

# MOSTAFA SHAWKI

**PALM HILLS DEVELOPMENTS COMPANY**

**(An Egyptian Joint Stock Company)**

**Consolidated Financial Statements**

**As of 31 December 2021**

**Together with Auditor's Report**

### **Auditor's report**

#### **To the gentlemen / shareholders and members of the Board of Directors Palm Hills Development Company and its subsidiaries**

We have reviewed the attached consolidated financial statements of Palm Hills Development Company "Egyptian joint stock company", which are represented in the consolidated financial position on December 31, 2021, as well as the consolidated statements of income (profits and losses), comprehensive income, change in equity and cash flows for the financial year ended on that date, in addition to a summary Significant accounting policies and other accompanying notes

#### **Management's responsibility for the consolidated financial statements.**

These consolidated financial statements are the responsibility of the company's management, as the management is responsible for preparing and presenting the financial statements in a fair and clear presentation in accordance with Egyptian accounting standards and in light of the Egyptian laws in force. Any material misstatements, whether due to fraud or error, and this responsibility includes selecting and applying appropriate accounting policies and making accounting estimates that are appropriate in the circumstances.

#### **Auditor's responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We audited in accordance with Egyptian auditing standards and in light of the Egyptian laws in force. These standards require planning and performing the audit to obtain appropriate assurance that the financial statements are free from any material errors.

The audit work includes performing procedures to obtain audit evidence about the values and disclosures in the financial statements, and the procedures selected depend on the personal judgment of the auditor, and this includes assessing the risks of material misstatement in the consolidated financial statements, whether resulting from fraud or error, and when assessing these risks, consideration is given to The internal control related to the company's preparation of the consolidated financial statements and their fair and clear presentation in order to design appropriate audit procedures and not for the purpose of expressing an opinion on the efficiency of the company's internal control. Presented the financial statements.

We believe that the audit evidence that we have obtained is sufficient and appropriate and is an appropriate basis for expressing our opinion on the financial statements.

**The opinion**

In our opinion, the consolidated financial statements referred to above express fairly and clearly in all their important aspects the consolidated financial position of Palm Hills Development Company "an Egyptian joint stock company" on December 31, 2021, and its consolidated financial performance and consolidated cash flows for the financial year ending on that date, in accordance with To the Egyptian accounting standards and in light of the relevant Egyptian laws and regulations

**Explanatory paragraphs**

While not affecting the auditor's unqualified opinion, some lands have been recorded in the books of the company and its subsidiaries under the preliminary contracts or letters of allocation received from the New Urban Communities Authority (in the Sixth of October City and New Cairo City and from the competent agencies entrusted with concluding primary contracts and issuing letters of allocation), where it stops and transfers And registering the ownership on the fulfillment of the financial standards and the constructional executive conditions and the completion of those projects, taking into account the proof of construction and construction costs only in the joint projects without the cost of the land on which those projects are built.

- In addition to what was stated in the previous paragraph, the company has recorded the revenues generated from the units under construction or under delivery of the contracted units in application of the accounting policy for the recognition of revenues according to the extent of fulfillment of contract obligations at the contract unit level, where the progress in fulfilling contract obligations is determined and measured using The method of outputs in the inventory of the completed performance until the date of preparing the financial statements based on the opinion of the engineering management of the company, for the contracted units at the level of each stage (Notes 29, 30, 64, 65).

**Report on other legal and regulatory requirements**

The company and its subsidiaries keep regular financial accounts that include everything that the law and the company's system stipulate that it must be recorded in them, and that the consolidated financial statements are consistent with what is stated in those accounts.

The company's board of directors also decided, in its session held on February 15, 2022, to approve the adoption of a disclosure form to reduce the capital by destroying treasury shares in accordance with the provisions of Article (48) of the rules for listing and writing off securities on the Egyptian Stock Exchange (Note No. 77, 61, 17).

Cairo on: ~~March~~ 1 / 2022

Auditor

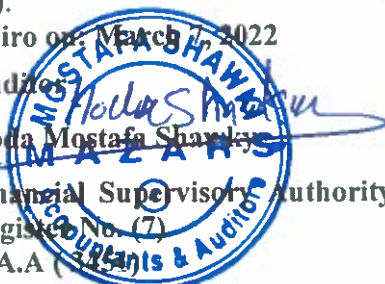
Hoda Mostafa Shawky

Financial Supervisor Authority

Registered No. (7)

R.A.A (154)

Mazars Mostafa Shawky



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

**As of 31 December 2021**

	Note no.	31 Dec 2021 EGP	31 Dec 2020 EGP
<b>Non-current assets</b>			
Investments in associates	(35 · b11 · d8)	213 673 757	150 481 920
Investment property	(36, c11)	170 828 879	174 011 283
Fixed assets (net)	(37 · 13)	2 718 635 212	2 762 305 090
Projects under construction	(38 · 12)	7 640 536	97 871 372
Advance payments for investments acquisition	(39)	194 907 301	313 390 301
Employee stock ownership plan (ESOP)	(74)	77 610 000	53 040 000
Deferred tax assets	(b23)	788 628	3 049 521
Right of use asset	(40)	15 831 709	--
Other long-term assets		1 337 915	1 505 155
Notes receivable - long term	(41 · 16)	10 319 458 233	11 973 347 014
Notes receivable - long term for undelivered units	(42)	4 815 037 989	3 364 837 300
<b>Total non-current assets</b>		<b>18 535 750 159</b>	<b>18 893 838 956</b>
<b>Current assets</b>			
Works in process	(43 · 14)	8 698 435 064	7 699 912 574
Accounts receivable	(44)	1 885 116 352	1 475 741 903
Debtors and other debit balances	(45)	1 437 231 691	1 084 155 779
Suppliers - advance payments		657 534 518	514 994 304
Due from related parties	(46 · 72 · 27)	343 876 737	439 196 050
Financial investments at amortized cost	(47, 33/5)	2 435 941 373	1 369 132 280
Investments at fair value through profit and loss	(33/5)	60 725 679	215 712 935
Notes receivable - short term	(41 · 16)	4 040 523 707	3 521 425 905
Notes receivable - short term for undelivered units	(42)	1 787 053 580	1 504 137 465
Cash and cash equivalents	(48 · 32)	1 017 868 885	1 579 149 924
<b>Total current assets</b>		<b>22 364 307 586</b>	<b>19 403 559 119</b>
<b>Current liabilities</b>			
Banks - credit balances	(49)	99 796 140	90 966 967
Bank- overdraft	(50)	1 661 691 055	1 334 506 443
Current portion of Short-term loans	(51)	220 788 000	183 435 222
Notes payable - short term	(a 52)	1 340 828 591	1 030 233 337
Advances from customers	(53)	8 374 372 531	10 760 054 353
liabilities for checks received from customers	(54)	6 602 091 568	4 868 974 765
Completion of infrastructure liabilities	(21)	58 062 734	58 062 734
Lease contract liabilities - short term	(55)	5 315 642	--
Current portion of land purchase liabilities	(56 · 20)	127 785 639	134 159 466
Due to related parties	(57 · 72 · 27)	4 864 005	2 535 616
Joint shares arrangement - short term	(58)	2 161 334 185	1 179 376 457
Creditors & other credit balances	(59)	1 042 545 113	784 588 614
Suppliers And contractors		1 130 851 889	834 286 957
Investments purchase liabilities		20 717 554	--
Provisions	(19)	182 587 332	176 792 225
Income tax payable	(70 · a23)	166 759 387	37 270 445
<b>Total current liabilities</b>		<b>23 200 391 365</b>	<b>21 475 243 601</b>
(inability) Working capital		(836 083 779)	(2 071 684 482)
<b>Total investment</b>		<b>17 699 666 380</b>	<b>16 822 154 474</b>
<b>Financed as follows:</b>			
<b>Shareholders' equity</b>			
Share capital	(60)	6 162 499 270	6 235 199 270
Treasury shares - In Cost	(61 · 17)	(69 839 608)	(46 990 266)
Legal reserve	(a 62)	809 228 807	779 730 041
Special reserve	(b 62)	176 513 271	176 513 271
ESOP Re-Measurement Reserve	(74)	(390 000)	(24 960 000)
Retained earning		1 235 062 133	1 036 333 384
Net profit for the Year		824 360 337	711 817 635
Net controlling equities		9 137 434 210	8 867 643 335
Non-controlling equities		454 189 051	583 301 606
<b>Total shareholders' equity</b>		<b>9 591 623 261</b>	<b>9 450 944 941</b>
<b>Non-current liabilities</b>			
Loans long-term	(51)	1 877 815 695	2 193 851 355
Notes payable - long term	(b 52)	2 212 834 840	2 151 086 266
Land purchase liabilities - Long Term	(56 · 20)	84 252 431	90 488 428
Other long-term liabilities - Residents' Association	(63)	3 856 263 893	2 935 783 484
Lease contract liabilities - long term	(55)	5 998 308	--
Joint shares arrangement - long term	(58)	70 877 952	--
<b>Total non-current liabilities</b>		<b>8 108 043 119</b>	<b>7 371 209 533</b>
<b>Total equity and non-current liabilities</b>		<b>17 699 666 380</b>	<b>16 822 154 474</b>

- Auditor's report attached.
- The accompanying notes are integral part of the financial statements.

Chairman  
Yasseen Mansour

Chief Financial Officer  
Ali Thabet

*Translation of Income Statements*

*Originally Issued in Arabic*

**PALM HILLS DEVELOPMENTS COMPANY S.A.E**  
**CONSOLIDATED STATEMENT OF INCOME (PROFIT OR LOSS)**  
**For The Financial Year Ended In 31 December 2021**

	<u>Note No.</u>	<u>31 Dec 2021</u> <u>EGP</u>	<u>31 Dec 2020</u> <u>EGP</u>
Revenues	(64.29)	7 717 121 214	5 207 530 113
<b><u>Deduct: -</u></b>			
Cost of revenues	(65.30)	5 015 919 243	3 175 719 070
Cash discount		70 030 716	17 704 052
Gross profit		<u>2 631 171 255</u>	<u>2 014 106 991</u>
<b><u>Deduct: -</u></b>			
General administrative, selling and marketing expenses	(66)	1 167 864 886	886 086 693
Depreciation and amortization	(40.36 .37)	174 799 135	105 251 413
Finance costs & interests	(67.25)	333 244 231	293 536 370
Provision	(19)	12 052 492	1 400 000
Provision that are not intended		(6 640 111)	--
(Reply) Expected credit losses	(68)	<u>(390 969)</u>	<u>5 950 106</u>
Total general, administrative, marketing and financing expenses, depreciation		<u>1 680 929 664</u>	<u>1 292 224 582</u>
<b><u>Add</u></b>			
Amortization of discount on notes receivables		17 448 949	17 120 880
Gains on investments in fair value through profit or loss	(69)	12 959 103	8 463 120
Credit interest and financial investment returns at amortized cost	(b31)	43 603 728	39 377 582
Total other revenues		<u>74 011 780</u>	<u>64 961 582</u>
Net profit for the Year before income tax & non-controlling equities		<u>1 024 253 371</u>	<u>786 843 991</u>
<b><u>Deduct: -</u></b>			
Income tax	(70 . a 23)	166 718 526	37 172 195
Deferred tax	(b 23)	1 473 506	500 441
Net profit for the Year before & non-controlling interest		<u>856 061 339</u>	<u>749 171 355</u>
<b><u>Deduct: -</u></b>			
Non-controlling equities share- subsidiaries		31 701 002	37 353 720
Net profit for the Year after income tax & non-controlling equities		<u>824 360 337</u>	<u>711 817 635</u>
Earnings per share for profits	(71.26)	<u>0,271</u>	<u>0,231</u>

- The accompanying notes are integral part of the financial statements.

**Chairman**

**Chief Financial Officer**

**Yasseen Mansour**

**Ali Thabet**

**PALM HILLS DEVELOPMENTS COMPANY S.A.E**  
**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**For The Financial Year Ended In 31 December 2021**

	<u>31 Dec 2021</u>	<u>31 Dec 2021</u>
	<u>EGP</u>	<u>EGP</u>
Net profit for the Year	824 360 337	711 817 635
Other comprehensive income	--	--
Total comprehensive income for the Year, net of tax	<u>824 360 337</u>	<u>711 817 635</u>
<b><u>Attributable to: -</u></b>		
Equity holders of the parent	824 360 337	711 817 635
Non-controlling equities	31 701 002	37 353 720
	<u>856 061 339</u>	<u>749 171 355</u>

- The accompanying notes are integral part of the financial statements

**Chairman**

**Chief Financial Officer**

**Yasseen Mansour**

**Ali Thabet**

*Translation of Cash Flow Statements*

*Originally Issued in Arabic*

**PALM HILLS DEVELOPMENTS COMPANY S.A.E**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**For The Financial Year Ended In 31 December 2021**

	<u>Note No.</u>	<u>31 Dec 2021</u> <u>EGP</u>	<u>31 Dec 2021</u> <u>EGP</u>
Net profit for the year before income tax & non-controlling equities		1 024 253 371	786 843 991
<u>Adjustments to reconcile net profit to net cash from operating activities</u>			
Depreciation and amortization	(40·36·37)	185 914 384	125 124 182
Provision	(19)	12 052 492	1 400 000
Finance costs & interests	(67·25)	333 244 231	293 536 370
Expected credit losses	(68)	(390 969)	5 950 106
Gain (loss) on disposal of fixed assets	(37)	(10 908 789)	(75 059)
Share of investments in associates Loss	(35·b11·d8)	(26 095 328)	4 887 893
Amortization of discount on notes receivables	(41)	(17 448 949)	(17 120 880)
Gains on investments in fair value through profit or loss	(33/5)	(12 959 103)	(8 463 120)
Credit interest and financial investment returns at amortized cost	(33/5)	(43 603 728)	(39 377 582)
Operating profit before changes in working capital items		1 444 057 612	1 152 705 901
<u>Cash flow from operation activates</u>			
Change in work in process	(43·14)	(958 319 790)	722 073 800
Change In Financial investments at amortized cost	(47·33/5)	(1 066 809 092)	(444 755 431)
Change in notes receivables	(41·16)	1 152 239 927	(336 137 252)
Change in investments in fair value through profit or loss	(33/5)	154 987 256	(128 199 915)
Change in accounts receivable	(44)	(409 887 126)	(207 871 307)
Change in suppliers - advance payments		(142 540 214)	(63 465 804)
Change in debtors & other debit balances	(45)	(353 072 676)	(166 812 141)
Change in due from related parties	(46·72·27)	96 202 244	(21 653 745)
Change in advances from customers	(53)	(2 385 681 822)	1 416 419 416
Change in Liabilities to complete facilities	(21)	-	(37 020 682)
Used From Provisions	(19)	(6 257 385)	(5 326 157)
Change in notes payable	(52)	510 384 057	9 979 404
Change in due To related parties	(57·72·27)	2 328 389	(4 103 938)
Change in suppliers & contractors		296 564 936	72 126 242
Income Tax paid	(70)	(37 229 585)	(97 523 986)
Change in creditors and other credit balances	(59)	257 956 499	153 804 224
Change in other long term – Residents' Association	(63)	920 480 409	562 927 452
Change in due to joint arrangement partners	(58)	1 052 835 680	(673 948 010)
Net cash provided by operating activities		528 239 318	1 903 218 071
<u>Cash flows from investing activities</u>			
Payments for purchase of fixed assets	(37)	(57 798 248)	(52 719 316)
Proceeds from sale of fixed assets	(37)	13 036 923	543 372
Payments for associate's investment	(35)	(10 367 500)	(12 000 000)
Paid From Lease contract liabilities	(55)	(4 517 760)	-
Proceeds for associate's investment	(35)	77 471 546	-
Payments for advance payments for investments acquisition	(39)	-	(118 483 000)
Payments for projects under construction	(38·12)	(1 145 045)	(40 528 373)
Adjustments To Property investment	(36)	(318 227)	(999 649)
proceeds from other assets		167 240	(114 422)
Proceeds from investments in fair value through profit or loss	(33/5)	12 959 103	8 463 120
Proceeds From Financial investments at amortized cost	(47·33/5)	43 603 728	39 377 582
Net cash provided by (used in) investing activities		73 091 760	(176 460 686)
<u>Cash flows from financing activities</u>			
Payments for Banks - credit balances	(49)	8 829 173	3 729 254
Proceeds from Banks – overdraft	(50)	327 184 612	71 193 844
Payments for Treasury stock	(61)	(69 839 608)	(46 990 266)
dividends		(337 843 877)	-
Non-controlling equities dividends		(160 813 557)	(8 793 989)
Adjustments to retained earnings		(171 455 976)	(764 891 009)
Deferred tax	(b23)	787 387	-
Payment of loans	(51)	(779 316 289)	(930 147 513)
Proceeds from loans	(51)	491 123 000	464 454 637
Finance costs & interests paid	(67·25)	(471 284 460)	(311 240 460)
Net cash (used in) financing activities		(1 162 629 595)	(1 522 685 502)
Net increase in cash and cash equivalents during the year		(561 298 517)	204 071 883
Cash and cash equivalents at beginning of the year		1 579 149 924	1 375 178 390
Expected credit impact (losses)		17 478	(100 349)
Cash and cash equivalents as of 31 December 2021	(48·32)	1 017 868 885	1 579 149 924

- Non- Cash transactions are excluded from the cash flow statement.
- The accompanying notes 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 Financial Year Ended In 31 December 2021**

	Share Capital	Legal reserve	Special reserve	Reserve for ESOP re-measurement	Retained earnings (losses)	Treasury stock	Net profit for the Year	Total before Non-controlling equities	Total Non-controlling equities	Total
	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP
Balance as of 1 January 2020	6 235 199 270	728 358 146	176 513 271	(9 828 000)	995 810 936	-	846 785 352	8 982 838 975	554 741 876	9 537 580 851
Transferred to retained earnings	-	-	-	-	846 785 352	-	(846 785 352)	-	-	-
Transferred to legal reserve	-	41 371 895	-	-	(41 371 895)	-	-	-	-	-
Treasury shares in cost	-	-	-	-	-	(46 990 266)	-	(46 990 266)	-	(46 990 266)
Amounts set aside for Employee stock ownership plan (ESOP)	-	-	-	(15 132 000)	-	-	-	(15 132 000)	-	(15 132 000)
Adjustments to retained earnings	-	-	-	-	(764 891 009)	-	-	(764 891 009)	-	(764 891 009)
Dividends – Non-Controlling equities	-	-	-	-	-	-	-	-	(8 793 990)	(8 793 990)
Net profit for the Year	-	-	-	-	-	-	711 817 635	711 817 635	37 353 720	749 171 355
Balance as of 31 December 2020	6 235 199 270	779 730 041	176 513 271	(24 960 000)	1 036 333 384	(46 990 266)	711 817 635	8 867 643 335	583 301 606	9 450 944 941
Balance as of 1 January 2021	6 235 199 270	779 730 041	176 513 271	(24 960 000)	1 036 333 384	(46 990 266)	711 817 635	8 867 643 335	583 301 606	9 450 944 941
Transferred to retained earnings	-	-	-	-	711 817 635	-	(711 817 635)	-	-	-
Capital deduction - Destruction of treasury shares	(72 700 000)	-	-	-	25 709 734	46 990 266	-	-	-	-
Transferred to legal reserve	-	29 498 766	-	-	(29 498 766)	-	-	-	-	-
Adjustments to non-controlling interest	-	-	-	-	-	-	-	-	45 438 184	45 438 184
Treasury stock purchasing	-	-	-	-	-	(69 839 608)	-	(69 839 608)	-	(69 839 608)
Amounts set aside for Employee stock ownership plan (ESOP)	-	-	-	24 570 000	-	-	-	24 570 000	-	24 570 000
Adjustments to retained earnings	-	-	-	-	(171 455 977)	-	-	(171 455 977)	-	(171 455 977)
Dividends – Non-Controlling equities	-	-	-	-	(337 843 877)	-	-	(337 843 877)	(206 251 741)	(544 095 618)
Net profit for the Year	-	-	-	-	-	-	824 360 337	824 360 337	31 701 002	856 061 339
Balance as of 31 December 2021	6 162 499 270	809 228 807	176 513 271	(390 000)	1 235 062 133	(69 839 608)	824 360 337	9 137 434 210	454 189 051	9 591 623 261

The accompanying notes are an integral part of these financial statements and are to be read therewith.

Chief Financial Officer

Alli Thabet

Chairman

Yasseen Mansour



**Palm Hills Developments Company**  
**(S.A.E)**  
**Notes to the Consolidated**  
**Financial Statements As Of 31 December 2022**

**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 of Associated services and facilities, leasing and the construction of integrated projects along with managing the entertainment activities Associated with the companies in activities. All such activities are subject to the approval of appropriate authorities.

**3. THE COMPANY'S LOCATION**

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

**4. COMMERCIAL REGISTER**

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

**5. Financial Year**

The financial year begins on the first of March of each year and ends on February 28 of each year. The extraordinary general assembly held on September 19, 2007 decided to amend the company's articles of association to start the fiscal year on the first of January and end on December 31 of each year

**6. AUTHORIZATION OF THE FINANCIAL STATEMENTS**

The Consolidated financial statements for the Period ended on 31 December 2021 were authorized for issue by the board of directors on 7 March 2022

**7. STOCK EXCHANGE LISTING**

The company was listed in the informal schedule No. (2) in the Cairo and Alexandria stock exchanges on December 27, 2006, and on April 2008, the company was registered in the official table, and the company has adjusted its positions in accordance with the decision of the Board of Directors of the Egyptian Financial Supervisory Authority No. 11 of 2014 in its session held on January 22, 2014 regarding the rules for listing and writing off securities on the Egyptian Stock Exchange, taking into account all subsequent amendments to those the rules.

## **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 Associates 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.

**- Palm Construction and Urban Development**

Palm Construction and Urban Development - the real estate developer, contracted with one of the owners of a 32-acre plot of land in the new city of Alamein to establish a residential and tourist project under the partnership system, according to which the company collects 70% of the project's revenue in return for marketing, management and development of the project, while the other party collects the 30% of the project's revenue in exchange for land and external facilities, and the company has started marketing the project as of March 2021.

**d) Investments in Associates and subsidiaries**

**1- Direct investments in Associates and subsidiaries as following: -**

	<u>Percentage 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%
Khedma for managing tourist resorts and real estate	99.96%
Rakeen Egypt for Real Estate Investment S.A.E	99.9454%
Palm Hills Sports	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 Construction, real state development. S.A.E	99.4%

	<u>Percentage share %</u>
Palm Hills Properties S.A.E	99.2%
Palm for Club Management S.A.E	99.2%
Palm Alexandria for Real Estate S.A.E	99.2%
United Engineering for Construction S.A.E	98.88%
Palm Hills Hospitality S.A.E	98%
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%
Palm October for Hotels S.A.E	00.24%
IFS Facilities Management S.A.E	49%
Inspired Education– Egypt S.A.E	1%
East New Cairo Real Estate Development S.A.E	10,998%

**2- Indirect investments in Associates and subsidiaries as following: -**

	<u>Percentage share %</u>
Palm North Coast Hotels S.A.E	97.412%
Middle East Company for Real Estate and Touristic Investment S.A.E	96.04%
Palm Gamsha Hotels S.A.E	87.50%
Asten College for Education	71.82%
Palm Hills for Education S.A.E	98.63%
The Egyptian International Company for Higher Education S.A.E	40%
Inspired For Education – Egypt S.A.E	48.71%
Disney investment S.A.E	35.31%
The Cocory-Co for Food and Restaurant Supply S.A.E	29.82%

**1- Direct investments in Associates and subsidiaries**

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

An Egyptian joint stock company subject to the provisions of Law No. 8 of 1997 relating to the Law on Investment Guarantees and Incentives, replaced by Law 72 of 2017, and Law 159 of 1981 and their executive regulations.

The company's purpose is to invest in real estate in cities, new urban communities, remote areas and areas outside the Old Valley, and to engage in complementary activities related to the company's activity.

The company was registered in the commercial registry under No. 21091 on November 8, 2006.

The issued and paid-up capital is 150 million Egyptian pounds, and the company's contribution is 99.99% of the issued capital.

The company started its activity by acquiring a number of plots of land in the North Coast with a total area of 574.32 acres in the district of Sidi Abdel Rahman - El Alamein Center - Matrouh Governorate.

**-Gawda for Trade Services S.A.E**

An Egyptian joint stock company subject to the provisions of Law No. 159 of 1981 and Law No. 95 of 1992 and their executive regulations.

The purpose of the company is to divide and market lands in new urban communities, real estate investment in general, and provide all kinds of consultations except for legal advice.

The company was registered in the commercial registry under No. 10242 on August 27, 2003.

The paid-in capital is 25,000,000 Egyptian pounds, and the company's contribution is 99.996% of the issued capital.

The company started its activity by acquiring an area of 40 acres in the Sixth of October City, for the purpose of establishing a tourist residential compound. All works in the project are in progress

**-New Cairo for Real Estate Developments S.A.E**

An Egyptian joint stock company subject to the provisions of Law No. 8 of 1997 relating to the Investment Guarantees and Incentives Law, replaced by Law 72 of 2017 and Law 159 of 1981 and their executive regulations.

The purpose of the company is to establish hotels, hotel apartments, and tourist villages, and the service activities associated with them, including the practice of family and administrative construction activities.

The company was registered in the commercial registry under No. 12613 on the first of June 2005.

The paid-in capital of the company is 100,000 Egyptian pounds, and the company's contribution is 99.985% of the issued capital

The company started its activity by acquiring 25,036 acres in the Southern Investors Area in New Cairo to carry out its activity, and all works related to the project are being completed

**-Khedma for the management of tourist resorts and real estate S.A.E**

An Egyptian joint stock company subject to the provisions of Law No. 159 of 1981 and Law No. 95 of 1992 and their implementing regulations. The purpose of the company is to supervise project implementation and project management. The company was registered in the Commercial Register No. 136337 on June 18, 2019.

The paid-in capital is 5,000,000 Egyptian pounds, and the company's contribution is 99.96% of the issued capital.

**-Rakeen Egypt for Real Estate Investment S.A.E**

An Egyptian joint stock company subject to the provisions of Law No. 8 of 1997 relating to the Investment Guarantees and Incentives Law, replaced by Law 72 of 2017 and Law 159 of 1981 and their executive regulations.

The purpose of the company is to establish and build hotels, hotel villages, hotel apartments, construct urban areas, and real estate investment in all its forms and types.

The company was registered in the commercial registry under No. 34611 on June 4, 2007.

The paid-in capital is 55,000,000 Egyptian pounds, and the company's contribution is 99.9454% of the issued capital.

The company started its activity through the development of the Palm Parks project on an area of 113 acres in the Sixth of October City, in addition to an area of 116.81 acres on the North Coast, the Hacienda White (2) project.

#### **-Palm Sports Clubs Company S.A.E**

The Palm Sports Company for Clubs was established as an "Egyptian joint stock company" in accordance with the provisions of Law No. 72 of 2017, and taking into account the provisions of Law No. 95 of 1992 issuing the capital law and its executive regulations.

The company was registered in Commercial Registry No. 8348 on December 5, 2019, and the issued capital is EGP 2,800,000, and the company's contribution is 99.9% of the capital.

The main activity of the company is in the sports field services, including management, marketing, operation, sports management and the establishment of private clubs, academies, health clubs and fitness centers.

The company started its main and usual activity by concluding a contract to manage the Palm Hills Club - Palm Hills Resort in the Sixth of October City - owned by Palm Hills Development Company as of January 1, 2020.

#### **-Palm for Real Estate Development S.A.E**

Palm Real Estate Development Company "Egyptian Joint Stock Company" was established in accordance with the provisions of Law No. 159 of 1981 promulgating the Law of Joint Stock Companies, Partnerships Limited by Shares and Limited Liability Companies and its Executive Regulations, and taking into account the provisions of Law No. 95 of 1992 issuing the Capital Law and its Executive Regulations.

The company was registered in Commercial Registry No. 83974 on June 14, 2015. The issued and paid-in capital is 10,250,000 Egyptian pounds, and the company's contribution is 99.4% of the capital.

The main activity of the company is real estate investment, buying, dividing and selling lands, building real estate on them of all kinds, establishing, managing, owning, selling and renting apartments and commercial malls, establishing and operating fixed hotels, reclamation, cultivation and preparation of lands.

The company (as a first party) has started its main and usual activity in the field of real estate development through a partnership contract with one of the companies operating in the same field, according to which the company (as a first party) obtains 64% of the contractual value of the contracted units in return for marketing expenses And the construction costs of the contracted units, while the company (the second party) gets 36% of the contractual value of the contracted units in return for the cost of the land and the implementation of external facilities. The company has started marketing the first phase of the agreement on an area of approximately 103 acres - in New Cairo City Gardens.

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

**Palm Investment and Real Estate Development Company was established as an "Egyptian Joint Stock Company" in accordance with the provisions of Law No. 159 of 1981 promulgating the Law of Joint Stock Companies, Partnerships Limited by Shares and Limited Liability Companies and its executive regulations, and taking into account the provisions of Law No. 95 of 1992 issuing the Capital Law and its Executive Regulations.**

**The company was registered in Commercial Registry No. 85861 on September 1, 2015. The issued and paid-in capital is EGP 250,000, and the company's shareholding is 99.4% of the capital.**

**The main activity of the company is the real estate investment and marketing, the establishment, management, ownership, sale and leasing of apartments and commercial malls, the establishment and operation of fixed hotels and sports clubs, tourism management and marketing, the establishment and operation of centers for the preparation and training of human resources**

**The company (as a first party) has started its main and usual activity in the field of real estate development through a partnership contract with one of the authorities entrusted with allocating lands, according to which the company obtains approximately 72% of the contractual values of the contracted units, while the second party collects a percentage of Approximately 28% of the contracted units for the cost of land and the implementation of external facilities, on an area of 501.20 acres in New Cairo**

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

**Palm Hills Development for Tourism and Real Estate was established as an "Egyptian joint stock company" in accordance with the provisions of Law No. 159 of 1981 promulgating the Law of Joint Stock Companies, Partnerships Limited by Shares and Limited Liability Companies and its executive regulations, and taking into account the provisions of Law No. 95 of 1992 issuing the Capital Law and its Executive Regulations.**

**The company was registered in Commercial Registry No. 92998 on April 26, 2016. The issued and paid-in capital is EGP 250,000, and the company's contribution is 99.4% of the capital.**

**The main activity of the company is real estate investment, buying, dividing and selling lands, building real estate on them of all kinds, establishing, managing, owning, selling and renting apartments and commercial malls, establishing and operating fixed hotels, reclamation, cultivation and preparation of lands**

**The company (as a second party) has started its main and usual activity in the field of real estate development through a partnership contract with one of the companies operating in the same field, according to which the company (as a second party) obtains 80% of the contractual value of the contracted units in return for marketing expenses And the construction costs of the contracted units, while the company (the first party) gets 20% of the contractual value of the contracted units against the cost of the project's land, which has an area of approximately 134.58 acres, kilo 85 Alexandria Road - Hacienda West Project**

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

**Palm Hills for Tourism Investment Company was established as an "Egyptian joint stock company" in accordance with the provisions of Law No. 159 of 1981 promulgating the Law of Joint Stock Companies, Partnerships Limited by Shares and Limited Liability Companies and its Executive Regulations, and taking into account the provisions of Law No. 95 of 1992 issuing the Capital Law and its Executive Regulations.**

**The company was registered in Commercial Registry No. 9 3156 on the first of May 3, 2016, and the issued and paid-up capital amounted to 250,000 Egyptian pounds, and the company's shareholding was 99.4% of the capital.**

**The main activity of the company is the real estate investment and marketing, the establishment, management, ownership, sale and leasing of apartments and commercial malls, the establishment and operation of fixed hotels and sports clubs, tourism management and marketing, the establishment and operation of centers for the preparation and training of human resources**

**\* The company started its main activity by investing in the capital of the Disney Investment Company**

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

**Palm Hills Resorts Company was established as an "Egyptian joint stock company" in accordance with the provisions of Law No. 159 of 1981 promulgating the Law of Joint Stock Companies, Partnerships Limited by Shares and Limited Liability Companies and its Executive Regulations, and taking into account the provisions of Law No. 95 of 1992 issuing the Capital Law and its Executive Regulations.**

**The company was registered in Commercial Registry No. 9 3163 on May 3, 2016. The issued and paid-in capital is EGP 250,000, and the company's contribution is 99.2% of the capital.**

**The main activity of the company is the real estate investment and marketing, the establishment, management, ownership, sale and leasing of apartments and commercial malls, the establishment and operation of fixed hotels, motels, apartments, hotel suites and tourist villages at a level of no less than three stars, management and tourism marketing, establishment and operation of sports clubs.**

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

**Palm Urban Development Company "Egyptian Joint Stock Company" was established in accordance with the provisions of Law No. 159 of 1981 and taking into account the provisions of Law No. 95 of 1992 and its executive regulations.**

**The company was registered in the commercial registry No. 99183 on November 21, 2016. The issued and paid-in capital is EGP 250,000, and the company's contribution is 99.40% of the capital.**

**The main activity of the company is the real estate investment and development and the planning and construction of urban areas.**

**Palm Hills Development Company and Palm Urban Development Company (a subsidiary company) contracted with the Urban Communities Authority as**



real estate developers to develop an integrated urban project with the participation system - (Badia) project on an area of 3000 acres in the West Cairo area on the basis of the revenue sharing system, so that the companies - the real estate developer 74% for the management, marketing and development of the project, while the authority gets 26% of the revenues to be paid in light of the approved schedules for paying the annual payments, in addition to an in-kind share of the project units in exchange for land and the supply of external facilities for the project. Real estate developers have started marketing work and development of the project as of May 2018.

#### **Palm Construction and Real Estate Development Company**

Palm Construction and Real Estate Development Company was established as an "Egyptian joint stock company" in accordance with the provisions of Law No. 159 of 1981 and considering the provisions of Law No. 95 of 1992 and its executive regulations. The company was registered in the commercial registry No. 120165 on April 18, 2018, and the issued and paid-in capital is 250,000 Egyptian pounds, and the company's contribution is 99.40% of the capital

. The main activity of the company is the planning and construction of urban areas and equipping them with facilities and services.

The company started its main and usual activity through a partnership contract with one of the parties to establish a residential and tourist project on an area of 32 acres in El Alamein City, according to which the company obtains 70% of the revenue in return for the works of managing, marketing and developing the project, while the other party that owns the land gets on 30% of the revenue – the company started marketing the project as of March 2021.

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

Palm Hills Properties Company was established as an "Egyptian joint stock company" in accordance with the provisions of Law No. 159 of 1981 promulgating the Law of Joint Stock Companies, Partnerships Limited by Shares and Limited Liability Companies and its Executive Regulations and taking into account the provisions of Law No. 95 of 1992 issuing the Capital Law and its Executive Regulations.

The company was registered in the commercial registry No. 88228 on November 26, 2015. The issued and paid-in capital is EGP 250,000, and the company's shareholding is 99.2% of the capital.

The main activity of the company is to carry out investment and real estate marketing, establishment, management, ownership, sale and leasing of apartments and commercial malls, establishment and operation of fixed hotels, motels, apartments, hotel suites and tourist villages at a level of no less than three stars, management and tourism marketing, establishment and operation of sports clubs.

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

Palm for Club Management Company was established as an "Egyptian joint stock company" in accordance with the provisions of Law No. 159 of 1981 promulgating the Law of Joint Stock Companies, Partnerships Limited by Shares and Limited Liability Companies and its Executive Regulations, and taking into account the provisions of Law No. 95 of 1992 issuing the Capital Law and its Executive Regulations.

The company was registered in the commercial registry No. 101134 on January 17, 2017, and the issued and paid-in capital is 250,000 Egyptian pounds, and the company's contribution is 99.2% of the capital.

The main activity of the company is the real estate investment and marketing, the establishment, management, ownership, sale and leasing of apartments and commercial malls, the establishment and operation of fixed hotels, motels, apartments, hotel suites and tourist villages with a level of no less than three stars, management and tourism marketing, establishment and operation of sports clubs.

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

Palm Alexandria for Real Estate Company was established as an "Egyptian joint stock company" in accordance with the provisions of Law No. 159 of 1981 promulgating the Law of Joint Stock Companies, Partnerships Limited by Shares and Limited Liability Companies and its Executive Regulations, and taking into account the provisions of Law No. 95 of 1992 issuing the Capital Law and its Executive Regulations.

The company was registered in the commercial registry No. 101133 on January 17, 2017, and the issued and paid-in capital is 250,000 Egyptian pounds, and the company's contribution is 99.2% of the capital.

The main activity of the company is investment and real estate development, planning and construction of urban areas and equipping them with all facilities

\* The company started its main and usual activity by acquiring a plot of land with an area of 13,800 square meters in the eastern expansions in Sixth of October City.

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

United Engineering for construction Company was established as an "Egyptian joint stock company" in accordance with the provisions of Law No. 159 of 1981 promulgating the Law of Joint Stock Companies, Partnerships Limited by Shares and Limited Liability Companies and its Executive Regulations, and taking into account the provisions of Law No. 95 of 1992 issuing the Capital Law and its Executive Regulations.

The company was registered in Commercial Registry No. 56910 on February 29, 2012, and the issued and paid-in capital amounted to 20,000,000 Egyptian pounds, and the company's shareholding was 99.25% of the capital.

The main activity of the company is carrying out construction and building works, finishing works, decorations and general supplies, and carrying out construction and building activities related to residential and commercial projects, hotels, beach resorts, areas and recreational projects, and carrying out infrastructure and utilities works for projects, as well as engineering consultancy.

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

An Egyptian joint stock company subject to the provisions of Law No. 159 of 1981 and its executive regulations. The purpose of the company is to establish, manage, own and operate fixed hotels, establishments, tourist villages, motels and hotel apartments, in addition to the timeshare system.

The company was registered in the commercial registry No. 45441 on April 27, 2011 and the paid-in capital is 62,500 Egyptian pounds. The contribution of Palm Hills Development Company to the capital of Palm Hills Hotels Company is 98% of the issued capital.

\* The company did not start practicing its main activity until the date of issuing the financial statements.

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

An Egyptian joint stock company subject to the provisions of Law No. 159 of 1981 and its executive regulations.

The purpose of the company is to invest in real estate, construction and construction, and develop urban areas.

The company was registered in the commercial registry under No. 59772 on November 13, 2009.

The paid-in capital is EGP 38 125 000, and the direct contribution is 89% of the issued capital, in addition to an indirect contribution of 10.998%, through the contribution of 99.985% of Palm Hills Development Company in the capital of the New Cairo Real Estate Development Company, which owns 11% From the issued capital of East New Cairo Real Estate Development Company.

The company started its activity by acquiring three plots of land with an area of 171.22 acres in New Cairo to establish integrated tourist residential communities.

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

An Egyptian joint stock company established on June 8, 2000 in accordance with the provisions of Law No. 95 of 1992 and its executive regulations, with the aim of participating in the establishment of companies that issue securities, or contributing to them, or increasing their capital.

The issued and paid-up capital is 95,402,000 Egyptian pounds, and the company's contribution is 60% of the issued capital. Its main activity is owning and operating several fixed-floating hotels.

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

An Egyptian joint stock company subject to the provisions of Law No. 8 of 1997 Law of Investment Guarantees and Incentives, replaced by Law No. 72 of 2017, Law No. 159 of 1981 and their executive regulations.

The purpose of the company is to establish and operate a five-star hotel in Hamata, as well as to establish an integrated development project and operate a five-star hotel in the second area of the Ain Sokhna tourist sector.

The company was registered in the commercial registry under No. 32915 on June 8, 2005.

The paid-in capital is 103,250,000 Egyptian pounds, and the company's contribution to the issued capital is 60%.

The company started its activity by acquiring an area of 1297.86 acres in Ain Sukhna, as well as a usufruct of an area of 2.447 acres in the same area, for the purpose of establishing a residential tourist complex in addition to a five-star hotel. The project and decided to return the land to the Tourism Development Authority.

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

An Egyptian joint stock company in accordance with the provisions of Law No. 8 of 1997 - Investment Guarantees and Incentives Law, replaced by Law 72 of 2017 and Law No. 159 of 1981 and their executive regulations.

The company's purpose is to invest in real estate in new cities and urban communities, and establish tourist villages.

The registration was made in the Commercial Register under No. 33955 on April 15, 2007.

The paid-in capital is EGP 125,000,000, and the company's contribution is 59% of the issued capital.

The company started its activity through the acquisition and purchase of an area of approximately 22.68 acres in the Red Sea area - north of Hurghada - Gamsha Center to carry out its activity.

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

An Egyptian joint stock company subject to the provisions of Law No. 8 of 1997 relating to the Investment Guarantees and Incentives Law and Law 159 of 1981 and their executive regulations.

The company's purpose is to invest in real estate in new urban cities and communities, and establish residential compounds, villas, and tourist villages, including integrated contracting for the company's and third-party projects.

The company was registered in the commercial registry under No. 21574 on December 7, 2006.

The paid-up capital is 15,000,000 Egyptian pounds, and the company's contribution is 51% of the issued capital.

The company started its activity by acquiring an area of 294,000 square meters within the space designated for the Sixth of October Development Company to conduct its activity "Casa Project".

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

An Egyptian joint stock company subject to the provisions of Law 8 of 1997 Law of Investment Guarantees and Incentives, replaced by Law 72 of 2017, Investment and Law 159 of 1981 and their executive regulations.

The company's purpose is to invest in real estate in new cities and urban communities and complementary activities related to the company's activity.

The company was registered in the commercial registry under No. 27613 on October 4, 2007.

The paid-in capital is EGP 99,186,000, and the company's contribution is 51% of the issued capital.

The company began to carry out its activity by acquiring an area of approximately 3.2029 acres in the district of Mostafa Kamel - Alexandria Governorate to carry out its activity and in light of the re-examination of the economic feasibility towards the development of that area, the company decided not to complete the studies related to the project, and the plot of land referred to has been sold to it under a preliminary sale contract on 1st June 2015.

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

An Egyptian joint stock company subject to the provisions of Law No. 159 of 1981 regarding the issuance of the Law of Joint Stock Companies, Partnerships Limited by Shares, and Limited Liability Companies and its executive regulations.

The company's purpose is to establish a distinguished residential project complete with buildings, facilities and services called "Oasis of Palaces", as well as family and commercial construction activities and commercial services.

The company was registered in the commercial registry under No. 1971 on November 26, 1998.

The paid-in capital is 10,000,000 Egyptian pounds, and the company's contribution is 51% of the issued capital.

The company started its activity by acquiring an area of 56.77 acres in the Sixth of October, in addition to an area of 39,533 acres in New Cairo to carry out its activity.

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

An Egyptian joint stock company subject to the provisions of Law No. 159 of 1981, taking into account the provisions of Law 95 of 1992 issuing the Capital Law and its executive regulations.

The company is engaged in marketing, buying and selling real estate, real estate investment, real estate brokerage and advertising.

The company was registered in the commercial registry under No. 15970 on August 17, 2005. The paid-in capital of the company is 500,000 Egyptian pounds, and the company's contribution is 49% of the issued capital.

\* The company did not start practicing its main activity until the date of issuing the financial statements.

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

An Egyptian joint stock company in accordance with the provisions of Law No. 159 of 1981 and its executive regulations. The company's purpose is to establish, manage, own and operate fixed hotels, establishments, tourist villages and hotel apartments, in addition to the timeshare system.

The company was registered in Commercial Registry No. 38357 on April 22, 2011, and the issued and paid-up capital amounted to 250,000 100,000 Egyptian pounds. The direct contribution to Palm October Hotels Company is 0.2443%. Also, Palm Hills Development owns an indirect contribution rate of 97, 75%, through its contribution of 98% in the capital of Palm Hills Hotels Company, whose contribution in the capital of October Hotels Company is 99.75% of the issued capital.

\* The company did not start practicing its main activity until the date of issuing the financial statements

#### **IFS Facilities Management S.A.E**

An Egyptian joint stock company in accordance with the provisions of Law No. 159 of 1981 and its executive regulations. The company's purpose is to manage tourist facilities, commercial centers, project management, supplies and contracting, building maintenance and general trade. The company was registered in Commercial Registry No. 12862 on December 10, 2018 and the issued and paid-up capital amounted to 000 000 2 Egyptian pounds, and the company's shareholding is 49% of the issued capital.

#### **Inspired Education S.A.E – Egypt**

An Egyptian joint stock company subject to the provisions of Law No. 159 of 1981 and Investment Law No. 72 of 2017 and their executive regulations. The main purpose of the company is to establish, manage or operate schools, without prejudice to the applicable laws and regulations and on the condition that the necessary licenses are issued. The company was registered in Commercial Register No. 162856 on 4 March 2021 The total issued capital

### **2- Indirect investments in Associates and subsidiaries**

	<b><u>Percentage share %</u></b>
Middle East Company for Real Estate and Touristic Investment S.A.E	87.50%
Palm North Coast Hotels S.A.E	97.412%
Palm Gamsha Hotels 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 Hills for Education S.A.E	98.63%
The Egyptian International Company for Higher Education S.A.E	40%
Inspired For Education – Egypt S.A.E	48.71%
Disney investment S.A.E	35.31%
The Cocory-Co for Food and Restaurant Supply S.A.E	29.82%

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

An Egyptian joint stock company subject to the provisions of Law No. 159 of 1981 and its executive regulations. The company's purpose is to establish, manage, own and operate fixed hotels, establishments, tourist villages, motels and hotel apartments, in addition to the timeshare system, import, export and commercial agencies.

The company was registered in the Commercial Registry No. 48189 on September 26, 2011 and the paid-in capital is 62,500 Egyptian pounds. The contribution of Palm Hills Hotels Company in the capital of Palm North Coast Hotels Company is 97.41% of the issued capital of Palm North Coast Hotels Company, through the contribution of the Palm North Coast Hotels Company Palm Hills Developments in Palm Hills Hotels Company owns 98% of the issued capital.

\* The company did not start practicing its main activity until the date of preparing the lists.

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

An Egyptian joint stock company subject to the provisions of Law No. 159 of 1981 and its executive regulations. The company's purpose is to establish, manage, own and operate fixed hotels, establishments, tourist villages, motels and hotel apartments at a level of no less than three stars, in addition to the timeshare system.

The company was registered in the commercial registry No. 46193 on September 3, 2011. The paid-in capital is 62,500 Egyptian pounds. The contribution of Palm Hills Hotels Company in the capital of Palm Gamsha Hotels Company is 96.04% of the issued capital of Palm Gamsha Hotels Company, through the contribution of Palm Hills Development Company. In the capital of Palm Hills Hotels Company by 98%.

\* The company did not start practicing its main activity until the date of preparing the lists

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

An Egyptian joint stock company subject to the provisions of Law No. 8 of 1997, Law of Investment Guarantees and Incentives, replaced by Law No. 72 of 2017, Law No. 159 of 1981 and their executive regulations.

The company's purpose is to invest in real estate in cities, new urban communities, hotel apartments and tourist villages.

The company was registered in the commercial registry under No. 25016 on September 4, 2007.

The paid-in capital is EGP 20,000,000, and the Palm Hills Middle East Real Estate Investment Company's contribution to the company is 87.5% of the issued capital. The Palm Hills Development Company's contribution to the capital of Palm Hills Middle East Real Estate Investment is 99.99%.

The company started its activity by acquiring an area of 58.24 acres in the district of Sidi Abdel Rahman - El Alamein Center - Matrouh Governorate.

#### **Palm Hills Education Company**

Palm Hills Education Company was established as an "Egyptian joint stock company" in accordance with the provisions of Law No. 159 of 1981 promulgating the Law of Joint Stock Companies, Partnerships Limited by Shares and Limited Liability Companies and its Executive Regulations, and taking into account the provisions of Law No. 95 of 1992 issuing the Capital Law and its Executive Regulations.

The company was registered in Commercial Registry No. 103987 on February 28, 2017, and the issued and paid-up capital is EGP 14,900,000. The contribution of Palm Hills Real Estate Company is 71.83% of the capital, and Palm Hills Development Company's contribution to its capital is 99.20%.

The main activity of the company is the establishment, management, rental and equipping of schools that do not exceed secondary education, and the management and operation of centers for the preparation, training and development of human resources.

\* The company started its main and usual activity by investing in the capital of one of the companies working in the field of education.

**-Asten college for education**

An Egyptian joint stock company subject to the provisions of Law No. 159 of 1981 and Law No. 95 of 1992 and their executive regulations and investment incentives and Law No. 159 of 1981

and their executive regulations.

The purpose of the company is to establish, operate, manage, rent and equip schools with no more than secondary education, and to establish, operate and manage human resource preparation and development centers.

The company was registered in the commercial registry under No. 106243 on May 30, 2017.

The paid-in capital is EGP 20,000,000, where the contribution of Palm Hills Education Company to the issued capital of the company is 71%, while the contribution of Palm Hills Development Company to the capital of Palm Hills Education Company is 71.04%

**-Egyptian International Company for Higher Education S.A.E**

An Egyptian joint stock company subject to the provisions of Law No. 159 of 1981 regarding the Shareholding Companies Law and the Recommendation of Shares. The company's purpose is to establish universities, establish and manage a center for the preparation, development and training of human resources, and provide consultancy in the field of education. The company was registered in the commercial registry under No. 161102 on February 1 2021.

The issued capital is 100 million Egyptian pounds, and the shareholders paid 25% of the capital, so the paid-up capital becomes 25 million Egyptian pounds, and the shareholder of Palm Hills Education Company is 40% in the company's capital.

**--Inspired Education Company – Egypt**

An Egyptian joint stock company subject to the provisions of Law No. 72 of 2017, and the company's purpose is to establish, manage or operate schools, without prejudice to the provisions of applicable laws and regulations. The company was registered in the Commercial Register under No. 162856 on March 4, 2021



The issued capital amounted to 3 million Egyptian pounds, and the shareholders paid 25% of the capital, so the paid-up capital became 750,000 Egyptian pounds, and the company's share in the capital was 48.71% through an investment of 47.71%, which amounts to the contribution of Palm Hills Development in its capital 99.40%.

**-Disney investment company**

An Egyptian joint stock company subject to the provisions of Law No. 43 of 1974, and the company's purpose is to invest funds in all areas mentioned in Article No. (3) of Law No. 43 of 1974 amended by Law No. 32 of 1977, provided that its purposes do not include accepting deposits or performing banking activities, and That the company submit an independent application for the work of a consulting project that it is undertaking or participating in it in any way, provided that it enjoys the aforementioned law and it may have an interest or stipulate in any way with the companies, and the project has been added to the activity to establish a 3-star tourist village on Egypt Road Alexandria and Matrouh Desert under the name of Bagus Tourist Village. The company was registered in the commercial registry under No. 243944 on December 7, 1986.

The issued and paid-in capital amounted to 15 million Egyptian pounds, and the shareholders paid 100% of the capital. The contribution of Palm Hills Development Company in the capital of the company is 35.31% through indirect investment through one of its subsidiaries, which is Palm Hills Tourism Investment Company, which acquired The number of 53,290 shares of Disney Investment Company shares is 35.52%, and the contribution of Palm Hills Development Company in the capital of Palm Hills Tourism Investment Company is 99.40%.

**-The Cocry-Co Company for Food and Restaurant Supply S.A.E**

An Egyptian joint stock company subject to the provisions of Law No. 159 of 1981. The purpose of the company is to provide catering and hospitality services, to establish, operate and manage restaurants and fixed cafes, and to supply food and beverages for parties and seminars.

The issued and fully paid-up capital is 357,100 Egyptian pounds, and Palm Hills Development Company's contribution to the capital is 29.81%, through indirect investment through one of its subsidiaries - Palm Touristic Resorts Company, which owns 99.40% in its capital shares.

**(E) management of service activities**

The company purchased the Palm Hills Club in the Sixth of October City, which is dedicated to the entire resort

Palm Hills, which was acquired through a sale contract dated October 1, 2007 from one of the sister companies, and the club's activities began as of the 2010 fiscal year.

## **9. STATEMENT OF COMPLIANCE**

During the fiscal year ending on March 31, 2022, the group companies committed to applying the new Egyptian accounting standards issued by Ministerial Resolution No. 110 of 2015 and amended by Ministerial Resolution No. 69 of 2019, and by following the same accounting policies previously applied when preparing the last financial statements 31 March 2022, which have not yet occurred Any amendments or any update except for what is mentioned in disclosure (10) Paragraph (F)

## **10. SIGNIFICANT ACCOUNTING POLICIES APPLIED**

### **a) Basics of consolidated financial statements preparation**

The preparation of financial statements is the responsibility of the company's management, and accounting policies are developed and implemented, and those financial statements are prepared in accordance with Egyptian accounting standards and international accounting standards, in what is not mentioned in any of the Egyptian accounting standards issued by Ministerial Resolution No. (110) for the year 2015 and amended by Ministerial Resolution No. 69 of 2019 and the relevant Egyptian accounting standards were applied when preparing the financial statements on March 31, 2022, with the exception of unrelated Egyptian accounting standards.

### **b) Basics of consolidation**

The consolidated financial statements include a complete compilation of subsidiaries, which are all companies in which Palm Hills Development Company has the ability to control the financial and operating policies in general or owns more than half of the voting rights, and potential voting rights that can be exercised or transferred are taken into account when determining them. Whether or not Palm Hills Development Company controls another company, and the consolidated financial statements of Palm Hills Development Company "Egyptian Joint Stock Company" include the financial statements of the subsidiaries mentioned in Note No. (8D), except for the following companies:

	<u>Percentage share %</u>	<u>Nature</u>
- Coldwell Banker Palm Hills for Real Estate	49%	Associates
- EFS palm for facilities services	49%	Associates
- Inspired for Education - Egypt	49.71%	Associates
- Egyptian international company for higher education	40%	Associates
- Disney investment company	35.31%	Associates
- The Cocry-Co Company for Food and Restaurant Supply S.A.E	29.82%	Associates

\* 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, considering 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 Decarate 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.

**c) Business combination**

The business combination is accounted for by applying the acquisition method, where the initial recognition of the identifiable acquired assets separately from the goodwill, as well as the incurred liabilities and any non-controlling rights in the acquiring entity. The indirect costs related to the acquisition are treated as an expense in the periods in which those costs are incurred and the services are received, excluding the costs of issuing equity or debt instruments directly related to the acquisition process.

(Egyptian Accounting Standard 29 on Business Combinations).

**d) 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.

### **e) 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.

### **f) Changes in accounting policies**

According to Minister of Investment Decision No. (69) of 2019 amending some provisions of the Egyptian Accounting Standards issued by Ministerial Resolution No. (110) of 2015, where the decision included the issuance of some new standards in addition to amendments to some existing standards, provided that the application of these standards begins as of January 1, 2020.

On April 12, 2020, the Financial Supervisory Authority issued a decision regarding postponing the application of amendments in the new Egyptian accounting standards to the periodic financial statements and limiting them to the annual financial statements by the end of 2020.

On September 17, 2020, the Prime Minister's Decision No. 1871 of 2020 was issued to postpone the application of the following Egyptian accounting standards until January 1, 2021:

(a) Standard (48) - Revenue from contracts with customers.

(B) Standard (49) - Lease Contracts.

(C) Standard (47) - Financial Instruments.

The opening balance of the retained earnings shall be adjusted on January 1, 2021, with the cumulative effect modified for the first time application, and the comparative numbers shall not be modified with the requirements of the new standards.

**The new standards are as follows:**

(a) Egyptian Accounting Standard No. (48) Revenue from contracts with customers

The application of the standard starts from January 1, 2021, and it may be applied early, as this standard replaced the Egyptian Accounting Standard No. (8) for construction contracts, as well as the Egyptian Accounting Standard No. (11). The standard for revenue recognition requires five steps to be achieved to fulfill the procedures for the conditions for revenue recognition, as follows:

- 1- Determine the parties to the contract.
- 2- Determining performance obligations (the rights of each party)
- 3- Determining the transaction price (against the goods or services to be transferred).
- 4- Allocating the transaction price (distributing the transaction price to the performance obligations in the event that the contract has more than one performance obligation).
- 5- Contract revenue is recognized when or as the company progresses in fulfilling its performance obligations

This standard also specifies how to account for the direct costs incurred in connection with the contract with the customer, as well as any additional costs for obtaining the contract with revenue

**Application effect:**

There is no impact from applying the new standard to retained earnings on January 1, 2021, as the revenue recognition policy with clients approved by the company's management and followed by the company is in line with the standard.

(B) Egyptian Accounting Standard No. (49) Lease Contracts

The application of the standard begins as of January 1, 2021, and may be applied early, as Egyptian Accounting Standard No. (49) on lease contracts has replaced Egyptian Accounting Standard No. (20) on accounting rules and standards related to financial leasing operations, as follows:

**If the company is a tenant:**

The right to usufruct the leased asset within the assets is recognized at cost at the beginning of the contract in return for proving the lease contract obligations at the present value of the unpaid lease payments on that date within the company's obligations, provided that the asset "right of use" is consumed from the date of the beginning of the contract until the end of the useful life of the asset subject of the contract In accordance with the depreciation requirements contained in Egyptian Accounting Standard No. (10), any impairment losses in the value of the asset, "Right of Use", if any, are calculated.

There are optional exemptions from the application of the standard for short-term lease contracts and lease contracts of small value.

**If the company is a lessor:**

- The lessor must classify the lease contract (a contract that transfers the right to use the underlying asset for a period of time in exchange for amounts due for collection) according to the substance of the transaction and not the form of the contract, where the contracts are classified according to the following:-

**Finance lease:**

- Where the assets held are recognized if the contract transfers substantially all the risks and benefits of ownership of the asset, in this case it is considered a finance lease and presented as receivable amounts in an amount equal to the net investment (total amounts receivable under the contract, which represent lease payments) in a contract Leasing (net investment in lease contracts) Finance income is also distributed over the lease term on a regular and logical basis that reflects a constant periodic source of return for the net investment leased in the lease contract.

**Operating lease:**

- If the contract does not transfer substantially all the risks and benefits of ownership of the asset, then it is considered an operating lease, where operating lease contracts are recognized as income, either on a straight-line basis or on any other regular basis

**Sale and leaseback transactions:**

If the leased seller (transfers an asset to another facility) the leased purchaser (and leases this asset again from the leased purchaser, both the leased vendor and the leased purchaser must account for the transfer contract and the lease contract by evaluating whether the asset transfer is a sale according to follows:

**Transferring the asset represents a sale:**

If the transfer of the asset by the seller (the lessee) satisfies the requirements for fulfilling the performance obligation in Egyptian Accounting Standard No. (48) revenue from contracts with customers and for the purchaser (the lessor) to control (the ability to direct the use of the asset and obtain all remaining benefits from it) over That asset is accounted for as a sale of this asset, and it is accounted for according to the following:

- The seller (the lessee) must record the “right of use” asset in accordance with the requirements of Egyptian Accounting Standard No. (49) on lease contracts with respect to the lessee.
- When purchasing the asset, the buyer (the lessor) must apply the standards applicable to it and apply the requirements of Egyptian Accounting Standard No. (49) related to lease contracts with respect to the lessor.

#### **Transferring an asset is not a sale**

- If the transfer of the asset by the seller (the lessee) does not meet the performance obligation requirements in Egyptian Accounting Standard No. (48) Revenue from contracts with customers for the purchaser (the lessor) to control (the ability to direct the use of the asset and obtain all remaining benefits from it) On that asset, this transaction is considered financing, not selling the asset, and it is accounted for according to the following:
  - The seller (the lessee) must continue to recognize the transferred asset in its books in return for proving a financial liability equal to the proceeds of the transfer, provided that this obligation is accounted for in accordance with Egyptian Accounting Standard No. (47).
  - The buyer (the lessor) may not recognize the transferred asset, and he must recognize a financial asset equal to the transfer proceeds, and the financial asset is accounted for in accordance with Egyptian Accounting Standard No. (47).

#### **Application effect:**

- The impact has been proven in accordance with the requirements of the standard on lease contracts as a lessee and disclosed in the notes No. (40, 55), and there is no impact from the application of Egyptian Accounting Standard No. (49) on the financial statements with regard to sale and leaseback transactions, the accounting treatment followed by the company upon proof It complies with Egyptian Accounting Standard No. (49) on lease contracts with regard to the conditions for proving lease contracts and their exemptions, and the conditions for proving sales and lease back contracts

#### **(C) Egyptian Accounting Standard No. (47) on Financial Instruments**

The application of this standard will start from the beginning of 2021, with a deferral of the manifestation of the accounting effect

Until December 31, 2021, the standard requires the development of financial reporting principles for financial assets and liabilities to present appropriate and useful information for users of financial statements in their estimation of the amounts of future cash flows of the enterprise, their timing and uncertainty, as follows: -

The standard requires that financial assets be classified on the basis of their subsequent measurement, either at amortized cost, at fair value through other comprehensive income, or at fair value through profit and loss.

Financial liabilities are classified on the basis of their subsequent measurement at amortized cost, except for financial liabilities at fair value through profit and loss and financial liabilities that arise when the transfer of a financial asset does not qualify for derecognition.

The company must record a loss allowance against the expected credit losses from the financial asset being measured (according to this standard) or from any rental amounts receivable in accordance with Accounting Standard No. (49) for lease contracts or the origin of a contract with a customer in accordance with Egyptian Accounting Standard No. (48) related to revenue from contracts with customers or from loan commitments and financial guarantee contracts. If the expected credit risk at the reporting date has increased substantially for a financial instrument after initial recognition, the company must measure the impairment loss for that financial instrument in an amount equal to the expected credit losses for a period of 12 Month.

When the credit risk on a financial instrument increases substantially after the initial recognition, where the company must use the change in the payment risk over the life of the financial instrument, instead of the expected credit loss, where the risk of failure to pay on the financial instrument at the date of the assessment is compared. The report and compare it with the same risks at the date of initial recognition, which is an indication of significant increases in credit risk.

It also deals with the accounting standard for hedging instruments where the requirements are to be applied in the future.

**Application effect:**

The accounting impact of applying the standard for the financial period ending on March 31, 2022 has been included, and the impact of this on the income statement was included and disclosed in the notes Nos. (41, 42, 44, 45, 46, 48).

**(g) Recording of transactions in the books of the group companies**

**• Dealing and presentation currency**

Transactions are recorded in the books in the currency of the economic environment in which the enterprise conducts its main activities, which is the Egyptian pound. Transactions in foreign currencies are recorded upon initial recognition on the basis of translating the value of the foreign currency using the current exchange rate prevailing between the dealing currency and the foreign currency on the date of proof of those transactions.

**Transactions and Balances**

Translate monetary items in foreign currencies on the date of preparing the financial statements (if any) using the closing rate - the prevailing exchange rate in the free market for foreign exchange at the end of the financial period, provided that the result of the re-measurement is included in the income statement (profits and losses).

Items of a non-monetary nature in foreign currencies on the date of preparing the financial statements (if any), which are measured at historical cost, are translated using the exchange rates prevailing at the date of recording those transactions.



Items of a non-monetary nature in foreign currencies on the date of preparing the financial statements (if any) that are measured at fair value are translated using the exchange rates prevailing on the date on which the fair value was determined.

**(h) operating segments**

**operational sector**

An element that participates in business activities from which it can earn revenues and incur expenses in return, including expenses and revenues associated with transactions with other operating segments, the operating results of which are reviewed regularly and separate financial information is available.

The company owns a specific and only main activity sector, which is the real estate investment activity of all kinds.

**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) 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 6<sup>th</sup> of October City, as well infrastructure and construction costs of such projects. Projects under construction also include acquisition of commercial shops from an Associates 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	25-30.33%
Vehicles	25%

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

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

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

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

## **14. WORK IN PROCESS**

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

### **17/1- Financial Assets**

The company applies a three-stage approach to measure the expected credit losses from financial assets recorded at amortized cost and debt instruments at fair value through other comprehensive income. The assets move between the following three stages based on the change in the credit quality of the financial asset since its initial recognition.

#### **Stage one: 12-month expected credit loss**

The first stage includes financial assets on initial recognition that do not have a significant increase in credit risk since initial recognition or that have relatively low credit risk. For these assets, 12-month expected credit losses are recognized 12-month expected credit losses are the expected credit losses that may result from a default event within 12 months after the date of the financial statements.

#### **Stage 2: Lifetime ECL - with no credit impairment**

The second stage includes financial assets that have had a significant increase in credit risk since initial recognition, but there is no objective evidence of impairment. Expected credit losses are recognized over the life of those assets, life expected credit losses are the expected credit losses resulting from all possible failures over the expected life of the financial instrument.

At the end of each reporting period, the Company assesses whether there has been a significant increase in the credit risk of financial assets since the first recognition. The Company uses both quantitative and qualitative information to determine whether there has been a significant increase in credit risk based on the characteristics of the financial asset. Quantitative information can be a downgrade of a credit rating without an investment grade. Qualitative information is obtained by monitoring current or expected adverse changes in business, financial or economic conditions that are expected to cause a material (negative) change in the debtor's ability to meet its obligations to the company.

In addition, the Company uses its own internal credit rating indicators to apply quantitative factors in assessing whether there has been a significant increase in credit risk. The company considers that the credit risk has increased significantly if the internal credit rating deteriorates significantly at the end of each financial period compared to the original internal rating, if a significant increase in material risk is identified, this leads to the transfer of all instruments in the range held with that party from The first to the second stage.

#### Stage Three: Lifetime Expected Credit Loss - Credit Impairment

The third stage includes financial assets for which there is objective evidence of impairment at the date of the financial statements. For these assets, life-long expected credit losses are recognized.

The company identifies financial assets for which there is objective evidence of impairment under Egyptian Accounting Standard No. (47) by applying the definition of default used for credit risk management purposes. The company defines default as: any counterparty who is unable to meet its obligations (regardless of the amount involved or the number of days due).

When applying this definition, the following information may serve as evidence that a financial asset is credit-impaired:

- a breach of contract such as default or late payment;
- it is probable that the customer will enter bankruptcy or other financial restructuring; or
- The client faces great financial difficulty due to the disappearance of an active market.

The company reviews all of its financial assets, except for the financial assets that are measured at fair value through profit or loss, to assess the extent of impairment in their value, as shown below. Financial assets are classified at the date of the financial statements into three stages

The first stage: financial assets that have not experienced a significant increase in credit risk since the date of initial recognition, and the expected credit loss is calculated for them for a period of 12 months.

The second stage: the financial assets that have witnessed a significant increase in credit risk since the initial recognition or the date under implementation, and the expected credit loss is calculated for them over the life of the asset.

The third stage: the financial assets that have experienced impairment in their value, which requires calculating the expected credit loss over the life of the asset on the basis of the difference between the book value of the instrument and the present value of the expected future cash flows.

Credit losses and impairment losses relating to financial instruments are measured as follows:

- The financial instrument is classified as low risk upon initial recognition in the first stage and the credit risk is continuously monitored by the company's credit risk department.
- If it is determined that there has been a significant increase in the credit risk since the initial recognition, the financial instrument is transferred to the second stage, where it is not yet considered impaired at this stage.
- In the event that there are indications of impairment in the value of the financial instrument, it is transferred to the third stage

The financial assets created or acquired by the company are classified and include a higher rate of credit risk than the company's rates for low-risk financial assets at the initial recognition of the second stage directly, and therefore the expected credit losses are measured on the basis of the expected credit losses over the life of the asset.

#### 17/2 Impairment of non-financial assets

Impairment of assets is the amount by which the carrying amount of the asset or cash-generating unit exceeds its recoverable amount, which represents the fair value of the asset less costs to sell or its value in use (the present value of future cash flows expected to occur from the asset), whichever is greater, where the impairment in the value of the asset is charged On the income statement (profits and losses), and in the event that there are indications of an increase in the value of the asset, the loss resulting from the impairment of the value of the asset is reversed in the income statement (profits and losses) provided that it does not exceed the book value of the asset before reducing the value of impairment.

#### 19. PROVISION

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

#### 20. LAND PURCHASE LIABILITY

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

## **21. COMPLETION OF INFRASTRUCTURE LIABILITIES**

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

## **22. CAPITALIZATION OF BORROWING COST**

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

## **23. INCOME TAX**

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

### **(A) Current income tax**

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

### **(B) Deferred tax**

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

## **24. SHARE PREMIUM**

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

## **25. BORROWING COSTS**

The amount and value of the borrowing is initially recognized in the values received, and the amounts due within a year are classified within the current obligations, unless the company has the right to postpone the payment of the loan balance for a period of more than one year after the date of the financial statements, then the loan balance is presented within the long-term liabilities.

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

## **26. EARNINGS PER SHARE**

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

## **27. RELATED PARTY TRANSACTIONS**

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

## **28. LEASING CONTRACTS**

### **1) Asset Lease Contracts**

The "right of use" asset and the lease liability are recognized at the start date of the contract, where the "right of use" is measured at cost at the start date of the lease, and the cost of the "right of use" asset includes the initial measurement amount of the lease commitment and any lease payments made on or before the start date. The lease contract and any direct costs and any costs incurred in dismantling and removing the underlying asset. The lease obligations are measured at the present value of the lease payments unpaid on that date using the interest rate implicit in the lease. The lease payments are the payments following the right to use the asset, whether payments Fixed or variable payments (LIBOR) or amounts expected to be repaid under guarantees, the exercise price of the purchase option, and penalty payments for terminating the lease.

#### **Post measurement**

- At the end of the period, the "right of use" asset is depreciated from the date of the start of the lease contract until the end of the useful life of the asset subject of the contract in accordance with the depreciation requirements contained in Egyptian Accounting Standard No. (10), if the purchase option is to be exercised. Otherwise, the asset is depreciated to the end of the period. The useful life or the end of the lease term, whichever is sooner, and any impairment losses in the value of the usufruct asset, if any.
- After the lease date, the lease obligations are measured to reflect changes in lease payments as follows: -
  - A. Increasing the carrying amount to reflect the interest on the lease commitment.
  - B. Reducing the carrying amount to reflect the rental payments.
  - C. Remeasure the carrying amount to reflect any revaluation or lease modifications.

**D. If there is a change in future lease payments as a result of a change in the interest rate used to determine the lease payments, the lease liability is re-measured to reflect the revised lease payments.**

**2) Contracts of sale with leaseback**

**In the case of sale with leaseback, the asset transfer process is evaluated if it is a sale (the buyer obtains control of the asset, directs its use and obtains the remaining benefits from it) or is not a sale, as follows:**

**Transferring the asset represents a sale**

**The asset is recognized as a usufruct in accordance with the requirements of the Egyptian Accounting Standard No. (49) on lease contracts in exchange for proving the lease contract obligations at the present value of the lease payments as commitments as stated in the policy of lease contracts listed in item (a) above, where the contract is classified in this case as a lease contract.**

**Transferring an asset is not a sale**

**The transferred asset is recognized in the company's books within the assets in exchange for a financial obligation equal to the transfer proceeds in the contract, and this obligation is accounted for in accordance with the Egyptian Accounting Standard No. (47), where the contract in this case is classified as a financing contract with the guarantee of the asset.**

**3) Exemptions from recognition**

**The company may choose not to apply the Egyptian Accounting Standard No. (49) on lease contracts for short-term leases and low-value lease contracts.**

**29. REVENUE FROM CUSTOMER CONTRACTS**

- **The company has applied the Egyptian Accounting Standard No. (48) for revenue from customer contracts, where the company recognizes the revenue generated from contracts with customers in light of the terms of the Egyptian Accounting Standard No. (48) by defining and applying the following procedures:**
  - **Determine the contract.**
  - **Determine performance obligations.**
  - **Determining the transaction price.**
  - **Distributing the transaction price to the performance obligations in the event that the client contract includes more than one performance obligation.**
  - **Revenue from customer contracts is recognized over time (fulfillment of performance obligations over a period of time representing the time in which performance obligations are fulfilled) if one of the following criteria is met:**
    - A- The customer receives the benefits resulting from the performance of the facility and consumes them at the time the company implements the implementation.**
    - or b- As a result of the performance obligations, the company creates or improves an asset.**



Or c- The company's performance does not result in the creation of an asset that has no alternative use, and the company has an enforceable right to collect payment for performance completed to date.

- Revenue from customer contracts is recognized at a point in time if the performance obligations are not fulfilled over a period of time, as the company fulfills the performance obligation at a point in time, which is the point at which the customer obtains control of the asset - directing the use of the asset - and obtaining Approximately all residual benefits, in which case the company must recognize revenue because it has fulfilled its performance obligations.

### **30. 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 contract 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.

**31. 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) Gains on held-to-maturity investments**

Revenues resulting from investments in treasury bills and deposit certificates are recognized and recorded in the income statement (profits and losses) with the value of depreciation resulting from the consumption of issuance discount for the period from the date of acquisition and possession of those investments until the date of redemption and by following the maturity policy.

**c) 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 Associates 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.

**d) 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.

**e) 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.

f) 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.

g) Interest income

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

32. 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.

33. Financial instruments and their fair value

- financial assets

32-1 Recognition and initial measurement

The company initially recognizes debtors and debt instruments on the date of its inception, all financial assets and other financial obligations are initially recognized on the date of the transaction when the company becomes a party to the contractual provisions of the financial instrument.

The financial asset (unless the trade receivable does not have a significant financing component) or financial liability is initially measured at fair value plus transaction costs that directly cause its acquisition of the item not at fair value through profit or loss. Customers who do not have a significant financing component are initially measured at the transaction price

32-2 Financial Assets - Classification and Subsequent Measurement

Upon initial recognition, the financial asset is classified on (debt instruments) as measured at amortized cost or at fair value through other comprehensive income as investments in debt instruments and investments in equity instruments or at fair value through profits and losses.

Financial assets are not reclassified after initial recognition unless the company changes its business model for managing financial assets. In this case, all affected financial assets are reclassified on the first day of the first financial reporting period after the change in business model.

The financial asset (debt instruments) is classified as valued at amortized cost if it meets the following two conditions and is not classified as valued at fair value through profit or loss:

If the asset is to be held within a business model that aims to hold assets to collect contractual cash flows, and

In the event that the contractual terms of the financial assets give rise to cash flows on specified dates that are only principal and interest payments on the principal amount repayable.

The investment in debt instruments is classified at fair value through other comprehensive income if the following two conditions are met and is not determined as being valued at fair value through profit and loss:

It is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and

The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal and interest outstanding.

Upon initial recognition of an investment in equity instruments that are not held for the purpose of trading, the company can make an irrevocable choice to present it within other comprehensive income. Subsequent changes in the fair value of the investment appear within other comprehensive income items and are not reclassified in the income statement.

Financial assets that are not classified as valued at amortized cost or valued at fair value through other comprehensive income are classified as fair value through profit and loss, and this includes all financial assets derivatives. Upon initial recognition, the company may irrevocably designate a financial asset that meets the requirements to be measured at amortized cost, at fair value through comprehensive income, or at fair value through profit or loss if doing so eliminates or substantially reduces inconsistency in a measurement or recognition (sometimes referred to as an "accounting inconsistency") that may arise during that time.

No expected credit losses are calculated for equity instruments.

### **32-3 Financial Assets - Business Model Evaluation**

The company makes an objective assessment of the business model in which a financial asset is held at the portfolio level because this better reflects the way the business is conducted and information is presented to management. The information considered includes:

- The stated policies and objectives of the portfolio and the operation of those policies in practice. This includes whether management's strategy focuses on earning contractual interest income and maintaining a certain interest rate.
- How to evaluate the performance of the portfolio and report it to the company's management;

the risks that affect the performance of the business model (and the financial assets held in the business model) and how those risks are managed

The frequency, volume and timing of sales of financial assets in previous periods, the reasons for such sales, and expectations regarding future sales activity.

Financial assets held for trading whose performance is evaluated on a fair value basis are measured at fair value through profit or loss.

**32-4 Financial Assets - Assessment of whether the contractual flows are solely payments of principal and interest**

For the purposes of this assessment, the principal amount is the fair value of the financial asset at financial recognition and the interest is against the time value of money, against the credit risk associated with the principal amount outstanding over a certain period of time and against other basic lending risks and costs (liquidity risk and administrative costs), in addition to the profit margin .

In assessing whether the contractual cash flows are solely payments of interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows so that it would not meet this condition. When making this assessment, the Company considers:

- potential events that would change the amount or timing of cash flows;
- terms that may modify the rate of contractual payments, including variable rate features;
- Prepaid features and add-ons; (if any) and Conditions that limit a company's claim to cash flows from identified assets

The early payment benefit is consistent with payments of principal and interest only if the amount of the prepayment substantially represents the unpaid amounts of principal and interest on the principal amount owed, which may include reasonable compensation for early termination. In addition, for financial assets obtained at a discount or premium over the contractual face value, a feature that permits or requires early payment in an amount substantially the contractual amount plus the contractual interest accrued (but not paid) (which may also include reasonable compensation for early termination) is treated as compliant with this Standard if the fair value of the early settlement feature is ineffective on initial recognition.

**32-5 Financial Assets - Subsequent Measurement, Profits and Loss**

<b>Financial assets at fair value through profit or loss</b>	<b>Financial assets are subsequently measured at fair value, and changes in fair value, including any returns or dividends, are recognized in profit or loss.</b>
<b>Financial assets at amortized cost</b>	<b>Financial assets valued at amortized cost are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, exchange gains and losses and impairment are recognized in profit and loss, and gains and losses on disposal are recognized in profit and loss.</b>

<p><b>Debt instruments at fair value through other comprehensive income</b></p>	<p><b>Financial assets at fair value through comprehensive income are subsequently measured at fair value. Interest income is calculated using the effective interest method, gains and losses on currency differences and impairment are recognized in profit and loss. Other net gains and losses are recognized in comprehensive income. On disposal, the combined profit and loss in comprehensive income is reclassified to profit and loss.</b></p>
<p><b>Equity investments at fair value through other comprehensive income</b></p>	<p><b>Financial assets valued at fair value through comprehensive income are subsequently measured at fair value. Dividends are recognized as income in profit and loss unless the dividends clearly represent a recovery of part of the investment cost. Other net gains and losses that have been recognized in other comprehensive income are not reclassified at all to profit or loss.</b></p>

**32-6 Financial liabilities - classification and subsequent measurement, profits and losses**

Financial liabilities are classified as valued at amortized cost or at fair value through profit and loss.

Financial liabilities are classified as valued at fair value through profit and loss if they are classified as held for trading purposes, or they are within financial derivatives, or they are classified at fair value through profit or loss upon initial recognition.

Financial liabilities measured at fair value through profit and loss are measured at fair value and net gains and losses, including interest expense, are recognized in profit and loss.

Other financial obligations are subsequently measured at amortized cost using the effective interest method. Interest expense and gains and losses from changes in foreign exchange rates are recognized in profit and loss. Gains and losses resulting from disposal are recognized in profit and loss.

**32-7 DISPOSAL**

**financial assets**

The company derecognizes the financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the contractual rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset have been transferred, or in which the company does not transfer or retain bears all the risks and rewards of ownership and does not retain control over the financial assets.

The Company enters into transactions whereby it transfers the assets recognized in its statement of financial position, but retains all the risks and rewards of the transferred assets. In this case, the transferred assets are not excluded.

### **financial obligations**

Financial liabilities are derecognized when the contractual obligations are discharged, canceled or expired.

The company also derecognizes a financial liability when its terms are modified and the cash flows of the modified obligations are substantially different, in which case the new financial liabilities are recognized on the basis of the modified terms at fair value.

On derecognition of financial liabilities, the difference between the carrying amount and consideration paid (including any non-monetary assets transferred or liabilities assumed) is recognized in profit or loss.

### **32-8 Offsetting of Financial Instruments**

Financial assets and financial liabilities are offset, and the net reported in the statement of financial position when, and only when:

The company has a legally mandatory right to settle the recognized amounts, and when the company intends to settle the assets with the liabilities on a net basis or sell the assets and settle the liabilities simultaneously.

### **32-9 Derivative financial instruments and hedge accounting**

The Company holds derivative financial instruments to hedge its exposure to foreign exchange rate and interest rate risks. Implicit derivatives are separated from the host contract and accounted for separately if the host contract is not a financial asset and if specific conditions are met.

Derivatives are initially measured at fair value and the related transaction costs are recognized in profit or loss. After initial recognition the derivative is measured at fair value and any change in fair value is recognized in profit or loss

## **34. 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.

	<u>NOTE</u> <u>NO.</u>
BANK OVERDRAFT	(50)
NOTES PAYABLE -SHORT TERM	(52-a)
NOTES PAYABLE -LONG TERM	(52-b)
LOANS -SHORT TERM	(51)
LOANS -LONG TERM	(51)
FINANCIAL LEASING COMPANIES	(40,55)

**- Credit risk**

Credit risk is represented in the inability of clients granted credit to pay their dues. This risk is limited because the company deals with clients of good financial solvency, in addition to the company's failure to deliver the contracted units before the client deposits negotiable bank debt instruments against unpaid installments in the date of receipt (note 44).

Credit risk is represented in the inability of customers granted credit to pay their dues. This risk is limited because the company has developed a distinguished credit policy that includes obtaining advance payments, as well as customers negotiable bank debt instruments against the installments due on the date of receipt, in the event that the company deals with high-net-worth clients

In addition to the above, the customer contracts stipulate that the ownership of the units shall not be transferred to the customers before the full value of the units is paid, and therefore no losses or impairment in customer balances occurred before that.

The company also achieves direct and indirect profits in the event that customers do not pay the rest of the dues on the unit, as the contract is canceled and the amounts previously paid are refunded after deducting the cancellation fees according to the contract concluded, in addition to the positive change in selling prices and thus the contractual values of the units

**(c) market risk**

Market risk is represented in permanent or temporary negative fluctuations or both in the prices of securities in the stock market for securities available for sale, which may negatively reflect on the capital values of the company's portfolio of securities for the cost of acquisition, and the company follows a conservative policy for all its investments and this is reflected in the fair values of the portfolio .

**(d) investment risk**

The investment risk is represented in the possible decrease in the potential and expected returns and distributions in the companies invested in their capital and the possibility of reinvesting in other securities with relatively high returns, in addition to the potential risks of not appropriate diversification in the stock portfolio in all existing and potential investment sectors. The company follows a policy in managing the company's stock portfolio that will maximize returns, revenues and profits achieved through purchases and resales, as well as selling and repurchases, in addition to diversifying investment in investment sectors with relatively stable returns.

**(e) liquidity risk**

Liquidity risk is the factors that may affect the company's ability to pay part or all of its obligations, and according to the company's policy, appropriate liquidity is maintained to meet the company's current obligations, which affects the reduction of that risk to a minimum.



(f) foreign exchange risk

Foreign currency risk is the changes in foreign currency rates that affect payments and receipts in foreign currencies as well as the valuation of assets and liabilities in currencies. The foreign currency asset balances described above have been valued using the rate prevailing at the balance sheet date.

**35. INVESTMENT IN ASSOCIATES**

The consolidated balance of investments in Associates as of December 31, 2021, amounted to an amount EGP 213 673 757 as follows

	<u>31 Dec 2021</u> <u>EGP</u>	<u>31 Dec 2020</u> <u>EGP</u>
Naema for Touristic & Real Estate Investments S.A.E	86 770 963	77 902 192
Disney Beach S.A.E	104 121 304	--
Arkan palm for real state investment S.A.E	--	60 406 763
EFS palm for facilities services S.A.E	6 633 373	6 392 348
Villamora for Real Estate Development Company S.A.E	2 535 617	2 535 617
Palm Hills for Real Estate S.A.E-Coldwell Banker	245 000	245 000
Inspired Egypt for Education S.A.E	367 500	--
Egyptian International for Higher Education S.A.E	10 000 000	--
The Cookery - Co for catering and restaurants S.A.E	3 000 000	3 000 000
Balance on 31 December 2021	<u>213 673 757</u>	<u>150 481 920</u>

The following is a summary of the financial data for the Associates:

	<u>Assets</u>	<u>Liabilities</u>	<u>Shareholders'</u> <u>equity</u>	<u>Revenues</u>	<u>Expenses</u>
Naema for Touristic & Real Estate Investments	205 250 628	31 688 162	173 562 466	37 519 063	14 799 118
Palm Hills for Real Estate -Coldwell Banker	500 000	--	500 000	--	--
Villamora for Real Estate Development Company	2 535 619	--	2 535 619	--	--
EFS palm for facilities services	97 676 280	84 630 671	13 045 609	195 527 589	184 481 980

### **36. INVESTMENT PROPERTY**

The consolidated balance of real estate investments on 31 December 2021 amounted to 170 828 879 EGP and its balance is the value of the cost of land acquired by the company under letters of allocation, initial contracts, or contracts with squatters, where real estate investments are represented in the value of real estate (land) that was acquired and held. With the purpose of obtaining capital gains resulting from a positive change in the fair or market value or to achieve returns or both together, which are lands held for an unspecified future purpose at the present time, in addition to the construction cost of the shops at Palm Hills Resort on the 6th of October (Mall 88 Street) As well as the villas in Villa Mora Resort, as follows:

<u>Real estate investments - land</u>	<u>Acre</u>	<u>31 Dec 2021</u>	<u>31 Dec 2020</u>
		<u>EGP</u>	<u>EGP</u>
Gamsha for Tourist Development S.A.E	22,679	115 958 756	116 125 989
<b>Total real estate investment - land</b>		<b>115 958 756</b>	<b>116 125 989</b>
<u>Real Estate Investments - Buildings</u>			
<u>Commercial shops - Palm Hills Resort</u>			
Cost of shops (88 Street Mall)		68 954 767	68 469 307
Accumulated depreciation		(18 084 644)	(14 584 013)
Net cost of shops (88 Street Mall)		50 870 123	53 885 294
Villas at villa mora resort		4 000 000	4 000 000
<b>Balance on 31 December 2021</b>		<b>170 828 879</b>	<b>174 011 283</b>

The company has concluded contracts for the sale and leaseback of the commercial mall stores (Street 88) owned by the company with one of the companies operating in the same field, and these transactions have been proven as guarantees (power of sale) and obligations resulting from financial transactions as a financing activity, according to the essence of those transactions and the lack of completion of any of the Conditions that must be met to prove these contracts as lease contracts and that these investments are provided as guarantees, and in accordance with the provisions of Egyptian Accounting Standard No. (49) related to lease contracts (Note No. 52).

37. Fixed Assets

The net cost of the consolidated fixed assets on 31 December 2021 amounted to EGP 2 718 635 212 presented by fixed administrative assets on the site and the headquarter as follows:

	Cost as of Jan. 1, 2021 EGP	Additions during the Period EGP	Disposals during the Period EGP	Cost as of 30 Dec 2021 EGP	Accumulated depreciation as of Jan. 1, 2021 EGP	Depreciation for the Period EGP	Depreciation of Disposals EGP	Accumulated depreciation as of 30 Dec 2021 EGP	Net book value as 30 Dec 2021 EGP
* land	33 145 821	--	--	33 145 821	--	--	--	--	33 145 821
* Buildings	635 895 516	87 624 285	--	723 519 801	261 903 206	25 839 347	--	287 742 553	435 777 248
Machinery & equipment	204 705 001	23 086 525	21 312 204	206 479 322	154 273 146	16 749 549	21 309 048	149 713 647	56 765 675
Vehicles	28 215 158	7 165 185	2 208 057	33 172 286	22 494 033	3 409 286	2 184 744	23 718 575	9 453 711
Computer equipment	90 197 217	11 638 582	3 913 437	97 922 362	77 434 991	8 590 139	3 706 533	82 318 597	15 603 765
Leasehold improvements	21 244 693	--	112 784	21 131 909	20 563 265	632 531	112 784	21 083 012	48 897
Furniture	102 360 738	19 643 112	7 223 147	114 780 703	68 032 647	13 125 323	5 328 386	75 829 584	38 951 119
Golf Courses	2 412 302 955	16 441	--	2 412 319 396	161 060 721	122 369 699	--	283 430 420	2 128 888 976
Total cost	3 528 067 099	149 174 130	34 769 629	3 642 471 600	765 762 009	190 715 874	32 641 495	923 836 388	2 718 635 212

All fixed assets of the group companies are available for operational use.

- Fixed assets depreciation for the year Ended in 31 December 2021 amounted To EGP 190 715 874 and allocated as follows:

Operating assets-work in process	EGP	8 302 120
Administrative depreciation (income statement)		160 900 940
Depreciation expense of hotel operations		9 336 562
Depreciation expense of Palm Hills Club's assets - club's operating statement		12 176 252
Total depreciation of fixed assets during the year		190 715 874
Capital Gains for the year ended in 31 December. 2021 amounted to EGP 10 908 789 as follows:	EGP	EGP
Proceed from sale of fixed assets		13 036 923
Deduct:		
Cost of assets sold	34 769 629	
Accumulated depreciation of assets sold	32 641 495	
Carrying amount of assets sold		2 128 134
Gain on sale of fixed assets as of December 31, 2021		10 908 789

The company has concluded sales lease back contracts for the lands and buildings of the Palm Hills Club and the company's headquarters in the smart village, which is owned by the company with one of the companies operating in the same field, and these transactions have been proven as guarantees (power of attorney to sell) and obligations resulting from financial transactions as a financing activity according to the essence of these transactions and not Completion of the conditions that must be fulfilled to prove those contracts as a finance lease and that these assets are presented as guarantees in accordance with the Egyptian Accounting Standard No. (49) for financial leasing contracts, as that transaction did not meet the requirements of Accounting Standard (48) pertaining to contracts with clients (Note No 52).

The net cost of the consolidated fixed assets in 31 DEC 2020 amounted to EGP 2 762 305 090 presented by fixed administrative assets on the site and the headquarter as follows:

	Cost as of Jan. 1,2020	Additions during the year EGP	Disposals during the year EGP	Cost as of 31 DEC 2020 EGP	Accumulated depreciation as of Jan. 1, 2020 EGP	Depreciation for the year EGP	Depreciation of Disposals EGP	Accumulated depreciation as of 31 DEC, 2020 EGP	Net book value as 31 DEC 2020 EGP
* Land	18 920 662	14 225 159	--	33 145 821	--	--	--	33 145 821	33 145 821
* Buildings	454 591 977	181 303 539	--	635 895 516	242 383 858	19 519 348	--	261 903 206	373 992 310
Machinery & equipment	185 525 275	19 467 718	87 992	204 705 001	137 406 240	16 902 649	35 743	154 273 146	50 431 855
Vehicles	25 417 616	2 797 542	--	28 215 158	19 076 905	3 417 128	--	22 494 033	5 721 125
Computer equipment	84 746 569	5 589 617	138 969	90 197 217	67 922 849	9 604 010	91 868	77 434 991	12 762 226
Leasehold improvements	21 244 693	--	--	21 244 693	19 597 208	966 057	--	20 563 265	681 428
Furniture	80 971 255	23 159 335	1 769 852	102 360 738	59 167 785	10 265 751	1 400 889	68 032 647	34 328 091
Golf Courses	1 123 489 349	1 288 813 606	--	2 412 302 955	95 283 623	65 777 098	--	161 060 721	2 251 242 234
Total cost	1 994 707 396	1 535 356 516	1 996 813	3 528 067 099	640 838 468	126 452 041	1 528 500	765 762 009	2 762 305 090

All fixed assets in the group companies are available for use in operation.

Fixed assets depreciation for the year Ended in 31 Dec 2020 amounted To EGP 126 452 041 and allocated as follows:

Operating assets-work in process	EGP	9 286 025
Administrative depreciation (income statement)	EGP	97 293 247
Depreciation expense of hotel operations	EGP	7 953 173
Depreciation expense of Palm Hills Club's assets - club's operating statement	EGP	11 919 596
Total depreciation of fixed assets during the year	EGP	126 452 041

Capital Gains for the year ended in 31 Dec. 2020 amounted to EGP 75 059 as follows:

Proceed from sale of fixed assets	EGP	543 372
Deduct:	EGP	
Cost of assets sold	EGP	1 996 813
Accumulated depreciation of assets sold	EGP	(1 528 500)
Carrying amount of assets sold	EGP	468 313
Gain on sale of fixed assets as of December 31, 2020	EGP	75 059

The company has concluded sales lease back contracts for the lands and buildings of the Palm Hills Club and the company's headquarters in the smart village, which is owned by the company with one of the companies operating in the same field, and these transactions have been proven as guarantees (power of attorney to sell) and obligations resulting from financial transactions as a financing activity according to the essence of these transactions and not Completion of the conditions that must be fulfilled to prove those contracts as a finance lease and that these assets are presented as guarantees in accordance with the Egyptian Accounting Standard No. (49) for financial leasing contracts, as that transaction did not meet the requirements of Accounting Standard (48) pertaining to contracts with clients (Note No 52)

### 38. Projects under construction

The consolidated balance of projects under construction on 31 December 2021 amounted to EGP 7 640 536 and is the value of the cost of land and construction work for service areas and recreational areas in the residential complexes of the Palm Hills Group, as follows:

	<u>31 Dec 2021</u>	<u>31 Dec 2020</u>
	<u>EGP</u>	<u>EGP</u>
Palm club Constructions	--	57 785 796
Consultation and designs fees	3 889 384	37 479 467
Schools Construction cost	3 751 152	2 606 109
Balance on December 31, 2021	<u>7 640 536</u>	<u>97 871 372</u>

### 39. ADVANCE PAYMENTS FOR INVESTMENTS ACQUISITION

The consolidated balance of advance payments for investments acquisitions as of 31 December 2021 amounted to 194 907 301 as follows:

	<u>Nature of transaction</u>	<u>31 Dec 2021</u>	<u>31 Dec 2020</u>
		<u>EGP</u>	<u>EGP</u>
Palm Hills – Saudi	Establishment	135 121 743	135 121 743
Al Naeem for Hotels and Touristic Villages	Acquisition	41 303 890	41 303 890
Kenzie company for restaurant	Establishment	4 209 316	4 209 316
Gamsha for Tourist Development S.A.E	Acquisition	4 010 000	4 010 000
Middle East Company for Real Estate and Touristic Investment	Acquisition	10 262 352	10 262 352
Disney Beach company	Acquisition	--	118 483 000
Balance as of 31 December 2021		<u>194 907 301</u>	<u>313 390 301</u>

- The amounts paid for the purchase of investments in companies have been included in the item purchased under the advance payments for investments acquisition account, based on the sale contracts or the agreement concluded between the company and some of the shareholders of the above-mentioned companies, provided that these amounts are transferred to the contributions in companies upon completion of the ownership transfer procedures to The company, and for the purposes of preparing the consolidated financial statements, the amounts paid directly to the continuing companies in it to increase the capital of those companies have been excluded.

- The name of the company was changed during the establishment period to Saudi Palm Hills Company Ltd. - in Riyadh and it has not started its activities yet, and there has been no development in the quality of the contribution or its amount during the period from the date of incorporation until now.

- No legal or executive measures have been taken towards settling these amounts until the date of preparing the financial statements. Reward and motivation system

#### 40. Right-of -Use Assets

The Right-of Use Assets are represented in the right to usufruct the rents of offices and administrative headquarters, and the balance has reached On December 31, 2021, an amount of 15 831 709 EGP is as follows:

	<u>31 Dec 2021</u>	<u>31 Dec 2020</u>
	<u>EGP</u>	<u>EGP</u>
The Assets Of The Usufruct – headquarters rent.	26 229 273	--
Accumulated depreciation	<u>(10 397 564)</u>	<u>--</u>
Balance on 31 December 2021	<u>15 831 709</u>	<u>--</u>

#### 41. Notes Receivables

The notes receivables are represented in the checks received from the clients for the contractual values of the units contracted with the company to implement them, as well as the workers' union checks (against maintenance expenses) in addition to other checks collected from other parties.

The consolidate balance of the receivables reached on 31 December 2021 is EGP 14 359 981 940 after deducting the difference in the present value of EGP 227 951 403 and the share of the partners in an amount of EGP 840 749 899 as follows:

	<u>31 Dec 2021</u>	<u>31 Dec 2020</u>
	<u>EGP</u>	<u>EGP</u>
Short term notes receivable	4 317 607 103	3 684 483 039
<u>Deduct: -</u>		
Unamortized discount	13 426 429	15 296 087
Notes receivable of joint venture	<u>263 656 967</u>	<u>147 761 047</u>
Current value for short term notes receivable	<u>4 040 523 707</u>	<u>3 521 425 905</u>
Long term notes receivable	11 161 076 139	12 948 626 159
<u>Deduct: -</u>		
Unamortized discount	264 524 974	211 869 118
Notes receivable of joint venture	577 092 932	763 410 027
Current value for long term notes receivable	<u>10 319 458 233</u>	<u>11 973 347 014</u>
Balance on 31 December 2021	<u>14 359 981 940</u>	<u>15 494 772 919</u>

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

Notes receivables balances included an amount of 1.61 billion EGP representing the value of checks received in exchange for maintenance deposits of contracted units, whose collected value reverts to the Workers' Union upon its establishment in accordance with the provisions of the Building Law No. 119 of 2008 and its executive regulations and amendments thereof.

\*The share of the partner (the owner) in the notes receivables and checks under collection of the projects that the company started to market and implement under the project system with the participation system in light of the contracts concluded in this regard implement under the project system with the participation system in light of the contracts concluded in this regard (8c).

The transitional treatment issued by the Egyptian Supreme Committee for Accounting and Auditing, the limited examination, formed by Prime Minister Decision No. 909 of 2011, which was approved by the Financial Supervisory Authority on January 12, 2022, regarding the recognition of checks received from customers for units that have not been delivered to customers, which stipulates By allocating a separate account on the date of receiving the checks within the financial

assets on the balance sheet (a notes receivable account for units that have not been delivered) in return for recognizing within the financial obligations on the balance sheet a commitment of the same amount (Calculation of obligations for checks received from clients) This treatment is considered a transitional treatment on the concluded sales contracts that the company will enter into until the end of the fiscal year ending on December 31, 2022 or June 30, 2023 until the delivery of these properties to the clients in accordance with Egyptian Accounting Standard No. (48) Revenue from contracts with customers (Note 54).

#### **42. Notes receivable for undelivered units**

The net present value of notes receivable is for units not delivered to customers On December 31, 2021 an amount of 6,602 091 569 Egyptian pounds is as follows:-

	<u>31 December 2021</u>	<u>31 December 2020</u>
	<u>EGP</u>	<u>EGP</u>
short term notes	2 107 031 941	1 759 887 478
Deduct: deduction of the difference in the present value	127 798 483	132 604 743
The share of partners in joint ventures is deducted	<u>192 179 878</u>	<u>123 145 270</u>
The present value of short-term receivables	<u>1 787 053 580</u>	<u>1 504 137 465</u>
Long term notes	8 881 914 976	6 485 273 272
Deduct: deduction of the difference in the present value	3 061 423 808	2 580 677 429
The share of partners in joint ventures is deducted	<u>1 005 453 179</u>	<u>539 758 543</u>
The present value of long-term notes	<u>4 815 037 989</u>	<u>3 364 837 300</u>
Balance on 31 December 2021	<u>6 602 091 569</u>	<u>4 868 974 765</u>

The transitional treatment issued by the Egyptian higher Committee for Accounting and Auditing, the limited examination, formed by Prime Minister Decision No. 909 of 2011, which was approved by the Financial Supervisory Authority on January 12, 2022, with regard to recognizing checks received from customers for units that have not been delivered, subject of contracts, to Customers, which require the allocation of a separate account on the date of receipt of checks within the financial assets in the statement of financial position (a notes receivable account for units that have not been delivered) in return for recognizing within the financial obligations on the statement of financial position a commitment of the same amount Account of obligations for checks received from clients) and this treatment is considered a transitional treatment on the concluded sales contracts that the company will conclude until the end of the financial year ending on December 31, 2022 or June 30, 2023 and until the delivery of these properties to the clients until the company's conditions are reconciled to comply with Egyptian Accounting Standard No. (48) Revenue from contracts with customers (Note No. 54).

#### **43. WORK IN PROCESS**

The work in process represents the direct and indirect value and cost of the lands allocated to the group companies to carry out the usual and main activity of these companies, after excluding the cost of the contracted lands to build units on them, as well as the construction works, utility works and other indirect costs related to the construction works for the units contracted to implement and not The percentage of completion specified for inclusion in the income statement is realized, and the consolidated balance of work in progress has reached 31 December 2021 The amount of EGP 8 698 435 064 which is as follows:

	<u>31 December</u> <u>2021</u>	<u>Balance</u> <u>31 Dec 2020</u>
	<u>EGP</u>	<u>EGP</u>
Total work carried out until 31 Dec .2020	30 228 401 999	28 006 111 550
Add:		
Work carried out for the Nine Months ended 31 Dec 2021	4 726 790 968	2 222 290 449
NET work carried out as of 31 Dec.2021	<u>34 955 192 967</u>	<u>30 228 401 999</u>
<u>Less: excluded from income statement until 31 Dec 2021</u>	<u>26 256 757 903</u>	<u>22 528 489 425</u>
The Balance of Work in progress as of 31 Dec 2021	<u>8 698 435 064</u>	<u>7 699 912 574</u>
Represented As follows:		
Land acquisition cost	4 088 394 590	2 733 376 765
Cost of construction and facilities	4 610 040 474	4 966 535 809
Balance as of 31 December 2021	<u>8 698 435 064</u>	<u>7 699 912 574</u>

\* The interest of the loans capitalized on the work in progress account which allocated to financing construction in the existing projects according to the concluded loan contracts for the Period ended 31 December 2021 amounted to EGP 330 085 612 (Note NO. 51).

\* The company concluded sales and leaseback contracts for the Botanica project lands and the mall's stores (Street 88) owned by the company with one of the companies operating in the same field, and these transactions have been proven as guarantees (power of attorney to sell) and obligations resulting from financial transactions as a financing activity in accordance with the essence of those transactions and the lack of completion of any of the conditions that must be met to prove these contracts as a financial lease. Investments are provided as guarantees, and this classification complies with the Egyptian Accounting Standard No. (49) concerning leasing contracts for sale and leaseback (note 77).



#### 44. ACCOUNTS RECEIVABLE

The present value of accounts receivable - debit balances on 31 December 2021 amounted to EGP 1 885 116 352 This due balance is represented in the difference between the contractual value of some contracted units and the advance of reservation and the installments paid for those units, without paying or depositing cash notes receivable or any other credit instruments for due installments, and it also includes the value of returned checks or non-collected checks from some clients as followings:

	<u>31 Dec 2021</u>	<u>31 Dec 2020</u>
	<u>EGP</u>	<u>EGP</u>
Palm Hills Developments Company	706 279 376	478 009 040
Palm Hills Middle East Company for Real Estate Investment	135 123 177	128 047 289
Royal Gardens for Real Estate Investment Company	4 812 075	6 792 630
New Cairo for Real Estate Developments	1 308 515	1 426 015
Gawda for Trade Services	830 691	1 101 709
Saudi Urban Development Company	63 945 174	52 295 090
Rakeen Egypt for Real Estate Investment	88 438 038	84 424 834
East New Cairo for Real Estate Development	99 555 902	73 491 792
Middle East Company for Real Estate and Touristic Investment	2 579 888	2 771 766
United Engineering for Construction	349 602	3 644 229
Palm Real Estate Development	37 551 354	43 260 057
Palm for Investment and Real Estate Development	390 354 314	314 645 495
Palm Hills Development of Tourism and Real Estate	15 919 815	1 635 859
Palm Hills Properties	10 009 217	4 079 568
Palm for Urban Development	301 281 734	276 151 526
Palm for Clubs Management	10 195 048	8 054 147
Palm for Construction	19 545 025	-
Palm Sports for Clubs	1 958 858	319 631
Less: Expected credit losses	4 921 451	4 408 774
Balance as of 31 December 2021	<u>1 885 116 352</u>	<u>1 475 741 903</u>

#### 45. DEBTORS AND OTHER DEBIT BALANCES

The consolidated balance of debtors and other debit balances as of 31 December 2021 amounted to 1 437 231 691 as follows:

	<u>31 Dec 2021</u>	<u>31 Dec 2020</u>
	<u>EGP</u>	<u>EGP</u>
Paid under land account	53 488 759	121 728 238
Residents' Association	722 969 129	643 969 802
Investment's debtors	4 944 721	5 019 431
Deposits with others	62 755 953	63 201 369
Prepaid expenses	119 989 831	113 982 186
Accrued Revenues	27 617 480	14 599 743
Payments to joint venture partners	336 986 986	-
Withholding tax	3 216 705	2 044 309
Letter of Guarantee	39 463 989	30 148 419
Loans to employee & custodies	6 552 072	7 955 090
Other debit balances	59 260 551	81 524 914
Less: Expected credit losses	14 485	17 722
Balance as of 31 December 2021	<u>1 437 231 691</u>	<u>1 084 155 779</u>

The legal position of the Residents' Association is being completed at the level of various projects in accordance with the requirements of the Building Law No. 119 of 2008.

#### **46. DUE FROM RELATED PARTIES**

The consolidated balance of due from related parties as of 31 December 2021 amounted to 343 876 737 as follows:

	<u>31 Dec 2021</u>	<u>31 Dec 2020</u>
	<u>EGP</u>	<u>EGP</u>
Al Ethadia for Real Estate S.A.E	265 204 050	260 748 253
Al Naeem for investments	48 755 256	48 755 256
Debtors of dividends	22 221 612	127 689 298
Palm Hills for Real Estate S.A.E-Coldwell Banker	20 480	20 480
Novotel Cairo 6th Of October S.A.E	3 769 519	1 013
The cookery co for catering and restaurant	3 380 000	1 250 000
Mercure Ismailia Hotel S.A.E	796 830	1 723 032
Palm Hills. Saudi _ELBaltan	269 320	269 320
Arkan palm for real estate investment S.A.E	--	162 659
Less: Expected credit losses	<u>540 330</u>	<u>1 423 261</u>
Balance as of 31 December 2021	<u>343 876 737</u>	<u>439 196 050</u>

#### **47. Financial investments at amortized cost**

The consolidated balance for held-to-maturity investments on December 31, 2021 is an amount EGP 2 435 941 373 It represents the value of investment in treasury bills and bonds as follows:

	<u>Face value</u>	<u>Unrecognized investment</u>	<u>Average return</u>	<u>Purchase price</u>
	<u>EGP</u>	<u>return</u>	<u>rate</u>	<u>EGP</u>
		<u>EGP</u>	<u>%</u>	
Palm Hills Development	1 272 450 000	67 565 813	%10	1 204 884 187
Palm Hills Middle East Company for Real Estate Investment	134 425 000	9 008 578	%10	125 416 422
East New Cairo for Real Estate Development	45 800 000	2 668 328	%10	43 131 672
Gawda for Trade Services	3 000 000	160 592	%10	2 839 408
Middle East Company for Real Estate and Touristic Investment	6 400 000	331 086	%10	6 068 914
Palm Hills For Constructions	242 925 000	2 777 712	%10	240 147 288
Palm Hills Development of Tourism and Real Estate	140 575 000	8 095 642	%10	132 479 358
Palm for investment and real estate development	218 580 000	9 577 240	%10	209 002 760
Palm real estate development	89 775 000	9 884 658	%10	79 890 342
Palm Hills for Urban Development Company	37 100 000	2 231 198	%10	34 868 802
Rakeen Egypt for Real Estate Investment	131 150 000	7 013 826	%10	124 136 174
Royal Gardens for Real Estate Investment Company	67 350 000	1 314 913	%10	66 035 087
Saudi Urban Development Company	177 525 000	10 484 041	%10	167 040 959
	<u>2 567 055 000</u>	<u>131 113 627</u>		<u>2 435 941 373</u>

Those investments were disclosed according to their maturity dates in the notes supplementing the independent financial statements of the aforementioned companies.

#### **48. CASH AND CASH EQUIVALENTES**

The consolidated balance of cash and cash equivalent as of 31 December 2021 amounted to 1 017 868 885 as follows:

	<u>31 Dec 2021</u>	<u>31 Dec 2020</u>
	<u>EGP</u>	<u>EGP</u>
Banks-current accounts- EGP	949 470 970	1 550 303 676
Banks-current accounts- foreign currency	54 421 198	15 395 579
Banks – Deposits- EGP	2 500 000	2 500 000
Cash on hand- EGP	11 559 588	11 051 018
Less: Expected credit losses	82 871	100 349
<b>Balance as of 31 December 2021</b>	<b><u>1 017 868 885</u></b>	<b><u>1 579 149 924</u></b>

#### **49. BANKS- CREDIT BALANCES**

The consolidated balance of Banks credit accounts as of 31 December 2021 amounted to 99 796 140 as follows:

	<u>31 Dec 2021</u>	<u>31 Dec 2020</u>
	<u>EGP</u>	<u>EGP</u>
Banks –EGP	95 285 607	87 516 452
Banks-foreign currencies	4 510 533	3 450 515
<b>Balance as of 31 December 2021</b>	<b><u>99 796 140</u></b>	<b><u>90 966 967</u></b>

#### **50. BANK OVERDRAFT**

The consolidated balance of Banks overdraft as of 31 December 2021 amounted to 1 661 691 055 as follows:

	<u>31 Dec 2021</u>	<u>31 Dec 2020</u>
	<u>EGP</u>	<u>EGP</u>
Arab -African Bank	49 088 003	316 455 102
CIB - Bank	484 569 836	556 681 391
Arab - Bank	298 946 331	299 999 954
Ahli United Bank	124 382 726	138 871
Arab -African Bank	704 704 159	161 231 125
<b>Balance as of 31 December 2021</b>	<b><u>1 661 691 055</u></b>	<b><u>1 334 506 443</u></b>

## 51. LOANS

The combined balance of loan balances on 31 December 2021 amounted to EGP2 098 603 695, and is as follows:

	<u>31 Dec 2021</u>		<u>31 Dec 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>
<b><u>Arab African international Bank</u></b>				
Medium term financing contract in the amount of 365 million Egyptian pounds to finance projects of Palm Hills Middle East Real Estate Investment.	--	--	--	53 278 770
<b><u>CIB Bank</u></b>				
A medium-term financing contract of 1.099 billion Egyptian pounds, to pay off the existing debts of the Arab African Bank and some other banks.	--	--	109 483 000	478 179 297
<b><u>Emirates NBD Bank</u></b>				
A credit facility contract in the amount of EGP 100 million for the purpose of financing the Contracting contracts of United Engineering Company.	--	--	55 554 222	--
<b><u>Misr Bank</u></b>				
Medium-term joint financing of 2.5 billion Egyptian pounds to finance part of the investment cost of the Palm New Cairo project.	--	151 655 686	--	--
<b><u>National Bank of Egypt</u></b>				
Medium-term co-financing of EGP 1.28 billion to finance the Palm Hills Development- Crown project.	185 000 000	1 096 300 000	--	1 271 892 096
<b><u>Ahli United Bank</u></b>				
Revolving financing of 428 million Egyptian pounds for the purpose of financing the project of Palm Hills Development Company on an area of 41 acres.	--	216 832 118	--	--
<b><u>Ahli United Bank</u></b>				
Revolving financing of 505 million Egyptian pounds for the purpose of financing the projects of Palm Hills Development Company (Palm Parks project).	35 788 000	413 027 891	18 398 000	390 501 192
Balance as of 31 December 2021	<u>220 788 000</u>	<u>1 877 815 695</u>	<u>183 435 222</u>	<u>2 193 851 355</u>

The above loans were obtained by guaranteeing the cash flows of the funded projects and within the framework of the general controls for granting credit established by the Central Bank of Egypt for financing real estate development companies.

## 52. NOTES PAYABLE

### A) Short Term Notes Payable

The consolidated balance of short-term notes payable (net) as of 31 December 2021 amounted to 1 340 828 591 as follows:

	<u>31 Dec 2021</u>	<u>31 Dec 2020</u>
	<u>EGP</u>	<u>EGP</u>
* Notes payable- (New Urban Communities Authority)	472 743 425	394 546 306
<b><u>Deduct: -</u></b>		
Delayed installments interest	<u>116 870 855</u>	<u>92 260 380</u>
Net Notes payable (short term)- Land	<u>355 872 570</u>	<u>302 285 926</u>
<b><u>Add: -</u></b>		
Other notes payable **	1 166 057 101	813 126 549
<b><u>Deduct: -</u></b>		
Delayed interest	<u>181 101 080</u>	<u>85 179 138</u>
Net Other Notes payable (short term)	<u>984 956 021</u>	<u>727 947 411</u>
Balance as of 31 December 2021	<u>1 340 828 591</u>	<u>1 030 233 337</u>

**B) Long Term Notes Payable**

The consolidated balance of long-term notes payable (net) as of 31 December 2021 amounted to 2 212 834 840 as follows:

	<u>31 Dec 2021</u>	<u>31 Dec 2020</u>
	<u>EGP</u>	<u>EGP</u>
Notes-payable (New Urban Communities Authority)	1 901 464 327	1 618 842 192
<b>Deduct: -</b>		
Delayed installments interest	469 943 467	378 548 711
Net Notes payable (long term)- Land	<u>1 431 520 860</u>	<u>1 240 293 481</u>
<b>Add: -</b>		
Other notes payable **	1 510 605 756	1 811 611 365
Deduct: Deferred interest	<u>729 291 776</u>	<u>900 818 580</u>
Net Other Notes payable (Long term)	<u>781 313 980</u>	<u>910 792 785</u>
Balance as of 31 December 2021	<u>2 212 834 840</u>	<u>2 151 086 266</u>

\*\*The other notes payable includes about 1,81 billion EGP represented in the value of the notes payable that were issued to the financing agencies according to the essence of the sale and lease back contracts as financing contracts concluded with these parties, and the obligations have been amounted at their present value (note 36, 37)

**53. ADVANCES FROM CUSTOMERS**

The present value of Advances from customers account as 31 December 2021 amounted to 8 374 372 531 as follows:

	<u>31 Dec 2021</u>	<u>31 Dec 2020</u>
	<u>EGP</u>	<u>EGP</u>
Net contracting Customers	8 180 826 054	10 599 057 207
Advance reservations Customers	193 546 477	160 997 146
Balance as of 31 December 2021	<u>8 374 372 531</u>	<u>10 760 054 353</u>

**54. Obligations for checks received from clients**

The balance of obligations for checks received from customers on December 31, 2021 amounted to 6 602 091 569 Egyptian pounds, and they are as follows:

	<u>31 DEC 2021</u>	<u>31 DEC 2021</u>
	<u>EGP</u>	<u>EGP</u>
Checks received from customers - for undelivered units	10 988 946 917	8 245 160 750
<b>deduct:</b>		
Discounting the present value difference	3 189 222 291	2 713 282 172
Share of partners in joint ventures	<u>1 197 633 057</u>	<u>662 903 813</u>
Balance at December 31, 2021	<u>6 602 091 569</u>	<u>4 868 974 765</u>

The transitional treatment issued by the Egyptian Supreme Committee for Accounting and Auditing, the limited examination formed by the Prime Minister's decision No. 909 of 2011, which was approved by the Financial Supervisory Authority on January 12, 2022, with regard to recognizing checks received from customers for units that have not been delivered, subject of contracts, to customers Which requires the allocation of a separate account on the date of receipt of checks within the financial assets in the statement of financial position (a notes receivable account for units that have not been delivered) in return for recognizing within the financial obligations on the statement of financial position a commitment of the same amount (obligations account for checks received from clients) This treatment is considered a transitional treatment on the concluded sales contracts that the company will enter into until the end of the fiscal year ending on December 31, 2022 or June 30, 2023, until the delivery of these properties to customers until the company's conditions are reconciled to comply with Egyptian Accounting Standard No. (48) Revenue from Contracts with Customers (Note 41).

#### **55. Lease Contract Obligations**

The net present value of the lease contract obligations as of 31 December 2021 is 11 313 950 EGP as follows: -

	<u>31 Dec 2021</u>	<u>31 Dec 2020</u>
	<u>EGP</u>	<u>EGP</u>
Lease Contract Obligations – Short Term	5 315 642	--
Lease Contract Obligations – Long Term	5 998 308	--
Balance on December 31, 2021	<u>11 313 950</u>	<u>--</u>

#### **56. LAND PURCHASE LIABILITIES**

The consolidated balance of Land purchase liabilities as of 31 December 2021 amounted to 212 038 070 follows:

	<u>31 Dec 2021</u>	<u>31 Dec 2020</u>
	<u>EGP</u>	<u>EGP</u>
Land purchase liabilities - short term	127 785 639	134 159 466
Land purchase liabilities - long term	84 252 431	90 488 428
Balance as of 31 December 2021	<u>212 038 070</u>	<u>224 647 894</u>

#### **57. DUE TO RELATED PARTIES**

The consolidated balance of Due to related parties as of 31 December 2021 amounted to 4 864 005 as follows:

	<u>31 Dec 2021</u>	<u>31 Dec 2020</u>
	<u>EGP</u>	<u>EGP</u>
Al-Mansour and Al-Mughrabi S.A. E	2 328 388	--
Villamora for Real Estate Development Company S.A. E	2 535 617	2 535 616
Balance as of 31 December 2021	<u>4 864 005</u>	<u>2 535 616</u>

## 58. Joint Share Arrangement

The share of project partners in the participation system on 31 December 2021 amounted to EGP 2 232 212 137 which is the net share of the partners (the owner) in exchange for the value of the land and the preparation of external facilities in accordance with the contracts concluded in this regard, which are paid in light of the approved timelines for the payment of annual payments This is represented in the following:

	<u>31 Dec 2021</u> <u>Short term</u> <u>EGP</u>	<u>31 Dec 2021</u> <u>Long term</u> <u>EGP</u>	<u>31 Dec 2020</u> <u>Short term</u> <u>EGP</u>	<u>31 Dec 2020</u> <u>Long term</u> <u>EGP</u>
Partners in Palm New Cairo-Project (Badya) Project	1 279 443 772	--	798 302 535	--
Partners in Hacienda West	846 004 099	--	381 073 922	--
	35 886 314	70 877 952	--	--
Balance as of 31 December 2021	<u>2 161 334 185</u>	<u>70 877 952</u>	<u>1 179 376 457</u>	<u>--</u>

## 59. CREDITORS AND OTHER CREDIT BALANCES

The consolidated balance of creditors and other credit balances as of 31 December 2021 amounted to 1 042 545 113 as follows:

	<u>31 Dec 2021</u> <u>EGP</u>	<u>31 Dec 2020</u> <u>EGP</u>
Other credit balances	268 888 386	238 978 287
Insurance for others	245 127 412	179 463 274
Social insurance	48 899 656	40 086 360
Accounts receivable under settlement	279 847 840	243 493 037
Accrued expenses	199 781 819	82 567 656
Balance as of 31 December 2021	<u>1 042 545 113</u>	<u>784 588 614</u>

## 60. CAPITAL

The authorized capital was set at EGP 10 000 000 000 (10 billion Egyptian pound) and the issued and paid-up capital amounted to EGP 6 162 499 270 (six billion one hundred and sixty two million four hundred and ninety nine thousand two hundred pounds) distributed over 3 081 249 635 shares with a nominal value of EGP 2 per share, and the following is the development of the company's capital from the date of incorporation to the date:

	<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 Dec. 2013, the Company's Extra-Ordinary General Assembly Meeting approved the issued Capital increase amounting to EGP 600,000,000 to be after such increasing amounted EGP 2,696,640,000 representing 1,348,320,000 shares with a par value of EGP 2 per share.	2 696 640 000
- On 8 February 2015, the Company's Extra-ordinary General Assembly Meeting approved the issued Capital increase amounting to EGP 1 648 000 000 to be after such increasing amounted EGP 4 344 640 000 representing 2 172 320 000 shares with a par value of EGP 2 per share.	4 344 640 000
- On 29 November 2015, the Company's Extra-Ordinary General Assembly Meeting approved the issued Capital increase out of retained earnings amounting to EGP 53 359 478 to be after such increasing amounted EGP 4 397 999 478 representing 2 198 999 739 shares with a par value of EGP 2 per share.	4 397 999 478
- On 13 March 2016, the Company's Extra-Ordinary General Assembly Meeting approved the issued Capital increase out of retained earnings via the issuance of bonus shares amounting to EGP 53 359 478 to be after such increasing amounted EGP 4 397 999 478 representing 2 308 949 726 shares with a par value of EGP 2 per share.	4 617 899 452
- On 6 December 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
- The issued capital after the increase in the amount of EGP 78 000 000 in favor of the employee compensation shares, through the dividends carried out in accordance with the resolution of the Extraordinary General Assembly on April 4,2019 distributed over the number of 3 117 599 635 shares, the nominal value of the share is 2 EGP and has been marked in the commercial register on 26 June 2019.	<u>6 235 199 270</u>
- The issued capital after reducing the value of treasury shares in accordance with the decision of the extraordinary general assembly held on the first of April 2021 in the amount of 72 270 000 Egyptian pounds for 36 350 000 shares with a nominal value of 2 Egyptian pounds per share. The shares were registered in the commercial registry on the date May 20, 2021, so the issued capital will be distributed over 3,081,249,635 shares.	<u>6 162 499 270</u>

#### **61. TREASURY BILLS**

As Of March 2,2020 The Board of Directors of the company, in its session held on approved the purchase of treasury shares, with a maximum of 62 351 992 shares representing 2% of the total issued share capital of the company, and the implementation was carried out during the period from March 2, 2020 to March 15, 2020, and the number of shares purchased reached 31 In March 2022, 36,350,000 shares amounted to 46,990,266 Egyptian pounds, with an average cost per share by an amount 1.29 Egyptian pounds.

and on January 18, 2020 and in order to support the share price and limit the unjustified decline in the share price, the Board of Directors decided to purchase treasury shares with a maximum amount of 62 351 992 shares representing 2% Of The company contributed through the market It is open for implementation to take place from the session on 01/19/2021 until 2/28/2021, and the number of Shares purchased reached 40 654 746 shares, worth 69 839 608 EGP.

And on the first of April 2021 36 350 000 shares representing treasury shares that had been in place for more than a year, with a purchase value of 46 990 266 Egyptian pounds, were executed in exchange for a capital reduction in the nominal value of those shares, with a total of 72 700 000 Egyptian pounds, and the difference between the nominal value and the purchasing value was charged to Retained earnings in accordance with the decision of the held extraordinary general assembly.



- The outstanding shares:

The outstanding shares represent the number of issued and subscribed shares minus the number of shares that were acquired as treasury shares as follows:

	<u>Number of shares</u>	<u>Book value / Acquisition value EGP</u>	<u>EGP per share</u>
Shares of the issued capital which subscribed in	3 081 249 635	6 162 499 270	2
Deduct: -			
Treasury shares -cost	40 654 746	69 839 608	1,71
The number of outstanding shares and the net of the issued and paid-up capital	<u>3 040 594 889</u>	<u>6 092 659 662</u>	

62. RESERVES

a) Legal reserve

	<u>31 Dec. 2021 EGP</u>	<u>31 Dec. 2020 EGP</u>
Beginning balance	779 730 041	738 358 146
Transferred from the prior year profit	29 498 766	41 371 895
Balance as of 31 December 2021	<u>809 228 807</u>	<u>779 730 041</u>

b) Special reserve

The net balance of the special reserve on 31 December 2021 amounted to EGP 176 513 271 after amortization and the special reserve is the value of the reserve formed to meet the expected decline in the value of some real estate investments of the company and its subsidiary companies in implementation of the decision of the company's Ordinary General Assembly in its session held on June 30, 2012 through Transferred profits , as the position of some real estate investments was settled by exclusion in exchange for reducing the reserve for the same value for some of the lands invested in it through one of the subsidiary companies for the lack of economic viability and the withdrawal of the allocation. The value of the reduction during the year 2019 amounted to EGP 299 550 896.

63. 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 Decarate legal personality and Decarate assets and liabilities, then the compound's management and its General Assembly will be responsible for running the compound's assets and liabilities according to the Buildings & Housing Low No.119 for 2008. Other long-term liabilities balance as of 31 December 2021 amounted to EGP 3 856 263 893.

#### **64. REVENUES**

The net revenues of the activity for the year ended December 31, 2021 amounted to EGP 7 717 121 214 as follows: -

	<u>31 Dec 2021</u>	<u>31 Dec 2020</u>
	<u>EGP</u>	<u>EGP</u>
Revenue from Real estate development revenue	7 260 198 771	4 754 593 624
Revenue from contracting activity	14 556 150	75 383 200
Other revenues	177 740 937	233 328 623
Revenues from commercial and service activities	122 123 993	75 302 425
The owner's share in the profits of operating the hotels	40 761 388	9 311 448
Revenues from Palm Hills Club	101 739 975	59 610 793
<b>Total as of 31 December 2021</b>	<b><u>7 717 121 214</u></b>	<b><u>5 207 530 113</u></b>

-The percentage of the level of completion is determined at the level of the contract unit in light of the actual executed costs to the estimated costs of those works, based on the internal abstracts and estimates that are prepared by the company's engineering department.

- Real estate development revenues for villas and townhouses are recorded in light of the percentage of completion achieved at the level of the contract unit for each unit (stage) Decarately, as for the complete units – apartment- (Cabins and Chalets) The revenues generated from them are fully recorded in the actual delivery of these units.

#### **\* OTHER REVENUES**

	<u>31 Dec 2021</u>	<u>31 Dec 2020</u>
	<u>EGP</u>	<u>EGP</u>
Transfer fees and delay benefits	138 262 046	219 948 352
Revenues from selling fixed asset	10 908 789	75 058
Revenues from selling Investments	17 722 945	--
Retrieve the value of the facilities	10 847 157	13 305 213
<b>Total as of 31 December 2021</b>	<b><u>177 740 937</u></b>	<b><u>233 328 623</u></b>

#### **65. ACTIVITY COST**

The net cost of the activity for the year ended December 31, 2021 amounted to EGP 5 015 919 243 as follows: -

	<u>31 Dec 2021</u>	<u>31 Dec 2020</u>
	<u>EGP</u>	<u>EGP</u>
Cost of Real estate development	4 860 819 526	3 009 671 575
Cost of Contracting activity	15 638 686	71 631 760
Cost of Commercial and service activity	79 536 015	50 053 526
Cost of Palm Hills Club operation	38 412 202	24 489 440
Depreciation of club assets	12 176 252	11 919 596
Depreciation of Fixed assets – Macor investments	9 336 562	7 953 173
<b>Total as of 31 December 2021</b>	<b><u>5 015 919 243</u></b>	<b><u>3 175 719 070</u></b>

#### 66. GENERAL ADMINISTRATIVE, SELLING AND MARKETING EXPENSES

The general administrative, selling and marketing expenses for the year ended December 31, 2021 amounted to EGP 1 167 864 886 as follows: -

	<u>31 Dec 2021</u>	<u>31 Dec 2020</u>
	<u>EGP</u>	<u>EGP</u>
Wages and salaries	337 463 150	354 822 745
Selling and marketing expenses	395 691 871	307 401 497
Telephone, post, and fax	3 543 814	3 507 196
Utilities	45 375 819	28 360 932
Professional and Government fees	129 661 557	56 034 488
Maintenance and Insurance	78 075 090	68 247 040
Travel and transportation	1 990 728	1 037 263
Bank charges	14 546 889	7 344 114
Other administrative expenses	141 640 512	45 648 054
Contribution Symbiotic	19 875 456	13 683 364
Total as of 31 December 2021	<u>1 167 864 886</u>	<u>886 086 693</u>

#### 67. Financing costs and Interests

The balance of financing costs and benefits for the fiscal year ended on December 31, 2021 amounted to the amount of 333 244 231 Egyptian pounds, as follows:

	<u>31 December</u>	<u>31 December</u>
	<u>2021</u>	<u>2020</u>
	<u>EGP</u>	<u>EGP</u>
Land Installment Benefits	87 535 373	109 843 523
Financing costs and benefits	449 892 569	256 047 836
Benefits of cutting notes	21 391 893	55 192 623
Refundable Land Installment Benefits	(225 575 604)	(127 547 612)
Total as of December 31, 2021	<u>333 244 231</u>	<u>293 536 370</u>

#### 68. Expected credit losses

The value of (response) expected credit losses on December 31, 2021, amounted to (390 969) Egyptian pounds, as follows:

	<u>31 December</u>	<u>31 December</u>
	<u>2021</u>	<u>2020</u>
	<u>EGP</u>	<u>EGP</u>
Losses of customer receivable balances (Note 44)	512 677	4 408 774
(Reply) Losses of receivable and other debit balances (Note No. 45)	(17 478)	100 349
(Reply) Losses of balances owed by related parties (Note No. 46)	(882 931)	1 423 261
(Reply) Losses of cash balances (Note No. 48)	(3 237)	17 722
Balance on December 31, 2021	<u>(390 969)</u>	<u>5 950 106</u>

**69. GAINS ON INVESTMENTS IN FAIR VALUE THROUGH PROFIT OR LOSS**

The Gains on Investments in Fair value through profit or loss for the year ended December 31, 2021 amounted to EGP 12 959 103 as follows: -

	<u>31 Dec 2021</u>	<u>31 Dec 2020</u>
	<u>EGP</u>	<u>EGP</u>
Profits from the sale of investment fund documents	12 959 103	8 463 120
<b>Total as of 31 December 2021</b>	<u>12 959 103</u>	<u>8 463 120</u>

**70. Income Tax**

The consolidated balance Income Tax as of 31 December 2021 amounted to 166 718 526 as follows:

	<u>31 Dec 2021</u>	<u>31 Dec 2020</u>
	<u>EGP</u>	<u>EGP</u>
Net profit before income tax	1 024 253 371	786 843 991
Adjustments to the accounting net profit to arrive at the net tax profit, stage losses and depreciation differences	(283 282 144)	(621 634 235)
Net taxable profit	740 971 227	165 209 756
<b>Tax At (22.5%)</b>	<u>166 718 526</u>	<u>37 172 195</u>

**71. EARNINGS PER SHARE**

	<u>31 Dec 2021</u>	<u>31 Dec 2020</u>
	<u>EGP</u>	<u>EGP</u>
Net profit for the year	824 360 337	711 817 635
<b>Divided by: Weighted average number of shares during the year</b>	<u>3 040 594 889</u>	<u>3 081 249 635</u>
<b>Earnings per share</b>	<u>0,271</u>	<u>0,231</u>

For the purpose of calculating the earnings per share for the year ended on 31 December 2021 the profit per share was calculated on the basis of the average number of shares outstanding during the period weighted by time factor after excluding treasury shares of 40 654 746 shares, in addition to not preparing a distribution project for the Nine Months Ended on 31 December 2021(Note 61).

## **72. TRANSACTION WITH RELATED PARTIES**

The transactions with related parties are represented in the transactions that took place with the shareholders, whether they were a natural person or a legal person, or the transactions with the shareholders of the company or any of the Associates or subsidiary companies as follows:

<u>Party</u>	<u>Item as in balance sheet</u>	<u>EGP</u>
Palm Hills Middle East Company for Real Estate Investment S.A.E	Due from (to) related parties	1 358 451 377
Royal Gardens for Real Estate Investment Company S.A.E	Due from (to) related parties	110 397
Middle East Company for Real Estate and Touristic Investment S.A.E	Due from (to) related parties	(138 620 523)
Gawda for Trade Services S.A.E	Due from (to) related parties	(50 917 351)
Rakeen Egypt for Real Estate Investment S.A.E	Due from (to) related parties	434 205 931
Saudi Urban Development Company S.A.E	Due from (to) related parties	3 506 245
Nile Palm Al-Naeem for Real Estate Development S.A.E	Due from (to) related parties	(44 059 080)
Al Ethadia for Real Estate S.A.E	Due from (to) related parties	254 339 291
East New Cairo for Real Estate Development S.A.E	Due from (to) related parties	(439 360 720)
Palm October for Hotels S.A.E	Due from (to) related parties	11 340 558
New Cairo for Real Estate Developments S.A.E	Due from (to) related parties	7 740 417
Al Naeem for Hotels and Touristic Villages S.A.E	Due from (to) related parties	(125 170 109)
Gamsha Tourism Development S.A.E	Due from (to) related parties	70 901 609
United Engineering for Construction S.A.E	Due from (to) related parties	(11 083 043)
El Mansour & El Maghraby Investment and Development S.A.E	Due from (to) related parties	(2 328 389)
Palm Gemsha for Hotels S.A.E	Due from (to) related parties	85 050
Palm North Coast Hotels S.A.E	Due from (to) related parties	54 358
Palm for Real Estate Development S.A.E	Due from (to) related parties	66 218 302
Palm for Investment and Real Estate Development S.A.E	Due from (to) related parties	135 294 367
Palm Hills Properties	Due from (to) related parties	1 001 536
Palm Hills Development of Tourism and Real Estate	Due from (to) related parties	234 616 315
Palm Hills for Investment Tourism	Due from (to) related parties	57 689 675
Palm Hills Resorts	Due from (to) related parties	3 638 244
Palm Hills for hotel S.A.E	Due from (to) related parties	100 405 014
Palm Hills Education S.A.E	Due from (to) related parties	15 655 888
Palm Hills – Saudi Baltan S.A.E	Due from (to) related parties	269 320
Coldwell Banker - Palm Hills for Real Estate S.A.E	Due from (to) related parties	20 480
Palm for Urban Development	Due from (to) related parties	(130 647 442)
Palm for Club Management S.A.E	Due from (to) related parties	( 5 002 144)
Palm Alexandria for Real Estate	Due from (to) related parties	52 122 821
Asten College for Education S.A.E	Due from (to) related parties	389 612
Palm for Constructions And Real Estate Development S.A.E	Due from (to) related parties	(127 849 654)
khedma for management of tourist and urban resorts	Due from (to) related parties	500
Palm sports for Clubs S.A.E	Due from (to) related parties	( 8 377 081)
Shareholders' credit balances	Due from (to) related parties	22 084 250
The Co Korean Company for Restaurants	Due from (to) related parties	<u>3 380 000</u>

### **73. TAX STATUS**

#### **A) Corporate tax**

- The Company started its operations on 14 March 2005
- The Company is exempted from income tax for ten years to end on 31 Dec. 2015
- Years 2005 to 2009: These years have been inspected and settled with the Tax Authority
- Years 2010 to 2012: The company's examination has been completed and the final claim has not been received to date
- Years 2013 to 2020: The company submits the tax return on the legal dates and pays the tax.

#### **B) Payroll tax**

- Years from the beginning of the activity - 2009: the examination, assessment and payment of tax differences were made.
- Years 2010-2014: the examination was carried out and the examination differences were paid.
- Years 2015 to 31 December 2021: The company pays the deducted income tax of the employees on regularly basis within the legal dates.

#### **C) Stamp tax**

- The company is subject to the Law No. 111 of 1980 and its amendments and executive regulations.
- Years from the beginning of the activity 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 31 December 2021 The company pays the tax due on the legal dates

#### **D) Tax on Built Real Estate:**

- The company submits its tax returns on real estate built on the units owned by it, whether commercial or administrative, in accordance with Law No. 196 of 2008 on the legal dates. The company also pays the tax due on these units on the legal dates.

#### **F) Transaction pricing with related parties**

- The company prepared a study of transactions with related parties and prepared the main file and the local file in accordance with the provisions of Article (30) of Law No. (91) of 2005 and Articles (39, 40) of the executive regulations of the same law, as well as the provisions of Law No. (206) of 2020 on standardized tax procedures.

#### **74. EMPLOYEE STOCK OWNERSHIP PLAN (ESOP)**

The Extraordinary General Assembly of the company, in its session held on November 29, 2015, approved an increase in the issued capital by an amount of EGP 53,359,478 through retained earnings for the independent financial statements on December 31, 2014 allocated entirely to the reward and incentive system for employees and members of the executive board of directors of the company, through a promise Selling shares in their favor at a special price in accordance with the ministerial decision, in addition to the number of 1,333,987 shares, which represents a share of The reward and incentive system from the free shares distributed in accordance with the decision of the extraordinary general assembly in its session held on June 13, 2016, bringing the number of system shares to 28 013 725 shares, and the right to sell for the entire number of shares of the system has been exercised.

#### **75. Non-cash transactions**

- The effect of increasing the fixed assets item by an amount of EGP 91,375,881 has been excluded in return for reducing the item projects under implementation by the same amount
- The effect of reducing an item paid under an investment account was excluded by the amount of EGP 83,403,751 in return for an increase in an item of investments in sister companies with the same amount.
- The effect of reducing an item paid under an investment account by 35 million Egyptian pounds in exchange for an increase in a work-in-progress item by the same amount has been excluded.
- The effect of increasing the item of investments in sister companies in Pumble 20 717 552 Egyptian pounds for an increase Item creditor for the purchase of investments of the same amount has been excluded.
- The effect of increasing the usufruct assets item by the amount of 11 313 950 Egyptian pounds has been excluded for an increase in liabilities Lease contracts for the same amount.
- The effect of increasing the work-in-progress item by EGP 212 038 069 has been excluded Buying land for the same amount.

#### **76. Subsequent Events**

On February 15, 2022, the company's board of directors met upon the invitation of the chairman of the board to take the following decisions:

- 1- Authorizing the Chairman and Managing Director to invite the Extraordinary General Assembly on March 31, 2022 to take the following decisions-:

A- Approval of the company obtaining financing for the Badia project - owned by Palm Urban Development Company by issuing Musharakah bonds compatible with the provisions and principles of Islamic Sharia, with a

value of 3.251 billion Egyptian pounds (three billion two hundred and fifty-one million Egyptian pounds) in cooperation with Tharwa Securitization Company Egyptian contribution”.

B- Approval of the Musharaka bond issuance contract that is compatible with the provisions of the Islamic Sharia Initiatives. Approval of the approval of the disclosure form regarding the reduction of the company’s capital by destructing the treasury shares Al-Bal balance on December 31, 2021 with a total number of 40 654 746 shares, according to Article No. (48) of The rules of listing and write-off in capital reduction procedures that the company acquired through The open market as of the session on January 19, 2021 until February 28, 2021, and the number of shares has increased Purchased 40 654 746 shares with a value of 69 839 608 Egyptian pounds Note No. (61)

## 77. Comparative figures

Adjustment of some comparative figures to match the classification of the current financial period as follows:

	<u>31 December 2020</u>		<u>31 December 2020</u>
	Before amendment EGP	amendment EGP	After amendment EGP
Real Estate Investments	386 524 021	(212 512 738)	174 011 283
Projects under implementation	297 328 271	(199 456 899)	97 871 372
work in progress	7 287 942 937	411 969 637	7 699 912 574
loans	(2 493 851 309)	299 999 954	(2 193 851 355)
Banks overdraft	(1 034 506 489)	(299 999 954)	(1 334 506 443)
Receipt Notes - Long Term	15 338 184 314	(3 364 837 300)	11 973 347 014
Long-Term Receipt - For Undelivered Units	--	3 364 837 300	3 364 837 300
Arrest papers - short term	5 025 563 370	(1 504 137 465)	3 521 425 905
Short-Term Notes Receipt - For Undelivered Units	--	1 504 137 465	1 504 137 465
Clients - debit balances	1 480 150 677	(4 408 774)	1 475 741 903
Debtors and other debit balances	1 084 173 501	(17 722)	1 084 155 779
Current Related Parties - Receivable Balances	440 619 311	(1 423 261)	439 196 050
Cash in hand and at banks	1 579 250 273	(100 349)	1 579 149 924
Expected credit losses (income statement)	--	5 950 106	5 950 106



