

**PALM HILLS DEVELOPMENTS COMPANY**  
**(An Egyptian Joint Stock Company)**  
**Consolidated Financial Statements**  
**Ended In 30 June 2021**  
**Together with Review Report**

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

**As of 30 June 2021**

	<b>Note no.</b>	<b>30 June 2021</b> <b>EGP</b>	<b>31 Dec 2020</b> <b>EGP</b>
<b><u>Non-current assets</u></b>			
Investments in associates	(33 ·b11·d8)	161 146 106	150 481 921
Investment property	(34, f11)	385 305 700	386 524 021
Notes receivable - long term	(36 ·16)	16 430 592 073	15 338 184 314
Projects under construction	(37 ·12)	266 474 396	297 328 271
Advance payments for investments acquisition	(44)	313 390 301	313 390 301
Fixed assets (net)	(38 ·13)	2 732 648 623	2 762 305 090
Deferred tax assets	(b23)	2 021 583	3 049 521
Employee stock ownership plan (ESOP)	(66)	69 420 000	53 040 000
Other long-term assets		1 421 532	1 505 155
<b>Total non-current assets</b>		<b>20 362 420 314</b>	<b>19 305 808 593</b>
<b><u>Current assets</u></b>			
Works in process	(39 ·14)	8 389 833 573	7 287 942 937
Held-to-maturity investments	(35 ·d 11)	2 094 616 997	1 369 132 280
Cash and cash equivalents	(40 ·30)	996 939 396	1 579 250 273
Notes receivable - short term	(36 ·16)	5 018 826 559	5 025 563 370
Investments at fair value through profit and loss	(61· e11)	161 838 175	215 712 935
Accounts receivable	(41)	1 691 428 374	1 480 150 676
Suppliers - advance payments		610 224 959	514 994 304
Debtors and other debit balances	(42)	1 128 045 867	1 084 173 501
Due from related parties	(63 ·43 ·27)	453 823 428	440 619 311
<b>Total current assets</b>		<b>20 545 577 328</b>	<b>18 997 539 588</b>
<b><u>Current liabilities</u></b>			
Banks - credit balances	(45)	89 205 577	90 966 967
Bank- overdraft	(46)	1 129 292 675	1 034 506 489
Advances from customers	(47)	16 092 559 510	15 629 029 118
Completion of infrastructure liabilities	(21)	58 062 734	58 062 734
Provisions	(c28 ·19)	183 318 773	176 792 225
Current portion of land purchase liabilities	(a48 ·20)	190 141 641	134 159 466
Notes payable - Short term	(a 50)	1 124 621 785	1 030 233 337
Current portion of Short-term loans	(51)	89 461 069	183 435 222
Suppliers & contractors		1 194 499 841	834 286 954
Income tax payable	(a 23)	113 643 391	37 270 445
Creditors & other credit balances	(52)	853 173 201	784 588 614
Joint shares arrangement - short term	(57)	1 506 194 141	1 179 376 457
Due to related parties	(63 ·49 ·27)	2 535 616	2 535 616
<b>Total current liabilities</b>		<b>22 262 709 954</b>	<b>21 175 243 646</b>
Working capital		(2 081 132 627)	(2 177 704 058)
<b>Total investment</b>		<b>18 281 287 687</b>	<b>17 128 104 535</b>
<b><u>Financed as follows:</u></b>			
<b><u>Shareholders' equity</u></b>			
Share capital	(54)	6 162 499 270	6 235 199 270
Legal reserve	(a 56)	808 745 512	779 730 042
Special reserve	(b 56)	176 513 271	176 513 271
Treasury shares	(55 ·17)	(69 839 608)	(46 990 266)
ESOP Re-Measurement Reserve	(66)	(8 580 000)	(24 960 000)
Retained earning		1 133 352 403	1 036 333 384
Net profit for the period		461 428 526	717 767 741
<b>Total before Non-controlling equities</b>		<b>8 664 119 373</b>	<b>8 873 593 441</b>
Non-controlling interest		658 568 800	583 301 607
<b>Total shareholders' equity</b>		<b>9 322 688 173</b>	<b>9 456 895 048</b>
<b><u>Non-current liabilities</u></b>			
Land purchase liabilities	(b 48 ·20)	471 538 944	90 488 428
Notes payable - long term	(b 50)	2 734 836 329	2 151 086 266
Other long-term liabilities – Residents' Association	(53)	3 373 995 403	2 935 783 484
long-term- loans	(51)	2 378 228 838	2 493 851 309
<b>Total non-current liabilities</b>		<b>8 958 559 514</b>	<b>7 671 209 487</b>
<b>Total equity and non-current liabilities</b>		<b>18 281 287 687</b>	<b>17 128 104 535</b>

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

**Chairman**  
**Yasseen Mansour**

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

**PALM HILLS DEVELOPMENTS COMPANY S.A.E**

**CONSOLIDATED STATEMENT OF INCOME (PROFIT OR LOSS)**

**For the Period Ended 30 June 2021**

	<u>Note No.</u>	<u>30 June 2021</u> <u>EGP</u>	<u>30 June 2020</u> <u>EGP</u>
Revenues	(62, 58, 28)	4 009 609 436	2 008 212 010
<b><u>Deduct: -</u></b>			
Cost of revenues	(59, 28)	2 567 723 563	1 250 290 935
Cash discount		23 632 965	7 340 952
Gross profit		<u>1 418 252 908</u>	<u>750 580 123</u>
<b><u>Deduct: -</u></b>			
General administrative, selling and marketing expenses	(60)	593 022 019	373 726 361
Interest on land purchase liabilities	(20)	33 629 220	53 602 260
Administrative depreciation	(38, 13)	80 937 024	47 150 908
Provision	(19)	5 580 593	--
Finance costs & interests	(25)	131 131 391	104 886 110
Interest on land purchase - returned		--	(127 547 612)
Total general, administrative, marketing and financing expenses, depreciation		<u>844 300 247</u>	<u>451 818 026</u>
<b><u>Add</u></b>			
Interest income – amortization of discount on notes receivables		7 648 044	8 560 440
Gains on investments in fair value through profit or loss	(61, e11)	9 956 880	4 159 808
Interest income on held-to-maturity investments	(35, d11)	17 813 740	16 220 026
Total other revenues		<u>35 418 664</u>	<u>28 940 274</u>
Net profit for the Period before income tax & non-controlling interest		609 371 325	327 702 371
<b><u>Deduct: -</u></b>			
Deferred tax	(b 23)	240 551	189 559
Income tax	(a 23)	113 619 994	45 468 847
Net profit for the Period before & non-controlling interest		495 510 781	282 043 965
<b><u>Deduct: -</u></b>			
Non-controlling interest share- subsidiaries		34 082 255	5 458 833
Net profit for the Period after income tax & non-controlling interest		<u>461 428 526</u>	<u>276 585 132</u>
Earnings per share	(65, 26)	<u>0,152</u>	<u>0,091</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 Period Ended 30 June 2021**

	<u>30 June 2021</u>	<u>30 June 2020</u>
	<u>EGP</u>	<u>EGP</u>
Net profit for the period	461 428 526	276 585 132
Other comprehensive income	--	--
Total comprehensive income for the period, net of tax	<u>461 428 526</u>	<u>276 585 132</u>
<b><u>Attributable to: -</u></b>		
Equity holders of the parent	461 428 526	276 585 132
Non-controlling interests	34 082 255	5 458 833
	<u>495 510 781</u>	<u>282 043 965</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 CASH FLOWS**  
**For the Period Ended 30 June 2021**

	Note No.	30 June 2021 EGP	30 June 2020 EGP
Net profit for the period before income tax & non-controlling interest		609 371 325	327 702 371
<b>Adjustments to reconcile net profit to net cash from operating activities</b>			
Interest on land purchase liabilities	(20)	33 629 220	53 602 260
Administrative depreciation	(38)	91 317 830	51 160 643
Provision	(19)	5 580 593	--
Finance costs & interests	(25)	131 131 391	104 886 110
Share of Loss of associates	(33)	(296 686)	5 042 125
Gain (loss) on disposal of fixed assets	(38)	(10 400 407)	(25 821)
Amortization of discount on notes receivables	(36 (16)	( 7 648 044)	(8 560 440)
Gains on investments in fair value through profit or loss	(61)	( 9 956 880)	(4 159 808)
Interest on land purchase - returned		--	(127 547 612)
Interest income on held to maturity investments	(20)	( 17 813 740)	(16 220 026)
Operating profit before changes in working capital items		<u>824 914 603</u>	<u>385 879 801</u>
<b>Cash flow from operation activates</b>			
Change in work in process	(39 (14)	(651 709 068)	246 895 572
Change in held to maturity investments	(35 (d11)	( 725 484 717)	( 220 295 710)
Change in notes receivables	(36 (16)	(1 078 022 904)	122 645 959
Change in investments in fair value through profit or loss	(61)	53 874 760	18 138 101
Change in accounts receivable	(41)	( 211 277 697)	( 278 609 218)
Change in suppliers - advance payments		( 95 230 655)	( 40 512 920)
Change in debtors & other debit balances		(43 872 367)	75 615 157
Change in due from related parties	(63(43(27)	(13 204 116)	(8 289 517)
Change in advances from customers	(47)	463 530 392	251 187 397
Change in obligations to complete facilities		--	( 37 020 682)
Provisions	(c28 (19)	945 955	1 523 412
Change in due to related parties	(49 (27)	--	190 173
Change in notes payable	(50)	644 509 291	( 429 710 683)
Change in suppliers & contractors		360 212 888	19 588 368
Income Tax		( 37 247 048)	( 88 127 043)
Change in creditors and other credit balances	(52)	68 584 587	122 602 680
Change in other long term – Residents’ Association	(53)	438 211 919	180 905 583
Change in due to joint arrangement partners	(57)	326 817 684	( 325 027 728)
Net cash provided by (used in) operating activities		<u>325 553 506</u>	<u>(2 421 299)</u>
<b>Cash flows from investing activities</b>			
Payments for purchase of fixed assets	(38)	(64 304 043)	( 28 496 922)
Proceeds from sale of fixed assets	(38)	10 520 436	174 590
Payments for associate’s investment	(33)	( 10 367 500)	(12 000 000)
Payments for projects under construction	(37 (12)	30 853 875	( 17 109 182)
Proceeds from real estate investment	(34)	--	( 714 257)
proceeds from other assets		83 623	( 1 588 775)
Proceeds from investments in fair value through profit or loss	(61 (e11)	9 956 880	4 159 808
Proceeds from held-to-maturity investments	(35 (d11)	17 813 740	16 220 026
Net cash (used in) provided by investing activities		<u>(5 442 988)</u>	<u>(39 354 711)</u>
<b>Cash flows from financing activities</b>			
Capital deduction		( 72 700 000)	--
Proceeds from Banks - credit balances	(45)	( 1 761 390)	(21 692 996)
Proceeds from Banks – overdraft	(46)	94 786 184	59 162 377
Treasury stock	(55)	( 22 849 342)	( 46 990 266)
dividends		( 337 843 877)	--
Non-controlling interest dividends		41 184 938	(8 793 989)
Adjustments to retained earnings		( 253 889 376)	( 338 108 242)
Deferred tax		787 387	--
Payment of loans	(51)	( 481 095 047)	( 468 947 037)
Proceeds from loans	(51)	262 090 519	427 416 288
Finance costs & interests paid	(25)	( 131 131 391)	(104 886 110)
Net cash (used in) provided by financing activities		<u>( 902 421 394)</u>	<u>(502 839 975)</u>
Net increase in cash and cash equivalents during the period		<u>(582 310 877)</u>	<u>(544 615 986)</u>
Cash and cash equivalents at beginning of the year		<u>1 579 250 273</u>	<u>1 375 178 390</u>
Cash and cash equivalents as of 30 June 2021	(40 (30)	<u>996 939 396</u>	<u>830 562 405</u>

- 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

Chairman

Ali Thabet

Yasseen Mansour

**PALM HILLS DEVELOPMENTS COMPANY S.A.E**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**For The Period Ended 30 June 2021**

	<u>Share Capital</u>	<u>Legal reserve</u>	<u>Special reserve</u>	<u>Treasury stock</u>	<u>Reserve for ESOP re- measurement</u>	<u>Retained earnings (losses)</u>	<u>Net profit for the Period</u>	<u>Total before Non-controlling equites</u>	<u>Total Non- controlling equities</u>	<u>Total Shareholders' After non- controlling equities</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>	<u>EGP</u>
Balance as of 1 January 2020	6 235 199 270	738 358 147	176 513 271	--	(9 828 000)	995 810 936	846 785 352	8 982 838 976	554 741 875	9 537 580 851
Transferred to retained earnings	--	--	--	--	--	846 785 352	(846 785 352)	--	--	--
Transferred to legal reserve	--	40 115 197	--	--	--	(40 115 197)	--	--	--	--
Treasury stock	--	--	--	(46 990 266)	--	--	--	(46 990 266)	--	(46 990 266)
Amounts set aside for Employee stock ownership plan (ESOP)	--	--	--	--	( 22 932 000)	--	--	( 22 932 000)	--	( 22 932 000)
Adjustments to retained earnings	--	--	--	--	--	( 338 108 242)	--	( 338 108 242)	--	( 338 108 242)
Dividends	--	--	--	--	--	--	--	--	(8 793 988)	(8 793 988)
Net profit for the year	--	--	--	--	--	--	276 585 132	276 585 132	5 458 833	282 043 965
<b>Balance as of 30 June 2020</b>	<b><u>6 235 199 270</u></b>	<b><u>778 473 344</u></b>	<b><u>176 513 271</u></b>	<b><u>(46 990 266)</u></b>	<b><u>( 32 760 000)</u></b>	<b><u>1 464 372 849</u></b>	<b><u>276 585 132</u></b>	<b><u>8 851 393 599</u></b>	<b><u>551 406 720</u></b>	<b><u>9 402 800 318</u></b>
Balance as of 1 January 2021	6 235 199 270	779 730 041	176 513 271	(46 990 266)	( 24 960 000)	1 036 333 384	717 767 741	8 873 593 441	583 301 606	9 456 895 047
Transferred to retained earnings	--	--	--	--	--	717 767 741	(717 767 741)	--	--	--
Capital deduction	( 72 700 000)	--	--	46 990 266	--	25 709 734	--	--	--	--
Transferred to legal reserve	--	29 015 471	--	--	--	(29 015 471)	--	--	--	--
Adjustments to non-controlling interest	--	--	--	--	--	--	--	--	43 415 168	43 415 168
Treasury stock	--	--	--	(69 839 608)	--	--	--	(69 839 608)	--	(69 839 608)
Amounts set aside for Employee stock ownership plan (ESOP)	--	--	--	--	16 380 000	--	--	16 380 000	--	16 380 000
Adjustments to retained earnings	--	--	--	--	--	(279 599 109)	--	(279 599 109)	--	(279 599 109)
Dividends	--	--	--	--	--	( 337 843 877)	--	( 337 843 877)	(2 230 229)	(340 074 106)
Net profit for the year	--	--	--	--	--	--	461 428 526	461 428 526	34 082 255	495 510 781
<b>Balance as of 30 June 2021</b>	<b><u>6 162 499 270</u></b>	<b><u>808 745 512</u></b>	<b><u>176 513 271</u></b>	<b><u>( 69 839 608)</u></b>	<b><u>( 8 580 000)</u></b>	<b><u>1 133 352 403</u></b>	<b><u>461 428 526</u></b>	<b><u>8 664 119 374</u></b>	<b><u>658 568 800</u></b>	<b><u>9 322 688 173</u></b>

<sup>1</sup>The accompanying notes are 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 2021**

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

**6. AUTHORIZATION OF THE FINANCIAL STATEMENTS**

The Consolidated financial statements for the Period ended on 30 June 2021 were authorized for issue by the board of directors on 17 August 2021.

**7. STOCK EXCHANGE LISTING**

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

**8. EXISTING PROJECTS**

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

**a) Building and constructing residential compounds**

The objective of the company is to contribute in building integrated residential units, providing 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.**

**d) Investments in Associates and subsidiaries**

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

	<b><u>Percentage share %</u></b>
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 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 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	19.99%
Six of October for Hotels and Touristic Services Company S.A.E	00.24%
IFS Facilities Management S.A.E	49%

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

	<u>Percentage share %</u>
Palm North Coast Hotels S.A.E	97.412%
Palm Gamsha Hotels S.A.E	87.50%
Middle East Company for Real Estate and Touristic Investment S.A.E	96.04%
East New Cairo for Real Estate Development S.A.E	10.998%
Asten College for Education	71.82%
Palm Hills for Education S.A.E	71.04%
The Egyptian International Company for Higher Education	40%
Inspired For Education - Egypt	47.7%

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

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

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

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

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

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

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

New Cairo for Real Estate Development S.A.E. is registered in Egypt under commercial registration number 12613 under the provisions of the Investment Guarantees and Incentives Law No. 8 of 1997 and the Companies' Law No. 159 of 1981 and the Capital Market Law No. 95 of 1992. The company is located in plot 36 South investors' area in new Cairo. The company is engaged in construction, management, and the sale of hotels, motels, buildings and residential compounds and the purchase, development, diving and sale of land.

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

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

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

Rakeen Egypt for Real Estate Investment S.A.E is registered in Egypt under commercial registration number 34611 under the provisions of the Investment Guarantees and Incentives Law No. 8 of 1997 and the Companies' Law No. 159 of 1981 and the statutes of Capital Market Law No. 95 of 1992. The company is located in 6<sup>th</sup> of October City. The company is engaged in leasing, construction and operation of hotels, motels, resorts and residential compounds, construction, generation of electricity, desalination of water, land acquisition, diving and constructing villas, residential units and offices malls and the marketing thereof.

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

Palm Sports Clubs Company "an Egyptian joint stock company" was established in accordance with the provisions of Law No. 72 of 2017 and taking into account the provisions of Law No. 95 of 1992 issuing the Capital Law and its implementing regulations. The company was registered in Commercial Register No. 8348 on December 5, 2019, and the issued capital amounts to 2,000,000 Egyptian pounds, and the company's contribution is 99.9% of the capital. The main activity of the company is in the services of the sports field and includes management, marketing, operation, management of sports games, establishment of private clubs, academies, health clubs and fitness centers.

The company started practicing its main and usual activity through the conclusion of a contract to manage the Palm Hills Club - Palm Hills Resort in 6th of October City - owned by Palm Hills Development Company as of 1st January 2020

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

Palm for Real Estate Development S.A.E is registered in Egypt under commercial registration number 83974 under the provisions of the Companies' Law No. 159 of 1981 and the statutes of the Capital Market Law No. 95 of 1992. The company is engaged in real estate investment.

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

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

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

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

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

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

**The Company has not started its business yet.**

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

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

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

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

**The Company has not started its business yet.**

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

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

**The Company has not started its business yet.**

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

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

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

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

**The Company has not started its business yet.**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**The Company has not started its business yet.**

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

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

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

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

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

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

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

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

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

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

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

**-Asten College for Education**

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

**The Company has not started its business yet.**

**9. STATEMENT OF COMPLIANCE**

These consolidated financial statements of Palm Hills Developments and its subsidiaries (the ‘group’) were prepared in accordance with new Egyptian Accounting Standards issued by ministerial resolution NO. 110 of 2015 and amended pursuant to ministerial resolution NO. 69 of 2019 and following the same accounting policies applied for the preparation of the previous financial statements on December 31, 2019 which were not undergoes any modifications or updates.

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

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

The Company’s management is responsible for the preparation the financial statements. The consolidated financial statements are prepared in accordance with Egyptian Accounting Standards issued by ministerial resolution NO. 110 of 2015 and amended pursuant to ministerial resolution NO. 69 of 2019 and related Egyptian Laws and regulations.

### **b) Basic of consolidation**

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

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

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

- 1. 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:**
- 2. 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.**
- 3. 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.**
- 4. 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.

5. Intergroup balances, transactions shall be eliminated in full.
6. Profits and losses resulting from intergroup transactions are eliminated in full unless such transactions were eliminated or transferred to a third party.
7. Non-controlling interests in the net equity and in net earnings of subsidiary companies are included in a separate item "non-controlling interest" in the consolidated financial statements.
8. 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 group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquire and the equity interests issued by the group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The group recognizes any non-controlling interest in the acquire on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognized amounts of acquirer's identifiable net assets.

Acquisition-related costs are expensed as incurred.

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

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

**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.

In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are described in the following notes:

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

**f) Changes in accounting policies**

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

**g) Bookkeeping**

**1- Functional and presentation currency**

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

**2- Foreign currency transactions and balances**

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

**h) Operating segment**

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

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

**11. INVESTMENTS**

**a) Investments in subsidiaries**

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

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

**b) Investments in Associates**

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

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

**c) Financial investments available for sale**

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

Available-for-sale financial assets are initially recognized at fair value plus directly attributable costs of acquisition or issue.

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

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

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

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

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

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

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

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

**f) Investment's properties**

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

**12. PROJECTS UNDER CONSTRUCTION**

Include the direct and indirect cost of land allocated to the Company for engaging in its main activity which had been allocated to build golf courses and hotels in Palm Hills Residential Compound in 6<sup>th</sup> of October City, as well infrastructure and construction costs of such projects. Projects under construction also include acquisition of commercial shops from an 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 is not met yet to be recognized in income statement.

#### **15. COMPLETED UNITS READY FOR SALE**

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

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

#### **16. NOTES RECEIVABLE**

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

#### **17. TREASURY SHARES**

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

#### **18. IMPAIRMENT**

An asset is impaired when its carrying amount or cash-generating unit exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use while value in use is the present value of estimated cash flow expected to be derived from an asset or cash-generating unit. An impairment loss is recognized in income statement.

If there is an indication that there is an increasing in recoverable amount for an asset that increase is a reversal of the impairment. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

**19. PROVISION**

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

**20. LAND PURCHASE LIABILITY**

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

**21. COMPLETION OF INFRASTRUCTURE LIABILITIES**

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

**22. CAPITALIZATION OF BORROWING COST**

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

**23. INCOME TAX**

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

**(A) Current income tax**

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

**(B) Deferred tax**

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

**24. SHARE PREMIUM**

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

**25. BORROWING COSTS**

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

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

**26. EARNINGS PER SHARE**

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

**27. RELATED PARTY TRANSACTIONS**

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

**28. MATCHING OF REVENUES AND COSTS**

The accounting treatment of signed contracts of villas and townhouses is based on the recognized revenue of the elements of the 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.

**29. REVENUE RECOGNITION**

**a) Sales revenues**

**1- Villas and townhouses**

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

**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.

**30. CASH AND CASH EQUIVALENTS**

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

**31. FINANCIAL INSTRUMENTS & FAIR VALUE**

**-Financial instruments**

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

**- Financial instruments fair value**

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

**32. RISK MANAGEMENT**

**- Interest rate risk**

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

	<u>NOTE</u>
	<u>NO.</u>
BANK OVERDRAFT	(46)
NOTES PAYABLE -SHORT TERM	(50-a)
NOTES PAYABLE -LONG TERM	(50-b)
LOANS -SHORT TERM	(51)
LOANS -LONG TERM	(51)
FINANCIAL LEASING COMPANIES	(34,38,50)

**- Credit risk**

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

**33. INVESTMENT IN ASSOCIATES**

The consolidated balance of investments in Associates as of June 30, 2021 amounted to an amount EGP 161 146 106, as follows

	<u>30 June 2021</u>	<u>31 Dec 2020</u>
	<u>EGP</u>	<u>EGP</u>
Naema for Touristic & Real Estate Investments S.A.E	76 733 825	77 902 192
Arkan palm for real state investment S.A.E	61 871 814	60 406 763
EFS palm for facilities services S.A.E	6 392 348	6 392 348
Villamora for Real Estate Development Company S.A.E	2 535 619	2 535 617
Palm Hills for Real Estate S.A.E-Coldwell Banker	245 000	245 000
Egyptian International for Higher Education S.A.E	10 000 000	--
Inspired Egypt for Education S.A.E	367 500	--
The Cookery - Co for catering and restaurants S.A.E	3 000 000	3 000 000
Balance on June 30, 2021	<u>161 146 106</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	177 906 753	24 420 938	153 485 815	7 465 579	4 822 359
Palm Hills for Real Estate -Coldwell Banker	500 000	--	500 000	--	--
Arkan Palm for Real Estate Development	323 062 749	13 548 922	309 513 827	--	952 033
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

#### **34. INVESTMENT PROPERTY**

The consolidated balance of real estate investments on 30 June 2021 amounted to 385 305 700 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 88Street) As well as the villas in Villa Mora Resort, as follows:

	<u>Acre</u>	<u>30 June 2021</u> <u>EGP</u>	<u>31 Dec 2020</u> <u>EGP</u>
<u>Real estate investments - land</u>	1759	212 512 738	212 512 738
Palm Hills Development Company - Botanica			
Gamsha for Tourist Development S.A.E	22,679	116 125 989	116 125 989
Total real estate investment - land		<u>328 638 727</u>	<u>328 638 727</u>
<u>Real Estate Investments - Buildings</u>			
<u>Commercial shops - Palm Hills Resort</u>			
Cost of shops of 88 Street Mall.		68 469 307	68 469 307
Accumulated depreciation		(15 802 335)	( 14 584 013)
Net cost of shops		<u>52 666 972</u>	<u>53 885 294</u>
Villas at villa mora resort		<u>4 000 000</u>	<u>4 000 000</u>
Balance on 30 June 2021		<u>385 305 700</u>	<u>386 524 021</u>

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 50).

### **35. HELD-TO-MATURITY INVESTMENT**

The consolidated balance for held-to-maturity investments on June 30, 2021 is an amount EGP 2 094 616 997 It represents the value of investment in treasury bills and bonds as follows:

	<u>Face value</u>	<u>Unrecognized investment return</u>	<u>Average return rate</u>	<u>Purchase price</u>
	<u>EGP</u>	<u>EGP</u>	<u>%</u>	<u>EGP</u>
Palm Hills Development	936 000 000	37 248 589	%11	898 751 411
Palm Hills Middle East Company for Real Estate Investment	107 825 000	6 028 404	%11	101 796 596
East New Cairo for Real Estate Development	43 450 000	1 988 304	%11	41 461 696
Gawda for Trade Services	10 575 000	312 938	%10	10 262 062
Middle East Company for Real Estate and Touristic Investment	20 700 000	697 470	%10	20 002 530
Palm Hills Development of Tourism and Real Estate	106 200 000	10 784 905	%10	95 415 095
Palm for investment and real estate development	172 055 000	11 260 068	%10	160 794 932
Palm real estate development	80 525 000	7 635 077	%10	72 889 923
Rakeen Egypt for Real Estate Investment	192 050 000	7 227 111	%11	184 822 889
Palmh Hills for Urban Development Company	92 175 000	2 776 032	%10	89 398 968
Royal Gardens for Real Estate Investment Company	65 800 000	1 244 543	%10	64 555 457
Saudi Urban Development Company	364 550 000	10 084 562	%11	354 465 438
	<u>2 191 905 000</u>	<u>97 288 003</u>		<u>2 094 616 997</u>

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

### **36. NOTES RECEIVABLE**

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 30 June 2021 is EGP 21 449 418 632 after deducting the difference in the present value of EGP 297 305 851 and the share of the partners in an amount of EGP 1 826 773 021 as follows:

	<u>30 June 2021</u>	<u>31 Dec 2020</u>
	<u>EGP</u>	<u>EGP</u>
Short term notes receivable	5 609 561 137	5 311 765 774
<u>Deduct: -</u>		
Note's receivable of joint venture	572 284 016	270 906 317
Unamortized discount	18 450 562	15 296 087
	<u>5 018 826 559</u>	<u>5 025 563 370</u>
Long term notes receivable	17 963 936 367	16 853 222 002
<u>Deduct: -</u>		
Note's receivable of joint venture	1 254 489 005	1 303 168 570
Unamortized discount	278 855 289	211 869 118
	<u>16 430 592 073</u>	<u>15 338 184 314</u>
Current value for long term notes receivable	<u>16 430 592 073</u>	<u>15 338 184 314</u>
Balance on 30 June 2021	<u>21 449 418 632</u>	<u>20 363 747 684</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 1.45 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).

### 37. PROJECTS UNDER CONSTRUCTION

The consolidated balance of projects under construction on 30 June 2021 amounted to EGP 266 474 396 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>30 June 2021</u>	<u>31 Dec 2020</u>
	<u>EGP</u>	<u>EGP</u>
* Adjusted cost of land	36 539 591	36 539 591
Construction of golf courses, hotels, and clubs in the North Coast – transferred from work in Process	162 824 298	162 917 308
Palm club Constructions	58 423 289	57 785 796
Consultation and designs fees	4 936 065	37 479 467
Schools Construction cost	3 751 153	2 606 109
Balance on 30 June 2021	<u>266 474 396</u>	<u>297 328 271</u>

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

	<u>Space In acres</u>	<u>Cost of acquisition Lands EGP</u>	<u>Cost difference Acquisition EGP</u>	<u>Total Costs EGP</u>	<u>Discount current Value EGP</u>	<u>The net Cost EGP</u>
Sidi Abdel Rahman – Marsa Matrouh Governorate (Hotel)	7.16	31 832 012	5 486 739	37 318 751	(779 160)	36 539 591
Total Land	<u>7.16</u>	<u>31 832 012</u>	<u>5 486 739</u>	<u>37 318 751</u>	<u>(779 160)</u>	<u>36 539 591</u>

### 38. Fixed Assets

The net cost of the consolidated fixed assets in 30 June 2021 amounted to EGP 2 732 648 623 presented by fixed administrative assets on the site and the headquarter as follows:

	<u>Cost as of</u> <u>Jan. 1,2021</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>June 2021 30</u>	<u>Accumulated</u> <u>depreciation</u> <u>as of Jan. 1,</u> <u>2021</u>	<u>Depreciation</u> <u>for the Period</u>	<u>Depreciation</u> <u>of Disposals</u>	<u>Accumulated</u> <u>depreciation</u> <u>as of</u> <u>june, 2021 30</u>	<u>Net book value</u> <u>as 30 June 2021</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	33 145 821	--	--	33 145 821	--	--	--	--	33 145 821
* Buildings	702 935 003	27 686 394	--	730 621 397	261 903 206	12 780 726	--	274 683 932	455 937 464
Machinery & equipment	204 705 001	11 778 550	14 376 158	202 107 393	154 273 146	8 033 575	14 373 003	147 933 716	54 173 676
Vehicles	28 215 158	4 864 598	622 800	32 456 956	22 494 033	1 303 983	622 800	23 175 216	9 281 740
Computer equipment	90 197 217	6 302 359	2 262 366	94 237 210	77 434 991	4 100 060	2 183 075	79 351 971	14 885 238
Leasehold improvements	21 244 693	--	75 749	21 168 944	20 563 265	482 567	75 749	20 970 084	198 860
Furniture	102 360 738	13 672 142	4 372 829	111 660 051	68 032 647	5 954 813	4 335 246	69 652 216	42 007 834
Golf Courses	2 412 302 955	--	--	2 412 302 955	161 060 721	61 184 758	--	222 245 479	2 190 057 476
Total cost	<u>3 595 106 586</u>	<u>64 304 043</u>	<u>21 709 902</u>	<u>3 604 530 519</u>	<u>765 762 009</u>	<u>93 840 482</u>	<u>21 589 873</u>	<u>838 012 615</u>	<u>2 799 688 109</u>
Impairment of Makor									( 2 500 000)
Impairment of assets									( 64 539 486)
Balance as of 30 June 2021									<u>2 732 648 623</u>

- All fixed assets in the group companies are available for use in operation.
- Fixed assets depreciation for the year Ended 30 June 2021 amounted EGP 93 840 482 and allocated as follows:

	<u>EGP</u>
Operating assets-work in process	3 740 972
Administrative depreciation (income statement)	79 718 703
Depreciation expense of hotel operations	4 638 846
Depreciation expense of Palm Hills Club's assets - club's operating statement	5 741 961
Total depreciation of fixed assets during the year	<u>93 840 482</u>

Capital Gains for the year ended 30 June. 2021 amounted to EGP 10 400407 as follows:

Proceed from sale of fixed assets	<u>EGP</u>	<u>EGP</u>
		10 520 436
Deduct:		
Cost of assets sold	21 709 902	
Accumulated depreciation of assets sold	<u>21 589 873</u>	
Carrying amount of assets sold		<u>120 029</u>
Gain on sale of fixed assets as of June 31, 2021		<u>10 400 407</u>

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 50).

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:

	<u>Cost as of</u> <u>Jan. 1,2019</u> <u>EGP</u>	<u>Additions</u> <u>during the</u> <u>year</u> <u>EGP</u>	<u>Disposals</u> <u>during the</u> <u>year</u> <u>EGP</u>	<u>Cost as of</u> <u>31 DEC 2019</u> <u>EGP</u>	<u>Accumulated</u> <u>depreciation</u> <u>as of Jan. 1,</u> <u>2019</u> <u>EGP</u>	<u>Depreciation</u> <u>for the year</u> <u>EGP</u>	<u>Depreciatio</u> <u>n of</u> <u>Disposals</u> <u>EGP</u>	<u>Accumulated</u> <u>depreciation</u> <u>as of</u> <u>31 DEC, 2019</u> <u>EGP</u>	<u>Net book value</u> <u>as 31 DEC 2019</u> <u>EGP</u>
* land	18 920 662	14 225 159	--	33 145 821	--	--	--	--	33 145 821
* Buildings	521 631 464	181 303 539	--	702 935 003	242 383 859	19 519 348	--	261 903 206	441 031 797
Machinery & equipment	185 325 275	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	102 360 734	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	<u>2 061 746 883</u>	<u>1 535 356 516</u>	<u>1 996 813</u>	<u>3 595 106 586</u>	<u>640 838 468</u>	<u>126 452 041</u>	<u>1 528 500</u>	<u>765 762 009</u>	<u>2 829 344 577</u>
Impairment of Makor									(2 500 000)
Impairment of assets									(64 539 487)
Balance as at 31 Dec. 2020									<u>2 762 305 090</u>

- All fixed assets in the group companies are available for use in operation.
- Fixed assets depreciation for the year Ended 31 Dec 2020 amounted EGP 126 452 041 and allocated as follows:

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

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

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

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 50)



### **39. 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 30 June 2021 The amount of EGP 8 389 833 573 which is as follows:

	<u>Balance</u> <u>30 June 2021</u>	<u>Balance</u> <u>31 Dec 2020</u>
	<u>EGP</u>	<u>EGP</u>
Total work carried out until 31 Dec .2020	29 816 432 362	28 006 111 550
Add:		
Work carried out for the Period ended 30 June 2021	2 999 492 122	1 810 320 812
<u>Less:</u> works credit to work in progress	--	--
NET work carried out as of 30 June .2021	<u>32 815 924 484</u>	<u>29 816 432 362</u>
<u>Less:</u> excluded from income statement until 30 June 2021	<u>24 426 090 911</u>	<u>22 528 489 425</u>
Work in progress balance as of 30 June 2021	<u><u>8 389 833 573</u></u>	<u><u>7 287 942 937</u></u>
Represented As follows:		
Land acquisition cost	3 504 017 186	2 484 324 436
Cost of construction and facilities	<u>4 885 816 387</u>	<u>4 803 618 501</u>
Balance as of 30 June 2021	<u><u>8 389 833 573</u></u>	<u><u>7 287 942 937</u></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 30 June 2021 amounted to EGP 161 858 590 (Note NO. 51)

### **40. CASH AND CASH EQUIVALENTES**

The consolidated balance of cash and cash equivalent as of 30 June 2021 amounted to 996 939 396 as follows:

	<u>30 June 2021</u>	<u>31 Dec 2020</u>
	<u>EGP</u>	<u>EGP</u>
Banks-current accounts- EGP	954 739 923	1 550 303 676
Banks-current accounts- foreign currency	22 929 904	15 395 579
Banks – Deposits- EGP	2 500 000	2 500 000
Cash on hand- EGP	16 769 569	11 051 018
Balance as of 30 June 2021	<u><u>996 939 396</u></u>	<u><u>1 579 250 273</u></u>

#### 41. ACCOUNTS RECEIVABLE

The present value of accounts receivable - debit balances on 30 June 2021 amounted to EGP 1 691 428 374 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>30 June 2021</u>	<u>31 Dec 2020</u>
	<u>EGP</u>	<u>EGP</u>
Palm Hills Developments Company	606 519 888	478 009 040
Palm Hills Middle East Company for Real Estate Investment	150 427 466	128 047 289
Royal Gardens for Real Estate Investment Company	5 880 933	6 792 630
New Cairo for Real Estate Developments	1 391 015	1 426 015
Gawda for Trade Services	867 569	1 101 709
Saudi Urban Development Company	52 566 311	52 295 090
Rakeen Egypt for Real Estate Investment	77 656 784	84 424 834
East New Cairo for Real Estate Development	81 491 011	73 491 792
Middle East Company for Real Estate and Touristic Investment	2 729 654	2 771 766
United Engineering for Construction	349 602	3 644 229
Palm Real Estate Development	41 104 058	43 260 057
Palm for Investment and Real Estate Development	359 755 552	314 645 495
Palm Hills Development of Tourism and Real Estate	1 635 859	1 635 859
Palm Hills Properties	10 450 522	4 079 568
Palm for Urban Development	282 852 888	276 151 526
Palm for Clubs Management	9 032 726	8 054 147
Palm for Construction	5 709 694	--
Palm for Clubs	1 006 842	319 630
Balance as of 30 June 2021	<u>1 691 428 374</u>	<u>1 480 150 677</u>

#### 42. DEBTORS AND OTHER DEBIT BALANCES

The consolidated balance of debtors and other debit balances as of 30 June 2021 amounted to 1 128 045 867 as follows:

	<u>30 June 2021</u>	<u>31 Dec 2020</u>
	<u>EGP</u>	<u>EGP</u>
Paid under land account	26 938 257	121 728 238
Residents' Association	696 471 224	643 969 802
Investments debtors	5 019 721	5 019 430
Deposits with others	62 578 053	63 201 369
Prepaid expenses	209 969 895	113 982 186
Accrued interest	14 946 101	14 599 743
Withholding tax	2 745 898	2 044 309
Letter of Guarantee	30 148 419	30 148 419
Loans to employee & custodies	11 899 144	7 955 090
Other debit balances	67 329 155	81 524 914
Balance as of 30 June 2021	<u>1 128 045 867</u>	<u>1 084 173 501</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.

#### **43. DUE FROM RELATED PARTIES**

The consolidated balance of due from related parties as of 30 June 2021 amounted to 453 823 428 as follows:

	<u>30 June 2021</u>	<u>31 Dec 2020</u>
	<u>EGP</u>	<u>EGP</u>
Al Ethadia for Real Estate S.A.E	266 858 459	260 748 253
Al Naeem for investments	48 755 256	48 755 255
Debtors of dividends	127 689 298	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	1 091 651	1 013
The cookery co for catering and restaurant	1 630 000	1 250 000
Mercure Ismailia Hotel S.A.E	1 256 588	1 723 033
Arkan palm for real estate investment S.A.E	162 659	162 659
Palm Hills. Saudi _EL Baltan	269 320	269 320
AL Mansour and Maghribi	6 089 710	--
	<hr/>	<hr/>
Balance as of 30 June 2021	453 823 428	440 619 311

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

The consolidated balance of advance payments for investments acquisitions as of 30 June 2021 amounted to 313 390 301 as follows:

	<u>Nature of</u>	<u>30 June 2021</u>	<u>31 Dec 2020</u>
	<u>transaction</u>	<u>EGP</u>	<u>EGP</u>
Kenzie 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	Acquisition	118 483 000	118 483 000
		<hr/>	<hr/>
Balance as of 30 June 2021		313 390 301	313 390 301

- 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 incorporation period to Palm Hills Saudi Company Ltd. - in Riyadh and it has not started practicing its activity yet, and there has been no developing in the type of the contribution or its amounts 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.

#### 45. BANKS- CREDIT BALANCES

The consolidated balance of Banks credit accounts as of 30 June 2021 amounted to 89 205 577 as follows:

	<u>30 June 2021</u>	<u>31 Dec 2020</u>
	<u>EGP</u>	<u>EGP</u>
Banks –EGP	85 967 466	87 516 452
Banks-foreign currencies	3 238 111	3 450 515
Balance as of 30 June 2021	<u>89 205 577</u>	<u>90 966 967</u>

#### 46. BANK OVERDRAFT

The consolidated balance of Banks overdraft as of 30 June 2021 amounted to 1 129 292 675 as follows:

	<u>30 June 2021</u>	<u>31 Dec 2020</u>
	<u>EGP</u>	<u>EGP</u>
Arab -African Bank	379 412 647	316 455 102
Arab - Bank	126 494 310	161 231 125
Ahli United Bank	123 757 065	138 871
CIB - Bank	499 628 653	556 681 391
Balance as of 30 June 2021	<u>1 129 292 675</u>	<u>1 034 506 489</u>

#### 47. ADVANCES FROM CUSTOMERS

The present value of Advances from customers account as 30 June 2021 amounted to 16 092 559 510 as follows:

	<u>Down payment</u>	<u>Net contracts</u>	<u>30 June 2021</u>	<u>31 Dec 2021</u>
	<u>booking clients</u>	<u>for clients</u>	<u>EGP</u>	<u>EGP</u>
	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>
Palm Hills Developments Company	79 636 242	5 630 396 164	5 710 032 405	5 759 395 703
Palm Hills Middle East Company for Real Estate Investment	29 250 076	700 187 895	729 437 971	748 284 601
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	1 250 000	113 320 938	114 570 938	305 573 268
Rakeen Egypt for Real Estate Investment	26 025 514	843 057 518	869 083 031	895 357 707
East New Cairo for Real Estate Development	1 100 000	67 252 094	68 352 094	84 273 205
Middle East Company for Real Estate and Touristic Investment	5 626 348	7 493 588	13 119 936	6 426 348
United Engineering for Construction	9 842 642	--	9 842 643	11 336 727
Palm for Real Estate Development S.A.E	50 000	807 384 266	807 434 266	873 891 456
Palm for Investment and Real Estate Development	9 456 697	3 644 684 993	3 654 141 690	3 746 354 817
Palm Hills Development of Tourism and Real Estate	2 858 313	209 739 272	212 597 585	262 156 782
Palm Hills Properties	--	9 869 416	9 869 416	9 869 416
Palm for Urban Development	7 949 622	3 065 171 657	3 073 121 279	2 918 105 916
Palm for Clubs	1 092 083	--	1 092 083	--
Palm for constructions	67 043 911	745 688 698	812 732 609	871 608
Balance as of 30 June 2021	<u>241 181 448</u>	<u>15 851 378 062</u>	<u>16 092 559 510</u>	<u>15 629 029 118</u>

#### 48. LAND PURCHASE LIABILITIE

The consolidated balance of Land purchase liabilities as of 30 June 2021 amounted to 661 680 585 follows:

	<u>30 June 2021</u>	<u>31 Dec 2020</u>
	<u>EGP</u>	<u>EGP</u>
Land purchase liabilities - short term	190 141 641	134 159 466
Land purchase liabilities - long term	471 538 944	90 488 428
Balance as of 30 June 2021	<u>661 680 585</u>	<u>224 647 895</u>

#### **49. DUE TO RELATED PARTIES**

The consolidated balance of Due to related parties as of 30 June 2021 amounted to 2 535 616 as follows:

	<u>30 June 2021</u>	<u>31 Dec 2020</u>
	<u>EGP</u>	<u>EGP</u>
Villamora for Real Estate Development Company S.A.E	2 535 616	2 535 616
<b>Balance as of 30 June 2021</b>	<b><u>2 535 616</u></b>	<b><u>2 535 616</u></b>

#### **50. NOTES PAYABLE**

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

The consolidated balance of short-term notes payable (net) as of 30 June 2021 amounted to 1 124 621 785 as follows:

	<u>30 June 2021</u>	<u>31 Dec 2020</u>
	<u>EGP</u>	<u>EGP</u>
* Notes payable- (New Urban Communities Authority)	346 564 552	394 546 306
<b><u>Deduct: -</u></b>		
Delayed installments interest	55 235 121	92 260 380
Net Notes payable (short term)- Land	<u>291 329 431</u>	<u>302 285 926</u>
<b><u>Add: -</u></b>		
Other notes payable **	1 061 668 084	813 126 549
Deduct: Deferred interest	228 375 730	85 179 138
<b>Balance as of 30 June 2021</b>	<b><u>1 124 621 785</u></b>	<b><u>1 030 233 337</u></b>

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

The consolidated balance of long-term notes payable (net) as of 30 June 2021 amounted to 2 734 836 329 as follows:

	<u>30 June 2021</u>	<u>31 Dec 2020</u>
	<u>EGP</u>	<u>EGP</u>
Notes-payable (New Urban Communities Authority)	2 134 030 628	1 618 842 192
<b><u>Deduct: -</u></b>		
Delayed installments interest	508 253 833	378 548 711
Net Notes payable (long term)- Land	<u>1 625 776 795</u>	<u>1 240 293 481</u>
<b><u>Add: -</u></b>		
Other notes payable **	2 088 613 213	1 811 611 365
Deduct: Deferred interest	979 553 679	900 818 580
<b>Balance as of 30 June 2021</b>	<b><u>2 734 836 329</u></b>	<b><u>2 151 086 266</u></b>

\*\*The other notes payable includes about 2.53 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 34, 38)

## 51. LOANS

	<u>30 June 2021</u>		<u>31 Dec 2020</u>	
	<u>Short term</u> <u>EGP</u>	<u>Long term</u> <u>EGP</u>	<u>Short term</u> <u>EGP</u>	<u>Long term</u> <u>EGP</u>
<u>Arab African international Bank</u> 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
<u>CIB Bank</u> Commercial International Bank A medium-term financing contract of 1.073 billion Egyptian pounds, to pay off the existing debts of the Arab African Bank and some other banks.	27 094 280	188 305 962	109 483 000	478 179 297
<u>Emirates NBD Bank</u> A credit facility contract in the amount of EGP 100 million for the purpose of financing the Contracting contracts of United Engineering Company	44 472 950	--	55 554 222	--
<u>Arab African international Bank</u> Medium-term financing of 100 million Egyptian pounds for United Engineering and Contracting Company.	--	--	--	--
<u>Arab Bank</u> Debit current facility of 300 million EGP without guarantee	--	299 999 954	--	299 999 954
<u>National Bank of Egypt</u> Medium-term co-financing of EGP 1.28 billion to finance the <u>Palm Hills Development Crown project</u>	--	1 281 300 000	--	1 271 892 096
<u>Ahli United Bank</u> A 41-feddan project financing loan	--	165 136 183	--	--
<u>Ahli United Bank</u> Revolving financing of 505 million Egyptian pounds to refinance the debt resulting from the Arab African Bank, as well as financing part of the investment cost of the Palm Parks project	17 893 839	443 486 739	18 398 000	390 501 192
Balance as of 30 June 2021	<u>89 461 069</u>	<u>2 378 228 838</u>	<u>183 435 222</u>	<u>2 493 851 309</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. CREDITORS AND OTHER CREDIT BALANCES

The consolidated balance of creditors and other credit balances as of 30 June 2021 amounted to 853 173 201 as follows:

	<u>30 June 2021</u>	<u>31 Dec 2020</u>
	<u>EGP</u>	<u>EGP</u>
Other credit balances	216 446 703	238 978 287
Insurance for others	213 616 356	179 463 274
Social insurance	37 086 937	40 086 360
Accounts receivable under settlement	243 075 610	243 493 037
Accrued expenses	142 947 595	82 567 656
Balance as of 30 June 2021	<u>853 173 201</u>	<u>784 588 614</u>

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

Other long term liabilities represent time deposit checks received from residents or customers due on the sold units to finance the maintenance and other running expenses, such time deposit checks are temporarily invested in favor of residents until the compound has separate legal personality and separate assets and liabilities, then the compound's management and its General Assembly will be responsible for running the compound's assets and liabilities according to the Buildings & Housing Low No.119 for 2008. Other long-term liabilities balance as of 30 June 2021 amounted to EGP 3 373 995 403.

**54. 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 6 235 199 270 (six billion two hundred thirty-five million one hundred and ninety-nine thousand two hundred seventy Egyptian pounds) distributed over 3 117 599 635 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:

Issued capital	EGP
- The Company's issued capital was determined at EGP 121 500 000 representing 1 215 000 shares with a par value of EGP 100 per share.	121 500 000
- On 20 Dec. 2006, the Company's Extra-Ordinary General Assembly Meeting approved the issued Capital increase amounting to EGP 185,500,000 to be after such increasing amounted EGP 307,000,000 representing 3,070,000 shares with a par value of EGP 100 per share.	307 000 000
- On 13 May 2007, the Company's Board of Directors approved the issued Capital increase amounting to EGP 93,000,000 to be after such increasing amounted EGP 400,000,000 representing 4,000,000 shares with a par value of EGP 100 per share.	400 000 000
- On 15 July 2007, the Company's Board of Directors approved the issued Capital increase amounting to EGP 200,000,000 to be after such increasing amounted EGP 600,000,000 representing 6,000,000 shares with a par value of EGP 100 per share.	600 000 000
- On 6 November 2007, the Company's Board of Directors approved the issued Capital increase amounting to EGP 200,000,000 to be after such increasing amounted EGP 800,000,000 representing 8,000,000 shares with a par value of EGP 100 per share. The Company's Extra-Ordinary General Assembly Meeting held in March 2009 approved a 50-for-1 stock split and the par value of the Company's share reduced to EGP 2 per share.	800 000 000
- On 27 March 2008, the Company's Board of Directors approved the issued Capital increase amounting to EGP 32,000,000 to be after such increasing amounted EGP 832,000,000 representing 416,000,000 shares with a par value of EGP 2 per share.	832 000 000
- On 8 May 2008, the Company's Board of Directors approved the issued Capital increase amounting to EGP 99,840,000 to be after such increasing amounted EGP 931,840,000 representing 465,920,000 shares with a par value of EGP 2 per share.	931 840 000
- On 30 June 2009, the Company's Board of Directors approved the issued Capital increase amounting to EGP 465,880,000 to be after such increasing amounted EGP 1,397,760,000 representing 698,880,000 shares with a par value of EGP 2 per share.	1 397 760 000
- On 28 January 2010, the Company's Extra-Ordinary General Assembly Meeting approved the issued Capital increase amounting to EGP 698,880,000 to be after such increasing amounted EGP 2,096,640,000 representing 1,048,320,000 shares with a par value of EGP 2 per share.	2 096 640 000
- On 22 Sep. 2013, the Company's Extra-Ordinary General Assembly Meeting approved the issued Capital increase amounting to EGP 600,000,000 to be after such increasing amounted EGP 2,696,640,000 representing 1,348,320,000 shares with a par value of EGP 2 per share.	2 696 640 000
- On 8 February 2015, the Company's Extra-ordinary General Assembly Meeting approved the issued Capital increase amounting to EGP 1 648 000 000 to be after such increasing amounted EGP 4 344 640 000 representing 2 172 320 000 shares with a par value of EGP 2 per share.	4 344 640 000
- On 29 November 2015, the Company's Extra-Ordinary General Assembly Meeting approved the issued Capital increase out of retained earnings amounting to EGP 53 359 478 to be after such increasing amounted EGP 4 397 999 478 representing 2 198 999 739 shares with a par value of EGP 2 per share.	4 397 999 478
- On 13 March 2016, the Company's Extra-Ordinary General Assembly Meeting approved the issued Capital increase out of retained earnings via the issuance of bonus shares amounting to EGP 53 359 478 to be after such increasing amounted EGP 4 397 999 478 representing 2 308 949 726 shares with a par value of EGP 2 per share.	4 617 899 452
- On 6 September 2018, the Company's Extra-Ordinary General Assembly Meeting approved the issued Capital increase out of retained earnings via the issuance of bonus shares amounting to EGP 769 649 909 to be after such increasing amounted EGP 6 157 199 270 represent 3 078 599 635 shares with a par value of EGP 2 per share.	6 157 199 270
- 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.	6 235 199 270
- 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.	6 162 499 270

## 55. TREASURY BILLS

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 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 June 2021, 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% 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 names purchased reached 40 654 746 shares, worth 69 839 608 EGP.

- 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	<u>40 654 746</u>	<u>69 839 608</u>	<u>1,71</u>
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>	

## 56. RESERVES

### a) Legal reserve

	<u>30 June. 2021 EGP</u>	<u>31 Dec. 2020 EGP</u>
Beginning balance	779 730 041	738 358 146
Transferred from the prior year profit	<u>29 015 471</u>	<u>41 371 895</u>
Balance as of 30 June 2021	<u>808 745 512</u>	<u>779 730 041</u>

### b) Special reserve

The net balance of the special reserve on 30 June 2021 amounted to EGP 176 513 272 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



## 57. Joint Share Arrangement

The share of project partners in the participation system on 30 June 2021 amounted to EGP 1 506 194 141 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>30 June 2021</u> <u>Short term</u> <u>EGP</u>	<u>30 June 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	1 007 244 839	--	798 302 535	
Partners in (Badya) Project	498 949 302	--	381 073 922	
Balance as of 30 June 2021	<u>1 506 194 141</u>	<u>--</u>	<u>1 179 376 457</u>	<u>---</u>

## 58. REVENUES

The net revenues of the activity for the year ended June 30, 2021 amounted to EGP 4 009 609 433 as follows: -

	<u>30 June 2021</u> <u>EGP</u>	<u>30 June 2020</u> <u>EGP</u>
Net revenues from building and development activities	3 834 787 458	1 891 910 738
Revenues from services and commercial activities	23 481 304	2 943 714
Revenues from the construction activity	800 083	8 551 993
The owner's share in the profits of operating the hotels	9 360 934	2 696 103
Other revenues (Note No.62)	82 817 307	77 163 665
Revenues from Palm Hills Club	58 362 347	24 945 797
Total as of 30 June 2021	<u>4 009 609 433</u>	<u>2 008 212 010</u>

-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) separately, as for the complete units – apartment- (Cabins and Chalets) The revenues generated from them are fully recorded in the actual delivery of these units.

## 59. ACTIVITY COST

The net cost of the activity for the Period ended June 30, 2021 amounted to EGP 2 567 723 563 as follows: -

	<u>30 June 2021</u> <u>EGP</u>	<u>30 June 2020</u> <u>EGP</u>
Cost of building and development activities	2 527 781 241	1 221 411 126
Cost of Services and commercial activity	10 061 572	95 579
Cost of the construction activity	934 611	7 499 543
Depreciation of Fixed Assets – Macor	4 638 846	4 009 736
Depreciation of Fixed Assets – Palm Hills Club	5 741 961	6 139 582
Operation cost -Palm Hills Club	18 565 332	11 135 368
Total as of 30 June 2021	<u>2 567 723 563</u>	<u>1 250 290 935</u>

## **60. GENERAL ADMINISTRATIVE, SELLING AND MARKETING EXPENSES**

The general administrative, selling and marketing expenses for the Period ended June 30, 2021 amounted to EGP 593 022 019 as follows: -

	<u>30 June 2021</u>	<u>30 June 2020</u>
	<u>EGP</u>	<u>EGP</u>
Wages and salaries	218 663 215	92 926 896
Selling and marketing expenses	208 944 775	43 398 039
Telephone, post, and fax	1 465 470	823 123
Utilities	22 424 567	10 746 379
Professional and Government fees	55 614 012	10 457 238
Contribution Symbiotic	10 102 879	2 851 509
Maintenance and Insurance	36 445 522	12 473 003
Travel and transportation	1 614 901	305 803
Bank charges	4 884 972	7 964 724
Other administrative expenses	32 861 706	6 593 110
<b>Total as of 30 June 2021</b>	<b><u>593 022 019</u></b>	<b><u>373 726 361</u></b>

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

The Gains on Investments in Fair value through profit or loss for the Period ended June 30, 2021 amounted to EGP 9 956 880 as follows: -

	<u>30 June 2021</u>	<u>30 June 2020</u>
	<u>EGP</u>	<u>EGP</u>
Gains on sale of mutual funds certificates	9 956 880	4 159 808
<b>Total as of 30 June 2021</b>	<b><u>9 956 880</u></b>	<b><u>4 159 808</u></b>

## **62. OTHER REVENUES**

Other income for the year ended 30 June 2021 amounted to EGP 82 817 307 and is as follows:

	<u>30 June 2021</u>	<u>30 June 2020</u>
	<u>EGP</u>	<u>EGP</u>
Transfer fees and delay benefits	65 408 418	63 851 564
Revenues from selling fixed asset	10 400 407	25 821
Retrieve the value of the facilities	5 797 248	4 566 193
Miscellaneous income	1 211 235	8 720 087
<b>Total as of 30 June 2021</b>	<b><u>82 817 307</u></b>	<b><u>77 163 665</u></b>

### **63. 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:

#### **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	920 323 925
Royal Gardens for Real Estate Investment Company S.A.E	A subsidiary	Finance	6 060 282
Middle East Company for Real Estate and Touristic Investment S.A.E	A subsidiary	Finance	242 781 663
Gawda for Trade Services S.A.E	A subsidiary	Finance	90 811 887
Rakeen Egypt for Real Estate Investment S.A.E	A subsidiary	Finance	3 862 220 425
Saudi Urban Development Company S.A.E	A subsidiary	Finance	24 133 769
Nile Palm Al-Naem for Real Estate Development S.A.E	A subsidiary	Finance	127 700
Al Ethadia for Real Estate S.A.E	Associate	Finance	26 982 440
East New Cairo for Real Estate Development S.A.E	A subsidiary	Finance	1 602 379 630
New Cairo for Real Estate Development S.A.E	A subsidiary	Finance	27 859 307
Palm Gamsha for Hotels S.A.E	A subsidiary	Finance	27 500
Al Naem for Hotels and Touristic Villages S.A.E	A subsidiary	Finance	412 500
Palm Hills for Investment Tourism S.A.E	A subsidiary	Finance	353 309
United Engineering for Construction S.A.E	A subsidiary	Finance	1 870 885
El Mansour & El Maghraby Investment and Development S.A.E	A subsidiary	Finance	137 673 958
Palm Real Estate Development	A subsidiary	Finance	36 650 574
Palm for Investment and Real Estate Development S.A.E	A subsidiary	Finance	972 367 614
Palm Hills Properties S.A.E	A subsidiary	Finance	7 580 343
Palm Hills Development of Tourism and Real Estate S.A.E	A subsidiary	Finance	182 670 096
Palm Hills for Investment Tourism S.A.E	A subsidiary	Finance	11 950
Palm Hills Resorts S.A.E	A subsidiary	Finance	20 173
Palm Hills hotels S.A.E	A subsidiary	Finance	27 500
Palm Hills Education S.A.E	A subsidiary	Finance	10 011 434
Palm for Urban Development	A subsidiary	Finance	291 133 822
Palm for Club Management S.A.E	A subsidiary	Finance	3 808 943
Palm Alexandria for Real Estate S.A.E	A subsidiary	Finance	65 822 655
Asten College for Education S.A.E	Associate	Finance	458
Palm for Constructions and Real Estate Development S.A.E	A subsidiary	Finance	66 305 010
Palm sports for Clubs S.A.E	A subsidiary	Finance	104 292 788
The Co- Cookery Restaurants S.A.E	Associate	Finance	380 000

#### **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	1 537 876 300
Royal Gardens for Real Estate Investment Company S.A.E	Due to related parties	(165 643)
Middle East Company for Real Estate and Touristic Investment S.A.E	Due to related parties	(151 242 070)
Gawda for Trade Services S.A.E	Due to related parties	(50 629 467)
Rakeen Egypt for Real Estate Investment S.A.E	Due from related parties	496 479 000
Saudi Urban Development Company S.A.E	Due to related parties	(69 267 195)
Nile Palm Al-Naem for Real Estate Development S.A.E	Due to related parties	(44 136 125)
Al Ethadia for Real Estate S.A.E	Due from related parties	255 993 279
East New Cairo for Real Estate Development S.A.E	Due to related parties	(415 306 339)
Palm October for Hotels S.A.E	Due from related parties	11 340 558
New Cairo for Real Estate Developments S.A.E	Due from related parties	7 619 208
Al Naem for Hotels and Touristic Villages S.A.E	Due to related parties	(125 320 679)
Palm for Tourism Development S.A.E	Due from related parties	70 610 074
United Engineering for Construction S.A.E	Due to related parties	(11 079 801)
El Mansour & El Maghraby Investment and Development S.A.E	Due from related parties	6 089 710
Palm Gemsha for Hotels S.A.E	Due from related parties	57 550
Palm North Coast Hotels S.A.E	Due to related parties	26 858
Palm for Real Estate Development S.A.E	Due to related parties	5 567 029

<u>Party</u>	<u>Item as in balance sheet</u>	<u>EGP</u>
Palm for Investment and Real Estate Development S.A.E	Due from related parties	329 687 093
Palm Hills Properties	Due to related parties	1 321 003
Palm Hills Development of Tourism and Real Estate	Due from related parties	205 917 108
Palm Hills for Investment Tourism	Due to related parties	( 25 230 621)
Palm Hills Resorts	Due from related parties	3 440 587
Palm Hills for hotel S.A.E	Due from related parties	100 369 044
Palm Hills Education S.A.E	Due from related parties	11 633 694
Palm Hills – Saudi Baltan S.A.E	Due from related parties	269 320
Coldwell Banker - Palm Hills for Real Estate S.A.E	Due from related parties	20 480
Palm for Urban Development	Due to related parties	( 168 750 523)
Palm for Club Management S.A.E	Due to related parties	( 6 141 512)
Palm Alexandria for Real Estate	Due from related parties	47 447 670
Asten College for Education S.A.E	Due from related parties	387 673
Palm El Alamein Real Estate Development S.A.E	Due from related parties	162 659
Palm for Constructions And Real Estate Development S.A.E	Due to related parties	( 59 373 430)
khedma for management of tourist and urban resorts	Due from related parties	500
Palm sports for Clubs S.A.E	Due from related parties	3 150 936
The Co Korean Company for Restaurants	Due from related parties	1 630 000

#### **64. 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 2014: These years are currently being inspected
- Years 2015 to 2020: 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.
- Years 2015 to 2020 : 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 31/12/2015 This period has been inspected and the resulting disputes have not been settled.
- Years 2016 to 2020 The company pays the taxes due on regularly basis within the legal dates.

## **65. EARNINGS PER SHARE**

	<u>30 June 2021</u>	<u>30 June 2020</u>
	<u>EGP</u>	<u>EGP</u>
Net profit for the period	461 428 526	81 262 576
<u>Divided by:</u> Weighted average number of shares	<u>3 040 594 889</u>	<u>3 040 594 889</u>
Earnings per share	<u>0.152</u>	<u>.091</u>

For the purpose of calculating the earnings per share for the year ended on 30 June 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 period Ended on 30 June 2021

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

The extraordinary general assembly of the company, in its session held on November 29, 2015, approved the increase of the issued capital by the amount of 53 359 478 Egyptian pounds through the dividends carried forward to the independent financial statements on December 31, 2014 fully devoted to the reward and incentive system for employees and members of the company's executive board of directors, through a promise Selling shares in their favor at a preferential price in accordance with the ministerial decision No. 282 of 2005 amending some provisions of the executive regulations of the Joint Stock Companies Law No. 159 of 1981, By issuing 26 679 739 shares, which was approved by the Financial Supervisory Authority on May 14, 2015, in addition to 1 333 987 shares, which represents a share The reward and incentive system from the bonus shares distributed in accordance with the decision of the extraordinary general assembly in its session held on June 13, 2016, so that the number of system shares is 28 013 725 shares, and the right to sell has been exercised for the entire number of shares of the system.

The company's extraordinary general assembly was called to convene on May 13, 2018, to consider extending the remuneration and incentive system with the same conditions and previous controls, which decided to extend the system's term by issuing 39 million shares, worth 78 million Egyptian pounds, are fully allocated to the system, and in light of the approval of the company's general assembly on April 4, 2019 for this increase, the commercial register has been marked on the date of June 26, 2019, and the fair value of these shares as of June 30, 2021 was an amount 69 420 000 Egyptian pounds at a price of 1,78 Egyptian pounds per share.

## **67. Income Tax**

The consolidated balance Income Tax as of 30 June 2021 amounted to 113 619 994 as follows:

	<u>30 June 2021</u>	<u>31 Dec 2020</u>
	<u>EGP</u>	<u>EGP</u>
Net profit before income tax	609 731 325	327 702 371
Adjustments for the net accounting profit to get net taxable profit	(104 393 574)	(125 618 607)
Net taxable profit	<u>504 977 751</u>	<u>202 083 764</u>
Tax (22.5%)	<u>113 619 994</u>	<u>45 468 847</u>