*Translation of review report originally issued in Arabic*

**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, 2021**

**And Limited Review Report**

**KPMG Hazem Hassan**
**Public Accountants & Consultants**

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**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 2021 | 31 December 2020 |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | (25) | 567 577 005 | 581 410 188 |
| Projects under construction | (26) | 142 629 604 | 134 774 619 |
| Investment properties under development | (27) | 2 351 243 213 | 2 103 226 267 |
| Investments in associates and joint ventures | (28) | - | 377 843 |
| Investment properties | (29) | 159 798 001 | 137 928 366 |
| Right of use - Assets | (30-1) | 46 403 444 | 54 496 633 |
| Trade and notes receivable | (20-2) | 737 647 610 | 794 441 952 |
| Deffered tax assets | (15) | 87 643 529 | 64 271 015 |
| **Total non-current assets** | | **4 092 942 406** | **3 870 926 883** |
| **Current assets** | | | |
| Inventory | (17) | 14 264 166 | 7 876 394 |
| Completed units ready for sale | (18) | 70 219 802 | 69 642 963 |
| Works in process | (19) | 15 448 744 771 | 14 375 083 694 |
| Trade and notes receivable | (20-1) | 1 235 124 957 | 1 218 170 107 |
| Debtors and other debit balances | (21) | 3 077 035 025 | 2 995 420 876 |
| Financial investments at amortized cost | (23) | 647 308 949 | 674 786 982 |
| Cash and cash equivalents | (24) | 1 342 252 600 | 1 535 698 054 |
| **Total current assets** | | **21 834 950 270** | **20 876 679 070** |
| **Total assets** | | **25 927 892 676** | **24 747 605 953** |
| **Equity** | | | |
| Issued & paid in capital | (31-1) | 1 424 789 472 | 1 424 789 472 |
| Legal reserve | (31-2) | 224 840 771 | 223 686 635 |
| Special reserve - share premium | (31-3) | 1 430 122 641 | 1 382 852 956 |
| Retained earnings | | 2 961 252 103 | 2 954 919 721 |
| Profit from sale of treasury shares | (32) | 1 725 456 | 1 725 456 |
| Reserve for employee stock option plan | (49) | 21 104 173 | 21 528 566 |
| **Equity attributable to equity holders of the Company** | | **6 063 834 616** | **6 009 502 806** |
| Non-controlling interests | (33) | 62 311 648 | 62 982 621 |
| **Total equity** | | **6 126 146 264** | **6 072 485 427** |
| **Non-current liabilities** | | | |
| Loans | (34) | 1 651 252 926 | 1 822 342 750 |
| Creditors and notes payable | (35) | - | 13 429 153 |
| New Urban Communities Autority | (36) | 5 758 530 690 | 5 349 923 684 |
| Lease contracts liabilities | (30-2) | 39 283 831 | 46 909 744 |
| **Total non-current liabilities** | | **7 449 067 447** | **7 232 605 331** |
| **Current liabilities** | | | |
| Banks facilities | | 2 948 433 | 226 619 |
| Loans | (34) | 782 289 856 | 433 651 176 |
| Advances - from customers | (37) | 8 491 025 297 | 7 619 243 097 |
| Contractors, suppliers and notes payable | (38) | 541 940 359 | 652 179 321 |
| Income tax liabilies | | 99 093 746 | 294 881 455 |
| New Urban Communities Autority | (36) | 229 284 641 | 262 491 314 |
| Creditors and other credit balances | (39) | 1 851 094 028 | 1 829 169 680 |
| Lease contracts liabilities | (30-2) | 11 728 169 | 14 251 473 |
| Provisions | (40) | 343 274 436 | 336 421 060 |
| **Total current liabilities** | | **12 352 678 965** | **11 442 515 195** |
| **Total liabilities** | | **19 801 746 412** | **18 675 120 526** |
| **Total equity and liabilities** | | **25 927 892 676** | **24 747 605 953** |

* 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 | Ossama 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**

| EGP | Note No | from 1/1/2021 to 30/6/2021 | Adjusted from 1/1/2020 to 30/6/2020 | from 1/4/2021 to 30/6/2021 | Adjusted from 1/4/2020 to 30/6/2020 |
|---|---|---|---|---|---|
| **Revenues** | | | | | |
| Sales of real estate | (6) | 1 668 608 143 | 1 084 120 093 | 925 656 645 | 640 083 349 |
| Revenues of services of managing cities and resorts | | 171 165 381 | 160 314 865 | 81 097 438 | 88 551 600 |
| Revenues of investment property | | 14 956 503 | 16 211 200 | 7 516 457 | 6 487 711 |
| Revenues from clubs and golf course | | 17 249 957 | 3 949 501 | 9 134 403 | 485 739 |
| **Total operation revenues** | | **1 871 979 984** | **1 264 595 659** | **1 023 404 943** | **735 608 399** |
| **Cost of sales** | | | | | |
| Cost of sales of real estate | (7) | ( 1 029 964 884) | ( 706 925 776) | ( 557 783 090) | ( 418 399 552) |
| Costs of services of managing cities and resorts | | (128 934 664) | (122 927 097) | ( 61 106 823) | ( 68 993 216) |
| Costs of investment property | | (5 742 255) | (4 840 201) | ( 3 174 397) | ( 2 363 836) |
| Cost of clubs and golf course | | ( 55 177 630) | (30 818 961) | ( 31 364 406) | ( 14 158 724) |
| **Total operation costs** | | **(1 219 819 433)** | **( 865 512 035)** | **( 653 428 716)** | **( 503 915 328)** |
| **Gross profit** | | **652 160 551** | **399 083 624** | **369 976 227** | **231 693 071** |
| Other operating revenues | (8) | 47 353 172 | 30 921 391 | 23 953 227 | 16 112 738 |
| Selling and marketing expenses | (9) | ( 156 298 349) | ( 117 324 085) | ( 94 464 638) | ( 68 485 506) |
| General and administrative expenses | (10) | ( 236 414 860) | ( 202 048 316) | ( 122 466 475) | ( 109 479 312) |
| Other operating expenses | (11) | ( 13 592 941) | ( 3 642) | ( 13 590 734) | - |
| (Charges) for expected credit losses | (12) | ( 1 343 619) | ( 2 317 841) | ( 744 776) | ( 1 983 115) |
| **Operating profit** | | **291 863 954** | **108 311 131** | **162 662 831** | **67 857 876** |
| Finance income | (13) | 77 742 134 | 126 413 651 | 37 260 032 | 53 079 532 |
| Finance cost | (14) | ( 67 341 480) | ( 74 325 939) | ( 34 124 801) | ( 27 717 216) |
| **Net finance income** | | **10 400 654** | **52 087 712** | **3 135 231** | **25 362 316** |
| **Net profit before tax** | | **302 264 608** | **160 398 843** | **165 798 062** | **93 220 192** |
| Income tax | (15) | ( 76 419 277) | ( 85 889 895) | ( 42 242 177) | ( 49 534 551) |
| **Profit for the period** | | **225 845 331** | **74 508 948** | **123 555 885** | **43 685 641** |
| **Attributable to:** | | | | | |
| Equity holders of the Company | | 222 595 073 | 72 124 838 | 122 127 383 | 42 118 599 |
| Non-controlling interests | (33) | 3 250 258 | 2 384 110 | 1 428 502 | 1 567 042 |
| **Net profit for the period** | | **225 845 331** | **74 508 948** | **123 555 885** | **43 685 641** |
| **Earnings per share (EGP / Share)** | (16) | **0.62** | **0.20** | **0.34** | **0.12** |

* 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**

| EGP | Note No | from 1/1/2021 to 30/6/2021 | Adjusted from 1/1/2020 to 30/6/2020 | from 1/4/2021 to 30/6/2021 | Adjusted from 1/4/2020 to 30/6/2020 |
|---|---|---|---|---|---|
| **Profit of the period** | | 225 845 331 | 74 508 948 | 123 555 885 | 43 685 641 |
| **Total other comprehensive income items for the period after income tax** | | - | - | - | - |
| **Total comprehensive income of the period** | | **225 845 331** | **74 508 948** | **123 555 885** | **43 685 641** |
| **Total comprehensive income is attributable to:** | | | | | |
| Equity holders of the company | | 222 595 073 | 72 124 838 | 122 127 383 | 42 118 599 |
| Non-controlling interests | (33) | 3 250 258 | 2 384 110 | 1 428 502 | 1 567 042 |
| **Total comprehensive income for the period** | | **225 845 331** | **74 508 948** | **123 555 885** | **43 685 641** |

* 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 ended June 30, 2021**

| EGP | Issued and paid in capital | Legal reserve | Special reserve-share premium | Retained earnings | Profit / (losses) from selling of treasury shares | Reserve for employee stock option plan | Total | Non-Controlling interests | Total equity |
|---|---|---|---|---|---|---|---|---|---|
| **Balance as at January 1, 2020 before adjustment** | **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** |
| Adjustments of early adopting new Egyptian accounting standards | - | - | - | (6 618 757) | - | - | (6 618 757) | - | (6 618 757) |
| **Balance as at January 1, 2020 after adjustment** | **1 396 715 488** | **213 930 055** | **1 410 926 940** | **2 339 257 592** | **1 725 456** | **23 772 451** | **5 386 327 982** | **58 804 134** | **5 445 132 116** |
| **Total comprehensive income** | | | | | | | | | |
| Net profit for the period | - | - | - | 72 124 838 | - | - | 72 124 838 | 2 384 110 | 74 508 948 |
| Other comprehensive income items | - | - | - | - | - | - | - | - | - |
| **Total comprehensive income** | **-** | **-** | **-** | **72 124 838** | **-** | **-** | **72 124 838** | **2 384 110** | **74 508 948** |
| **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 as at June 30, 2020 after adjustment** | **1 396 715 488** | **223 686 635** | **1 410 926 940** | **2 190 377 470** | **1 725 456** | **25 924 105** | **5 249 356 094** | **59 058 447** | **5 308 414 541** |
| **Balance as at December 31, 2020** | **1 424 789 472** | **223 686 635** | **1 382 852 956** | **2 954 919 721** | **1 725 456** | **21 528 566** | **6 009 502 806** | **62 982 621** | **6 072 485 427** |
| **Total comprehensive income for the year** | | | | | | | | | |
| Net profit for the period | - | - | - | 222 595 073 | - | - | 222 595 073 | 3 250 258 | 225 845 331 |
| Other comprehensive income items | - | - | - | - | - | - | - | - | - |
| **Total comprehensive income** | **-** | **-** | **-** | **222 595 073** | **-** | **-** | **222 595 073** | **3 250 258** | **225 845 331** |
| **Transactions with owners of the Company** | | | | | | | | | |
| Transferred to legal reserve | - | 1 154 136 | - | ( 1 154 136) | - | - | - | - | - |
| Dividends | - | - | - | ( 215 108 555) | - | 3 847 489 | ( 211 261 066) | - | ( 211 261 066) |
| Transferred to special reserve-share premium | - | - | 47 269 685 | - | - | - | 47 269 685 | - | 47 269 685 |
| Reserve for employee stock option plan | - | - | - | - | - | 10 584 658 | 10 584 658 | - | 10 584 658 |
| Excuted amounts of employees stock option plan | - | - | - | - | - | ( 15 366 856) | ( 15 366 856) | - | ( 15 366 856) |
| Dividends to non-controlling interests in subsidiaries | - | - | - | - | - | - | - | ( 4 996 247) | ( 4 996 247) |
| Selling of shares in subsidaries without change in control | - | - | - | - | - | - | - | 1 075 016 | 1 075 016 |
| Transferred to profit or loss - interest income on ESOP account | - | - | - | - | - | 510 316 | 510 316 | - | 510 316 |
| **Total transactions with owners of the Company** | **-** | **1 154 136** | **47 269 685** | **( 216 262 691)** | **-** | **( 424 393)** | **(168 263 263)** | **( 3 921 231)** | **(172 184 494)** |
| **Balance at June 30, 2021** | **1 424 789 472** | **224 840 771** | **1 430 122 641** | **2 961 252 103** | **1 725 456** | **21 104 173** | **6 063 834 616** | **62 311 648** | **6 126 146 264** |

* 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 ended**

| EGP | Note No | 30 June 2021 | Adjusted 30 June 2020 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Net profit for the period before tax | | 302 264 608 | 160 398 843 |
| **Adjustments for:** | | | |
| Depreciation of fixed assets , investment properties and Right in use assets | (25) ، (29) ، (30) | 49 129 624 | 34 836 863 |
| Capital loss | (11) | 2 114 | 3 642 |
| Interest on lease contract liabilities | (14) | 2 336 846 | 3 073 896 |
| Return on investments at amortized cost | (13) | ( 43 150 273) | ( 87 975 357) |
| Impairment loss of debtors, trade receivables and loans to joint ventures | | - | - |
| Credit intersest for the amount for bonus and incentive plan set aside | | 510 316 | - |
| Impairement in associates & joint ventures | | 377 843 | - |
| Provisions formed | (40) | 61 660 047 | 4 568 968 |
| Provisions no longer required | (40) | ( 15 700) | - |
| Reversal of impairment of property, plant and equipment | (8) | ( 911 295) | ( 911 295) |
| Expected credit loss | (12) | 1 343 619 | 2 317 841 |
| Employees stock option plan expense in shares | (10) | 10 584 658 | - |
| **Changes in:** | | | |
| Inventory | | ( 6 387 772) | ( 1 076 132) |
| Completed units ready for sale | | ( 576 839) | ( 46 848 880) |
| Works in process | | ( 490 002 385) | ( 1 241 607 545) |
| Trade and notes receivables | | 39 839 492 | 98 923 076 |
| Debtors and other debit balances | | ( 99 117 840) | 8 555 848 |
| Loans to joint ventures | | ( 979 569) | ( 492 394) |
| Provisions used | (40) | ( 54 790 971) | ( 39 899 182) |
| Advances - from customers | | 690 157 828 | 765 029 486 |
| Contractors, suppliers and notes payable | | ( 110 238 962) | 27 128 169 |
| Creditors and other credit balances & NUCA | | ( 42 774 846) | 83 561 972 |
| Paid income tax | | ( 279 589 585) | ( 247 812 332) |
| Restricted cash | | ( 218 424) | ( 16 396 018) |
| **Net cash generated from / (used in) operating activities** | | **29 452 534** | **(494 620 531)** |
| **Cash flows from investing activities** | | | |
| Payments for purchase of fixed assets, projects under construction | | ( 30 468 018) | ( 28 669 036) |
| Payments for investments properties under development | | ( 248 016 946) | - |
| Payments for investments at amortized cost | | ( 1 091 161 273) | ( 634 768 330) |
| Proceeds from sale of investments in subsidaries without control change | | 1 747 570 | - |
| Proceeds from investments at amortized cost | | 1 161 789 579 | 1 137 087 300 |
| Payment for operating lease contracts liabilities | | ( 11 765 789) | ( 8 148 552) |
| Proceeds from sale of fixed assets | | 77 001 | 63 002 |
| **Net cash (used in) / generated from investing activities** | | **( 217 797 876)** | **465 564 384** |
| **Cash flows from financing activities** | | | |
| Proceeds banks - credit facilities | | 2 721 814 | 2 570 035 |
| Proceeds from loans | | 175 164 408 | 132 616 000 |
| Dividends to non-controling interests | | ( 4 996 247) | ( 2 129 797) |
| Proceeds from bounce, stock option and incentive plan | | 33 065 905 | - |
| Dividends paid | | (211 261 066) | ( 208 856 352) |
| **Net cash (used in) from financing activities** | | **(5 305 186)** | **(75 800 114)** |
| **Net (decrease) in cash and cash equivalents** | | **( 193 650 528)** | **( 104 856 261)** |
| Cash and cash equivalents at January 1 | | 1 527 605 825 | 1 475 069 580 |
| **Cash and cash equivalents at June 30** | (24) | **1 333 955 297** | **1 370 213 319** |

* 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 interim consolidated financial statements**
**for the financial period ended June 30, 2021**

## 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, 2021 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.

## 2. Basis of preparation of consolidated interim financial statements

### Compliance with accounting standards and laws

- The consolidated 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 XX, 2021.
- Details of the Group's accounting policies are included in Note (53).

## 3. Functional and presentation currency

- The consolidated 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.

### A- Judgments

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognized in the financial statements is included in the following notes:

- Revenue recognition: revenue is recognized as detailed in the accounting policies applied.
- Equity-accounted investees (associates Companies): whether the Company has significant influence over an investee.
- Lease contracts classification.

### B- Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties at June 30, 2021 that might have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities in the next financial year is included in the following notes:

- Recognition and measurement of provisions and contingencies: key assumptions about the likelihood and magnitude of an outflow of resources.
- Measurement of ECL for cash at banks, trade and notes receivables and other financial assets.

**C- Measurement of fair values**

Certain number of the Company's accounting policies and disclosures require measurement of fair values, for both financial and non-financial assets and liabilities.

Accreditation is measured in the fair value of assets and liabilities mainly on available market data, and the data that is relied upon in the evaluation is classified according to the following hierarchy:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs of the quoted prices included in level (1) that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Company recognizes transfers between levels of the fair value hierarchy at the end of the financial year during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in the following notes:

- Share-based payments.
- Financial instruments.
- Investment properties

**5. Changes in significant accounting policies**

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.

On April 12, 2020 the Egyptian Financial Regulatory Authority has agreed to postpone the application of the new Egyptian Accounting Standards on the periodic financial statements that will be issued during the year 2020

On September 17, 2020, the Prime Minister issued Decree No. 1871 of 2020 to postpone applying the following Egyptian accounting standards to January 1st, 2021.

a) Egyptian Accounting Standard No.47 "Financial instruments"
b) Egyptian Accounting Standard No.48 "Revenue from Contracts with Customers"
c) Egyptian Accounting Standard No. 49 "Lease contracts"

- The Group management has decided to early adopt Egyptian Accounting Standard No. 47 "Financial instruments", Egyptian Accounting Standard No. 48 "Revenue from Contracts with Customers", and Egyptian Accounting Standard No. 49 "Lease contracts "from January 1, 2020.

## 6. Real estate sales

The Group's operations are considered to fall into one broad class of business, sale of real estate units 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 30/06/2021 EGP | Adjusted For the period ended 30/06/2020 EGP |
|---|---|---|
| Revenues from the sale of Sodic projects in West Cairo | 611 921 431 | 308 125 204 |
| Revenues from the sale of Sodic projects in East Cairo | 1 000 560 610 | 685 285 650 |
| Revenues from the sale of Sodic projects in North Coast | 43 085 124 | 25 510 109 |
| | **1 655 567 165** | **1 018 920 963** |
| Sales returns | (24 313 236) | (14 850 268) |
| | **1 631 253 929** | **1 004 070 695** |
| Interest income realized from installments during the period | 91 242 318 | 102 227 967 |
| Discount for early payments | (53 888 104) | (22 178 569) |
| | **1 668 608 143** | **1 084 120 093** |

- Includes an amount of EGP 145 972 373 representing the financial component on installments collected from customers of delivered units prior to delivery in compliance with the Egyptian accounting standard No. 48.

## 7. Cost of real estate sold

| | For the period ended 30/06/2021 EGP | Adjusted For the period ended 30/06/2020 EGP |
|---|---|---|
| Cost of sales of Sodic projects in West Cairo (*) | 369 191 719 | 220 940 486 |
| Cost of sales of Sodic projects in East Cairo | 642 844 506 | 472 443 230 |
| Cost of sales of Sodic projects in North Coast | 29 840 815 | 19 390 942 |
| | **1 041 877 040** | **712 774 658** |
| Cost of Sales returns | (11 912 156) | (5 848 882) |
| | **1 029 964 884** | **706 925 776** |

- Includes an amount of EGP 145 972 373 representing the capitalized interest on installments collected from customers of delivered units.

(*) Includes an amount of EGP 18 149 450 representing the adjustment to the cost of land for SODIC West El Sheikh Zayed plot as shown in detail in note (19).

## 8. Other operating revenues

| | For the period ended 30/06/2021 EGP | Adjusted For the period ended 30/06/2020 EGP |
|---|---|---|
| Delay penalties and cancellations | 34 982 277 | 24 412 667 |
| Other income | 11 443 899 | 5 597 430 |
| Reversal of impairment of property, plant and equipment | 911 295 | 911 294 |
| Provisions no longer required | 15 701 | - |
| | **47 353 172** | **30 921 391** |

## 9. Selling and marketing expenses

| | For the period ended 30/06/2021 EGP | Adjusted For the period ended 30/06/2020 EGP |
|---|---|---|
| Salaries and wages | 30 804 318 | 25 602 877 |
| Sales commissions | 54 411 543 | 29 866 058 |
| Advertising expenses | 44 309 706 | 32 476 956 |
| Conferences, exhibitions and events | 6 624 378 | 8 343 285 |
| Rent | 893 498 | 91 456 |
| Maintenance, cleaning and agriculture | 2 029 729 | 493 501 |
| Travel, transportation and cars | 52 589 | 356 733 |
| Professional and consultants' fees | 2 422 768 | 2 750 323 |
| Tips and gifts | 1 910 538 | 2 929 763 |
| Depreciation & amortization | 7 892 948 | 7 386 135 |
| Employees vacations | 387 831 | 412 546 |
| Fees and stamps | 2 196 470 | 2 334 765 |
| Printing and photocopying | 754 189 | 2 232 572 |
| Other | 1 607 844 | 2 047 115 |
| | **156 298 349** | **117 324 085** |

## 10. General and administrative expenses

| | For the period ended 30/06/2021 EGP | Adjusted For the period ended 30/06/2020 EGP |
|---|---|---|
| Salaries, wages and bonuses (10-1) | 78 200 811 | 64 227 061 |
| Board of Directors' remunerations and allowances | 3 609 000 | 4 786 114 |
| Training, medical care, meals & uniforms | 5 561 796 | 13 565 990 |
| Employees Stock Option Plan (10-2) | 10 584 658 | - |
| Specific employees benefits | 5 623 188 | 2 278 830 |
| Maintenance, cleaning, agriculture, and security | 45 746 338 | 43 570 569 |
| Professional and consultancy fees | 17 157 929 | 11 277 645 |
| Advertising, exhibitions and conferences | 417 208 | 501 447 |
| Donations | 960 000 | 4 598 170 |
| Gifts and tips | 3 324 843 | 4 469 247 |
| Depreciation & amortization | 27 805 349 | 17 104 798 |
| Reception and hospitality | 722 381 | 944 681 |
| Stationery and computer supplies | 9 953 595 | 7 046 757 |
| Communication, electricity, telephone and water | 1 826 711 | 7 366 890 |
| Subscriptions and governmental dues | 4 939 445 | 2 971 514 |
| Rent | 3 705 721 | 1 250 224 |
| Travel and transportation | 1 455 514 | 2 301 199 |
| Bank charges | 2 250 618 | 4 286 636 |
| Employees vacations | 2 161 636 | 2 603 631 |
| Insurance installments | 1 246 357 | 662 311 |
| Contribution to Takaful system for health insurance | 4 190 050 | 2 230 414 |
| Property tax expense | 404 238 | - |
| Other | 4 567 474 | 4 004 188 |
| | **236 414 860** | **202 048 316** |

(10-1) this item includes salaries of the executive members of Board of Directors as follows:

| | For the period ended 30/06/2021 EGP | For the period ended 30/06/2020 EGP |
|---|---|---|
| Salaries | 7 280 607 | 6 705 530 |
| | **7 280 607** | **6 705 530** |

(10-2) Represents the fair value of the option granted at the grant date for beneficiaries of Employees Stock Option Plan granted to the executive board members and the directors as shown in note (49).

## 11. Other operating expenses

| | For the period ended 30/06/2021 | Adjusted For the period ended 30/06/2020 |
|---|---|---|
| | EGP | EGP |
| Provisions | 32 112 | - |
| Operating loss (*) | 13 180 871 | - |
| Capital losses | 2 114 | 3 642 |
| Impairment in associates & joint ventures | 377 844 | - |
| | **13 592 941** | **3 642** |

(*) This item represents the value of the incurred losses of Malaaz project, as a result of the transferring the subordination of project land in North Cost to the New Urban Communities Authority in accordance with the Presidential Decree No. 361 of 2020, which in turn amended the Master plan of the entire North Coast. Accordingly, the project land which was being prepared for Malaaz project were affected by the new plans, the costs were incurred during previous periods.

## 12. Charges of expected credit losses

| | For the period ended 30/06/2021 | Adjusted For the period ended 30/06/2020 |
|---|---|---|
| | EGP | EGP |
| Expected credit losses on loans to joints ventures | 979 569 | 492 394 |
| Expected credit losses on cash at banks | 13 349 | 12 215 |
| Expected credit losses on debtors & other debit balances | 350 701 | 1 813 232 |
| | **1 343 619** | **2 317 841** |

## 13. Finance income

| | For the period ended 30/06/2021 | For the period ended 2020/06/30 |
|---|---|---|
| | EGP | EGP |
| Interest income | 34 591 861 | 36 496 231 |
| Return on investment at amortized cost | 43 150 273 | 87 975 357 |
| Foreign exchange losses from balances denominated in foreign currencies | - | 1 942 063 |
| | **77 742 134** | **126 413 651** |

## 14. Finance cost

| | For the period ended 30/06/2021 EGP | Adjusted For the period ended 30/06/2020 EGP |
|---|---|---|
| Interest expense | 63 818 626 | 71 252 043 |
| Foreign exchange losses from balances denominated in foreign currencies | 1 186 008 | - |
| Interest on operating lease contracts | 2 336 846 | 3 073 896 |
| | **67 341 480** | **74 325 939** |

## 15. Income tax

### A- Items recognized in the profit or loss

| | For the period ended 30/06/2021 EGP | For the period ended 30/06/2020 EGP |
|---|---|---|
| Current income tax | 99 394 154 | 78 652 495 |
| Tax on Dividends | 397 637 | - |
| Deferred income tax (benefit) / expense | (23 372 514) | 7 237 400 |
| | **76 419 277** | **85 889 895** |

### B- Deferred tax assets and liabilities movement

**June 30, 2021**

| | Balance as at 1/1/2021 asset / (liability) EGP | Charged to profit or loss EGP | Balance as at 30/06/2021: Deferred tax resulted in asset EGP | Deferred tax resulted in (liability) EGP | Net deferred tax resulted in (Liability) / Asset EGP |
|---|---|---|---|---|---|
| Property, plant and equipment | (5 508 510) | 575 396 | - | (4 933 114) | (4 933 114) |
| Foreign exchange translation | (7 116 532) | 686 483 | - | (6 430 049) | (6 430 049) |
| Provisions | 72 483 459 | 1 538 318 | 74 021 777 | - | 74 021 777 |
| Deferred tax losses | 4 412 598 | 20 572 317 | 24 984 915 | - | 24 984 915 |
| Net | **64 271 015** | **23 372 514** | **99 006 692** | **(11 363 163)** | **87 643 529** |

**December 31, 2020**

| | Balance as at 1/1/2020 asset / (liability) EGP | Charged to profit or loss EGP | Balance as at 31/12/2020: Deferred tax resulted in asset EGP | Deferred tax resulted in (liability) EGP | Net deferred tax resulted in (Liability) / Asset EGP |
|---|---|---|---|---|---|
| Property, plant and equipment | (3 027 994) | (2 480 516) | - | (5 508 510) | (5 508 510) |
| Foreign exchange translation | (8 403 760) | 1 287 228 | - | (7 116 532) | (7 116 532) |
| Provisions | 39 768 444 | 32 715 015 | 72 483 459 | - | 72 483 459 |
| Deferred tax losses | - | 4 412 598 | 4 412 598 | - | 4 412 598 |
| Net | **28 336 690** | **35 934 325** | **76 896 057** | **(12 625 042)** | **64 271 015** |

**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 30/06/2021 EGP | For the period ended 30/06/2020 EGP |
|---|---|---|
| Profit before income taxes | 302 264 608 | 160 398 843 |
| Tax rate | **22.50%** | **22.50%** |
| Income tax using the domestic corporation tax rate | **68 009 537** | **36 089 740** |
| Effects of loss brackets | 23 125 991 | 39 376 070 |
| Non- deductible expenses / income | 9 548 736 | (851 333) |
| Provisions | (1 538 318) | 7 730 244 |
| Foreign exchange | (686 483) | 120 605 |
| Special tax pool (treasury bills) | (1 078 757) | 2 199 384 |
| Depreciation of assets | (575 396) | (613 449) |
| Deferred Tax losses | (20 572 317) | - |
| Tax adjustment related to prior years | 186 284 | 1 838 634 |
| Tax as per consolidated income statement | **76 419 277** | **85 889 895** |
| Effective tax rate | **25.28%** | **53.55%** |

**E- Unrecognized deferred tax assets**

| | 30/06/2021 EGP | 31/12/2020 EGP |
|---|---|---|
| Temporary deductible differences | 133 089 430 | 133 089 430 |
| Tax losses carried forward | 17 785 082 | 17 785 082 |
| | **150 874 512** | **150 874 512** |

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.

## 16. Earnings per share

**A- Consolidated Earnings per share**

Earnings per share as at June 30, 2021, is calculated based on the group's share in earnings for the year using the weighted average number of outstanding shares during the period as follows:

| | For the period ended 30/06/2021 EGP | For the period ended 30/06/2020 EGP |
|---|---|---|
| Net profit for the year (parent company share) | 222 595 073 | 72 124 838 |
| Employees share of profit | - | - |
| Board of directors' remunerations | - | - |
| Employees and board of directors share in subsidiaries and associates companies | - | - |
| | **222 595 073** | **72 124 838** |
| Weighted average number of shares outstanding during the year (*) | 356 197 368 | 356 197 368 |
| **Earnings per share (EGP / share)** | **0.62** | **0.20** |

**B- Separate Earnings per share**

Earnings per share as at June 30, 2021, is calculated based on the Parent Company's share in earnings for the period according to the separate financial statements using the weighted average number of outstanding shares during the year as follows:

| | For the period ended 30/06/2021 EGP | For the period ended 30/06/2020 EGP |
|---|---|---|
| Net profit or the year (according to the separate financial statements) | (84 733 334) | (172 073 672) |
| Employees share of profit | - | - |
| Board of directors' remunerations | - | - |
| | **(84 733 334)** | **(172 073 672)** |
| Weighted average number of shares outstanding during the year (*) | 356 197 368 | 356 197 368 |
| **Earnings / per share (EGP / share)** | **(0.24)** | **(0.48)** |

(*) The average number of shares outstanding was calculated taking into account the increase in the issued share capital by LE 28 073 948 distributed over the number of 7 018 496 shares to the beneficiaries of the employees stock option plan, which were registered in the Company's Commercial Register on 23 December 2020.

## 17. Inventory

| | 30/06/2021 EGP | 31/12/2020 EGP |
|---|---|---|
| Maintenance, operation and communication supplies | 14 264 166 | 7 876 394 |
| | **14 264 166** | **7 876 394** |

## 18. Completed units ready for sale

| | 30/06/2021 EGP | 31/12/2020 EGP |
|---|---|---|
| Cost of completed units | 70 219 802 | 69 642 963 |
| | **70 219 802** | **69 642 963** |

## 19. Work in process

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

| | 30/06/2021 EGP | 31/12/2020 EGP |
|---|---|---|
| West Cairo projects costs (19-1) | 9 215 188 396 | 8 641 911 634 |
| East Cairo projects costs | 6 032 870 203 | 5 491 001 322 |
| North Coast projects costs (19-2) | 200 686 172 | 242 170 738 |
| | **15 448 744 771** | **14 375 083 694** |

- Includes an amount of EGP 1 117 213 684 representing the value of capitalized interest on installments collected from customers.

**(19-1) 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 268 million representing the present value at inception 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 6 412 467 671 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 (36).

**(19-2) 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 Alammar Company for Urban Expansion for the land plot of approximately 197 acres (the second plot).

Accordingly, SODIC 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 December 31, 2020 amounted to EGP 52.6 million.

– According to the Presidential Decree No. 361 of 2020, Malaaz project land subordination has transferred to the New Urban Communities Authority, which in turn amended the Master plan of the entire North Coast. Accordingly, the project land which was being prepared for Malaaz project were affected by the new plans, the legal procedures for transferring the subordination of the project to the New Urban Communities Authority are in process (Note 11)

## 20. Trade and notes receivable

### 20-1 Trade and notes receivable current

| | 30/06/2021 EGP | 31/12/2020 EGP |
|---|---|---|
| Trade receivable | 211 799 207 | 163 874 928 |
| Notes receivable – units * | 1 059 211 666 | 1 097 831 315 |
| Trade receivable – others | 12 814 834 | 13 831 523 |
| | **1 283 825 707** | **1 275 537 766** |
| **Deduct:** | | |
| Unamortized interest – notes receivable | 46 370 101 | 55 037 010 |
| | **1 237 455 606** | **1 220 500 756** |
| **Deduct**: | | |
| Expected credit losses on trade and notes receivable | 2 330 649 | 2 330 649 |
| | **1 235 124 957** | **1 218 170 107** |

* The balance of notes receivable - units, represents the value of notes receivables received from real estate delivered units customers that are due within 12 months from the date of the financial position.

### 20-2 Trade and notes receivable non-current

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

| | 30/06/2021 EGP | 31/12/2020 EGP |
|---|---|---|
| Receivables | 6 565 572 | 7 381 016 |
| Notes receivable – units' installments * | 880 492 241 | 958 428 519 |
| | **887 057 813** | **965 809 535** |
| **Deduct:** | | |
| Unamortized interest | 149 410 203 | 171 367 583 |
| | **737 647 610** | **794 441 952** |

* The balance of notes receivable - units, represents the value of notes receivables received from real estate delivered units customers that are due after 12 months from the date of the financial position.

- Notes receivables not included in the financial statements amounting to EGP 13.91 billion have been disclosed in note No. (47)

The Group's exposure to credit, and currency risks related to trade and notes receivable is disclosed in note No. (43).

## 21. Debtors and other debit balances

| | 30/06/2021 EGP | 31/12/2020 EGP |
|---|---|---|
| Contractors and suppliers – advance payments | 723 007 836 | 773 630 738 |
| Due from related parties – Joint Venture | 35 191 620 | 35 191 620 |
| Accrued Revenues | 96 915 715 | 80 517 996 |
| Due from related parties | 3 651 669 | 3 651 669 |
| Prepaid expenses and sales commissions | 618 769 601 | 549 700 686 |
| Deposits with others | 18 437 790 | 16 638 899 |
| Tax Authority | 41 869 578 | 68 216 743 |
| Due from the bonus and incentives plan to employees and managers fund | 7 269 695 | 4 235 615 |
| Heliopolis Development and Housing Company (21-1) | 228 532 600 | 228 532 600 |
| Bank accounts – Joint arrangements (21-2) | 24 983 875 | 29 460 643 |
| Bank current accounts & deposits - Maintenance (21-3) | 1 330 528 912 | 1 271 821 718 |
| Debtors from projects maintenance | 32 520 130 | 25 332 873 |
| Other debit balances | 20 744 780 | 13 527 150 |
| | **3 182 423 801** | **3 100 458 950** |
| **Deduct: -** | | |
| Expected credit losses on debtors and other debit balances | 105 388 776 | 105 038 074 |
| | **3 077 035 025** | **2 995 420 876** |

(21-1) 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).

The board of directors, in its session held on August 11, 2020, has agreed to amend the terms and conditions of the co-development contract with Heliopolis Housing and Development Company, including the amendment of the minimum guarantee according to the co-development contract by increasing the minimum guarantee, rescheduling the annual payments taking into consideration reducing the scheduled payments required of the company during the next five years while maintaining the same present value and the overall time period of the reimbursements, the board decided to delegate the managing director to negotiate and sign on behalf of company all the documents and contracts necessary in this regard

(21-2) 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

(21-3) the balance represents maintenance deposits collected from customers, which have been invested in time deposits and interest-bearing current accounts for the purpose of financing the regular maintenance expenses related to the delivered units, and cannot be used for any other purpose.

The Group's exposure to credit and currency risks related to debtors and other debit balances is disclosed in note No. (43).

## 22. Loans to joint ventures

| | 30/06/2021 EGP | 31/12/2020 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 September 30, 2011. The loan was renewed with an interest rate of 12.5% per annum. | 135 485 961 | 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 8 476 656. The loan carries an interest rate of 8.5% per annum. | 66 016 619 | 65 037 051 |
| | **201 502 580** | **200 523 011** |
| **Deduct**: **-** | | |
| Expected credit loss on loans to joint ventures | 201 502 580 | 200 523 011 |
| | - | - |

## 23. Financial Investments at amortized cost

| | 30/06/2021 EGP | 31/12/2020 EGP |
|---|---|---|
| Treasury bills at par value | 665 300 000 | 692 125 000 |
| Unearned return on treasury bills | (17 991 051) | (17 338 018) |
| | **647 308 949** | **674 786 982** |

The Group's exposure to market & interest risk related to the trading investments is disclosed in note No. (43).

## 24. Cash and cash equivalents

| | 30/06/2021 EGP | 31/12/2020 EGP |
|---|---|---|
| Bank - time deposits * | 677 760 577 | 676 735 760 |
| Bank - current accounts | 649 454 015 | 848 430 721 |
| Checks under collection | 9 079 627 | 6 211 241 |
| Cash on hand | 6 157 990 | 4 506 591 |
| | **1 342 452 209** | **1 535 884 313** |
| Expected credit loss | (199 609) | (186 259) |
| | **1 342 252 600** | **1 535 698 054** |

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

| | 30/06/2021 EGP | 31/12/2020 EGP |
|---|---|---|
| Cash and cash equivalents before ECL | 1 342 452 209 | 1 535 884 313 |
| **Less:** | | |
| Restricted Deposits * | 8 496 912 | 8 278 488 |
| **Cash and cash equivalents in the consolidated statement of cash flows** | **1 333 955 297** | **1 527 605 825** |

* Deposits include an amount of EGP 8.4 Million restricted as a guarantee for the credit facility granted to the Parent Company and one of its subsidiaries from commercial banks.

The Group's exposure to interest rate risk and currency risk for cash on hands and at banks which is disclosed in note No. (43).

**25 - Property, plant and 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 Januaray 1, 2020** | **93 628 961** | **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 year | - | - | 244 460 534 | 12 570 742 | 36 528 090 | 1 405 041 | 6 184 066 | 2 887 032 | 25 169 798 | 10 822 796 | 5 023 908 | 345 052 007 |
| Disposals during the year | - | ( 8 495 157) | - | ( 16 318) | ( 841 576) | ( 191 947) | ( 344 498) | - | ( 226 146) | - | ( 409 923) | ( 10 525 565) |
| **Cost at December 31, 2020** | **93 628 961** | **49 259 994** | **439 107 087** | **48 463 954** | **71 076 012** | **3 486 922** | **47 328 819** | **20 288 202** | **59 473 211** | **11 218 810** | **76 084 275** | **919 416 247** |
| **Cost at Januaray 1, 2021** | **93 628 961** | **49 259 994** | **439 107 087** | **48 463 954** | **71 076 012** | **3 486 922** | **47 328 819** | **20 288 202** | **59 473 211** | **11 218 810** | **76 084 275** | **919 416 247** |
| Additions during the period | - | - | 6 059 862 | 5 809 545 | 707 394 | - | 2 904 894 | 298 024 | 6 294 153 | - | 539 161 | 22 613 033 |
| Disposals during the period | - | - | - | - | ( 102 991) | - | ( 1 440) | - | ( 186 730) | - | ( 71 629) | ( 362 790) |
| **Cost at June 30, 2021** | **93 628 961** | **49 259 994** | **445 166 949** | **54 273 499** | **71 680 415** | **3 486 922** | **50 232 273** | **20 586 226** | **65 580 634** | **11 218 810** | **76 551 807** | **941 666 490** |
| Accumulated depreciation and imparment losses | | | | | | | | | | | | |
| **Accumulated depreciation and impairment losses at January 1, 2020** | **93 628 961** | **-** | **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 year | 1 822 589 | - | 10 280 992 | 5 264 081 | 3 121 715 | 851 854 | 7 320 595 | 3 369 169 | 4 507 963 | 377 921 | 13 705 938 | 50 622 817 |
| Accumulated depreciation of disposals during the year | - | - | - | ( 16 318) | ( 528 711) | ( 191 947) | ( 208 274) | - | ( 225 521) | - | ( 397 737) | ( 1 568 508) |
| Reversal of impairment losses during the year | ( 1 822 589) | - | - | - | - | - | - | - | - | - | - | ( 1 822 589) |
| **Accumulated depreciation and impairment losses at December 31, 2020** | **93 628 961** | **-** | **56 221 479** | **26 651 112** | **26 509 600** | **1 628 982** | **31 336 672** | **16 339 964** | **30 564 375** | **409 474** | **54 715 440** | **338 006 059** |
| **Accumulated depreciation and impairment losses at January 1, 2021** | **93 628 961** | **-** | **56 221 479** | **26 651 112** | **26 509 600** | **1 628 982** | **31 336 672** | **16 339 964** | **30 564 375** | **409 474** | **54 715 440** | **338 006 059** |
| Depreciation during the period | 911 295 | - | 11 293 988 | 3 536 431 | 5 399 148 | 505 011 | 3 314 595 | 1 069 307 | 4 672 551 | 224 376 | 6 351 696 | 37 278 398 |
| Accumulated depreciation of disposals during the period | - | - | - | - | ( 101 096) | - | ( 1 439) | - | ( 109 821) | - | ( 71 321) | ( 283 677) |
| Reversal of impairment losses during the period | ( 911 295) | - | - | - | - | - | - | - | - | - | - | ( 911 295) |
| **Accumulated depreciation and impairment losses at June 30, 2021** | **93 628 961** | **-** | **67 515 467** | **30 187 543** | **31 807 652** | **2 133 993** | **34 649 828** | **17 409 271** | **35 127 105** | **633 850** | **60 995 815** | **374 089 485** |
| Carrying amount | | | | | | | | | | | | |
| **Carrying amount At January 1, 2020** | **-** | **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 December 31, 2020** | **-** | **49 259 994** | **382 885 608** | **21 812 842** | **44 566 412** | **1 857 940** | **15 992 147** | **3 948 238** | **28 908 836** | **10 809 336** | **21 368 835** | **581 410 188** |
| **Carrying amount At June 30, 2021** | **-** | **49 259 994** | **377 651 482** | **24 085 956** | **39 872 763** | **1 352 929** | **15 582 445** | **3 176 955** | **30 453 529** | **10 584 960** | **15 555 992** | **567 577 005** |

- **Fixed assets included fully depreciated assets amounted to EGP 109 286 701 at June 30,2021.**

## 26. Projects under construction

This item is represented as follows:

| | 30/06/2021<br>EGP | 31/12/2020<br>EGP |
|---|---|---|
| Advance payments -fixtures and purchasing of fixed assets | 3 306 687 | 4 774 924 |
| Administrative buildings and caravans under construction | 17 827 732 | 9 502 504 |
| Hotels buildings under constructions | 121 495 185 | 120 497 191 |
| | **142 629 604** | **134 774 619** |

## 27. Investment properties under development

This item represents the value of real estate investments under development that have been re-presented from the accounts of projects in progress and work in progress, as the group management has decided to lease those real estate units upon completion instead of selling them as follows:

| | 30/06/2021<br>EGP | 31/12/2020<br>EGP |
|---|---|---|
| **Leasable real estates under development in: -** | | |
| Projects in West Cairo | 1 157 148 049 | 1 068 418 677 |
| Projects in East Cairo | 1 194 095 164 | 1 034 807 590 |
| | **2 351 243 213** | **2 103 226 267** |

## 28. Investments in associates and joint ventures

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

| | Legal Form | Ownership Percentage | | Carrying amount | |
|---|---|---|---|---|---|
| | | 30/06/2021<br>% | 31/12/2020<br>% | 30/06/2021<br>EGP | 31/12/2020<br>EGP |
| Royal Gardens for Investment Property Co. | SAE | 20 | 20 | - | 377 843 |
| Palmyra SODIC Real Estate Development **(A)** | Syrian Ltd. | 50 | 50 | - | - |
| | | | | **-** | **377 843** |

Summary of financial information of associates and joint ventures: -

| | **Assets** **EGP In thousands** | **Liabilities** **EGP In thousands** | **Equity** **EGP In thousands** | **Foreign translation** **EGP In thousands** | **Revenues** **EGP In thousands** | **Expenses** **EGP In thousands** |
|---|---|---|---|---|---|---|
| **December 31, 2019** | | | | | | |
| Royal Gardens for Real Estate Investments Co. | 156 194 | (159 464) | 3 270 | - | (1 048) | 6 220 |
| **December 31, 2018** | | | | | | |
| Royal Gardens for Real Estate Investments Co. | 153 061 | (151 172) | (1 889) | - | (7 584) | 12 217 |
| **December 31, 2019** | | | | | | |
| Palmyra SODIC Real Estate Development **(A)** | 44 242 | (2 166 683) | 2 122 441 | 1 088 698 | - | 980 |
| **December 31, 2018** | | | | | | |
| Palmyra SODIC Real Estate Development **(A)** | 130 216 | (1 113 822) | 983 606 | 55 683 | - | 4 257 |

**(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.

## 29. Investment properties

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

| Description | Leased out EGP |
|---|---|
| **Cost** | |
| **At January 1, 2020** | **138 602 679** |
| Additions during the year | 27 811 322 |
| **At December 31, 2020** | **166 414 001** |
| **At January 1, 2021** | **166 414 001** |
| Additions during the period | 26 347 946 |
| **At June 30, 2021** | **192 761 947** |
| **Less** | |
| **Accumulated depreciation** | |
| **At January 1, 2020** | **20 884 149** |
| Depreciation for the year | 7 601 486 |
| **At December 31, 2020** | **28 485 635** |
| **At January 1, 2020** | **28 485 635** |
| Depreciation for the period | 4 478 311 |
| **At June 30, 2021** | **32 963 946** |
| **Net carrying amount as at January 1, 2020** | **117 718 530** |
| **Net carrying amount as at December 31, 2020** | **137 928 366** |
| **Net carrying amount as at June 30, 2021** | **159 798 001** |

- The fair value of investment properties leased out to others amounted to EGP 855 million as at June 30, 2021.

## 30. Right of use assets and liabilities

### 30-1 Right of use – assets

This item represents the right of use resulting from lease contracts of sales offices, employees housing, software and photocopier as follows:

| **Cost** | **EGP** |
|---|---|
| **At January 1, 2021** | 87 727 986 |
| Additions during the period | 284 109 |
| Disposal during the period | (4 134 044) |
| **At June 30, 2021** | **83 878 051** |
| **Less** | |
| **Accumulated amortization** | |
| **At January 1, 2021** | 33 231 353 |
| Amortization for the year | 7 372 915 |
| Accumulated amortization of disposals | (3 129 661) |
| **At June 30, 2021** | **37 474 607** |
| **Net carrying amount as at January 1, 2021** | **54 496 633** |
| **Net carrying amount as at June 30, 2021** | **46 403 444** |

### 30-2 Lease contract liabilities

Present value of the total liabilities resulted from lease contracts are as follows:

| | **30/06/2021** | **31/12/2020** |
|---|---|---|
| | **EGP** | **EGP** |
| Lease contract liabilities | 61 320 180 | 73 851 164 |
| Unamortized interests | (10 308 180) | (12 689 947) |
| **Net present value of lease contract liabilities** | **51 012 000** | **61 161 217** |
| **Less** | | |
| Short-term lease liabilities | 11 728 169 | 14 251 473 |
| **Long-term lease liabilities** | **39 283 831** | **46 909 744** |

## 31. Share capital and reserves

### 31-1 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 board of directors have decided on the meeting dated September 7, 2020 to increase the issued capital from EGP 1 396 715 488 to become EGP 1 424 789 472 by an amount of EGP 28 073 984 divided on 7 018 496 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 fourth and fifth 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, an invitation was made to held a general assembly meeting on November 1, 2020 to consider amending article 6 and 7 of the company statutes, The commercial register was modified on December 23, 2020.

- The current capital structure for the holding company:

| **Shareholder** | **Number of shares** | **Share value** | **Ownership percentage** |
|---|---|---|---|
| | | **EGP** | **%** |
| Act Financial for Consulting SAE (and related parties) | 60 476 000 | 241 904 000 | 16.98 |
| Olayan Saudi Investment Company. | 48 331 696 | 193 326 784 | 13.57 |
| RA Six Holdings Limited | 31 992 544 | 127 970 176 | 8.98 |
| Walid Suleiman Abdelmohsen Abanumay (and | 30 199 017 | 120 796 068 | 8.48 |
| Rimco EGT Investment LLC | 25 484 739 | 101 938 956 | 7.15 |
| EKUITY Holding for Investments | 17 615 408 | 70 461 632 | 4.95 |
| Other shareholders | 142 097 964 | 568 391 856 | 39.89 |
| | **356 197 368** | **1 424 789 472** | **100** |

**31-2 Legal Reserve**

The balance as at June 30, 2021 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 |
| Increase in legal reserve by 5% of 2021 net profit. | 1 154 136 |
| **Deduct:** | |
| The amount used to increase the issued share capital during 2011. | 2 |
| | **224 840 771** |

**31-3 Special reserve – share premium**

The balance as at June 30, 2021 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 |
| Share premium for issuing 3 273 263 shares which were transferred from the shares set aside for the Employees Stock Option Plan during 2019 as a result of execution | 18 508 880 |
| The value received from the sale of 3 566 980 shares which had been sold by beneficiaries of the Employees Stock Option Plan during year 2021 by average EGP 9.27 per share. | 33 065 905 |
| Share premium for issuing 3 566 980 shares which were transferred from the shares set aside for the Employees Stock Option Plan during 2021 as a result of execution | 14 203 780 |
| **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 |
| Amount used for share capital increase during 2020 | 28 073 984 |
| | **1 430 122 641** |

## 32. 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.

## 33. Non-controlling interest

Non-controlling interest balance as at June 30, 2021, represents the interest shares in subsidiary's equity as follows:

| | Non-controlling interest | | | | |
|---|---|---|---|---|---|
| | **Percentage** | **Profit / (loss) for the period** | **excluding profit / (loss) for the period** | **Balance as of 30/06/2021** | **Balance as of 31/12/2020** |
| | % | **EGP** | **EGP** | **EGP** | **EGP** |
| Sixth of October for Development and Real Estate Projects Co. "SOREAL" | 0.01 | 17 000 | 277 276 | 294 276 | 277 276 |
| Beverly Hills for Management of Cities and Resorts Co. (33-1) | 55.54 | 1 063 568 | 29 778 680 | 30 842 248 | 28 703 663 |
| SODIC Garden City for Development and Investment Co. (33-2) | 50 | 2 168 622 | 28 977 512 | 31 146 134 | 33 973 760 |
| Al Yosr for Projects and Real Estate Development Co. | 0.001 | 122 | 24 747 | 24 869 | 24 747 |
| SODIC for Development and Real Estate Investment Co. | 0.001 | - | 20 | 20 | 20 |
| Edara for Services of Cities and Resorts Co. | 0.003 | 946 | 3 151 | 4 097 | 3 151 |
| Fourteen for Real Estate Investment Co. | 0.004 | - | 2 | 2 | 2 |
| La Maison for Real Estate Investment Co. | 0.004 | - | 2 | 2 | 2 |
| | | **3 250 258** | **59 061 390** | **62 311 648** | **62 982 621** |

(33-1) The Group soled during the period 1 775 468 of its shares in Beverly Hills for Management of Cities and Resorts Co, without affecting the Group control , this resulted in increasing the non-controlling interest by an amount of EGP 1 075 016 and reducing returned earnings by the same amount

(33-2) The Group distributed dividends during the period amounted to EGP 4 996 247 to the non-controlling interest of SODIC Garden City for Development and Investment Co.

## 34. Long-term loans

| | 30/06/2021 EGP | 31/12/2020 EGP |
|---|---|---|
| On April 4, 2017, Sixth of October for Development and Investment Company "SODIC" singed 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:<br>– First tranche amount of EGP 243 Million to finance the total debt outstanding due to group of banks represented by Arab African International Bank.<br>– Second tranche amount of EGP 1 057 Million to finance "SODIC West" projects located in Kilo 38 Cairo/Alex desert road -Giza- Egypt.<br>**Guarantees:**<br>– 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".<br>– 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.<br>– Promissory note from the Company (the borrower).<br>**Grace period:**<br>Thirty months from the date of the signature, or September 30, 2019, which is earlier, and this period shall apply to the principal of loan only.<br>**Repayment:**<br>Commenced on September 30, 2019, and repayable in (14) quarterly unequal installments. | 1 099 021 749 | 1 099 021 749 |
| On August 30, 2017, Sixth of October for Development and Investment Company "SODIC" singed 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.<br>**Guarantees:**<br>– The Company committed to deposit all revenues from the sale of the project.<br>– The Company shall sign a mortgage and a first-degree right of transfer on the project in favor of the bank.<br>– The Company shall get insurance cover 110% the project's constructions in favor of the bank.<br>**Grace period**:<br>Three years and six months applied on the principal of the loan only from the date of first drawdown.<br>**Repayment:**<br>Commences on March 2021, and repayable in (13) quarterly unequal installments. | 348 000 000 | 348 000 000 |
| **After** | **1 447 021 749** | **1 447 021 749** |

| | 30/06/2021<br>EGP | 31/12/2020<br>EGP |
|---|---|---|
| **Before** | **1 447 021 749** | **1 447 021 749** |
| On December 26, 2019, a Company's subsidiary singed 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.<br>**Guarantees:**<br>– The Company committed to deposit all revenues from the project.<br>– 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<br>– The Company shall get insurance cover 110% the project's constructions in favor of the bank | 285 000 000 | 234 835 592 |
| On September 20, 2020, a Company's subsidiary signed a medium-term facility agreement with the Arab African International Bank in its capacity as the first lender, principal arranger, bank account, facilitating agent and guarantee agent for the purpose of obtaining a loan of 2.57 billion Egyptian pounds on two tranches , tranche (A) at an amount of 620 million Egyptian pounds To refinance the outstanding debt of the Arab African International Bank, and tranche (B), at an amount of 1.95 billion Egyptian pounds, to finance the cost of completing and developing the project through a financing model for real estate development<br>Guarantees:<br>- Mortgaging project accounts in favor of the escrow agent<br>- Issuing a power of attorney in favor of the guarantee agent authorizing the guarantee agent to pledge the unsold and recovered project units immediately after the start of the project.<br>- Issuing a power of attorney in favor of the guarantee agent authorizing the guarantee agent to sell the unsold and recovered units of the project immediately after starting the implementation of the project and starting customers reservations<br><br>Availability period:<br>- Tranche (A) from the date of signing the agreement and ended on (November 30, 2020) or completing the process of refinancing the existing debt to the Arab African International Bank, whichever is sooner<br>- Tranche (B) starts from the date of the end of the availability period for Tranche A and ends on December 31, 2022<br><br>Grace period:<br>Starting from the date of the first withdrawal and ending on March 31, 2023, this period applies to the principal amount of the loan only<br><br>Repayment:<br>Starts immediately after the end of the availability period and is paid over 18 quarterly installments ending in year 2027 | 701 521 033 | 574 136 585 |
| **After** | **2 433 542 782** | **2 255 993 926** |

| | 30/06/2021 EGP | 31/12/2020 EGP |
|---|---|---|
| **Before** | **2 433 542 782** | **2 255 993 926** |
| **Total** | **2 433 542 782** | **2 255 993 926** |
| **Deduct: current portion** | | |
| A medium-term loan from CIB- October Plaza | 43 500 000 | 69 600 000 |
| A medium-term loan from CIB - EDNC | 10 687 500 | - |
| A medium-term syndicated loan contract with group of banks represented by Arab African International Bank | 728 102 356 | 364 051 176 |
| **Total of current portion** | **782 289 856** | **433 651 176** |
| **Total of non-current portion** | **1 651 252 926** | **1 822 342 750** |

## 35. Creditors and notes payable

| | 30/06/2021 EGP | 31/12/2020 EGP |
|---|---|---|
| Creditors | - | 13 429 153 |
| | **-** | **13 429 153** |

The Company's exposure to credit risk related to long-term notes payable are disclosed in Note No. (43)

## 36. New Urban Communities Authority

| | 30/06/2021 EGP | 31/12/2020 EGP |
|---|---|---|
| New Urban Communities Authority | 13 796 268 213 | 13 846 865 698 |
| **Deduct:** Unamortized interest | 7 808 452 882 | 8 234 450 700 |
| | **5 987 815 331** | **5 612 414 998** |
| **Deduct:** Current portion | 229 284 641 | 262 491 314 |
| | **5 758 530 690** | **5 349 923 684** |

On March 21, 2019 a co-development agreement was signed between SODIC 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 to 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.

## 37. Advances - from customers

| | 30/06/2021 EGP | 31/12/2020 EGP |
|---|---|---|
| Advances – Projects in West Cairo | 2 466 780 307 | 2 012 837 379 |
| Advances – Projects in East Cairo (37-1) | 5 235 367 880 | 4 830 773 205 |
| Advances – Projects on the North Coast | 114 111 548 | 180 707 842 |
| Advances – Clubs Memberships | 609 432 840 | 555 005 278 |
| Advances for other group activities | 65 332 722 | 39 919 393 |
| | **8 491 025 297** | **7 619 243 097** |

- Includes an amount of EGP 1 117 213 684 representing the value of financial component on installments collected from customers.

(37-1) The balance of Advances – Projects in East Cairo includes an amount of EGP 1 191 611 303 which represents the net advances from customers of SODIC EAST project with a total value of EGP 1 603 644 474. The total value has been reduced by EGP 412 033 171, 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).

- Uncollected notes receivables for undelivered units, amounting to EGP 13.2 billion that are not included in the financial statements have been disclosed in note No. (47)

## 38. Contractors, suppliers and notes payable

| | 30/06/2021<br>EGP | 31/12/2020<br>EGP |
|---|---|---|
| Contractors | 354 547 121 | 410 330 403 |
| Suppliers | 29 871 946 | 29 143 222 |
| Notes payable | 157 521 292 | 212 705 696 |
| | **541 940 359** | **652 179 321** |

The Group's exposure to currency and liquidity risks related to suppliers, contractors and notes payable is disclosed in note No. (43).

## 39. Creditors and other credit balances

| | 30/06/2021<br>EGP | 31/12/2020<br>EGP |
|---|---|---|
| Amounts collected on account for management, operation and maintenance of projects * | 1 350 256 190 | 1 284 045 656 |
| Due to related parties | 146 909 | 146 909 |
| Accrued expenses | 43 308 992 | 166 076 811 |
| Customers - Beverly Hills – capital contributions | 14 202 687 | 15 838 370 |
| Customers – credit balances | 141 485 314 | 79 120 978 |
| Tax Authority – other than Income tax | 56 202 805 | 60 851 156 |
| Dividends payable | 424 881 | 240 374 |
| Accrued compensated absence | 10 804 846 | 7 284 403 |
| Insurance Deposits collected from customers – Against modifications | 3 983 563 | 3 950 700 |
| Social insurance - Contractors | 12 214 922 | 10 281 810 |
| Unearned revenue | 4 255 655 | 4 709 096 |
| Retentions | 103 439 628 | 94 342 459 |
| Due to beneficiaries from Incentive plan | 1 077 107 | 1 077 107 |
| Deposits from others | 68 683 907 | 55 249 308 |
| Creditors – investments properties under development | 29 260 861 | 28 801 717 |
| Sundry creditors short term | 11 345 761 | 17 152 826 |
| | **1 851 094 028** | **1 829 169 680** |

* Uncollected notes receivable for maintenance of undelivered units amounting to EGP 735 million, have been disclosed in note No. (47).

– The Group's exposure to currency and liquidity risks related to creditors is disclosed in note No. (43).

## 40. Provisions

### A- Provision for completion of works

| | Balance as at 1/1/2021 EGP | Formed during the year EGP | Used during the year EGP | Provisions no longer required during the year EGP | Balance as at 30/06/2021 EGP |
|---|---|---|---|---|---|
| Provision for completion of works * | 321 745 328 | 61 627 935 | (54 790 971) | - | 328 582 292 |
| | **321 745 328** | **61 627 935** | **(54 790 971)** | **-** | **328 582 292** |

* 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

### B- Claims provisions

| | Balance as at 1/1/2021 EGP | Formed during the year EGP | Used during the year EGP | Provisions no longer required during the year EGP | Balance as at 30/06/2021 EGP |
|---|---|---|---|---|---|
| Provision for expected claims | 14 675 732 | 32 112 | - | (15 700) | 14 692 144 |
| | **14 675 732** | **32 112** | **-** | **(15 700)** | **14 692 144** |

- The provision is formed 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.

## 41. Non - cash transactions

For the purpose of preparing the consolidated statement of cash flows for the financial year ended June 30, 2021, the effect of the following investment transactions was excluded as they are considered non - cash transactions:

| | EGP |
|---|---|
| The value of finished commercial units transferred to investment properties from WIP | 26 347 946 |
| The non-cash transaction of recognizing net present value adjustments of the land of the 500 acres project in Sheikh Zayed Extension | 425 997 818 |

## 42. 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.

## 43. 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.

**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.

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).

**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 2 570 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.

**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.

**43-1 Credit risk**

The carrying amount of financial assets represents the maximum exposure to credit risk as at June 30, 2021 as follows

| | Note No. | 30/06/2021 EGP | 31/12/2020 EGP |
|---|---|---|---|
| Receivables & Notes Receivables Long term | (20) | 737 647 610 | 794 441 952 |
| Receivables & Notes Receivables Short term | (20) | 1 237 455 606 | 1 220 500 756 |
| Debtors and other debit balances | (21) | 2 563 654 200 | 2 550 758 264 |
| Investments at amortized cost | (23) | 647 308 949 | 674 786 982 |
| Cash at banks | (24) | 1 336 294 219 | 1 531 377 722 |
| | | **6 522 360 584** | **6 771 865 676** |

**43-2 Liquidity risk**

The following are the contractual maturities of financial liabilities:

| **June 30, 2021** | Carrying amount EGP | Less than 1 year EGP | 1-2 years EGP | 2-5 years EGP |
|---|---|---|---|---|
| Bank facilities | 2 948 433 | 2 948 433 | - | - |
| Short - term loans | 782 289 856 | 782 289 856 | - | - |
| Long – term loans | 1 651 252 926 | - | 486 053 841 | 1 165 199 085 |
| Contractors and suppliers | 384 419 067 | 384 419 067 | - | - |
| Notes payable –short term | 157 521 292 | 157 521 292 | - | - |
| New Urban Communities | 5 987 815 331 | 229 284 641 | 298 479 930 | 5 460 050 760 |
| Other creditors | 2 001 199 769 | 1 617 586 845 | 371 089 885 | 12 523 039 |
| | **10 967 446 674** | **3 174 050 134** | **1 155 623 656** | **6 637 772 884** |

| **December 31, 2020** | Carrying amount EGP | Less than 1 year EGP | 1-2 years EGP | 2-5 years EGP |
|---|---|---|---|---|
| Bank facilities | 226 619 | 226 619 | - | - |
| Short - term loans | 433 651 176 | 433 651 176 | - | - |
| Long – term loans | 1 822 342 750 | - | 664 776 769 | 1 157 565 981 |
| Contractors and suppliers | 439 473 625 | 439 473 625 | - | - |
| Notes payable –short term | 212 705 696 | 212 705 696 | - | - |
| New Urban Communities | 5 612 414 998 | 262 491 314 | 744 300 277 | 4 605 623 407 |
| Other creditors | 2 257 760 896 | 1 757 143 476 | 17 443 746 | 483 173 674 |
| | **10 778 575 760** | **3 105 691 906** | **1 426 520 792** | **6 246 363 062** |

## 43-3 Currency risk

**Exposure to currency risk**

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

**June 30, 2021**

| Description | USD | Euro | GBP |
|---|---|---|---|
| Cash at banks | 21 585 087 | 68 565 | 16 818 |
| Notes receivables | 596 610 | - | - |
| Debtors and other debit balances | - | - | - |
| Creditors and other credit balances | (486 000) | - | - |
| **Surplus of foreign currencies** | **21 695 697** | **68 565** | **16 818** |

**December 31, 2020**

| Description | USD | Euro | GBP |
|---|---|---|---|
| Cash at banks | 19 451 199 | 65 230 | 11 829 |
| Notes receivables | 596 610 | - | - |
| Debtors and other debit balances | - | - | - |
| Creditors and other credit balances | (486 000) | - | - |
| **Surplus of foreign currencies** | **19 561 809** | **65 230** | **11 829** |

The following is the average exchange rates during the year:

| | **Average exchange rate during the year/ period** | | **Spot rate at the financial statements date** | |
|---|---|---|---|---|
| | **30/06/2021** | **31/12/2020** | **30/06/2021** | **31/12/2020** |
| | **EGP** | **EGP** | **EGP** | **EGP** |
| USD | 15.63 | 15.78 | 15.61 | 15.66 |
| Euro | 18.71 | 19.22 | 18.57 | 19.22 |
| GBP | 21.47 | 21.38 | 21.57 | 21.38 |

**Sensitivity Analysis**

A reasonably possible strengthening (weakening) of 5% other currencies exchange rate against Egyptian pound As of June 30, 2021 would have affected the measurement of financial instruments denominated in a foreign currency and affected equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecast sales and purchases.

| | **Profit or Loss** | |
|---|---|---|
| | **Strengthening** | **Weakening** |
| | **EGP** | **EGP** |
| USD | 16 933 492 | (16 933 492) |
| Euro | 63 663 | (63 663) |
| GBP | 18 138 | (18 138) |
| | **17 015 292** | **(17 015 292)** |

A reasonably possible strengthening (weakening) of 5% other currencies exchange rate against Egyptian pound as of December 31, 2020 would have affected the measurement of financial instruments denominated in a foreign currency and affected equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecast sales and purchases.

| | Profit or Loss | |
|---|---|---|
| | **Strengthening** | **Weakening** |
| | **EGP** | **EGP** |
| USD | 15 552 516 | (15 552 516) |
| Euro | 56 179 | (56 179) |
| GBP | 12 645 | (12 645) |
| | **15 621 340** | **(15 621 340)** |

**43-4 Interest rate risk**

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

| | Carrying amount | |
|---|---|---|
| | **30/06/2021** | **31/12/2020** |
| **Financial instruments with a fixed rate** | **EGP** | **EGP** |
| Financial assets | 3 297 842 093 | 3 364 134 801 |
| Financial liabilities | (157 521 292) | (212 705 696) |
| | **3 140 320 801** | **3 151 429 105** |
| **Financial instruments with a variable rate** | | |
| Financial liabilities | (2 436 491 215) | (2 256 220 545) |
| | **(2 436 491 215)** | **(2 256 220 545)** |

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.

## 44. 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

| Party / Relationship | Nature of transaction | 30/06/2021 Amount of transaction EGP |
|---|---|---|
| Executive managers and Board of Directors (Parent Company) | Executive and Board of Directors | (See note No.10-1). |
| Palmyra – SODIC for Real Estate Development | Loan for joint projects | 979 569 |

### b) Balances resulting from transactions with related parties

| Party | Item as shown in the consolidated balance sheet | 30/06/2021 EGP | 31/12/2020 EGP |
|---|---|---|---|
| Palmyra – SODIC for Real Estate Development * | Loans to Joint Ventures | 201 501 580 | 200 532 011 |
| | Accrued interest on loan under debtors caption | 65 482 130 | 65 482 130 |
| | Accrued on joint venture – related parties under debtor caption | 31 191 620 | 31 191 620 |

* Impairment in dues from Palmyra – SODIC for Real Estate Development has been recorded as described in note No. (21 &22).

## 45. Tax status

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

**Corporate tax**

- Years 1996 to 2018 have been tax inspected and tax differences have been paid and settled.
- Years 2019 to 2020 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 regulations and amendments and pays the due tax.

**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.

**Stamp tax**

- Tax inspection was carried out from 1996 to 2014, and tax differences have been fully paid.
- Years 2015 to 2019 under inspection and no tax claims have been received till the date of authorizing of these financial statements for issuance.
- Year 2020 has 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 pates the accrued taxes on due dates in accordance with the law.

**Sales/value added tax**

- Years 1996 to 2019 have been inspected and tax differences have been paid and settled.
- Year 2020 has 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.

## 46. Capital commitments

Capital commitments as of June 30, 2021 amounted EGP 58 500.

## 47. Post-dated checks (off balance sheet)

The company maintains off balance sheet post-dated checks received from customers in accordance with contracts, those checks are related to undelivered units as follows:

| | Note No. | 30/06/2021 EGP | 31/12/2020 EGP |
|---|---|---|---|
| Postdated checks – customer advances | (37) | 13 189 225 696 | 13 061 687 999 |
| Postdated checks maintenance installment | (39) | 735 298 650 | 722 108 038 |
| | | **13 924 524 346** | **13 783 796 037** |
| These checks are due | | | |
| Checks due within 12 months | (20) | 3 155 961 918 | 3 194 857 351 |
| Checks due after one year – long term | (20) | 10 768 562 428 | 10 588 938 686 |
| | | **13 924 524 346** | **13 783 796 037** |

## 48. 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 September 4, 2021.

The Company's legal counsel is of the opinion that the expert has concluded in his report to a conclusion in favor of the Company and The Company's legal counsel is of the opinion that the 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 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.

## 49. 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.
- The board of directors have decided on the meeting dated September 7, 2020 to increase the issued capital from EGP 1 396 715 488 to become EGP 1 424 789 472 by an amount of EGP 28 073 984 divided on 7 018 496 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 as mentioned in details in note (31).

## 50. Important events that do not require adjusting the financial statements

**COVID -19**

During 2020 The WHO declared the emerging COVID-19 outbreak a global pandemic, 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 was 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 digitalization both internally and on client interactions as we put the safety and health of our people first, while maintaining full operations.

We continue to operate at normal levels while enforcing preventative measures and monitoring the situation very closely to proactively respond to new developments.

We believe that while the ongoing outbreak presents challenges, it also provides an opportunity to standout 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 that has proven its resilience in face of historical and current challenges, 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.

**Subsequent events**

- The Company received on July 15, 2021, a letter from the Ministry of Housing, Utilities & Urban Communities regarding the 500 acre plot in New Zayed currently being developed by the Company in partnership with the New Urban Communities Authority ("NUCA"), the letter refers to some changes to the New Zayed area plans at large including the development of new projects adjacent to the aforementioned land plot, which would affect the Company's project on the plot. Accordingly, the location of the 500-acre plot is being adjusted in a way that preserves the nature and all components of the project and maximizes the benefit from these changes. The new location will be presented to NUCA's Board of Directors. However, till the date of the issuance of the financial statements, the financial impact of these amendments could not be determined as it is still under study.

- SODIC for Securitization S.A.E., SODIC's wholly-owned subsidiary announced on July 27, 2021 that it has successfully concluded its first securitization transaction by issuing an EGP 343 million securitization bond backed by a receivables portfolio of some EGP 384 million representing future instalments for 753 delivered units in SODIC's East Cairo project Eastown Residences and North Coast project Caesar.. The bond comprises two tranches with tenors of 13 and 36 months which were assigned investment-grade credit ratings of AA+ (sf) and A(sf) respectively from Middle East Ratings and Investor Services (MERIS). The details and coupon rates of the tranches are as follows:
    - Tranche (A) with an amount of EGP 235 million, a tenor of 13 months, a credit rating of "AA+", and a fixed coupon rate of 9.55%.
    - Tranche (B) with an amount of EGP 108 million, a tenor of 36 months, a credit rating of "A", and a fixed coupon rate of 9.9%.

## 51. Comparative figures

The Group management has decided to early adopt Egyptian Accounting Standard No. 47 "Financial instruments", Egyptian Accounting Standard No. 48 "Revenue from Contracts with Customers", and Egyptian Accounting Standard No. 49 "Lease contracts "from January 1, 2020, the impact of early adopting the New EASs were recognized using the communitive effect method at year end when issuing the group's financial statements for the financial year ending on December 31, 2020 (see note 5). Therefore, some of the comparative figures in the statement of profit or loss and the statement of cash flows have been amended in the interim financial statements to reflect the effect of applying these standards on the combative period

- The following table shows the effect of those classifications of those classifications and amendments on the statement of profit or loss for the six-month period ending on June 30, 2020:

| | Before reclassification EGP | Reclassification Debit | Reclassification Credit | After reclassification EGP |
|---|---|---|---|---|
| Sales of real estate | 901 068 696 | 22 178 569 | 205 229 966 | 1 084 120 093 |
| Revenues of investment property | 9 141 666 | - | 7 069 534 | 16 211 200 |
| Revenue from clubhouse & golf | 3 846 335 | - | 103 166 | 3 949 501 |
| Cost of sales of real estate | 603 923 777 | 103 001 999 | - | 706 925 776 |
| Cost of clubhouse & golf | 17 804 776 | 13 014 185 | - | 30 818 961 |
| Other operating expenses | 24 487 837 | - | 24 484 195 | 3 642 |
| Other operating revenues | 133 252 524 | 102 331 133 | - | 30 921 391 |
| Expected credit loss | - | 2 317 841 | - | 2 317 841 |
| Finance cost | 71 252 043 | 3 073 896 | - | 74 325 939 |
| Selling and marketing expenses | 118 322 705 | - | 998 620 | 117 324 085 |
| General and administrative expenses | 215 202 369 | - | 13 154 053 | 202 048 316 |

## 52. 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.
- Financial assets and liabilities recognized at fair values through other comprehensive income.

## 53. Significant accounting policies

The Company has consistently applied the following accounting policies to all periods presented in these financial statements.

### 53-1 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-exiting relationship. Such amounts are generally recognized in profit or loss.
- 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: -

| | | Ownership | |
|---|---|---|---|
| **Subsidiary name** | **Country of Incorporation** | **As at 31/12/2020** | **As at 31/12/2019** |
| | | **%** | **%** |
| 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 | 44.46 | 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 | 95.24 | 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 Clubs Company | Egypt | 100 | 100 |

(*) During the period the Group sold 1 775 468 of its shares in Beverly Hills for Management of Cities and Resorts Co. without affecting the group control of the subsidiary.

(**) 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.

**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.

**53-2 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:

- Financial assets at fair value through OCI (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.

**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.

**53-3 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.

**53-4 Revenue from Contracts with Customers**

- The Company applied the EAS No. 48 as of January 1, 2020.Information about the Company's accounting policies relating to contracts with customers is provided in five steps as identified (in Note No.5-B):
- Revenue from contracts with customers is recognized by the company based on five step module as identified in EAS No. 48:

  Step 1: Determine the contract (contracts) with customer: A contract is defined as an agreement between two or more parties that meets the rights and obligations based on specified standards which must be met for each contract.

  Step 2: Determine the performance obligations in contract: Performance obligations is a consideration when the goods and services are delivered.

  Step 3: Determine the transaction price: Transaction price is the compensation amount that the Company expects to recognize to receive for the transfer of goods or services to customer, except for the collected amounts on behalf of other parties.

  Step 4: Allocation of the transaction price of the performance obligations in the contract: If the service concession arrangement contains more than one performance obligation, the Company will allocate the transaction price on each performance obligation by an amount that specifies an amount against the contract in which the Company expects to receive in exchange for each performance obligation satisfaction.

  Step 5: Revenue recognition when the entity satisfies its performance obligations.

- The Company satisfy the performance obligation and recognize revenue over time, if one of the following criteria is met: -

a) Company performance does not arise any asset that has an alternative use of the Company and the Company has an enforceable right to pay for completed performance until the date.
b) The Company arise or improves a customer-controlled asset when the asset is arise or improved.
c) The customer receives and consumes the benefits of Company performance at the same time as soon as the company has performed.

- For performance obligations, if one of the above conditions is met, revenue is recognized in the period in which the Company satisfies performance obligation.

- When the Company satisfies performance obligation by providing the services promised, it creates an asset based on payment for the contract performance obtained, when the amount of the contract received from customer exceeds the amount of the revenue recognized, resulting advance payments from the customer (contractual obligation)

- Revenue is recognized to the extent that is potential for the flow of economic benefits to the Company, revenue and costs can be measured reliably, where appropriate.

- The application of Egyptian Accounting Standard No. 48 requires management to use the following judgements:

**Satisfaction of performance obligation**

- The Company should assess all contracts with customers to determine whether performance obligations are satisfied over a period of time or at a point in time in order to determine the appropriate method for revenue recognition. The Company estimated that, and based on the agreement with customers, the Company does not arise asset has alternative use to the Company and usually has an enforceable right to pay it for completed performance to the date.
- In these circumstances, the Company recognizes revenue over a period of time, and if that is not the case, revenue is recognized at a point in time for the sale of goods, and revenue is usually recognized at a point in time.

**Determine the transaction price**

- The Company has to determine the price of the transaction in its agreement with customers, using this judgement, the Company estimates the impact of any variable contract price on the contract due to discount, fines, any significant financing component in the contract, or any non-cash contract.

**Control transfer in contracts with customers**

- If the Company determines the performance obligations satisfaction at a point of time, revenue is recognized when control of related contract' assets are transferred to the customer.

- In addition, the application of Egyptian Accounting Standard No. 48 has resulted in:

**Allocation of the transaction price of performance obligation in contracts with customers**

- The Company elected to apply the input method to allocate the transaction price to performance obligations accordingly that revenue is recognized over a period of time, the Company considers the use of the input method, which requires recognition of revenue based on the Company's efforts to satisfy performance obligations, provides the best reference to the realized revenue. When applying the input method, the Company estimates efforts or inputs to satisfy a performance obligation, In addition to the cost of satisfying a contractual obligation with customers, these estimates include the time spent on service contracts.

**Other matters to be considered**

- Variable consideration if the consideration pledged in a contract includes a variable amount, then the Company shall estimate the amount of the consideration in which it has a right in exchange for transferring the goods or services pledged to the customer, the Company estimates the transaction price on contracts with the variable consideration using the expected value or the most likely amount method. this method is applied consistently throughout the contract and for identical types of contracts.

**The significant funding component**

- The Company shall adjust the amount for the contract pledged for the time value of the cash if the contract has a significant funding component.

**Revenue recognition**

**a. Real estate and land sales**

- Revenue from sale of residential units, offices, commercial shops, service, and villas and for which contracts were concluded is recorded when upon transferring control to customers whether the said units have been completed or semi – completed (finished or semi-finished) at a value that reflects the expected value of the company in exchange for those units. To reflect those units / lands at a certain point of time.
- Revenues from sale of units/lands is recognized net after deducting the value of sales returns and deducting discounts granted to customers for early payment of future installments of the units over which control has transferred to customers.
- Revenues from sale of units/lands also includes the value of interest on installments collected during the financial year / period from previous years' sales.

**The significant funding component**

- The company collects advance payments and installments from customers, before the transfer of control over contracted units to customers as agreed in the contract, accordingly there is a significant financing component in these contracts, taking into account the length of time between the customer's payments and the transfer of control to him, and the interest rate prevailing in the market.
- The transaction price for those contracts is discounted using the interest rate implicit in the contract, and the company uses the rate that would have been used in the event of a separate financing contract between the company and the customer at the beginning of the contract, which is usually equal to the interest rate prevailing in the state at the time of the contract.
- The company uses the exception of the practical application for short-term payments received from customers. This means the amounts collected from customers will not be modified to reflect the impact of the significant financing component if the period between the transfer of control over the units, service or payment is a year or less.

**b. Services revenue**

Service revenue is recognized when the service is rendered to customers. No revenue is recognized if there is uncertainty for the consideration or its associated costs.

**c. Rental income**

Rental income is recognized on a straight-line basis over the lease term.

**d. Interest income**

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

**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.

**g. Construction contracts**

Contract revenue includes the initial amount agreed in the contract plus any variations orders in contract work, claims and incentive payments to the extent that is probable that they will result in revenue and can be measured reliably. As soon as the outcome of a construction contract can be estimated reliably, contract revenue and expenses is recognized according to the stage of completion of the contract. The stage of completion is assessed by reference to surveys of work performed. When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognized only to the extent of contract costs incurred that are likely to be recoverable. For construction contracts under process a provision for expected losses, if any, is immediately formed whenever such losses are determined.
Construction contract costs include all direct costs such as material cost, supplies, equipment

depreciation and labor cost also includes indirect costs incurred by company such as indirect labor and maintenance. Also the cost includes general and administrative expense directly attributable to suck work.

The difference between the estimated revenue calculated based on the percentage of completion and the amount collected from the actual billing to the customer is recognized as "due from customers" within the current assets caption. In case that the actual collections from customers is exceeding the estimated revenues calculated based on percentage of completion the difference is recognized as a due to customers within the current liabilities.

**h. Sale of goods revenue**

Revenue is recognized when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. For export sales, transfer of risks and rewards of the goods sold occurs according to the shipping terms.

**i. Gain on sale of investments**

Gain on sale of financial investments are recognized when ownership transfers to the buyer, based on the difference between the sale price and its carrying amount at the date of the sale.

Revenue is measured at the fair value of the consideration received or receivable to the company, and revenue is realized when there is sufficient expectation that there are future economic benefits that will flow to the company, and that the value of this revenue can be measured accurately , hence no revenue is recognized in the event of uncertainty about the recovery of this revenue Or the costs associated with it.

**53-5 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. The program has been suspended starting from April 1, 2020, according to the company's management decision.

**53-6 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 financial assets at fair value through 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.

**53-7 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.

**53-8 Inventories**

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the weighted average method. The cost also includes other expenses incurred by the company to bring the inventory to its location and its current condition.

The net realisable value is determined on the basis of the expected selling price under normal circumstances, minus the estimated costs required to complete the sale.

**53-9 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, labour 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.

**53-10 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.

**53-11 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:

| Asset | Years |
|---|---|
| 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 |
| Solar stations | 25 |
| **Golf course assets** | |
| Constructions | 20 |
| Irrigation networks | 15 |
| Equipment and tools | 15 |

**53-12 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.

**53-13 Investments properties under development**

Investments properties under development are recognized initially at cost. Cost includes all expenditures directly attributable to bringing the asset to a working condition for its intended use. Investments properties under development are transferred to Investments properties caption when they are completed and ready for their intended use.

**53-14 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.

**53-15 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:

| **Asset** | **Years** |
|---|---|
| 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.

**53-16 Financial instruments**

**1) <u>Recognition and initial measurement</u>**

Trade receivables and debt securities issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

## 2) Classification and subsequent measurement

**Financial assets- The applied policy from January 1, 2020**

On initial recognition, a financial asset is classified as measured at: amortized cost; FVOCI – debt investment; FVOCI – equity investment; or FVTPL.
Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- It is held within a business model whose objective is to hold assets to collect future cash flows.
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- It is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

The accounting policies related to the application are similar to the accounting policies applied by the Company, with the exception of the following accounting policy, which came into effect starting from January 1, 2020.

**Financial assets- Business Model Assessment: Policy applied from January 1, 2020**

The Company makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed, and information is provided to management. The information considered includes:

- The stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realizing cash flows through the sale of the assets;

- How the performance of the portfolio is evaluated and reported to the Company's management; and
- The risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- How managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- The frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for de-recognition are not considered sales for this purpose, consistent with the Company's continuing recognition of the assets.
Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

**Financial assets – Assessment whether contractual cash flows are solely payments of principal and interest: Policy applied from 1 January 2020**

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin. In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Company considers:
- Contingent events that would change the amount or timing of cash flows;
- Terms that may adjust the contractual coupon rate, including variable-rate features;
- Prepayment and extension features; and
- Terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual per amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

**Financial assets – Subsequent measurement and gains and losses: Policy applied from January 1, 2020**

| | |
|---|---|
| **Financial assets classified at FVTPL** | Financial assets at FVTPL are measured at fair value. Changes in the fair value, including any interest or dividend income, are recognized in profit or loss. |
| **Financial assets at amortized cost** | These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on de-recognition is recognized in profit or loss. |
| **Equity investments at FVOCI** | These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to profit or loss. |
| **Debt investments at FVOCI** | These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in OCI. On de-recognition, gains and losses accumulated in OCI are reclassified to profit or loss. |

**53-17 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.

**53-18 Impairment**

**1) Non-derivative financial assets**

**Policy applied from January 1, 2020**

**Financial instruments and contract assets**

The Company recognizes loss allowances for ECLs on:

- Financial assets measured at amortized cost;
- Debt investments measured at FVOCI; and
- Contract assets.

The Company measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- Debt securities that are determined to have low credit risk at the reporting date; and
- Other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.
- Loss allowances for trade receivables and lease receivables are always measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

**The Company considers a financial asset to be in default when:**

- The debtor is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as releasing security (if any is held); or
- The financial asset is more than 90 days past due.

The Company considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

**Measurement of ECLs**

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive).
ECLs are discounted at the effective interest rate of the financial asset.

**Credit-impaired financial assets**

At each reporting date, the Company assesses whether financial assets carried at amortized cost and debt securities at FVOCI are credit impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

**Evidence that a financial asset is credit-impaired includes the following observable data:**

- Significant financial difficulty of the borrower or issuer;
- A breach of contract such as a default or being more than 90 days past due;
- The restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise;
- It is probable that the borrower will enter bankruptcy or other financial reorganization; or
- The disappearance of an active market for a security because of financial difficulties.

**Presentation of allowance for ECL in the statement of financial position**

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.
For debt securities at FVOCI, the loss allowance is charged to profit or loss and is recognized in OCI.

**Write-off**

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For individual customers, the Company has a policy of writing off the gross carrying amount when the financial asset is two years past due based on historical experience of recoveries of similar assets. For corporate customers, the Company individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

**53-19 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.

**53-20 Lease contracts**

**1) Determining whether the arrangement contains a lease contract or not**

At inception of a contract, the Company assesses whether a contract is, or contains, a lease.
Initially or when evaluating any arrangement that contains a contract lease, the Company separates the payments and the other consideration which are required by the arrangement of the lease and those of other elements based on their relative fair values. If the Company concludes with a finance lease that it is not possible to separate the payments in a reliable manner, then the asset and the liability are recognized at an amount equal to the fair value of the underlying asset; Then the liability is reduced when the payments is fulfilled and the finance cost calculated on the obligation is recognized using the Company's additional borrowing rate.

**2) Leased assets**

Lease contracts for property, plant and equipment that are transferred in a large degree to the Company, all of the risks and rewards associated with the property are classified as finance leases. Leased assets are initially measured at an amount equal to the fair value of the fair value and the present value of the minimum lease payments, whichever is less. After initial recognition, the assets are accounted for according to the accounting policy applied to that asset.
Assets held under other contracts leases are classified as operating contracts leases and are not recognized in the Company's statement of financial position.

**3) Lease payments**

Operating leases' payments are recognized in profit or loss on a straight-line basis over the term of the lease. Received lease incentives are recognized as an integral part of the total lease expense, over the lease term.
The minimum lease payments of finance leases are divided between financing expenses and the reduction of unpaid liabilities. Finance charges are charged for each period during the lease period to reach a fixed periodic interest rate on the remaining balance of the obligation.

**53-21 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.

**53-22 Borrowing costs**

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

**53-23 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.

**53-24 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.

**53-25 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.

**53-26 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.