

Sixth of October for Development and Investment Company "SODIC"
(An Egyptian Joint Stock Company)
Consolidated Interim Financial Statements
For The Financial Period Ended June 30, 2020
And Limited Review Report

 **Hazem Hassan**
Public Accountants & Consultants

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Translation of review report
originally issued in Arabic

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Limited review report on consolidated interim financial statements
To: The Board of Directors of Sixth of October for Development and Investment
Company “SODIC”

Introduction

We have performed a limited review for the accompanying consolidated interim statement of financial position of Sixth of October for Development and Investment Company “SODIC” (S.A.E) as at June 30, 2020, and the related consolidated interim statements of profit or loss, comprehensive income, changes in equity, and cash flows for the six-month then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of these consolidated interim financial statements in accordance with Egyptian Accounting Standards. Our responsibility is to express a conclusion on these consolidated interim financial statements based on our limited review.

Scope of Limited Review

We conducted our limited review in accordance with Egyptian Standard on Review Engagements (no. 2410), "Limited Review of Interim Financial Statements Performed by the Independent Auditor of the Entity." A limited review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters in the Company, and applying analytical and other limited review procedures. A limited review is substantially less in scope than an audit conducted in accordance with Egyptian Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on these consolidated interim financial statements.

Conclusion

Based on our limited review, nothing has come to our attention that causes us to believe that the accompanying consolidated interim financial statements do not present fairly, in all material respects, the consolidated financial position of the Company as at June 30, 2020, and of its consolidated interim financial performance and its consolidated interim cash flows for the six-month then ended in accordance with Egyptian Accounting Standards.



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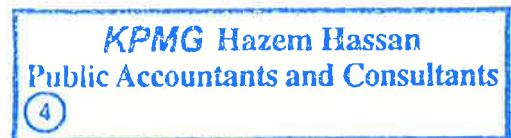
Emphasis of matter

Without qualifying our conclusion, and as detailed in note No. (51) of the accompanying notes of the consolidated interim financial statements, most countries of the world, including Egypt, were exposed during the first half of 2020 to the spread of the new Corona pandemic (COVID-19), which caused disturbances in most commercial and economic activities in general, and in real estate development activities in Egypt in particular. The spread of the pandemic has affected the results of the Company's business in general; and units handovers, collections and launches of new phases and projects in particular. However, in light of the uncertainty as a result of current events, the size of the overall impact of that event on the results of the Company's business depends mainly on the timeframe for the continuation of those impacts that this event is expected to end with, and consequently, future challenges to the Company's ability to continue as a going concern.

KPMG Hazem Hassan

Public Accountants & Consultants

Cairo August 11, 2020








Sixth of October for Development and Investment Company "SODIC"
(An Egyptian Joint Stock Company)

Consolidated interim statement of financial position as at

EGP	Note No.	30 June 2020	31 December 2019
Non-current assets			
Property, plant, equipment	(23)	292 202 173	294 115 466
Projects under construction	(24)	185 833 832	115 181 723
Investments in associates and joint ventures	(25)	1 309 465	1 309 465
Investment properties	(26)	118 033 409	117 718 530
Notes receivables	(27)	9 179 512 346	9 227 550 853
Deffered tax assets	(13)	21 099 290	28 336 690
Total non-current assets		9 797 990 515	9 784 212 727
Current assets			
Other assets	(15)	8 102 492	7 026 360
Completed units ready for sale	(16)	60 422 026	17 049 107
Works in process	(17)	15 262 984 513	13 645 418 623
Trade and notes receivable	(18)	3 863 258 060	3 895 838 189
Debtors and other debit balances	(19)	1 899 606 543	1 964 137 409
Loans to joint ventures	(20)	-	-
Investments in treasury bills	(21)	963 349 436	1 377 693 049
Cash at banks and on hand	(22)	2 558 363 326	2 596 006 141
Total current assets		24 616 086 396	23 503 168 878
Total assets		34 414 076 911	33 287 381 605
Equity			
Issued & paid in capital	(28)	1 396 715 488	1 396 715 488
Legal reserve	(29)	223 686 635	213 930 055
Special reserve - share premium	(30)	1 410 926 940	1 410 926 940
Retained earnings		2 192 681 905	2 345 876 349
Profit from sale of treasury shares	(31)	1 725 456	1 725 456
Reserve for employee stock option plan	(48)	25 924 105	23 772 451
Equity attributable to equity holders of the Company		5 251 660 529	5 392 946 739
Non-controlling interests	(32)	58 125 858	58 804 134
Total equity		5 309 786 387	5 451 750 873
Non-current liabilities			
Loans	(33)	1 118 213 906	1 281 130 084
Creditors and notes payable	(34)	26 434 565	67 545 617
New Urban Communities Authority	(35)	5 175 535 152	4 806 340 854
Total non-current liabilities		6 320 183 623	6 155 016 555
Current liabilities			
Banks Facilities		2 570 035	-
Loans - Short term	(33)	888 246 532	592 714 355
Contractors, suppliers and notes payable	(38)	731 947 558	704 819 389
Advances - from customers	(37)	18 555 011 823	17 743 774 560
Income tax liabilities		77 084 796	246 244 633
Creditors and other credit balances	(39)	2 376 537 466	2 205 147 335
Provision	(36)	152 583 691	187 913 905
Total current liabilities		22 783 981 901	21 680 614 177
Total liabilities		29 104 165 524	27 835 630 732
Total equity and liabilities		34 413 951 911	33 287 381 605

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

Financial Manager	Group Financial Controller	Chief Financial Officer	Managing Director	Chairman
				
Mohamed Samir	Ahmed Hegazi	Omar Elhamawy	Magued Sherif	Osama Saleh

"Limited review report attached"

Sixth of October for Development and Investment Company "SODIC"

(An Egyptian Joint Stock Company)

Consolidated interim statement of profit or loss

for the financial period June 30,

EGP	Note No	from 1/1/2020 to 30/6/2020	from 1/1/2019 to 30/6/2019	from 1/4/2020 to 30/6/2020	from 1/4/2019 to 30/6/2019
Revenues					
Sales of real estate and lands	(5)	901 068 696	1 912 407 228	552 023 457	1 019 782 438
Revenues of services of managing cities and resorts		160 314 865	87 841 194	88 551 600	47 227 986
Revenues of rental of real state		9 141 666	9 267 009	3 885 533	4 287 716
Revenues from golf course and restaurants		3 846 335	6 982 692	455 672	3 979 197
Total operation revenues		1 074 371 562	2 016 498 123	644 916 262	1 075 277 337
Cost of sales					
Cost of sales of real estate and lands	(6)	(603 923 777)	(1 293 543 677)	(359 452 595)	(663 918 582)
Costs of services of managing cities and resorts		(122 927 097)	(74 688 212)	(68 993 216)	(41 620 198)
Costs of rental of real state		(4 840 201)	(4 532 053)	(2 363 836)	(2 128 715)
Cost of golf course and restaurants		(17 804 776)	(13 641 775)	(2 916 790)	(7 583 826)
Total operation costs		(749 495 851)	(1 386 405 717)	(433 726 437)	(715 251 321)
Gross profit		324 875 711	630 092 406	211 189 825	360 026 016
Other operating revenues	(7)	133 252 524	121 678 908	60 240 800	58 854 967
Selling and marketing expenses	(8)	(118 322 705)	(148 386 343)	(69 562 646)	(72 946 241)
General and administrative expenses	(9)	(215 202 369)	(215 066 451)	(120 873 334)	(126 611 631)
Other operating expenses	(10)	(24 487 837)	(63 522 128)	(17 086 811)	(44 000 366)
Operating profit		100 115 324	324 796 392	63 907 834	175 322 745
Finance income	(11)	126 413 651	242 003 933	53 079 532	116 795 711
Finance cost	(12)	(71 252 043)	(101 267 720)	(25 928 760)	(57 375 895)
Net finance income		55 161 608	140 736 213	27 150 772	59 419 816
Net profit before tax		155 276 932	465 532 605	91 058 606	234 742 561
Income tax	(13)	(85 889 895)	(127 611 083)	(49 534 551)	(58 865 793)
Profit for the period		69 387 037	337 921 522	41 524 055	175 876 768
Attributable to:					
Equity holders of the Company		67 935 516	336 192 151	40 082 013	174 986 132
Non-controlling interests	(32)	1 451 521	1 729 371	1 567 042	890 636
Net Profit for the period		69 387 037	337 921 522	41 649 055	175 876 768
Earnings per share (EGP / Share)	(14)	0.19	0.96	0.11	0.50

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

Sixth of October for Development and Investment Company "SODIC"
(An Egyptian Joint Stock Company)
Consolidated interim statement of comprehensive income
for the financial period June 30,

EGP	Note	from 1/1/2020 to 30/6/2020	from 1/1/2019 to 30/6/2019	from 1/4/2020 to 30/6/2020	from 1/4/2019 to 30/6/2019
	No				
Profit of the period		69 387 037	337 921 522	41 649 055	175 876 768
Total other comprehensive income items for the year after income tax		-	-	-	-
Total comprehensive income of the year		69 387 037	337 921 522	41 649 055	175 876 768
Total comprehensive income is attributable to:					
Equity holders of the Company		67 935 516	336 192 151	40 082 013	174 986 132
Non-controlling interests	(32)	1 451 521	1 729 371	1 567 042	890 636
Total comprehensive income for the period		69 387 037	337 921 522	41 649 055	175 876 768

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

Sixth of October for Development and Investment Company "SODIC"
(An Egyptian Joint Stock Company)
Consolidated interim statement of changes in Equity
for the financial period June 30, 2020

EGP	Issued and paid in capital	Legal reserve	Special reserve- share premium	Retained earnings	Treasury shares	Profit / (losses) from selling of treasury shares	Set aside amount for bonus and incentive plan	Total	Non-Controlling interests	Total equity
Balance as at December 31, 2018	1 369 194 672	213 930 055	1 389 595 728	1847 915 972	(12 833)	1 725 456	21 001 101	4 843 350 151	63 701 852	4 907 052 003
Total comprehensive income	-	-	-	336 192 151	-	-	-	336 192 151	1 729 371	337 921 522
Net profit for the period	-	-	-	336 192 151	-	-	-	336 192 151	1 729 371	337 921 522
Total comprehensive income	-	-	-	336 192 151	-	-	-	336 192 151	1 729 371	337 921 522
Transactions with owners of the Company										
Increase in capital	27 520 816	-	(27 520 816)	-	-	-	-	-	-	-
Dividends	-	-	-	-	-	-	-	-	-	-
Transferred to special reserve-share premium	-	-	-	(219 685 098)	-	-	1 760 444	(217 924 654)	-	(217 924 654)
Reserve for employee stock option plan	-	-	30 343 148	-	-	-	-	30 343 148	-	30 343 148
Purchasing of non controlling interests without change in control	-	-	-	-	-	-	9 759 893	9 759 893	-	9 759 893
Selling of treasury shares	-	-	-	(1 759 546)	-	-	-	(1 759 546)	(2 740 454)	(4 500 000)
Total transactions with owners of the Company	27 520 816	-	2 822 332	(221 444 644)	12 833	-	11 520 337	(179 568 376)	(2 740 454)	(182 308 780)
Balance as at June 30, 2019	1 396 715 488	213 930 055	1 392 418 060	1 962 663 479	-	1 725 456	32 521 438	4 999 973 976	62 690 769	5 062 664 745
Balance as at December 31, 2019	1 396 715 488	213 930 055	1 410 926 940	2 345 876 349	-	1 725 456	23 772 451	5 392 946 739	58 804 134	5 451 750 873
Total comprehensive income for the year	-	-	-	67 935 516	-	-	-	67 935 516	1 451 521	69 387 037
Net profit for the period	-	-	-	67 935 516	-	-	-	67 935 516	1 451 521	69 387 037
Total comprehensive income	-	-	-	67 935 516	-	-	-	67 935 516	1 451 521	69 387 037
Transactions with owners of the Company										
Transferred to legal reserve	-	9 756 580	-	(9 756 580)	-	-	-	-	-	-
Dividends	-	-	-	(211 248 380)	-	-	2 151 654	(209 096 726)	-	(209 096 726)
Dividends to non-controlling interests in subsidiaries	-	-	-	-	-	-	-	-	(2 129 797)	(2 129 797)
Total transactions with owners of the Company	-	9 756 580	-	(221 004 960)	-	-	2 151 654	(209 096 726)	(2 129 797)	(211 226 523)
Balance at June 30, 2020	1 396 715 488	223 686 635	1 410 926 940	2 192 806 905	-	1 725 456	25 924 105	5 251 785 529	58 125 858	5 309 911 387

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

Sixth of October for Development and Investment Company "SODIC"
(An Egyptian Joint Stock Company)
Consolidated interim statement of cash flows
for the financial period June 30,

EGP	Note No	2020	2019
<u>Cash flows from operating activities</u>			
Net profit for the period before tax		155 151 932	465 532 605
<u>Adjustments for:</u>			
Depreciation of fixed assets and investment properties	(23) , (26)	27 826 799	23 389 928
Capital loss / (gain)	(7) , (10)	3 642	(1 138)
Return on investments in treasury bills	(11)	(87 975 357)	(158 727 763)
Impairment loss of debtors, trade receivables and loans to joint ventures	(10)	2 305 626	6 473 367
Provisions formed	(36)	4 568 968	73 919 189
Provisions no longer required	(7) , (36)	-	(195 633)
Reversal of impairment of property, plant and equipment	(23)	(911 295)	(911 295)
Employees stock option plan expense in shares	(9) , (48)	-	9 759 893
<u>Changes in:</u>			
Other assets		(1 076 132)	(301 263)
Finished units available for sale		(46 848 880)	(31 918)
Works in process		(1 241 607 545)	(37 296 448)
Trade and notes receivables		80 618 636	174 093 575
Debtors and other debit balances		62 717 634	(715 722 529)
Loans to joint ventures		(492 394)	(832 356)
Provisions used	(36)	(39 899 182)	(72 843 844)
Advances from customers		811 237 263	98 824 038
Contractors, suppliers and notes payable		27 128 169	(52 874 589)
Creditors and other credit balances		59 508 811	(76 429 715)
Paid income tax		(247 812 332)	-
Restricted cash		(16 396 018)	(7 834 453)
Net cash (used in) operating activities		(451 951 655)	(272 010 349)
<u>Cash flows from investing activities</u>			
Payments for purchase of fixed assets, projects under construction and biological assets		(28 669 036)	(17 916 787)
Payments for investments in treasury bills		(634 768 330)	(803 272 712)
Proceeds from investments in treasury bills		1 137 087 300	1 371 474 181
Payments for acquiring additional shares in subsidiaries		-	(4 500 000)
Proceeds from sale of fixed assets		63 002	6 186
Net cash generated from investing activities		473 712 936	545 790 868
<u>Cash flows from financing activities</u>			
Proceeds banks - credit facilities		2 570 035	-
Proceeds from short and long term loans		132 616 000	608 768 247
Proceeds from sale of treasury shares		-	12 833
Dividends to non-controlling interests		(2 129 797)	-
Proceeds from bounce and incentive plan		-	30 343 148
Dividends paid		(208 856 352)	(217 924 654)
Net cash (used in) / generated from financing activities		(75 800 114)	421 199 574
Net (decrease) / increase in cash and cash equivalents		(54 038 833)	694 980 093
Cash and cash equivalents at January 1		2 582 967 262	2 200 695 156
Cash and cash equivalents at June 30	(22)	2 528 928 429	2 895 675 249

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

Sixth of October for Development and Investment Company "SODIC"

(An Egyptian Joint Stock Company)

Notes to the consolidated interim financial statements

for the financial period June 30, 2020

1. Background and activities

1-1 Sixth of October for Development and Investment Company "SODIC"– An Egyptian Joint Stock Company – was incorporated in accordance with the provisions of Law No. 159 of 1981 and its Executive Regulations and considering the provisions of Law No. 95 of 1992 and its Executive Regulations and by virtue of the decree of the Minister of Economy and International Cooperation No. 322 of 1996 issued on May 12, 1996. The Company was registered in Giza Governorate Commercial Registry under No. 625 on May 25, 1996.

1-2 The purpose of the Company is represented in the following:

- Land acquisition and the subsequent sale/lease to clients after connecting the relevant infrastructure.
- Operating in the field of construction, integrated construction and supplementary works.
- Planning, dividing and preparing lands for building and construction according to modern building techniques.
- Building, selling and leasing all various types of real estate.
- Developing and reclaiming land in the new urban communities.
- Operating in the field of tourism development and tourism related establishments including, building, managing, selling or utilizing hotels, motels and tourist villages in accordance with applicable Egyptian laws and regulations.
- Building, managing, selling and leasing –residential, service, commercial, industrial and tourism projects.
- Importing and operating as trade agents within the allowable limits of the Company's purpose (not with the purpose of trading)
- Financial leasing in accordance with Law No. 95 of 1995.
- Working in all fields of information technology and systems, hardware and software (computer software and services).
- Operating in fields of communication systems, internet, space stations and transmission except for the field of satellites.
- Investing in the various activities related to petroleum, gas and petrochemicals.
- Operating in the field of coordinating and planting gardens, roads and squares and also providing security, steward - ship, maintenance and cleaning services.
- Operating in the field of ownership and management of sporting, entertainment, medical, educational buildings and also ownership, management and operating of restaurants.
- In addition, the Company may have interest or participate in any manner with companies or others that share similar activities or which may assist it to achieve its purposes in Egypt or abroad.

Also the Company is entitled to merge into or acquire the aforementioned companies or make them subsidiaries in accordance with the provisions of law and its executive regulations.

1-3 The Company's duration is 50 years starting from the date of registration in the Commercial Registry.

1-4 The Company is listed on the Egyptian Exchange.

1-5 The interim consolidated financial statements of Sixth of October for Development & Investment Company "SODIC" (the Parent Company) for the financial period ended June 30, 2020 comprise the financial statements of the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in the profit or loss of associates and joint ventures.

The registered office of the Parent Company is located at Km. 38 Cairo / Alexandria Desert Road, Sheikh Zayed City. Mr. Osama Saleh is the Chairman for the Parent Company and Mr. Maged Sherif, is the Managing Director of the Parent Company.

*Sixth of October for Development and Investment Company "SODIC" - (An Egyptian Joint Stock Company)
Notes to the consolidated interim financial statements for the financial period ended June 30, 2020*

2. Basis of preparation of consolidated interim financial statements

Compliance with accounting standards and laws

- The consolidated interim financial statements have been prepared in accordance with Egyptian Accounting Standards and applicable laws and regulations.
The consolidated financial statements were approved by the Board of Directors on August 11, 2020.

3. Functional and presentation currency

- The consolidated interim financial statements are presented in Egyptian Pounds, which is the Company's functional currency.

4. Use of judgment and estimates

- In preparing the consolidated financial statements in accordance with Egyptian Accounting Standards (EAS), management has made judgments, estimates and assumptions that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. These estimates and assumptions are based on past experience and various factors. Actual results may differ from these estimates.
- Estimates and underlying assumptions are reviewed on an ongoing basis.
- The recognition of the change in accounting estimates in the period in which the change in estimate, if the change affects only that period, or in the period of change and future periods if the change affects both.

Measurement of fair value

- The fair value of financial instruments is determined based on the market value of the financial instrument or a similar financial instrument at the date of the financial statements without deducting any estimate for the future costs of sale. The financial asset values are determined at current prices at the date of purchase of those assets, while determining the value of financial liabilities at current prices, which could be settled by those commitments.
- In the absence of an active market to determine the fair value of financial instruments, the fair value is estimated using various valuation techniques, taking into consideration the recent transaction prices or is guided by the current fair value of other instruments which are substantially similar. Or the use of - discounted cash flow - or any other evaluating method that leads to reliable results.
- When using the discounted cash flow method as a way of evaluation, the future cash flows are estimated based on the best estimates of management. And the discount rate used is determined based on the prevailing market price at the date of the financial statements of financial instruments that are similar in nature and terms.

5. Real estate and land sales

The Group's operations are considered to fall into one broad class of business, sale of real estate units and lands and hence, segmental analysis of assets and liabilities is not considered meaningful. The Group's revenues can be analyzed as follows:

	For the period ended 30/06/2020 <u>EGP</u>	For the period ended 30/06/2019 <u>EGP</u>
Revenues from the sale of Sodic projects in West Cairo	272 912 766	525 411 066
Revenues from the sale of Sodic projects in East Cairo	621 275 756	1 264 552 232
Revenues from the sale of Sodic projects in North Coast	21 730 442	122 443 930
	915 918 964	1 912 407 228
Sales Returns	(14 850 268)	-
	901 068 696	1 912 407 228

Sixth of October for Development and Investment Company "SODIC" - (An Egyptian Joint Stock Company)
Notes to the consolidated interim financial statements for the financial period ended June 30, 2020

6. Cost of real estate and land sold

	For the period ended 30/06/2020 EGP	For the period ended 30/06/2019 EGP
Cost of sales of Sodic projects in West Cairo (*)	185 728 048	268 370 603
Cost of sales of Sodic projects in East Cairo	408 433 336	945 532 090
Cost of sales of Sodic projects in North Coast	15 611 275	79 640 984
	609 772 659	1 293 543 677
Cost of sales returns	(5 848 882)	-
	603 923 777	1 293 543 677

(*) Includes an amount of EGP 8 581 029 representing the adjustment to the cost of land for SODIC West El Sheikh Zayed plot as shown in detail in note (17).

7. Other operating revenues

	For the period ended 30/06/2020 EGP	For the period ended 30/06/2019 EGP
Interest income realized from installments during the year	102 227 967	92 384 555
Assignment, cancellation dues and delay penalties	24 412 667	17 874 080
Other income	5 700 596	10 312 207
Reversal of impairment of property, plant and equipment	911 294	911 295
Provisions no longer required and reversal of impairment of debtors	-	195 633
Capital gain	-	1 138
	133 252 524	121 678 908

8. Selling and marketing expenses

	For the period ended 30/06/2020 EGP	For the period ended 30/06/2019 EGP
Salaries and wages	25 602 877	25 414 279
Sales commissions	29 866 058	58 903 665
Advertising expenses	32 513 917	40 097 665
Conferences and exhibitions & events	8 343 285	16 419 838
Rent	7 092 075	2 539 705
Maintenance, cleaning and agriculture	493 501	108 610
Travel, transportation and cars	356 733	594 584
Professional and consultants' fees	2 750 323	1 527 840
Tips and gifts	2 929 763	355 876
Depreciation	1 347 175	391 776
Employees vacations	412 546	-
Fees and stamps	2 334 765	974 174
Printing and photocopying	2 232 572	535 467
Others	2 047 115	522 864
	118 322 705	148 386 343

*Sixth of October for Development and Investment Company "SODIC" - (An Egyptian Joint Stock Company)
Notes to the consolidated interim financial statements for the financial period ended June 30, 2020*

9. General and administrative expenses

	For the period ended 30/06/2020 <u>EGP</u>	For the period ended 30/06/2019 <u>EGP</u>
Salaries, wages and bonuses (9-1)	74 970 721	60 092 570
Board of Directors' remunerations and allowances	4 786 114	6 249 783
Training, medical care, meals & uniforms	14 390 153	10 456 738
Employees Stock Option Plan (9-2)	-	9 759 893
Specific employees benefits	2 278 830	3 673 428
Maintenance, cleaning, agriculture, and security	43 818 188	41 667 174
Professional and consultancy fees	11 506 485	16 269 522
Advertising, exhibitions and conferences	501 447	5 449 857
Donations	4 598 170	1 593 365
Gifts and tips	4 469 247	1 764 111
Administrative depreciation of fixed assets	16 290 509	14 252 913
Reception and hospitality	944 681	2 457 750
Stationery and computer supplies	7 073 142	4 596 945
Communication, electricity, telephone and water	7 413 127	7 502 136
Subscriptions and governmental dues	2 987 350	2 522 804
Rent	2 344 322	5 478 261
Travel and transportation	2 707 140	2 290 434
Bank charges	4 346 192	4 071 432
Employees vacations	2 603 631	2 589 756
Insurance installments	754 939	571 523
Comprehensive medical insurance	2 230 414	6 294 047
Others	4 187 567	5 462 009
	<u>215 202 369</u>	<u>215 066 451</u>

(9-1) this item includes salaries of the executive members of Board of Directors as follows:

	For the period ended 30/06/2020 <u>EGP</u>	For the period ended 30/06/2019 <u>EGP</u>
Salaries	6 705 530	6 797 481
	<u>6 705 530</u>	<u>6 797 481</u>

(9-2) Represents in the fair value difference at the granted date for granted shares for beneficiaries of Employees Stock Option Plan granted to the executive's board members and the directors as shown in note (48).

Sixth of October for Development and Investment Company "SODIC" - (An Egyptian Joint Stock Company)
Notes to the consolidated interim financial statements for the financial period ended June 30, 2020

10. Other operating expenses

	For the period ended 30/06/2020 EGP	For the period ended 30/06/2019 EGP
Discount for early payment	22 178 569	57 034 102
Claims provisions	-	14 659
Capital losses	3 642	-
Impairment losses of debtors and loans to joints ventures	2 305 626	6 473 367
	24 487 837	63 522 128

11. Finance income

	For the period ended 30/06/2020 EGP	For the period ended 30/06/2019 EGP
Interest income	36 496 231	83 276 170
Return on investment in treasury bills	87 975 357	158 727 763
Foreign exchange gain from balances denominated in foreign currencies	1 942 063	-
	126 413 651	242 003 933

12. Finance cost

	For the period ended 30/06/2020 EGP	For the period ended 30/06/2019 EGP
Interest expense	71 252 043	82 360 014
Foreign exchange losses from balances denominated in foreign currencies	-	18 907 706
	71 252 043	101 267 720

13. Income tax

A- Items recognized in the profit or loss

	For the period ended 30/06/2020 EGP	For the period ended 30/06/2019 EGP
Current income tax	78 652 495	128 740 525
Deferred income tax (benefit)	7 237 400	(1 129 442)
	85 889 895	127 611 083

Sixth of October for Development and Investment Company "SODIC" - (An Egyptian Joint Stock Company)
Notes to the consolidated interim financial statements for the financial period ended June 30, 2020

B- Deferred tax assets and liabilities movement

June 30, 2020

	Balance as at 1/1/2020		Balance as at 30/06/2020		
	asset / (liability)	Charged to profit or loss	Deferred tax resulted in asset	Deferred tax resulted in (liability)	Net deferred tax resulted in (Liability) / Asset
	EGP	EGP	EGP	EGP	EGP
Property, plant and equipment	(3 027 994)	(613 449)	-	(2 414 545)	(2 414 545)
Foreign exchange translation	(8 403 760)	120 605	-	(8 524 365)	(8 524 365)
Provisions	39 768 444	7 730 244	32 038 200	-	32 038 200
Net	28 336 690	7 237 400	32 038 200	(10 938 910)	21 099 290

December 31, 2019

	Balance as at 1/1/2019		Balance as at 31/12/2019		
	asset / (liability)	Charged to profit or loss	Deferred tax resulted in asset	Deferred tax resulted in (liability)	Net deferred tax resulted in (Liability) / Asset
	EGP	EGP	EGP	EGP	EGP
Property, plant and equipment	(2 988 725)	(39 269)	-	(3 027 994)	(3 027 994)
Foreign exchange translation	(10 596 160)	2 192 400	-	(8 403 760)	(8 403 760)
Provisions	90 761	39 677 683	39 768 444	-	39 768 444
Net	(13 494 124)	41 830 814	39 768 444	(11 431 754)	28 336 690

C- Liability for temporary differences related to investments in subsidiaries, associates and joint ventures were not recognized because the group controls the timing of the reversal of the related temporary differences and is satisfied that they will not reverse in the foreseeable future.

D- Reconciliation of effective income tax rate

		For the period ended 30/06/2020		For the period ended 30/06/2019
		EGP		EGP
Profit before income taxes	22.5%	155 276 931	22.5%	465 532 603
Income tax using the domestic corporation tax rate		34 937 310		104 744 836
Effects of loss brackets		39 376 070		7 027 784
Non- deductible expenses / income		4 699 864		7 440 438
Provisions		7 730 244		197 935
Foreign exchange		120 605		(738 008)
Depreciation of assets		(613 449)		(391 434)
Special tax pool (treasury bills)		(2 199 384)		8 786 501
Tax adjustment related to prior years		1 838 635		543 031
	55.31%	85 889 895	27.21%	127 611 083

Sixth of October for Development and Investment Company "SODIC" - (An Egyptian Joint Stock Company)
Notes to the consolidated interim financial statements for the financial period ended June 30, 2020

E- Unrecognized deferred tax assets

	30/06/2020	31/12/2019
	<u>EGP</u>	<u>EGP</u>
Temporary deductible differences	161 019 711	161 202 142
Tax losses carried forward	23 799 125	47 836 625
	<u>184 818 836</u>	<u>209 038 767</u>

Deferred tax assets have not been recognized in respect of the above-mentioned items because of uncertainty associated with the taxable profit to cover these tax assets.

14. Earnings per share

A- Accumulated Earnings per share

Earnings per share as at June 30, 2020, is calculated based on the Parent Company's share in earnings for the year using the weighted average number of outstanding shares during the year as follows:

	For the period ended 30/06/2020 <u>EGP</u>	For the period ended 30/06/2019 <u>EGP</u>
Net profit for the period (parent company share)	67 935 516	336 192 151
Employees share of profit	-	-
Board of directors' remunerations	-	-
Employees and board of directors share in subsidiaries and associates companies	-	-
	<u>67 935 516</u>	<u>336 192 151</u>
Weighted average number of shares outstanding during the period*	349 178 872	349 178 872
Earnings per share (EGP / share)	<u>0.19</u>	<u>0.96</u>

B- Earnings per share

Earnings per share as at June 30, 2020, is calculated based on the Parent Company's share in earnings for the year according to the separate financial statements using the weighted average number of outstanding shares during the year as follows:

	For the period ended 30/06/2020 <u>EGP</u>	For the period ended 30/06/2019 <u>EGP</u>
Net (loss) or the period (according to the separate financial statements)	(171 181 208)	(39 844 898)
Employees share of profit	-	-
Board of directors' remunerations	-	-
	<u>(171 181 208)</u>	<u>(39 844 898)</u>
Weighted average number of shares outstanding during the period	349 178 872	349 178 872
(Losses) / per share (EGP / share)	<u>(0.49)</u>	<u>(0.11)</u>

Sixth of October for Development and Investment Company "SODIC" - (An Egyptian Joint Stock Company)
Notes to the consolidated interim financial statements for the financial period ended June 30, 2020

15. Other assets

	30/06/2020	31/12/2019
	<u>EGP</u>	<u>EGP</u>
Inventories	8 102 492	7 026 360
	<u>8 102 492</u>	<u>7 026 360</u>

16. Completed units ready for sale

	30/06/2020	31/12/2019
	<u>EGP</u>	<u>EGP</u>
Cost of completed commercial units	12 924 878	16 400 840
Cost of completed residential units	46 848 881	-
Cost of units purchased for resale	648 267	648 267
	<u>60 422 026</u>	<u>17 049 107</u>

17. Work in process

This item represents the total costs related to works currently being undertaken. Details of these works are as follows:

	30/06/2020	31/12/2019
	<u>EGP</u>	<u>EGP</u>
West Cairo projects costs (17-1)	9 565 968 525	8 759 750 795
East Cairo projects costs	5 346 489 962	4 571 242 197
North Cost projects costs (17-2)	350 526 026	314 425 631
	<u>15 262 984 513</u>	<u>13 645 418 623</u>

(17-1) West Cairo projects costs

A- Al Yosr for Projects and Agricultural Development ("Al Yosr"), SODIC's fully owned subsidiary. Al Yosr has received a letter from the New Urban Communities Authority ("NUCA") with respect to the 300-acre plot (circa 1.26 million square meters) of land owned by Al Yosr and located in the Sheikh Zayed City extension area as determined by the presidential decree number 77. The letter informs Al Yosr of NUCA's Board of Directors decision regarding the payment required to be made by land owners in order for NUCA to deliver infrastructure to the plot and change the land usage from agricultural to residential, increasing the allowable built up area within the limits of Republican Resolutions (77-230 of 2017). In consideration for the above Al Yosr will make an in-kind payment of 50% of the land.

On July 11, 2019, an agreement was concluded between Al Yosr and the New Urban Communities Authority (NUCA) to relinquish 50% of the above mentioned plot in return for delivering infrastructure to the plot and change the land usage from agricultural to residential, the project Master plan was submitted to the New Urban Communities Authority and was approved. The first phase of the project was launched on 29 September 2019 under the name of The Estates.

B- Company's Land settlement in El Sheikh Zayed

The balance includes approximately EGP 323.9 million representing the present value of the share of the work under construction from the settlement amount of the Company's land in Sheikh Zayed as a component of the cost of the units whose revenues will be recognized in the statement of income or losses for future years, this amount represents the remainder of the present value of a total settlement amount of EGP 800 million with the Illicit Gains Authority ("IGA").

C- The balance includes an amount of EGP 5 580 385 312 representing the net present value of the project's minimum land payments for the 500 acres in Sheikh Zayed extension in addition to the capitalized interests in accordance with the co-development agreement between the Company and the Urban Communities Authority with a minimum guarantee to the Authority of EGP 14.22 billion as shown in details in note (35).

Sixth of October for Development and Investment Company "SODIC" - (An Egyptian Joint Stock Company)
Notes to the consolidated interim financial statements for the financial period ended June 30, 2020

(17-2) North Cost projects costs

The balance includes EGP 52.6 million paid to Owners Union – Shahin, representing the variable cost of Malaaz project land , as on March 8, 2018, the Company signed two co-development contracts for a residential and tourism project for two land plots of approximately 308 acres on the North Coast with the owners as follows:

- Contract signed with Owners Union – Shahin for the land plot of approximately 111 acres (the first plot).
- Contract signed with the Alammara Company for Urban Expansion for the land plot of approximately 197 acres (the second plot).

Accordingly, the Company at its own expense and under its responsibility will implement, finance, market and sell the units of the two projects and all its inclusions and components, in addition to providing management and maintenance either directly or through third parties, and delivering on all other obligations as stipulated in the co-development contract and will accordingly share the revenue according to the defined percentages in the contract for each component of the project.

According to the first plot's contract the Company paid an amount of EGP 30 Million which represents down payment which will be settled during a three-year period in equal installments against Owners Union – Shahin share in the project revenues in accordance to the co-development contract.

On July 4, 2018, according to the co-development contract Sixth of October for Development and Investment Company "SODIC" notified the Owners Union – Shahin that Tabrouk Development Company, a 99% owned subsidiary of SODIC, will replace it in the above mentioned co-development contract dated March 8, 2018, and all rights and obligations will be transferred to Tabrouk Development Company from July 4, 2018.

The Group also paid EGP 25.9 million on behalf of Owners Union – Shahin to settle land installment for year 2018, and collected from Owners Union – Shahin EGP 3.3 million, thus the net amount paid up until June 30, 2020 amounted to EGP 52.6 million.

18. Trade and notes receivable

	30/06/2020	31/12/2019
	<u>EGP</u>	<u>EGP</u>
Trade receivable	160 760 587	141 624 860
Notes receivable – units' installments *	3 518 757 330	3 632 722 139
Notes receivable – maintenance installments	223 418 668	180 197 035
	3 902 936 585	3 954 544 034
<u>Deduct:</u>		
Unamortized interest – notes receivable	39 386 122	58 413 442
	3 863 550 463	3 896 130 592
<u>Deduct:</u>		
Impairment losses of trade and notes receivable	292 403	292 403
	3 863 258 060	3 895 838 189

* The balance includes an amount of EGP 267 757 327 representing the net amount of notes receivable relating to SODIC East project with a gross amount of EGP 365 353 657.

The gross amount was decreased by EGP 97 596 330 representing the share of Heliopolis Housing and Development Company of the residential units mentioned as per the revenue share agreement (70% for the developer and 30% for the owner).

The Group's exposure to credit and currency risks related to trade and notes receivable is disclosed in note No (42).

Sixth of October for Development and Investment Company "SODIC" - (An Egyptian Joint Stock Company)
Notes to the consolidated interim financial statements for the financial period ended June 30, 2020

19. Debtors and other debit balances

	30/06/2020	31/12/2019
	EGP	EGP
Contractors and suppliers – advance payments	1 020 573 717	1 180 300 689
Due from related parties – Joint Venture	35 191 620	35 191 620
Accrued Revenues	88 806 968	81 807 684
Due from related parties	3 651 669	3 651 669
Prepaid expenses and sales commissions	546 670 163	465 054 188
Deposits with others	14 940 052	10 144 863
Tax Authority	39 375 665	76 330 984
Due from the bonus and incentives plan to employees and managers fund	4 208 592	1 921 094
Heliopolis Development and Housing Company (19-1)	165 064 814	165 064 796
Bank accounts – Joint arrangements (19-2)	38 513 443	22 177 303
Debtors from projects maintenance	28 483 375	21 014 912
Other debit balances	38 619 648	24 157 558
	2 024 099 726	2 086 817 360
Deduct: -		
Impairment losses of debtors and other debit balances	124 493 183	122 679 951
	1 899 606 543	1 964 137 409

- (19-1) This item represents the amount paid as a down payment to Heliopolis Housing and Development Company, this amount will be settled with Heliopolis Housing and Development Company's revenue share in the co-development contract pertaining to New Heliopolis City. Accordingly, the Company will act as a real estate developer for the land plot owned by Heliopolis Housing and Development Company with an area of 655 acres in New Heliopolis City. Heliopolis Housing and Development Company will earn a share of the revenue, with minimum guarantee amounting to EGP 5.01 Billion. The two parties have agreed that the Company at its own expense and under its responsibility will implement, finance, market and sell the units of the project and all its inclusions and components, in addition to providing management and maintenance either directly or through third parties, and delivering on all other obligations as stipulated in the co-development contract and will accordingly share the revenue (according to the defined percentages in the contract for each component of the project).
- (19-2) This balance represents the company's share of the collected amounts from customers in the joint accounts held by the banks for SODIC East project. These balances are restricted unless agreed upon by both the developer and the owner in accordance with the contract terms of the joint bank accounts between the company as a developer, the bank, and the owner
The Group's exposure to credit and currency risks related to debtors and other debit balances is disclosed in note No. (42).

Sixth of October for Development and Investment Company "SODIC" - (An Egyptian Joint Stock Company)
Notes to the consolidated interim financial statements for the financial period ended June 30, 2020

20. Loans to joint ventures

	30/06/2020	31/12/2019
	EGP	EGP
This item represents the loan granted to the Joint Venture project in the Syrian Arab Republic by the Group on August 16, 2010 for a total amount of USD 19.5 Million. The loan carries an interest rate of 8.5% per annum. The principal together with interest were scheduled for payment before December 31, 2011. The loan was renewed with an interest rate of 12.5% per annum (Note 25).	135 485 960	135 485 960
This item represents the utilized amount of the bridge loan granted to the Joint Venture project in the Syrian Arab Republic on October 28, 2010 for a total amount of USD 8 445 674. The loan carries an interest rate of 8.5% per annum (Note 25).	64 624 777	64 132 383
	<u>200 110 737</u>	<u>199 618 343</u>
Deduct: -		
Impairment for loans to joint ventures	200 110 737	199 618 343
	<u>-</u>	<u>-</u>

21. Investments in treasury bills

	30/06/2020	31/12/2019
	EGP	EGP
Treasury bills at par value	989 200 000	1 453 225 000
Unearned return on treasury bills	(25 850 564)	(75 531 951)
	<u>963 349 436</u>	<u>1 377 693 049</u>

The Group's exposure to market risk related to the trading investments is disclosed in note No. (42).

Sixth of October for Development and Investment Company "SODIC" - (An Egyptian Joint Stock Company)
Notes to the consolidated interim financial statements for the financial period ended June 30, 2020

22. Cash at banks and on hand

	30/06/2020	31/12/2019
	EGP	EGP
Bank - time deposits *	1 807 326 943	2 133 895 961
Bank - current accounts	676 786 123	406 608 957
Checks under collection	60 783 569	50 863 283
Cash on hand	13 466 691	4 637 940
	2 558 363 326	2 596 006 141

* Deposits include an amount of EGP 1.43 Million restricted as a guarantee for the credit facility granted to the Parent Company and one of its subsidiaries from commercial banks. In addition, it includes an amount of EGP 1 205 Million representing the value of deposits collected from customers on account of the regular maintenance expenses.

For the purpose of preparing the consolidated statement of cash flows, cash and cash equivalents items are represented as follows:

	30/06/2020	30/06/2019
	EGP	EGP
Cash at banks and on hand	2 558 363 326	2 940 728 974
<u>Less:</u>		
Restricted Deposits	1 434 897	13 053 725
Deposits matures after three months	28 000 000	32 000 000
Cash and cash equivalents in the consolidated statement of cash flows	2 528 928 429	2 895 675 249

The Group's exposure to interest rate risk and currency risk for cash on hands and at banks which is disclosed in note No. (42)

Sixth of October for Development and Investment Company "SODIC"
Notes to the consolidated interim financial statements for the financial period ended June 30, 2020

23 - Property, plant, equipment

Golf Course	Lands	Buildings and Constructions	Vehicles	Furniture and fixtures	Beach Furniture and fixtures	Office equipment and communications	Computer software	Generators, machinery and equipment	Solar power stations	Leasehold improvements	Total
EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP
Cost											
Cost at January 1, 2019	57 755 151	188 646 706	27 272 952	37 306 645	1 023 491	32 982 520	13 399 675	30 429 296	396 014	54 100 278	536 941 687
Additions during the year	-	5 999 847	8 650 262	3 554 657	1 250 337	9 675 992	2 918 062	5 617 555	-	10 547 727	48 214 439
Reclassification	-	-	-	(5 489 162)	-	(1 039 264)	1 083 433	(1 397 292)	-	6 822 285	-
Disposals during the year	-	-	(13 684)	(2 640)	-	(129 997)	-	(120 000)	-	-	(266 321)
Cost at December 31, 2019	57 755 151	194 646 553	35 909 530	35 389 498	2 273 828	41 489 251	17 401 170	34 529 559	396 014	71 470 290	584 889 805
Cost at January 1, 2020	57 755 151	194 646 553	35 909 530	35 389 498	2 273 828	41 489 251	17 401 170	34 529 559	396 014	71 470 290	584 889 805
Additions during the period	-	358 171	1 388 071	987 703	157 291	3 157 089	1 380 326	1 701 917	10 822 796	1 239 020	21 192 384
Disposals during the period	-	-	(62 500)	(1 900)	-	(24 300)	-	(52 580)	-	(180 749)	(322 029)
Cost at June 30, 2020	57 755 151	195 004 724	37 235 101	36 375 301	2 431 119	44 622 040	18 781 496	36 178 896	11 218 810	72 528 561	605 760 160
Accumulated depreciation and impairment losses											
Accumulated depreciation and impairment losses at January 1, 2019	-	36 051 903	17 655 239	22 958 856	705 576	18 887 079	10 125 816	23 377 528	15 712	26 483 395	249 890 065
Depreciation during the year	-	9 888 584	3 752 317	3 108 257	263 499	5 928 822	2 376 888	3 741 791	15 841	11 950 752	42 849 340
Accumulated depreciation of disposals during the year	-	-	(4 181)	(2 640)	-	(123 656)	-	(12 000)	-	-	(142 477)
Reversal of impairment losses during the year	(1 822 589)	-	-	-	-	-	-	-	-	-	(1 822 589)
Reclassification	-	-	(26)	(2 147 877)	-	(467 894)	468 091	(825 386)	-	2 973 092	-
Accumulated depreciation and impairment losses at December 31, 2019	-	45 940 487	21 403 349	23 916 596	969 075	24 224 351	12 970 795	26 281 933	31 553	41 407 239	290 774 339
Accumulated depreciation and impairment losses at January 1, 2020	-	45 940 487	21 403 349	23 916 596	969 075	24 224 351	12 970 795	26 281 933	31 553	41 407 239	290 774 339
Depreciation during the period	-	5 115 444	2 368 729	1 497 927	261 607	3 621 104	1 704 830	2 225 176	116 148	6 128 068	23 950 328
Accumulated depreciation of disposals during the period	-	-	-	(1 045)	-	(24 298)	-	(52 580)	-	(177 462)	(255 385)
Reversal of impairment losses during the period	(911 295)	-	-	-	-	-	-	-	-	-	(911 295)
Accumulated depreciation and impairment losses at June 30, 2020	-	51 055 931	23 772 078	25 413 478	1 230 682	27 821 157	14 675 625	28 454 529	147 701	47 357 845	313 557 987
Carrying amount											
Carrying amount At January 1, 2019	57 755 151	152 594 803	9 617 713	14 347 787	317 915	14 095 441	3 273 859	7 051 768	380 302	27 616 883	287 051 622
Carrying amount At December 31, 2019	57 755 151	148 706 066	14 506 181	11 472 902	1 304 753	17 264 900	4 430 375	8 247 626	364 461	30 063 051	294 115 466
Carrying amount At June 30, 2020	57 755 151	143 948 793	13 463 023	10 961 823	1 200 437	16 800 883	4 105 871	7 724 367	11 071 109	25 170 716	292 202 173

Fixed assets included fully depreciated assets amounted to EGP 82 539 382 at June 30, 2020

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Notes to the consolidated interim financial statements for the financial period ended June 30, 2020

24. Projects under construction

This item is represented as follows:

	30/06/2020	31/12/2019
	EGP	EGP
Buildings and hotels constructions – Forty west project	174 845 214	104 398 714
Advance payments -fixtures and purchasing of fixed assets	783 657	550 128
Administrative buildings and caravans under construction	10 204 961	10 232 881
	185 833 832	115 181 723

25. Investments in associates and joint ventures

The Group has the following investments in associates and joint ventures:

	Legal Form	Ownership Percentage	Carrying amount	
		30/06/2020	31/12/2019	
		%	%	
		30/06/2020	31/12/2019	
		EGP	EGP	
Royal Gardens for Investment Property Co.	SAE	20	20	1 309 465
Palmyra SODIC Real Estate Development (A)	Syrian Ltd.	50	50	-
				1 309 465
				1 309 465

Summary of financial information of associates and joint ventures: -

	Assets EGP	Liabilities EGP	Equity EGP	Foreign translation EGP	Revenues EGP	Expenses EGP
	In thousands	In thousands	In thousands	In thousands	In thousands	In thousands
<u>December 31, 2018</u>						
Royal Gardens for Real Estate Investments Co.	179 071	(172 524)	(6 547)	-	(21 593)	25 661
<u>December 31, 2017</u>						
Royal Gardens for Real Estate Investments Co.	184 957	(174 342)	(10 615)	-	(58 742)	68 104
<u>December 31, 2019</u>						
Palmyra SODIC Real Estate Development (A)	130 216	(1 113 822)	923 666	55 683	-	4 257
<u>December 31, 2018</u>						
Palmyra SODIC Real Estate Development (A)	144 230	(1 175 670)	954 622	(114 737)	-	2 325

- (A) On June 15, 2010, SODIC Syria was established - a limited liability company – to acquire a 50% stake in Palmyra - SODIC Real Estate Development Co., Ltd. - a limited liability company - registered and operating in the Syrian Arab Republic. The direct investment cost amounts to EGP 243 Million. Due to the current political circumstances in the Syrian Arab Republic and the confiscation of assets and documents related to Palmyra - SODIC Real Estate Development Co by the state government, the management of SODIC addressed the Embassy of the Syrian Arab Republic in Egypt and commissioned a law firm to handle the issue and protect the interest of SODIC's shareholders. This situation coupled with the unstable political environment witnessed in Syria led SODIC's Board of Directors to take the view that the invested amounts in Syria are non-recoverable. As such, SODIC recognized a loss arising from the inability to recover its investments. The recognized impairment loss of the investment and the foreign accumulated translation differences amounted to EGP 481 051 416 as at December 31, 2013.

*Sixth of October for Development and Investment Company "SODIC" - (An Egyptian Joint Stock Company)
Notes to the consolidated interim financial statements for the financial period ended June 30, 2020*

26. Investment properties

Investment properties includes commercial / residential units leased out to others.
The movement of the investment properties and its depreciation is as follows: -

<u>Description</u>	<u>Leased out</u> <u>EGP</u>
<u>Cost</u>	
At January 1, 2019	133 809 788
Additions during the year	4 974 170
Adjustments	(181 279)
At December 31, 2019	138 602 679
At January 1, 2020	138 602 679
Additions during the period	4 191 350
At June 30, 2020	142 794 029
<u>Less</u>	
<u>Accumulated depreciation</u>	
At January 1, 2019	13 496 393
Depreciation for the year	7 387 756
At December 31, 2019	20 884 149
At January 1, 2020	20 884 149
Depreciation for the period	3 876 471
At June 30, 2020	24 760 620
Net carrying amount as at January 1, 2019	120 313 395
Net carrying amount as at December 31, 2019	117 718 530
Net carrying amount as at June 30, 2020	118 033 409

27. Notes receivable – Long-term

This item represents the present value of long-term trade and notes receivable and debtors' balances as follows: -

	30/06/2020	31/12/2019
	EGP	EGP
Notes receivable – units' installments *	8 989 992 392	9 107 088 721
Notes receivable – maintenance installments	332 245 463	319 225 301
Deduct:		
Unamortized interest	142 725 509	198 763 169
	9 179 512 346	9 227 550 853

* The balance includes an amount of EGP 976 149 787 which represents the net amount of notes receivable – long term related to SODIC East project with a gross amount of EGP 1 374 969 558. The gross amount has been deducted by an amount of EGP 398 819 770 which represents Heliopolis Housing and Development Company's share of the residential units mentioned in the revenue share contract (70% for the developer and 30% for the owner).

The Group's exposure to credit, and currency risks related to trade and notes receivable is disclosed in note No. (42).

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28. Share capital

- The authorized capital of the Company is EGP 2.8 Billion and the Company's issued and paid in capital is EGP 1 355 638 292 distributed over 338 909 573 shares with a par value of EGP 4 per share, the commercial register was notified on December 7, 2014.
- The Board of Directors have decided in the meeting dated November 30, 2016 to increase the issued capital from EGP 1 355 638 292 to become EGP 1 369 194 672 by an amount of EGP 13 556 380 divided on 3 389 095 shares of par value EGP 4 per share, this capital increase should be financed from the special reserve- Additional paid in capital, and to be fully utilized by the Employees Stock Option Plan granted to the executive board members and the directors as per the option plan approved by the extra ordinary general assembly dated January 20, 2016, which have decided to apply the Employees Stock Option Plan for the executive board members and directors through assigning shares with certain conditions. The commercial register was modified on February 5, 2017.
- The board of directors have decided on the meeting dated October 23, 2018 to increase the issued capital from EGP 1 369 194 672 to become EGP 1 396 715 488 by an amount of EGP 27 520 816 divided on 6 880 204 shares of par value EGP 4 per share, this capital increase should be financed from the special reserve- Additional paid in capital, and to be fully utilized for the second and third sections from the sections of Employees Stock Option Plan granted to the executive board members and the directors as per the option plan approved by the extra ordinary general assembly dated January 20, 2016, which have decided to apply the Employees Stock Option Plan for the executive board members and directors through assigning shares with certain conditions, and delegate the board of directors to execute the procedures of the required increase to issue new shares to be utilize in the Employees Stock Option Plan, The commercial register was modified on January 8, 2019.

The current capital structure for the holding company:

Shareholder	Number of shares	Share value EGP	Ownership percentage %
Olayan Saudi Investment Company.	48 331 696	193 326 784	13.84
RA Six Holdings Limited	31 992 544	127 970 176	9.16
Rimco EGT Investment LL	25 484 739	101 938 956	7.30
EKUIITY Holding for Investments	17 840 967	71 363 868	5.10
FIDELITY INVESTMENT TRUST	11 700 184	46 800 736	3.35
National Bank of Egypt	7 949 392	31 797 568	2.28
Financial Holdings International LTD	7 267 503	29 070 012	2.08
MOON CAPITAL PARTNERS MASTER FUND	6 914 485	27 657 940	1.98
Walid Suleiman Abdelmohsen Abanumay	6 301 380	25 205 520	1.80
Yazeid Suleiman Abdelmohsen Abanumay	6 233 653	24 934 612	1.79
Waha Investment Management Company SPC	6 084 705	24 338 820	1.74
Al- Majid Investments LLC.	5 700 000	22 800 000	1.63
Other shareholders	167 377 624	669 510 496	47.95
	349 178 872	1 396 715 488	100

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29. Legal Reserve

The balance as at June 30, 2020 is represented as follows: -

	EGP
Legal reserve of 5% of the Company's net profits till year 2017	41 447 167
Add:	
Increase of the legal reserve with the difference between the par value of the treasury shares and its actual cost (according to the Company's Extra-Ordinary General Assembly Meeting held on July 10, 2003).	4 627 374
Increase of the legal reserve with part of capital increase share premium with limits of half of the Company's issued share capital during 2006.	123 409 151
Increase of the legal reserve with part of capital increase share premium during year 2007 with limits of half of the Company's issued share capital.	5 000 000
Increase of the legal reserve with part of the capital increase share premium with limits of half of the Company's issued share capital during 2010.	39 446 365
Increase in legal reserve by 5% of 2019 net profit.	9 756 580
Deduct:	
The amount used to increase the issued share capital during 2011.	2
	223 686 635

30. Special reserve – share premium

The balance as at June 30, 2020 is represented in the following:

Description	EGP
Total value of the capital increase share premiums collected for the years 2006 and 2010	1 455 017 340
Add:	
Share premium of the employees' incentive and bonus plan issued during 2007.	90 000 000
The value of selling 712 500 share which has been sold through beneficiaries of incentive and bonus plan during 2014 at EGP 30 per share (after split).	21 375 000
The value of 537 500 shares converted to treasury shares during 2015 at par value, these shares were previously set aside for the benefit of the incentive and bonus plan during the capital increase in 2008 and were converted as a result of the termination of the program.	2 150 000
The value received from the selling of offering rights for 737 500 shares during 2014, which were transferred from shares held for "incentive and bonus plan" as a result of the termination of the program.	16 306 910
The value of accrued dividends for 737 500 shares which were transferred from the shares set aside for the incentive and bonus plan during 2015 as a result of the termination of the program.	1 180 000
The value received from the sale of 3 083 938 shares which had been sold by beneficiaries of the Employees Stock Option Plan during year 2017 at an average of EGP 9.27 per share.	28 588 105
Share premium for issuing 3 083 938 shares which were transferred from the shares set aside for the Employees Stock Option Plan during 2017 as a result of execution	16 630 524
The value received from the sale of 3 273 263 shares which had been sold by beneficiaries of the Employees Stock Option Plan during year 2019 by average EGP 9.27 per share.	30 343 148
The value received from the sale of 3 273 263 shares which had been sold by beneficiaries of the Employees Stock Option Plan during year 2019 by average EGP 9.27 per share.	18 508 880
Deduct	
Amounts transferred to the legal reserve	167 855 516
Capital increase – related expenses	55 240 255
Amount used for share capital increase during 2008	5 000 000
Amount used for share capital increase during 2017	13 556 380
Amount used for share capital increase during 2019	27 520 816
	1 410 926 940

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31. Profit from sale of treasury shares

- On August 14, 2011, the Board of Directors of the Parent Company approved the purchase of one Million treasury shares at EGP 18 per share (the par value is EGP 4 per share) with a total amount of EGP 18 018 000 from the Parent Company's shares offered on the Egyptian stock exchange. On August 13, 2012 the Parent Company's Board of Directors agreed to sell these shares for a total value of EGP 21 710 867 resulting in a profit from the sale of treasury shares with an amount of EGP 3 692 867.
- On February 1, 2015, the Parent Company's Extraordinary General Assembly agreed on the termination of the current incentive and bonus plan for employees and executive directors of the company by the end of its duration as of March 31, 2015 and converting the remaining shares amounting to 737 500 shares on which its rights have not been exercised yet, into treasury shares in accordance with the related regulations. The conversion of the shares into treasury shares was executed on July 14, 2015, these shares carrying a book value of EGP 10 150 000 have been sold during the financial year ended December 31, 2016 with a selling value amounted to EGP 8 182 589 realizing a loss in the amount of EGP 1 967 411. Accordingly, the profit from sale of treasury shares reserve becomes EGP 1 725 456.

32. Non-controlling interest

Non-controlling interest balance as at June 30, 2020, represents the interest shares in subsidiary's equity as follows:

	Percentage	Non-controlling interest			
		Profit / (loss) for the period	excluding profit / (loss) for the period	Balance as of 30/06/2020	Balance as of 31/12/2019
	%	EGP	EGP	EGP	EGP
Sixth of October for Development and Real Estate Projects Co. "SOREAL"	0.01	18 337	228 123	246 460	228 123
Beverly Hills for Management of Cities and Resorts Co.	53.25	86 771	28 692 774	28 779 545	28 692 774
SODIC Garden City for Development and Investment Co.	50	1 345 809	27 726 908	29 072 717	29 856 705
Al Yosr for Projects and Real Estate Development Co.	0.001	(253)	24 825	24 572	24 825
SODIC for Development and Real Estate Investment Co.	0.001	-	20	20	20
Edara for Services of Cities and Resorts Co.	0.003	857	1 683	2 540	1 683
Fourteen for Real Estate Investment Co.	0.004	-	2	2	2
La Maison for Real Estate Investment Co.	0.004	-	2	2	2
		1 451 521	56 674 337	58 125 858	58 804 134

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33. Long-term loans

	30/06/2020	31/12/2019
	<u>EGP</u>	<u>EGP</u>
<p>On April 4, 2017, Sixth of October for Development and Investment Company "SODIC" signed a medium-term syndicated loan contract with group of banks represented by Arab African International Bank "facility agent" with a total amount of EGP 1 300 Million on two tranches:</p> <ul style="list-style-type: none"> - First tranche amount of EGP 243 Million to finance the total debt outstanding due to group of banks represented by Arab African International Bank. - Second tranche amount of EGP 1 057 Million to finance "SODIC West" projects located in Kilo 38 Cairo/Alex desert road -Giza- Egypt. <p><u>Guarantees:</u></p> <ul style="list-style-type: none"> - Unconditional and irrevocable revenue transfer by which the lender and some of its subsidiaries transfer all current and future proceeds, selling and lease contracts of the current and foreseeable project units to the interest of the "Guarantee agent". - Accounts mortgage contracts: debt interest and all amounts deposited therein are pledged for the interest of the "guarantee agent", and pledge the project's account. - Promissory note from the Company (the borrower). <p><u>Grace period:</u></p> <p>Thirty months from the date of the signature, or December 31, 2019, which is earlier, and this period shall apply to the principal of loan only.</p> <p><u>Repayment:</u></p> <p>Commenced on December 31, 2019, and repayable in (14) quarterly unequal installments.</p>	1 030 339 597	1 030 339 597
<p>On August 30, 2017, Sixth of October for Development and Investment Company "SODIC" signed a medium-term loan contract with Commercial International Bank "CIB" with a total amount of EGP 270 Million to finance the development cost of October Plaza Project which will be established on area of 31 acres in northern expansions at sixth of October city, and on 16 July 2019 the total amount of the facility has been increased up to maximum EGP 500 Million.</p> <p><u>Guarantees:</u></p> <ul style="list-style-type: none"> - The Company committed to deposit all revenues from the sale of the project. - The Company shall sign a mortgage and a first-degree right of transfer on the project in favor of the bank. - The Company shall get insurance cover 110% the project's constructions in favor of the bank. <p><u>Grace period:</u></p> <p>Three years and six months applied on the principal of the loan only from the date of first drawdown.</p> <p><u>Repayment:</u></p> <p>Commences on March 2021, and repayable in (13) quarterly unequal installments.</p>	348 000 000	318 000 000
After	1 378 339 597	1 348 339 597

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	30/06/2020	31/12/2019
	EGP	EGP
Before	1 378 339 597	1 348 339 597
On December 26, 2019, a Company's subsidiary signed a medium-term loan contract with Commercial International Bank "CIB" with a total amount of EGP one Billion to finance Technical investment cost of EDNC Project.	118 120 841	40 504 842
<u>Guarantees:</u>		
- The Company committed to deposit all revenues from the project.		
- The Company shall sign a mortgage on leased units including its share in the cost of the project land within 12 months after the project completion		
- The Company shall get insurance cover 110% the project's constructions in favor of the bank		
On July 3, 2014, a Company's subsidiary signed a medium term facility agreement with Arab African International Bank (AAIB) for a total amount of EGP 950 Million to finance the repayment of advance payments and installments due to the New Urban Communities Authority against the land of the project through the funding of the Real Estate Development Model.	510 000 000	485 000 000
On August 23, 2017, the Company signed the first addendum to the above mentioned loan agreement, increasing the facility amount by EGP 450 Million (Tranche B) can be increased with an amount equal to what has been repaid under the facility of (Tranche A) so the total amount of the medium term facility after the increase will amount to EGP 1.4 Billion. Based on that, the two parties have agreed to amend some of the facility contract terms and conditions.		
<u>Guarantees:</u>		
- The company's commitment to assign all revenues arising from the project before or after the date of the facility for the benefit of the project.		
- Accounts mortgage contracts: debt interest and all amounts deposited therein are pledged for the interest of the bank, and pledge the project's account.		
<u>Availability period:</u>		
For Tranche A commences from the signing date until December 31, 2017.		
For Tranche B commences from the signing date until March 31, 2020.		
<u>Grace period:</u>		
For Tranche A Three months after the end of availability period, this applies to the principle amount of the loan only.		
For Tranche B Three months after the end of availability period valid till 31 March 2020, this applies to the principle amount of the loan only.		
<u>Repayment:</u>		
For Tranche A commences at the end of the grace period, and to be paid on 8 consecutive quarters each 3 months ending, December 31, 2019.		
For Tranche B commences at the end of the grace period, and to be paid on 5 consecutive quarters each 3 months ending, March 31, 2021.		
Total	2 006 460 438	1 873 844 439

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	30/06/2020 EGP	31/12/2019 EGP
Before "Total"	2 006 460 438	1 873 844 439
<u>Deduct: current portion</u>		
A medium-term loan from CIB	34 800 000	-
A medium-term loan for one subsidiary from Arab African International Bank	510 000 000	363 750 000
A medium-term syndicated loan contract with group of banks represented by Arab African International Bank	343 446 532	228 964 355
Total of current portion	888 246 532	592 714 335
	1 118 213 906	1 281 130 084

34. Creditors and notes payable

	30/06/2020 EGP	31/12/2019 EGP
Total par value of the checks issued to New Urban Communities Authority which are payable till Jan. 1, 2021.	-	75 000 000
Creditors	26 434 565	16 676
Unamortized interest	-	(7 471 059)
	26 434 565	67 545 617

The Company's exposure to credit risk related to long-term notes payable are disclosed in Note No. (42)

35. New Urban Communities Authority

	30/06/2020 EGP	31/12/2019 EGP
New Urban Communities Authority	13 812 073 659	13 812 073 659
<u>Deduct:</u> Unamortized interest	8 636 538 507	9 005 732 805
	5 175 535 152	4 806 340 854

On March 21, 2019 a co-development agreement was signed between the company and the Urban Communities Authority "NUCA" to establish an integrated urban project with an area of 500 acres under deficit or increase, according to the contract NUCA share in return of the land includes an advance payment, annual cash installments in addition a percentage of the project expected revenues with a total minimum value of EGP 14.22 billion, an amount of EGP 300 Million was paid upon signing the contract and the remaining will be paid over 11 years that represents the duration of the contract.

36. Provisions

A- Provision for completion of works

	Balance as at 1/1/2020 EGP	Formed during the period EGP	Used during the period EGP	Provisions no longer required during the period EGP	Balance as at 30/06/2020 EGP
Provision for completion of works *	176 345 259	4 568 968	(39 899 182)	-	141 015 045
	176 345 259	4 568 968	(39 899 182)	-	141 015 045

* This provision is for estimated costs related to delivered units and expected to be incurred in the following years to complete the execution of the project in its final stage

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B- Claims provisions

	Balance as at 1/1/2020 EGP	Formed during the period EGP	Used during the period EGP	Provisions no longer required during the period EGP	Balance as at 30/06/2020 EGP
Provision for expected claims	11 568 646	-	-	-	11 568 646
	11 568 646	-	-	-	11 568 646

- The provision is created for existing claims related to the Company's transactions with other parties. The Company's management reviews the provisions annually and makes any amendments if needed according to the latest agreements and negotiations with those parties.
- The Company did not disclose all of the information required by the Egyptian accounting standards with those parties as the management assumes that the disclosure of such information would seriously affect the company's negotiations with those parties.

37. Advances - from customers

This item represents the advance payments for units and lands as follows:

	30/06/2020 EGP	31/12/2019 EGP
Advances – Projects in West Cairo	6 744 686 315	5 702 964 718
Advances – Projects in East Cairo (37-1)	10 537 241 605	10 767 524 573
Advances – Projects on the North Coast	620 013 098	701 497 531
Advances – Clubs Memberships	653 070 805	571 787 738
	18 555 011 823	17 743 774 560

(37-1) The balance of Advances – Projects in East Cairo includes an amount of EGP 1 734 308 418 which represents the net advances from customers of SODIC EAST project with a total contracted value of EGP 2 510 155 349. The total contracted value has been reduced by EGP 775 846 930, which represents Heliopolis Housing and Development Company's share of the residential units mentioned in the joint operation contract (70% for the developer and 30% for the owner).

38. Contractors, suppliers and notes payable

	30/06/2020 EGP	31/12/2019 EGP
Contractors	338 478 530	262 443 569
Suppliers	24 334 418	37 344 346
Notes payable (38-1)	378 134 726	419 716 762
	740 947 674	719 504 677
<u>Deduct:</u>		
Unamortized interest - notes payable	9 000 116	14 685 288
	731 947 558	704 819 389

(38-1) Notes payable include EGP 150 Million which represents the amount due to the New Urban Communities Authority.
The Group's exposure to currency and liquidity risks related to suppliers, contractors and notes payable is disclosed in note No. (42).

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39. Creditors and other credit balances

	30/06/2020	31/12/2019
	EGP	EGP
Amounts collected on account for management, operation and maintenance of projects	1 760 443 920	1 687 815 159
Due to related parties	146 909	146 909
Accrued expenses	149 820 752	108 148 328
New Urban Authority (39-1)	75 905 982	97 370 724
Customers - Beverly Hills – capital contributions	15 539 327	15 426 047
Customers – credit balances	107 479 977	81 529 604
Tax Authority – other than Income tax	40 528 735	41 704 336
Dividends payable	240 374	-
Accrued compensated absence	10 108 335	4 668 624
Insurance Deposits collected from customers – Against modifications	1 555 000	1 849 615
Social insurance - Contractors	11 360 430	6 946 001
Unearned revenue	22 000 378	15 627 491
Retentions	84 036 309	72 452 267
Due to beneficiaries from Incentive plan	1 077 107	1 077 107
Deposits from others	55 084 986	48 470 222
Creditors – investments properties in progress	36 740 892	-
Sundry creditors short term	4 468 053	21 914 901
	<u>2 376 537 466</u>	<u>2 205 147 335</u>

(39-1) The balance represents the net present value of the short-term amount due to New Urban Communities Authority for the 500-acre land as detailed disclosed in note no. (35).

The Group's exposure to currency and liquidity risks related to creditors is disclosed in note No. (42).

40. Non - cash transactions

For the purpose of preparing the consolidated statement of cash flows for the financial year ended June 30, 2020, the effect of the following investment transactions was excluded as they are considered non - cash transactions:

	EGP
The value of buildings under construction and other Works in progress transferred to investment properties	715 389
The value of finished commercial units transferred to investment properties	3 475 961
The non-cash transaction of recognizing net present value adjustments of the land of the 500 acres project in Sheikh Zayed Extension	376 673 734
The non-cash portion of acquiring investments properties in progress that were recognized as due to long term & short term creditors	63 175 457

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41. Fair values

Fair values versus carrying values

Financial instruments for the group are, cash at banks and on hand, treasury bills, customers, notes receivable and investments in equity instruments, suppliers, contractors, notes payable and other credit balances and monetary items included in debtors and creditors accounts.

The main purpose of these financial instruments is to provide funding for the activities of the group.

According to the valuation techniques followed in evaluating the assets and liabilities of the group, the carrying value of these financial instruments represent a reasonable estimate of their fair value.

Capital management

The Company's policy is to maintain a strong capital base so as to maintain investor, creditor, and market confidence and to sustain future development of the business.

The Board of Directors of the Parent Company monitors the return on capital, which the Company defines as net profit for the year divided by total equity. The Board of Directors of the Parent Company also monitors the level of dividends to ordinary shareholders.

There were no changes in the Company's approach to capital management during the year. In addition, The Company is not subject to externally imposed capital requirements.

42. Financial risk management

The Group is exposed to the following risks from its use of financial instruments:

- A. Credit risk
- B. Liquidity risk
- C. Market risk
- D. Currency risk
- E. Interest rate risk
- F. Other market price risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, as well as the Group management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

The Board of Directors of the Parent Company has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board also identifies and analyzes the risks faced by the Company, sets appropriate risk limits and controls, and monitors risks and adherence to limits.

The Group aims to develop a disciplined and constructive control environment through which all employees understand their roles and obligations.

The audit committee and the internal control department assist the Company's Board of Directors in its supervisory role. The internal audit department is also responsible for regular and surprise inspection of internal control and the policies associated with risk management and reports the findings to the Company's Board of Directors.

a) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur financial loss. This risk is mainly associated with the Company's customers and other receivables.

Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer and the demographics of the Group's customer base, which includes the default risk of the industry which has less influence on credit risk.

All of the Group's revenues is attributable to sales transactions with a vast group of customers. Therefore, demographically, there is no concentration of credit risk.

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The Group's management has established a credit policy under which each customer is subject to credit valuation before the Company's standard payment and delivery terms and conditions are offered to him. The Company obtains advance payments and cheques that cover the full sales value in advance and before the delivery of units to customers. No previous losses were observed from transactions with customers.

Sales of units are made subject to retention of title clauses and the ownership title is transferred only after the collection of the full sales value. In the event of non-payment, the unit is returned to the Company and the amounts collected from customers are repaid on the date of the default after deducting a 5 % to 10 % of this value.

Investments

The Company manages the risk via conducting detailed investment studies which are reviewed by the Board of Directors. The Company's management does not expect any counterparty to fail to meet their obligations.

Guarantees

The group extends corporate guarantees to subsidiaries, when needed, after the approval of the Extra Ordinary General Assembly Meeting (EGM). The following corporate guarantees were provided: On the 1st of February 2015, Sixth of October for Development and Investment Company's "SODIC" EGM approved extending a corporate guarantee to SOREAL For Real Estate Investments (99.99 % owned by SODIC), and there are no guarantees for any party outside the Group.

b) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they become due.

The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group ensures that it has sufficient cash on demand to meet expected operational expenses for an appropriate period including the cost of servicing financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

In addition, the Group maintains the following lines of credit:

- EGP 5 Million as a bank facility for one of the subsidiaries guaranteed by time deposits.
- A medium-term loan in the amount of EGP 1 300 Million.
- A medium-term loan in the amount of EGP 500 Million.
- A medium-term loan in the amount of EGP 1 400 Million for one of the subsidiaries.
- A medium-term loan in the amount of EGP 1 000 Million for one of the subsidiaries.

c) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposure within acceptable parameters, while optimizing the return.

d) Currency risk

The Group is exposed to currency risk on sales and financial assets that are denominated in foreign currencies. Such risk is primarily represented in USD and Syrian Lira.

In respect of monetary assets and liabilities denominated in other foreign currencies, the Group ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short- term imbalances.

The Company's investments in its subsidiaries are not hedged as those currency positions are considered long-term in nature.

The Parent Company does not enter into hedging contracts for foreign currencies.

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e) Interest rate risk

The Company adopts a policy to limit the company's exposure for interest risk, therefore the company's management evaluates the available alternatives for finance and negotiates with banks to obtain the best available interest rates and credit conditions. Borrowing contracts are presented to the Board of Directors. The finance position and finance cost are periodically evaluated by the Company's management. The Company does not enter into hedging contracts for interest rates.

f) Other market price risk

Equity price risk arises from available-for-sale equity securities, The management of the Group monitors the mix of equity securities in its investment portfolio based on market indices and the objective valuation of the financial statements related to these shares.

Material investments within the portfolio are managed on an individual basis and all buying and selling decisions are approved by the Company' Board of Directors.

The primary goal of the Company's investment strategy is to maximize investment returns. Management is assisted by external advisors in this regard.

In accordance with this strategy certain investments are designated as held for trading because their performance is actively monitored, and they are managed on a fair value basis.

42-1 Credit risk

The carrying amount of financial assets represented in the balances of trade and notes receivables, debtors and cash and cash equivalent, loans to joint venture, and investments in trading securities. The maximum exposure to credit risk as at June 30, 2020, amounted to EGP 16 883 379 140 (December 31, 2018: EGP 17 411 145 256).

42-2 Liquidity risk

The following are the contractual maturities of financial liabilities:

<u>June 30, 2020</u>	Carrying amount	Less than 1 year	1-2 years	2-5 years
	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>
Bank facilities	2 570 035	2 570 035	-	-
Short - term loans	888 246 532	888 246 532	-	-
Long – term loans	1 118 213 906	-	602 169 798	516 044 108
Contractors and suppliers	362 812 948	362 812 948	-	-
Other creditors	7 629 157 412	1 933 698 317	731 058 397	4 964 400 698
Notes payable –short term	369 134 610	369 134 610	-	-
	<u>10 370 135 443</u>	<u>3 556 462 442</u>	<u>1 333 228 195</u>	<u>5 480 444 806</u>
<u>December 31, 2019</u>	Carrying amount	Less than 1 year	1-2 years	2-5 years
	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>
Short - term loans	592 714 355	592 714 355	-	-
Long – term loans	1 281 130 084	-	642 778 710	638 351 374
Contractors and suppliers	299 787 915	299 787 915	-	-
Other creditors	7 257 732 822	1 975 813 493	877 585 183	4 404 334 146
Notes payable –short term	405 031 474	405 031 474	-	-
Notes payable –long term	67 545 617	-	67 545 617	-
	<u>9 903 942 267</u>	<u>3 273 347 237</u>	<u>1 587 909 510</u>	<u>5 042 685 520</u>

*Sixth of October for Development and Investment Company "SODIC" - (An Egyptian Joint Stock Company)
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42-3 Currency risk

Exposure to currency risk

The Group's exposure to foreign currency risk for main currencies was as follows:

June 30, 2020

<u>Description</u>	<u>USD</u>	<u>Euro</u>
Cash at banks	18 560 032	28 277
Notes receivables	596 610	-
Debtors and other debit balances	-	161 960
Creditors and other credit balances	(486 000)	-
Surplus of foreign currencies	18 670 642	190 237

December 31, 2019

<u>Description</u>	<u>USD</u>	<u>Euro</u>
Cash at banks	17 559 166	294 852
Notes receivables	596 610	-
Debtors and other debit balances	-	359 256
Creditors and other credit balances	(486 000)	-
Surplus of foreign currencies	17 669 776	654 108

42-4 Interest rate risk

At the date of consolidated financial statements, the interest rate profile of the Group's financial instruments was as follows: -

	<u>Carrying amount</u>	
	<u>30/06/2020</u>	<u>31/12/2019</u>
<u>Financial instruments with a fixed rate</u>	<u>EGP</u>	<u>EGP</u>
Financial assets	15 813 446 785	16 634 978 052
Financial liabilities	(369 134 610)	(472 577 091)
	15 444 312 175	16 162 400 961
<u>Financial instruments with a variable rate</u>		
Financial liabilities	2 009 030 473	(1 873 844 439)
	2 009 030 473	(1 873 844 439)

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. The Company does not designate derivatives (interest rate swaps) as hedging instruments under a fair value hedge accounting model. Therefore, a change in interest rates at the consolidated financial statements date would not affect the consolidated statement of profit or loss.

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43. Transactions with related parties

Related parties are represented in the Parent Company' shareholders, Board of Directors, executive directors and companies in which they own directly or indirectly shares giving them significant influence or control over these companies. The Parent Company made several transactions with related parties during the year and these transactions have been made in accordance with the terms determined by the group's management and are exclusive of added value. Summary of significant transactions concluded during the year and the resulting balances of the related parties at the consolidated balance sheet date were as follows: -

a) Transactions with related parties

<u>Party / Relationship</u>	<u>Nature of transaction</u>	30/06/2020
		<u>Amount of transaction</u> <u>EGP</u>
Executive managers and Board of Directors (Parent Company)	Executive and Board of Directors	(See note No.9-1).
Palmyra – SODIC for Real Estate Development	Loan for joint projects	492 394

b) Balances resulting from transactions with related parties

<u>Party</u>	<u>Item as shown in the consolidated balance sheet</u>	30/06/2020	31/12/2019
		<u>EGP</u>	<u>EGP</u>
Palmyra – SODIC for Real Estate Development *	Loans to Joint Ventures	200 110 737	199 618 343
	Accrued interest on loan under debtors caption	65 482 130	65 482 130
	Accrued on joint venture – related parties under debtor caption	620 191 35	620 191 35

* Impairment in dues from Palmyra – SODIC for Real Estate Development has been recorded as described in note No. (20).

44. Tax status

Summary of the Company's tax status at the separate financial statements date is as follows: -

Corporate tax

- Years 1996 to 2005 have been tax inspected and tax differences have been paid and settled.
- Years 2006 to 2014 have been inspected and settlement of accrued tax differences is under way for those years.
- Years 2015 to 2019 have not been inspected and no tax claims have been received till the date of authorizing of these financial statements for issuance.
- The Company submits its annual tax return on due dates in accordance with Law No. 91 of 2005.

Salary tax

- Years 1996 to 2012 have been inspected and tax differences have been paid and settled.
- Years 2013 to 2019 have not been inspected and no tax claims have been received till the date of authorizing of these financial statements for issuance.
- The Company pays the monthly salary tax on due dates in accordance with the law.

Withholding tax

- Tax inspection has been carried out from 1996 till the first quarter of the year 2017, and the Company has not received any tax claims till the date of authorizing of these financial statements for issuance.
- The Company pays the withholding tax on due dates in accordance with the law.

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Stamp tax

- Tax inspection was carried out from 1996 till December 31, 2014, and tax differences have been fully paid.
- Years 2015 to 2019 have not been inspected and no tax claims have been received till the date of authorizing of these financial statements for issuance.
- The Company submits stamp tax returns on a regular basis and pays the accrued taxes on due dates in accordance with the law.

Sales tax

- Years 2016 to 2019 have not been inspected and no tax claims have been received till the date of authorizing of these financial statements for issuance.

The value added tax

- Years 2016 to 2018 have not been inspected and no tax claims have been received till the date of authorizing of these financial statements for issuance.
- The Company submits the value-add tax returns on a regular basis and pay the accrued taxes on due dates in accordance with the law.

Real estate property tax

- The Company submitted its real estate property tax returns of year 2009 on due dates in accordance with Law No. 196 of 2008.

45. Capital commitments

Capital commitments as of June 30, 2020 amounted EGP 3 750 (December 31, 2019: EGP 3 750).

46. Legal status

There is a dispute between the parent Company and another party regarding the contract concluded between them on 23/2/1999 which is related to delivering this party a plot of land as a usufruct right for indefinite year of time and a return for an annual rental with a minimal amount for a total of 96 acres approximately and which has not been delivered up till this date as the management of this party did not abide by the detailed conditions of the contract. There are exchanged notifications concerning this land between the management of the parent Company and the management of this party. During 2009, this party raised a court case No. 3 of 2009 Civil 6th of October against the parent Company asking it for the delivery of the allocated land. A preliminary judgment was issued by the court in its session held on February 22, 2010 to refer this matter to Experts and to delegate the Experts Office of the Ministry of Justice to embark this case and set a session to be held on April 26, 2010 for the expert to present his report. The session was postponed by the court several times, the latest on which to November 24, 2014. On that date, the 6 of October partial court decided to reverse its previous decree of proof procedures dated February 22, 2010 by refusing the case. The other party appealed the decision and a hearing was scheduled for August 13, 2020; during the session on November 24, 2014 the court also decided to appoint an expert, the session for the expert has not been determined yet.

The parent Company's legal counsel is of the opinion that the parent Company has the right to maintain and exploit this land under the contract as the said contract has not been affected and no usufruct right has arisen to this party since its effect was based on conditions that have not been met. In addition, in case of any dispute raised by this party to possess the land, the parent Company has the actual and physical possession of the land and hence it has the right to continue in possessing the land till settlement of this dispute in front of court.

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47. Basis of measurement

The consolidated financial statements have been prepared on historical cost basis except for the following:

- Financial assets and liabilities recognized at fair values through profits and losses.
- Held for trading investments are valued at fair value.
- Available for sale investments, which have market values are valued at fair value.

48. Incentive and bonus plan of the Parent Company's employees and managers

- On January 20, 2016 the extraordinary general assembly have approved the new Employees Stock Option Plan for executive board members and directors through granting shares with special conditions as per stated in the plan that part of the company's shares should be assigned to the employee stock option plan equal to 1% of the company's issued capital annually on five tranches for a period of six years and three months as per annex (1). These shares will be made available by using the special reserve- additional paid in capital, or reserves, or part of it, or retained earnings, or part of it for capital increase. The additional shares are to be issued to the employee stock option plan based on the approval of the Board of Directors as per the delegation granted by the company's extraordinary general assembly dated January 20, 2016. The granting of the employee stock option plan shares is to be based on a decision from the supervisory committee by the treasurer.
- The board of directors have decided on the meeting dated November 30, 2016 to increase the issued capital from EGP 1 355 638 292 to become EGP 1 369 194 672 by an amount of EGP 13 556 380 divided on 3 389 095 shares of par value EGP 4 per share, this capital increase is to be financed from the special reserve- Additional paid in capital, and to be fully utilized by the Employees Stock Option plan granted to the executives board members and the directors as per the option plan approved by the extraordinary general assembly dated January 20, 2016, which have decided to apply the Employees Stock Option Plan for the executive board members and directors through assigning shares with certain conditions. The commercial register was modified on February 5, 2017.
- The Board of Directors have decided on the meeting dated October 23, 2018 to increase the issued capital from EGP 1 369 194 672 to become EGP 1 396 715 488 by an amount of EGP 27 520 816 divided on 6 880 204 shares of par value EGP 4 per share, this capital increase is to be financed from the special reserve- Additional paid in capital, and to be fully utilized for the second and third sections from the sections of Employees Stock Option plan granted to the executives board members and the directors as per the option plan approved by the extraordinary general assembly dated January 20, 2016, which have decided to apply the Employees Stock Option Plan for the executive board members and directors through assigning shares with certain conditions, and delegate the board of directors to execute the procedures of the required increase to issue new shares to be utilized in the Employees Stock Option plan, The commercial register was modified on January 8, 2019.

49. Significant accounting policies

49-1 Business combination

- The Group accounts for business combination using the acquisition method when control is transferred to the Group.
- The consideration transferred in the acquisition is generally measured at fair value, as are net values of the assets acquired where identifiable
- Any goodwill that arises is tested annually for Impairment. Any gain on a bargain purchase is recognized as profit or loss immediately.
- Transaction cost are expensed as incurred, except if related to the issue of debt or equity securities.
- The consideration transferred does not include amounts related to the settlement of pre-existing relationship. Such amounts are generally recognized in profit or loss.

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- Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay a contingent consideration meets the definition of financial instrument as classified as equity, then it is not re-measured and settlement is accounted for within equity. Otherwise, other contingent considerations are re-measured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognized in profit or loss.
- a) **Subsidiaries**
 - Subsidiaries are entities controlled by the Group.
 - The Group controls an entity when it 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.
 - The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.
 - Subsidiaries are represented in the following: -

<u>Subsidiary name</u>	<u>Country of Incorporation</u>	<u>Ownership</u>	
		<u>As at 30/06/2020</u>	<u>As at 31/12/2019</u>
		<u>%</u>	<u>%</u>
1- Sixth of October for Development and Real Estate Projects Company "SOREAL" - S.A.E	Egypt	99.99	99.99
2- Beverly Hills for Management of Cities and Resorts Co. - S.A.E (*)	Egypt	46.75	46.75
3- SODIC Garden City for Development and Investment Co. S.A.E	Egypt	50	50
4- Al Yosr for Projects and Real Estate Development Co. - S.A.E	Egypt	99.99	99.99
5- SODIC for Development and Real Estate Investment Co. - S.A.E	Egypt	99.99	99.99
6- SODIC Polygon for Real Estate Investment Co. - S.A.E	Egypt	100	100
7- SODIC for Golf and Tourist Development Co. - S.A.E	Egypt	100	100
8- Fourteen for Real Estate Investment Co. - S.A.E	Egypt	99.99	99.99
9- La Maison for Real Estate Investment Co. - S.A.E	Egypt	99.99	99.99
10- Tegara for Trading Centers Co. S.A.E	Egypt	100	95.24
11- Edara for Services of Cities and Resorts Co. -S.A.E	Egypt	99.97	99.97
12- Soreal for Real Estate Investment	Egypt	99.99	99.99
13- SODIC for Securitization	Egypt	99.99	99.99
14- SODIC Syria L.L.C (**)	Syria	100	100
15- Tabrouk Development Company (D)	Egypt	100	100
16- El Diwan for Real Estate Development Company	Egypt	100	100
17- SODIC for Management of Hotels and Clubs Company	Egypt	100	100

(*) The legal participation in Beverly Hills for Management of Cities and Resorts Co. amounts to 48.91 %, which includes 2.16 % transitory shares currently in the name of the Company. The title of these shares will be transferred to the ultimate shareholders (Owners of Beverly Hills Project units).

(**) On June 15, 2010, SODIC Syria Co. a Syrian limited liability Co. was established for acquiring a 50% stake of the share capital of Palmyra - SODIC for Real Estate Development L.L.C, a limited liability company registered and operating in the Syrian Arab Republic.

b) Non-controlling interests

NCI are measured at their proportionate share of the acquirer's identifiable net assets at the date of acquisition.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

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c) Loss of control

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognized in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

d) Investments accounted for equity method

Investments that are accounted for using the equity method comprise interests in associates and joint venture. And have no right to its assets and obligations for its liabilities associated with the arrangements.

Associates are those entities in which the group has significant influence, but not control or joint control, over the financial and operating policies.

A joint venture is an arrangement in which the group has joint control, whereby the group has rights to the net assets of the arrangement.

Investments in associates and joint venture are accounted for using the equity method. They are initially recognized at cost, which includes transaction costs.

Subsequent to initial recognition, the consolidated financial statements include the group share of the profit or loss and OCI of equity-accounted investees.

e) Transaction elimination on consolidation

Intra - group balances and transactions, and any unrealised income and expenses arising from intra - group transactions, are eliminated. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

49-2 Foreign currency

a) Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of Group companies at the exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date.

Assets and liabilities that are measured at fair value in a foreign currency are translated at the exchange rate when the fair value was determined.

Non - monetary assets and liabilities that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction.

Foreign currency differences are generally recognized in profit or loss.

However, foreign currency differences arising from the translation of the following items are recognized in OCI:

- Available – for - sale equity investments (except on impairment, in which case foreign currency differences that have been recognized in OCI are reclassified to profit or loss).
- A financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective.
- Qualifying cash flow hedges to the extent that the hedges are effective.

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b) Foreign Operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated at the exchange rates at the reporting date. The income and expenses of foreign operations are translated at the exchange rates at the dates of the transactions.

Foreign currency differences are recognized in OCI and accumulated in the translation reserve, except to the extent that the translation difference is allocated to NCI.

When a foreign operation is disposed of in its entirety or partially such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal.

If the Group disposes of part of its interest in a subsidiary but retains control, then the relevant proportion of the cumulative amount is reattributed to NCI.

When the Group disposes of only part of an associate or joint venture while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

49-3 Discontinued operation

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group.

Classification as a discontinued operation occurs at the earlier of disposal or when the operation meets the criteria to be classified as held – for - sale.

When an operation is classified as a discontinued operation, the comparative statement of profit or loss and OCI is re-presented as if the operation had been discontinued from the start of the comparative year.

49-4 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and is recognized when it is probable that the future economic benefits will flow to the entity and the amount of the revenue can be measured reliably. No revenue is recognized if there are uncertainties regarding the recovery of that consideration due or associated costs.

a. Real estate and land sales

Revenue from sale of residential units, offices, commercial shops, service and villas for which contracts were concluded is recorded when all the ownership risks and rewards are transferred to customers and upon the actual delivery of these villas and units whether the said villas and units have been (completed or semi – completed). Revenue from sale of lands is recorded upon the delivery of the sold land to customers and the transfer of all the ownership rewards and risks to the buyer.

Revenues are recorded based on sales net of returns. Net sales are represents the selling value of units and lands delivered to customers - after excluding the future interests that have not been realized at the date of the consolidated balance sheet date and after deducting the value of sales returns (represented in the saleable value of the sales returns less unrealized interests that have been previously excluded from the saleable value). Discounts granted to customers are recorded within the other operating expenses.

b. Service revenues

Revenue from services is recognized when the service is rendered to the customer.

c. Rental income

Rental income resulting from investment properties (less any discounts) is recognized in the consolidated income statement on a straight-line basis over the terms of the lease.

d. Interest income

Interest income is recognized using the accrual basis, considering the period of time and effective interest rate.

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e. Commission revenue

Commission revenue is recognized in the consolidated statement of profit or loss according to the accrual basis of accounting.

f. Dividends

Dividends income is recognized in the consolidated statement of profit or loss on the date the Company's right to receive payments is established.

49-5 Employee benefit

a) Short – term employee benefits

Short - term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

b) Share – based payment arrangements

The grant (date fair value of equity) settled share - based payment arrangements granted to employees is generally recognized as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non - market performance conditions are expected to be met, such that the amount ultimately recognized is based on the number of awards that meet the related service and non - market performance conditions at the vesting date.

For share - based payment awards with non - vesting conditions, the grant - date fair value of the share - based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

The fair value of the amount payable to employees in respect of SAR's, which are settled in cash, is recognized as an expense with a corresponding increase in liabilities, over the year during which the employees become unconditionally entitled to payment. The liability is remeasured at each reporting date and at settlement date based on the fair value of the SAR's. Any changes in the liability are recognized in profit or loss.

c) Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in future payments is available.

The Group pays contributions to the Public Authority for Social Insurance for their employees based on the rules of the social insurance law no 79 for the year 1975. The employees and employers contribute under this law with a fixed percentage of wages. The Group's commitment is limited to the value of their contribution. And the Group's contribution amount expensed in profits and losses according to accrual basis.

The company also contributes to a group insurance program for its employees with one of the insurance companies. Accordingly, the insured employees receive end of service benefits when leaving the Company that will be paid by the insurance company. The contribution of the Company is limited to the monthly instalments. Contributions are charged to statement of profit or loss using the accrual basis.

49-6 Finance income and finance costs

The Group's finance income and finance costs include:

- interest income
- interest expense
- The foreign currency gain or loss on financial assets and financial liabilities
- The fair value loss on contingent consideration classified as a financial liability
- The net gain or loss on hedging instruments that are recognized in profit or loss

Interest income or expense is recognized using the effective interest method. Dividend income is recognized in profit or loss on the date on which the group's right to receive payment is established.

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49-7 Income Tax

Current tax and deferred tax are recognized as income or expense in the profit or loss for the year, except in cases in which the tax results from a process or an event that is recognized - at the same time or in a different year - outside the profit or loss, whether in other comprehensive income or in equity directly or business combination.

a) Current income tax

The current tax for the current year and prior years and that have not been paid are recognized as a liability, but if the taxes that have already been paid in the current year or prior years are excess of the value payable for these years, this increase is recognized as an asset. The taxable current liabilities (assets) for the current year and prior years are measured at expected value paid to (recovered from) the tax authority, using the current tax rates (and tax laws) or in the process to be issued by the end of the financial year. Dividends are subject to tax as part of the current tax. Tax assets and liabilities are set-off only when certain conditions are met.

b) Deferred tax

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is not recognized for:

- The initial recognition of goodwill.
- The initial recognition of assets or liabilities in a transaction that:
 - a. Is not a business combination.
 - b. Does not affect neither accounting nor taxable profit (or loss).
- Temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future.
- Deferred tax assets are recognized for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the company's future business plans. Deferred tax assets are reassessed at each reporting date, and recognized to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are set-off only if certain conditions are met.

49-8 Biological assets

Biological assets are measured at fair value less costs to sell, profit or loss will be recognized in statement of profit or loss.

49-9 Units ready for sale

Units ready for sale are stated at cost or net realizable value, whichever is lower. Cost is calculated based on the product of the total area of the remaining units ready for sale on the reporting date multiplied by the average cost per meter. (The cost of the units includes land, utilities, construction, construction related professional fees, labor cost and other direct and indirect expenses). Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and selling expenses.

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49-10 Work in process

- a) All costs relating to uncompleted works are recorded in work in process account until the completion of the works. Work in process is stated in the consolidated balance sheet at cost or net realizable value whichever is lower. Costs include directly attributable cost needed to bring the units to the selling status.
- b) For variable land acquisition consideration, the company recognizes what was actually paid as part of the cost of work in progress, the cost is subsequently settled whether by increase or decrease according to actual payments and returns.

49-11 Property, plant and equipment

a) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognized in profit or loss.

b) Subsequent expenditure

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Group.

c) Depreciation

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using the (straight-line method) over their estimated useful lives for each item, and is generally recognized in profit or loss.

Land is not depreciated. Estimated depreciation rates for each type of assets for current and comparative years are as follow:

<u>Asset</u>	<u>Years</u>
Buildings and construction works	5-20
Caravans	5-10
Vehicles and transportation	5
Furniture and fixtures	4-10
Beach Furniture and fixtures	3-5
Office and communications equipment	5
Computer software	3
Solar power stations	25
Generators, machinery and equipment	2-5
Kitchen utensils	10
Wells, pumps and networks	4
Leasehold improvements	5 years or lease term whichever is lower
<u>Golf course assets</u>	
Constructions	20
Irrigation networks	15
Equipment and tools	15

49-12 Projects under construction

Projects under construction are recognized initially at cost. Cost includes all expenditures directly attributable to bringing the asset to a working condition for its intended use. Projects under construction are transferred to property, plant and equipment caption when they are completed and ready for their intended use.

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49-13 Intangible assets and goodwill

a) Recognition and measurement

I. Goodwill:

Arising on the acquisition of subsidiaries is measured at cost less accumulated impairment losses.

II. Research and development:

- Expenditure on research activities is recognized in profit or loss as incurred
- Development expenditure is recognized only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the group intends to and has sufficient resources to complete development and to use or sell the asset. Otherwise it is recognized in profit or loss as incurred. Subsequent to initial recognition, development expenditure is measured at cost less accumulated amortization and accumulated impairment losses.

III. Other intangible assets:

Other intangible assets, including patents and trademarks, that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortization and any accumulated impairment losses.

b) Subsequent expenditure

Subsequent expenditure is capitalized only when the intangible asset will increase the future economic benefits embodied in project, research, and development under construction which is recognized as intangible assets. All other expenditure, including expenditure on internally generated goodwill and brands, is recognized in profit or loss as incurred.

c) Amortization

Amortization is calculated to write off the cost of intangible assets less their estimated residual values using the (straight - line method) over their estimated useful lives, and is generally recognized in profit or loss.

Goodwill is not amortized.

49-14 Investment properties

This item includes properties held for rent or increase in its value or both of them, Investment property is initially measured at cost and subsequently at fair value with any change therein recognized in profit or loss.

Depreciation is charged to statement of profit or loss on a straight-line basis over the estimated useful lives of each component of the investment properties. The estimated useful lives are as follows:

<u>Asset</u>	<u>Years</u>
Leased units	20
Roads	20
Elevators	10
Agriculture and landscape	10
Air-conditions	5
Sound systems and cameras	2

Any gain or loss on disposal of investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognized in profit or loss.

49-15 Financial instruments

The Group classifies non-derivative financial assets into the following categories: financial assets at fair value through profit or loss, held-to-maturity financial assets, loans and receivables, and available-for-sale financial assets.

The Group classifies non-derivative financial liabilities into the following categories: financial liabilities at fair value through profit or loss and other financial liabilities category.

1) Non-derivative financial assets and financial liabilities – Recognition and derecognition

The Group initially recognises loans and receivables and debt securities issued on the date when they are originated. All other financial assets and financial liabilities are initially recognized on the trade date when the entity becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in such derecognized financial assets that is created or retained by the Group is recognized as a separate asset or liability.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

Financial assets and financial liabilities are offset and the net amount is presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to offset the amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

2) Non-derivative financial assets – Measurement

Financial assets at fair value through profit or loss

A financial asset is classified as at fair value through profit or loss if it is classified as held-for-trading or is designated as such on initial recognition. Directly attributable transaction costs are recognized in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value and changes therein, including any interest or dividend income, are recognized in profit or loss.

Held-to-maturity financial assets

These assets are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at Amortized cost using the effective interest method.

Loans and receivables

These assets are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortized cost using the effective interest method.

Available-for-sale financial assets

These assets are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences on debt instrument are recognized in OCI and accumulated in the fair value reserve. When these assets are derecognized, the gain or loss accumulated in equity is reclassified to profit or loss.

3) Non-derivative financial liabilities – Measurement

A financial liability is classified as at fair value through profit or loss if it is classified as held – for - trading or is designated as such on initial recognition. Directly attributable transaction costs are recognized in profit or loss as incurred. Financial liabilities at fair value through profit or loss are measured at fair value and changes therein, including any interest expense, are recognized in profit or loss.

Other non - derivative financial liabilities are initially measured at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortized cost using the effective interest method.

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4) Derivative financial instruments and hedge accounting

The group holds derivative financial instruments to hedge its foreign currency and interest rate risk exposures. Embedded derivatives are separated from the host contract and accounted for separately if certain criteria are met.

Derivatives are initially measured at fair value; any directly attributable transaction costs are recognized in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognized in profit or loss.

Cash Flow Hedges

When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of the derivative is recognized in OCI and accumulated in the hedging reserve. Any ineffective portion of changes in the fair value of the derivative is recognized immediately in profit or loss.

The amount accumulated in equity is retained in OCI and is reclassified to profit or loss in the same year or years during which the hedged forecast cash flows affects profit or loss or the hedged item affects profit or loss.

If the forecast transaction is no longer expected to occur, or if the hedge no longer meets the criteria for hedge accounting, or if the hedging instrument expires or is sold, terminated or exercised or if the designation is revoked, then hedge accounting is discontinued prospectively. If the forecast transaction is no longer expected to occur, then the amount accumulated in equity is reclassified to profit or loss.

49-16 Share capital

1) Ordinary Shares

Incremental costs directly attributable to the issue of ordinary shares are recognized as a deduction from equity. Income tax relating to transaction costs of an equity transaction are accounted for in accordance with EAS No. (24) "Income Tax".

2) Repurchase and reissue of ordinary shares (treasury shares)

When shares recognized as equity are repurchased, the amount of the consideration paid, which includes directly attributable costs is recognized as a deduction from equity. Repurchased shares are classified as treasury shares and are presented as a deduction from equity. When treasury shares are sold or reissued subsequently, the amount received is recognized as an increase in equity and the resulting surplus or deficit on the transaction is presented within share premium.

49-17 Impairment

1) Non-derivative financial assets

Financial assets not classified as at fair value through profit or loss, including an interest in an equity-accounted investee, are assessed at each reporting date to determine whether there is objective evidence of impairment.

Objective evidence that financial assets are impaired includes:

- Default or delinquency by a debtor;
- restructuring of an amount due to the group on terms that the group would not consider otherwise;
- Indications that a debtor or issuer will enter bankruptcy;
- Adverse changes in the payment status of borrowers or issuers;
- The disappearance of an active market for a security because of financial difficulties; or
- Observable data indicating that there is a measurable decrease in the expected cash flows from a group of financial assets.

For an investment in an equity security, objective evidence of impairment includes a significant or prolonged decline in its fair value below its cost. The Group considers a decline of 20% to be significant and a period of nine months to be prolonged.

Financial assets measured at Amortized cost

The Group considers evidence of impairment for these assets at both an individual asset and a collective level. All individually significant assets are individually assessed for impairment. Those found not to be impaired are then collectively assessed for any impairment that has been incurred but not yet individually identified. Assets that are not individually significant are collectively assessed for impairment. Collective assessment is carried out by grouping together assets with similar risk characteristics.

In assessing collective impairment, the Group uses historical information on the timing of recoveries and the amount of loss incurred, and makes an adjustment if current economic and credit conditions are such that the actual losses are likely to be greater or lesser than suggested by historical trends.

An impairment loss is calculated as the difference between an asset's carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account.

When the Group considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off.

If the amount of impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, then the previously recognized impairment loss is reversed through profit or loss.

Available-for-sale financial assets

Impairment losses on available-for-sale financial assets are recognized by reclassifying the losses which have been recognized previously in OCI and the accumulated in the fair value reserve to profit or loss. The amount reclassified is the difference between the acquisition cost (net of any principal repayment and Amortization) and the current fair value, less any impairment loss previously recognized in profit or loss.

If the fair value of an impaired available-for-sale debt security subsequently increases and the increase can be related objectively to an event occurring after the impairment loss was recognized, then the impairment loss is reversed through profit or Impairment loss.

Losses recognized in profit or loss for an investment in an equity instrument classified as available-for-sale are not reversed through profit or loss.

Equity-accounted investees

An impairment loss in respect of an equity-accounted investee is measured by comparing the recoverable amount of the investment with its carrying amount. An impairment loss is recognized in profit or loss, and is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

2) Non-financial Assets

At each reporting date, the Group reviews the carrying amounts of its non - financial assets (other than investment property, inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

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Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed in the subsequent year. For other assets, 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 in previous years.

49-18 Provisions

Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

Provision for completion

A provision for completion of work is formed at the estimated value of the completion of the projects' utility works (relating to the units delivered to customers and the completed units according to the contractual terms and conditions and the completed units for which contracts were not concluded) in their final form as determined by the Company's technical department. The necessary provision is reviewed at the end of each reporting year until finalization of all the project works.

49-19 Operational lease

Lease payments under an operating lease, excluding any incentives received from the lessor over the contract year, shall be recognized as an expense charged to the statement of profit or loss for the year on a time pattern basis and accrued base.

49-20 Sale and leaseback

When the company lets a property to a lessee, the legal title of this property is transferred to the lessee according to an executory contract subject to a finance lease contract signed between parties, accordingly any gain or loss resulting from the differences between the sale price and the net book value of the property is deferred and amortized over the year of the lease contract.

When the property is then bought back, any unamortized gains or losses are recognized in the income statement on the buyback date.

49-21 Investments

49-21-1 Available for sale investments

Financial instruments held by the Company and classified as available-for-sale investment are stated at cost and subsequently measured at fair value, unless this cannot be reliably measured. Changes in fair value are reported as a separate component in equity. When these investments are derecognized, the cumulative gain or loss previously recognized in equity is recognized in consolidated statement of profit or loss. Except the impairment loss, Investments in unlisted securities are stated at cost less impairment losses.

Financial instruments classified as available-for-sale investments are recognized /derecognized by the Company on the date it commits to purchase / sell the investments.

49-21-2 Held for trading investments

Held for trading investments are classified as current assets and are stated at fair value. Any gain or loss resulting from the change in fair value or sale of such investment is recognized in the statement of profit or loss.

Treasury bills are stated at their net cost after deducting the amortized interest and the Impairment losses.

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49-22 Trade, notes receivable and debtors

Trade and notes receivables, debtors and other debit balances, that do not carry interest are stated at their nominal value and are reduced by impairment losses. Impairment losses are formed when there is objective evidence that the Company is not able to collect the due amounts according to the original terms of the contracts. Impairment represents the difference between the book value and net recoverable amount which is represented in the future cash flows that the Company expects. Long-term trade and notes receivables are initially recognized at fair value and subsequently re-measured at amortized cost using the effective interest rate method.

49-23 Cash and cash equivalents

As a basis for preparation of cash flow, cash and cash equivalents comprise cash at banks and on hand, checks under collection and time deposits, that have maturity date less than three months from the purchase date. Also Bank overdrafts that are repayable on demand are considered a complementary part of the Group's cash management.

49-24 Borrowing costs

Borrowing costs are recognized as an expense when incurred using the effective interest rate.

49-25 Interest –bearing borrowings

Interest – bearing borrowings are recognized initially at fair value, net of attributable transaction costs incurred. Borrowings are subsequently stated at amortized cost, any differences between cost and redemption value are recognized in the statement of profit or loss over the year of the borrowing using the effective interest rate.

49-26 Trade, contractors and other credit balances

Trade, contractors and other credit balances are stated at cost.

49-27 Notes payable

Notes payable are stated at amortized cost using the effective interest rate method.

49-28 Cost of sold lands

The cost of sold lands is computed based on the value of the net area of land sold in addition to its respective share in road areas as determined by the Company's technical management, plus its share of the open area cost as well as its share of infrastructure cost.

49-29 Expenses

Lease payments

Payments under leases are recognized (net after discounts) in the statement of profit or loss on a straight-line basis over the terms of the lease and according to the accrual basis.

49-30 Employees' profit sharing

As per the Companies Law, employees are entitled to receive not less than 10% of the distributed profits, after deducting a percentage to support the legal reserve, according to the rules proposed by the Company's board of directors and after the approval of General Assembly Meeting which should not exceed the total employees' annual salaries.

Employees' share in profit is recognized as dividends of profit and shown in the statement of changes in equity and as an obligation in the financial year at which the declaration has been authorized.

49-31 Earnings / (losses) per share

Earnings (losses) per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year.

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50. New Issues and Amendments issued to the Egyptian Accounting Standards (EAS) not adopted

On March 18, 2019, the Minister of Investment and International Cooperation introduced amendments to some provisions of the Egyptian Accounting Standards issued thereby by virtue of Decree No. 110 of 2015, which include some new accounting standards as well as introducing amendments to certain existing standards.

given the current conditions the country is going through as a result of the outbreak of the Corona virus as stated in note (51), the Egyptian government has implemented some preventive measures in efforts to limit the spread of the virus by imposing restrictions on the presence of human resources in companies at full capacity on a regular basis, and temporarily suspending of some business activities, including aviation and tourism. As a result, private companies have also implemented some preventive measures that varied from company to company according to activity, number of employees, location and other considerations. These procedures included imposing restrictions on the number and duration of human resources in companies. This led to delaying some companies to fully implement the new Egyptian Accounting Standards by the effective date of these standards, which is January 1, 2020.

As a result, the Supreme Committee assigned to review the Egyptian Accounting Standards, Egyptian standards, limited examination and other verification tasks. has agreed to postpone the application of the new Egyptian Accounting Standards and the accompanying amendments issued by decision no. 69 on the periodic financial statements that will be issued during the year 2020 provided that companies implement these standards and these amendments to the annual financial statements of these companies at the end of 2020, Accordingly, the Group did not apply these standards to its periodic consolidated financial statements for the six-month period ending June 30, 2020.

The most prominent amendments are as follows:

<u>New or Amended Standards</u>	<u>A Summary of the Most Significant Amendments</u>	<u>The Possible Impact on the Financial Statements</u>	<u>Date of Implementation</u>
The new Egyptian Accounting Standard No. (47) "Financial Instruments"	<ol style="list-style-type: none"> 1. The new Egyptian Accounting Standard No. (47), "Financial Instruments", supersedes the corresponding related issues included in the Egyptian Accounting Standard No. (26), "Financial Instruments: Recognition and Measurement". Accordingly, Egyptian Accounting Standard No. 26 was amended and reissued after cancelling the paragraphs pertaining to the issues addressed in the new Standard No. (47) and the scope of the amended Standard No. (26) was specified and intended to deal only with limited cases of Hedge Accounting according to the choice of the enterprise. 2. Pursuant to the requirements of the Standard, financial assets are classified based on their subsequent measurement whether at amortized cost, or fair value through other 	The Management is currently assessing the potential impact of implementing the amendment of the standard on the financial statements.	This standard applies to financial periods beginning on or after January 1st, 2020, and the early implementation thereof is permitted; provided that the amended Egyptian Accounting Standards Nos. (1), (25), (26) and (40) are to be simultaneously applied.

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<u>New or Amended Standards</u>	<u>A Summary of the Most Significant Amendments</u>	<u>The Possible Impact on the Financial Statements</u>	<u>Date of Implementation</u>
	<p>comprehensive income or at fair value through profit or loss, in accordance with the enterprise business model for managing financial assets and the contractual cash flow characteristics of the financial asset.</p> <p>3. When measuring the impairment of financial assets the Incurred Loss Model is replaced by the Expected Credit Loss (ECL) Model, which requires measuring the impairment of all financial assets measured at amortized cost and financial instruments measured at fair value through other comprehensive income from their initial recognition date regardless whether there is any indication of the occurrence of loss event.</p> <p>4. based on the requirements of this standard the following standards were amended:</p> <ul style="list-style-type: none"> • Egyptian Accounting Standard No. (1) "Presentation of Financial Statements" as amended in 2019. • Egyptian Accounting Standard No. (4) - "Statement of Cash Flows". • Egyptian Accounting Standard No. (25) - "Financial Instruments: Presentation. • Egyptian Accounting Standard No. (26) - "Financial Instruments: Recognition and Measurement". • Egyptian Accounting Standard - EAS No. (40) - "Financial Instruments: Disclosures " 		-These amendments are effective as of the date of implementing Standard No. (47).
The new Egyptian Accounting Standard No. (48) - "Revenue from Contracts with Customers"	<p>1. The new Egyptian Accounting Standard No. (48) - "Revenue from Contracts with Customers" shall supersede the following standards and accordingly such standards shall be deemed null and void:</p> <p style="padding-left: 40px;">a. Egyptian Accounting Standard No. (8) - "Construction Contracts" as amended in 2015.</p>	The Management is currently assessing the potential impact of implementing the amendment of the standard on the financial statements	Standard No (48) applies to financial periods beginning on or after January 1st, 2020, and the early implementation thereof is permitted

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<u>New or Amended Standards</u>	<u>A Summary of the Most Significant Amendments</u>	<u>The Possible Impact on the Financial Statements</u>	<u>Date of Implementation</u>
	<p>b. Egyptian Accounting Standard No. (11) "Revenue" as amended in 2015.</p> <p>2. For revenue recognition, Control Model is used instead of Risk and Rewards Model.</p> <p>3. incremental costs of obtaining a contract with a customer are recognized as an asset if the enterprise expects to recover those costs and the costs of fulfilling the contract are to be recognized as an asset when certain conditions are met</p> <p>4. the standard requires that contract must have a commercial substance in order for revenue to be recognized</p> <p>5. Expanding in the presentation and disclosure requirements</p>		
The new Egyptian Accounting Standard No. (49) "Lease Contracts"	<p>1. The new Egyptian Accounting Standard No. (49) "Lease Contracts" shall supersede and revoke Standard No. (20)," Accounting Rules and Standards related to Financial Leasing" issued in 2015</p> <p>2. The Standard introduces a single accounting model for the lessor and the lessee where the lessee recognizes the usufruct of the leased asset as part of the company's assets and recognizes a liability that represents the present value of the unpaid lease payments under the company's liabilities, taking into account that the lease contracts are not classified in respect of the lessee as operating or finance lease contracts .</p> <p>3. As for the lessor, he shall classify each lease contract either as an operating lease or a finance lease contract.</p> <p>4. As for the finance lease, the lessor must recognize the assets held under a finance lease contract in</p>	The Management is currently assessing the potential impact of implementing the amendment of the standard on the financial statements.	This standard No. (49) applies to financial periods beginning on or after January 1st, 2020, and the early implementation thereof is permitted if Egyptian Accounting Standard No. (48) "Revenue from Contracts with Customers" is simultaneously applied. Except for the above-mentioned date of enforcement, Standard No. (49) applies to lease contracts that were subjected to Finance Lease Law No. 95 of 1995 and its amendments and were treated according to Egyptian Accounting Standard No. 20, "Accounting rules and standards related to financial leasing " as

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<u>New or Amended Standards</u>	<u>A Summary of the Most Significant Amendments</u>	<u>The Possible Impact on the Financial Statements</u>	<u>Date of Implementation</u>
	<p>the Statement of Financial Position and present them as amounts receivable with an amount equivalent to the amount of the net investment in the lease contract.</p> <p>5. As for operating leases, the lessor must recognize the lease payments of operating lease contracts as income either based on the straight-line method or based on any other regular basis.</p>		well as the finance lease contracts that arise under and are subjected to Law No. 176 of 2018 to the effect of regulating both financial leasing and factoring activities starting from the beginning of the annual reporting period in which Law No. (95) of 1995 was revoked and Law No. (176) of 2018 was issued.
Egyptian Accounting Standard No. (38) as ammended " Employees Benefits "	A number of paragraphs were introduced and amended in order to amend the Accounting Rules of Settlements and Curtailments of Benefit Plans	The Management is currently assessing the potential impact of implementing the amendment of the standard on the financial statements.	This standard No. (38) applies to financial periods beginning on or after January 1st, 2020, and the early implementation thereof is permitted.
Egyptian Accounting Standard No. (34) as ammended " Real Estate Investment	<p>The Fair Value Model option for all enterprises is no longer used when the subsequent measurement of their real estate investments is made and compliance shall apply only to the Cost Model, while only real estate investment funds are obliged to use the Fair Value Model, upon the subsequent measurement of all their real estate assets</p> <p>Based on this amendment, the following standards were amended:</p> <p>Egyptian Accounting Standard No. (32) Non-current Assets Held for Sale and Discontinued Operation</p> <p>Egyptian Accounting Standard No. (31) Impairment of Assets</p>	The Management is currently assessing the potential impact of implementing the amendment of the standard on the financial statements	This amendment is introduced and shall apply to financial periods beginning on or after January 1st, 2019.
Egyptian Accounting Standard No. (4) as ammended " Statemnet of Cash Flows"	This standard requires the entity to provide disclosures that enable users of the financial statements to assess changes in liabilities arising from finance activities, including both changes arising from cash flows or non-cash flows.	The Management assessed the potential impact of implementing the amendment of the standard on the financial statements	This amendment has been applied.

51. Important events during the financial period that do not require adjusting the financial statements

The impact of the outbreak of the virus (COVID-19) on the global economy and markets continues. As a result, across the globe, governments, businesses, and individuals took action to prevent and manage the spread of the virus, and to protect health and livelihoods of themselves and their communities.

Our first and foremost priority during this crisis is the safety and wellbeing of our staff, their families, and our residents, all while ensuring business continuity to deliver to all our stakeholders. We created a cross-functional response team that works around the clock to address these issues. The process has accelerated our plans for digitization both internally and on client interactions as we put the safety and health of our people first, while maintaining full operations. Construction has resumed fully after ensuring the appropriate measures were put in place by our contractors on site. Accordingly, at this time, we continue to operate at normal levels while enforcing preventative measures and monitoring the situation very closely to proactively respond to new developments.

The effect of the outbreak on the business thus far is reflected in the lower number of deliveries, as lockdowns and mobility restrictions decrease the urgency for customers to come in for handovers, postponing these visits to when the situation improves. Collection rates have been affected by the outbreak as the value of delinquencies have increased compared with the previous period. Contracted sales have been affected due to cancellation of major marketing events and the postponement of a number of launches to later in the year due to the outbreak. We took action by successfully launching our online virtual sales platform to reach our clients but despite our efforts our initial sales target now looks challenging, namely due to the difficulty of the planned launch of our North Coast project Malaaz this year on the back of further permitting delays.

We believe that while the ongoing outbreak presents significant challenges, it also provides an opportunity to stand out and distinguish ourselves. The strength and liquidity of our balance sheet strongly support us but more importantly, we believe that it is our credibility and track record of strong performance in turbulent times as well as our customer centric approach to the crisis that make us stand out in these times.

We operate in a sector with very strong local demand fundamentals and we continue to believe in the long-term drivers of growth in our market. In light of our current knowledge and available information, we do not expect the emerging virus (COVID-19) to have an impact on the company's ability to continue in the foreseeable future.