

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

## PALM HILLS DEVELOPMENTS COMPANY S.A.E`

CONSOLIDATED FINANCIAL POSITION

As of 31 December 2020

	Note no.	31 Dec 2020 EGP	31 Dec 2019 EGP
<b>Non-current assets</b>			
Investments in associates	(33 ,b11,d8)	150 481 921	143 369 813
Investment property	(34, f11)	386 524 021	393 482 537
Notes receivable - long term	(36 ,16)	15 338 184 314	15 318 676 533
Projects under construction	(37 ,12)	297 328 271	1 739 437 098
Advance payments for investments acquisition	(44)	313 390 301	194 907 301
Fixed assets (net)	(38 ,13)	2 762 305 090	1 353 868 932
Deferred tax assets	(b23)	3 049 521	3 549 962
Employee stock ownership plan (ESOP)	(66)	53 040 000	68 172 000
Other long-term assets		1 505 155	1 390 733
<b>Total non-current assets</b>		<b>19 305 808 593</b>	<b>19 216 854 909</b>
<b>Current assets</b>			
Works in process	(39 ,14)	7 287 942 937	8 115 250 280
Held-to-maturity investments	(35 ,d 11)	1 369 132 280	924 376 849
Cash and cash equivalents	(40 ,30)	1 579 250 273	1 375 178 390
Notes receivable - short term	(36 ,16)	5 025 563 370	4 691 813 019
Investments at fair value through profit and loss	(61 ,e11)	215 712 935	87 513 020
Accounts receivable	(41)	1 480 150 676	1 272 279 369
Suppliers - advance payments		514 994 304	451 528 500
Debtors and other debit balances	(42)	1 084 173 501	917 361 361
Due from related parties	(63 ,43 ,27)	440 619 311	418 965 567
<b>Total current assets</b>		<b>18 997 539 588</b>	<b>18 254 266 355</b>
<b>Current liabilities</b>			
Banks - credit balances	(45)	90 966 967	87 237 713
Bank- overdraft	(46)	1 034 506 489	963 312 645
Advances from customers	(47)	15 629 029 118	14 212 609 702
Completion of infrastructure liabilities	(21)	58 062 734	95 083 416
Provisions	(c28 ,19)	176 792 225	180 718 382
Current portion of land purchase liabilities	(a48 ,20)	134 159 466	235 682 895
Notes payable - short term	(a 50)	1 030 233 337	1 750 901 906
Current portion of short term loans	(51)	183 435 222	295 132 857
Suppliers & Contractors		834 286 954	762 160 712
Income tax payable	(a 23)	37 270 445	97 622 236
Creditors & other credit balances	(52)	784 588 614	630 784 392
Joint shares arrangement - short term	(57)	1 179 376 457	1 081 181 760
Due to related parties	(63 ,49 ,27)	2 535 616	6 639 555
<b>Total current liabilities</b>		<b>21 175 243 644</b>	<b>20 399 068 170</b>
Working capital		(2 177 704 057)	(2 144 801 815)
<b>Total investment</b>		<b>17 128 104 535</b>	<b>17 072 053 094</b>
<b>Financed as follows:</b>			
<b>Shareholders' equity</b>			
Share capital	(54)	6 235 199 270	6 235 199 270
Legal reserve	(a 56)	779 730 041	738 358 146
Special reserve	(b 56)	176 513 272	176 513 272
Treasury shares	(55 ,17)	(46 990 266)	--
ESOP Re-Measurement Reserve	(66)	(24 960 000)	(9 828 000)
Retained earning		1 036 333 384	995 810 936
Net profit for Year		717 767 741	846 785 352
<b>Equity attributable to equity holders of the parent</b>		<b>8 873 593 442</b>	<b>8 982 838 976</b>
Non-controlling interest		583 301 606	554 741 875
<b>Total shareholders' equity</b>		<b>9 456 895 048</b>	<b>9 537 580 851</b>
<b>Non-current liabilities</b>			
Land purchase liabilities	(b 48 ,20)	90 488 428	150 258 255
Notes payable - long term	(b 50)	2 151 086 266	1 438 142 381
Other long-term liabilities – Residents' Association	(53)	2 935 783 484	2 372 856 032
long-term- loans	(51)	2 493 851 309	2 801 072 865
joint share arrangement– long terms	(57)	--	772 142 710
<b>Total non-current liabilities</b>		<b>7 671 209 487</b>	<b>7 534 472 243</b>
<b>Total equity and non-current liabilities</b>		<b>17 128 104 535</b>	<b>17 072 053 094</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 31 December 2020**

	<u>Note No.</u>	<u>31 Dec 2020</u>	<u>31 Dec 2019</u>
		<u>EGP</u>	<u>EGP</u>
Revenues	(62, 58, 28)	5 207 530 113	6 224 424 420
<u>Deduct: -</u>			
Cost of revenues	(59, 28)	3 175 719 070	3 864 919 977
Cash discount		17 704 052	30 482 154
Gross profit		<u>2 014 106 991</u>	<u>2 329 022 289</u>
<u>Deduct: -</u>			
General administrative, selling and marketing expenses	(60)	886 086 693	936 434 469
Securitization of receivables interest		109 843 523	235 494 597
Administrative depreciation	(38,13)	105 251 413	80 340 330
Securitization of receivables interest	(36,16)	55 192 623	80 524 301
Finance costs & interests	(25)	256 047 836	244 647 449
Provisions no longer required		--	(70 139 606)
Interest on land purchase liabilities	(20)	(127 547 612)	--
Provision	(19)	1 400 000	1 476 273
Total general, administrative, marketing and financing expenses, depreciation		<u>1 286 274 476</u>	<u>1 508 777 813</u>
<u>Add</u>			
Interest income – amortization of discount on notes receivables		17 120 880	89 435 184
Gains on investments in fair value through profit or loss	(61, e11)	8 463 120	11 045 951
Interest income on held-to-maturity investments	(35, d11)	39 377 582	84 018 747
Total other revenues		<u>64 961 582</u>	<u>184 499 882</u>
Net profit for the year before income tax & non-controlling interest		792 794 097	1 004 744 358
<u>Deduct: -</u>			
Income tax	(b 23)	37 172 195	97 601 625
Deferred tax	(a 23)	500 441	916 421
Net profit for the year before & non-controlling interest		<u>755 121 461</u>	<u>906 226 312</u>
<u>Deduct: -</u>			
Non-controlling interest share- subsidiaries		37 353 720	59 440 960
Net profit for the year after income tax & non-controlling interest		<u>717 767 741</u>	<u>846 785 352</u>
Earnings per share	(65, 26)	<u>0.233</u>	<u>0.275</u>

- 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 COMPREHENSIVE INCOME**  
**For the Period Ended 31 December 2020**

	<u>31 Dec 2020</u>	<u>31 Dec 2019</u>
	<u>EGP</u>	<u>EGP</u>
Net profit for the period	717 767 741	846 785 352
Other comprehensive income	--	--
Total comprehensive income for the period, net of tax	<u>717 767 741</u>	<u>846 785 352</u>
<u>Attributable to: -</u>		
Equity holders of the parent	717 767 741	846 785 352
Non-controlling interests	37 353 720	59 440 960
	<u>755 121 461</u>	<u>906 226 312</u>

- 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 CASH FLOWS**  
**For the Period Ended 31 December 2020**

	<u>Note No.</u>	<u>31 Dec 2020</u> <u>EGP</u>	<u>31 Dec 2019</u> <u>EGP</u>
Net profit for the period before income tax & non-controlling interest		792 794 097	1 004 744 358
<b>Adjustments to reconcile net profit to net cash from operating activities</b>			
Administrative depreciation	(38)	125 124 182	102 205 593
Provision	(19)	1 400 000	1 476 273
Finance costs & interests	(25)	256 047 836	244 647 449
Securitization of receivables interest	(36 ،16)	55 192 623	80 524 301
Interest on land purchase liabilities	(20)	109 843 523	235 494 597
Gain (loss) on disposal of fixed assets	(38)	(75 059)	(485 794)
Share of profit of associates	(33)	4 887 893	(13 753 110)
Amortization of discount on notes receivables	(36 ،16)	(17 120 880)	(89 435 184)
Gains on investments in fair value through profit or loss	(61)	(8 463 120)	(11 045 951)
Interest income on held to maturity investments	(35 ،d11)	(39 377 582)	(84 018 747)
Provisions no longer required		-----	(70 139 607)
Returned interest for land	(20)	(127 547 612)	-----
Operating profit before changes in working capital items		<u>1 152 705 901</u>	<u>1 400 214 178</u>
<b>Cash flow from operation activates</b>			
Change in work in process	(39 ،14)	722 073 800	(313 727 105)
Change in held to maturity investments	(35 ،d11)	(444 755 431)	826 442 088
Change in notes receivables	(36 ،16)	(336 137 252)	(2 694 297 917)
Change in investments in fair value through profit or loss	(61)	(128 199 915)	(11 646 470)
Change in accounts receivable	(41)	(207 871 307)	(210 574 268)
Change in suppliers - advance payments		(63 465 804)	42 844 365
Change in debtors & other debit balances		(166 812 141)	(410 218 360)
Change in due from related parties	(63،43،27)	(21 653 745)	(59 332 917)
Change in advances from customers	(47)	1 416 419 416	2 727 800 284
Change in Completion of infrastructure liabilities		(37 020 682)	-----
Provisions	(c28 ،19)	(5 326 157)	(2 324 708)
Change in notes payable	(50)	9 979 404	(293 824 773)
Change in due to related parties	(49 ،27)	(4 103 938)	(3 717 532)
Change in suppliers & contractors		72 126 242	57 720 564
Income Tax		(97 523 986)	(251 548 602)
Change in creditors and other credit balances	(52)	153 804 224	13 565 233
Change in other long term – Residents' Association	(53)	562 927 452	878 377 944
Change in due to joint arrangement partners	(57)	(673 948 010)	(9 771 965)
Net cash provided by (used in) operating activities		<u>1 903 218 071</u>	<u>1 685 980 039</u>
<b>Cash flows from investing activities</b>			
Payments for purchase of fixed assets	(38)	(52 719 316)	(35 631 944)
Proceeds from sale of fixed assets	(38)	543 372	958 759
Payments for associates investment	(33)	(12 000 000)	(50 000 000)
Payments for investment		(118 483 000)	(309 316)
Payments for projects under construction	(37 ،12)	(40 528 373)	(10 129 973)
Proceeds from real estate investment	(34)	(999 649)	(25 730 773)
proceeds from other assets		(114 422)	-----
Proceeds from investments in fair value through profit or loss	(61 ،e11)	8 463 120	11 045 951
Proceeds from held-to-maturity investments	(35 ،d11)	39 377 582	84 018 747
Net cash (used in) provided by investing activities		<u>(176 460 686)</u>	<u>(25 778 549)</u>
<b>Cash flows from financing activities</b>			
Banks - credit balances	(45)	3 729 254	29 501 940
Banks – overdraft	(46)	71 193 844	65 505 354
(payments for) treasury stock	(55)	(46 990 266)	-----
Adjustments to retained earnings		(764 891 009)	(300 177 105)
Non-controlling interest dividends		(8 793 989)	(9 789 151)
Deferred tax		-----	3 078
Repayment of loans	(51)	(930 147 513)	(2 097 046 703)
Proceeds from loans	(51)	464 454 637	1 396 413 608
Finance costs & interests paid	(25)	(311 240 460)	(325 171 751)
Net cash (used in) provided by financing activities		<u>(1 522 685 502)</u>	<u>(1 240 760 730)</u>
Net increase in cash and cash equivalents during the period		<u>204 071 883</u>	<u>419 440 760</u>
Cash and cash equivalents at beginning of the year		<u>1 375 178 390</u>	<u>955 737 630</u>
Cash and cash equivalents as at 31 December 2020	(40 ،30)	<u>1 579 250 273</u>	<u>1 375 178 390</u>

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

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

Chief Financial Officer

Chairman

Ali Thabet

Yasseen Mansour

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

	<u>Share Capital</u>	<u>Legal reserve</u>	<u>Treasury stock</u>	<u>Special reserve</u>	<u>Reserve for ESOP re-measurement</u>	<u>Retained (losses)</u>	<u>Net profit for the year</u>	<u>Total before Non-controlling equities</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 at 1 January 2019	6 157 199 270	708 524 277	--	476 064 168	--	556 921 695	811 741 618	8 710 451 028	505 090 067	9 215 541 095
Transferred to retained earnings	--	--	--	--	--	811 741 618	(811 741 618)	--	--	--
Share capital proceeds	78 000 000	--	--	--	--	--	--	78 000 000	--	78 000 000
Transferred to legal reserve	--	29 833 869	--	--	--	(29 833 869)	--	--	--	--
Adjustments to special reserve	--	--	--	(299 550 896)	--	--	--	(299 550 896)	--	(299 550 896)
Amounts set aside for Employee stock ownership plan (ESOP)	--	--	--	--	(9 828 000)	--	--	(9 828 000)	--	(9 828 000)
Adjustments to retained earnings	--	--	--	--	--	(343 018 508)	--	(343 018 508)	--	(343 018 508)
Dividends	--	--	--	--	--	--	--	--	(9 789 151)	(9 789 151)
Net profit for the year	--	--	--	--	--	--	846 785 352	846 785 352	59 440 960	906 226 312
<b>Balance as at 31 Dec 2019</b>	<b>6 235 199 270</b>	<b>738 358 146</b>	<b>--</b>	<b>176 513 272</b>	<b>(9 828 000)</b>	<b>995 810 936</b>	<b>846 785 352</b>	<b>8 982 838 976</b>	<b>554 741 876</b>	<b>9 537 580 851</b>
Balance as at 1 January 2020	6 235 199 270	738 358 146	--	176 513 272	(9 828 000)	995 810 936	846 785 352	8 982 838 976	554 741 876	9 537 580 851
Transferred to retained earnings	--	--	--	--	--	846 785 353	(846 785 352)	--	--	--
Transferred to legal reserve	--	41 371 896	--	--	--	(41 371 895)	--	--	--	--
Treasury stock	--	--	(46 990 266)	--	--	--	--	(46 990 266)	--	(46 990 266)
Amounts set aside for Employee stock ownership plan (ESOP)	--	--	--	--	(15 132 000)	--	--	(15 132 000)	--	(15 132 000)
Adjustments to retained earnings	--	--	--	--	--	(764 891 009)	--	(764 891 009)	--	(764 891 009)
Dividends	--	--	--	--	--	--	--	--	(8 793 989)	(8 793 989)
Net profit for the year	--	--	--	--	--	--	717 767 741	717 767 741	37 353 720	755 121 461
<b>Balance as at 31 Dec 2020</b>	<b>6 235 199 270</b>	<b>779 730 042</b>	<b>(46 990 266)</b>	<b>176 513 272</b>	<b>(24 960 000)</b>	<b>1 036 333 384</b>	<b>717 767 741</b>	<b>8 873 593 442</b>	<b>583 301 607</b>	<b>9 456 895 048</b>

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 31 December 2020**

**1. BACKGROUND**

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

**2. COMPANY'S PURPOSE**

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

**3. THE COMPANY'S LOCATION**

The company's head office is located 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 year ended in 31 December 2020 were authorized for issue by the board of directors on **28 February 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: -**

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

	<u>Percentage</u> <u>share %</u>
Nile Palm Al-Naeem for Real Estate Development S.A.E	51%
Saudi Urban Development Company S.A.E	51%
Coldwell Banker Palm Hills for Real Estate S.A.E	49%
Six of October for Hotels and Touristic Services Company S.A.E	00.24%
Arkan Palm	39.99%

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

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

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

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

Palm Hills Middle East Company for Real Estate Investment S.A.E. is engaged in real estate investment in new cities and urban communities, and 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 share %</u>
Palm North Coast Hotels S.A.E	97.412%
Palm Gamsha Hotels S.A.E	87.50%
Middle East Company for Real Estate and Touristic Investment S.A.E	96.04%
East New Cairo for Real Estate Development S.A.E	10.998%
Asten College for Education S.A.E	71%
Palm hills for education	71.86%

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

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

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

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

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

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

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

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

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

**-Asten College for Education**

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

The Company has not started its business yet.

**9. STATEMENT OF COMPLIANCE**

These consolidated financial statements of Palm Hills Developments and its subsidiaries (the 'group') were prepared in accordance with 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, taking into account the acquisition date of subsidiaries, appropriate adjustments are made to cost of revenue, work in process and projects under construction which resulting from applying the acquisition method to account for resultant goodwill.
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 Associatesd 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 arsis 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 Associatesd 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) Investments properties**

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

## **12. PROJECTS UNDER CONSTRUCTION**

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

## **13. FIXED ASSETS**

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

<u>Asset</u>	<u>Rate</u>
Buildings	5%
Tools & Equipment	25%
Furniture & Fixtures	25-30%
Vehicles	25%

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

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

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

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

#### **14. WORK IN PROCESS**

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

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

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

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

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

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

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

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

#### **18. IMPAIRMENT**

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

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

## **19. PROVISION**

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

## **20. LAND PURCHASE LIABILITY**

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

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

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

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

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

## **23. INCOME TAX**

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

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

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

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

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



## **24. SHARE PREMIUM**

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

## **25. 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 contact as follows:

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

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

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

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

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

**b) Completed units ready for sale**

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

All costs (cost of land, cost of developments and other indirect costs) attributable to such units are accumulated in the Work in Process Account until all units are completed for each phase.

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

**c) Provision of completion**

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

**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.

**Completed units ready for sale**

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

**b) Investments in Associates and subsidiaries**

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

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

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

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

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

**d) Revenues from investment property**

Revenues from investment in real estate are recognized when a sale is consummated, and the Company has in principle transferred to the buyer the usual risks of ownership. Such revenues are measured by the difference between cost of acquisition and selling price.

**e) Revenues from mutual funds**

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

**f) Interest income**

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

**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 OVER DRAFT	(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 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 at December 31, 2020 amounted to an amount EGP 150 481 921, as follows

	<u>31 Dec 2020</u>	<u>31 Dec 2019</u>
	<u>EGP</u>	<u>EGP</u>
Naema for Touristic & Real Estate Investments S.A.E	77 902 192	87 454 082
Arkan palm for real estate investment S.A. E	60 406 763	52 155 114
EFS palm for facilities services S.A. E	6 392 348	980 000
Villamora for Real Estate Development Company S.A. E	2 535 617	2 535 617
Palm Hills for Real Estate S.A. E-Coldwell Banker	245 000	245 000
The Cookery - Co for catering and restaurants S.A. E	3 000 000	--
Balance as at December 31, 2020	<u>150 481 921</u>	<u>143 369 813</u>

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

	<u>Assets</u>	<u>Liabilities</u>	<u>Shareholders'</u>	<u>Revenues</u>	<u>Expenses</u>
			<u>equity</u>		
Naema for Touristic & Real Estate Investments	168 016 249	12 193 426	155 822 823	8 582 455	7 907 528
Palm Hills for Real Estate -Coldwell Banker	500 000	--	500 000	--	--
Villamora for Real Estate Development Company	2 535 617	--	2 535 617	--	--
EFS palm for facilities services	97 676 280	84 630 071	13 045 609	195 527 589	184 481 980
Arkan Palm for real state inv.	<u>302 033 815</u>	--	<u>302 033 815</u>	--	--

### 34. INVESTMENT PROPERTY

The consolidated balance of real estate investments on 31DEC 2020 amounted to 386 524 021 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 in the 6th of October (Mall 88Street) As well as the villas in Villa Mora Resort, as follows:

	<u>Acre</u>	<u>31 Dec 2020</u>	<u>31 Dec 2019</u>
		<u>EGP</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	115 457 048
Total real estate investment - land		<u>328 638 727</u>	<u>327 969 786</u>
<u>Real Estate Investments - Buildings</u>			
<u>Commercial shops - Palm Hills Resort</u>			
Cost of shops of 88 Street Mall.		68 469 307	68 138 598
Accumulated depreciation		( 14 584 013)	(6 625 847)
Net cost of shops		<u>53 885 294</u>	<u>61 512 751</u>
Villas at villa mora resort		4 000 000	4 000 000
Balance as at 31 DEC 2020		<u>386 524 021</u>	<u>393 482 537</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 December 31, 2020 is an amount EGP 1 369 132 280 It represents the value of investment in treasury bills and bonds as follows:

	<u>Face value</u>	<u>Unrecognized investment</u>	<u>Average return</u>	<u>Purchase price</u>
	<u>EGP</u>	<u>EGP</u>	<u>rate</u>	<u>EGP</u>
Palm Hills Development	694 725 000	37 208 775	%11	657 516 225
Palm Hills Middle East Company for Real Estate Investment	73 375 000	3 162 847	%11	70 212 153
East New Cairo for Real Estate Development	31 400 000	1 618 373	%11	29 781 627
Gawda for Trade Services	9 975 000	747 402	%10	9 227 598
Middle East Company for Real Estate and Touristic Investment	21 575 000	1 238 459	%10	20 336 541
Palm Hills Development of Tourism and Real Estate	4 900 000	158 583	%10	4 741 416
Palm for investment and real estate development	77 550 000	3 803 594	%10	73 746 406
Palm real estate development	64 050 000	4 555 387	%10	59 494 613
Rakeen Egypt for Real Estate Investment	180 675 000	11 080 194	%11	169 594 806
Palmh Hills for Urban Development Company	71 200 000	5 032 758	%10	66 167 241
Royal Gardens for Real Estate Investment Company	63 875 000	363 522	%10	63 511 478
Saudi Urban Development Company	153 475 000	8 672 825	%11	144 802 175
	<u>1 446 775 000</u>	<u>77 642 721</u>		<u>1 369 132 280</u>

### **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 consolidated balance of the receivables reached on 31 Dec 2020 is EGP 20 363 747 684 after deducting the difference in the present value of EGP 227 165 205 and the share of the partners in an amount of EGP 1 314 074 890, as follows:

	<u>31 Dec 2020</u>	<u>31 Dec 2019</u>
	<u>EGP</u>	<u>EGP</u>
Short term notes receivable	5 311 765 774	4 975 458 893
<u>Deduct: -</u>		
Notes receivable of joint venture	270 906 317	266 524 999
Unamortized discount	15 296 087	17 120 875
	<u>5 025 563 370</u>	<u>4 691 813 019</u>
Long term notes receivable	16 593 222 002	16 574 145 275
<u>Deduct: -</u>		
Notes receivable of joint venture	1 043 168 570	1 049 157 198
Unamortized discount	211 869 118	206 311 544
Current value for long term notes receivable	<u>15 338 184 314</u>	<u>15 318 676 533</u>
Balance as at 31 DEC 2020	<u><u>20 363 747 684</u></u>	<u><u>20 010 489 552</u></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 receivable 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 31 DEC 2020 amounted to EGP 297 328 270 and is the value of the cost of land and construction work for service areas and recreational areas in the residential complexes of the Palm Hills Group, as follows:

	<u>31 Dec 2020</u> <u>EGP</u>	<u>31 Dec 2019</u> <u>EGP</u>
* Adjusted cost of land	36 539 591	320 940 357
Construction of golf courses, hotels and clubs in the North Coast – transferred from work in Process	162 917 308	1 354 075 939
Palm club Constructions	57 785 796	55 059 345
Consultation and designs fees	37 479 467	6 755 349
Schools Construction cost	2 606 109	2 606 108
	<u>297 328 271</u>	<u>1 739 437 098</u>
Balance as at December 31, 2020		

\*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 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 Jan. 1,2020</u>	<u>Additions during the year</u>	<u>Disposals during the year</u>	<u>Cost as of 31 DEC 2020</u>	<u>Accumulated depreciation as of Jan. 1, 2020</u>	<u>Depreciation for the year</u>	<u>Depreciation of Disposals</u>	<u>Accumulated depreciation as of 31 DEC, 2020</u>	<u>Net book value as 31 DEC 2020</u>
	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP
* 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
<b>Total cost</b>	<b>2 061 746 883</b>	<b>1 535 356 516</b>	<b>1 996 813</b>	<b>3 595 106 586</b>	<b>640 838 468</b>	<b>126 452 041</b>	<b>1 528 500</b>	<b>765 762 009</b>	<b>2 829 344 577</b>
Impairment of Makor Impairment of assets									( 2 500 000) (64 539 487)
<b>Balance as at 31 DEC 2020</b>									<b>2 762 305 090</b>

- All fixed assets of the group companies are available for use
- Fixed assets depreciation for the year Ended 31 dec 2020 was allocated as follows:

	EGP
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 (NOTE NO.59)	11 919 596
<b>Total depreciation of fixed assets during the period</b>	<b>126 452 041</b>

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

	EGP	EGP
Proceed from sale of fixed assets		543 372
Deduct:		
Cost of assets sold	1 996 813	
Accumulated depreciation of assets sold	(1 528 500)	
Carrying amount of assets sold		468 313
		<b>75 059</b>

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 2019 amounted to EGP 1 353 868 932, presented by fixed administrative assets on the site and the headquarter as follows:

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

- All fixed assets in the group companies are available for use in operation.
- Fixed assets depreciation For the year Ended 31 dec 2019 amounted EGP 109 081 335 and allocated as follows:

	<u>EGP</u>
Operating assets-work in process	8 833 795
Administrative depreciation (income statement)	80 340 330
Depreciation expense of hotel operations	7 695 675
Depreciation expense of Palm Hills Club's assets - club's operating statement	12 211 536
<b>Total depreciation of fixed assets during the year</b>	<b>109 081 335</b>

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

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

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 31 DEC 2020 The amount of EGP 7 278 942 937, which is as follows:

	<u>Balance</u> <u>31 Dec 2020</u>	<u>Balance</u> <u>31 Dec 2019</u>
	<u>EGP</u>	<u>EGP</u>
Total work carried out until 31 Dec .2019	28 006 111 550	26 755 124 960
Add:		
Work carried out for the year ended 31 Dec 2020	1 810 320 812	2 874 263 775
<u>Less:</u> works credit to work in progress	--	1 623 277 185
NET work carried out as at 31 Dec .2020	29 816 432 362	28 006 111 550
<u>Less:</u> Charged to income statement until 31 Dec 2020	22 528 489 425	19 890 861 270
Work in progress balance as at 31 Dec 2020	<u>7 287 942 937</u>	<u>8 115 250 280</u>
Represented As follows:		
Land acquisition cost	2 484 324 436	3 357 943 814
Cost of construction	4 758 067 787	4 711 755 752
Cost of Completed units	45 550 714	45 550 714
Balance as at 31 Dec 2020	<u>7 287 942 937</u>	<u>8 115 250 280</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 year ended 31 December 2020 amounted to EGP 310 938 962 (Note NO. 51)

### 40. CASH AND CASH EQUIVALENTES

The consolidated balance of cash and cash equivalent as of 31 DEC 2020 amounted to 1 579 250 273 as follows:

	<u>31 Dec 2020</u>	<u>31 Dec 2019</u>
	<u>EGP</u>	<u>EGP</u>
Banks-current accounts- EGP	1 550 303 676	1 315 427 641
Banks-current accounts- foreign currency	15 395 579	11 826 112
Banks – Deposits- EGP	2 500 000	2 500 000
Cash on hand- EGP	11 051 018	45 424 637
Balance as at 31 Dec 2020	<u>1 579 250 273</u>	<u>1 375 178 390</u>

#### **41. ACCOUNTS RECEIVABLE**

The present value of accounts receivable - debit balances on 31 DEC 2020 amounted to EGP 1 480 150 676 This due balance is represented in the difference between the contractual value of some contracted units and the advance of reservation and the installments paid for those units, without paying or depositing cash notes receivable or any other credit instruments for due installments, and it also includes the value of returned checks or non-collected checks from some clients as followings:

	<u>31 Dec 2020</u>	<u>31 Dec 2019</u>
	<u>EGP</u>	<u>EGP</u>
Palm Hills Developments Company	478 009 040	367 166 654
Palm Hills Middle East Company for Real Estate Investment	128 047 289	115 131 552
Royal Gardens for Real Estate Investment Company	6 792 630	8 835 737
New Cairo for Real Estate Developments	1 426 015	1 538 515
Gawda for Trade Services	1 101 709	1 129 029
Saudi Urban Development Company	52 295 090	54 196 781
Rakeen Egypt for Real Estate Investment	84 424 834	90 135 050
East New Cairo for Real Estate Development	73 491 792	124 422 692
Middle East Company for Real Estate and Touristic Investment	2 771 766	3 568 968
United Engineering for Construction	3 644 229	1 533 262
Palm Real Estate Development	43 260 057	42 092 690
Palm for Investment and Real Estate Development	314 645 495	223 565 640
Palm Hills Development of Tourism and Real Estate	1 635 859	6 245 506
Palm Hills Properties	4 079 568	2 968 295
Palm for Urban Development	276 151 526	224 685 919
Palm for Clubs Management	8 054 147	5 063 079
Palm for Clubs	319 630	--
Balance as at 31 Dec 2020	<u>1 480 150 676</u>	<u>1 272 279 369</u>

#### **42. DEBTORS AND OTHER DEBIT BALANCES**

The consolidated balance of debtors and other debit balances as of 31 DEC 2020 amounted to 1 084 173 501 as follows:

	<u>31 Dec 2020</u>	<u>31 Dec 2019</u>
	<u>EGP</u>	<u>EGP</u>
Residents' Association	652 905 951	399 029 882
Paid under land acquisition	121 728 238	--
Investments debtors	5 019 430	5 019 431
Deposits with others	63 201 369	265 685 022
Prepaid expenses	113 982 186	81 095 808
Accrued interest	14 599 743	32 864 324
Withholding tax	2 044 309	55 229 137
Letter of Guarantee	30 148 419	14 557 606
Loans to employee & custodies	7 955 090	9 159 944
Other debit balances	72 588 766	54 720 207
Balance as at 31 Dec 2020	<u>1 084 173 501</u>	<u>917 361 361</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 31 DEC 2020 amounted to 440 619 311 as follows:

	<u>31 Dec 2020</u>	<u>31 Dec 2019</u>
	<u>EGP</u>	<u>EGP</u>
Al Ethadia for Real Estate S.A. E	260 748 253	236 663 531
Al Naeem for investments	48 755 255	48 755 256
Debtors of dividends	127 689 298	127 689 298
Palm Hills for Real Estate S.A. -Coldwell Banker E	20 480	20 480
Novotel Cairo 6th Of October S.A. E	1 013	2 601 390
The cookery co for catering and restaurant	1 250 000	--
Mercure Ismailia Hotel S.A. E	1 723 033	2 959 192
Arkan palm for real estate investment S.A. E	162 659	7 100
Palm Hills Saudi _ ELBaltan	269 320	269 320
Balance as at 31 Dec 2020	<u>440 619 311</u>	<u>418 965 567</u>

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

The consolidated balance of advance payments for investments acquisition as of 31 DEC 2020 amounted to 313 390 301 as follows:

	<u>Nature of</u>	<u>31 Dec 2020</u>	<u>31 Dec 2019</u>
	<u>transaction</u>	<u>EGP</u>	<u>EGP</u>
kenzy company for restaurant	Establishment	4 209 316	4 209 316
Palm Hills – Saudi	Establishment	135 121 743	135 121 743
Gamsha for Tourist Development S.A. E	Acquisition	4 010 000	4 010 000
Middle East Company for Real Estate and Touristic Investment	Acquisition	10 262 352	10 262 352
Al Naeem for Hotels and Touristic Villages	Acquisition	41 303 890	41 303 890
Disney Beach company	Acquisition	118 483 000	--
Balance as at 31 Dec 2020		<u>313 390 301</u>	<u>194 907 301</u>

- The amounts paid for the purchase of investments in companies have been included in the item purchased under the advance payments for investments acquisition account, based on the sale contracts or the agreement concluded between the company and some of the shareholders of the above-mentioned companies, provided that these amounts are transferred to the contributions in companies upon completion of the ownership transfer procedures to The company, and for the purposes of preparing the consolidated financial statements, the amounts paid directly to the continuing companies in it to increase the capital of those companies have been excluded.
- The name of the company was changed during the 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 31 DEC 2020 amounted to 90 966 967 as follows:

	<u>31 Dec 2020</u>	<u>31 Dec 2019</u>
	<u>EGP</u>	<u>EGP</u>
Banks –EGP	87 516 452	83 102 389
Banks-foreign currencies	3 450 515	4 135 324
Balance as at 31 Dec 2020	<u>90 966 967</u>	<u>87 237 713</u>

#### 46. BANK OVERDRAFT

The consolidated balance of Banks overdraft as of 31 DEC 2020 amounted to 1 034 506 489 as follows:

	<u>31 Dec 2020</u>	<u>31 Dec 2019</u>
	<u>EGP</u>	<u>EGP</u>
Arab -African Bank	316 455 102	376 765 397
Arab - Bank	161 231 125	299 630 120
Ahli United Bank	138 871	6 798 641
CIB - Bank	556 681 391	280 118 487
Balance as at 31 Dec 2020	<u>1 034 506 489</u>	<u>963 312 645</u>

#### 47. ADVANCES FROM CUSTOMERS

The present value of Advances from customers account as 31 DEC 2020 amounted to 15 629 029 118 as follows:

	<u>Down payment</u>	<u>Net contracts</u>	<u>31 Dec 2020</u>	<u>31 Dec 2019</u>
	<u>booking clients</u>	<u>for clients</u>		
	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>
Palm Hills Developments Company	78 406 671	5 680 989 032	5 759 395 703	4 142 932 948
Palm Hills Middle East Company for Real Estate Investment	17 951 838	730 332 763	748 284 601	275 295 709
Royal Gardens for Real Estate Investment Company	--	2 628 725	2 628 725	2 628 725
New Cairo for Real Estate Developments	--	4 502 838	4 502 838	4 502 838
Saudi Urban Development Company	4 050 000	301 523 268	305 573 268	353 131 022
Rakeen Egypt for Real Estate Investment	14 579 499	880 778 208	895 357 707	731 743 201
East New Cairo for Real Estate Development	5 465 102	78 808 103	84 273 205	181 606 167
Middle East Company for Real Estate and Touristic Investment	6 426 348	--	6 426 348	2 184 061
United Engineering for Construction	11 336 727	--	11 336 727	75 487 001
Palm for Real Estate Development S.A. E	50 000	873 841 456	873 891 456	1 146 588 831
Palm for Investment & Real Estate Development	13 604 972	3 732 749 845	3 746 354 817	3 826 597 345
Palm Hills Development of Tourism and Real Estate	3 450 313	258 706 469	262 156 782	344 170 462
Palm Hills Properties	--	9 869 416	9 869 416	12 249 226
Palm for Urban Development	4 803 068	2 913 302 849	2 918 105 916	3 112 321 578
Palm for Clubs Management	--	--	--	1 170 586
Palm for Clubs	871 608	--	871 608	--
Balance as at 31 Dec 2020	<u>160 997 146</u>	<u>15 468 032 972</u>	<u>15 629 029 118</u>	<u>14 212 609 702</u>

#### 48. LAND PURCHASE LIABILITY

The consolidated balance of Land purchase liabilities as of 31 DEC 2020 amounted to 224 647 895 follows :

	<u>31 Dec 2020</u>	<u>31 Dec 2019</u>
	<u>EGP</u>	<u>EGP</u>
Land purchase liabilities - short term	134 159 466	235 682 895
Land purchase liabilities - long term	90 488 428	150 258 255
Balance as at 31 Dec 2020	<u>224 647 895</u>	<u>385 941 150</u>

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

The consolidated balance of Due to related parties as of 31 DEC 2020 amounted to 2 535 616 as follows:

	<u>31 Dec 2020</u>	<u>31 Dec 2019</u>
	<u>EGP</u>	<u>EGP</u>
El Mansour & El Maghraby Investment and Development	--	4 103 938
Villamora for Real Estate Development Company S.A. E	2 535 616	2 535 617
Balance as at 31 Dec 2020	<u>2 535 616</u>	<u>6 639 555</u>

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

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

The consolidated balance of short term notes payable (net) as of 31 DEC 2020 amounted to 1 030 233 337 as follows:

	<u>31 Dec 2020</u>	<u>31 Dec 2019</u>
	<u>EGP</u>	<u>EGP</u>
* Notes payable- (New Urban Communities Authority)	394 546 306	1 579 682 655
<u>Deduct: -</u>		
Deferred installments interest	92 260 380	561 178 711
Net Notes payable (short term)- Land	<u>302 285 926</u>	<u>1 018 503 944</u>
<u>Add: -</u>		
Other notes payable **	813 126 549	945 720 533
Deduct: Deferred interest	85 179 138	213 322 571
Balance as at 31 Dec2020	<u>1 030 233 337</u>	<u>1 750 901 906</u>

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

The consolidated balance of long term notes payable (net) as of 31 DEC 2020 amounted to 2 151 086 266 as follows:

	<u>31 Dec 2020</u>	<u>31 Dec 2019</u>
	<u>EGP</u>	<u>EGP</u>
Notes payable-		
(New Urban Communities Authority)	1 618 842 192	1 218 688 273
<u>Deduct: -</u>		
Deferred installments interest	378 548 711	541 400 627
Net Notes payable (long term)- Land	<u>1 240 293 481</u>	<u>677 287 646</u>
<u>Add: -</u>		
Other notes payable **	1 811 611 365	1 451 794 896
Deduct: Deferred interest	900 818 580	690 940 161
Balance as at 31 Dec 2020	<u>2 151 086 266</u>	<u>1 438 142 381</u>

**\*\*The other notes payable include about 2.15 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**

	<b>31 Dec 2020</b>		<b>31 Dec 2019</b>	
	<b>Short term EGP</b>	<b>Long term EGP</b>	<b>Short term EGP</b>	<b>Long term EGP</b>
<b><u>Arab African international Bank</u></b>				
Medium term financing contract in the amount of 365 million Egyptian pounds to finance projects of Palm Hills Middle East Real Estate Investment	--	53 278 770	--	303 931 945
<b><u>Misr Bank</u></b>				
Medium-term joint financing of 750 million Egyptian pounds for a period of five years to finance the projects of Palm Hills Middle East Real Estate Investment.	--	--	134 327 622	--
<b><u>CIB Bank</u></b>				
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.	109 483 000	478 179 297	59 497 372	1 013 707 418
<b><u>Emirates NBD Bank</u></b>				
A credit facility contract in the amount of EGP 100 million for the purpose of financing the Contracting contracts of United Engineering Company	55 554 222	--	--	--
<b><u>Arab African international Bank</u></b>				
Medium-term financing of 100 million Egyptian pounds for United Engineering and Contracting Company.	--	--	15 544 001	44 080 222
<b><u>Arab Bank</u></b>				
Debit current facility of 300 million EGP without guarantee	--	299 999 954	--	299 998 735
<b><u>National Bank of Egypt</u></b>				
Medium-term co-financing of EGP 1.28 billion to finance the Palm Hills Development Crown project	--	1 271 892 096	85 763 862	1 139 354 545
<b><u>Ahli United Bank</u></b>				
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	18 398 000	390 501 192	--	--
Balance as at 31 December 2020	<u>183 435 222</u>	<u>2 493 851 309</u>	<u>295 132 857</u>	<u>2 801 072 865</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 31 DEC 2020 amounted to 784 588 614 as follows:

	<b>31 Dec 2020</b>	<b>31 Dec 2019</b>
	<b>EGP</b>	<b>EGP</b>
Other credit balances	238 978 287	201 669 885
Insurance for others	179 463 274	155 916 657
Social insurance	40 086 360	48 444 503
Accounts receivable under settlement	243 493 037	147 918 520
Accrued expenses	82 567 656	76 834 827
Balance as at 31 Dec 2020	<u>784 588 614</u>	<u>630 784 392</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 at 31 December 2020 amounted to EGP 2 935 783 484.

#### **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 :

<u>Issued capital</u>	<u>EGP</u>
- The Company's issued capital was determined at EGP 121 500 000 representing 1 215 000 shares with a par value of EGP 100 per share.	121 500 000
- On 20 Dec. 2006, the Company's Extra-Ordinary General Assembly Meeting approved the issued Capital increase amounting to EGP 185,500,000 to be after such increasing amounted EGP 307,000,000 representing 3,070,000 shares with a par value of EGP 100 per share.	307 000 000
- On 13 May 2007, the Company's Board of Directors approved the issued Capital increase amounting to EGP 93,000,000 to be after such increasing amounted EGP 400,000,000 representing 4,000,000 shares with a par value of EGP 100 per share.	400 000 000
- On 15 July 2007, the Company's Board of Directors approved the issued Capital increase amounting to EGP 200,000,000 to be after such increasing amounted EGP 600,000,000 representing 6,000,000 shares with a par value of EGP 100 per share.	600 000 000
- On 6 November 2007, the Company's Board of Directors approved the issued Capital increase amounting to EGP 200,000,000 to be after such increasing amounted EGP 800,000,000 representing 8,000,000 shares with a par value of EGP 100 per share. The Company's Extra-Ordinary General Assembly Meeting held in March 2009 approved a 50-for-1 stock split and the par value of the Company's share reduced to EGP 2 per share.	800 000 000
- On 27 March 2008, the Company's Board of Directors approved the issued Capital increase amounting to EGP 32,000,000 to be after such increasing amounted EGP 832,000,000 representing 416,000,000 shares with a par value of EGP 2 per share.	832 000 000
- On 8 May 2008, the Company's Board of Directors approved the issued Capital increase amounting to EGP 99,840,000 to be after such increasing amounted EGP 931,840,000 representing 465,920,000 shares with a par value of EGP 2 per share.	931 840 000
- On 30 June 2009, the Company's Board of Directors approved the issued Capital increase amounting to EGP 465,880,000 to be after such increasing amounted EGP 1,397,760,000 representing 698,880,000 shares with a par value of EGP 2 per share.	1 397 760 000
- On 28 January 2010, the Company's Extra-Ordinary General Assembly Meeting approved the issued Capital increase amounting to EGP 698,880,000 to be after such increasing amounted EGP 2,096,640,000 representing 1,048,320,000 shares with a par value of EGP 2 per share.	2 096 640 000
- On 22 Sep. 2013, the Company's Extra-Ordinary General Assembly Meeting approved the issued Capital increase amounting to EGP 600,000,000 to be after such increasing amounted EGP 2,696,640,000 representing 1,348,320,000 shares with a par value of EGP 2 per share.	2 696 640 000
- On 8 February 2015, the Company's Extra-ordinary General Assembly Meeting approved the issued Capital increase amounting to EGP 1 648 000 000 to be after such increasing amounted EGP 4 344 640 000 representing 2 172 320 000 shares with a par value of EGP 2 per share.	4 344 640 000
- On 29 November 2015, the Company's Extra-Ordinary General Assembly Meeting approved the 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.	
	<u>6 235 199 270</u>



## 55. TREASURY stocks

The board of directors in its session held on March 2,2020, approved the purchase of treasury stock with a maximum of 62 351 992 shares representing 2% of the company's total issued capital shares, and implementation was carried out during the period from March 2,2020 to March 15,2020, The number of shares purchased until December 31,2020 amounted to 36 350 000 shares at a value of EGP 46 990 266 with an average cost per share EGP1.29

- 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	3 117 599 635	6 235 199 270	2
Deduct: -			
Treasury shares -cost	36 350 000	46 990 266	1,29
The number of outstanding shares and the net of the issued and paid up capital	<u>3 081 249 635</u>	<u>6 188 209 004</u>	

## 56. RESERVES

### a) Legal reserve

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

### b) Special reserve

The net balance of the special reserve on 31 DEC 2020 amounted to EGP 176 513 271 after amortization and the special reserve is the value of the reserve formed to meet the expected decline in the value of some real estate investments of the company and its subsidiary companies in implementation of the decision of the company's Ordinary General Assembly in its session held on June 30, 2012 through Transferred profits , as the position of some real estate investments was settled by exclusion in exchange for reducing the reserve for the same value for some of the lands invested in it through one of the subsidiary companies for the lack of economic viability and the withdrawal of the allocation. The value of the reduction during the year 2019 amounted to EGP 299 550 896

## 57. Joint Share Arrangement

The share of project partners in the participation system on 31 DEC 2020 amounted to EGP 1 179 376 457, which is the net share of the partners (the owner) in exchange for the value of the land and the preparation of external facilities in accordance with the contracts concluded in this regard, which are paid in light of the approved timelines for the payment of annual payments This is represented in the following:

	<u>31 Dec 2020</u> <u>Short term</u> <u>EGP</u>	<u>31 Dec 2020</u> <u>Long term</u> <u>EGP</u>	<u>31 Dec 2019</u> <u>Short term</u> <u>EGP</u>	<u>31 Dec 2019</u> <u>Long term</u> <u>EGP</u>
Partners in Palm New Cairo-Project	798 302 535	--	535 761 232	748 379 032
Partners in Hacienda West Project	--	--	--	23 019 437
Partners in (Badya) Project	381 073 922	--	545 420 528	744 241
Balance as at 31 Dec 2020	<u>1 179 376 457</u>	<u>--</u>	<u>1 081 181 760</u>	<u>772 142 710</u>

## 58. REVENUES

The net revenues of the activity for the year ended December 31, 2020 amounted to EGP 5 207 530 113, as follows: -

	<u>31 Dec 2020</u> <u>EGP</u>	<u>31 Dec 2019</u> <u>EGP</u>
Revenues from building and development activities	4 754 593 624	5 854 435 407
Revenues from services & the commercial activity	75 302 425	9 210 498
Revenues from the construction activity	75 383 200	84 527 282
Other revenues (Note No.62)	233 328 622	113 958 611
Revenues from hospitality activities	9 311 448	72 146 328
Revenues from Palm Hills Club	59 610 794	90 146 293
Total as at 31 Dec 2020	<u>5 207 530 113</u>	<u>6 224 424 420</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 year ended December 31, 2020 amounted to EGP 3 175 719 070, as follows: -

	<u>31 Dec 2020</u> <u>EGP</u>	<u>31 Dec 2019</u> <u>EGP</u>
Cost of building and development activities	3 009 671 575	3 729 692 492
Services cost	49 887 481	--
Cost of the construction activity	71 631 760	80 456 186
Cost of the commercial activity	166 045	2 106 574
Operation cost -Palm Hills Club	24 489 440	32 757 514
Depreciation of Fixed Assets – Palm Hills Club	11 919 596	12 211 536
Depreciation of Fixed Assets – Macor	7 953 173	7 695 675
Total as at 31 Dec 2020	<u>3 175 719 070</u>	<u>3 864 919 977</u>

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

The general administrative, selling and marketing expenses for the year ended December 31, 2020 amounted to EGP 886 086 693, as follows: -

	<u>31 Dec 2020</u>	<u>31 Dec 2019</u>
	<u>EGP</u>	<u>EGP</u>
Wages and salaries	354 822 745	374 442 394
Selling and marketing expenses	307 401 497	319 060 606
Telephone, post and fax	3 507 196	3 345 396
Utilities	28 360 932	27 641 217
Professional and Government fees	56 034 488	61 186 213
Maintenance and Insurance	68 247 040	55 699 231
Travel and transportation	1 037 263	12 852 192
Bank charges	7 344 114	4 499 703
Other administrative expenses	45 648 054	61 052 411
Contribution Symbiotic	13 683 364	16 655 106
Total as at 31 Dec 2020	<u>886 086 693</u>	<u>936 434 469</u>

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

The Gains on Investments in Fair value through profit or loss for the year ended December 31, 2020 amounted to EGP 8 463 120, as follows: -

	<u>31 Dec 2020</u>	<u>31 Dec 2019</u>
	<u>EGP</u>	<u>EGP</u>
Gains on sale of mutual funds certificates	8 463 120	11 045 951
Total as at 31 Dec 2020	<u>8 463 120</u>	<u>11 045 951</u>

**62. OTHER REVENUES**

Other income for the year ended 31 Dec 2020 amounted to EGP 233 328 623 and is as follows:

	<u>31 Dec 2019</u>	<u>31 Dec 2020</u>
	<u>EGP</u>	<u>EGP</u>
Transfer fees and delay benefits	210 205 643	64 974 333
Revenues from selling fixed asset	75 058	1 039 033
Retrieve the value of the facilities	13 305 213	13 065 580
Miscellaneous revenues	9 742 709	43 829 224
Total as at 31 Dec 2020	<u>233 328 623</u>	<u>122 908 170</u>

**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 EGP</u>
Palm Hills Middle East Company for Real Estate Investment S.A.E	A subsidiary	Finance	2 339 180 967
Royal Gardens for Real Estate Investment Company S.A.E	A subsidiary	Finance	8 791 288
Middle East Company for Real Estate and Touristic Investment S.A.E	A subsidiary	Finance	456 110 032
Gawda for Trade Services S.A.E	A subsidiary	Finance	152 335 412
Rakeen Egypt for Real Estate Investment S.A.E	A subsidiary	Finance	7 331 830 540
Saudi Urban Development Company S.A.E	A subsidiary	Finance	105 340 970
Nile Palm Al-Naem for Real Estate Development S.A.E	A subsidiary	Finance	23 662
Al Ethadia for Real Estate S.A.E	Associate	Finance	110 195 749
East New Cairo for Real Estate Development S.A.E	A subsidiary	Finance	3 658 416 178
New Cairo for Real Estate Development S.A.E	A subsidiary	Finance	8 470
Palm October for Hotels S.A.E	A subsidiary	Finance	22 224 743
Al Naem for Hotels and Touristic Villages S.A.E	A subsidiary	Finance	27 544
Palm Hills for Investment Tourism S.A.E	A subsidiary	Finance	875 505
United Engineering for Construction S.A.E	A subsidiary	Finance	7 830 814
El Mansour & El Maghraby Investment and Development S.A.E	A subsidiary	Finance	250 000 000
Palm Real Estate Development	A subsidiary	Finance	112 473 925
Palm for Investment and Real Estate Development S.A.E	A subsidiary	Finance	245 945 817
Palm Hills Properties S.A.E	A subsidiary	Finance	15 226 798
Palm Hills Development of Tourism and Real Estate S.A.E	A subsidiary	Finance	52 441 568
Palm Hills for Investment Tourism S.A.E	A subsidiary	Finance	121 130
Palm Hills Resorts S.A.E	A subsidiary	Finance	3 125 805
Palm Hills hotels S.A.E	A subsidiary	Finance	8 470
Palm Hills Education S.A.E	A subsidiary	Finance	64 139
Palm for Urban Development	A subsidiary	Finance	230 371 511
Palm for Club Management S.A.E	A subsidiary	Finance	37 748 024
Palm Alexandria for Real Estate S.A.E	A subsidiary	Finance	116 902
Asten College for Education S.A.E	Associate	Finance	63 354
Palm Arkan for Real Estate investment S.A.E	Associate	Finance	155 559
Palm for Constructions And Real Estate Development S.A.E	A subsidiary	Finance	274 586
khedma for management of tourist and urban resorts	A subsidiary	Finance	4 867 866
Palm sports for Clubs S.A.E	A subsidiary	Finance	163 491 808
The cookery co Company for catering and Restaurants	Associate	Finance	<u>1 250 000</u>

**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	1 620 408 881
Royal Gardens for Real Estate Investment Company S.A.E	Due to related parties	( 350 855)
Middle East Company for Real Estate and Touristic Investment S.A.E	Due to related parties	( 170 438 274)
Gawda for Trade Services S.A.E	Due to related parties	( 64 369 554)
Rakeen Egypt for Real Estate Investment S.A.E	Due from related parties	480 501 579
Saudi Urban Development Company S.A.E	Due to related parties	( 68 630 438)
Nile Palm Al-Naem for Real Estate Development S.A.E	Due to related parties	( 44 263 825)
Al Ethadia for Real Estate S.A.E	Due from related parties	249 923 302
East New Cairo for Real Estate Development S.A.E	Due to related parties	( 288 891 361)
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	( 959 542)
Al Naem for Hotels and Touristic Villages S.A.E	Due to related parties	( 125 513 179)
Gemsha for Tourist Development S.A.E	Due from related parties	70 476 765
United Engineering for Construction S.A.E	Due to related parties	( 12 498 050)
El Mansour & El Maghraby Investment and Development S.A.E	Due from related parties	11 896 062
Palm Gemsha for Hotels S.A.E	Due from related parties	30 050

<u>Party</u>	<u>Item as in balance sheet</u>	<u>EGP</u>
Palm North Coast Hotels S.A.E	Due to related parties	26 858
Palm for Real Estate Development S.A.E	Due to related parties	12 633 264
Palm for Investment and Real Estate Development	Due from related parties	39 174 527
Palm Hills Properties	Due to related parties	( 4 407 187)
Palm Hills Development of Tourism and Real Estate	Due from related parties	119 943 550
Palm Hills for Investment Tourism	Due to related parties	( 25 240 521)
Palm Hills Resorts	Due from related parties	3 420 414
Palm Hills for hotel S.A.E	Due from related parties	100 341 544
Palm Hills Education S.A.E	Due from related parties	1 622 260
Palm Hills – Saudi 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	( 214 241 579)
Palm for Club Management S.A.E	Due to related parties	( 7 504 980)
Palm Alexandria for Real Estate	Due from related parties	2 335 093
Asten College for Education S.A.E	Due from related parties	387 215
Palm Arkan for Real Estate investment S.A.E	Due from related parties	162 659
Palm for Constructions And Real Estate Development S.A.E	Due to related parties	( 43 399 083)
khedma for management of tourist and urban resorts	Due from related parties	500
Palm sports for Clubs S.A.E	Due from related parties	( 4 047 821)
The Co Korean Company for Restaurants	Due from related parties	1 250 000

#### 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>31 Dec 2020</u>	<u>31 Dec 2019</u>
	<u>EGP</u>	<u>EGP</u>
Net profit for the period	717 767 741	846 785 352
Divided by: - Weighted average number of shares	3 081 249 635	3 081 249 635
Earnings per share	<u>0.233</u>	<u>0.275</u>

For the purpose of calculating the earnings per share for the year ended on 31 DEC 2020 , 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 36 350,000 shares, in addition to not preparing a distribution project for the period Ended on 31 DEC 2020

## 66. EMPLOYEE STOCK OWNERSHIP PLAN (ESOP)

On 29 November 2015, The Company's Extraordinary General Assembly Meeting approved issued capital increase out of retained earnings balance as at 31 Dec. 2014 of EGP 53 359 478 for an employee stock ownership plan (ESOP) representing 26 679 739 shares. In addition to 1 333 987 shares which represent share of employee stock ownership plan according to the company's extraordinary general assembly meeting in 13 June 2016, the total number of shares of (ESOP) become 28 013 725 , shares The right to sell was exercised for the entire number of system shares.

The Company's Extraordinary General Assembly has been invited to meeting on 13 May 2018 to discuss the extension of (ESOP) according to the previous regulations and conditions, And that decided to extend the order by issuing 39 million shares, worth EGP 78 million, are allocated entirely to the system, and in light of the approval of the general assembly of the company on April 4, 2019, for that increase, the commercial register has been marked on June 26, 2019, and the fair value of these shares on December 31, 2020 amounted to 53 040 000 EGP at 1,36 EGP per share.

## 67. THE INFLUENCING

The influencing events are the global core events that all countries of the world have been exposed to, including the Arab Republic of Egypt, resulting from the deterioration of global health conditions. The Arab Republic of Egypt has taken many measures and precautionary measures, which included restrictions on the movement of travel, quarantine, and the total closure of some business activities And partial to others, and these measures are still evolving with the development of events, as it is expected to have tangible and negative effects on all economic activities and sectors, but they are not currently measurable, and the identification of the negative or positive effects or both of those events on the elements of assets, liabilities and recoverable value is underway. And the effects that follow on equity and cash flows, as well as business results in the coming periods.