

**PALM HILLS DEVELOPMENTS COMPANY**  
**(An Egyptian Joint Stock Company)**  
**STAND ALONE FINANCIAL STATEMENTS**  
**For the Period Ended 30 September 2020**  
**Together with Review Report**

**PALM HILLS DEVELOPMENTS COMPANY S.A. E`**  
**STAND ALONE FINANCIAL POSITION**  
**As of 30 September 2020**

	<u>Note no.</u>	<u>30/9/2020</u> <u>EGP</u>	<u>31/12/2019</u> <u>EGP</u>
<b><u>Non-current assets</u></b>			
Investments in associates	(8e-14b-35)	149 790 430	143 369 813
Investment property	(38)	387 257 598	393 482 537
Notes receivable - long term	(20-38)	14 763 524 752	15 318 676 533
Projects under construction	(15-39)	1 651 902 254	1 739 437 098
Advance payments for investments acquisition	(46)	287 908 301	194 907 301
Fixed assets (net)	(13-40)	1 414 843 234	1 353 868 932
Deferred tax assets	(26a)	3 310 347	3 549 962
Employee stock ownership plan (ESOP)	(67)	55 380 000	68 172 000
other assets (net)		2 937 709	1 390 733
<b>Total non-current assets</b>		<b>18 716 854 625</b>	<b>19 216 854 909</b>
<b><u>Current assets</u></b>			
Works in process	(18-41)	7 506 550 811	8 115 250 280
Cash and cash equivalents	(33-42)	1 596 398 943	1 375 178 390
Held-to-maturity investments	(14d-37)	1 307 717 344	924 376 849
Notes receivable - short term	(20-38)	5 239 308 954	4 691 813 019
Investments at fair value through profit and loss	(14e)	70 711 422	87 513 020
Accounts receivable	(43)	1 336 183 570	1 272 279 369
Suppliers - advance payments		488 230 287	451 528 500
Debtors and other debit balances	(44)	913 312 664	917 361 361
Due from related parties	(30-45)	425 008 650	418 965 567
<b>Total current assets</b>		<b>18 883 422 645</b>	<b>18 254 266 355</b>
<b><u>Current liabilities</u></b>			
Banks - credit balances	(47)	21 735 073	87 237 713
Bank- over draft	(48)	1 051 408 489	963 312 645
Advances from customers	(49)	14 496 308 808	14 212 609 702
Completion of infrastructure liabilities	(24)	58 062 734	95 083 416
Provisions	(22)	182 535 049	180 718 382
Current portion of land purchase liabilities	(22-50)	173 423 818	235 682 895
Due to related parties	(30-51-64a)	6 639 555	6 639 555
Current portion of term loans	(53)	228 788 180	295 132 857
Notes payable - short term	(52a)	1 180 996 004	1 750 901 906
Suppliers & contractors		847 596 142	762 160 712
Income tax payable	(26a)	32 236 790	97 622 236
Creditors & other credit balances	(54)	833 787 914	630 784 392
Joint shares arrangement - short term	(58)	1 590 590 883	1 081 181 760
<b>Total current liabilities</b>		<b>20 704 109 438</b>	<b>20 399 068 170</b>
<b>Working capital</b>		<b>(1 820 686 793)</b>	<b>(2 144 801 815)</b>
<b>Total investment</b>		<b>16 896 167 832</b>	<b>17 072 053 094</b>
<b><u>Financed as follows:</u></b>			
<b><u>Shareholders' equity</u></b>			
Share capital	(55)	6 235 199 270	6 235 199 270
Legal reserve	(57a)	779 730 042	738 358 146
Special reserve	(57b)	176 513 271	176 513 272
Treasury shares	(56)	(46 990 266)	--
Reward stock valuation reserve		(22 620 000)	<b>(9 828 000)</b>
Retained earning		1 100 683 402	995 810 936
Net profit for Period		514 546 183	846 785 352
<b>Equity attributable to equity holders of the parent</b>		<b>8 737 061 902</b>	<b>8 982 838 976</b>
<b>Non-controlling interest</b>		<b>567 957 028</b>	<b>554 741 875</b>
<b>Total shareholders' equity</b>		<b>9 305 018 930</b>	<b>9 537 580 851</b>
<b><u>Non-current liabilities</u></b>			
Land purchase liabilities	(20-50)	96 647 786	150 258 255
Notes payable - long term	(52b)	1 736 380 530	1 438 142 381
Other long-term liabilities – Residents' Association	(57)	2 706 412 115	2 372 856 032
long-term- loans	(53)	3 051 708 471	2 801 072 865
joint share arrangement– long terms	(58)	--	772 142 710
<b>Total non-current liabilities</b>		<b>7 591 148 902</b>	<b>7 534 472 243</b>
<b>Total equity and non-current liabilities</b>		<b>16 896 167 832</b>	<b>17 072 053 094</b>

- The accompanying notes from (1) to (67) form an integral part of these financial statements and are to be read therewith.

**Chief Financial Officer**

**Ali Thabet**

**Chairman**

**Yasseen Mansour**

**PALM HILLS DEVELOPMENTS COMPANY S.A.E**  
**STAND ALONE STATEMENT OF INCOME (PROFIT OR LOSS)**  
**For The period Ended 30 September 2020**

	<u>Note No.</u>	<u>1 January 2020 Up To 30 Sep 2020 EGP</u>	<u>1 January 2019 Up To 30 Sep 2019 EGP</u>	<u>1 July 2020 Up To 30 Sep 2020 EGP</u>	<u>1 July 2019 Up To 30 Sep 2019 EGP</u>
<b>Revenues</b>	(32, 59)	3 549 216 075	3 620 020 324	1 541 004 065	1 104 944 955
<b>Deduct: -</b>					
Cost of revenues	(32, 60)	2 214 889 861	2 147 166 652	964 598 926	659 375 456
Cash discount		14 190 269	27 936 703	6 849 317	8 233 091
<b>Gross profit</b>		<b>1 320 135 945</b>	<b>1 444 916 969</b>	<b>569 555 822</b>	<b>437 336 408</b>
<b>Deduct: -</b>					
General administrative, selling and marketing expenses	(61)	601 739 324	618 452 030	228 012 963	260 646 398
Interest on land purchase liabilities		83 040 513	154 417 690	29 438 253	53 837 506
Administrative depreciation		70 031 074	62 204 471	22 880 166	20 677 946
Securitization of receivables interest		--	41 001 214	--	(3 013 731)
Finance costs & interests		176 271 013	127 873 727	71 384 904	23 192 411
Refund Interest on land purchase liabilities		(127 547 612)	--	--	--
Provisions no longer required		--	(70 139 606)	--	--
Provision		--	2 390 903	--	214 390
<b>Total general, administrative, marketing and financing expenses, depreciation</b>		<b>803 534 312</b>	<b>936 200 429</b>	<b>351 716 286</b>	<b>355 554 919</b>
<b>Add: -</b>					
Interest income – amortization of discount on notes receivables	(20,38)	12 840 660	67 076 388	4 280 220	22 358 796
Gains on investments in fair value through profit or loss		5 906 464	8 292 801	1 746 656	2 860 781
Interest income on held-to-maturity investments		29 104 089	72 029 804	12 884 062	11 122 345
<b>Total other revenues</b>		<b>47 851 213</b>	<b>147 398 993</b>	<b>18 910 938</b>	<b>36 341 922</b>
<b>Net profit for the year before income tax &amp; non-controlling interest</b>		<b>564 452 846</b>	<b>656 115 533</b>	<b>236 750 474</b>	<b>118 123 410</b>
<b>Deduct: -</b>					
Income tax	(26 a)	27 657 907	60 553 217	(17 810 940)	(6 686 412)
Deferred tax	(26 b)	239 615	543 969	50 056	273 853
<b>Net profit for the year period after tax</b>		<b>536 555 324</b>	<b>595 018 347</b>	<b>254 511 358</b>	<b>124 535 969</b>
<b>Deduct: -</b>					
Non-controlling interest share- subsidiaries		22 009 141	50 707 320	16 550 308	31 702 876
<b>Net profit for the year after income tax &amp; non-controlling interest</b>		<b>514 546 183</b>	<b>544 311 027</b>	<b>237 961 550</b>	<b>92 833 093</b>
<b>Earnings per share</b>	(29, 66)	<b>0,167</b>	<b>0,176</b>	<b>0,077</b>	<b>0,030</b>

- The accompanying notes from (1) to (67) form an integral part of these financial statements and are to be read therewith.

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

**Chairman**  
**Yasseen Mansour**

**PALM HILLS DEVELOPMENTS COMPANY S.A.E**  
**STAND ALONE STATEMENT OF COMPREHENSIVE INCOME**  
**For The PERIOD Ended 30 September 2020**

	<u>1 January 2020</u>	<u>1 January 2019</u>	<u>1 July 2020</u>	<u>1 July 2019</u>
	<u>Up To</u>	<u>Up To</u>	<u>Up To</u>	<u>Up To</u>
	<u>30 September 2020</u>	<u>30 September 2019</u>	<u>31 July 2020</u>	<u>31 July 2019</u>
	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>
Net Profit for The Period	514 546 183	544 311 027	237 961 550	92 833 093
Other comprehensive Income	--	--	--	--
<b>Total comprehensive income for the period</b>	<b><u>514 546 183</u></b>	<b><u>544 311 027</u></b>	<b><u>237 961 550</u></b>	<b><u>92 833 093</u></b>
<b><u>Attributable to: -</u></b>				
<b><u>Equity holders of the parent</u></b>	<b><u>514 546 183</u></b>	<b><u>544 311 027</u></b>	<b><u>237 961 550</u></b>	<b><u>92 833 093</u></b>
<b><u>Non-controlling interests</u></b>	<b><u>22 009 141</u></b>	<b><u>50 707 320</u></b>	<b><u>16 550 308</u></b>	<b><u>31 702 876</u></b>
	<b><u>536 555 324</u></b>	<b><u>595 018 347</u></b>	<b><u>254 511 358</u></b>	<b><u>124 535 969</u></b>

- The accompanying notes from (1) to (67) form an integral part of these financial statements and are to be read therewith.

Chief Financial Officer

Ali Thabet

Chairman

Yasseen Mansour

**PALM HILLS DEVELOPMENTS COMPANY S.A.E**  
**STAND ALONE STATEMENT OF CASH FLOWS**  
**For the PERIOD Ended 30 September 2020**

	<u>Note No.</u>	<u>30/9/2020</u>	<u>30/9/2019</u>
		<u>EGP</u>	<u>EGP</u>
<b>Net profit for the period before income tax</b>		564 452 846	656 115 533
<b><u>Adjustments to reconcile net profit to net cash from operating activities</u></b>			
Interest on land purchase liabilities		83 040 513	154 417 690
Administrative depreciation	(40)	85 049 422	76 868 924
Provision		--	2 390 903
Finance costs & interests		176 271 013	127 873 727
Securitization of notes receivables interest		--	41 001 214
Share of profit / loss of associates		5 579 383	(8 766 656)
Gain (loss) on disposal of fixed assets	(40)	(63 521)	(725 284)
Amortization of discount on notes receivables		(12 840 660)	(67 076 388)
Provisions no longer required		--	(70 139 606)
Gains on investments in fair value through profit or loss		(5 906 464)	(8 292 801)
Interest on refundable land installments		(127 547 612)	--
Interest income on held to maturity investments		(29 104 089)	(72 029 804)
<b>Operating profit before changes in working capital items</b>		<b>738 930 832</b>	<b>831 637 452</b>
<b><u>Cash flow from operation activities</u></b>			
Change in work in progress	(18-42)	499 028 265	(754 353 997)
Change in held-to-maturity investments		(383 340 495)	(11 081 554)
Change in notes receivables		20 496 507	795 630 296
Change in investments in fair value through profit or loss	(14e -37)	16 801 598	642 836 399
Change in accounts receivable		(63 904 202)	(139 344 724)
Change in suppliers - advance payments		(36 701 787)	(17 953 895)
Change in debtors & other debit balances	(44)	4 048 697	(373 011 332)
Change in due to related parties	(51)	(6 043 083 )	(50 178 910)
Change in advances from customers		283 699 106	312 039 765
Change in obligations to complete facilities		(37 020 682)	--
Provisions		1 816 667	(939 679)
Change in notes payable		(227 160 655)	(462 947 546)
Change in due from related parties	(58)	--	31 960 073
Change in suppliers & contractors		85 435 430	92 699 718
Income tax		(93 043 353)	(253 309 930)
Change in payables and other credit balances		203 003 523	(43 755 780)
Change in long-term liabilities - labor union		333 556 083	398 415 917
A change in the share of the partners in the projects under the participation system		(262 733 586)	(424 808 787)
<b>Net cash provided by operating activities</b>		<b>1 076 868 864</b>	<b>573 533 486</b>
<b><u>Cash flows from investing activities</u></b>			
Payments for purchase of fixed assets	(16-40)	(35 994 393)	(26 110 494)
Proceeds from sale of fixed assets	(16-40)	228 345	888 685
Paid under investment account		(93 001 000)	--
Payments for associate's investment		(12 000 000)	(50 000 000)
Payments for projects under construction		(21 751 219)	(5 140 543)
Proceeds from real estate investment		(881 494)	(20 173 641)
Payments in other assets		(1 546 976)	--
Proceeds from investments in fair value through profit or loss		5 906 464	8 292 801
Proceeds from held-to-maturity investments		29 104 089	72 029 804
<b>Net cash (used in) provided by investing activities</b>		<b>(129 936 184)</b>	<b>(20 213 388)</b>
<b><u>Cash flows from financing activities</u></b>			
Banks - credit balances	(47)	(65 502 640)	68 321 092
Banks – overdraft		88 095 845	154 313 306
Treasury shares	(56)	(46 990 266)	--
Adjustments to retained earnings		(700 540 991)	(260 872 126)
Non-controlling interest – dividends		(8 793 989)	(9 789 151)
Differed tax		--	3 078
Payments in loans		(517 850 681)	(676 428 300)
Proceeds from loans		702 141 610	78 978 722
Paid financing costs and interest		(176 271 013)	(127 873 727)
Securitization of notes receivables interest		--	(41 001 214)
<b>Net cash (used in) provided by financing activities</b>		<b>(725 712 127)</b>	<b>(814 348 320)</b>
Net increase in cash and cash equivalents during the period		221 220 553	(261 028 222)
Cash and cash equivalents at beginning of the year		1 375 178 390	955 737 630
<b>Cash and cash equivalents as at 30 September 2020</b>	(33-42)	<b>1 596 398 943</b>	<b>694 709 408</b>

– Non- Cash transactions are excluded from the cash flow statement.

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

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

**Chairman**  
**Yasseen Mansour**

**PALM HILLS DEVELOPMENTS COMPANY S.A. E**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**For The Period Ended 31 September 2020**

	<u>Share Capital</u>	<u>Legal reserve</u>	<u>Special reserve</u>	<u>Reserve for ESOP re- measurement</u>	<u>Retained earnings</u>	<u>Treasury shares</u>	<u>Net profit for the period</u>	<u>Total before Non-controlling equities</u>	<u>Total Non- controlling equities</u>	<u>Total Shareholders' After non- controlling equities</u>
<b>Balance as at 1 January 2019</b>	6 157 199 270	708 524 277	476 064 168	--	556 921 695	--	811 741 618	8 710 451 028	505 090 067	9 215 541 095
Transferred to retained earnings	--	--	--	--	811 741 618	--	(811 741 618)	--	--	--
Capital payment	78 000 000	--	--	--	--	--	--	78 000 000	--	78 000 000
Transferred to legal reserve	--	26 395 466	--	--	(26 395 466)	--	--	--	--	--
Special reserve adjustments	--	--	(299 550 897)	--	--	--	--	(299 550 897)	--	(299 550 897)
ESOP Measurement Reserve	--	--	--	5 070 000	--	--	--	5 070 000	--	5 070 000
Adjustments to retained earnings	--	--	--	--	(303 713 527)	--	--	(303 713 527)	--	(303 713 527)
Non-controlling interest Dividend	--	--	--	--	--	--	--	--	(9 789 151)	( 9 789 151)
Net profit for the period	--	--	--	--	--	--	544 311 027	544 311 027	50 707 320	595 018 347
<b>Balance as at 30 september 2019</b>	<u>6 235 199 270</u>	<u>734 919 743</u>	<u>176 513 271</u>	<u>5 070 000</u>	<u>1 038 554 320</u>	<u>--</u>	<u>544 311 027</u>	<u>8 734 567 631</u>	<u>546 008 236</u>	<u>9 280 575 867</u>
<b>Balance as at 1 January 2020</b>	6 235 199 270	738 358 146	176 513 272	( 9 828 000)	995 810 936	--	846 785 352	8 982 838 976	554 741 876	9 537 580 852
Transferred to retained earnings	--	--	--	--	846 785 352	--	(846 785 352)	--	--	--
Transferred to legal reserve	--	41 371 895	--	--	(41 371 895)	--	--	--	--	--
Treasury shares	--	--	--	--	--	(46 990 266)	--	(46 990 266)	--	(46 990 266)
ESOP Measurement Reserve	--	--	--	(12 792 000)	--	--	--	(12 792 000)	--	(12 792 000)
Adjustments to retained earnings	--	--	--	--	(700 540 991)	--	--	(700 540 991)	--	(700 540 991)
Non-controlling interest Dividend	--	--	--	--	--	--	--	--	(8 793 989)	(8 793 989)
Net profit for the period	--	--	--	--	--	--	514 546 183	514 546 183	22 009 141	536 555 324
<b>Balance as at 30 September 2020</b>	<u>6 235 199 270</u>	<u>779 730 042</u>	<u>176 513 272</u>	<u>(22 620 000)</u>	<u>1 100 683 402</u>	<u>(46 990 266)</u>	<u>514 546 183</u>	<u>8 737 061 902</u>	<u>567 957 028</u>	<u>9 305 018 930</u>

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

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

**Chairman**  
**Yasseen Mansour**



**Palm Hills Developments Company**  
**(S.A.E)**  
**Notes to the Consolidated**  
**Financial Statements As of 30 June 2019**

**1. BACKGROUND**

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

**2. COMPANY'S PURPOSE**

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

**3. The Company's Location**

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

**4. COMMERCIAL REGISTER**

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

**5. FINANCIAL YEAR**

The company's financial year begins on 1 March and ends on 28 Feb. except for the first financial year which began as from the date of commencement of activity and ended on Dec. 31 of each year.

**6. AUTHORIZATION OF THE FINANCIAL STATEMENTS**

The Standalone financial statements for the Nine Months ended in 30 September 2020 were authorized for issue by the board of directors on 15 November 2020.

**7. STOCK EXCHANGE LISTING**

The company was registered in the informal table No. (2) on the stock exchanges in Cairo and Alexandria on December 27, 2006 On April 2008, the company was registered in the official schedule, and the company adjusted its status according to the decision of the Board of Directors of the Financial Supervisory Authority No. 11 of 2014 in its meeting held on January 22, 2014 regarding the rules for registering

and writing off securities in the Egyptian Stock Exchange taking into account all subsequent amendments to these 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 The establishment and implementation of the residential community in the Palm Hills Resort in Sixth of October City, with a total area of land acquired (approximately 1111.52 acres), as well as the establishment of a residential community in New Cairo with an area of 221.056 acres.

### **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:

- The company contracted as a real estate developer with one of the owners of the land plot with an area of 135 acres in the city of Alexandria in the Apis region - Muharram Bey at the beginning of the desert road Alexandria - Cairo - to develop and develop that area, and under this contract both the company and the owner receive a share of the total project revenue to be paid from During project revenue receipts, the developed company has not yet begun to complete marketing and sale of project units.

- Palm Hills Development Company and Palm Urban Development Company (a subsidiary) contracted with the Urban Communities Authority as real estate developers to develop an integrated urban project with a participation system - (Badia) project on an area of 3000 acres in the West Cairo region on the basis of the revenue sharing system, so that the companies-developer Real estate has a ratio of 74% against the work of management, marketing and development of the project, while the Authority gets 26% of revenue to be paid in light of the approved schedules for the payment of annual payments in addition to an in-kind share of the project units for land and the supply of external facilities for the project, and real estate developers have begun N in the work of the marketing and development of the project as of May 2018.

**d) Managing Service Activities**

The company purchased the Palm Hills Club in 6th of October City for the entire Palm Hills Resort, which was acquired through a sale contract dated October 1, 2007 .from one of its sister companies

And a contract has been concluded to manage the Palm Hills Club - Palm Hills Resort in 6th of October - with Palm Hills Clubs (a subsidiary company) as of January 1, 2017, and under this contract the managing company will receive 80% of the club's operating income, while the company will receive The owner (Palm Hills Development) has 20% of the club's operating income

**e) Investments in associates and subsidiaries****1- Direct investments in associates and subsidiaries as following: -**

	<u>Percentage</u> <u>share %</u>
Palm Hills Middle East Company for Real Estate Investment S.A.E	% 99.99
Gawda for Trade Services S.A.E	%99.996
New Cairo for Real Estate Developments S.A.E	%99.985
KHEDMA for Resorts Management S.A.E	%99.96
Rakeen Egypt for Real Estate Investment S.A.E	%99.9454
Palm for Real Estate Development S.A.E	%99.4
Palm for Investment & Real Estate Development S.A.E	%99.4
Palm Hills Development of Tourism and Real Estate S.A.E	%99.4
Palm Hills for Tourism Investment S.A.E	%99.4
Palm Hills Resorts S.A.E	%99.4
Palm for Urban Development S.A.E	%99.4
Palm for Constriction, real state dev. S.A.E	%99.4
Palm Hills Properties S.A.E	%99.2
Palm for Club Management S.A.E	%99.2
Palm Alexandria for Real Estate S.A.E	%99.2
United Engineering for Construction S.A.E	%98.88
Palm Hills Hospitality S.A.E	%98
East New Cairo for Real Estate Development (Capsi )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
Arkan Palm For Real Estate	%39.99
Palm October For Hotels	%00.24
Palm sports for clubs	99.9%

## **9. STATEMENT OF COMPLIANCE**

During the fiscal year ending December 31, 2018, the company committed to applying the new Egyptian Accounting Standards issued by Ministerial Resolution No. 110 of 2015, and following the same accounting policies previously applied when preparing the latest financial statements (December 31, 2017), which were not subject to any amendments or any update.

## **BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS :-**

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

The preparation of financial statements is the responsibility of the company's management, and accounting policies are also developed and implemented, and these financial statements are prepared in accordance with the Egyptian accounting standards and international accounting standards, while no Egyptian accounting standards issued in Ministerial Resolution No. (110) for the year 2015 have been applied, and standards have been applied Relevant Egyptian Accounting when preparing financial statements on December 31, 2018, except for unrelated Egyptian Accounting Standards.

### **11. ACCOUNTING ESTIMATES**

Preparing the financial statements in accordance with the Egyptian accounting standards requires that the best assumptions and estimates set by the administration be relied upon and what it deems appropriate to develop and apply accounting policies to reflect the essence and economic content of the transactions that are related to the basic activity of the company (current activity revenue, estimated cost until the completion of the project, asset impairment In light of the best data and information available to management, it may directly affect the value of revenues and costs associated with these estimates and the values of the relevant assets and liabilities in the event that the estimates made at the date of preparing the lists differ from the actual reality in the following periods, without prejudice to the extent to which the financial statements express a fact The financial position of the company and its cash flows for the current period.

### **12. CHANGE IN ACCOUNTING POLICIES**

It is a change in the principles, foundations, rules and practices that the establishment applies when preparing financial statements, by moving from an acceptable accounting policy to another acceptable accounting policy, and within the framework of Egyptian accounting standards, where the voluntary application of the new policy has a positive impact on the extent of the results of the application of those The policy is based on the essence of the company's transactions and operations and its

implications for the reality of the financial position and the results of the company's business, and the effects of that change in policies are proven retroactively and those effects are recognized in the retained earnings within equity (if any).

### **13. TRANSACTIONS BOOK KEEPING**

#### **• DEALING AND PRESENTATION CURRENCY**

Transactions are recorded in the currency of the economic environment in which the establishment engages in its main activities, which is the Egyptian pound. Transactions in foreign currencies are recognized upon initial recognition on the basis of translation of the value of the foreign currency using the prevailing exchange rate between the currency of the transaction and the foreign currency at the date of the establishment of these transactions.

#### **• TRANSACTIONS AND BALANCES**

- Items of a monetary nature in foreign currencies are translated at the date of preparing the financial statements (if any) using the closing price - the prevailing exchange rate in the foreign exchange free market at the end of the financial period, provided that the remeasurement product is included in the income statement (profits and losses).
- Items of a non-monetary nature are translated into foreign currencies on the date of the preparation of the financial statements (if any) that are measured at historical cost using the exchange rates prevailing on the date that these transactions are recognized.
- Items of a non-monetary nature are translated into foreign currencies on the date of the preparation of the financial statements (If any) that are measured at fair value using the exchange rates prevailing at the date when the fair value is determined.

### **14. INVESTMENTS**

#### **a) Investments in subsidiaries**

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

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

#### **b) Investments in associates**

Subsidiaries are all companies over which the Company has significant influence and that is neither a subsidiary nor an interest in a joint venture. Investments in associates are stated at equity method, under the equity method the investments in associates are initially recognized at cost and the carrying

amount is increased or decreased to recognize the investor's share of the profit or loss of the associates after the date of acquisition.

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

**c) Financial investments available for sale**

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

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

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

**d) Held-to-maturity investments**

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

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

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

**e) Investments at fair value through profit and loss**

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

**f) Investments properties**

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

**15. PROJECTS UNDER CONSTRUCTION**

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

**16. 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.

**17. FIXED ASSETS**

Fixed assets are stated at historical cost –cost of acquisition-and to be depreciated by straight line method over the estimated useful life of the asset starting from the date of using the asset. Cost of acquisition does not include subsequent expenditure relating to routine maintenance or to ensure that a fixed asset maintains its original assessed standard of performance and useful life and should be charged to the income statement. Carrying amount of fixed assets after initial measurement is stated at historical cost less accumulated depreciation and cumulative impairment losses (if any). The estimated useful lives are as follows:

<u>Asset</u>	<u>Rate</u>
Buildings	%5
Tools & Equipment	% 25

Furniture & Fixtures	% 25 – %33
Vehicles	% 25

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

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

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

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

## **18. WORK IN PROCESS**

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

## **19. 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.



## **20. NOTES RECEIVABLE**

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

## **21. IMPAIRMENT**

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

## **22. 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.

## **23. 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.

## **24. 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.

## **25. 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.

## **26. 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.

## **27. 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.

## **28. BORROWING COSTS**

The amount and value of borrowings are recognized initially with the values received and the amounts due within a year are classified within the current liabilities, unless the company has the right to postpone the payment of the loan balance for a period of more than a year after the date of the financial statements, so the loan balance is displayed within the long-term obligations. Loans and borrowing costs are measured after the initial recognition of the loans on the basis of the cost consumed by the effective interest rate method. Profits and losses for excluding liabilities are included in the income statement (profits and losses) in addition to the amortization process using the effective interest rate method.

Amortized cost is calculated by taking into account any discount or premium on purchase and fees or costs that are part of the effective interest rate. Effective interest rate amortization is included in the finance costs in the income statement (profits and losses).

## **29. 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.

## **30. 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.

## **31. MATCHING OF REVENUES AND COSTS**

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

### **a) Villas and townhouses**

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

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

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

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

### **b) Completed units ready for sale**

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

All costs (cost of land, cost of developments and other indirect costs) attributable to such units are accumulated in the Work in Process Account

until all units are completed for each phase. The cost is determined based on the outcome of multiplying of the total area of the remaining completed units ready for sale at the date of consolidated balance sheet by the average meter cost of these units. Revenue from completed units ready for sale is recognized and matched to the cost of such units upon delivery. Completed units ready for sale are re-measured at each reporting period at the lower of cost or net realizable value.

**c) Provision of completion**

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

**32. REVENUE RECOGNITION**

**a) Sales revenues**

**1- Villas and townhouses**

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

**2- Completed units ready for sale**

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

**b) Investments in associates and subsidiaries**

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

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

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

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

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

**d) Revenues from investment property**

Revenues from investment in real estate are recognized when a sale is consummated and the Company has in principle transferred to the buyer the

usual risks of ownership. Such revenues are measured by the difference between cost of acquisition and selling price.

**e) Revenues from mutual funds**

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

**f) Interest income**

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

**33. 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.

**34. FINANCIAL INSTRUMENTS & FAIR VALUE**

**- Financial instruments**

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

**- Financial instruments fair value**

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

### **35. INVESTMENTS IN ASSOCIATES**

	<b><u>30 Sep. 2020</u></b>	<b><u>31 Dec. 2019</u></b>
	<b><u>EGP</u></b>	<b><u>EGP</u></b>
Naema for Touristic & Real Estate Investments S.A.E	77 210 702	87 454 082
Arkan palm for real estate investment S.A. E	60 406 763	52 155 114
EFS palm for facilities services S.A. E	6 392 348	980 000
Villamora for Real Estate Development Company S.A. E	2 535 617	2 535 617
Coldwell Banker -Palm Hills for Real Estate S.A. E	245 000	245 000
The Cookery - Co for catering and restaurants S.A. E	3 000 000	--
<b>Balance as at 30 Sep 2020</b>	<b><u>149 790 430</u></b>	<b><u>143 369 813</u></b>

### **36. INVESTMENT PROPERTY**

	<b><u>Acre</u></b>	<b><u>30 Sep. 2020</u></b>	<b><u>31 Dec. 2019</u></b>
		<b><u>EGP</u></b>	<b><u>EGP</u></b>
<b><u>Real estate investments - land</u></b>			
Palm Hills Development Company - Botanica	1759	<b>212 512 738</b>	<b>212 512 738</b>
Gamsha for Tourist Development S.A.E	22.679	<b>115 958 754</b>	<b>115 457 048</b>
<b>Total real estate investment - land</b>		<b><u>328 471 492</u></b>	<b><u>327 969 786</u></b>
<b><u>Real estate investments - Buildings</u></b>			
<b><u>Commercial shops - Palm Hills Resort</u></b>			
Cost of shops of 88 Street Mall.		68 518 386	68 138 598
Accumulated depreciation		( 13 732 280)	(6 625 847)
<b>Net cost of shops</b>		<b>54 786 106</b>	<b>61 512 751</b>
Vilas at villa mora resort		4 000 000	4 000 000
<b>Balance as at 30 Sep 2020</b>		<b><u>387 257 598</u></b>	<b><u>393 482 537</u></b>

**37. HELD-TO-MATURITY INVESTMENT**

	<u>Face value</u>	<u>Unrecognized investment</u>	<u>Average return</u>	<u>Purchase price</u>
	<u>EGP</u>	<u>return</u>	<u>rate</u>	<u>EGP</u>
		<u>EGP</u>	<u>%</u>	
Palm Hills Development	684 500 000	51 146 033	%11	633 353 967
Palm Hills Middle East Company for Real Estate Investment	64 250 000	3 806 744	%11	60 443 256
East New Cairo for Real Estate Development	28 125 000	2 028 978	%11	26 096 022
Gawda for Trade Services	9 550 000	918 185	%11	8 631 815
Middle East Company for Real Estate and Touristic Investment	22 525 000	1 894 482	%11	20 630 518
Palm Hills Development of Tourism and Real Estate	7 175 000	243 066	%11	6 931 934
Palm for investment and real estate development	67 925 000	3 569 586	%11	64 355 414
Palm real estate development	60 300 000	2 482 342	%11	57 817 658
Palmh Hills for Urban Development Company	63 050 000	6 168 272	%11	56 881 728
Rakeen Egypt for Real Estate Investment	179 250 000	15 799 339	%11	163 450 661
Royal Gardens for Real Estate Investment Company	66 925 000	738 539	%11	66 186 461
Saudi Urban Development Company	155 525 000	12 587 090	%11	142 937 910
<b>Balance as at 30 Sep 2020</b>	<b><u>1 409 100 000</u></b>	<b><u>101 382 656</u></b>		<b><u>1 307 717 344</u></b>

**38. NOTES RECEIVABLE**

	<u>30 Sep. 2020</u>	<u>31 Dec. 2019</u>
	<u>EGP</u>	<u>EGP</u>
Short term notes receivable	5 611 850 685	4 975 458 893
<b>Deduct: -</b>		
Notes receivable of joint venture	342 193 396	266 524 999
Unamortized discount	30 348 335	17 120 875
	<b><u>5 239 308 954</u></b>	<b><u>4 691 813 019</u></b>
Long term notes receivable	16 218 441 413	16 574 145 275
<b>Deduct: -</b>		
Notes receivable of joint venture	1 157 474 311	1 049 157 198
Unamortized discount	297 442 350	206 311 544
<b>Current value for long term notes receivable</b>	<b><u>14 763 524 752</u></b>	<b><u>15 318 676 533</u></b>
<b>Balance as at 30 Sep 2020</b>	<b><u>20 002 833 706</u></b>	<b><u>20 010 489 552</u></b>

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.

\* The Notes receivables balances included an amount of 1,31billion represented in the value of checks received against maintenance deposits of contracted units

whose value collected will be transferred to the Occupants Union upon its establishment in accordance with the provisions of Building Law No. 119 of 2008 (Note No. 57).

### 39. PROJECTS UNDER CONSTRUCTION

	<u>30 Sep. 2020</u>	<u>31 Dec. 2019</u>
	<u>EGP</u>	<u>EGP</u>
Land	311 908 565	320 940 357
Construction of golf courses, hotels and clubs in the North Coast - transferred from work in Process	1 257 069 345	1 354 075 939
Palm club Constructions	58 827 028	55 059 345
Consultation and designs fees	21 491 208	6 755 349
Schools Construction cost	2 606 108	2 606 108
<b>Balance as at 30 Sep 2020</b>	<b><u>1 651 902 254</u></b>	<b><u>1 739 437 098</u></b>

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

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





**40. FIXED ASSETS**

Fixed assets (net) balance as at 30 September 2020 amounted to EGP 1 414 843 234 represented as follows:

	<u>Cost as of</u> <u>Jan. 1,2020</u>	<u>Additions</u> <u>during the</u> <u>period</u>	<u>Disposals</u> <u>during the</u> <u>period</u>	<u>Cost as of</u> <u>30 Sep 2020</u>	<u>Accumulated</u> <u>depreciation as</u> <u>of Jan. 1, 2020</u>	<u>Depreciation</u> <u>for the period</u>	<u>Depreciation</u> <u>of Disposals</u>	<u>Accumulated</u> <u>depreciation as of</u> <u>30 Sep 2020</u>	<u>Net book value as</u> <u>30 Sep 2020</u>
	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>
Land	18 920 662	9 031 828	--	27 952 490	--	--	--	--	27 952 490
Buildings	521 631 464	102 226 582	--	623 858 046	242 383 858	13 619 760	--	256 003 618	367 854 428
Machinery & equipment	185 325 275	12 719 376	--	198 044 651	137 406 240	12 275 431	--	149 681 671	48 362 980
Vehicles	25 417 616	264 000	--	25 681 616	19 076 905	2 298 280	--	21 375 185	4 306 431
Computer equipment	84 746 569	1 300 128	102 710	85 943 987	67 922 845	7 079 312	71 506	74 930 651	11 013 336
Leasehold improvements	21 244 693	--	--	21 244 693	19 597 208	724 774	--	20 321 982	922 711
Furniture	80 971 255	19 738 543	877 088	99 832 710	59 167 785	7 298 535	743 468	65 722 852	34 109 858
Golf Courses	1 123 489 349	--	--	1 123 489 349	95 283 623	40 845 239	--	136 128 862	987 360 487
<b>Balance as at 30 Sep 2020</b>	<b>2 061 746 883</b>	<b>145 280 457</b>	<b>979 798</b>	<b>2 206 047 542</b>	<b>640 838 464</b>	<b>84 141 331</b>	<b>814 974</b>	<b>724 164 821</b>	<b>1 481 882 721</b>
Impairment of Makor									(2 500 000)
Impairment of assets									(64 539 487)
<b>Balance as at 30 Sep. 2020</b>									<b>1 414 843 234</b>

- Fixed assets depreciation For the Nine Months Ended 30 Sep 2020 was allocated as follows:

	<u>EGP</u>
Operating assets-work in process	6 198 342
Administrative depreciation (income statement)	62 924 640
Depreciation expense of hotel operations	5 988 155
Depreciation expense of Palm Hills Club's assets - club's operating statement	9 030 194
Total depreciation of fixed assets during the year	<b>84 141 331</b>

- Capital Gains for The Nine Months Ended 30 Sep 2020 amounted to EGP 63 521 as follows:

	<u>EGP</u>	<u>EGP</u>
Proceed from sale of fixed assets		228 345
Deduct:		
Cost of assets sold	979 798	
Accumulated depreciation of assets sold	814 974	
Carrying amount of assets sold		<b>63 521</b>

\*The company has concluded financing leasing contracts for the Palm Hills Club lands and buildings 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 for sale) and obligations resulting from financial transactions as a financing activity in accordance with the essence of these transactions and the lack of completion of the conditions that must be met to prove those The contracts are as finance lease and these assets are presented as collateral (Note No. 52)

Fixed assets (net) balance as at 31 Dec. 2019 amounted to EGP 1 230 516 368 represented as follows:

	<u>Cost as of</u> <u>Jan. 1,2019</u>	<u>Additions</u> <u>during the</u> <u>year</u>	<u>Disposals</u> <u>during the</u> <u>year</u>	<u>Cost as of</u> <u>Dec. 31,2018</u>	<u>Accumulated</u> <u>depreciation as</u> <u>of Jan. 1, 2018</u>	<u>Depreciation for</u> <u>the year</u>	<u>Depreciation</u> <u>of Disposals</u>	<u>Accumulated</u> <u>depreciation as of</u> <u>Dec. 31,2018</u>	<u>Net book value as</u> <u>of Dec. 31,2018</u>
	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>
Land	18 920 662	--	--	18 920 662	--	--	--	--	18 920 662
Buildings	513 522 992	8 431 840	323 368	521 631 464	226 767 598	15 814 592	198 332	242 383 858	279 247 606
Machinery & equipment	175 576 604	10 409 290	660 619	185 325 275	121 935 380	15 848 388	377 528	137 406 240	47 919 035
Vehicles	23 484 129	3 348 517	1 415 030	25 417 616	17 713 785	2 778 150	1 415 030	19 076 905	6 340 711
Computer equipment	79 394 347	5 557 290	205 068	84 746 569	56 126 506	11 953 617	157 278	67 922 845	16 823 724
Leasehold improvements	21 501 456	--	256 763	21 244 693	18 774 659	1 079 312	256 763	19 597 208	1 647 485
Furniture	73 656 071	7 677 204	362 020	80 971 255	52 354 255	7 158 502	344 972	59 167 785	21 803 470
Golf Courses	1 123 281 546	207 803	--	1 123 489 349	40 834 849	54 448 774	--	95 283 623	1 028 205 726
<b>Total cost</b>	<b><u>2 029 337 807</u></b>	<b><u>35 631 944</u></b>	<b><u>3 222 868</u></b>	<b><u>2 061 746 883</u></b>	<b><u>534 507 032</u></b>	<b><u>109 081 335</u></b>	<b><u>2 749 903</u></b>	<b><u>640 838 464</u></b>	<b><u>1 420 908 419</u></b>
Impairment of Makor									(2 500 000)
Impairment of assets									(64 539 487)
<b>Balance as at 31 Dec. 2019</b>									<b><u>1 353 868 932</u></b>

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

Operating assets-work in process	<u>EGP</u>	3 029 349
Administrative depreciation (income statement)		80 340 330
Depreciation expense of hotel operations		7 695 675
Depreciation expense of Palm Hills Club's assets - club's operating statement		12 211 536
Total depreciation of fixed assets during the year	<u>EGP</u>	<u>109 081 335</u>

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

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

\*The company has concluded financing leasing contracts for the Palm Hills Club lands and buildings 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 for sale) and obligations resulting from financial transactions as a financing activity in accordance with the essence of these transactions and the lack of completion of the conditions that must be met to prove those The contracts are as finance lease and these assets are presented as collateral (Note No. 52)

#### **41. WORK IN PROCESS**

	<u>30 Sep 2020</u> <u>EGP</u>	<u>31 Dec. 2019</u> <u>EGP</u>
Land acquisition cost	2 642 994 120	3 357 943 814
Cost of construction	4 818 005 977	4 711 755 752
Completed units ready for sale	<u>45 550 714</u>	<u>45 550 714</u>
<b>Balance as at 30 Sep 2020</b>	<b><u><u>7 506 550 811</u></u></b>	<b><u><u>8 115 250 280</u></u></b>

\* Borrowing cost capitalized on work in process for The Period Ended 30 Sep 2020 amounted to EGP 149 348 565

#### **42. CASH AND CASH EQUIVALENTS**

	<u>30 sep. 2020</u> <u>EGP</u>	<u>31 Dec. 2019</u> <u>EGP</u>
Banks-current accounts- EGP	1 562 408 277	1 315 427 641
Banks-current accounts- foreign currency	12 957 983	11 826 112
Banks – Deposits- EGP	2 500 000	2 500 000
Cash on hand- EGP	18 532 683	45 424 637
<b>Balance as at 30 Sep 2020</b>	<b><u><u>1 596 398 943</u></u></b>	<b><u><u>1 375 178 390</u></u></b>

#### **43. ACCOUNTS RECEIVABLE**

	<u>30 Sep. 2020</u> <u>EGP</u>	<u>31 Dec. 2019</u> <u>EGP</u>
Palm Hills Developments Company customers	316 897 006	367 166 654
Palm Hills Middle East Company for Real Estate Investment customers	118 628 213	115 131 552
Royal Gardens for Real Estate Investment Company customers	7 784 631	8 835 737
New Cairo for Real Estate Developments customers	1 461 015	1 538 515
Gawda for Trade Services customers	1 134 029	1 129 029
Saudi Urban Development Company customers	51 528 824	54 196 781
Rakeen Egypt for Real Estate Investment customers	83 100 350	90 135 050
East New Cairo for Real Estate Development customers	67 849 323	124 422 692
Middle East Company for Real Estate and Touristic Investment customers	1 455 357	3 568 968
United Engineering for Construction	3 351 579	1 533 262
Palm Real Estate Development	47 872 836	42 092 690
Palm for Investment and Real Estate Development	314 858 892	223 565 640

Palm Hills Development of Tourism and Real Estate	1 748 965	6 245 506
Palm Hills Properties	4 531 804	2 968 295
Palm for Urban Development	303 965 968	224 685 919
Palm for Clubs Management	7 548 736	5 063 079
Palm for clubs	206 732	--
Customers of palm hills club	2 259 310	--
<b>Balance as at 30 Sep 2020</b>	<b><u>1 336 183 570</u></b>	<b><u>1 272 279 369</u></b>

**44. DEBTORS AND OTHER DEBIT BALANCES**

	<b><u>30 Sep. 2020</u></b>	<b><u>31 Dec. 2019</u></b>
	<b><u>EGP</u></b>	<b><u>EGP</u></b>
Residents' Association	521 041 551	399 029 882
Investments debtors	5 019 431	5 019 431
Deposits with others	111 721 757	265 685 022
Prepaid expenses	122 114 358	81 095 808
Accrued interests	35 698 199	32 864 323
Withholding tax from source	308 190	55 229 137
Insurances of guarantee Letters	29 323 019	14 557 606
Loans to employee & custodies	10 384 441	9 159 944
Other debit balances	77 701 718	54 720 207
<b>Balance as at 30 Sep 2020</b>	<b><u>913 312 664</u></b>	<b><u>917 361 361</u></b>

**45. DUE FROM RELATED PARTIES**

	<b><u>30 Sep 2020</u></b>	<b><u>31 Dec. 2019</u></b>
	<b><u>EGP</u></b>	<b><u>EGP</u></b>
Al Ethadia for Real Estate S.A. E	246 027 506	236 663 231
Al Naeem for investments	48 755 256	48 755 256
Debtors of dividends	127 689 298	127 689 298
Coldwell Banker -Palm Hills for Real Estate S.A. E	20 480	20 480
Novotel Cairo 6th Of October S.A. E	--	2 601 390
Mercure Ismailia Hotel S.A. E	834 131	2 959 192
The Cokery-Co for catering and catering	1 250 000	--
Palm Hills – Saudi	269 320	269 320
Arkan Palm Real Estate Investment S.A. E	162 659	7 100
<b>Balance as at 30 Sep 2020</b>	<b><u>425 008 650</u></b>	<b><u>418 965 567</u></b>

#### **46. ADVANCE PAYMENTS FOR INVESTMENTS ACQUISITION**

	<u>Nature of transaction</u>	<u>30 Sep 2020</u>	<u>31 Dec 2019</u>
		<u>EGP</u>	<u>EGP</u>
kenzy company for restaurant	Establishment	4 209 316	4 209 316
Palm Hills – Saudi	Establishment	135 121 743	135 121 743
Gamsha for Tourist Development S.A. E	Acquisition	4 010 000	4 010 000
Middle East Company for Real Estate and Touristic Investment	Acquisition	10 262 352	10 262 352
Al Naeem for Hotels and Touristic Villages	Acquisition	41 303 890	41 303 890
Disney beach company		93 001 000	--
<b>Balance as at 30 June 2020</b>		<b><u>287 908 301</u></b>	<b><u>194 907 301</u></b>

\*The amounts paid for the purchase of investments in companies are included in the payment item under the account for the purchase of investments, according to the sales contracts and the agreement concluded between the company and some of the shareholders of the companies referred to above, provided that these amounts are transferred to a share in companies when completing the procedures for transfer of ownership in the name of the company

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

\* As of the date of preparing the financial statements, no legal measures have been taken towards these amounts

#### **47. BANKS- CREDIT BALANCES**

	<u>30 Sep 2020</u>	<u>31 Dec 2019</u>
	<u>EGP</u>	<u>EGP</u>
Banks –EGP	<b>21 735 073</b>	83 102 389
Banks-foreign currencies	--	4 135 324
<b>Balance as at 30 June 2020</b>	<b><u>21 735 073</u></b>	<b><u>87 237 713</u></b>

#### **48. BANK OVERDRAFT**

	<u>30 Sep. 2020</u>	<u>31 Dec 2019</u>
	<u>EGP</u>	<u>EGP</u>
CIB - Bank	<b>539 278 089</b>	376 765 397
Arab - Bank	<b>190 669 096</b>	299 630 120
Ahli United Bank	<b>7 100 808</b>	6 798 641

Arab - African Bank	<b>314 360 496</b>	280 118 487
<b>Balance as at 30 Sep 2020</b>	<b><u>1 051 408 489</u></b>	<b><u>963 312 645</u></b>

#### **49. ADVANCES FROM CUSTOMERS**

	<u>Down</u> <u>payments</u> <u>EGP</u>	<u>Advances for</u> <u>contracting</u> <u>EGP</u>	<u>30 Sep</u> <u>2020</u> <u>EGP</u>	<u>31 December</u> <u>2019</u> <u>EGP</u>
Palm Hills Developments Company	52 768 146	4 791 933 924	4 844 871 455	4 142 932 948
Palm Hills Middle East Company for Real Estate Investment	26 367 993	597 095 346	623 463 339	275 295 709
Royal Gardens for Real Estate Investment Company	--	2 628 725	2 628 725	2 628 725
New Cairo for Real Estate Developments	--	4 502 838	4 502 838	4 502 838
Saudi Urban Development Company	1 612 460	422 681 460	424 293 920	353 131 022
Rakeen Egypt for Real Estate Investment	22 004 238	795 131 022	817 135 260	731 743 201
East New Cairo for Real Estate Development	1 075 893	96 607 662	97 683 555	181 606 167
Middle East Company for Real Estate and Touristic Investment	6 426 348	--	6 426 348	2 184 061
United Engineering for Construction	35 635 350	--	35 635 350	75 487 001
Palm for Real Estate Development S.A. E	--	848 142 554	848 142 554	1 146 588 831
Palm for Investment & Real Estate Development	3 417 558	3 676 663 130	3 680 080 688	3 826 597 345
Palm Hills Development of Tourism and Real Estate	3 450 313	289 556 526	293 006 839	344 170 462
Palm Hills Properties	--	11 122 180	11 122 180	12 249 226
Palm for Urban Development	1 623 547	2 804 908 164	2 806 531 711	3 112 321 578
Palm for Clubs Management	784 046	--	784 046	1 170 586
<b>Balance as at 30 Sep 2020</b>	<b><u>155 335 277</u></b>	<b><u>14 340 973 531</u></b>	<b><u>14 496 308 808</u></b>	<b><u>14 212 609 702</u></b>

#### **50. LAND PURCHASE LIABILITIES**

	<u>30 Sep. 2020</u> <u>EGP</u>	<u>31 Dec. 2019</u> <u>EGP</u>
Land purchase liabilities - short term	173 423 818	235 682 895
Land purchase liabilities - long term	96 647 787	150 258 255
<b>Balance as at 30 Sep 2020</b>	<b><u>270 071 605</u></b>	<b><u>385 941 150</u></b>



## **51. DUE TO RELATED PARTIES**

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

## **52. NOTES PAYABLE**

### **A) Short Term Notes Payable**

	<b><u>30 Sep. 2020</u></b>	<b><u>31 Dec. 2019</u></b>
	<b><u>EGP</u></b>	<b><u>EGP</u></b>
Notes payable- Land (New Urban Communities Authority)	702 839 925	1 579 682 655
<b><u>Deduct: -</u></b>		
Deferred installments interest	177 395 550	561 178 711
<b>Net Short-Term Notes Payable - Lands</b>	<b><u>525 444 375</u></b>	<b><u>1 018 503 944</u></b>
<b><u>Add: -</u></b>		
Other notes payable	896 741 609	945 720 533
<b><u>Deduct: -</u></b>		
Deferred interests	241 189 980	213 322 571
<b>Balance as at 30 Sep 2020</b>	<b><u>1 180 996 004</u></b>	<b><u>1 750 901 906</u></b>

### **B) Long Term Notes Payable**

	<b><u>30 Sep. 2020</u></b>	<b><u>31 Dec. 2019</u></b>
	<b><u>EGP</u></b>	<b><u>EGP</u></b>
Notes payable- Land (New Urban Communities Authority)	1 268 688 275	1 218 688 273
<b><u>Deduct: -</u></b>		
Deferred installments interest	320 214 670	541 400 627
<b>Net Long-Term Notes Payable - Lands</b>	<b><u>948 473 605</u></b>	<b><u>677 287 646</u></b>
<b><u>Add: -</u></b>		
Other notes payable	1 562 080 703	1 451 794 896
<b><u>Deduct: -</u></b>		
Deferred installments interest	774 173 778	690 940 161
<b>Balance as at 30 Sep 2020</b>	<b><u>1 736 380 530</u></b>	<b><u>1 438 142 383</u></b>

### **53. LOANS**

This item is represented as follows:

	<b><u>30.Sep. 2020</u></b>		<b><u>31 Dec. 2019</u></b>	
	<b><u>Short term</u></b> <b><u>EGP</u></b>	<b><u>long term</u></b> <b><u>EGP</u></b>	<b><u>Short term</u></b> <b><u>EGP</u></b>	<b><u>long term</u></b> <b><u>EGP</u></b>
<b><u>Misr Bank</u></b> Revolving medium-term loan with Banque Misr in the amount of EGP 750 million to finance projects of Palm Hills Middle East for Real Estate Investment.	--	--	134 327 622	--
<b><u>CIB Bank</u></b> Commercial International Bank A medium-term financing contract of 1.073 for a period of 5 years to pay off the existing debts of the Arab African Bank and some other banks, with a 1% return, in addition to Corridor Lending Rate.	59 749 000	970 123 693	59 497 372	1 013 707 418
<b><u>Arab African International Bank (AAIB)</u></b> A medium loan with Arab African International Bank (AAIB) amounted to EGP 100 million for United Engineering for Construction	43 081 180	--	15 544 001	44 080 222
<b><u>Arab Bank</u></b> A current limit owed within the limits of the amount of 300 million Egyptian pounds without guarantee.	--	299 999 554	--	299 998 735
<b><u>National Bank of Egypt</u></b> Medium term joint financing of 1.24 billion Egyptian pounds to finance <u>the Palm Hills Development Company</u> project of 190 acres in 6th of October City	112 160 000	1 093 242 433	85 763 862	1 139 354 545
<b><u>Arab African International Bank (AAIB)</u></b> A medium-term loan with Arab African International Bank (AAIB) amounted to EGP 485 million for a period of 7.5 years to finance <u>projects of Palm Hills Developments and Rakeen Egypt for Real Estate Investment</u>	--	229 000 000	--	303 931 945
<b><u>Ahli united bank</u></b> Revolving financing in the amount of 505 million Egyptian pounds to refinance the debt granted by the Arab African Bank, as well as refinance part of the investment cost on the project from the company's own resources.	13 798 000	459 342 791	--	--
<b>Balance as at 30 Sep 2020</b>	<b><u>228 788 180</u></b>	<b><u>3 051 708 471</u></b>	<b><u>295 132 857</u></b>	<b><u>2 801 072 865</u></b>

### **54. CREDITORS AND OTHER CREDIT BALANCES**

	<b><u>30 Sep. 2020</u></b>	<b><u>31 Dec. 2019</u></b>
	<b><u>EGP</u></b>	<b><u>EGP</u></b>
Other credit balances	224 198 969	201 669 888
Insurance for others	175 497 009	155 916 656
Social insurance	57 238 586	48 444 502
Accounts receivable under settlement	312 300 624	147 918 520
Accrued expenses	64 552 726	76 834 826
<b>Balance as at 30 Sep 2020</b>	<b><u>833 787 914</u></b>	<b><u>630 784 392</u></b>

**55. CAPITAL**

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

<u>Issued capital</u>	<u>EGP</u>
The Company's issued capital was determined at EGP 121 500 000 representing 1 215 000 shares with a par value of EGP 100 per share.	121 500 000
On 20 Dec. 2006, the Company's Extra-Ordinary General Assembly Meeting approved the issued Capital increase amounting to EGP 185,500,000 to be after such increasing amounted EGP 307,000,000 representing 3,070,000 shares with a par value of EGP 100 per share.	307 000 000
On 13 May 2007, the Company's Board of Directors approved the issued Capital increase amounting to EGP 93,000,000 to be after such increasing amounted EGP 400,000,000 representing 4,000,000 shares with a par value of EGP 100 per share.	400 000 000
On 15 July 2007, the Company's Board of Directors approved the issued Capital increase amounting to EGP 200,000,000 to be after such increasing amounted EGP 600,000,000 representing 6,000,000 shares with a par value of EGP 100 per share.	600 000 000
On 6 November 2007, the Company's Board of Directors approved the issued Capital increase amounting to EGP 200,000,000 to be after such increasing amounted EGP 800,000,000 representing 8,000,000 shares with a par value of EGP 100 per share. The Company's Extra-Ordinary General Assembly Meeting held in March 2009 approved a 50-for-1 stock split and the par value of the Company's share reduced to EGP 2 per share.	800 000 000
On 27 September 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 31 September 2009, the Company's Board of Directors approved the issued Capital increase amounting to EGP 465,920,000 to be after such increasing amounted EGP 1,397,760,000 representing 698,880,000 shares with a par value of EGP 2 per share.	1 397 760 000
On 28 January 2010, the Company's Extra-Ordinary General Assembly Meeting approved the issued Capital increase amounting to EGP 698,880,000 to be after such increasing amounted EGP 2,096,640,000 representing 1,048,320,000 shares with a par value of EGP 2 per share.	2 096 640 000
On 22 Sep. 2013, the Company's Extra-Ordinary General Assembly Meeting approved the issued Capital increase amounting to EGP 600,000,000 to be after such increasing amounted EGP 2,696,640,000 representing 1,348,320,000 shares with a par value of EGP 2 per share.	2 696 640 000
On 8 February 2015, the Company's Extra-ordinary General Assembly Meeting approved the issued Capital increase amounting to EGP 1 648 000 000 to be after such increasing amounted EGP 4 344 640 000 representing 2 172 320 000 shares with a par value of EGP 2 per share.	4 344 640 000
On 29 November 2015, the Company's Extra-Ordinary General Assembly Meeting approved the issued Capital increase out of retained earnings amounting to EGP 53 359 478 to be after such increasing amounted EGP 4 397 999 478 representing 2 198 999 739 shares with a par value of EGP 2 per share.	4 397 999 478
On 13 March 2016, the Company's Extra-Ordinary General Assembly Meeting approved the issued Capital increase out of retained earnings via the issuance of bonus shares amounting to EGP 219 899 974 to be after such increasing amounted EGP 4 617 899 452 representing 2 308 949 726 shares with a par value of EGP 2 per share.	4 617 899 452
On 6 September 2018, the Company's Extra-Ordinary General Assembly Meeting approved the issued Capital increase out of retained earnings via the issuance of bonus shares amounting to EGP 1 539 299 818 to be after such increasing amounted EGP 6 157 199 270 representing 769 649 909 shares with a par value of EGP 2 per share.	6 157 199 270

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

6 235 199 270

## 56. TREASURY SHARES

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

### - Outstanding Shares

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

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

## 57. OTHER LONG-TERM LIABILITIES- RESIDENTS' ASSOCIATION

Other long term liabilities represent time deposit checks received from residents or customers due on the sold units to finance the maintenance and other running expenses, such time deposit checks are temporarily invested in favor of residents until the compound has separate legal personality and separate assets and liabilities, then the compound's management and its General Assembly will be responsible for running the compound's assets and liabilities according to the Buildings & Housing Low No.119 for 2008. Other long-term liabilities balance as at 30 Sep 2020 amounted to EGP 2 706 412 115.

### a) Legal reserve

	<u>30 Sep. 2020 EGP</u>	<u>31 Dec. 2019 EGP</u>
Beginning balance	738 358 146	708 524 277
Transferred from the prior year profit	<u>41 371 895</u>	<u>29 833 869</u>
<b>Balance as at 30 Sep 2020</b>	<u>779 730 041</u>	<u>738 358 146</u>

**b) Special reserve**

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

**58. Joint Share Arrangement**

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

	<u>30 Sep 2020</u>		<u>31 Dec 2019</u>	
	<u>Short term</u>	<u>Long term</u>	<u>Short term</u>	<u>Long term</u>
	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>
Partners in Palm New Cairo-Project	1 151 574 806	--	535 761 232	748 379 032
Partners in Hacienda West -Project	--	--	--	23 019 437
Partners in (Badya) Project	439 016 077	--	545 420 528	744 241
<b>Balance as at 31 Sep 2020</b>	<b>1 590 590 883</b>	<b>--</b>	<b>1 081 181 760</b>	<b>772 142 710</b>

**59. REVENUES**

	<u>30 Sep. 2020</u>	<u>30 Sep. 2019</u>
	<u>EGP</u>	<u>EGP</u>
Revenues from building and development activities	3 266 425 188	3 382 245 096
Revenues from the construction activity	71 006 898	44 469 988
The owner's share in the profits of operating the hotels	2 432 902	54 859 921
Other revenues (note 63)	172 657 186	72 393 867
Revenues from the commercial activity	6 751 609	5 353 340
Revenues from Palm Hills Club	29 942 291	60 698 112
<b>Total as at 30 Sep 2020</b>	<b>3 549 216 074</b>	<b>3 620 020 324</b>

**60. COST OF REVENUES**

	<u>30 Sep. 2020</u>	<u>30 Sep. 2019</u>
	<u>EGP</u>	<u>EGP</u>
Cost of building and development activities	2 117 157 330	2 071 915 197
Depreciation of Fixed Assets – Macor	5 988 155	5 690 267
Depreciation of Fixed Assets – Palm Hills Club	9 030 194	8 974 185
Cost of the construction activity	66 885 250	35 974 495
Cost of the commercial activity	123 474	105 436
Operation cost -Palm Hills Club	15 705 458	24 507 072
<b>Total as at 30 Sep 2019</b>	<b>2 214 889 861</b>	<b>2 147 166 652</b>

**61. General Administrative, Selling and Marketing Expenses**

	<u>30 Sep. 2020</u>	<u>30 Sep. 2019</u>
	<u>EGP</u>	<u>EGP</u>
Wages and salaries	252 203 632	240 276 749
Selling and marketing expenses	201 854 638	198 584 023
Communications expenses	2 120 117	2 557 460
Utilities	20 011 592	21 449 484
Professional and Government fees	33 693 803	41 721 981
Maintenance and Insurance	45 907 333	41 097 201
Travel and transportation	803 312	10 100 200
Symbiotic contribution	8 841 095	9 322 240
Bank charges	3 485 477	2 390 686
Other administrative expenses	32 818 325	50 952 006
<b>Total as at 30 Sep 2020</b>	<b><u>601 739 324</u></b>	<b><u>618 452 030</u></b>

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

	<u>Realized</u> <u>returns at</u> <u>30 Sep .2020</u>	<u>Realized</u> <u>returns at</u> <u>30 Sep .2019</u>
	<u>EGP</u>	<u>EGP</u>
Gains on sale of mutual funds certificates	5 906 464	8 292 801
<b>Total as at 30 Sep 2020</b>	<b><u>5 906 464</u></b>	<b><u>8 292 801</u></b>

**63. OTHER REVENUES**

	<u>30 Sep.2020</u>	<u>30 Sep.2019</u>
	<u>EGP</u>	<u>EGP</u>
Transfer fees and delay penalties	152 927 046	29 716 119
Gain/Loss on disposal of fixed assets	63 521	725 285
Retrieve the value of the facilities	8 480 993	9 282 738
Miscellaneous revenues	11 185 627	32 669 725
<b>Total as at 30 Sep 2020</b>	<b><u>172 657 187</u></b>	<b><u>72 393 867</u></b>

**64. TRANSACTION WITH RELATED PARTIES**

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

**a- Transaction with related parties**

<u>Party</u>	<u>Relationship</u>	<u>Nature of transaction</u>	<u>Amount of transaction</u> <u>EGP</u>
Palm Hills Middle East Company for Real Estate Investment S.A.E	A subsidiary	Finance	1 570 977 818
Royal Gardens for Real Estate Investment Company S.A.E	A subsidiary	Finance	7 874 819
Middle East Company for Real Estate and Touristic Investment S.A.E	A subsidiary	Finance	321 712 355
Gawda for Trade Services S.A.E	A subsidiary	Finance	95 187 427
Rakeen Egypt for Real Estate Investment S.A.E	A subsidiary	Finance	4 685 763 714
Saudi Urban Development Company S.A.E	A subsidiary	Finance	80 085 230
Nile Palm Al-Naem for Real Estate Development S.A.E	A subsidiary	Finance	22 312
Al Ethadia for Real Estate S.A.E	A Related party	Finance	65 069 090
East Cairo S.A.E	A subsidiary	Finance	2 817 012 231
New Cairo S.A.E	A subsidiary	Finance	11 393 217
Al Naem for Hotels and Touristic Villages S.A.E	A subsidiary	Finance	26 604
Gemsha for Tourist Development S.A.E	A subsidiary	Finance	875 505
United Engineering for Construction S.A.E	A subsidiary	Finance	7 550 014
El Mansour & El Maghraby Investment and Development S.A.E	A main shareholder	Finance	52 000 000
Palm for Real Estate Development S.A.E	A subsidiary	Finance	54 142 922
Palm for Investment and Real Estate Development S.A.E	A subsidiary	Finance	161 989 757
Palm Hills Properties S.A.E	A subsidiary	Finance	12 024 760
Palm Hills Development of Tourism and Real Estate Development S.A.E	A subsidiary	Finance	44 315 416
Palm Hills for Tourism Investment S.A.E	A subsidiary	Finance	121 130
Palm Hills Resorts S.A.E	A subsidiary	Finance	3 121 127
Palm Hills Education S.A.E	A subsidiary	Finance	63 349
Palm for Urban Development	A subsidiary	Finance	152 578 371
Palm for Club Management S.A.E	A subsidiary	Finance	26 500 278
Palm Alexandria for Real Estate Investment S.A.E	A subsidiary	Finance	116 902
Arkan Palm for Real Estate Development S.A.E	A Related party	Finance	155 559
Palm for construction and real state development S.A.E	A Related party	Finance	10 220
Palm October for hotels	A Related party	Finance	8 470
Palm hills for hotels	A Related party	Finance	8 470
Easten college	A Related party	Finance	55 000
Palm sports for clubs	A Related party	Finance	80 217 356
Thecocory for restaurants	A Related party	Finance	1 250 000
KHEDMA for touristic and Urban management S.A.E	A subsidiary	Finance	4 867 866

**b- Resulting balances from these transactions**

<u>Party</u>	<u>Item as in balance sheet</u>	<u>EGP</u>
Palm Hills Middle East Company for Real Estate Investment S.A.E	Due from related parties	1 632 133 876
Royal Gardens for Real Estate Investment Company S.A.E	Due to related parties	( 988 084)
Middle East Company for Real Estate and Touristic Investment S.A.E	Due to related parties	( 143 261 263)
Gawda for Trade Services S.A.E	Due to related parties	( 51 757 685)
Rakeen Egypt for Real Estate Investment S.A.E	Due from related parties	557 613 206
Saudi Urban Development S.A.E	Due from related parties	( 58 550 521)
Nile Palm Al-Naeem for Real Estate Development S.A.E	Due to related parties	( 44 264 275)
Al Ethadia for Real Estate S.A.E	Due from related parties	200 197 059
EAST Cairo CO. S.A.E	Due to related parties	( 289 825 229)
Palm October for Hotels S.A.E	Due from related parties	11 340 558
New Cairo for Real Estate Developments S.A.E	Due to related parties	5 705 203
Al Naeem for Hotels and Touristic Villages S.A.E	Due to related parties	( 125 514 119)
Gamsha for Tourist Development S.A.E	Due from related parties	70 476 765
United Engineering for Construction S.A.E	Due from related parties	( 12 778 850)
El Mansour & El Maghraby S.A.E	Due to related parties	( 4 103 939)
Palm Gamsha for Hotels S.A.E	Due from related parties	30 050
Palm North Coast Hotels S.A.E	Due from related parties	26 858
Palm for Real Estate Development S.A.E	Due from related parties	1 063 431
Palm for Investment and Real Estate Development S.A.E	Due to related parties	42 829 331
Palm Hills Properties S.A.E	Due from related parties	(6 685 833)
Palm Hills Tourism and Real Estate Development S.A.E	Due to related parties	112 026 394
Palm Hills for Tourism Investment S.A.E	Due from related parties	(25 240 521)
Palm Hills Resorts S.A.E	Due to related parties	3 415 736
Palm Hills for Hotels S.A.E	Due to related parties	100 341 544
Palm Hills Education S.A.E	Due from related parties	1 621 470
Saudi Baltan S.A.E	Due from related parties	269 320
Coldwell Banker S.A.E	Due from related parties	20 480
Palm for Urban Development S.A.E	Due from related parties	(181 136 089)
Palm for Club Management S.A.E	Due from related parties	(8 743 207)
Palm Alexandria for Real Estate investment S.A.E	Due to related parties	2 335 093
Asten College S.A.E	Due from related parties	378 861
Palm Alalameen for Real Estate development	Due from related parties	162 659
Palm for Constructions and Real Estate Development S.A.E	Due from related parties	(43 144 409)
The cokary for restaurants	Due from related parties	1 250 000
KHEDMA for touristic and Urban management S.A.E	Due to related parties	500



## **65. TAX STATUS**

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

### **a) Corporate tax**

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

### **b) Payroll tax**

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

### **c) Stamp tax**

- The company is subject to the Law No. 111 of 1980 and its amendments and executive regulations.
- **From inception till 31/7/2006**  
The company was notified by tax forms and the taxes due were paid according to / as per these forms.
- **From 1/8/2006 till 31/12/2012**  
This period has been inspected and the resulting disputes have not been settled.
- **Years 2013 to 2018**  
The company pays the taxes due on regularly basis within the legal dates.

**66. EARNINGS PER SHARE**

	<b><u>30 Sep. 2020</u></b>	<b><u>30 Sep. 2019</u></b>
	<b><u>EGP</u></b>	<b><u>EGP</u></b>
Net profit for the period	514 546 183	544 311 027
<b><u>Divided by: -</u></b>		
Weighted average number of shares	3 081 249 635	3 081 249 635
<b>Earnings per share</b>	<b><u>0,167</u></b>	<b><u>0,176</u></b>

**67. EMPLOYEE STOCK OWNERSHIP PLAN (ESOP)**

On 29 November 2015 The Company's Extraordinary General Assembly Meeting approved issued capital increase out of retained earnings balance as at 31 Dec. 2014 of EGP 53 359 478 for an employee stock ownership plan (ESOP) representing 26 679 739 shares. In addition to 1 333 987 shares which represent share of employee stock ownership plan according to the company's extraordinary general assembly meeting in 13 June 2016, the total number of shares of (ESOP) become 28 013 725 shares. All of shares of (ESOP) have been sold as of 30 September 2019. The Company's Extraordinary General Assembly has been invited to meeting on 13 May 2018 to discuss the extension of (ESOP) according to the previous regulations and conditions, that accepted the extension of (ESOP) through issuing 39 million shares fully allocated to (ESOP) at a value of 78 million pounds, at a price of 2 pounds per share.