

PALM HILLS DEVELOPMENTS COMPANY
(An Egyptian Joint Stock Company)
Consolidated Financial Statements
Ended In 31 March 2020
Together with Review Report

PALM HILLS DEVELOPMENTS COMPANY S.A. E`
CONSOLIDATED FINANCIAL POSITION
As of 31 March 2020

	<u>Note no.</u>	<u>31/3/2020</u> <u>EGP</u>	<u>31/12/2019</u> <u>EGP</u>
<u>Non-current assets</u>			
Investments in associates	(8d-11b-32)	145 195 939	143 369 813
Investment property	(11f-33)	390 333 306	393 482 537
Notes receivable - long term	(16-35)	15 438 900 158	15 318 676 533
Projects under construction	(12-36)	1 748 572 729	1 739 437 098
Advance payments for investments acquisition	(43)	194 907 301	194 907 301
Fixed assets (net)	(13-37)	1 342 937 182	1 353 868 932
Deferred tax assets	(23b)	3 427 516	3 549 962
Employee stock ownership plan (ESOP)	(64)	41 730 000	68 172 000
Other long-term assets		1 390 733	1 390 733
Total non-current assets		19 307 394 863	19 216 854 909
<u>Current assets</u>			
Works in process	(14-38)	7 993 582 565	8 115 250 280
Held-to-maturity investments	(11d -34)	1 035 917 577	924 376 849
Cash and cash equivalents	(29-39)	878 578 489	1 375 178 390
Notes receivable - short term	(16-35)	4 911 126 233	4 691 813 019
Investments at fair value through profit and loss	(11e)	70 709 471	87 513 020
Accounts receivable	(40)	1 367 795 903	1 272 279 369
Suppliers - advance payments		446 405 919	451 528 500
Debtors and other debit balances	(41)	1 010 295 924	917 361 361
Due from related parties	(42)	428 350 298	418 965 567
Total current assets		18 142 762 379	18 254 266 355
<u>Current liabilities</u>			
Banks - credit balances	(44)	64 402 462	87 237 713
Bank- over draft	(45)	974 192 892	963 312 645
Advances from customers	(46)	14 621 303 340	14 212 609 702
Completion of infrastructure liabilities	(21)	58 062 734	95 083 416
Provisions	(19)	180 179 598	180 718 382
Current portion of land purchase liabilities	(20-47)	169 969 445	235 682 895
Notes payable - short term	(49a)	1 363 899 950	1750901906
Current portion of term loans	(50)	412 001 001	295 132 857
Suppliers & contractors		951 279 709	762160712
Income tax payable	(23)	111 121 864	97622236
Creditors & other credit balances	(51)	694 795 069	630 784 392
Joint shares arrangement - short term	(8c,55)	1 258 046 094	1 081 181 760
Due to related parties	(26-48-61a)	6 639 549	6 639 555
Total current liabilities		20 865 893 707	20 399 068 170
Working capital		(2 723 131 328)	(2 144 801 815)
Total investment		16 584 263 536	17 072 053 094
<u>Financed as follows:</u>			
<u>Shareholders' equity</u>			
Share capital	(52)	6 235 199 270	6 235 199 270
Legal reserve	(54a)	778 473 343	738 358 146
Special reserve	(54b)	176 513 272	176 513 272
Treasury shares	(17)	(46 990 266)	--
ESOP Re-Measurement Reserve	(64)	(36 270 000)	(9 828 000)
Retained earning		1 593 551 440	995 810 936
Net profit for Year		81 262 576	846785352
Equity attributable to equity holders of the parent		8 781 739 635	8 982 838 976
Non-controlling interest		549 280 171	554 741 875
Total shareholders' equity		9 331 019 806	9 537 580 851
<u>Non-current liabilities</u>			
Land purchase liabilities	(19-47)	219 309 090	150 258 255
Notes payable - long term	(49b)	1 258 529 232	1 438 142 381
Other long-term liabilities – Residents' Association	(53)	2 492 011 868	2 372 856 032
long-term- loans	(50)	2 771 142 347	2 801 072 865
joint share arrangement– long terms	(8c,55)	512 251 193	772 142 710
Total non-current liabilities		7 253 243 730	7 534 472 243
Total equity and non-current liabilities		16 584 263 536	17 072 053 094

- 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 INCOME (PROFIT OR LOSS)
For the Period Ended 31 March 2020

	<u>Note No.</u>	<u>Financial Period 31/3/2020 EGP</u>	<u>Financial 31/3/2019 EGP</u>
Revenues	(28a, 56)	1 135 029 157	958 082 782
<u>Deduct: -</u>			
Cost of revenues	(27, 57)	738 000 711	589 911 215
Cash discount		4 508 602	12 126 708
Gross profit		392 519 845	356 044 859
<u>Deduct: -</u>			
General administrative, selling and marketing expenses	(58)	188 539 824	137 416 478
Interest on land purchase liabilities		26 801 130	81 573 873
Provision		--	1 476 273
Administrative depreciation	(13)	23 494 724	20 764 400
Securitization of receivables interest		--	8 098 931
Provisions no longer required		--	(70 139 606)
Finance costs & interests		61 592 912	54 864 209
		300 428 590	234 054 558
<u>Add: -</u>			
Interest income – amortization of discount on notes receivables	(16,35)	4 280 221	22 358 796
Gains on investments in fair value through profit or loss		2 333 360	2 946 958
Interest income on held-to-maturity investments		9 434 605	45 467 898
Total other revenues		16 048 186	70 773 652
Net profit for the year before income tax & non-controlling interest		108 139 440	192 763 953
<u>Deduct: -</u>			
Income tax	(23 a)	23 422 135	37 668 613
Deferred tax	(23 b)	122 446	118 824
Net profit for the year before & non-controlling interest		84 594 860	154 976 516
<u>Deduct: -</u>			
Non-controlling interest share- subsidiaries		3 332 284	13 815 622
Net profit for the year after income tax & non-controlling interest		81 262 576	141 160 894
Earnings per share	(25, 63)	0,026	.046

- 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 March 2020

	<u>31/3/2020</u> <u>EGP</u>	<u>31/3/2019</u> <u>EGP</u>
Net profit for the period	81 262 576	141 160 894
Other comprehensive income	--	--
Total comprehensive income for the period, net of tax	<u>81 262 576</u>	<u>141 160 894</u>
<u>Attributable to: -</u>		
Equity holders of the parent	81 262 576	141 160 894
Non-controlling interests	3 332 284	13 815 622
	<u>84 594 860</u>	<u>154 976 516</u>

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

Chief Financial Officer
Ali Thabet

Chairman
Yasseen Mansour

**PALM HILLS DEVELOPMENTS COMPANY S.A.E
CONSOLIDATED STATEMENT OF CASH FLOWS
For the Period Ended 31 March 2020**

	<u>Note No.</u>	<u>31/3/2020</u>	<u>31/3/2019</u>
		<u>EGP</u>	<u>EGP</u>
Net profit for the period before income tax & non-controlling interest		108 139 441	192 763 953
<u>Adjustments to reconcile net profit to net cash from operating activities</u>			
Administrative depreciation	(37)	28 732 898	25 539 610
Provision		--	1 476 272
Finance costs & interests		61 592 912	54 864 209
Securitization of receivables interest		--	8 098 931
Interest on land purchase liabilities		26 801 131	81 573 873
Share of profit / loss of associates		7 306 930	1 706 456
Gain (loss) on disposal of fixed assets	(37)	(25 821)	(1 681)
Interest income – amortization of discount on notes receivables		(4 280 220)	(22 358 796)
Gains on investments in fair value through profit or loss		(2 333 360)	(2 946 958)
Provisions no longer required		--	(70 139 606)
Interest income on held to maturity investments		(9 434 605)	(45 467 898)
		216 499 306	225 108 364
Operating profit before changes in working capital items			
<u>Cash flow from operation activities</u>			
Change in work in process	(14-38)	127 054 807	(210 448 540)
Change in held-to-maturity investments	(11D,34)	(111 540 728)	888 303 106
Change in notes receivables	(16-35)	(335 256 619)	1 032 722 654
Change in investments in fair value through profit or loss	(11e)	16 803 549	5 161 640
Change in suppliers - advance payments		5 122 579	15 020 965
Change in accounts receivable	(40)	(95 516 535)	(18 687 612)
Change in debtors & other debit balances	(41)	(92 934 564)	(249 961 367)
Change in obligations to complete facilities	(42)	(37 020 682)	--
Change in due to related parties	(26,48)	--	407 330
Change in notes payable		(593 416 236)	(321 215 180)
Change in other long term – Residents' Association	(53)	119 155 837	74 717 136
Change in advances from customers	(46)	408 693 638	(449 907 403)
Change in due from related parties	(25-42)	(9 384 731)	(14 812 821)
Income tax paid		(9 922 513)	50 662
Provisions	(18)	(538 784)	(898 498)
Change in creditors and other credit balances		64 010 678	(23 480 208)
Change in due to joint arrangement partners		(83 027 181)	(64 603 473)
Change in suppliers & contractors		189 118 997	(150 475 210)
Net cash provided by (used in) operating activities		(222 099 182)	737 001 545
<u>Cash flows from investing activities</u>			
Payments for purchase of fixed assets	(37)	(16 292 676)	(6 968 086)
Proceeds from sale of fixed assets		163 897	21 139
Payments for projects under construction	(12-36)	(9 135 631)	(1 026 266)
Payments for associates investment		(9 133 055)	(50 000 000)
Proceeds from investments in fair value through profit or loss		2 333 360	2 946 958
Proceeds from real estate investment		(547 024)	(1 718 658)
Proceeds from held-to-maturity investments		9 434 605	45 467 898
Net cash (used in) provided by investing activities		(23 176 524)	(11 277 015)
<u>Cash flows from financing activities</u>			
Banks - credit balances	(44)	(22 835 251)	10 590 580
Banks – overdraft	(45)	10 880 248	2 745 824
Non-controlling interest – dividends		(8 793 989)	(9 789 251)
Deferred tax		--	3 078
Treasury shares		(46 990 266)	--
Repayment of borrowings	(50)	(324 611 202)	(460 115 200)
Proceeds from loans	(50)	411 548 828	49 634 056
Adjustments to retained earnings		(208 929 651)	(63 509 282)
Finance costs & interests paid		(61 592 912)	(62 963 139)
Net cash (used in) provided by financing activities		(251 324 195)	(533 403 334)
Net increase in cash and cash equivalents during the period		(496 599 901)	192 321 196
Cash and cash equivalents at beginning of the year		1 375 178 390	955 737 630
Cash and cash equivalents as at 31 March 2020	(28-38)	878 578 489	1 148 058 826

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

**Chief Financial Officer
Ali Thabet**

**Chairman
Yasseen Mansour**

PALM HILLS DEVELOPMENTS COMPANY S.A. E
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the Period Ended 31 March 2020

	<u>Share Capital</u>	<u>Legal reserve</u>	<u>Special reserve</u>	<u>Treasury shares</u>	<u>Reserve for ESOP re- measurement</u>	<u>Retained earnings</u>	<u>Net profit for the period</u>	<u>Total before Non- controlling equities</u>	<u>Total Non- controlling equities</u>	<u>Total Shareholders' After non- controlling equities</u>
Balance as at 1 January 2019	6 157 199 270	708 524 277	476 064 168	--	--	556 921 695	811 741 618	8 710 451 028	505 090 067	9 215 541 095
Transferred to retained earnings	--	--	--	--	--	811 741 618	(811 741 618)	--	--	--
Transferred to legal reserve	--	26 395 466	--	--	--	(26 395 466)	--	--	--	--
Adjustments to retained earnings	--	--	--	--	--	(63 509 282)	--	(63 509 282)	--	(63 509 282)
Dividends	--	--	--	--	--	--	--	--	(9 789 251)	(9 789 251)
Net profit for the period	--	--	--	--	--	--	141 160 894	141 160 894	13 815 622	154 976 516
Balance as at 31 March 2019	<u>6 157 199 270</u>	<u>734 919 743</u>	<u>476 064 168</u>	<u>--</u>	<u>--</u>	<u>1 278 758 565</u>	<u>141 160 894</u>	<u>8 788 102 640</u>	<u>509 116 438</u>	<u>9 297 219 078</u>
Balance as at 1 January 2020	6 235 199 270	738 358 146	176 513 272	--	(9 828 000)	995 810 936	846 785 352	8 982 838 976	554 741 875	9 537 580 851
Transferred to retained earnings	--	--	--	--	--	846 785 352	(846 785 352)	--	--	--
Transferred to legal reserve	--	40 115 197	--	--	--	(40 115 197)	--	--	--	--
Treasury shares	--	--	--	(46 990 266)	--	--	--	(46 990 266)	--	(46 990 266)
Reward stock rating	--	--	--	--	(26 442 000)	--	--	(26 442 000)	--	(26 442 000)
Adjustments to retained earnings	--	--	--	--	--	(208 929 651)	--	(208 929 651)	--	(208 929 651)
Dividends	--	--	--	--	--	--	--	--	(8 793 988)	(8 793 988)
Net profit for the period	--	--	--	--	--	--	81 262 576	81 262 576	3 332 284	84 594 860
Balance as at 31 March 2020	<u>6 235 199 270</u>	<u>778 473 343</u>	<u>176 513 272</u>	<u>(46 990 266)</u>	<u>(36 270 000)</u>	<u>1 593 551 440</u>	<u>81 262 576</u>	<u>8 781 739 635</u>	<u>549 280 171</u>	<u>9 331 019 806</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)
Notes to the Consolidated
Financial Statements As of 31 March 2020

1. BACKGROUND

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

2. COMPANY'S PURPOSE

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

3. The Company's Location

The company's head office is located 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 three Months ended in 31 March 2020 were authorized for issue by the board of directors on 25 June 2020.

7. STOCK EXCHANGE LISTING

The company was listed in the unofficial schedule no. (2) of the Cairo and Alexandria Stock Exchange on 27 Dec. 2006 and then listed in the official schedule no. (1) of the Cairo and Alexandria Stock Exchange 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 be paid through the proceeds of the project. the company has not started marketing and selling the project units yet.

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

-Palm for Investment and Real Estate Development

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

-Palm Real Estate Development

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

-Palm Hills Development of Tourism and Real Estate

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

d) Investments in associates and subsidiaries

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

	<u>Percentage</u> <u>share %</u>
Palm Hills Middle East Company for Real Estate Investment S.A.E	% 99.99
Gawda for Trade Services S.A.E	%99.996
New Cairo for Real Estate Developments S.A.E	%99.985
Rakeen Egypt for Real Estate Investment S.A.E	%99.9454
Palm sports S.A.E	99.9%
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

	<u>Percentage</u> <u>share %</u>
Palm Hills Hospitality S.A.E	%98
East New Cairo for Real Estate Development S.A.E	%89
Macor for Securities Investment Company S.A.E	%60
Al Naeem for Hotels and Touristic Villages S.A.E	%60
Gamsha for Tourist Development S.A.E	%59
Royal Gardens for Real Estate Investment Company S.A.E	%51
Nile Palm Al-Naeem for Real Estate Development S.A.E	%51
Saudi Urban Development Company S.A.E	%51
Coldwell Banker Palm Hills for Real Estate S.A.E	%49
Six of October for Hotels and Touristic Services Company S.A.E	%00.24
Arkan Palm	%39.99

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

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

1- Direct investments in associates and subsidiaries

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

Palm Hills Middle East Company for Real Estate Investment S.A.E. is engaged in real estate investment in new cities and urban communities, and 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 6th of October City. The company is engaged in leasing, construction and operation of hotels, motels, resorts and residential compounds, construction, generation of electricity, desalination of water, land acquisition, diving and constructing villas, residential units and offices malls and the marketing thereof.
- **Palm for Real Estate Development S.A.E**
Palm for Real Estate Development S.A.E is registered in Egypt under commercial registration number 83974 under the provisions of the Companies' Law No. 159 of 1981 and the statutes of the Capital Market Law No. 95 of 1992. The company is engaged in real estate investment.
- **Palm for Investment & Real Estate Development S.A.E**
Palm for Investment & Real Estate Development S.A.E is registered in Egypt under commercial registration number 85861 under the provisions of the Companies' Law No. 159 of 1981 and the statutes of the Capital Market Law No. 95 of 1992. The company is engaged in real estate investment and real estate marketing.
- **Palm Hills Development of Tourism and Real Estate S.A.E**
Palm Hills Development of Tourism and Real Estate S.A.E is registered in Egypt under commercial registration number 92998 under the provisions of the Companies' Law No. 159 of 1981 and the statutes of the Capital Market Law No. 95 of 1992. The company is engaged in real estate investment and real estate marketing.
- **Palm Hills for Tourism Investment S.A.E**
Palm Hills for Tourism Investment S.A.E is registered in Egypt under commercial registration number 93156 under the provisions of the Companies' Law No. 159 of 1981 and the statutes of the Capital Market Law No. 95 of 1992. The company is engaged in real estate investment and real estate marketing.
The Company has not started its business yet.

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

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

The Company has not started its business yet.

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

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

The Company has not started its business yet.

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

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

The Company has not started its business yet.

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

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

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

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

The Company has not started its business yet.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The Company has not started its business yet.

2- Indirect investments in associates and subsidiaries

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

- Palm North Coast Hotels S.A.E

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

- Palm Gamsha Hotels S.A.E

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

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

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

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

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

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

- Asten College for Education

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

The Company has not started its business yet.

9. STATEMENT OF COMPLIANCE

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

10. SIGNIFICANT ACCOUNTING POLICIES APPLIED

a) Basic of consolidated financial statements preparation

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

b) Basic of consolidation

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

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

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

c) Consolidation procedures

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

- 1- Consolidated financial statements shall be prepared using uniform accounting policies. If a member of the group uses accounting policies other than those adopted in the consolidated financial statements, appropriate adjustments are made to its financial statements in preparing the consolidated financial statements.

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

d) Business combination

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

Acquisition-related costs are expensed as incurred.

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

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

e) Intangible assets

1- Goodwill

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

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

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

2- Other intangible assets

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

f) Use of estimates and judgments

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

- Revenue
- Estimated cost to complete projects
- Assets impairment
- Usufruct
- Investment Property
- Deferred tax
- Fair value of financial instruments

g) Changes in accounting policies

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

h) Bookkeeping

1- Functional and presentation currency

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

2- Foreign currency transactions and balances

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

i) Operating segment

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

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

11. INVESTMENTS

a) Investments in subsidiaries

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

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

b) Investments in associates

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

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

c) Financial investments available for sale

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

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

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

d) Held-to-maturity investments

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

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

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

e) Investments at fair value through profit and loss

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

f) Investments properties

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

12. PROJECTS UNDER CONSTRUCTION

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

13. FIXED ASSETS

Fixed assets are stated at historical cost –cost of acquisition-and to be depreciated by straight line method over the estimated useful life of the asset starting from the date of using the asset. Cost of acquisition does not include subsequent expenditure relating to routine maintenance or to ensure that a fixed asset maintains 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 To be achieved has is not met yet to be recognized in income statement.

15. COMPLETED UNITS READY FOR SALE

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

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

16. NOTES RECEIVABLE

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

17. Treasury shares

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

18. IMPAIRMENT

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

19. PROVISION

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

20. LAND PURCHASE LIABILITY

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

21. COMPLETION OF INFRASTRUCTURE LIABILITIES

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

22. CAPITALIZATION OF BORROWING COST

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

prepare the asset for its intended use or sale are complete. Other indirect borrowing costs are recognized as expenses.

23. INCOME TAX

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

(A) Current income tax

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

(B) Deferred tax

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

24. SHARE PREMIUM

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

25. 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.

26. 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.

27. 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.

28. 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 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.

29. 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.

30. 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.

31. 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.

32. INVESTMENTS IN ASSOCIATES

	<u>31 March. 2020</u>	<u>31 Dec. 2019</u>
	<u>EGP</u>	<u>EGP</u>
Neama for Touristic & Real Estate Investments S.A.E	80 147 153	87 454 082
Villamora for Real Estate Development Company S.A. E	2 535 617	2 535 617
Coldwell Banker -Palm Hills for Real Estate S.A. E	245 000	245 000
Arkan palm for real estate investment	61 288 169	52 155 114
EFS palm for facilities services	980 000	980 000
Balance as at 30 March 2020	<u>145 195 939</u>	<u>143 369 813</u>

	<u>Assets</u>	<u>Liabilities</u>	<u>Shareholders' equity</u>	<u>Revenues</u>	<u>Expenses</u>
Naema for Touristic & Real Estate Investments	184 347 259	24 033 984	160 313 275	8 882 908	3 717 529
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 estate investment	130 287 785	--	130 287 785	4 943 286	259 405
EFS palm for facilities services	980 000	--	980 000	--	--

33. INVESTMENT PROPERTY

	<u>Acre</u>	<u>31 March. 2020</u>	<u>31 Dec. 2019</u>
		<u>EGP</u>	<u>EGP</u>
<u>Lands</u>			
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	--	--
Gamsha for Tourist Development S.A.E	22.679	115 624 284	115 457 048
		<u>328 137 022</u>	<u>327 969 786</u>
<u>Buildings</u>			
Commercial shops - Palm Hills Resort			
Cost of shops of 88 Street Mall.		68 518 386	68 138 598
Accumulated depreciation		10 322 102	6 625 847
Net cost of shops		<u>58 196 284</u>	<u>61 512 752</u>
Vilas at villa mora resort		4 000 000	4 000 000
Balance as at 31 March 2020		<u>390 333 306</u>	<u>393 482 537</u>

34. HELD-TO-MATURITY INVESTMENT

	<u>Face value</u>	<u>Unrecognized</u>	<u>Average</u>	<u>Purchase</u>
	<u>EGP</u>	<u>investment</u>	<u>return</u>	<u>price</u>
		<u>return</u>	<u>rate</u>	<u>EGP</u>
		<u>EGP</u>	<u>%</u>	
Palm Hills Development	594 475 000	38 646 853	%14	555 828 147
Palm Hills Middle East Company for Real Estate Investment	43 775 000	3 581 284	%14	40 193 716
East New Cairo for Real Estate Development	20 800 000	1 549 321	%14	19 250 679
Gawda for Trade Services	8 700 000	543 275	%14	8 156 725
Middle East Company for Real Estate and Touristic Investment	18 275 000	1 256 587	%14	17 018 413
Palm Hills Development of Tourism and Real Estate	10 575 000	94 402	%14	10 480 598
Palm for investment and real estate development	18 625 000	1 720 066	%14	16 904 934
Palm real estate development	47 875 000	4 321 876	%14	43 553 124
Rakeen Egypt for Real Estate Investment	147 150 000	9 397 448	%14	137 752 552
Royal Gardens for Real Estate Investment Company	65 350 000	1 428 387	%14	63 921 613
Saudi Urban Development Company	131 925 000	9 067 924	%14	122 857 076
Balance as at 31 March 2020	<u>1 107 525 000</u>	<u>71 607 423</u>		<u>1 035 917 577</u>

35. NOTES RECEIVABLE

	<u>31 March. 2020</u>	<u>31 Dec. 2019</u>
	<u>EGP</u>	<u>EGP</u>
Short term notes receivable	5 183 295 171	4 975 458 893
<u>Deduct: -</u>		
Notes receivable of joint venture	251 316 085	266 524 999
Unamortized discount	20 852 853	17 120 875
	<u>4 911 126 233</u>	<u>4 691 813 019</u>
Long term notes receivable	16 712 721 920	16 574 145 275
<u>Deduct: -</u>		
Notes receivable of joint venture	1 040 938 002	1 049 157 198
Unamortized discount	232 883 760	206 311 544
Current value for long term notes receivable	<u>15 438 900 158</u>	<u>15 318 676 533</u>
Balance as at 31 March 2020	<u>20 350 026 391</u>	<u>20 010 489 552</u>

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.

36. PROJECTS UNDER CONSTRUCTION

	<u>31 March, 2020</u>	<u>31 Dec. 2019</u>
	<u>EGP</u>	<u>EGP</u>
Land	320 940 357	320 940 357
Construction of Golf Course and Hotels in north coast	1 359 234 130	1 354 075 939
Palm club Constructions	55 809 496	55 059 345
Consultation and designs fees	9 982 637	6 755 349
Schools Construction cost	2 606 108	2 606 108
Balance as at 31 March 2020	<u><u>1 748 572 728</u></u>	<u><u>1 739 437 098</u></u>

37. **FIXED ASSETS**

Fixed assets (net) balance as at 31 March 2020 amounted to EGP 1 342 937 182 represented as follows:

	<u>Cost as of Jan. 1,2020</u>	<u>Additions during the period</u>	<u>Disposals during the period</u>	<u>Cost as of 31 March 2020</u>	<u>Accumulated depreciation as of Jan. 1, 2019</u>	<u>Depreciation for the period</u>	<u>Depreciation of Disposals</u>	<u>Accumulated depreciation as of March 31 2020</u>	<u>Net book value as 31 March 2020</u>
	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>
Land	18 920 662	--	--	18 920 662	--	--	--	--	18 920 662
Buildings	521 631 464	--	--	521 631 464	242 383 858	3 978 701	--	246 362 559	275 268 905
Machinery & equipment	185 325 275	3 804 474	--	189 129 749	137 406 240	3 958 403	--	141 364 643	47 765 106
Vehicles	25 417 616	--	--	25 417 616	19 076 905	772 372	--	19 849 277	5 568 339
Computer equipment	84 746 569	851 988	32 630	85 565 927	67 922 845	2 432 071	28 174	70 326 742	15 239 185
Leasehold improvements	21 244 693	--	--	21 244 693	19 597 208	242 207	--	19 839 415	1 405 278
Furniture	80 971 255	11 636 214	877 088	91 730 381	59 167 785	2 087 516	743 468	60 511 833	31 218 548
Golf Courses	1 123 489 349	--	--	1 123 489 349	95 283 623	13 615 080	--	108 898 703	1 014 590 646
Total cost	2 061 746 883	16 292 676	909 718	2 077 129 841	640 838 464	27 086 350	771 642	667 153 172	1 409 976 669
Impairment of Macor									(2 500 000)
Impairment of assets									(64 539 487)
Balance as at 31 March 2020									1 342 937 182

- Fixed assets depreciation For The Period Ended 31 March 2020 was allocated as follows:

Operating assets-work in process	<u>EGP</u> 2 049 707
Administrative depreciation (income statement)	19 798 468
Depreciation expense of hotel operations	2 021 447
Depreciation expense of Palm Hills Club's assets - club's operating statement	3 216 728
	<u>27 086 350</u>

- Capital Gains for The Period Ended 31 March. 2020 amounted to EGP 25 821 as follows:

Proceed from sale of fixed assets	<u>EGP</u> 163 897
Deduct:	
Cost of assets sold	909 718
Accumulated depreciation of assets sold	771 642
Carrying amount of assets sold	<u>138 076</u>
	<u>25 821</u>

Fixed assets (net) balance as at 31 Dec. 2019 amounted to EGP 1 407 299 147 represented as follows:

	<u>Cost as of Jan. 1,2018</u>	<u>Additions during the year</u>	<u>Disposals during the year</u>	<u>Cost as of Dec. 31,2018</u>	<u>Accumulated depreciation as of Jan. 1, 2018</u>	<u>Depreciation for the year</u>	<u>Depreciation of Disposals</u>	<u>Accumulated depreciation as of Dec. 31,2018</u>	<u>Net book value as 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	513 522 992	8 431 840	323 368	521 631 464	226 767 598	15 814 592	198 332	242 383 858	279 247 606
Machinery & equipment	175 576 604	10 409 290	660 619	185 325 275	121 935 380	15 848 388	377 528	137 406 240	47 919 035
Vehicles	23 484 129	3 348 517	1 415 030	25 417 616	17 713 785	2 778 150	1 415 030	19 076 905	6 340 711
Computer equipment	79 394 347	5 557 290	205 068	84 746 569	56 126 506	11 953 617	157 278	67 922 845	16 823 724
Leasehold improvements	21 501 456	--	256 763	21 244 693	18 774 659	1 079 312	256 763	19 597 208	1 647 485
Furniture	73 656 071	7 677 204	362 020	80 971 255	52 354 255	7 158 502	344 972	59 167 785	21 803 470
Golf Courses	1 123 281 546	207 803	--	1 123 489 349	40 834 849	54 448 774	--	95 283 623	1 028 205 726
Total cost	2 029 337 807	35 631 944	3 222 868	2 061 746 883	534 507 032	109 081 335	2 749 903	640 838 464	1 420 908 419
Impairment of Macor									(2 500 000)
Impairment of assets									(64 539 487)
Balance as at 31 Dec. 2019									1 353 868 932

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

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 year ended 31 Dec. 2019 amounted to EGP 1 039 033 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	<u>472 965</u>
	<u>485 794</u>

38. WORK IN PROCESS

	<u>31 March 2020</u> <u>EGP</u>	<u>31 Dec. 2019</u> <u>EGP</u>
Land acquisition cost	2 957 799 608	3 357 943 814
Cost of construction	4 990 232 243	4 711 755 752
Completed units ready for sale	<u>45 550 714</u>	<u>45 550 714</u>
Balance as at 31 March 2020	<u><u>7 993 582 565</u></u>	<u><u>8 115 250 280</u></u>

* Borrowing cost capitalized on work in process for The Period Ended 31 March 2020 amounted to EGP **63 322 883**.

39. CASH AND CASH EQUIVALENTS

	<u>31 March. 2020</u>	<u>31 Dec. 2019</u>
	<u>EGP</u>	<u>EGP</u>
Banks-current accounts- EGP	806 414 311	1 315 427 641
Banks-current accounts- foreign currency	10 760 552	11 826 112
Banks – Deposits- EGP	2 500 000	2 500 000
Cash on hand- EGP	58 903 626	45 424 637
Balance as at 31 March 2020	<u>878 578 489</u>	<u>1 375 178 390</u>

40. ACCOUNTS RECEIVABLE

	<u>31 March. 2020</u>	<u>31 Dec. 2019</u>
	<u>EGP</u>	<u>EGP</u>
Palm Hills Developments Company customers	424 183 960	367 166 654
Palm Hills Middle East Company for Real Estate Investment customers	129 676 562	115 131 552
Royal Gardens for Real Estate Investment Company customers	7 915 324	8 835 737
New Cairo for Real Estate Developments customers	1 521 015	1 538 515
Gawda for Trade Services customers	1 134 029	1 129 029
Saudi Urban Development Company customers	57 458 425	54 196 781
Rakeen Egypt for Real Estate Investment customers	95 739 505	90 135 050
East New Cairo for Real Estate Development customers	94 908 282	124 422 692
Middle East Company for Real Estate and Touristic Investment customers	3 241 530	3 568 968
United Engineering for Construction	1 533 262	1 533 262
Palm Real Estate Development	40 828 954	42 092 690
Palm for Investment and Real Estate Development	252 475 106	223 565 640
Palm Hills Development of Tourism and Real Estate	1 748 966	6 245 506
Palm Hills Properties	4 342 124	2 968 295
Palm for Urban Development	245 405 052	224 685 919
Palm for Clubs Management	5 683 806	5 063 079
Balance as at 31 March. 2019	<u>1 367 795 903</u>	<u>1 272 279 369</u>

41. DEBTORS AND OTHER DEBIT BALANCES

	<u>31 March. 2020</u>	<u>31 Dec. 2019</u>
	<u>EGP</u>	<u>EGP</u>
Investments debtors	5 019 431	5 019 431
Deposits with others	265 815 344	265 685 022
Prepaid expenses	138 607 558	81 095 808
Loans to employee & custodies	12 789 575	9 159 944
Due from City for Real Estate Development Company	37 442 591	32 864 323
Withholding tax from source	69 112	55 229 137
Letter of Guarantee	13 500 259	14 557 606
Residents' Association	489 171 969	399 029 882
Other debit balances	47 880 085	54 720 207
Balance as at 31 March 2020	<u>1 010 295 924</u>	<u>917 361 361</u>

42. DUE FROM RELATED PARTIES

	<u>31 March 2020</u>	<u>31 Dec. 2019</u>
	<u>EGP</u>	<u>EGP</u>
Al Ethadia for Real Estate S.A. E	251 453 966	236 663 231
Al Naeem for investments	48 755 256	48 755 256
Debtors of dividends	127 177 092	127 689 298
Coldwell Banker -Palm Hills for Real Estate S.A. E	20 480	20 480
Novotel Cairo 6th Of October S.A. E	389 523	2 601 390
Mercure Ismailia Hotel S.A. E	277 560	2 959 192
Palm Hills – Saudi	269 320	269 320
palm Alalamen for real estate	7 100	7 100
Balance as at 31 March 2020	<u>428 350 298</u>	<u>418 965 567</u>

43. ADVANCE PAYMENTS FOR INVESTMENTS ACQUISITION

	<u>Nature of</u>	<u>31 March 2020</u>	<u>31 Dec 2019</u>
	<u>transaction</u>	<u>EGP</u>	<u>EGP</u>
kenzy company for resturant	Establishment	4 209 316	4 209 316
Palm Hills – Saudi	Establishment	135 121 743	135 121 743
Villamora for Real Estate Development Company	Acquisition	--	--
Middle East Company for Real Estate and 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
Balance as at 31 March 2020		<u>194 907 301</u>	<u>194 907 301</u>

44. BANKS- CREDIT BALANCES

	<u>31 March 2020</u>	<u>31 Dec 2019</u>
	<u>EGP</u>	<u>EGP</u>
Banks –EGP	61 477 836	83 102 389
Banks-foreign currencies	2 924 626	4 135 324
Balance as at 31 March 2020	<u>64 402 462</u>	<u>87 237 713</u>

45. BANK OVERDRAFT

	<u>31 March 2020</u>	<u>31 Dec 2019</u>
	<u>EGP</u>	<u>EGP</u>
Arab African - Bank	290 209 816	280 118 487
CIB - Bank	392 656 895	376 765 397
Ahli United Bank	6 790 015	6 798 641
Arab - bank	284 536 166	299 630 120
Balance as at 31 March 2020	<u>974 192 892</u>	<u>963 312 645</u>

46. ADVANCES FROM CUSTOMERS

	<u>Down payments</u>	<u>Advances for</u>	<u>31 March 2020</u>
	<u>EGP</u>	<u>contracting</u>	<u>EGP</u>
	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>
Palm Hills Developments Company	88 323 958	4 554 133 252	4 642 457 210
Palm Hills Middle East Company for Real Estate Investment	3 142 510	309 428 660	312 571 170
Royal Gardens for Real Estate Investment Company	--	2 498 725	2 498 725
New Cairo for Real Estate Developments	--	4 502 838	4 502 838
Saudi Urban Development Company	1 171 555	384 360 770	385 532 325
Rakeen Egypt for Real Estate Investment	17 005 392	755 843 125	772 848 517
East New Cairo for Real Estate Development	1 016 893	161 108 297	162 125 190
Middle East Company for Real Estate and Touristic Investment	464 338	1 719 723	2 184 061
United Engineering for Construction	84 481 358	--	84 481 358
Palm for Real Estate Development S.A. E	88 250	991 788 753	991 877 003
Palm for Investment & Real Estate Development	5 791 079	3 852 416 936	3 858 208 015
Palm Hills Development of Tourism and Real Estate	3 450 313	319 007 684	322 457 997
Palm Hills Properties	--	11 287 350	11 287 350
Palm for Urban Development	1 687 602	3 065 751 898	3 067 439 500
Palm for Clubs Management	832 079	--	832 079
Balance as at 31 March 2020	<u>207 455 327</u>	<u>14 413 848 013</u>	<u>14 621 303 340</u>

47. LAND PURCHASE LIABILITIES

	<u>31 March. 2020</u>	<u>31 Dec. 2019</u>
	<u>EGP</u>	<u>EGP</u>
Land purchase liabilities - short term	169 969 445	235 682 895
Land purchase liabilities - long term	219 309 090	150 258 255
Balance as at 31 March 2020	<u>389 278 535</u>	<u>385 941 150</u>

48. DUE TO RELATED PARTIES

	<u>31 March. 2020</u>	<u>31 Dec. 2019</u>
	<u>EGP</u>	<u>EGP</u>
El Mansour & El Maghraby Investment and Development	4 103 938	4 103 938
Villamora for Real Estate Development Company S.A. E	2 535 617	2 535 617
Balance as at 31 March 2020	<u>6 639 555</u>	<u>6 639 555</u>

49. NOTES PAYABLE

A) Short Term Notes Payable

	<u>31 March. 2020</u>	<u>31 Dec. 2019</u>
	<u>EGP</u>	<u>EGP</u>
Notes payable- Land (New Urban Communities Authority)	1 491 282 656	1 579 682 655
Deduct: -		
Delayed installments interest	559 495 620	561 178 711
	<u>931 787 036</u>	<u>1 018 503 944</u>
Add: -		
Other notes payable	655 344 932	945720533
Deduct: -		
Unamortized discount	223 232 018	213 322 571
Balance as at 31 March 2020	<u>1 363 899 950</u>	<u>1 750 901 906</u>

B) Long Term Notes Payable

	<u>31 March. 2020</u>	<u>31 Dec. 2019</u>
	<u>EGP</u>	<u>EGP</u>
Notes payable- Land (New Urban Communities Authority)	1 268 688 275	1 218 688 273
Deduct: -		
Delayed installments interest	518 617 384	541 400 627
	<u>750 070 891</u>	<u>677 287 646</u>
Add: -		
Other notes payable	1 227 994 508	1 451 794 896
Deduct: -		
Delayed installments interest	719 536 167	690 940 161
Balance as at 31 March 2020	<u>1 258 529 232</u>	<u>1 438 142 383</u>

50. LOANS

This item is represented as follows:

	31.March. 2020		31 Dec. 2019	
	<u>Short term</u>	<u>long term</u>	<u>Short term</u>	<u>long term</u>
	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>
<u>Misr Bank</u> Revolving medium-term loan with Banque Misr in the amount of EGP 750 million to finance projects of Palm Hills Middle East for Real Estate Investment.	134 327 622	--	134 327 622	168 630 223
<u>CIB Bank</u> Commercial International Bank 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.	104 424 516	968 780 274	59 497 372	1 013 707 418
<u>Arab African International Bank (AAIB)</u> A medium loan with Arab African International Bank (AAIB) amounted to EGP 100 million for United Engineering for Construction	15 544 001	--	15 544 001	--
<u>Arab African International Bank (AAIB)</u> 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.	--	--	--	--
<u>Emirates Bank Dubai</u> Medium term financing of 100 million Egyptian pounds for United Engineering and Contracting.	46 808 591	--	--	44 080 222
<u>Arab Bank</u> A current limit owed within the limits of the amount of 300 million Egyptian pounds without guarantee.	--	298 306 912	--	299 998 735
<u>National Bank of Egypt</u> 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	106 296 826	1 098 797 607	85 763 862	1 139 354 545
<u>Ahli united bank.</u> Revolving financing in the amount of 505 million Egyptian pounds.	4 599 466	405 257 554	--	--
Balance as at 31 March 2020	<u>412 001 001</u>	<u>2 771 142 347</u>	<u>295 132 857</u>	<u>2 801 072 865</u>

51. CREDITORS AND OTHER CREDIT BALANCES

	<u>31 March. 2020</u>	<u>31 Dec. 2019</u>
	<u>EGP</u>	<u>EGP</u>
Other credit balances	224 400 817	201 669 888
Accounts receivable under settlement	185 495 164	147 918 520
Accrued expenses	56 492 129	76 834 826
Insurance for others	176 981 736	155 916 656
Social insurance	51 425 223	48 444 502
Balance as at 31 March 2020	<u>694 795 069</u>	<u>630 784 392</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:

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

On 4 April 2019, the Company's Extra-Ordinary General Assembly Meeting approved the issued Capital increase out of retained earnings via the issuance of bonus shares amounting to EGP 78 000 000 to be after such increasing amounted EGP 6 235 199 270 representing 3 117 599 635 shares with a par value of EGP 2 per share.

6 235 199 270

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 Law No.119 for 2008. Other long-term liabilities balance as at 30 September 2018 amounted to EGP 2 492 011 869.

54. RESERVES

a) Legal reserve

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

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 March</u>	<u>31 March. 2020</u>	<u>31 Dec 2019</u>	<u>31 Dec. 2019</u>
	<u>2020</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	746 442 237	512 251 193	535 761 232	748 379 032
Partners in Hacienda West -Project	--	--	--	23 019 437
Partners in (Badya) Project	511 603 857	--	545 420 528	744 241
	<u>1 258 046 094</u>	<u>512 251 193</u>	<u>1 081 181 760</u>	<u>772 142 710</u>

56. REVENUES

	<u>31 March.</u> <u>2020</u> <u>EGP</u>	<u>31 March.</u> <u>2019</u> <u>EGP</u>
Revenues from building and development activities	1 065 801 370	835 310 656
Revenues from the construction activity	--	43 993 089
Revenues from hospitality activities	11 144 364	17 283 441
Other revenues	37 034 538	16 517 695
Revenues from the commercial activity	3 002 391	14 041 141
Revenues from Palm Hills Club	18 046 492	30 936 760
Total as at 31 March 2020	<u>1 135 029 157</u>	<u>958 082 782</u>

57. COST OF REVENUES

	<u>31 March.</u> <u>2020</u> <u>EGP</u>	<u>31 March.</u> <u>2019</u> <u>EGP</u>
Cost of building and development activities	724 700 568	542 870 323
Depreciation of Fixed Assets – Macor	2 021 446	1 874 685
Depreciation of Fixed Assets – Palm Hills Club	3 216 728	2 900 524
Cost of the construction activity	--	35 588 425
Cost of the commercial activity	47 354	26 270
Operation cost -Palm Hills Club	8 014 615	6 650 988
Total as at 31 March 2020	<u>738 000 711</u>	<u>589 911 215</u>

58. General Administrative, Selling and Marketing Expenses

	<u>31 March.</u> <u>2020</u> <u>EGP</u>	<u>31 March.</u> <u>2019</u> <u>EGP</u>
Wages and salaries	92 926 896	56 365 443
Selling and marketing expenses	43 398 039	30 511 533
Communications expenses	823 123	628 507
Utilities	10 746 379	5 210 562
Professional and Government fees	10 457 238	8 895 721
Symbiotic contribution	--	2 754 166
Maintenance and Insurance	12 473 003	11 875 075
Travel and transportation	305 803	6 826 126
Bank charges	7 964 724	640 554
Other administrative expenses	9 444 619	13 708 790
Total as at 31 March 2020	<u>188 539 824</u>	<u>137 416 478</u>

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

	<u>31 March. 2020</u>	<u>31 March. 2019</u>
	<u>EGP</u>	<u>EGP</u>
Gains on sale of mutual funds certificates	2 333 360	2 946 958
Total as at 31 March 2020	<u>2 333 360</u>	<u>2 946 958</u>

60. OTHER REVENUES

	<u>31 March.</u>	<u>30 March.</u>
	<u>2020</u>	<u>2019</u>
	<u>EGP</u>	<u>EGP</u>
Transfer fees and delay benefits	34 052 604	7 661 241
Retrieve the value of the facilities	2 956 113	4 671 945
Miscellaneous revenues	--	4 182 828
Revenues from selling fixed asset	25 821	1 681
Total as at 31 March 2020	<u>37 034 538</u>	<u>16 517 695</u>

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>
			<u>EGP</u>
Palm Hills Middle East Company for Real Estate Investment S.A.E	A subsidiary	Finance	428 239 901
Royal Gardens for Real Estate Investment Company S.A.E	A subsidiary	Finance	4 547 375
Middle East Company for Real Estate and Touristic Investment S.A.E	A subsidiary	Finance	102 209 196
Gawda for Trade Services S.A.E	A subsidiary	Finance	28 345 202
Rakeen Egypt for Real Estate Investment S.A.E	A subsidiary	Finance	859 745 247
Saudi Urban Development Company S.A.E	A subsidiary	Finance	40 684 378
Palm sports for club	A subsidiary	Finance	28 506 435
Al Ethadia for Real Estate S.A.E	A Related party	Finance	23 207 067
East New Cairo for Real Estate Development S.A.E	A Related party	Finance	924 447 992
New Cairo for Real Estate Development S.A.E	A subsidiary	Finance	4 597 264
Khidma for torists and urban resorts management	A subsidiary	Finance	475 000
Gemsha for Tourist Development S.A.E	A subsidiary	Finance	513 931
United Engineering for Construction S.A.E	A subsidiary	Finance	390 191
Asten collage	A main shareholder	Finance	55 000

Palm for Real Estate Development S.A.E	A subsidiary	Finance	20 064 294
Palm for Investment and Real Estate Development S.A.E	A subsidiary	Finance	52 766 004
Palm Hills Properties S.A.E	A subsidiary	Finance	8 803 204
Palm Hills Development of Tourism and Real Estate S.A.E	A subsidiary	Finance	36 068 809
Palm Hills for Investment Tourism S.A.E	A subsidiary	Finance	110 000
Palm Hills Resorts S.A.E	A subsidiary	Finance	110 000
Palm Hills Education S.A.E	A subsidiary	Finance	55 000
Palm for Club Management S.A.E	A subsidiary	Finance	14 359 122
Palm Alexandria for Real Estate S.A.E	A subsidiary	Finance	50 000
Arkan Palm for Real Estate Development S.A.E	A subsidiary	Finance	70 403 993

b- Resulting balances from these transactions

<u>Party</u>	<u>Item as in balance sheet</u>	<u>31 March, 2020</u> <u>EGP</u>
Palm Hills Middle East Company for Real Estate Investment S.A.E	Due to related parties	1 678 340 799
Royal Gardens for Real Estate Investment Company S.A.E	Due from related parties	(55 946)
Middle East Company for Real Estate and Touristic Investment S.A.E	Due from related parties	(143 495 321)
Gawda for Trade Services S.A.E	Due from related parties	(49 475 086)
Rakeen Egypt for Real Estate Investment S.A.E	Due to related parties	500 716 907
Saudi Urban Development Company S.A.E	Due to related parties	(38 656 466)
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	240 823 523
East New Cairo for Real Estate Development S.A.E	Due from related parties	(140 416 663)
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	1 929 822
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	70 115 192
United Engineering for Construction S.A.E	Due from related parties	(12 761 425)
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	(1 088 071)
Palm for Investment and Real Estate Development	Due from related parties	53 039 471
Palm Hills Properties	Due to related parties	(7 631 367)
Palm Hills Development of Tourism and Real Estate	Due to related parties	110 065 228
Palm Hills for Investment Tourism	Due to related parties	(25 251 651)
Palm Hills Resorts	Due to related parties	404 609
Palm Hills for hotel S.A.E	Due to related parties	100 333 074
Palm Hills Education S.A.E	Due to related parties	1 613 121
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	(122 790 610)
Palm for Club Management S.A.E	Due from related parties	(12 582 017)
Palm Alexandria for Real Estate	Due to related parties	2 268 191
Asten College for Education S.A.E	Due to related parties	378 861
Palm Arkan for Real Estate development	Due to related parties	7 100
Share holders credit balances	Due to related parties	(712 205)
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	4 275 500
Palm sports for clubs	Due from related parties	(3 700 659)

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 2014
These years are currently being inspected.
- Years 2015 to 2019
Tax returns were provided for this period.

b) Payroll tax

- From inception till 2011
This period has been inspected and differences were paid.
- Years 2012 to 2014 under inspecting.
- The company pays the deducted income tax of the employees on regularly basis within the legal dates.
- Years 2015 – 2019 the company pays the Taxes due on regularly basis within the legal dates

c) Stamp tax

- The company is subject to the Law No. 111 of 1980 and its amendments and executive regulations.
- From inception till 31/7/2006
The company was notified by tax forms and the taxes due were paid according to / as per these forms.

- From 1/8/2006 till 31/12/2012
This period has been inspected and the resulting disputes have not been settled.
- Years 2013 to 2019
The company pays the taxes due on regularly basis within the legal dates.

63. EARNINGS PER SHARE

	<u>31 March. 2020</u>	<u>31 March. 2019</u>
	<u>EGP</u>	<u>EGP</u>
Net profit for the period	81 262 576	141 160 894
<u>Divided by: -</u>		
Weighted average number of shares	3 081 249 635	3 078 599 635
Earnings per share	<u>0,026</u>	<u>0.046</u>

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, and that decided to extend the order by issuing 39 million shares, worth EGP 78 million, are allocated entirely to the system, and in light of the approval of the general assembly of the company on April 4, 2019, for that increase, the commercial register has been marked on June 26, 2019, and the fair value of these shares on March 31, 2020 amounted to 41,730,000 EGP at 1,07 EGP per share.