

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

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

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

***Introduction***

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

***Scope of Limited Review***

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

***Conclusion***

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



Hazem Hassan

Translation of review report  
originally issued in Arabic

***Emphasis of matter***

Without qualifying our conclusion, and as detailed in note No. (41) of the accompanying notes of the separate interim financial statements, most countries of the world, including Egypt, were exposed during the first nine months of 2020 to the spread of the new Corona pandemic (COVID-19), which caused disturbances in most commercial and economic activities in general, and in real estate development activities in Egypt in particular. Till date the spread of the pandemic has affected the results of the Company's business in general; and units handovers, collections and launches of new phases and projects with limited impact. However, in light of the uncertainty as a result of current events, the size of the impact of that event on the results of the Company's business depends mainly on the timeframe for the continuation of those impacts that this event is expected to end with, and consequently, future challenges to the Company's ability to continue as a going concern.

**KPMG Hazem Hassan**

**Public Accountants & Consultants**

Cairo November 11, 2020



**Sixth of October for Development and Investment Company "SODIC"**

(An Egyptian Joint Stock Company)

**Separate interim statement of financial position as at**

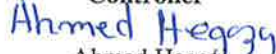
EGP	Note No.	30 September 2020	31 December 2019
<b>Non-current assets</b>			
Property, plant, equipment	(21)	253 123 664	264 741 100
Projects under construction		5 580 210	5 307 360
Investments in subsidiaries	(32)	1 715 332 466	1 715 332 466
Investments - available for sale	(23)	26 152	26 152
Investment properties	(22)	15 087 622	15 643 622
Notes receivables	(17)	5 062 341 233	4 054 954 051
Deferred tax assets		2 903 524	-
<b>Total non-current assets</b>		<b>7 054 394 871</b>	<b>6 056 004 751</b>
<b>Current assets</b>			
Inventory	(15)	27 228 861	5 581 427
Work in process	(16)	9 994 149 369	8 587 324 412
Trade and notes receivable	(18)	1 555 009 968	1 456 833 064
Due from related parties	(35)	44 779 681	38 928 271
Debtors and other debit balances	(19)	805 946 351	945 741 958
Investments in treasury bills		258 563 194	210 633 699
Cash at banks and on hand	(20)	889 191 639	939 975 767
<b>Total current assets</b>		<b>13 574 869 063</b>	<b>12 185 018 598</b>
<b>Total assets</b>		<b>20 629 263 934</b>	<b>18 241 023 349</b>
<b>Equity</b>			
Issued & paid in capital	(24)	1 396 715 488	1 396 715 488
Legal reserve	(24)	223 686 636	213 930 055
Special reserve - share premium	(24)	1 410 926 940	1 410 926 940
Retained earnings		371 237 403	683 237 171
Profit from sale of treasury shares	(25)	1 725 456	1 725 456
Reserve for employee stock option plan		25 944 050	23 772 451
<b>Total equity</b>		<b>3 430 235 973</b>	<b>3 730 307 561</b>
<b>Non-current liabilities</b>			
Loans	(26)	1 091 445 767	1 119 375 242
New Urban Communities Authority	(27)	5 153 480 555	4 806 340 854
Deferred tax liabilities	(13)	-	176 710
<b>Total non-current liabilities</b>		<b>6 244 926 322</b>	<b>5 925 892 806</b>
<b>Current liabilities</b>			
Loans	(26)	355 575 982	228 964 355
Contractors, suppliers and notes payable	(28)	397 189 916	359 588 978
Due to related parties	(35)	722 470 873	195 838 530
Advances - from customers	(29)	8 330 114 411	6 908 819 877
Creditors and other credit balances	(30)	1 085 072 135	826 182 678
Income tax liabilities		4 194 533	17 109 964
Provisions	(31)	59 483 789	48 318 600
<b>Total current liabilities</b>		<b>10 954 101 639</b>	<b>8 584 822 982</b>
<b>Total liabilities</b>		<b>17 199 027 961</b>	<b>14 510 715 788</b>
<b>Total equity and liabilities</b>		<b>20 629 263 934</b>	<b>18 241 023 349</b>

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


Financial Director

  
Mohamed Samir


Group Financial  
Controller

  
Ahmed Hegazi


Chief Financial  
Officer

  
Omar Elhamawy

Managing Director

  
Magued Sherif

Chairman

  
Osama Saleh

"Limited review report attached"

Sixth of October for Development and Investment Company "SODIC"

(An Egyptian Joint Stock Company)

Separate interim statement of profit or loss  
for the financial period ended September 30,

EGP	Note	from 1/1/2020 to 30/9/2020	from 1/1/2019 to 30/9/2019	from 1/7/2020 to 30/9/2020	from 1/7/2019 to 30/9/2019
<b>Continuing operations</b>					
Revenue	(5)	790 745 730	776 312 850	542 166 309	352 176 233
Cost of sales	(6)	( 505 950 266)	( 464 681 774)	( 331 469 636)	( 221 872 315)
<b>Gross profit</b>		<b>284 795 464</b>	<b>311 631 076</b>	<b>210 696 673</b>	<b>130 303 918</b>
Other operating revenues	(7)	94 231 862	85 624 520	33 426 677	24 135 895
Selling and marketing expenses	(8)	( 126 468 939)	( 116 750 566)	( 54 564 688)	( 30 795 315)
General and administrative expenses	(9)	( 235 098 207)	( 233 279 771)	( 72 474 141)	( 80 674 569)
Other operating expenses	(10)	( 36 139 219)	( 47 830 743)	( 15 502 960)	( 13 280 144)
<b>Operating (loss) / profit</b>		<b>(18 679 039)</b>	<b>( 605 484)</b>	<b>101 581 561</b>	<b>29 689 785</b>
Finance income	(11)	35 645 106	142 575 327	9 876 363	46 686 927
Finance cost	(12)	( 106 028 993)	( 155 476 081)	( 34 804 348)	( 61 112 947)
<b>Net finance (cost)</b>		<b>(70 383 887)</b>	<b>(12 900 754)</b>	<b>(24 927 985)</b>	<b>(14 426 020)</b>
<b>Net (Loss) / profit before tax</b>		<b>(89 062 926)</b>	<b>(13 506 238)</b>	<b>76 653 576</b>	<b>15 263 765</b>
Income tax	(13)	( 1 931 881)	( 14 933 400)	3 532 824	(3 858 505)
<b>(Loss) / profit for the period</b>		<b>(90 994 807)</b>	<b>(28 439 638)</b>	<b>80 186 400</b>	<b>11 405 260</b>
<b>(Loss) / profit per share from (loss) / profit of the period (EGP / Share)</b>	(14)	<b>(0.26)</b>	<b>(0.08)</b>	<b>0.23</b>	<b>0.03</b>

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

Sixth of October for Development and Investment Company "SODIC"

(An Egyptian Joint Stock Company)

Separate interim statement of comprehensive income  
for the financial period ended September 30,

EGP	from 1/1/2020 to 30/9/2020	from 1/1/2019 to 30/9/2019	from 1/7/2020 to 30/9/2020	from 1/7/2019 to 30/9/2019
(Loss) / profit for the period	(90 994 807)	(28 439 638)	80 186 400	11 405 260
Total other comprehensive income after income tax	-	-	-	-
Total comprehensive income of the period	(90 994 807)	(28 439 638)	80 186 400	11 405 260

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

**Sixth of October for Development and Investment Company "SODIC"**

(An Egyptian Joint Stock Company)

Separate interim statement of changes in Equity  
for the financial period ended September 30, 2020

**EGP**

	Issued and paid in capital	Legal reserve	Special reserve- share premium	Retained earnings	Profit from selling of treasury shares	Reserve for employee stock option plan	Total
<b>Balance as at December 31, 2018</b>	<b>1 369 194 672</b>	<b>213 930 055</b>	<b>1 389 595 728</b>	<b>707 790 666</b>	<b>1 725 456</b>	<b>21 001 101</b>	<b>3 703 237 678</b>
Net loss for the period	-	-	-	(28 439 638)	-	-	(28 439 638)
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(28 439 638)</b>	<b>-</b>	<b>-</b>	<b>(28 439 638)</b>
<b>Transactions with owners of the Company</b>							
Increase in capital	27 520 816	-	(27 520 816)	-	-	-	-
Dividends	-	-	-	(219 685 098)	-	1 760 444	(217 924 654)
Transferred to special reserve- share premium	-	-	30 343 148	-	-	-	30 343 148
Set aside for employee stock option plan	-	-	-	-	-	14 639 840	14 639 840
<b>Total transactions with owners of the Company</b>	<b>27 520 816</b>	<b>-</b>	<b>2 822 332</b>	<b>(219 685 098)</b>	<b>-</b>	<b>16 400 284</b>	<b>(172 941 666)</b>
<b>Balance as at September 30, 2019</b>	<b>1 396 715 488</b>	<b>213 930 055</b>	<b>1 392 418 060</b>	<b>459 665 930</b>	<b>1 725 456</b>	<b>37 401 385</b>	<b>3 501 856 374</b>
<b>Balance as at December 31, 2019</b>	<b>1 396 715 488</b>	<b>213 930 055</b>	<b>1 410 926 940</b>	<b>683 237 171</b>	<b>1 725 456</b>	<b>23 772 451</b>	<b>3 730 307 561</b>
<b>Total comprehensive income</b>							
Net loss for the period	-	-	-	(90 994 807)	-	-	(90 994 807)
Comprehensive income	-	-	-	-	-	-	-
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(90 994 807)</b>	<b>-</b>	<b>-</b>	<b>(90 994 807)</b>
<b>Transactions with owners of the Company</b>							
Dividends	-	-	-	-	-	-	-
Transferred to legal reserve	-	-	-	(211 248 380)	-	1 936 488	(209 311 892)
Reserve for employee stock option plan	-	9 756 581	-	(9 756 581)	-	-	-
<b>Total transactions with owners of the Company</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>235 111</b>	<b>235 111</b>
<b>Balance as at September 30, 2020</b>	<b>1 396 715 488</b>	<b>223 686 636</b>	<b>1 410 926 940</b>	<b>371 237 403</b>	<b>1 725 456</b>	<b>25 944 050</b>	<b>3 430 235 973</b>

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



Sixth of October for Development and Investment Company "SODIC"

(An Egyptian Joint Stock Company)

Separate statement of cash flows

for the financial period ended September 30,

EGP	Note No	30 September 2020	30 September 2019
<b><u>Cash flows from operating activities</u></b>			
Net (loss) for the period before tax		(89 062 926)	(13 506 238)
<b><u>Adjustments for:</u></b>			
Depreciation of fixed assets and Investment properties	(21) , (22)	22 042 316	19 945 943
Capital gain		( 499)	( 2 935)
Employee stock option plan expense		-	14 639 840
Reversal of fixed assets impairment		(1 366 942)	( 1 366 942)
Return on investments in treasury bills		(20 972 668)	( 74 757 036)
Impairment loss of due from related parties		-	5 043 242
Provision for completion	( 31)	25 275 975	2 194 741
<b><u>Changes in:</u></b>			
Inventory		( 21 647 434)	3 186 300
Works in process		( 869 889 415)	(809 324 567)
Trade and notes receivables		(1 105 564 086)	(185 352 475)
Due from related parties		(5 851 410)	42 637 965
Debtors and other debit balances		139 795 607	(122 039 491)
Provision of completion used	( 31)	(14 110 786)	(25 235 152)
Advances from customers		1 421 294 534	427 237 489
Notes payable - long term		-	7 748 795
Contractors, suppliers and notes payable		37 600 938	(258 115 052)
Due to related parties		526 632 343	479 486 049
Creditors and other credit balances		77 588 773	39 641 640
<b>Cash generated from / (used in) from operating activities</b>		<b>121 764 320</b>	<b>(447 937 884)</b>
Income tax paid		(17 927 546)	-
<b>Net cash generated from / (used in) from operating activities</b>		<b>103 836 774</b>	<b>(447 937 884)</b>
<b><u>Net cash flows from investing activities</u></b>			
Payments for purchase of fixed assets, projects under construction	( 21)	(17 279 113)	( 8 171 196)
Proceeds from sale of fixed assets		9 667	7 986
Payments for Investments in treasury bills		(482 856 827)	( 559 702 478)
Proceeds from Investments in treasury bills		455 900 000	915 617 321
Proceeds from sell of employee stock option plan		235 111	30 343 148
<b>Net cash (used in) / generated from investing activities</b>		<b>(43 991 162)</b>	<b>378 094 781</b>
<b><u>Cash flows from financing activities</u></b>			
Changes in long and short term loans		98 682 152	694 652 945
Dividends paid		(209 311 892)	(213 078 578)
<b>Net cash (used in) / generated from financing activities</b>		<b>(110 629 740)</b>	<b>481 574 367</b>
<b>Net (decrease) / increase in cash and cash equivalents</b>		<b>(50 784 128)</b>	<b>411 731 264</b>
Cash and cash equivalents at January 1		938 975 767	690 383 944
<b>Cash and cash equivalents at September 30</b>	( 20)	<b>888 191 639</b>	<b>1 102 115 208</b>

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

Sixth of October for Development and Investment Company "SODIC"

(An Egyptian Joint Stock Company)

Notes to the separate interim financial statements  
for the financial period ended September 30, 2020

**1. Background and activities**

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

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

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

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

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

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

**1-5** The registered office of the Company is located at Km. 38 Cairo / Alexandria Desert Road, Sheikh Zayed City. Mr. Osama Saleh is the Chairman for the Company and Mr. Magued Sherif is the Managing Director of the Company.

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

## **2. Basis of preparation of separate financial statements**

### **Compliance with accounting standards and laws**

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

## **3. Functional and presentation currency**

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

## **4. Use of judgment and estimates**

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

### **Measurement of fair value**

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

## **5. Revenues**

Revenue represent in the present value of delivered units in delivery date to the clients during the quarter.

	<b>For the nine months ended 30/09/2020 EGP</b>	<b>For the nine months ended 30/09/2019 EGP</b>
Revenues from the sale of units in <b>Allegria</b> project	61 275 232	44 404 668
Revenues from the sale of units in <b>Forty West</b> project	83 498 967	110 258 911
Revenues from the sale of units in <b>Westown Residences</b> project	263 889 853	24 493 039
Revenues from the sale of units in <b>Westown Courtyards</b> project	115 795 947	398 870 445
Revenues from the sale of units in <b>Polygon 9,10</b>	54 915 930	198 285 787
Revenues from the sale of units in <b>October plaza</b>	226 220 070	-
	<b>805 595 999</b>	<b>776 312 850</b>
<b>Deduct: Sales returns</b>	14 850 269	-
	<b>790 745 730</b>	<b>776 312 850</b>

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

**6. Cost of sales**

	<b>For the nine months ended 30/09/2020</b>	<b>For the nine months ended 30/09/2019</b>
	<b><u>EGP</u></b>	<b><u>EGP</u></b>
Cost of sales of units in <b>Allegria</b> project	48 674 850	32 350 366
Cost of sales of units in <b>Forty West</b> project	82 491 899	108 770 848
Cost of sales of units in <b>Westown Residences</b> project	125 496 573	7 822 955
Cost of sales of units in <b>Westown Courtyards</b> project	61 174 191	221 269 121
Cost of sales of units in <b>Polygon 9,10</b> project	26 518 135	94 468 484
Cost of sales of units in October Plaza	167 443 500	-
	<b>511 799 148</b>	<b>464 681 774</b>
<b>Deduct:</b> Cost of sales returns	5 848 882	-
	<b>505 950 266</b>	<b>464 681 774</b>

(\*) Cost of sales includes an amount of EGP 25 187 423 representing the adjustment to the cost of land for the SODIC West, El Sheikh Zayed plot as shown in detail in note (16-2).

**7. Other operating revenues**

	<b>For the nine months ended 30/09/2020</b>	<b>For the nine months ended 30/09/2019</b>
	<b><u>EGP</u></b>	<b><u>EGP</u></b>
Interest income realized from installments during the year	52 628 187	53 653 582
Cancellation dues and delay penalties	32 522 113	19 179 022
Other revenue	3 391 638	4 984 315
Income from management & operation of clubs	2 096 844	5 081 711
Buildings leased revenue	2 225 639	1 356 013
Capital gain	499	2 935
Reversal of impairment losses of fixed assets	1 366 942	1 366 942
	<b>94 231 862</b>	<b>85 624 520</b>

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

**8. Selling and marketing expenses**

	<b>For the nine months ended 30/09/2020</b>	<b>For the nine months ended 30/09/2019</b>
	<b>EGP</b>	<b>EGP</b>
Salaries and wages	38 725 011	34 431 073
Sales commissions	29 918 312	28 158 925
Advertising expenses	34 348 932	32 659 358
Conferences and exhibitions	1 346 491	11 275 410
Rent	3 451 228	3 005 331
Travel, transportation and cars	372 793	607 989
Maintenance, cleaning, agriculture and security	1 330 747	565 609
Professional and consultants' fees	5 303 721	2 162 688
Gifts	2 929 763	376 906
Printing and photocopying	1 083 413	846 495
Fees, stamps and licenses	2 454 760	947 631
Communication and electricity	2 178 573	630 294
Depreciation – Marketing	631 270	541 890
Employees training	27 372	200 703
Vacations	479 220	34 492
Others	1 887 333	305 772
	<b>126 468 939</b>	<b>116 750 566</b>

**9. General and administrative expenses**

	<b>For the nine months ended 30/09/2020</b>	<b>For the nine months ended 30/09/2019</b>
	<b>EGP</b>	<b>EGP</b>
Salaries, wages and bonuses*	80 799 131	68 494 170
Board of Directors' remunerations and allowances	6 603 364	8 661 000
Employees Stock Option Plan	-	14 639 840
Training and medical care	14 746 349	15 193 742
Professional and consultancy fees	15 394 770	21 570 025
Advertising	648 856	976 112
Donations	5 048 170	3 693 365
Golf course expenses	871 843	3 192 146
Algeria club expenses	-	5 086 160
Westown club expenses	136 464	63 672
Maintenance, cleaning, agriculture, security and guarding	49 305 306	32 151 893
Administrative depreciation of fixed assets	20 855 042	18 848 053
Subscriptions and governmental dues	1 315 936	1 842 809
Rent	3 423 238	2 364 396
Travel and transportation	1 956 655	2 979 433
Communication and electricity	6 820 981	8 543 909
Stationary and computer supplies	7 872 341	6 086 234
Buffet, hospitality and reception	1 073 021	935 208
Bank charges	6 077 252	4 624 198
Employees benefits	2 278 830	6 081 008
Employees vacations	3 124 820	2 795 664
Gifts	3 820 088	1 545 829
Conferences and exhibitions	-	117 089
Insurance installments	908 416	750 757
Comprehensive medical insurance	1 980 929	1 940 782
Others	36 405	102 277
	<b>235 098 207</b>	<b>233 279 771</b>

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(\*) This item includes salaries of the executive Board of Directors as follows:

	For the nine months ended 30/09/2020 <u>EGP</u>	For the nine months ended 30/09/2019 <u>EGP</u>
Salaries	8 406 275	8 532 687
	<u>8 406 275</u>	<u>8 532 687</u>

**10. Other operating expenses**

	For the nine months ended 30/09/2020 <u>EGP</u>	For the nine months ended 30/09/2019 <u>EGP</u>
Discount for early payment	22 848 337	24 058 181
Depreciation of leased unites	556 000	556 000
Impairment losses of related parties	-	5 043 242
Allegría club expenses	8 056 626	4 381 577
Golf course expenses	4 004 356	11 816 747
Westown club expenses	578 556	1 974 996
Fourty west club expenses	95 344	-
	<u>36 139 219</u>	<u>47 830 743</u>

**11. Finance income**

	For the nine months ended 30/09/2020 <u>EGP</u>	For the nine months ended 30/09/2019 <u>EGP</u>
Interest income	14 672 438	67 818 291
Return on investment in treasury bills	20 972 668	74 757 036
	<u>35 645 106</u>	<u>142 575 327</u>

**12. Finance cost**

	For the nine months ended 30/09/2020 <u>EGP</u>	For the nine months ended 30/09/2019 <u>EGP</u>
Interest expense	102 947 163	138 944 568
Foreign exchange translation	3 081 830	16 531 513
	<u>106 028 993</u>	<u>155 476 081</u>

### 13. Income tax

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

	For the nine months ended 30/09/2020 <u>EGP</u>	For the nine months ended 30/09/2019 <u>EGP</u>
Current income tax	5 012 115	14 951 407
Deferred income tax (benefit)	(3 080 234)	(18 007)
	<u>1 931 881</u>	<u>14 933 400</u>

#### B- Deferred tax assets and liabilities movement

	Statement of financial position		Statement of profit or loss	
	30/09/2020 <u>EGP</u>	31/12/2019 <u>EGP</u>	30/09/2020 <u>EGP</u>	30/09/2019 <u>EGP</u>
Property, plant and equipment	(710 322)	(1 278 388)	568 066	18 007
Provision for completion	11 133 852	8 621 684	2 512 168	-
Foreign exchange translation	(7 520 006)	(7 520 006)	-	-
Net deferred income tax	<u>2 903 524</u>	<u>(176 710)</u>	<u>3 080 234</u>	<u>18 007</u>

#### C- Effective tax rate

	For the nine months ended 30/09/2020 <u>EGP</u>	For the nine months ended 30/09/2019 <u>EGP</u>
Losses for the period before income taxes	(89 062 926)	(13 506 238)
Tax rate	<u>22.5%</u>	<u>22.5%</u>
Income tax calculated according to income tax law	-	-
Depreciation of fixed assets and amortization of the other assets	568 067	18 007
Provisions	2 512 168	-
Special tax pool (treasury bills)	(4 194 534)	(14 951 407)
Tax adjustment related to prior years	(817 582)	-
Income tax according to profit or loss statement	<u>(1 931 881)</u>	<u>(14 933 400)</u>
Effective tax rate	-	-

#### D- Unrecognized deferred tax assets

	30/09/2020 <u>EGP</u>	31/12/2019 <u>EGP</u>
Deductible temporary differences	158 291 635	158 599 197
	<u>158 291 635</u>	<u>158 599 197</u>

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

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**14. (Losses) per share**

Earnings per share is calculated based on the net (loss) / profit of the period using the weighted average number of outstanding shares during the period as follows:

	<b>For the nine months ended 30/09/2020 EGP</b>	<b>For the nine months ended 30/09/2019 EGP</b>
Net (loss) for the period	(90 994 807)	(28 439 638)
Employees share of profit	-	-
Board of directors' remunerations	-	-
	<b>(90 994 807)</b>	<b>(28 439 638)</b>
<b><u>Divided on:</u></b>		
Weighted average number of shares outstanding during the period	349 178 872	349 178 872
<b>(Loss) per share (EGP / share)</b>	<b>(0.26)</b>	<b>(0.08)</b>

**15. Inventory**

	<b>30/09/2020 EGP</b>	<b>31/12/2019 EGP</b>
Cost of completed units	27 228 861	5 530 728
Communication devices	-	50 699
	<b>27 228 861</b>	<b>5 581 427</b>

**16. Work in process**

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

	<b>30/09/2020 EGP</b>	<b>31/12/2019 EGP</b>
SODIC West project costs	2 335 643 226	1 948 283 467
October Plaza project costs	847 896 666	816 693 549
Sodic East project costs	648 446 954	229 063 084
500 Hector project cost (16-1)	5 851 835 637	5 265 801 887
Sodic west Land adjusting (16-2)	310 326 886	327 482 425
	<b>9 994 149 369</b>	<b>8 587 324 412</b>

(16-1) The balance includes an amount of EGP 5 781 665 865 representing the net present value of the project's minimum land payments for the 500 Acre in Sheikh Zayed extension in addition to the capitalized interests in accordance with the co-development agreement between the Company and the New Urban Communities Authority "NUCA" with a minimum guarantee to the Authority amounting to EGP 14.22 billion as shown in detail in note (27).

(16-2) The balance representing the present value of the share of the work under construction from the settlement amount of the Company's land in Sheikh Zayed as a component of the cost of the units whose revenues will be recognized in the statement of income or losses for future years, this amount represents the remainder of the present value of a total settlement amount of EGP 800 million with the Illicit Gains Authority ("IGA").



**17. Trade and note receivable – long term**

This item represents the present value of trade and note receivable long-term balances as follow:

	30/09/2020	31/12/2019
	<u>EGP</u>	<u>EGP</u>
Notes receivable – units' installments *	4 891 872 588	3 971 682 288
Notes receivable – maintenance installments	242 317 839	178 377 055
<b><u>Deduct:</u></b> Unamortized interest-notes receivable	71 849 194	95 105 292
	<b><u>5 062 341 233</u></b>	<b><u>4 054 954 051</u></b>

\* The balance includes an amount of EGP 1 045 472 015 which representing the net amount of notes receivable long term related to SODIC East project with a gross amount of EGP 1 471 959 435. The gross amount has been deducted by an amount of EGP 426 487 420 representing the share of Heliopolis Housing and Development Company of the residential units mentioned as per the revenue share agreement as disclosed in note (19).

The Company's exposure to credit and currency risk related to trade and notes receivable is disclosed in note (34).

**18. Trade and notes receivable – short term**

	30/09/2020	31/12/2019
	<u>EGP</u>	<u>EGP</u>
Trade receivable	39 967 535	95 139 368
Notes receivable – units' installments *	1 442 267 077	1 299 083 508
Notes receivable – maintenance installments	91 207 360	82 140 937
	<b><u>1 573 441 972</u></b>	<b><u>1 476 363 813</u></b>
<b><u>Deduct:</u></b> unamortized interest – notes receivable	18 232 004	19 330 749
	<b><u>1 555 209 968</u></b>	<b><u>1 457 033 064</u></b>
Impairment losses of trade and notes receivable	(200 000)	(200 000)
	<b><u>1 555 009 968</u></b>	<b><u>1 456 833 064</u></b>

(\*) The balance includes an amount of EGP 297 882 120 that representing the net amount of notes receivable relating to SODIC East project with a gross amount of EGP 404 570 226 has been deducted by EGP 106 668 106 representing the share of Heliopolis Housing and Development Company of the residential units mentioned as per the revenue share agreement as disclosed in note (19).

The Company's exposure to credit and currency risks related to trade and notes receivable is disclosed in note no. (34).

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**19. Debtors and other debit balances**

	<b>30/09/2020</b>	<b>31/12/2019</b>
	<b>EGP</b>	<b>EGP</b>
Contractors and suppliers – advance payments	326 250 558	524 265 374
Heliopolis Housing and Development Company (*)	165 064 814	165 064 796
Restricted cash for SODIC East project	11 553 677	14 126 028
Commissions and Prepaid expenses	258 184 237	191 813 684
Deposits with others	6 547 026	4 875 151
Due from the bonus and incentives plan to employees and	4 092 692	1 921 094
Withholding tax	19 805 371	29 450 644
Other debit balances	14 803 133	14 580 344
	<b>806 301 508</b>	<b>946 097 115</b>
Impairment loss in debtors and other debit balances	(355 157)	(355 157)
	<b>805 946 351</b>	<b>945 741 958</b>

- (\*) 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 and 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.

The Company's exposure to credit and currency risks related to debtors and other debit balances is disclosed in note no. (34).

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**20. Cash at banks and on hand**

	<b>30/09/2020</b>	<b>31/12/2019</b>
	<b><u>EGP</u></b>	<b><u>EGP</u></b>
Bank - time deposits *	566 384 400	806 778 382
Bank - current accounts	274 687 466	104 228 096
Checks under collection	42 545 875	26 310 582
Cash on hand	5 573 898	2 658 707
	<b><u>889 191 639</u></b>	<b><u>939 975 767</u></b>

- (\*) Deposits include an amount of EGP 1 million restricted as a guarantee for the credit facilities granted from a group of commercial banks. In addition, it includes an amount of EGP 316 million representing the value of deposits collected from customers under the regular maintenance expenses account.

The Company's exposure to interest rate risk for financial assets which is disclosed in note no. (34).

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

	<b>30/09/2020</b>	<b>30/09/2019</b>
	<b><u>EGP</u></b>	<b><u>EGP</u></b>
Cash at banks and on hand	889 191 639	1 387 354 163
<b><u>Less:</u></b>		
Restricted cash	(1 000 000)	(1 000 000)
<b>Cash and cash equivalent according to separate statement of cash flows</b>	<b><u>888 191 639</u></b>	<b><u>1 386 354 163</u></b>

Notes to the separate interim financial statements for the financial period ended September 30, 2020

21- Property, plant, equipment

EGP

Cost	Lands	Buildings of the Company's premises	Vehicles	Furniture and fixtures	Generators, machinery and equipment	Computers and Printers	Communication devices	Computer Software's	Leasehold improvements	Solar power stations	Golf Course	Total
Cost as at January 1, 2019	88 622 250	166 638 708	11 244 245	10 943 573	6 288 890	19 757 180	2 431 176	13 399 675	53 077 131	396 014	99 377 533	472 176 375
Additions during the year	-	219 300	3 048 949	1 401 095	609 950	6 405 585	-	2 181 121	-	-	-	13 866 000
Disposals during the year	-	-	-	-	-	(106 668)	-	-	-	-	-	(106 668)
Cost as at December 31, 2019	88 622 250	166 858 008	14 293 194	12 344 668	6 898 840	26 056 097	2 431 176	15 580 796	53 077 131	396 014	99 377 533	485 935 707
Cost as at January 1, 2020	88 622 250	166 858 008	14 293 194	12 344 668	6 898 840	26 056 097	2 431 176	15 580 796	53 077 131	396 014	99 377 533	485 935 707
Additions during the period	-	-	-	555 868	694 227	3 483 251	384 534	1 067 587	-	10 822 796	-	17 006 263
Disposals during the period	( 8 495 157)	-	-	-	-	( 72 158)	-	-	-	-	-	(8 567 315)
Balance at September 30, 2020	80 127 093	166 858 008	14 293 194	12 898 536	7 593 067	29 467 190	2 815 710	16 648 383	53 077 131	11 218 810	99 377 533	494 374 655
Accumulated depreciation												
Accumulated depreciation at January 1, 2019	-	28 694 157	7 216 426	7 903 059	4 576 345	12 215 139	1 525 483	10 125 816	25 300 147	15 712	14 129 502	111 701 786
Depreciation during the year	-	7 886 539	1 276 117	917 252	594 502	2 892 352	270 396	1 926 777	8 565 917	15 841	1 822 590	26 168 283
Accumulated depreciation at December 31, 2019	-	36 580 696	8 492 543	8 820 311	5 170 847	15 006 588	1 795 879	12 052 593	33 866 064	31 553	15 952 092	137 769 166
Accumulated depreciation at January 1, 2020	-	36 580 696	8 492 543	8 820 311	5 170 847	15 006 588	1 795 879	12 052 593	33 866 064	31 553	15 952 092	137 769 166
Depreciation during the period	-	5 905 730	1 279 613	673 710	498 032	2 831 855	253 000	2 026 679	6 424 418	228 337	1 366 942	21 486 316
Accumulated depreciation at September 30, 2020	-	42 486 426	9 772 156	9 494 021	5 668 879	17 775 453	2 048 879	14 079 272	40 290 482	259 890	17 319 034	159 192 492
Impairment of Golf course	-	-	-	-	-	( 62 990)	-	-	-	-	-	( 62 990)
Accumulated impairment at January 1, 2019	-	-	-	-	-	-	-	-	-	-	-	-
Impairment reversal during the year	-	-	-	-	-	-	-	-	-	-	-	-
Accumulated impairment at December 31, 2019	-	-	-	-	-	-	-	-	-	-	-	-
Impairment reversal during the period	-	-	-	-	-	-	-	-	-	-	-	-
Accumulated impairment at September 30, 2020	-	-	-	-	-	-	-	-	-	-	-	-
Net book value												
At January 1, 2019	88 622 250	137 944 551	4 027 819	3 040 514	1 712 545	7 542 041	905 693	3 273 859	27 776 984	380 302	-	275 226 558
At December 31, 2019	88 622 250	130 277 512	5 800 651	3 524 357	1 727 993	11 049 509	635 297	3 528 203	19 211 067	364 461	-	264 741 100
At September 30, 2020	80 127 093	124 373 582	4 521 038	3 404 515	1 924 188	11 691 737	765 831	2 569 111	12 786 649	10 958 920	-	253 123 664

\* Property, plant, equipment include fully depreciated assets at a cost of EGP 58 581 063 at September 30, 2020.

## 22. Investment properties

The net carrying amount of the investment properties as at September 30, 2020, amounted to EGP 15 087 622 the movement of investment property during the period is as follow: -

<u>Description</u>	<u>Leased out units</u>
<u>Cost</u>	<u>EGP</u>
At January 1, 2019	18 992 619
Additions during the year	-
At December 31, 2019	18 992 619
At January 1, 2020	18 992 619
Additions during the period	-
At September 30, 2020	18 992 619
<u>Less</u>	
<u>Accumulated depreciation</u>	
At January 1, 2019	2 607 664
Depreciation for the year	741 333
At December 31, 2019	3 348 997
At January 1, 2020	3 348 997
Depreciation for the period	556 000
At September 30, 2020	3 904 997
Net carrying amount as at January 1, 2019	16 384 955
Net carrying amount as at December 31, 2019	15 643 622
Net carrying amount as at September 30, 2020	15 087 622

## 23. Available for sale investments

	<u>Legal Form</u>	<u>Ownership %</u>	<u>Paid amount of Participation %</u>	<u>Carrying amount as at 30/09/2020 EGP</u>	<u>Carrying amount as at 31/12/2019 EGP</u>
SODIC for Golf and Tourist Development Co.	S.A.E	0.0025	25	1 250	1 250
Beverly Hills for Management of Cities and Resorts Co.	S.A.E	0.06	100	26 152	26 152
				<u>27 402</u>	<u>27 402</u>
Impairment of available for sale investments				(1 250)	(1 250)
				<u>26 152</u>	<u>26 152</u>

Exposure to market risk related to available for sale investments is considered limited since these investments represent equity instruments that are not traded in an active market and are denominated in Egyptian Pound.

## **24. Share capital and reserves**

### **24.1. Share capital**

- The authorized capital of the Company is EGP 2.8 billion.
- The Company's issued and paid in capital is EGP 1.355 Billion 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 executives 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 executives 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 for this increase.
- 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 necessary procedures are being taken to register this increase in the commercial register.

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– The current capital structure for the holding company represented as follow:

Shareholder	Number of shares	Share value <u>EGP</u>	Ownership percentage <u>%</u>
Olayan Saudi Investment Company.	48 331 696	193 326 784	13.84
RA Six Holdings Limited	31 992 544	127 970 176	9.16
Rimco EGT Investment LL	25 484 739	101 938 956	7.30
EKUIITY Holding for Investments	17 760 967	71 043 868	5.09
ACT FINANCIAL	14 964 247	59 856 988	4.29
HASSAN ALLAM PROPERTIES	13 627 280	54 509 120	3.90
FIDELITY INVESTMENT TRUST	11 700 184	46 800 736	3.35
Concrete Plus for Engineering & Construction	10 989 301	43 957 204	3.15
Financial Holdings International LTD	7 267 503	29 070 012	2.08
Walid Suleiman Abdelmohsen Abanumay	6 301 380	25 205 520	1.80
Yazeid Suleiman Abdelmohsen Abanumay	6 233 653	24 934 612	1.79
Al- Majid Investments LLC.	5 700 000	22 800 000	1.63
National Bank of Egypt	5 044 297	20 177 188	1.44
Other shareholders	143 781 081	575 124 324	41.18
	<b>349 178 872</b>	<b>1 396 715 488</b>	<b>100</b>

## 24.2. Reserves

### a. Legal Reserve

The balance as at December 31, 2019 is represented as follows: -

	<u>EGP</u>
Legal reserve of 5% form the Company's net profit till year 2016	39 734 213
<b><u>Add:</u></b>	
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 2007 with limits of half of the Company's issued share capital.	5 000 000
Increase in legal reserve with a part of the capital share premium during 2010 with limits of half of the Company's issued share capital.	39 446 365
Increase of the legal reserve with 5% of the net profit for the year 2017.	7 712 954
Increase of the legal reserve with 5% of the net profit for the year 2019.	9 756 581
<b><u>Deduct:</u></b>	
The amount used to increase the issued share capital during 2011.	2
	<b>223 686 636</b>

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**b. Special reserve – share premium**

The balance is represented in the following:

<u>Description</u>	<u>EGP</u>
Total value of the capital increase share premiums collected for the years 2006 and 2010	1 455 017 340
<u>Add:</u>	
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 at 2014 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 of set aside for employees incentive and bonus plan for 3 273 263 shares during 2019	18 508 880
<u>Deduct</u>	
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
	<b>1 410 926 940</b>

**25. Profit from sale of treasury shares**

- On August 14, 2011, the Board of Directors of the 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 Company's shares offered on the Egyptian stock exchange. On August 13, 2012 the 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.
- During March 2016 treasury shares which were transferred from incentive and bonus plan for employees and executive directors of the Company according to the Extraordinary General Assembly meeting held on February 1<sup>st</sup>, 2015 were sold resulting in an actual loss amounting to EGP 1 967 411 as mentioned in note no. (24). accordingly, the profit from sale of treasury shares reserve becomes EGP 1 725 456.



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**26. Loans**

	<b>30/09/2020</b>	<b>31/12/2019</b>
	<b>EGP</b>	<b>EGP</b>
On April 4, 2017, Sixth of October for Development and Investment Company "SODIC" signed a medium-term syndicated loan contract with group of banks represented by Arab African International Bank "facility agent" with a total amount of EGP 1 300 Million on two tranches:	1 099 021 749	1 030 339 597
– First tranche amount of EGP 243 Million to finance the total debt outstanding due to group of banks represented by Arab African International Bank.		
– Second tranche amount of EGP 1 057 Million to finance "SODIC West" projects located in Kilo 38 Cairo/Alex desert road -Giza- Egypt.		
<b><u>Guarantees:</u></b>		
– Unconditional and irrevocable revenue transfer by which the lender and some of its subsidiaries transfer all current and future proceeds, selling and lease contracts of the current and foreseeable project units to the interest of the "Guarantee agent".		
– Accounts mortgage contracts: debt interest and all amounts deposited therein are pledged for the interest of the "guarantee agent" and pledge the project's account.		
– Promissory note from the Company (the borrower).		
<b><u>Grace period:</u></b>		
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.		
<b><u>Repayment:</u></b>		
Commenced on September 30, 2019, and repayable in (14) quarterly unequal installments.		
On August 30, 2017, Sixth of October for Development and Investment Company "SODIC" signed a medium-term loan contract with Commercial International Bank "CIB" with a total amount of EGP 270 Million to finance the development cost of October Plaza Project which will be established on area of 31 acres in northern expansions at Sixth of October city and on 14 July 2019 the total amount of the facility has been increased up to maximum EGP 500 Million.	348 000 000	318 000 000
<b><u>Guarantees:</u></b>		
– The Company committed to deposit all revenues from the sale of the project.		
– The Company shall sign a mortgage and a first degree right of transfer on the project in favor of the bank.		
– The Company shall get insurance cover 110% the project's constructions in favor of the bank.		
<b><u>Grace period:</u></b>		
Three years and six months applied on the principal of the loan only from the date of first drawdown.		
<b><u>Repayment:</u></b>		
Commences on March 2021, and repayable in (13) quarterly unequal installments.		
	<b>1 447 021 749</b>	<b>1 348 339 597</b>
<b><u>Deduct: Current portion</u></b>		
– Syndicated loan from Arab African International Bank	303 375 982	228 964 355
– Loan from CIB	52 200 000	-
<b>Total current portion</b>	<b>355 575 982</b>	<b>228 964 355</b>
	<b>1 091 445 767</b>	<b>1 119 375 242</b>

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## 27. New Urban Communities Authority

	30/09/2020	31/12/2019
	<u>EGP</u>	<u>EGP</u>
New Urban Communities Authority "NUCA"	13 557 641 097	13 812 073 659
<b><u>Deduct:</u></b> Unamortized interest	8 404 160 542	9 005 732 805
	<u>5 153 480 555</u>	<u>4 806 340 854</u>

On March 21, 2019 a co-development agreement was signed between the Company and the New 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 represents in advance payment, cash payment and a percentage of the project expected revenues with minimum guarantee amounting to EGP 14.220 billion. An amount of EGP 300 Million was paid upon signing the contract and the remaining amount will be paid according to annual installments over 11 years which represents the duration of the contract.

## 28. Contractors, suppliers and notes payable

	30/09/2020	31/12/2019
	<u>EGP</u>	<u>EGP</u>
Contractors	195 143 693	160 398 223
Suppliers	14 437 484	15 306 909
Notes payable	189 698 501	194 724 367
	<u>399 279 678</u>	<u>370 429 499</u>
<b><u>Deduct:</u></b> Unamortized interest-notes payable	2 089 762	10 840 521
	<u>397 189 916</u>	<u>359 588 978</u>

The Company's exposure to currency and liquidity risks related to suppliers, contractors and notes payable is disclosed in note no. (34).

## 29. Advances from customers

This item represents the advances from customers for booking and contracting of units and lands as follows:

	30/09/2020	31/12/2019
	<u>EGP</u>	<u>EGP</u>
Advances – <b>SODIC West</b>	2 674 693 432	2 995 664 601
Advances – <b>October Plaza 1</b>	939 598 723	1 113 297 675
Advances – <b>SODIC East*</b>	1 879 275 804	1 712 384 478
Advances – <b>Acres Sheikh Zayed 500</b>	2 531 155 756	859 156 337
Advances – <b>Clubs' Memberships</b>	305 390 696	228 316 786
	<u>8 330 114 411</u>	<u>6 908 819 877</u>

\* The balance represents the net of advances from customers with a total contractual value of EGP 2 686 007 022. The total contracted value has been reduced by EGP 806 731 218 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).

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### 30. Creditors and other credit balances

	30/09/2020	31/12/2019
	<u>EGP</u>	<u>EGP</u>
Accrued expenses	21 082 200	75 139 797
New Urban Authority (30-1)	313 765 554	108 846 894
Amounts collected on account for management, operation and maintenance of projects	686 828 082	582 971 310
Creditors of gas and electricity installments	10 222 333	26 479 222
Insurance Deposits collected from customers – Against	-	279 615
Customers-credit balances of <b>Polygon</b> project (30-2)	9 007 737	2 024 179
Customers-credit balances of <b>Strip 1</b> project	1 087 107	261 953
Customers - cancellation	38 331 647	7 643 789
Dividends payable	240 374	-
Tax Authority	21 124 493	18 721 642
Accrued compensated absence	11 119 170	4 668 624
Sundry creditors	3 744 753	3 976 142
Due to beneficiaries from Incentive plan	1 077 107	1 077 107
Advances-rents	2 535 724	5 568 574
	<b>1 120 166 281</b>	<b>837 658 848</b>
<u>Deduct:</u> Unamortized interest- New Urban Authority	35 094 146	11 476 170
	<b>1 085 072 135</b>	<b>826 182 678</b>

(30-1) The balance represents the amount due to New Urban Communities Authority for the 500-acre land as detailed disclosed in note no. (27).

(30-2) The balance represents the amount due to Polygon Co. for Real Estate Investment -a subsidiary, the value of notes receivables the Company collects it for and on behalf of SODIC polygon.  
The Company's exposure to currency and liquidity risks related to creditors is disclosed in note no. (34).

### 31. Provisions

#### 31-1 Provision for completion of works

	Balance as at 1/1/2020	Formed during the period	No longer required during the period	Used during the period	Balance as at 30/09/2020
	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>
Provision for completion of works	38 318 599	25 275 975	-	(14 110 786)	49 483 788
	<b>38 318 599</b>	<b>25 275 975</b>	<b>-</b>	<b>(14 110 786)</b>	<b>49 483 788</b>

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

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### 31-2 Provision for claims

	Balance as at 1/1/2020	Formed during the period	Used during the period	Balance as at 30/09/2020
	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>
Provision for claims	10 000 001	-	-	10 000 001
	<u>10 000 001</u>	<u>-</u>	<u>-</u>	<u>10 000 001</u>

- The provision is created for existing claims related to the Company's transactions with other parties. The Company's management reviews the provisions annually and makes any amendments if needed according to the latest agreements and negotiations with those parties.

- The Company did not disclose all of the information required by the Egyptian accounting standards with those parties as the management assumes that the disclosure of such information would seriously affect the company's negotiations with those parties.

### 32. Investments in subsidiaries

	Legal Form	Ownership %	Paid amount of Participation %	Carrying amount as at 30/09/2020 <u>EGP</u>	Carrying amount as at 31/12/2019 <u>EGP</u>
Sixth of October for Development and Real Estate Projects Co. (SOREAL)	S.A.E	99.99	100	807 334 516	807 334 516
SOREAL for Real Estate Investment Co.	S.A.E	99.99	100	499 999 970	499 999 970
SODIC for Development and Real Estate Investment Co.		99.99	100	299 999 980	299 999 980
Tabrouk Development Co.	S.A.E	99.99	100	99 998 000	99 998 000
SODIC for Management of Hotels and Clubs	S.A.E	40	100	8 000 000	8 000 000
				<u>1 715 332 466</u>	<u>1 715 332 466</u>

### 33. Fair values

#### 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 Company monitors the return on capital, which the Company defines as net profit for the period/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 period / year. The Company is not subject to externally imposed capital requirements.

#### Fair values versus carrying values

Financial instruments are represented, in cash at banks and on hand, investments, customers, notes receivable and investments in subsidiaries, and associates, 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 Company. According to the valuation techniques used to evaluate the assets and liabilities of the Company, the carrying value of these financial instruments represent a reasonable estimate of their fair value.

### **34. Financial risk management**

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

- A. Credit risk
- B. Liquidity risk
- C. Market risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, as well as the Company management of capital. Further quantitative disclosures are included throughout these separate 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 Company aims to develop a disciplined and constructive control environment through which all employees understand their roles and obligations.

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

#### **34-1 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 Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer and the demographics of the Company's customer base, which includes the default risk of the industry which has less influence on credit risk.

Almost all of the Company's revenues is attributable to sales transaction with a vast group of customers. Therefore, demographically, there is no concentration of credit risk.

The Company'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 obtained advance payments and cheques covers for 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 after 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 date 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 Company extends corporate guarantees to subsidiaries, when needed, after the approval of the Extra Ordinary General Assembly Meeting (EGM). The following corporate guarantees were provided:

#### **34-2 Liquidity risk**

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

The Company'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 Company's reputation.

The Company 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 Company maintains the following lines of credit:

- A medium-term loan in the amount of EGP 1.3 billion.
- A medium-term loan in the amount of EGP 500 million.

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### **34-3 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 Company'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.

### **34-4 Currency risk**

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

In respect of monetary assets and liabilities denominated in other foreign currencies, the Company 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.

### **34-5 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.

### **34-6 Other market price risk**

Equity price risk arises from available-for-sale equity securities and the management of the Company 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 sell decisions are approved by the Company's 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.

### **34-7 Credit risk**

The carrying amount of financial assets represented in the balances of trade and notes receivables, debtors and cash and cash equivalent the maximum of credit risk exposure, the balances as at September 30, 2020 amounted to EGP 7 721 340 773 (At December 31, 2019: EGP 7 512 496 038).

### **34-8 Liquidity risk**

The following are the contractual maturities of financial liabilities:

<b>September 30, 2020</b>	<b>Carrying amount</b>	<b>Less than 1 year</b>	<b>1-2 years</b>	<b>2-5 years</b>
	<b>EGP</b>	<b>EGP</b>	<b>EGP</b>	<b>EGP</b>
Short - term loans	355 575 982	355 575 982	-	-
Long - term loans	1 091 445 767	-	611 439 170	480 006 597
New Urban Communities Authority	5 153 480 555	-	669 763 424	4 483 717 131
Contractors and suppliers	209 581 177	209 581 177	-	-
Other creditors	1 085 072 135	674 607 699	395 536 095	14 928 341
Notes payable –short term	187 608 739	187 608 739	-	-
	<b>8 082 764 355</b>	<b>1 427 373 597</b>	<b>1 676 738 689</b>	<b>4 978 652 069</b>

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<u>December 31, 2019</u>	<u>Carrying amount EGP</u>	<u>Less than 1 year EGP</u>	<u>1-2 years EGP</u>	<u>2-5 years EGP</u>
Short - term loans	228 964 355	228 964 355	-	-
Long – term loans	1 119 375 242	-	521 528 710	597 846 532
New Urban Communities Authority	4 806 340 854	-	196 212 676	4 610 128 178
Contractors and suppliers	175 705 132	175 705 132	-	-
Other creditors	826 182 678	534 662 692	280 917 582	10 602 404
Notes payable – short term	183 883 846	183 883 846	-	-
	<u>7 340 452 107</u>	<u>1 123 216 025</u>	<u>998 658 968</u>	<u>5 218 577 114</u>

### **34-9 Currency risk**

#### **Exposure to currency risk**

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

<u>Description</u>	<u>30/09/2020 Euro</u>	<u>30/09/2020 USD</u>	<u>31/12/2019 Euro</u>	<u>31/12/2019 USD</u>
Notes receivable short / long - term	-	596 610	-	596 610
Maintenance creditors	-	(486 000)	-	(486 000)
Cash at banks	-	11 155 792	-	10 941 985
<b>Surplus of foreign currencies</b>	<u>-</u>	<u>11 266 402</u>	<u>-</u>	<u>11 052 595</u>

### **34-10 Interest rate risk**

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

	<u>Carrying amount</u>	
	<u>30/09/2020 EGP</u>	<u>31/12/2019 EGP</u>
<b><u>Financial instruments with a fixed rate</u></b>		
Financial assets	6 617 351 201	5 511 787 115
Financial liabilities	(187 608 739)	(183 883 846)
	<u>6 429 742 462</u>	<u>5 327 903 269</u>
<b><u>Financial instruments with a variable rate</u></b>		
Financial liabilities	(1 447 021 749)	1 348 339 597
	<u>(1 447 021 749)</u>	<u>(1 348 339 597)</u>

The Company 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 separate interim financial statements date would not affect the statement of profit or loss.

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**35. Related parties**

Related parties are represented in the Company's shareholders, board of directors, executive directors and Companies in which they own directly or indirectly shares giving them significant influence over these Companies. The Company made several transactions during the year with related parties and these transactions have been done in accordance with the terms determined by the Company's management, excluded added value, and have been approved by the Company's Ordinary General Assembly. A summary of significant transactions concluded during the year at the separate interim financial position date were as follows:

Party	Nature of relationship	Nature of transaction	30/09/2020 Amount of Transaction EGP
Beverly Hills Company for Management of Cities and Resorts	A subsidiary	Works of agriculture, maintenance and security services for Beverly Hills City.	5 144 322
Sixth of October for Development and Real Estate Projects (SOREAL)	A subsidiary	Payments on behalf of the Company	17 043 128
		Cash payments	486 289 039
Sodic Garden City for development and investment	A subsidiary	Payments on behalf of the Company	417 424
		Cash payments	1 108 064
Edara for Services of Cities and Resorts Company	A subsidiary	Works of agriculture, maintenance and security services for SODIC West	129 072 525
SODIC for Golf and Tourist Development Company	A subsidiary	Payments on behalf of the Company	832 362
		Cash payments	17 250 000
		Fields operating expenses	11 606 016
SODIC Polygon for Real estate investment Company	A subsidiary	Payments on behalf of the Company	15 527 565
		Cash proceeds	7 843 549
Al Yosr for Projects and Real estate Development Company	A subsidiary	Payment on behalf of the company	8 439 213
		Cash payments	36 359 129
Fourteen for real estate investment Company	A subsidiary	Payments on behalf of the Company	764 428
La Maison for Real estate investment Company	A subsidiary	Payments on behalf of the Company	8 896 921
		Cash proceeds	10 009 212
SOREAL for Real estate investment Company	A subsidiary	Payments on behalf of the Company	29 657 527
		Cash payments	70 273 225
Tabrouk Development Company	A subsidiary	Payments on behalf of the Company	9 307 456
		Cash payments	25 570 918
Sodic for Securitization Company	A subsidiary	Payments on behalf of the Company	16 400
		Cash payments	200 000
SODIC for Development and Real Estate Investment Company	A subsidiary	Payments on behalf of the Company	84 977
El Diwan for real estate development	A subsidiary	Payments on behalf of the Company	3 504
SODIC for Hotels and Clubs	A subsidiary	Payments on behalf of the Company	1 023 472
		Cash payments	14 000 000
		Cash proceeds	15 000 000
Tegara for Commercial Centers Company			3 597
SODIC Syria			48 210
Executive directors and board members			Refer to note no. 9



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**The following is the balances of related parties at the date of the financial statements**

**a) Due from related parties**

	<b>30/09/2020</b>	<b>31/12/2019</b>
	<b><u>EGP</u></b>	<b><u>EGP</u></b>
Sixth of October for Development and Real Estate Projects (SOREAL) – a subsidiary.	-	909 520
Tabrouk Development Company – a subsidiary.	-	1 983 752
Green scape for Agriculture and Reclamation Company – a subsidiary (under Liquidation)	3 651 668	3 651 668
Move-In for Advanced Contracting Company – a subsidiary	22 411 128	22 411 128
Al Yosr for Projects and Real estate Development Company – a subsidiary	-	633 627
SODIC for Development and Real Estate Investment Company – a subsidiary	86 423	1 446
SODIC Syria Company – a subsidiary	433 975 575	433 927 365
Fourteen for Real Estate Investment Company – a subsidiary	68 262 073	67 497 645
La Maison for Real Estate Investment Company - S.A.E	33 760 191	34 872 483
Palmyra Real Estate Development Company –a Joint project	35 191 620	35 191 620
SODIC for Golf and Tourist Development Company – a subsidiary	65 121 767	58 425 295
Diwan for Real Estate Development Company – a subsidiary	72 834	69 330
SODIC for Securitization Company	224 323	7 923
SODIC for Hotels and Clubs	-	87 040
Sodic Garden City for development and investment	102 279	-
Edara for Services of Cities and Resorts Company	3 024 521	-
Other related companies	-	363 150
	<b>665 884 402</b>	<b>660 032 992</b>
Impairment of due from related parties (35- 1)	(621 104 721)	(621 104 721)
	<b>44 779 681</b>	<b>38 928 271</b>

(35-1) Due to the current political circumstances in the Syrian Arab Republic which affected a significant impact on the economic sectors in general, and the confiscation of assets and documents related to Palmyra - SODIC Real Estate Development Company by the Syrian Arab Republic government, the management of SODIC addressed the Embassy of the Syrian Arab Republic in Egypt to protect all of its interest from these acts and commissioned a law firm for trying to reserve its interest.

Accordingly, the Board of Directors of Sixth of October Development and Investment "SODIC" saw that the assets of the investee company all become in dispute with the mentioned country's government, which requires to recognize a loss arising from an inability to recover its investments and therefore the Board of Directors decided on April 16, 2014 to impair the due from related parties relating to investments that have been injected for projects in the Syrian Arab Republic in addition to an impairment for due from some subsidiaries related to debts unexpected to be collected which are amounted to EGP 621 104 721 as at September 30, 2020.

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**b) Due to related parties**

	<b>30/09/2020</b>	<b>31/12/2019</b>
	<b><u>EGP</u></b>	<b><u>EGP</u></b>
Sixth of October for Development and Real Estate Projects (SOREAL) – a subsidiary.	468 336 386	-
SOREAL for Real Estate Company – a subsidiary.	44 878 369	4 262 670
SODIC Polygon for Real Estate Investment Company – a subsidiary	115 711 853	132 085 514
Al Yousr for property development – a subsidiary	27 286 289	-
Tabrouk Development Company – a subsidiary	14 279 710	-
Tegara for Trading Centers Co. – a subsidiary	51 776 504	51 780 101
Sodic Garden City for Development and investment Company – a subsidiary	-	32 235
Edara for Services of Cities and Resorts Company – a subsidiary	-	7 678 010
SODIC for Hotels and Clubs	201 762	-
	<b>722 470 873</b>	<b>195 838 530</b>

**36. Tax status**

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

**Corporate tax**

- Years 1996 to 2005 have been tax inspected and tax differences have been paid and settled.
- Years 2006 to 2014 have been inspected and settlement of accrued tax differences is under way for those years.
- Years 2015 to 2019 have not been inspected and no tax claims have been received till the date of authorizing of these financial statements for issuance.
- The Company submits its annual tax return on due dates in accordance with Law No. 91 of 2005 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 2017 under inspection and no tax claims have been received till the date of authorizing of these financial statements for issuance.
- Years 2018 to 2019 have not been inspected and no tax claims have been received till the date of authorizing of these financial statements for issuance.
- The Company submits stamp tax returns on a regular basis and pays the accrued taxes on due dates in accordance with the law.

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**Sales/value added tax**

- Years 1996 to 2015 have been inspected and tax differences have been paid and settled.
- Years 2016 to 2019 under inspection 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.

**37. Capital commitments**

Capital commitments as at September 30, 2020 amounted EGP 3 750 is represented in contracted and unexecuted works (December 31, 2019: EGP 3 750).

**38. 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 sentence 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 On November 24, 2014, 6 of October partial court decided to dissuade its decline decree of previous proof procedures dated February 22, 2010. The hearing was scheduled for February 04, 2021.

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

**39. Basis of measurement**

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

- Financial assets and liabilities recognized at fair values through profits and losses.
- Held for trading investments are valued at fair value.
- Available for sale investments, which have market values are valued at fair value.
- Transactions liabilities of share-based payments, which paid in cash, are valued at fair value.

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

- On January 20, 2016 the extra ordinary 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 year of six years and three months as per annex (1). These shares should be available through the special reserve- additional paid in capital, or through reserves, or part of it, or through retained earnings, or part of it which is to be used in the capital increase, this capital increase is based on the approval of the Board of Directors as per the proxy granted by the company's extra ordinary general assembly dated January 20, 2016. The grant of the employee stock option plan is done 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 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 executives 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 executives 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 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 (24).

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

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

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

The effect of the outbreak on the business thus far was reflected in the lower number of deliveries during the first half of the year, as lockdowns and mobility restrictions decreased the urgency for customers to come in for handovers, postponing these visits to when the situation improves. As the lockdowns were lifted and the situation continued to stabilize, we have seen deliveries pick up starting June and we continue to deliver at very solid levels that led our deliveries during the nine months ended September 30th 2020 to surpass the deliveries achieved during the same period in 2019. Collection rates have also been affected by the outbreak as the value of delinquencies had increased during the first half of 2020 compared with the same period the previous year. Since June, our collection rates continued to improve as the situation stabilized and economic activity restarted, with the delinquency rate recorded during the first nine months of 2020 being slightly above 2019 levels. During the first half of the year our contracted sales were negatively affected by mobility restrictions and economic uncertainty as well as the cancellation of major marketing events and the postponement of a number of launches on our projects due to the COVID-19 outbreak. We took action to mitigate the effect by successfully launching our online virtual sales platform to reach our clients but despite our efforts, our sales during the first half of 2020 were lower than what we achieved during the same period in 2019. As the situation stabilized and uncertainty subsided, contracted sales increased significantly in July and continued strong performance during the third quarter led our gross contracted sales for the first nine months of the year to surpass gross contracted sales achieved during the same period in 2019.

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

We operate in a sector with very strong local demand fundamentals 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.

## **42. Significant accounting policies**

### **42.1. Consolidated financial statement**

- The Company has subsidiaries and according to the Egyptian Accounting Standards No. (42) "consolidated financial statements" and Article 188 of the executive regulations for Companies' law No. 159 of 1981, the Company is preparing consolidated financial statements for the Group which should be used as a reference to understand the financial position, financial performance and cash flows for the group as a whole.
- The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired.
- Any goodwill that arises is tested annually for Impairment. Any gain on a bargain purchase in recognized profit or loss immediately.
- Transaction cost are expensed as incurred, except if related to the issue of debt or equity securities.
- The consideration transferred does not include amounts related to the settlement of pre-existing relationship. Such amounts are generally recognized in profit or loss.
- Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that met the definition of financial instrument is classified as equity, then it is not re-measured, and settlement is accounted for within equity. Otherwise, other contingent consideration is 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.

### **42.2. Foreign currency transactions**

- Transactions in foreign currencies are translated at the foreign exchange rate prevailing at the date of the transaction.
- Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date.
- Assets and liabilities that are measured at fair value in a foreign currency are translated at the exchange rate when the fair value was determined.
- Non - monetary assets and liabilities that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction.
- Foreign currency differences are generally recognized in profit or loss, however, foreign currency differences arising from the translation of the following items are recognized in OCI:
  - Available – for - sale equity investments (except on impairment, in which case foreign currency differences that have been recognised 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.

### **42.3. Revenue recognition**

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

#### **a. Sales revenue**

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

Net sales are represented in the selling value of units and lands delivered to customers - after excluding the future interests that have not been realized till the statement of financial position

date and after deducting the value of sales returns (represented in the saleable value of the sales returns less unrealized interests that have been previously excluded from the saleable value). Discounts granted to customers are recorded within the other operating expenses.

**b. Return on investments**

Return on investments is recognized in the statement of profit or loss at the date when the Company has the right to collect the amount.

**c. Rental income**

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

**42.4. Employee benefit**

**a) Short – term employee benefits**

Short - term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Company 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 recognised as an expense, with a corresponding increase in equity, over the vesting year of the awards. The amount recognised 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 re-measured 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) Define contribution plans**

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

The Company 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 Company's commitment is limited to the value of their contribution. And the Company'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 confined 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.

#### **42.5. Finance income and finance costs**

The Company's finance income and finance costs include:

- Interest income
- Interest expense
- The foreign currency gain or loss on financial assets and financial liabilities
- The net gain or loss on hedging instruments that are recognized in profit or loss

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

#### **42.6. Income Tax**

The recognition of the current tax and deferred tax as income or expense in the profit or loss for the year, except in cases in which the tax comes from process or event recognized - at the same time or in a different year - outside profit or loss, whether in other comprehensive income or in equity directly or business combination.

##### **a) Current income tax**

The recognition of the current tax for the current year and prior years and that have not been paid as a liability, but if the taxes have already been paid in the current year and prior years in 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 measured at expected value paid to (recovered from) the tax authority, using the current tax rates (and tax laws) or in the process to issue in the end of the financial year. Dividends are subject to tax as part of the current tax. But do not be offset for tax assets and liabilities only when certain conditions are met.

##### **b) Deferred tax**

Deferred tax is recognised 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 recognised for:

- Taxable temporary differences arising on the initial recognition of goodwill.,
- Temporary differences on the initial recognition of assets or liabilities in a transaction that is not:
  - a. A business combination.
  - b. And not affects neither accounting nor taxable profit or loss.
- Temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Company 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 recognised 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 business plans for individual subsidiaries in the Group. deferred tax assets are reassessed at each reporting date and recognised 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 Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset only if certain criteria are met.



**42.7. Units ready for sale**

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

**42.8. Work in process**

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 statement of financial position at cost or net realizable value whichever is lower. Costs include directly attributable cost needed to bring the units to the selling status.

**42.9. 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 recognised in profit or loss.

**b) Subsequent expenditure**

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

**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 recognised in profit or loss.

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

<u>Asset</u>	<u>Years</u>
Buildings and construction works	5-10
Vehicles	5
Furniture and fixtures	10
Office and communications equipment	5
Generators, machinery and equipment	5
Solar power stations	25
Golf course constructions	20
Irrigation networks	15
Golf course equipment and tools	15
Leasehold improvements	5 years or lease term whichever is lower

**42.10. 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.

**42.11. 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 recognised in profit or loss.

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

<u>Asset</u>	<u>Years</u>
Leased units	20
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 recognised in profit or loss.	

#### **42.12. Financial instruments**

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

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

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

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

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

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled, or expired.

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

##### **2) Non-derivative financial assets – Measurement**

###### **Financial assets at fair value through profit or loss:**

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

###### **Held-to-maturity financial assets:**

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

###### **Loans and receivables:**

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

###### **Available-for-sale financial assets:**

These assets are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences on debt instrument are recognised in

OCI and accumulated in the fair value reserve. When these assets are derecognised, the gain or loss accumulated in equity is reclassified to profit or loss.

**3) Non-derivative financial liabilities – Measurement:**

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

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

**4) Derivative financial instruments and hedge accounting:**

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

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

**Cash Flow Hedges:**

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

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

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

**42.13. Share capital**

**1) Ordinary Shares:**

Incremental costs directly attributable to the issue of ordinary shares are recognised 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 recognised as equity are repurchased, the amount of the consideration paid, which includes directly attributable costs is recognised 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 recognised as an increase in equity and the resulting surplus or deficit on the transaction is presented within share premium.

**42.14. Impairment**

**1) Non-derivative financial assets**

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

Objective evidence that financial assets are impaired includes:

- default or delinquency by a debtor;
- restructuring of an amount due to the Company on terms that the Company would not consider otherwise;

- indications that a debtor or issuer will enter bankruptcy;
- adverse changes in the payment status of borrowers or issuers;
- the disappearance of an active market for a security because of financial difficulties; or
- Observable data indicating that there is a measurable decrease in the expected cash flows from a group of financial assets.

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

#### **Financial assets measured at amortised cost**

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

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

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

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

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

#### **Available-for-sale financial assets**

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

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

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

#### **Equity-accounted investees**

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

#### **2) Non-financial Assets:**

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

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

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

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

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

An impairment loss in respect of goodwill is not reversed in the subsequent year. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) if no impairment loss had been recognised in previous years.

#### **42.15. 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 recognised 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.

#### **42.16. Operational lease**

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

#### **42.17. Sale and leaseback**

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

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

#### **42.18. Investments**

##### **a- Investments in subsidiaries**

Subsidiary companies are the entities in which the "Company" investor has the ability to control its financial and operating policies of the entity this ability exists by possessing half of the voting power or more in the related subsidiary.

Investments in subsidiaries are stated – when acquired – at its acquisition cost. If a decline in the recoverable amount exists for any investment below the carrying amount "Impairment", the carrying amount of the investment will be adjusted by the amount of such impairment and will be charged to the statement of profit or loss for each investment.

**b- Available for sale investments**

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

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

**c- Held for trading investments**

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

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

**42.19. Trade, notes receivable and debtors**

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

**42.20. 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. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management.

**42.21. Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of the qualifying asset, which require a long period to be prepared for use in its intended purposes or sold as part of the cost of the asset, and other borrowing costs are charged as an expense in the year in which they are incurred. The borrowing costs represent in the interest and other costs incurred by the Company to borrow the funds.

**42.22. 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.

**42.23. Trade, contractors and other credit balances**

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

**42.24. Notes payable**

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

**42.25. 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.

**42.26. Expenses**

**Lease payments**

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

**42.27. 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.

**42.28. 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.

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

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

given the current conditions the country is going through as a result of the outbreak of the Corona virus as stated in note (41), the Egyptian government has implemented some preventive measures in efforts to limit the spread of the virus by imposing restrictions on the presence of human resources in companies at full capacity on a regular basis, and temporarily suspending some business activities, including aviation and tourism. As a result, private companies have also implemented some preventive measures that varied from company to company according to activity, number of employees, location and other considerations. These procedures included imposing restrictions on the number and duration of human resources in companies. This led to delaying some companies to fully implement the new Egyptian Accounting Standards by the effective date of these standards, which is January 1, 2020.

As a result, the Supreme Committee assigned to review the Egyptian Accounting Standards, Egyptian standards, limited examination and other verification tasks. has agreed to postpone the application of the new Egyptian Accounting Standards and the accompanying amendments issued by decision no. 69 on the periodic financial statements that will be issued during the year 2020 provided that companies implement these standards and these amendments to the annual financial statements of these companies at the end of 2020, Accordingly, the Group did not apply these standards to its periodic separate financial statements for the nine-month period ending September 30, 2020, As for standards No. (47), (48) and (49), the date of applying these amendments has been postponed to January 1, 2021, according to the Prime Minister Decree No. 1871 of 2020,

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The most prominent amendments are as follows:

<u>New or Amended Standards</u>	<u>A Summary of the Most Significant Amendments</u>	<u>The Possible Impact on the Financial Statements</u>	<u>Date of Implementation</u>
The new Egyptian Accounting Standard No. (47) "Financial Instruments"	<ol style="list-style-type: none"> <li>1. The new Egyptian Accounting Standard No. (47), "Financial Instruments", supersedes the corresponding related issues included in the Egyptian Accounting Standard No. (26), "Financial Instruments: Recognition and Measurement". Accordingly, Egyptian Accounting Standard No. 26 was amended and reissued after cancelling the paragraphs pertaining to the issues addressed in the new Standard No. (47) and the scope of the amended Standard No. (26) was specified and intended to deal only with limited cases of Hedge Accounting according to the choice of the enterprise.</li> <li>2. Pursuant to the requirements of the Standard, financial assets are classified based on their subsequent measurement whether at amortized cost, or fair value through other comprehensive income or at fair value through profit or loss, in accordance with the enterprise business model for managing financial assets and the contractual cash flow characteristics of the financial asset.</li> <li>3. When measuring the impairment of financial assets the Incurred Loss Model is replaced by the Expected Credit Loss (ECL) Model, which requires measuring the impairment of all financial assets measured at amortized cost and financial instruments measured at fair value through other comprehensive income from their initial recognition date regardless whether there is any indication of the occurrence of loss event.</li> </ol>	The Management is currently assessing the potential impact of implementing the amendment of the standard on the financial statements.	This standard applies to financial periods beginning on or after January 1st, 2021, and the early implementation thereof is permitted; provided that the amended Egyptian Accounting Standards Nos. (1), (25), (26) and (40) are to be simultaneously applied.



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<u>New or Amended Standards</u>	<u>A Summary of the Most Significant Amendments</u>	<u>The Possible Impact on the Financial Statements</u>	<u>Date of Implementation</u>
	<p>4. based on the requirements of this standard the following standards were amended:</p> <ul style="list-style-type: none"> <li>• Egyptian Accounting Standard No. (1) "Presentation of Financial Statements" as amended in 2019.</li> <li>• Egyptian Accounting Standard No. (4) - "Statement of Cash Flows".</li> <li>• Egyptian Accounting Standard No. (25) - "Financial Instruments: Presentation.</li> <li>• Egyptian Accounting Standard No. (26) - "Financial Instruments: Recognition and Measurement".</li> <li>• Egyptian Accounting Standard - EAS No. (40) - "Financial Instruments: Disclosures "</li> </ul>		-These amendments are effective as of the date of implementing Standard No. (47).
The new Egyptian Accounting Standard No. (48) - "Revenue from Contracts with Customers"	<p>1. The new Egyptian Accounting Standard No. (48) - "Revenue from Contracts with Customers" shall supersede the following standards and accordingly such standards shall be deemed null and void:</p> <ul style="list-style-type: none"> <li>a. Egyptian Accounting Standard No. (8) - "Construction Contracts" as amended in 2015.</li> <li>b. Egyptian Accounting Standard No. (11) – "Revenue" as amended in 2015.</li> </ul> <p>2. For revenue recognition, Control Model is used instead of Risk and Rewards Model.</p> <p>3. incremental costs of obtaining a contract with a customer are recognized as an asset if the enterprise expects to recover those costs and the costs of fulfilling the contract are to be recognized as an asset when certain conditions are met</p> <p>4. the standard requires that contract must have a commercial substance in order for revenue to be recognized</p> <p>5. Expanding in the presentation and disclosure requirements</p>	The Management is currently assessing the potential impact of implementing the amendment of the standard on the financial statements	Standard No (48) applies to financial periods beginning on or after January 1st, 2021, and the early implementation thereof is permitted

<u>New or Amended Standards</u>	<u>A Summary of the Most Significant Amendments</u>	<u>The Possible Impact on the Financial Statements</u>	<u>Date of Implementation</u>
The new Egyptian Accounting Standard No. (49) "Lease Contracts"	<ol style="list-style-type: none"> <li>1. The new Egyptian Accounting Standard No. (49) "Lease Contracts" shall supersede and revoke Standard No. (20)," Accounting Rules and Standards related to Financial Leasing" issued in 2015</li> <li>2. The Standard introduces a single accounting model for the lessor and the lessee where the lessee recognizes the usufruct of the leased asset as part of the company's assets and recognizes a liability that represents the present value of the unpaid lease payments under the company's liabilities, taking into account that the lease contracts are not classified in respect of the lessee as operating or finance lease contracts .</li> <li>3. As for the lessor, he shall classify each lease contract either as an operating lease or a finance lease contract.</li> <li>4. As for the finance lease, the lessor must recognize the assets held under a finance lease contract in the Statement of Financial Position and present them as amounts receivable with an amount equivalent to the amount of the net investment in the lease contract.</li> <li>5. As for operating leases, the lessor must recognize the lease payments of operating lease contracts as income either based on the straight-line method or based on any other regular basis.</li> </ol>	The Management is currently assessing the potential impact of implementing the amendment of the standard on the financial statements.	<p>This standard No. (49) applies to financial periods beginning on or after January 1st, 2021, and the early implementation thereof is permitted if Egyptian Accounting Standard No. (48) "Revenue from Contracts with Customers" is simultaneously applied.</p> <p>Except for the above-mentioned date of enforcement, Standard No. (49) applies to lease contracts that were subjected to Finance Lease Law No. 95 of 1995 and its amendments and were treated according to Egyptian Accounting Standard No. 20, "Accounting rules and standards related to financial leasing " as well as the finance lease contracts that arise under and are subjected to Law No. 176 of 2018 to the effect of regulating both financial leasing and factoring activities starting from the beginning of the annual reporting period in which Law No. (95) of 1995 was revoked and Law No. (176) of 2018 was issued.</p>

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<u>New or Amended Standards</u>	<u>A Summary of the Most Significant Amendments</u>	<u>The Possible Impact on the Financial Statements</u>	<u>Date of Implementation</u>
Egyptian Accounting Standard No. (38) as ammended " Employees Benefits "	A number of paragraphs were introduced and amended in order to amend the Accounting Rules of Settlements and Curtailments of Benefit Plans	The Management is currently assessing the potential impact of implementing the amendment of the standard on the financial statements.	This standard No. (38) applies to financial periods beginning on or after January 1st, 2020, and the early implementation thereof is permitted.
Egyptian Accounting Standard No. (34) as ammended " Real Estate Investment	The Fair Value Model option for all enterprises is no longer used when the subsequent measurement of their real estate investments is made and compliance shall apply only to the Cost Model, while only real estate investment funds are obliged to use the Fair Value Model, upon the subsequent measurement of all their real estate assets Based on this amendment, the following standards were amended: Egyptian Accounting Standard No. (32) Non-current Assets Held for Sale and Discontinued Operation Egyptian Accounting Standard No. (31) Impairment of Assets	The Management is currently assessing the potential impact of implementing the amendment of the standard on the financial statements	This amendment is introduced and shall apply to financial periods beginning on or after January 1st, 2019.
Egyptian Accounting Standard No. (4) as ammended " Statemnet of Cash Flows"	This standard requires the entity to provide disclosures that enable users of the financial statements to assess changes in liabilities arising from finance activities, including both changes arising from cash flows or non-cash flows.	The Management assessed the potential impact of implementing the amendment of the standard on the financial statements	This amendment has been applied.