                 |                                 |
| Equity holders of the parent                                 | 846 785 352                     | 811 741 618                     |
| Non-controlling interests                                    | 59 440 960                      | 95 124 470                      |
|  | <b><u>906 226 312</u></b>       | <b><u>906 866 088</u></b>       |

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**Chief Financial Officer**  
**Ali Thabet**

**Chairman**  
**Yasseen Mansour**

**PALM HILLS DEVELOPMENTS COMPANY S.A.E  
CONSOLIDATED STATEMENT OF CASH FLOWS  
For the Period Ended 31 December 2019**

|   | <u>Note No.</u> | <u>31/12/2019</u>      | <u>31/12/2018</u>    |
|---|-----------------|------------------------|----------------------|
|   |                 | <u>EGP</u>             | <u>EGP</u>           |
| <b>Net profit for the period before income tax &amp; non-controlling interest</b>       |                 | 1 004 744 358          | 1 159 257 086        |
| <b><u>Adjustments to reconcile net profit to net cash from operating activities</u></b> |                 |                        |                      |
| Administrative depreciation   | (36)            | 102 205 593            | 85 077 314           |
| Provision   |                 | 1 476 273              | 12 248 359           |
| Finance costs & interests   |                 | 244 647 449            | 200 063 965          |
| Securitization of receivables interest  |                 | 80 524 301             | 114 002 667          |
| Interest on land purchase liabilities   |                 | 235 494 597            | 249 564 532          |
| Share of profit / loss of associates  |                 | (13 753 110)           | (11 852 662)         |
| Gain (loss) on disposal of fixed assets   | (36)            | (485 794)              | (1 039 033)          |
| Interest income – amortization of discount on notes receivables                         |                 | (89 435 184)           | (80 525 531)         |
| Gains on investments in fair value through profit or loss                               |                 | (11 045 951)           | (8 693 291)          |
| Provisions no longer required   |                 | (70 139 606)           |                      |
| Interest income on held to maturity investments   |                 | (84 018 747)           | (88 882 418)         |
|   |                 | <hr/>                  | <hr/>                |
| <b>Operating profit before changes in working capital items</b>                         |                 | <b>1 400 214 178</b>   | <b>1 629 220 988</b> |
| <b><u>Cash flow from operation activities</u></b>                                       |                 |                        |                      |
| Change in work in process   | (14-37)         | (313 727 105)          | (204 573 778)        |
| Change in held-to-maturity investments  |                 | 826 442 088            | (704 883 282 1)      |
| Change in notes receivables   | (16-34)         | (2 694 297 917)        | (2 873 286 373)      |
| Change in investments in fair value through profit or loss                              | (11e)           | (11 646 470)           | (24 439 935)         |
| Change in suppliers - advance payments  |                 | 42 844 365             | (8 289 363)          |
| Change in accounts receivable   | (39)            | (210 574 268)          | (178 361 544)        |
| Change in debtors & other debit balances  | (40)            | (410 218 360)          | (395 240 078)        |
| Change in guaranteed payments – joint arrangement                                       | (41)            | --                     | 50 000 000           |
| Change in due to related parties  |                 | (59 332 917)           | (108 224 764)        |
| Change in notes payable   |                 | (293 824 773)          | (154 743 653)        |
| Change in other long term – Residents' Association                                      | (53)            | 878 377 944            | 588 327 338          |
| Change in advances from customers   | (46)            | 2 727 800 284          | 1 352 641 354        |
| Change in due from related parties  | (25-42)         | (3 717 532)            | (68 429 136)         |
| Income tax paid   |                 | (251 548 602)          | (162 048 507)        |
| Provisions  | (18)            | (2 324 708)            | (785 737)            |
| Change in creditors and other credit balances   |                 | 13 565 233             | 93 791 406           |
| Change in due to joint arrangement partners   |                 | (9 771 965)            | 1 049 024 953        |
| Change in suppliers & contractors   |                 | 57 720 564             | 161 047 868          |
| <b>Net cash provided by (used in) operating activities</b>                              |                 | <b>1 685 980 039</b>   | <b>(537 252 663)</b> |
| <b><u>Cash flows from investing activities</u></b>                                      |                 |                        |                      |
| Payments for purchase of fixed assets   | (36)            | (35 631 944)           | (52 297 290)         |
| Proceeds from sale of fixed assets  |                 | 958 759                | 1 249 905            |
| Payments for payments under investment  |                 | (309 316)              | (10 262 352)         |
| Payments for projects under construction  | (12-35)         | (10 129 973)           | (9 581 362)          |
| Payments for associates investment  |                 | (50 000 000)           | (1 979 625)          |
| Proceeds from investments in fair value through profit or loss                          |                 | 11 045 951             | 8 693 291            |
| Proceeds from real estate investment  |                 | (25 730 773)           | (12 672 777)         |
| Proceeds from held-to-maturity investments  |                 | 84 018 747             | 88 882 418           |
| <b>Net cash (used in) provided by investing activities</b>                              |                 | <b>(25 778 549)</b>    | <b>12 032 208</b>    |
| <b><u>Cash flows from financing activities</u></b>                                      |                 |                        |                      |
| Share capital   |                 | --                     | 1 539 299 818        |
| Banks - credit balances   | (44)            | 29 501 940             | 7 175 204            |
| Banks – overdraft   | (45)            | 65 505 354             | 523 111 563          |
| Proceeds from ESOP  |                 | --                     | 40 403 915           |
| Adjustments to retained earnings  |                 | (300 177 105)          | (299 129 415)        |
| Non-controlling interest – dividends  |                 | (9 789 151)            | (128 470 620)        |
| Special reserve   |                 | --                     | --                   |
| Deferred tax  |                 | 3 078                  | 141 471              |
| Repayment of borrowings   |                 | (2 097 046 703)        | (1 015 729 775)      |
| Proceeds from loans   | (50)            | 1 396 413 608          | 566 192 198          |
| Finance costs & interests paid  |                 | (325 171 750)          | (314 066 632)        |
| <b>Net cash (used in) provided by financing activities</b>                              |                 | <b>(1 240 760 729)</b> | <b>918 927 727</b>   |
| Net increase in cash and cash equivalents during the period                             |                 | 419 440 761            | 393 707 272          |
| Cash and cash equivalents at beginning of the year                                      |                 | 955 737 630            | 562 030 358          |
| <b>Cash and cash equivalents as at 31 December 2019</b>                                 | (28-38)         | <b>1 375 178 391</b>   | <b>955 737 630</b>   |

- 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**

**Chairman**

**Ali Thabet**

**Yasseen Mansour**



**PALM HILLS DEVELOPMENTS COMPANY S.A. E**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**For The Period Ended 31 December 2019**

|  | <u>Share<br/>Capital</u>    | <u>Legal reserve</u>      | <u>Special reserve</u>    | <u>Reserve for<br/>ESOP<br/>re-measurement</u> | <u>Retained<br/>earnings</u> | <u>Net profit for<br/>the period</u> | <u>Total before Non-<br/>controlling<br/>equities</u> | <u>Total Non-<br/>controlling<br/>equities</u> | <u>Total<br/>Shareholders'<br/>After non-<br/>controlling<br/>equities</u> |
|--|-----------------------------|---------------------------|---------------------------|--|------------------------------|--------------------------------------|---|--|--|
| <b>Balance as at 1 January 2018</b>                        | 4 617 899 452               | 682 810 544               | 476 064 168               | 43 010 431                                     | 76 127 305                   | 805 638 537                          | 6 701 549 437   | 538 436 217                                    | 7 239 985 654  |
| Transferred to retained earnings                           | --                          | --                        | --                        | --   | 805 637 537                  | (805 638 537)                        | --  | --   | --   |
| Share capital proceeds                                     | 1 539 299 818               | --                        | --                        | --   | --                           | --                                   | 1 539 299 818   | --   | 1 539 299 818  |
| Transferred to legal reserve                               | --                          | 25 713 733                | --                        | --   | (25 713 733)                 | --                                   | --  | --   | --   |
| Amounts set aside for Employee stock ownership plan (ESOP) | --                          | --                        | --                        | (43 010 431)                                   | --                           | --                                   | (43 010 431)  | --   | (43 010 431)   |
| Adjustments to retained earnings                           | --                          | --                        | --                        | --   | (299 129 415)                | --                                   | (299 129 415)   | --   | (299 129 415)  |
| Dividends  | --                          | --                        | --                        | --   | --                           | --                                   | --  | (128 470 620)                                  | (128 470 620)  |
| Net profit for the period                                  | --                          | --                        | --                        | --   | --                           | 811 741 618                          | 811 741 618   | 95 124 470                                     | 906 866 088  |
| <b>Balance as at 31 Dec 2018</b>                           | <b><u>6 157 199 270</u></b> | <b><u>708 524 277</u></b> | <b><u>476 064 168</u></b> | <b><u>--</u></b>                               | <b><u>556 921 695</u></b>    | <b><u>811 741 618</u></b>            | <b><u>8 710 451 028</u></b>                           | <b><u>505 090 067</u></b>                      | <b><u>9 215 541 095</u></b>  |
| <b>Balance as at 1 January 2019</b>                        | 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)                        | --  | --   | --   |
| Share capital proceeds                                     | 78 000 000                  | --                        | --                        | --   | --                           | --                                   | 78 000 000  | --   | 78 000 000   |
| Transferred to legal reserve                               | --                          | 29 833 870                | --                        | --   | (29 833 870)                 | --                                   | --  | --   | --   |
| Adjustments to special reserve                             | --                          | --                        | (299 550 897)             | --   | --                           | --                                   | (299 550 897)   | --   | (299 550 897)  |
| Amounts set aside for Employee stock ownership plan (ESOP) | --                          | --                        | --                        | (9 828 000)                                    | --                           | --                                   | (9 828 000)   | --   | (9 828 000)  |
| Adjustments to retained earnings                           | --                          | --                        | --                        | --   | (343 018 507)                | --                                   | (343 018 507)   | --   | (343 018 507)  |
| Dividends  | --                          | --                        | --                        | --   | --                           | --                                   | --  | (9 789 151)                                    | (9 789 151)  |
| Net profit for the period                                  | --                          | --                        | --                        | --   | --                           | 846 785 352                          | 846 785 352   | 59 440 960                                     | 906 226 312  |
| <b>Balance as at 31 Dec 2019</b>                           | <b><u>6 235 199 270</u></b> | <b><u>738 358 147</u></b> | <b><u>176 513 271</u></b> | <b><u>(9 828 000)</u></b>                      | <b><u>995 810 936</u></b>    | <b><u>352 785 846</u></b>            | <b><u>8 982 838 976</u></b>                           | <b><u>554 741 876</u></b>                      | <b><u>9 537 580 851</u></b>  |

-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)**  
**Notes to the Consolidated**  
**Financial Statements As of 31 Dec 2018**

**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 at 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 Nine Months ended in 31 December 2018 were authorized for issue by the board of directors on 26 February 2019.

**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 on 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 the 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<br/>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><br><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><br><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 also 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.

- **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 6<sup>th</sup> 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 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 6<sup>th</sup> 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><br><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 reassesses 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 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 6<sup>th</sup> 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 its 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 activates 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 Tobe 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. 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.

## **18. 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.

## **19. 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.

## **20. 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.

## **21. 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.

## **22. 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.

## **23. 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.

## **24. 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.

## **25. 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.

## **26. 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.

**27. 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.

## **2- 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 actually 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.

## **28. 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.

## **29. 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.

## **30. 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.

**31. INVESTMENTS IN ASSOCIATES**

|   | <u>31 Dec. 2019</u>       | <u>31 Dec. 2018</u>      |
|---|---------------------------|--------------------------|
|   | <u>EGP</u>                | <u>EGP</u>               |
| Naema for Touristic & Real Estate Investments S.A.E | 87 454 082                | 74 856 460               |
| Villamora for Real Estate Development Company S.A.E | 2 535 617                 | 20 366 400               |
| Coldwell Banker -Palm Hills for Real Estate S.A.E   | 245 000                   | 245 000                  |
| Arkan palm for real state investment                | 52 155 114                | 999 625                  |
| EFS palm for facilities services                    | 980 000                   | 980 000                  |
| <b>Balance as at 30 September 2019</b>              | <b><u>143 369 813</u></b> | <b><u>97 447 485</u></b> |

|   | <u>Assets</u> | <u>Liabilities</u> | <u>Shareholders' equity</u> | <u>Revenues</u> | <u>Expenses</u> |
|---|---------------|--------------------|-----------------------------|-----------------|-----------------|
| Naema for Touristic & Real Estate Investments | 197 272 545   | 22 343 681         | 174 928 864                 | 53 833 913      | 18 271 769      |
| 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                     | --              | --              |

**32. INVESTMENT PROPERTY**

|   | <u>Acre</u> | <u>31 Dec.. 2019</u>      | <u>31 Dec. 2018</u>       |
|---|-------------|---------------------------|---------------------------|
|   |             | <u>EGP</u>                | <u>EGP</u>                |
| <b><u>Lands</u></b>   |             |                           |                           |
| Palm Hills Development Company S.A.E                              | 1759        | 212 512 738               | 212 512 738               |
| Palm Hills Middle East Company for Real Estate Investment S.A.E * | 2383.28     | --                        | 392 606 267               |
| Gamsha for Tourist Development S.A.E                              | 22.679      | 115 457 048               | 114 817 430               |
|   |             | <b><u>327 969 786</u></b> | <b><u>719 936 435</u></b> |
| <b><u>Buildings</u></b>   |             |                           |                           |
| <b>Commercial shops - Palm Hills Resort</b>                       |             |                           |                           |
| Cost of shops of 88 Street Mall.                                  |             | 68 138 598                | 54 343 475                |
| Accumulated depreciation  |             | 6 625 847                 | 4 667 794                 |
| <b>Net cost of shops</b>  |             | <b><u>61 512 752</u></b>  | <b><u>49 675 681</u></b>  |
| Vilas at villa mora resort  |             | <b><u>4 000 000</u></b>   | --                        |
| <b>Balance as at 31 December 2019</b>                             |             | <b><u>393 482 537</u></b> | <b><u>769 612 116</u></b> |



**33. 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 EGP</u>              | <u>rate %</u>         | <u>EGP</u>                |
| Palm Hills Development                                       | 542 700 000               | 41 019 397                     | %14                   | 501 680 603               |
| Palm Hills Middle East Company for Real Estate Investment    | 26 175 000                | 1 778 545                      | %14                   | 24 396 455                |
| East New Cairo for Real Estate Development                   | 15 725 000                | 1 253 954                      | %14                   | 14 471 046                |
| Gawda for Trade Services                                     | 8 550 000                 | 778 570                        | %14                   | 7 771 430                 |
| Middle East Company for Real Estate and Touristic Investment | 17 925 000                | 1 325 791                      | %14                   | 16 599 209                |
| Palm Hills Development of Tourism and Real Estate            | 11 400 000                | 146 713                        | %14                   | 11 253 287                |
| Palm for investment and real state development               | 3 925 000                 | 417 697                        | %14                   | 3 507 303                 |
| Palm real state development                                  | 26 175 000                | 714 298                        | %14                   | 25 460 702                |
| Rakeen Egypt for Real Estate Investment                      | 137 550 000               | 11 148 317                     | %14                   | 126 401 683               |
| Royal Gardens for Real Estate Investment Company             | 70 350 000                | 1 605 768                      | %14                   | 68 744 232                |
| Saudi Urban Development Company                              | 125 700 000               | 10 101 498                     | %14                   | 115 598 502               |
| Palm for Urban development company                           | 9 350 000                 | 857 604                        | %14                   | 8 492 396                 |
| <b>Balance as at 31 December 2019</b>                        | <b><u>995 525 000</u></b> | <b><u>71 148 152</u></b>       |                       | <b><u>924 376 848</u></b> |

**34. NOTES RECEIVABLE**

|   | <u>31 Dec. 2019</u>          | <u>31 Dec. 2018</u>          |
|---|------------------------------|------------------------------|
|   | <u>EGP</u>                   | <u>EGP</u>                   |
| Short term notes receivable                         | 4 975 458 893                | 4 422 700 899                |
| <u>Deduct: -</u>                                    |                              |                              |
| Notes receivable of joint venture                   | 266 524 999                  | 97 875 264                   |
| Unamortized discount                                | 17 120 875                   | 89 435 192                   |
|   | <b><u>4 691 813 019</u></b>  | <b><u>4 235 390 443</u></b>  |
| Long term notes receivable                          | 16 574 145 275               | 13 606 344 908               |
| <u>Deduct: -</u>                                    |                              |                              |
| Notes receivable of joint venture                   | 1 049 157 198                | 455 504 927                  |
| Unamortized discount                                | 206 311 544                  | 159 473 973                  |
| <b>Current value for long term notes receivable</b> | <b><u>15 318 676 533</u></b> | <b><u>12 991 366 008</u></b> |
| <b>Balance as at 31 December 2019</b>               | <b><u>20 010 489 552</u></b> | <b><u>17 226 756 451</u></b> |

According to the Central Bank of Egypt's Board of Directors No.1906 of 2008 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.

**35. PROJECTS UNDER CONSTRUCTION**

|   | <u>31 Dec. 2019</u>         | <u>31 Dec. 2018</u>       |
|---|-----------------------------|---------------------------|
|   | <u>EGP</u>                  | <u>EGP</u>                |
| Land  | 320 940 357                 | 33 520 095                |
| Construction of Golf Course and Hotels in north coast | 1 354 075 939               | 18 219 016                |
| Palm club Constructions                               | 55 059 345                  | 46 478 267                |
| Consultation and designs fees                         | 6 755 349                   | 7 812 562                 |
| Schools Construction cost                             | 2 606 107                   | --                        |
| <b>Balance as at 31 Dec 2018</b>                      | <b><u>1 739 437 097</u></b> | <b><u>106 029 940</u></b> |

### 36. FIXED ASSETS

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

|                        | <u>Cost as of<br/>Jan. 1,2019</u> | <u>Additions<br/>during the<br/>period</u> | <u>Disposals<br/>during the<br/>period</u> | <u>Cost as of<br/>31 Dec 2019</u> | <u>Accumulated<br/>depreciation as<br/>of Jan. 1, 2019</u> | <u>Depreciation<br/>for the period</u> | <u>Depreciation<br/>of Disposals</u> | <u>Accumulated<br/>depreciation as of<br/>Dec 31 2019</u> | <u>Net book value as<br/>31 Dec 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                            |
| <b>Total cost</b>      | <b>2 029 337 807</b>              | <b>35 631 944</b>                          | <b>3 222 868</b>                           | <b>2 061 746 883</b>              | <b>534 507 032</b>   | <b>109 081 335</b>                     | <b>2 749 903</b>                     | <b>640 838 464</b>  | <b>1 420 908 419</b>                     |
| Impairment of Macor    |                                   |  |  |                                   |  |  |                                      |   | (2 500 000)                              |
|                        |                                   |  |  |                                   |  |  |                                      |   | (64 539 487)                             |
|                        |                                   |  |  |                                   |  |  |                                      |   | <b>1 353 868 932</b>                     |

Balance as at 31 Dec 2018

- Fixed assets depreciation For The Period Ended 31 Dec 2019 was allocated as follows:

|   |            |                    |
|---|------------|--------------------|
| Operating assets-work in process  | <u>EGP</u> | 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         |
|   |            | <u>109 081 335</u> |

- Capital Gains for The Period Ended 31 Dec. 2019 amounted to EGP 415 720 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          |
|   |            | <u>485 794</u>   |

**Fixed assets (net) balance as at 31 Dec. 2018 amounted to EGP 1 427 791 288 represented as follows:**

|                                   | <u>Cost as of<br/>Jan. 1,2018</u> | <u>Additions<br/>during the<br/>year</u> | <u>Disposals<br/>during the<br/>year</u> | <u>Cost as of<br/>Dec. 31,2018</u> | <u>Accumulated<br/>depreciation as<br/>of Jan. 1, 2018</u> | <u>Depreciation for<br/>the year</u> | <u>Depreciation<br/>of Disposals</u> | <u>Accumulated<br/>depreciation as of<br/>Dec. 31,2018</u> | <u>Net book value as<br/>of Dec. 31,2018</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                         | 458 458<br>511                    | 2 064 534                                | --                                       | 513 522 992                        | 211 030 009  | 15 737 589                           | --                                   | 226 767 598  | 286 755 394                                  |
| Machinery & equipment             | 541 643<br>154                    | 22 274 388                               | 1 239 427                                | 175 576 604                        | 107 734 374  | 15 297 133                           | 1 096 127                            | 121 935 380  | 53 641 224                                   |
| Vehicles                          | 21 725 602                        | 2 608 017                                | 849 490                                  | 23 484 129                         | 16 079 931   | 2 483 344                            | 849 490                              | 17 713 785   | 5 770 344                                    |
| Computer equipment                | 62 335 934                        | 17 140 917                               | 82 504                                   | 79 394 347                         | 43 003 412   | 13 171 437                           | 48 343                               | 56 126 506   | 23 267 841                                   |
| Leasehold improvements            | 21 501 456                        | --                                       | --                                       | 21 501 456                         | 17 654 615   | 1 120 044                            | --                                   | 18 774 659   | 2 726 797                                    |
| Furniture                         | 65 699 853                        | 8 209 434                                | 253 216                                  | 73 656 071                         | 46 364 008   | 6 210 052                            | 219 805                              | 52 354 255   | 21 301 816                                   |
| Golf Courses                      | --                                | 123 281 546<br>1                         | --                                       | 1 123 281 546                      | --   | 40 834 849                           | --                                   | 40 834 849   | 1 082 446 697                                |
| <b>Total cost</b>                 | <b>856 183 608</b>                | <b>1 175 578 836</b>                     | <b>2 424 637</b>                         | <b>2 029 337 807</b>               | <b>441 866 349</b>   | <b>94 854 448</b>                    | <b>2 213 765</b>                     | <b>534 507 032</b>   | <b>1 494 830 775</b>                         |
| Impairment of Macor               |                                   |  |  |                                    |  |                                      |                                      |  | (2 500 000)                                  |
| Impairment of assets              |                                   |  |  |                                    |  |                                      |                                      |  | (64 539 487)                                 |
| <b>Balance as at 31 Dec. 2018</b> |                                   |  |  |                                    |  |                                      |                                      |  | <b>1 427 791 288</b>                         |

**- Fixed assets depreciation for the year ended 31 Dec. 2018 was allocated as follows:**

|   |                          |
|---|--------------------------|
| Operating assets-work in process  | <u>EGP</u><br>11 527 557 |
| Administrative depreciation (income statement)                                | 65 056 772               |
| Depreciation expense of hotel operations                                      | 7 185 078                |
| Depreciation expense of Palm Hills Club's assets - club's operating statement | 11 085 041               |
|   | <u>94 854 448</u>        |

**- Capital Gains for the year ended 31 Dec. 2018 amounted to EGP 1 039 033 as follows:**

|   |                         |
|---|-------------------------|
| Proceed from sale of fixed assets       | <u>EGP</u><br>1 249 905 |
| Deduct:                                 |                         |
| Cost of assets sold                     | 2 424 637               |
| Accumulated depreciation of assets sold | <u>2 213 765</u>        |
| Carrying amount of assets sold          | 210 872                 |
|   | <u>1 039 033</u>        |

**37. WORK IN PROCESS**

|                                  | <u>31 Dec 2019</u><br><u>EGP</u> | <u>31 Dec. 2018</u><br><u>EGP</u> |
|----------------------------------|----------------------------------|-----------------------------------|
| Land acquisition cost            | 3 357 943 814                    | 3 548 548 152                     |
| Cost of construction             | 4 711 755 752                    | 5 520 471 010                     |
| Completed units ready for sale   | <u>45 550 714</u>                | <u>22 510 351</u>                 |
| <b>Balance as at 31 Dec 2019</b> | <b><u>8 115 250 280</u></b>      | <b><u>9 091 529 513</u></b>       |

\* Borrowing cost capitalized on work in process for The Period Ended 31 Dec 2019 amounted to EGP **733 605 167** .

**38. CASH AND CASH EQUIVALENTS**

|  | <b><u>31 Dec 2019</u></b>   | <b><u>31 Dec. 2018</u></b> |
|--|-----------------------------|----------------------------|
|  | <b><u>EGP</u></b>           | <b><u>EGP</u></b>          |
| Banks-current accounts- EGP              | 1 315 427 841               | 858 781 155                |
| Banks-current accounts- foreign currency | 11 826 112                  | 18 549 439                 |
| Banks – Deposits- EGP                    | 2 500 000                   | 3 527 596                  |
| Cash on hand- EGP                        | 45 424 637                  | 74 879 440                 |
| <b>Balance as at 31 Dec 2019</b>         | <b><u>1 375 178 390</u></b> | <b><u>955 737 630</u></b>  |

**39. ACCOUNTS RECEIVABLE**

|  | <b><u>31 Dec 2019</u></b>   | <b><u>31 Dec. 2018</u></b>  |
|--|-----------------------------|-----------------------------|
|  | <b><u>EGP</u></b>           | <b><u>EGP</u></b>           |
| Palm Hills Developments Company customers                              | 367 166 654                 | 280 894 864                 |
| Palm Hills Middle East Company for Real Estate Investment customers    | 115 131 552                 | 114 446 100                 |
| Royal Gardens for Real Estate Investment Company customers             | 8 835 737                   | 19 274 836                  |
| New Cairo for Real Estate Developments customers                       | 1 538 515                   | 1 514 959                   |
| Gawda for Trade Services customers                                     | 1 129 029                   | 1 779 939                   |
| Saudi Urban Development Company customers                              | 54 196 781                  | 47 603 618                  |
| Rakeen Egypt for Real Estate Investment customers                      | 90 135 050                  | 78 167 118                  |
| East New Cairo for Real Estate Development customers                   | 124 422 692                 | 106 315 867                 |
| Middle East Company for Real Estate and Touristic Investment customers | 3 568 968                   | 7 187 854                   |
| United Engineering for Construction                                    | 1 533 262                   | 1 063 772                   |
| Palm Real Estate Development   | 42 092 690                  | 39 388 549                  |
| Palm for Investment and Real Estate Development                        | 223 565 640                 | 167 969 320                 |
| Palm Hills Development of Tourism and Real Estate                      | 6 245 506                   | 27 986 960                  |
| Palm Hills Properties  | 2 968 295                   | 10 801 495                  |
| Palm for Urban Development   | 224 685 919                 | 154 829 359                 |
| Palm for Clubs Management  | 5 063 079                   | 2 480 490                   |
| <b>Balance as at 31 Dec 2018</b>                                       | <b><u>1 272 279 369</u></b> | <b><u>1 061 705 100</u></b> |

**40. DEBTORS AND OTHER DEBIT BALANCES**

|   | <b><u>31 Dec 2019</u></b> | <b><u>31 Dec. 2018</u></b> |
|---|---------------------------|----------------------------|
|   | <b><u>EGP</u></b>         | <b><u>EGP</u></b>          |
| Investments debtors                               | 5 019 431                 | 5 019 331                  |
| Deposits with others                              | 265 685 022               | 77 944 109                 |
| Prepaid expenses                                  | 81 095 808                | 91 135 001                 |
| Loans to employee & custodies                     | 9 159 944                 | 9 563 368                  |
| Due from City for Real Estate Development Company | 32 864 323                | --                         |
| Advance payments for land acquisition             | --                        | 133 739 438                |
| Withholding tax from source                       | 55 229 137                | 24 100 216                 |
| Letter of Guarantee                               | 14 557 606                | 14 557 606                 |
| Residents' Association                            | 399 029 882               | 601 585 025                |
| Other debit balances                              | 54 720 207                | 26 806 830                 |
| <b>Balance as at 31 Dec 2019</b>                  | <b><u>917 361 361</u></b> | <b><u>984 450 924</u></b>  |

**41. GUARANTEED PAYMENTS – JOINT ARRANGEMENT**

This item represents payments made to partners in accordance with the contracts in this regard as part of their share in the contractual values of contracted implementation units or net operating profit of these projects, to be settled in the form of quotas as entitled as soon as marketing procedures are commenced and the sale of these units planned for the implementation in accordance with the Master Plan as follows:

|                                  | <u>31 Dec 2018</u> | <u>31 Dec. 2017</u> |
|----------------------------------|--------------------|---------------------|
|                                  | <u>EGP</u>         | <u>EGP</u>          |
| Partners in (Badya) Project      | --                 | 50 000 000          |
| <b>Balance as at 31 Dec 2018</b> | <b>--</b>          | <b>50 000 000</b>   |

**42. DUE FROM RELATED PARTIES**

|   | <u>31 Dec 2019</u> | <u>31 Dec. 2018</u> |
|---|--------------------|---------------------|
|   | <u>EGP</u>         | <u>EGP</u>          |
| Al Ethadia for Real Estate S.A.E                  | 236 663 532        | 231 861 095         |
| Al Naeem for investments                          | 48 755 256         | 48 755 256          |
| Debtors of dividends                              | 127 689 298        | 59 423 465          |
| 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          | 3 465 256           |
| Mercure Ismailia Hotel S.A.E                      | 2 959 192          | 2 347 778           |
| Palm Hills – Saudi                                | 269 320            | 269 320             |
| palm Alalamen for real estate                     | 7 100              | --                  |
| Asten college for education                       | --                 | 13 490 000          |
| <b>Balance as at 31 Dec 2019</b>                  | <b>418 965 568</b> | <b>359 632 650</b>  |

**43. ADVANCE PAYMENTS FOR INVESTMENTS ACQUISITION**

|   | <u>Nature of<br/>transaction</u> | <u>31 Dec 2019</u>        | <u>31 Dec. 2018</u>       |
|---|----------------------------------|---------------------------|---------------------------|
|   |                                  | <u>EGP</u>                | <u>EGP</u>                |
| kenzy company for resturant                                     | Establishment                    | 4 209 316                 | --                        |
| Palm Hills – Saudi  | Establishment                    | 135 121 743               | 135 121 743               |
| Villamora for Real Estate Development<br>Company                | Acquisition                      | --                        | 3 900 000                 |
| Middle East Company for Real Estate and<br>Touristic Investment | Acquisition                      | 10 262 352                | 10 262 352                |
| Gamsha for Tourist Development S.A.E                            | Acquisition                      | 4 010 000                 | 4 010 000                 |
| Al Naeem for Hotels and Touristic Villages                      | Acquisition                      | 41 303 890                | 41 303 890                |
| <b>Balance as at 31 Dec 2019</b>                                |                                  | <b><u>194 907 301</u></b> | <b><u>194 597 985</u></b> |

**44. BANKS- CREDIT BALANCES**

|                                  | <u>31 Dec 2019</u>       | <u>31 Dec. 2018</u>      |
|----------------------------------|--------------------------|--------------------------|
|                                  | <u>EGP</u>               | <u>EGP</u>               |
| Banks –EGP                       | 83 102 389               | 54 285 833               |
| Banks-foreign currencies         | 4 135 324                | 3 449 940                |
| <b>Balance as at 31 Dec 2019</b> | <b><u>87 237 713</u></b> | <b><u>57 735 773</u></b> |

**45. BANK OVERDRAFT**

|                                  | <u>31 Dec 2019</u>        | <u>31 Dec. 2018</u>       |
|----------------------------------|---------------------------|---------------------------|
|                                  | <u>EGP</u>                | <u>EGP</u>                |
| Arab - Bank                      | 280 118 487               | 342 052 803               |
| CIB - Bank                       | 376 765 397               | 548 929 998               |
| Ahli United Bank                 | 6 798 641                 | 6 824 490                 |
| Arab - bank                      | 299 630 120               | --                        |
| <b>Balance as at 31 Dec 2019</b> | <b><u>963 312 645</u></b> | <b><u>897 807 291</u></b> |



#### **46. ADVANCES FROM CUSTOMERS**

|  | <u>Down payments</u><br><u>EGP</u> | <u>Advances for</u><br><u>contracting</u><br><u>EGP</u> | <u>31 dec 2019</u><br><u>EGP</u> |
|--|------------------------------------|---|----------------------------------|
| Palm Hills Developments Company                              | 129 181 442                        | 4 013 751 506   | 4 142 932 948                    |
| Palm Hills Middle East Company for Real Estate Investment    | 9 143 260                          | 266 152 449   | 275 295 709                      |
| Royal Gardens for Real Estate Investment Company             | --                                 | 2 628 725   | 2 628 725                        |
| New Cairo for Real Estate Developments                       | --                                 | 4 502 838   | 4 502 838                        |
| Saudi Urban Development Company                              | 3 034 150                          | 350 096 872   | 353 131 022                      |
| Rakeen Egypt for Real Estate Investment                      | 11 260 497                         | 720 482 704   | 731 743 201                      |
| East New Cairo for Real Estate Development                   | --                                 | 181 606 167   | 181 606 167                      |
| Middle East Company for Real Estate and Touristic Investment | 464 338                            | 1 719 723   | 2 184 061                        |
| United Engineering for Construction                          | 75 487 001                         | --  | 75 487 001                       |
| Palm for Real Estate Development S.A. E                      | 141 280                            | 1 146 447 552   | 1 146 588 832                    |
| Palm for Investment & Real Estate Development                | 8 965 565                          | 3 817 631 780   | 3 826 597 345                    |
| Palm Hills Development of Tourism and Real Estate            | 3 886 563                          | 340 283 900   | 344 170 463                      |
| Palm Hills Properties  | --                                 | 12 249 226  | 12 249 226                       |
| Palm for Urban Development                                   | 10 836 984                         | 3 101 484 594   | 3 112 321 578                    |
| Palm for Clubs Management                                    | 1 170 586                          | --  | 1 170 586                        |
| <b>Balance as at 31 Dec 2019</b>                             | <b><u>253 571 665</u></b>          | <b><u>13 959 038 036</u></b>                            | <b><u>14 212 609 701</u></b>     |

#### **47. LAND PURCHASE LIABILITIES**

|  | <u>31 Dec. 2019</u><br><u>EGP</u> | <u>31 Dec. 2018</u><br><u>EGP</u> |
|--|-----------------------------------|-----------------------------------|
| Land purchase liabilities - short term | 235 682 895                       | 158 981 836                       |
| Land purchase liabilities - long term  | 150 258 255                       | 298 279 545                       |
| <b>Balance as at 31 Dec 2019</b>       | <b><u>385 941 150</u></b>         | <b><u>457 261 381</u></b>         |

#### **48. DUE TO RELATED PARTIES**

|   | <u>31 Dec. 2019</u><br><u>EGP</u> | <u>31 Dec. 2018</u><br><u>EGP</u> |
|---|-----------------------------------|-----------------------------------|
| El Mansour & El Maghraby Investment and Development | 4 103 938                         | 4 103 937                         |
| Villamora for Real Estate Development Company S.A.E | 2 535 617                         | 24 083 933                        |
| <b>Balance as at 31 Dec 2019</b>                    | <b><u>6 639 555</u></b>           | <b><u>28 187 870</u></b>          |

**49. NOTES PAYABLE****A) Short Term Notes Payable**

|   | <b><u>31 Dec. 2019</u></b>  | <b><u>31 Dec. 2018</u></b>  |
|---|-----------------------------|-----------------------------|
|   | <b><u>EGP</u></b>           | <b><u>EGP</u></b>           |
| Notes payable- Land (New Urban Communities Authority) | 1 579 682 655               | 1 139 219 152               |
| <b><u>Deduct: -</u></b>                               |                             |                             |
| Delayed installments interest                         | 561 178 711                 | 414 329 149                 |
|   | <b><u>1 018 503 944</u></b> | <b><u>724 890 003</u></b>   |
| <b><u>Add: -</u></b>                                  |                             |                             |
| Other notes payable                                   | 945720533                   | 1 015 789 303               |
| <b><u>Deduct: -</u></b>                               |                             |                             |
| Unamortized discount                                  | 213 322 570                 | 153 761 502                 |
| <b>Balance as at 31 Dec 2019</b>                      | <b><u>1 750 901 906</u></b> | <b><u>1 586 917 804</u></b> |

**B) Long Term Notes Payable**

|   | <b><u>31 Dec. 2019</u></b>  | <b><u>31 Dec. 2018</u></b>  |
|---|-----------------------------|-----------------------------|
|   | <b><u>EGP</u></b>           | <b><u>EGP</u></b>           |
| Notes payable- Land (New Urban Communities Authority) | 1 218 688 274               | 1 824 917 699               |
| <b><u>Deduct: -</u></b>                               |                             |                             |
| Delayed installments interest                         | 541 400 627                 | 824 881 469                 |
|   | <b><u>677 287 647</u></b>   | <b><u>1 000 036 230</u></b> |
| <b><u>Add: -</u></b>                                  |                             |                             |
| Other notes payable                                   | 1 451 794 896               | 1 331 653 717               |
| <b><u>Deduct: -</u></b>                               |                             |                             |
| Delayed installments interest                         | 690 940 161                 | 671 233 287                 |
| <b>Balance as at 31 Dec 2019</b>                      | <b><u>1 438 142 383</u></b> | <b><u>1 660 456 660</u></b> |

**50. LOANS**

This item is represented as follows:

|  | <b><u>31.Dec. 2019</u></b> |                         | <b><u>31 Dec. 2018</u></b> |                         |
|--|----------------------------|-------------------------|----------------------------|-------------------------|
|  | <b><u>Short term</u></b>   | <b><u>long term</u></b> | <b><u>Short term</u></b>   | <b><u>long term</u></b> |
|  | <b><u>EGP</u></b>          | <b><u>EGP</u></b>       | <b><u>EGP</u></b>          | <b><u>EGP</u></b>       |
| <b><u>Misr Bank</u></b>  |                            |                         |                            |                         |
| 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                | --                      | 426 562 500                | 168 630 223             |
| <b><u>CIB Bank</u></b>   |                            |                         |                            |                         |
| Commercial International Bank  | 59 497 372                 | 1 013 707 418           | --                         | --                      |
| A medium-term financing contract of 1.099 for a period of 5 years, one billion Egyptian pounds, 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. |                            |                         |                            |                         |

|  | <u>31.Dec. 2019</u> |                      | <u>31 Dec. 2018</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>           |
| <b><u>Arab African International Bank (AAIB)</u></b>   |                     |                      |                      |                      |
| A medium loan with Arab African International Bank (AAIB) amounted to EGP 100 million for United Engineering for Construction  | --                  | --                   | 1 107 820            | 86 459 242           |
| <b><u>Arab African International Bank (AAIB)</u></b>   |                     |                      |                      |                      |
| A medium-term loan with the Arab African International Bank (AAIB) amounted to EGP 2.4 billion to finance projects of Palm Hills Developments and Rakeen Egypt for Real Estate Investment secured by the assignment of projects' cash and bears an interest rate of 3.25% above deposit corridor rate.   | --                  | --                   | 598 176 831          | 827 477 950          |
| <b><u>Emirates Bank Dubai</u></b>  |                     |                      |                      |                      |
| Medium term financing of 100 million Egyptian pounds for United Engineering and Contracting.   | 15 544 001          | 44 080 222           | --                   | --                   |
| <b><u>Arab African International Bank (AAIB)</u></b>   |                     |                      |                      |                      |
| A medium-term loan with Arab African International Bank (AAIB) amounted to EGP 225 million to finance projects of East New Cairo for Real Estate Development secured by the assignment of projects' cash flow and bears an interest rate of 2.75% above deposit corridor rate and is repayable on quarterly installments from 30 Sep. 2013 to Sep. 2018. | --                  | --                   | 13 913 208           | --                   |
| <b><u>Arab Bank</u></b>  |                     |                      |                      |                      |
| A current limit owed within the limits of the amount of 300 million Egyptian pounds without guarantee.   | --                  | 299 998 735          | --                   | 299 999 833          |
| <b><u>National Bank of Egypt</u></b>   |                     |                      |                      |                      |
| Medium term joint financing of 1.24 billion Egyptian pounds to finance the Palm Hills Development Company project of 190 acres in 6th of October City  | 85 763 862          | 1 139 354 545        | 33 068 320           | 853 840 394          |
| <b><u>Arab African International Bank (AAIB)</u></b>   |                     |                      |                      |                      |
| A medium-term loan with Arab African International Bank (AAIB) amounted to EGP 485 million to finance projects of Palm Hillis Development.   | --                  | --                   | 28 301 616           | 421 305 052          |
| <b>Balance as at 31 Dec 2019</b>   | <u>295 132 857</u>  | <u>2 801 072 865</u> | <u>1 101 130 295</u> | <u>2 657 711 596</u> |

## 51. CREDITORS AND OTHER CREDIT BALANCES

|   | <u>31 Dec. 2019</u>       | <u>31 Dec. 2018</u>       |
|---|---------------------------|---------------------------|
|   | <u>Egp</u>                | <u>Egp</u>                |
| Other credit balances                     | 201 669 888               | 203 498 907               |
| Increase in construction area liabilities | --                        | 95 500 000                |
| Accounts receivable under settlement      | 147 918 520               | 99 895 163                |
| Accrued expenses                          | 76 834 826                | 44 884 626                |
| Insurance for others                      | 155 916 656               | 138 265 550               |
| Social insurance                          | 48 444 502                | 35 174 913                |
| <b>Balance as at 31 Dec 2019</b>          | <u><b>630 784 392</b></u> | <u><b>617 219 159</b></u> |

## **52. CAPITAL**

The Company's authorized capital amounts EGP 10 000 000 000. The Company's issued and paid in capital amounts to EGP 6 157 199 270 representing 3 078 599 063 shares with a par value of EGP 2 per share as follows:

| <b><u>Issued capital</u></b>   | <b><u>EGP</u></b> |
|--|-------------------|
| 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 issued 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 726 2 308 949 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  | 6 157 199 270     |

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.

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

### **53. 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 September 2018 amounted to EGP 1 671 535 652.

### **54. RESERVES**

#### **a) Legal reserve**

|  | <u>31 Dec. 2019</u>       | <u>31 Dec. 2018</u>       |
|--|---------------------------|---------------------------|
|  | <u>EGP</u>                | <u>EGP</u>                |
| Beginning balance                      | 708 524 277               | 682 810 544               |
| Transferred from the prior year profit | 29 833 870                | 25 713 733                |
| <b>Balance as at 31 Dec 2019</b>       | <b><u>738 358 146</u></b> | <b><u>708 524 277</u></b> |

#### **b) Special reserve**

Special reserve is used to meet any expected impairment of some investment properties according to the Company's Ordinary General Assembly Meeting on 30 June 2012 as a deduction from retained earnings.

### **55. 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>31 Dec 2019</u>          | <u>31 Dec. 2019</u>       | <u>31 Dec. 2018</u>       | <u>31 Dec. 2018</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 | 535 761 232                 | 748 379 032               | 269 470 610               | 859 290 602                 |
| Partners in Hacienda West -Project | --                          | 23 019 437                | --                        | 109 649 421                 |
| Partners in (Badya) Project        | 545 420 528                 | 744 241                   | 480 212 311               | 144 473 490                 |
|                                    | <b><u>1 081 181 760</u></b> | <b><u>772 142 710</u></b> | <b><u>749 682 921</u></b> | <b><u>1 113 413 513</u></b> |

**56. REVENUES**

|   | <b><u>31 Dec. 2019</u></b>  | <b><u>31 Dec. 2018</u></b>  |
|---|-----------------------------|-----------------------------|
|   | <b><u>EGP</u></b>           | <b><u>EGP</u></b>           |
| Revenues from building and development activities | 5 854 435 407               | 7 037 729 253               |
| Sale of completed units ready for sale            | --                          | 9 809 311                   |
| Revenues from the construction activity           | 84 527 281                  | 85 640 312                  |
| Revenues from hospitality activities              | 72 146 328                  | 68 882 317                  |
| Other revenues                                    | 119 925 646                 | 122 908 170                 |
| Revenues from the commercial activity             | 3 243 465                   | 4 910 358                   |
| Revenues from Palm Hills Club                     | 90 146 293                  | 92 875 990                  |
| <b>Total as at 31 Dec 2019</b>                    | <b><u>6 224 424 419</u></b> | <b><u>7 422 755 711</u></b> |

**57. COST OF REVENUES**

|  | <b><u>31 Dec. 2019</u></b>  | <b><u>31 Dec. 2018</u></b>  |
|--|-----------------------------|-----------------------------|
|  | <b><u>EGP</u></b>           | <b><u>EGP</u></b>           |
| Cost of building and development activities    | 3 729 692 492               | 4 620 745 524               |
| Cost of completed units ready for sale         | --                          | 2 692 070                   |
| Depreciation of Fixed Assets – Macor           | 7 695 675                   | 7 185 078                   |
| Depreciation of Fixed Assets – Palm Hills Club | 12 211 536                  | 11 085 041                  |
| Cost of the construction activity              | 80 456 186                  | 71 779 913                  |
| Cost of the commercial activity                | 2 106 574                   | 917 473                     |
| Operation cost -Palm Hills Club                | 32 757 514                  | 29 011 479                  |
| <b>Total as at 31 Dec 2019</b>                 | <b><u>3 864 919 977</u></b> | <b><u>4 743 416 578</u></b> |

**58. General Administrative, Selling And Marketing Expenses**

|                                  | <b><u>31 Dec. 2019</u></b> | <b><u>31 Dec. 2018</u></b> |
|----------------------------------|----------------------------|----------------------------|
|                                  | <b><u>EGP</u></b>          | <b><u>EGP</u></b>          |
| Wages and salaries               | 374 442 394                | 318 716 751                |
| Selling and marketing expenses   | 319 060 606                | 333 578 198                |
| Communications expenses          | 3 345 396                  | 3 101 307                  |
| Utilities                        | 27 641 217                 | 35 338 385                 |
| Professional and Government fees | 61 186 213                 | 81 319 484                 |
| Maintenance and Insurance        | 55 699 231                 | 40 524 180                 |
| Travel and transportation        | 12 852 192                 | 12 730 557                 |
| Bank charges                     | 4 499 703                  | 9 498 631                  |
| Other administrative expenses    | 61 052 411                 | 120 370 064                |
| <b>Total as at 31 Dec 2019</b>   | <b><u>936 434 469</u></b>  | <b><u>963 480 133</u></b>  |

**59. Gains on Investments in Fair value through profit or loss**

|  | <u>31 Dec. 2019</u>      | <u>31 Dec. 2018</u>     |
|--|--------------------------|-------------------------|
|  | <u>EGP</u>               | <u>EGP</u>              |
| Gains on sale of mutual funds certificates | 11 045 951               | 8 693 291               |
| <b>Total as at 31 Dec 2019</b>             | <b><u>11 045 951</u></b> | <b><u>8 693 291</u></b> |

**60. OTHER REVENUES**

|                                      | <u>31 Dec. 2019</u>       | <u>30 Sept. 2018</u>      |
|--------------------------------------|---------------------------|---------------------------|
|                                      | <u>EGP</u>                | <u>EGP</u>                |
| Transfer fees and delay benefits     | 47 745 967                | 64 974 333                |
| Retrieve the value of the facilities | 11 148 698                | 13 065 580                |
| Miscellaneous revenues               | 54 578 154                | 43 829 224                |
| Revenues from selling fixed asset    | 485 794                   | 1 039 033                 |
| <b>Total as at 31 Dec 2019</b>       | <b><u>113 958 613</u></b> | <b><u>122 908 170</u></b> |

**61. 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 transaction</u> | <u>Amount of transaction</u><br><u>EGP</u> |
|--|---------------------|------------------------------|--|
| Palm Hills Middle East Company for Real Estate Investment S.A.E    | A subsidiary        | Finance                      | 2 032 969 571                              |
| Royal Gardens for Real Estate Investment Company S.A.E             | A subsidiary        | Finance                      | 20 812 942                                 |
| Middle East Company for Real Estate and Touristic Investment S.A.E | A subsidiary        | Finance                      | 257 627 869                                |
| Gawda for Trade Services S.A.E                                     | A subsidiary        | Finance                      | 127 634 993                                |
| Rakeen Egypt for Real Estate Investment S.A.E                      | A subsidiary        | Finance                      | 1 420 302 619                              |
| Saudi Urban Development Company S.A.E                              | A subsidiary        | Finance                      | 313 645 828                                |
| Nile Palm Al-Naeem for Real Estate Development S.A.E               | A subsidiary        | Finance                      | 178 640                                    |
| Al Ethadia for Real Estate S.A.E                                   | A Related party     | Finance                      | 204 568 673                                |
| East New Cairo for Real Estate Development S.A.E                   | A Related party     | Finance                      | 3 940 911 225                              |
| New Cairo for Real Estate Development S.A.E                        | A subsidiary        | Finance                      | 254 047 630                                |
| Al Naeem for Hotels and Touristic Villages S.A.E                   | A subsidiary        | Finance                      | 1 799 090                                  |
| Gemsha for Tourist Development S.A.E                               | A subsidiary        | Finance                      | 366 590                                    |
| United Engineering for Construction S.A.E                          | A subsidiary        | Finance                      | 15 983 255                                 |
| El Mansour & El Maghraby Investment and Development S.A.E          | A main shareholder  | Finance                      | 338 717 971                                |
| Palm for Real Estate Development S.A.E                             | A subsidiary        | Finance                      | 30 989 927                                 |
| Palm for Investment and Real Estate Development S.A.E              | A subsidiary        | Finance                      | 489 334 199                                |
| Palm Hills Properties S.A.E  | A subsidiary        | Finance                      | 139 184 316                                |
| Palm Hills Development of Tourism and Real Estate S.A.E            | A subsidiary        | Finance                      | 117 256 033                                |
| Palm Hills for Investment Tourism S.A.E                            | A subsidiary        | Finance                      | 89 414 772                                 |
| Palm Hills Resorts S.A.E   | A subsidiary        | Finance                      | 20 000                                     |
| Palm Hills Education S.A.E   | A subsidiary        | Finance                      | 28 150                                     |
| Palm for Club Management S.A.E                                     | A subsidiary        | Finance                      | 247 136 152                                |
| Palm Alexandria for Real Estate S.A.E                              | A subsidiary        | Finance                      | 4 291 798                                  |
| Arkan Palm for Real Estate Development S.A.E                       | A subsidiary        | Finance                      | 151 329 988                                |
| Palm for Urban Development   | A subsidiary        | Finance                      | 1 386 769 427                              |
| Palm for construction and real state development                   | A subsidiary        | Finance                      | 43 002 710                                 |



**b- Resulting balances from these transactions**

| <u>Party</u>   | <u>Item as in balance sheet</u> | <u>31 Dec. 2019</u><br><u>EGP</u> |
|--|---------------------------------|-----------------------------------|
| Palm Hills Middle East Company for Real Estate Investment S.A.E    | Due to related parties          | 1 693 767 130                     |
| Royal Gardens for Real Estate Investment Company S.A.E             | Due from related parties        | ( 619 431)                        |
| Middle East Company for Real Estate and Touristic Investment S.A.E | Due from related parties        | ( 145 130 884)                    |
| Gawda for Trade Services S.A.E                                     | Due from related parties        | ( 49 778 442)                     |
| Rakeen Egypt for Real Estate Investment S.A.E                      | Due to related parties          | 285 682 407                       |
| Saudi Urban Development Company S.A.E                              | Due to related parties          | ( 45 029 724)                     |
| Nile Palm Al-Naeem for Real Estate Development S.A.E               | Due from related parties        | ( 44 286 587)                     |
| Al Ethadia for Real Estate S.A.E                                   | Due to related parties          | 225 833 834                       |
| East New Cairo for Real Estate Development S.A.E                   | Due from related parties        | ( 199 465 829)                    |
| Palm October for Hotels S.A.E                                      | Due to related parties          | 11 332 088                        |
| New Cairo for Real Estate Developments S.A.E                       | Due to related parties          | ( 1 276 242)                      |
| Al Naeem for Hotels and Touristic Villages S.A.E                   | Due from related parties        | ( 125 540 723)                    |
| Gemsha for Tourist Development S.A.E                               | Due to related parties          | 69 601 261                        |
| United Engineering for Construction S.A.E                          | Due from related parties        | ( 12 761 684)                     |
| El Mansour & El Maghraby Investment and Development S.A.E          | Due from related parties        | ( 4 103 939)                      |
| Palm Gemsha for Hotels S.A.E                                       | Due to related parties          | 30 050                            |
| Palm North Coast Hotels S.A.E                                      | Due to related parties          | 26 858                            |
| Palm for Real Estate Development S.A.E                             | Due to related parties          | ( 12 445 109)                     |
| Palm for Investment and Real Estate Development                    | Due from related parties        | 47 301 236                        |
| Palm Hills Properties  | Due to related parties          | ( 12 842 692)                     |
| Palm Hills Development of Tourism and Real Estate                  | Due to related parties          | 81 895 902                        |
| Palm Hills for Investment Tourism                                  | Due to related parties          | ( 25 361 651)                     |
| Palm Hills Resorts   | Due to related parties          | 294 609                           |
| Palm Hills for hotel S.A.E   | Due to related parties          | 100 333 074                       |
| Palm Hills Education S.A.E   | Due to related parties          | 1 558 121                         |
| Palm Hills – Saudi S.A.E   | Due to related parties          | 269 320                           |
| Coldwell Banker - Palm Hills for Real Estate S.A.E                 | Due to related parties          | 20 480                            |
| Palm for Urban Development   | Due to related parties          | ( 103 999 206)                    |
| Palm for Club Management S.A.E                                     | Due from related parties        | ( 21 490 473)                     |
| Palm Alexandria for Real Estate                                    | Due to related parties          | 2 218 191                         |
| Asten College for Education S.A.E                                  | Due to related parties          | 323 861                           |

|  |                          |               |
|--|--------------------------|---------------|
| Palm Arkan for Real Estate investment S.A.E              | Due to related parties   | 7 100         |
| Palm for Constructions And Real Estate Development S.A.E | Due from related parties | ( 43 154 629) |
| khedma for management of tourist and urban resorts       | Due from related parties |               |
|  |                          | 4 750 500     |

## 62. 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 2012  
These years are currently being inspected.
- Years 2013 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.

### 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 31/12/2009  
This period has been inspected and the resulting disputes have not been settled.
- Years 2010 to 2017  
The company pays the taxes due on regularly basis within the legal dates.

**63. EARNINGS PER SHARE**

|                                   | <u>31 Dec. 2019</u>  | <u>31 Dec. 2018</u>  |
|-----------------------------------|----------------------|----------------------|
|                                   | <u>EGP</u>           | <u>EGP</u>           |
| Net profit for the period         | 846 785 352          | 811 741 618          |
| <b><u>Divided by: -</u></b>       |                      |                      |
| Weighted average number of shares | <u>3 117 599 635</u> | <u>3 117 599 635</u> |
| <b>Earnings per share</b>         | <b><u>0.272</u></b>  | <b><u>.260</u></b>   |

**64. 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. All of shares of (ESOP) have been sold as of 30 September 2018. 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, that accepted the extension of (ESOP) through issuing 39 million shares fully allocated to (ESOP) and the legal procedures are being finished and approving the increase in capital from the appropriate authorities.