# EMAAR MISR FOR DEVELOPMENT COMPANY (S.A.E.)
# INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
## FOR THE PERIOD ENDED 30 JUNE 2020
## TOGETHER WITH REVIEW REPORT

**Emaar Misr for Development Company (S.A.E.)**

**Interim Condensed Consolidated Financial Statements**
**For the period ended 30 June 2020**

## Table of Contents

Allied for Accounting & Auditing
Ragheb, Hamouda, Istanbouli, Tageldeen & El-Kilany
P.O. Box 20 Kattameya
Rama Tower
Ring Road, Zone #10A
Kattameya, Cairo, Egypt

Tel: +202 2726 0260
Fax: +202 2726 0100
Cairo.office@eg.ey.com
ey.com/mena

Translation of Auditor's report
Originally issued in Arabic

# REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
# TO THE MEMBERS OF THE BOARD OF DIRECTORS OF EMAAR MISR FOR DEVELOPMENT COMPANY (S.A.E.)

## Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of **EMAAR MISR FOR DEVELOPMENT COMPANY – (S.A.E.)** as of 30 June 2020 as well as the related interim condensed consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The management is responsible for the preparation and fair presentation of these interim condensed consolidated financial statements in accordance with Egyptian Accounting Standard No. (30), "Interim Financial Statements". Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

## Scope of Review

We conducted our review in accordance with Egyptian Standard on Review Engagements No. 2410, "Review of Interim Financial Statements Performed by the Independent Auditor of the Entity," A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures, A 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.

## Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements does not give a true and fair view, in all material respects, of the interim condensed consolidated financial position of the company as at 30 June 2020, and of its interim condensed consolidated financial performance and its cash flows for the six-month period then ended in accordance with Egyptian Accounting Standard No. (30), "Interim Financial Statements".

**Amr El Shaabini**

**FESAA – FEST**
**(RAA. 9365)**
**(EFSAR .103)**

Allied for Accounting & Auditing
A Member of Ernst & Young Global

**Cairo: 6 August 2020**

# Emaar Misr for Development Company (S.A.E)

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2020

| | Notes | **30 June 2020** *EGP* | 31 December 2019 *EGP* |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Fixed assets | (3) | **2,201,344,304** | 2,148,856,278 |
| Fixed assets under construction | (4) | **1,205,377,240** | 958,519,586 |
| Investment properties | (6) | **829,377,734** | 561,795,690 |
| Deferred tax assets | (20) | **316,452,278** | 282,530,579 |
| **Total non-current assets** | | **4,552,551,556** | 3,951,702,133 |
| **Current assets** | | | |
| Development properties | (7) | **19,277,538,724** | 16,495,848,060 |
| Held to maturity investments | | **7,916,990,121** | 8,832,226,259 |
| Accounts and notes receivables | (8) | **1,737,020,046** | 2,086,227,655 |
| Due from related parties | (9a) | **10,318** | 10,318 |
| Prepayments, other receivables and other debit balances | (10) | **9,157,093,750** | 7,694,681,018 |
| Cash on hand and at banks | | **2,721,378,768** | 3,510,824,546 |
| **Total current assets** | | **40,810,031,727** | 38,619,817,856 |
| **TOTAL ASSETS** | | **45,362,583,283** | 42,571,519,989 |
| **EQUITY AND LIABILITIES** | | | |
| **Equity** | | | |
| Share capital | (14) | **4,529,338,000** | 4,529,338,000 |
| Share premium | | **1,350,286,168** | 1,350,286,168 |
| Legal reserve | | **520,979,691** | 434,015,997 |
| Retained earnings | | **9,481,373,048** | 7,829,062,868 |
| Profit for the period / year | | **581,539,903** | 1,739,273,874 |
| **Total equity of shareholders of parent company** | | **16,463,516,810** | 15,881,976,907 |
| Non-controlling interest | | **7,500** | 7,500 |
| **Total equity** | | **16,463,524,310** | 15,881,984,407 |
| **LIABILITIES** | | | |
| **Non-current liabilities** | | | |
| Credit facilities | | **10,255,590** | 10,255,590 |
| Long term liabilities | (13) | **281,582,251** | - |
| Provision for employees' end-of-service benefits | | **33,479,288** | 37,890,032 |
| **Total non-current liabilities** | | **325,317,129** | 48,145,622 |
| **Current liabilities** | | | |
| Provisions | (11) | **60,977,594** | 64,860,193 |
| Trade payables, accrued expenses and other credit balances | (12) | **8,302,727,236** | 8,326,256,538 |
| Due to related parties | (9a) | **27,448,228** | 168,354,585 |
| Income tax payable | | **23,982,418** | 369,952,503 |
| Advances from customers | | **19,425,307,940** | 17,270,405,232 |
| Retentions payable | | **536,499,978** | 431,537,664 |
| Credit facilities | | **42,852** | 84,885 |
| Borrowings from related parties | (9b) | - | 9,938,360 |
| Current portion of long term liabilities | (13) | **196,755,598** | - |
| **Total current liabilities** | | **28,573,741,844** | 26,641,389,960 |
| **TOTAL LIABILITIES** | | **28,899,058,973** | 26,689,535,582 |
| **TOTAL LIABILITIES AND EQUITY** | | **45,362,583,283** | 42,571,519,989 |

Chairman

Board Director

The accompanying notes 1 to 23 form an integral part of these interim condensed consolidated financial statements.

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the period from 1 January 2020 to 30 June 2020

| | | *Six Months* | | *Three Months* | |
|---|---|---|---|---|---|
| | | ***2020*** | *2019* | ***2020*** | *2019* |
| | Notes | ***EGP*** | *EGP* | ***EGP*** | *EGP* |
| Revenue | (15) | **1,010,062,172** | 1,457,453,783 | **770,560,670** | 890,826,694 |
| Cost of revenue | (16) | **(683,485,164)** | (854,900,588) | **(491,272,078)** | (537,855,882) |
| **GROSS PROFIT** | | **326,577,008** | 602,553,195 | **279,288,592** | 352,970,812 |
| Selling and marketing expenses | (17) | **(175,816,491)** | (144,340,958) | **(95,635,010)** | (74,590,831) |
| General and administrative expenses | (18) | **(229,601,582)** | (1,116,677,370) | **(116,240,145)** | (990,184,383) |
| Finance income | | **717,766,014** | 903,920,820 | **351,228,480** | 448,690,221 |
| Finance cost | | **(170,323)** | (24,407,056) | **(75,020)** | (11,555,857) |
| Other income | (19) | **38,858,103** | 68,594,107 | **27,109,383** | 45,364,726 |
| Provisions | (11) | **(1,561,956)** | (1,562,755) | **(732,542)** | (912,736) |
| Provisions no longer required | (11) | **2,376,595** | 2,899,793 | **(175,197)** | - |
| **PROFIT FOR THE PERIOD BEFORE INCOME TAX** | | **678,427,368** | 290,979,776 | **444,768,541** | (230,218,048) |
| Income tax | (20) | **(96,887,465)** | (196,681,774) | **(79,049,437)** | (94,107,606) |
| **PROFIT FOR THE PERIOD** | | **581,539,903** | 94,298,002 | **365,719,104** | (324,325,654) |
| Earnings Per Share - basic and diluted | | **0.12** | 0.02 | **0.07** | (0.06) |

The accompanying notes 1 to 23 form an integral part of these interim condensed consolidated financial statements.

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the period from 1 January 2020 to 30 June 2020

| | *Six Months* | | *Three Months* | |
|---|---|---|---|---|
| | ***2020*** | *2019* | ***2020*** | *2019* |
| | ***EGP*** | *EGP* | ***EGP*** | *EGP* |
| PROFIT FOR THE PERIOD | **581,539,903** | 94,298,002 | **365,719,104** | (324,325,654) |
| OTHER COMPREHENSIVE INCOME | **-** | - | **-** | - |
| **TOTAL COMPREHENSIVE INCOME** | **581,539,903** | 94,298,002 | **365,719,104** | (324,325,654) |
| **Attributable to :** | | | | |
| Parent Company | **581,539,903** | 94,298,002 | **365,719,104** | (324,325,654) |
| Non-Controlling Interest | **-** | - | **-** | - |
| **TOTAL COMPERHENSIVE INCOME** | **581,539,903** | 94,298,002 | **365,719,104** | (324,325,654) |

The accompanying notes 1 to 23 form an integral part of these interim condensed consolidated financial statements.

Emaar Misr for Development Company (S.A.E)

INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY

For the period from 1 January 2020 to 30 June 2020

| | *Share capital* | *Share premium* | *Legal reserve* | *Retained Earnings* | *Profit for the period* | ***Total equity of parent company*** | *Non-controlling interest* | ***Total*** |
|---|---|---|---|---|---|---|---|---|
| | *EGP* | *EGP* | *EGP* | *EGP* | *EGP* | ***EGP*** | *EGP* | ***EGP*** |
| Balance at 1 January 2020 | 4,529,338,000 | 1,350,286,168 | 434,015,997 | 7,829,062,868 | 1,739,273,874 | 15,881,976,907 | 7,500 | **15,881,984,407** |
| Transfer to retained earnings and legal reserve | - | - | 86,963,694 | 1,652,310,180 | (1,739,273,874) | - | - | - |
| Total comprehensive income | - | - | - | - | 581,539,903 | **581,539,903** | - | **581,539,903** |
| **Balance at 30 June 2020** | **4,529,338,000** | **1,350,286,168** | **520,979,691** | **9,481,373,048** | **581,539,903** | **16,463,516,810** | **7,500** | **16,463,524,310** |

The accompanying notes 1 to 23 form an integral part of these interim condensed consolidated financial statements.

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the period from 1 January 2020 to 30 June 2020

| | *Share capital* | *Share premium* | *Legal reserve* | *Retained Earnings* | *Profit for the period* | *Total equity of parent company* | *Non-controlling interest* | *Total* |
|---|---|---|---|---|---|---|---|---|
| | *EGP* | *EGP* | *EGP* | *EGP* | *EGP* | *EGP* | *EGP* | *EGP* |
| Balance at 1 January 2019 | 4,529,338,000 | 1,350,286,168 | 263,070,930 | 4,581,106,588 | 3,418,901,347 | 14,142,703,033 | 7,500 | 14,142,710,533 |
| Transfer to retained earnings and legal reserve | - | - | 170,945,067 | 3,247,956,280 | (3,418,901,347) | - | - | - |
| Total comprehensive income | - | - | - | - | 94,298,002 | 94,298,002 | - | 94,298,002 |
| Balance at 30 June 2019 | 4,529,338,000 | 1,350,286,168 | 434,015,997 | 7,829,062,868 | 94,298,002 | 14,237,001,035 | 7,500 | 14,237,008,535 |

The accompanying notes 1 to 23 form an integral part of these interim condensed consolidated financial statements.

# Emaar Misr for Development Company (S.A.E)

## INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
For the period from 1 January 2020 to 30 June 2020

| | Notes | **30 June 2020** *EGP* | 30 June 2019 *EGP* |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Profit for the period before income tax | | **678,427,366** | 290,979,776 |
| Depreciation expenses of fixed assets | (3) | **102,336,479** | 88,061,836 |
| Depreciation expenses of investment properties | | **5,191,694** | 2,478,440 |
| Provision for employees' end-of-service benefits | | **1,760,964** | 23,346,846 |
| Reversal of provision for employees' end-of-service benefits | | **(4,771,837)** | - |
| Provisions charged during the period | (11) | **1,561,956** | 1,562,755 |
| Provision no longer required | (11) | **(2,376,595)** | (2,899,793) |
| Impairment of development properties | | **(2,990,216)** | - |
| Loss (Gain) on disposal of fixed assets | | **861** | (575,525) |
| Finance costs | | **170,323** | 24,407,056 |
| Finance income | | **(717,766,013)** | (903,920,820) |
| | | **61,544,982** | (476,559,429) |
| **Cash from operating activities** | | | |
| Changes in accounts and notes receivables | | **349,207,608** | 395,925,231 |
| Changes in prepayments, other receivables and other debit balances | | **(1,484,374,023)** | (670,097,026) |
| Changes in development properties | | **(2,299,687,885)** | (1,993,135,507) |
| Changes in advances from customers | | **2,154,902,707** | 1,790,933,568 |
| Changes in trade payables, accrued expenses and other credit balances | | **(21,993,787)** | 63,589,043 |
| Changes in due to related parties | | **(143,520,623)** | 14,607,359 |
| Changes in retentions payable | | **104,962,314** | 67,150,464 |
| Letter of guarantee and letter of credit margins | | **(1,903,000)** | 518,782 |
| Provisions used | (11) | **(3,067,959)** | (4,201,422) |
| Employees' end-of-service benefits paid | | **(1,399,871)** | (25,746,902) |
| Income tax paid | | **(476,779,249)** | (375,026,910) |
| **Net cash (used in) operating activities** | | **(1,762,108,786)** | (1,212,042,749) |
| **Cash flows from investing activities** | | | |
| Finance income received | | **101,293,341** | 242,595,381 |
| Purchase of fixed assets | (3) | **(23,762,575)** | (35,300,313) |
| Proceeds from sale of fixed assets | | **4,231** | 1,175,652 |
| Purchase of investment properties | | **(272,773,738)** | (328,762,897) |
| Payments in fixed assets under construction | | **(377,924,675)** | (119,382,630) |
| Purchase of held to maturity investments | | **(5,757,563,862)** | (3,079,728,193) |
| Proceeds from held to maturity investments | | **7,326,845,814** | 4,633,075,000 |
| Time deposits (maturity over 3 months) | | **200,000,000** | 750,000,000 |
| **Net cash from investing activities** | | **1,196,118,536** | 2,063,672,000 |
| **Cash flows from financing activities** | | | |
| Payments of credit facilities | | **(42,033)** | (321,895) |
| Payments of loan due to related parties | | **(12,780,761)** | - |
| Finance costs paid | | **(656,871)** | (25,402,805) |
| **Net cash (used in) financing activities** | | **(13,479,665)** | (25,724,700) |
| **Net (decrease) increase in cash and cash equivalents** | | **(579,469,915)** | 825,904,551 |
| Net foreign exchange differences | | **(11,878,862)** | (54,074,333) |
| Cash and cash equivalent at the beginning of the period | | **3,162,210,349** | 3,678,774,585 |
| **Cash and cash equivalent at the end of the period** | | **2,570,861,572** | 4,450,604,803 |

The accompanying notes 1 to 23 form an integral part of these interim condensed consolidated financial statements.

**For the purpose of statement of cash flow cash and cash equivalents represents the following:**

| | **30 June 2020** | 31 December 2019 |
|---|---|---|
| | ***EGP*** | *EGP* |
| Bank balances and cash | **2,721,378,768** | 3,510,824,546 |
| Restricted cash/time deposit for letters of guarantee and credit* | **(150,517,196)** | (148,614,196) |
| Time deposits (maturity over 3 months) | **-** | (200,000,000) |
| **Cash and cash equivalent** | **2,570,861,572** | 3,162,210,350 |

*Cash at banks as at 30 June 2020 include an amount of EGP 150,517,196 in form of three renewable time deposits as a margin of a letter of guarantee and two letter of credit issued by the company and credit card (Note 21).

**Non-cash transactions:**
Total long-term liabilities amounting to EGP 478,337,850 is deducted from changes in development properties.

The accompanying notes 1 to 23 form an integral part of these interim condensed consolidated financial statements.

## 1 BACKGROUND

Emaar Misr for Development Company (S.A.E.) is a joint stock company established in Egypt under the Investment Guarantees and Incentives Law No. 8 of 1997. The Company was registered in the commercial register on 16 March 2005 under No. 12841.

The listing of Emaar Misr for Development Company (S.A.E.) on the Egyptian stock exchange was approved in 4 March 2015 according to resolution of listing committee of Egyptian stock exchange.

The purpose of the Group is:

- Planning and construction of urban districts and providing them with utilities and services,
- Designing, constructing, managing, operating and maintenance of power plants with their different sources and distribution networks.
- Constructing, operating, managing and maintenance of water desalination and refining plants together with their distribution networks,
- Constructing, operating, managing and maintenance of sewage systems,
- Projects development, investment and real estate development,
- Owning, constructing, managing and touristic marketing for hotels, motels, lodges and tourism villages and its related supplementary activities in servicing, entertainment, sporting, commercial, and cultural,
- Establishing and operating yachts marina, golf courses and diving centres and its related supplementary activities,
- Finance leasing,

The Group is currently engaged in planning and construction of urban districts and providing them with utilities, services and projects development, investment and real estate development.

The Group’s ultimate parent is Emaar Properties PJSC.

These interim condensed consolidated financial statements for the six months ended 30 June 2020 were authorized for issuance in accordance with the resolution of the directors on 6 August 2020.

## 2.1 BASIS OF PREPARATION

The interim condensed consolidated financial statements of the group are prepared in accordance with Egyptian Accounting Standards (“EAS 30 Interim financial statements”) .
The interim condensed consolidated financial statements do not include all data and disclosures required in the annual financial statements and should read in conjunction with the consolidated financial statements for the year ended 31 December 2019.

## 2.2 SIGNIFICANT ACCOUNTIING POLICIES

The interim condensed consolidated financial statements have been prepared under the going concern assumption on a historical cost basis.
The accounting policies adopted in preparation of the interim condensed financial statements are consistent with those used in the preparation of the consolidated financial statements for the year ended 31 December 2019.

### SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of these interim condensed consolidated financial statements requires management to make judgments and estimates that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures and the disclosure of contingent liabilities at the reporting date. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the assets or liabilities affected in future periods.

Estimates and their underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised.

## 3 FIXED ASSETS

The additions of fixed assets during the period amounted to EGP 23,762,575 (30 June 2019: EGP 35,300,313), transfers from fixed assets under construction to fixed assets during the period amounted to EGP 131,067,022 (30 June 2019: none), disposals of fixed assets during the period amounted to EGP 18,569 (30 June 2019: EGP 1,237,738) and depreciation expenses charged during the period amounted to EGP 102,336,479 (30 June 2019: EGP 88,061,836).

## 4 FIXED ASSETS UNDER CONSTRUCTION

| | **30 June 2020** *EGP* | 31 December 2019 *EGP* |
|---|---|---|
| Marassi project (buildings, furniture and fixtures) | **971,813,904** | 650,602,936 |
| Uptown Cairo project (buildings, furniture and fixtures) | **19,048,827** | 135,755,339 |
| MIVIDA project (buildings, furniture and fixtures) | **214,514,509** | 172,161,311 |
| | **1,205,377,240** | 958,519,586 |

## 5 BUSINESS COMBINTAION

During April 2018, the parent company acquired 85% of the quotas of “Emaar Facility Management L.L.C.” which amounts to EGP 50,000 at its par value. The cost of investment amounted to EGP 42,500. The Company changed its legal name of its newly acquired subsidiary to become “IJADA Facility Management L.L.C.”

## 6 INVESTMENT PROPERTIES

| | **30 June 2020** *EGP* | 31 December 2019 *EGP* |
|---|---|---|
| Land | **15,491,697** | 15,491,697 |
| Building | **168,651,823** | 170,142,128 |
| Investment properties under construction | **645,234,214** | 376,161,865 |
| **Net carrying amount** | **829,377,734** | 561,795,690 |

-The valuation of the company’s investment properties are performed by Arab Group for Appraisals & Consultancy (independent valuer).
-The fair value of investment properties is EGP 997,693,226 at 30 June 2020 (EGP 719,976,197 at 31 December 2019).

## 7 DEVELOPMENT PROPERTIES

| | **31 June 2020** **EGP** | 31 December 2019 EGP |
|---|---|---|
| Mivida project | **5,279,473,160** | 4,606,935,074 |
| Marassi project | **6,244,118,964** | 5,082,183,707 |
| Uptown Cairo project | **6,429,316,071** | 5,726,214,269 |
| Cairo Gate project | **1,349,627,138** | 1,108,501,836 |
| | **19,302,535,333** | 16,523,834,886 |
| Less: Impairment of development properties | **(24,996,609)** | (27,986,826) |
| | **19,277,538,724** | 16,495,848,060 |

The Company has completed the registeration of Marassi project land and is in process of completing the required legal procedures related to official registration of the other remianing land owned as of 30 June 2020.

The movement of impairment of development properties include reversal amounted to EGP 2,990,217 included in cost of revenues.

## 8 ACCOUNTS AND NOTES RECEIVABLES

| | **30 June 2020** *EGP* | 31 December 2019 *EGP* |
|---|---|---|
| Amounts receivable within 12 months | **1,014,635,581** | 1,203,650,616 |
| Amounts receivable after 12 months | **1,022,747,268** | 1,244,349,269 |
| | **2,037,382,849** | 2,447,999,885 |
| Unamortised discount | **(304,574,851)** | (364,903,587) |
| Amounts receivable, net | **1,732,807,998** | 2,083,096,298 |
| Accounts receivables, hotels | **4,212,048** | 3,131,357 |
| | **1,737,020,046** | 2,086,227,655 |

## 9 RELATED PARTY DISCLOSURES

For the purpose of these interim condensed consolidated financial statements, parties are considered to be related to the Company, if the Company has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Company and the party are subject to common control. Related parties may be individuals or other entities.

**Related party transactions**

During the period, the following were the significant related party transactions, which were carried out in the normal course of business on terms agreed between the parties:

| | | ***30 June 2020*** | | | | |
|---|---|---|---|---|---|---|
| ***Company*** | ***Nature*** | ***Payments on behalf*** ***EGP*** | ***IT software*** ***EGP*** | ***Management fees*** ***EGP*** | ***Consultancy fees*** ***EGP*** | ***Revenue*** ***EGP*** |
| Turner Construction International Egypt | Joint venture of the parent | - | - | - | **34,269,942** | - |
| Emaar Properties – PJSC | Parent | **(1,184,165)** | **7,109,597** | - | - | - |
| Emaar Hospitality | Subsidary of the parent | - | - | **40,868** | - | - |
| Emaar Hospitality and Hotels | Subsidary of the parent | - | - | **713,982** | - | - |

| | | *30 June 2019* | | | | |
|---|---|---|---|---|---|---|
| *Company* | *Nature* | *Payments on behalf* *EGP* | *Computer Software and IT Expenses* *EGP* | *Management fees* *EGP* | *Consultancy fees* *EGP* | *Revenue* *EGP* |
| Turner Construction International Egypt | Joint venture | - | - | - | 85,570,787 | - |
| Emaar Properties – PJSC | Parent | (1,314,624) | 9,016,441 | - | - | - |
| Emaar Hospitality | Subsidary of the parent | - | - | 150,599 | - | - |
| Emaar Hospitality | Subsidary of the parent | - | - | - | - | - |
| Emaar Hospitality and Hotels | Subsidary of the parent | - | - | 6,754,940 | - | - |

## 9 RELATED PARTY DISCLOSURES (continued)

The related parties' transactions described above resulted in the following balances:

### a) Related party balances

| | ***30 June 2020*** | | | | |
|---|---|---|---|---|---|
| | ***Due from related parties EGP*** | ***Due to related parties EGP*** | ***Trade payables and accruals EGP*** | ***Advance from customers EGP*** | ***Trade and notes receivables EGP*** |
| Parent** | **-** | **3,311,165** | **-** | **-** | **-** |
| Subsidiaries of the ultimate parent | **10,318** | **24,137,063** | **-** | **-** | **-** |
| Joint venture of the ultimate parent | **-** | **-** | **179,042,378** | **-** | **-** |
| Board members and key management personnel | **-** | **-** | **-** | **-** | **277,414** |
| | **10,318** | **27,448,228** | **179,042,378** | **-** | **277,414** |

| | *31 December 2019* | | | | |
|---|---|---|---|---|---|
| | Due from related parties EGP | Due to related parties EGP | Trade payables and accruals EGP | Advance from customers EGP | Trade and notes receivables EGP |
| Parent** | - | 144,972,372 | - | - | - |
| Subsidiaries of the parent | 10,318 | 23,382,213 | - | - | - |
| Joint venture of the parent | - | - | 245,504,019 | - | - |
| Board members and key management personnel | - | - | - | - | 550,677 |
| | 10,318 | 168,354,585 | 245,504,019 | - | 550,677 |

**Due to parent represent a current account, callable by the parent, non-interest bearing, which resulted mainly from the financing and support received from the parent and other operating activities.

### b) Related party borrowings

During year 2010, Emaar Misr was granted a loan from Emaar Properties PJSC, with a limit of USD 1,150,000, at interest rate (1%) per year over LIBOR.The balances are as follows:

| | **30 June 2020** ***EGP*** | 31 December 2019 *EGP* |
|---|---|---|
| ***Borrowings from related party*** | | |
| Emaar Properties PJSC – Ultimate Parent | **-** | 9,938,360 |
| | **-** | 9,938,360 |

### c) Compensation of key management personnel

The remuneration of key management personnel during the period was as follows:

| | ***30 June 2020*** **EGP** | *30 June 2019* EGP |
|---|---|---|
| Short-term benefits | **14,405,873** | 17,767,262 |
| End-of-service benefits | **506,745** | 2,761,234 |
| | **14,912,618** | 20,528,496 |

## 10 PREPAYMENTS, OTHER RECEIVABLES AND OTHER DEBIT BALANCES

| | **30 June 2020** *EGP* | 31 December 2019 *EGP* |
|---|---|---|
| Prepayments | **6,009,356** | 7,470,061 |
| Advances to contractors and suppliers | **4,761,927,969** | 3,736,677,195 |
| Advances to employees | **5,045,695** | 3,034,127 |
| Accrued interest income | **53,498,623** | 75,459,910 |
| Customers maintenance – Current accounts | **213,900,540** | 208,810,532 |
| Customers maintenance – Time deposits | **3,415,828,105** | 3,156,511,620 |
| Due from customers – facility and customer charges | **427,580,198** | 326,363,280 |
| Payments to tax authority – treasury bills | **95,956,141** | - |
| Other receivables | **177,347,123** | 180,354,293 |
| | **9,157,093,750** | 7,694,681,018 |

## 11 PROVISIONS

| | **Balance as of 1 January 2020** | **Charged during the period** | **No longer required during the period** | **Used during the period** | **Balance as of 30 June 2020** |
|---|---|---|---|---|---|
| | **EGP** | **EGP** | **EGP** | **EGP** | **EGP** |
| Provision for legal claims | **19,860,824** | **1,561,956** | **(2,376,595)** | **(1,088,034)** | **17,958,151** |
| Provision for other claims | **44,999,369** | **-** | **-** | **(1,979,926)** | **43,019,443** |
| | **64,860,193** | **1,561,956** | **(2,376,595)** | **(3,067,960)** | **60,977,594** |

| | Balance as of 1 January 2019 | Charged during the period | No longer required during the period | Used during the period | Balance as of 30 June 2019 |
|---|---|---|---|---|---|
| | EGP | EGP | EGP | EGP | EGP |
| Provision for legal claims | 22,142,567 | 1,562,755 | (2,899,793) | - | 20,805,529 |
| Provision for other claims | 41,487,855 | - | - | (4,201,422) | 37,286,433 |
| | 63,630,422 | 1,562,755 | (2,899,793) | (4,201,422) | 58,091,962 |

- No other material contingent liabilities other than what was provided for in the provisions above or what was disclosed in note 21 contingent liabilities.

## 12 TRADE PAYABLES, ACCRUED EXPENSES AND OTHER CREDIT BALANCES

| | **30 June 2020** *EGP* | 31 December 2019 *EGP* |
|---|---|---|
| Projects contracts cost accruals | **3,087,850,310** | 3,165,187,682 |
| Trade payables (suppliers, contractors and consultants) | **813,608,042** | 1,122,021,333 |
| Taxes payables (other than income tax) | **77,487,179** | 56,591,984 |
| Accrued expenses | **426,541,839** | 389,108,648 |
| Deferred revenue | **75,094,814** | 69,130,518 |
| Social insurance authority | **7,722,631** | 6,788,391 |
| Other payables | **19,304,462** | 19,634,462 |
| Due to customers – Facility management | **569,856,413** | 489,718,463 |
| Customers maintenance payable | **3,225,261,546** | 3,008,075,057 |
| | **8,302,727,236** | 8,326,256,538 |

## 13 LONG TERM LIABILITIES

The amount represents post-dated checks instalments to New Urban Communities Authority to amend land activity license from agricultural to integerated urban and support facilities for Cairo Gate project.

| | **30 June 2020** | 31 December 2019 |
|---|---|---|
| | ***EGP*** | *EGP* |
| **Long term liabilities** | | |
| Cairo Gate project | **556,802,400** | - |
| Discount long term liabilities (interest not due) | **(78,464,550)** | - |
| Net long term liabilities | **478,337,850** | - |

## 14 SHARE CAPITAL

| | **30 June 2020** | 31 December 2019 |
|---|---|---|
| | ***EGP*** | *EGP* |
| Authorised capital (shares of EGP 1 each) | **10,000,000,000** | 10,000,000,000 |
| Issued and fully paid-up | **4,529,338,000** | 4,529,338,000 |
| Number of shares | **4529338000** | 4529338000 |

## 15 REVENUE

| | ***Six Months*** | | ***Three Months*** | |
|---|---|---|---|---|
| | **2020** | 2019 | **2020** | 2019 |
| | **EGP** | EGP | **EGP** | EGP |
| **Revenue from property sales** | | | | |
| Marassi Project | **124,887,561** | 940,871,353 | **97,070,770** | 686,664,702 |
| Uptown Cairo Project | **167,017,850** | 79,521,382 | **92,081,141** | 62,560,171 |
| Mivida Project | **718,156,761** | 437,061,048 | **581,408,759** | 141,601,821 |
| | **1,010,062,172** | 1,457,453,783 | **770,560,670** | 890,826,694 |

Revenue from property sales represents sales value of units handed over during the period discounted at the effective interest rate, the Company introduces several payment scenarios, ranging from “till delivery instalment schedule” to “till extended instalments schedule over 7 years”, the unit price vary based on the selected instalment schedule by the customer.

## 16 COST OF REVENUE

| | ***Six Months*** | | ***Three Months*** | |
|---|---|---|---|---|
| | **2020** | 2019 | **2020** | 2019 |
| | **EGP** | EGP | **EGP** | EGP |
| **Cost of revenue from property sales** | | | | |
| Marassi Project | **44,714,221** | 547,075,531 | **32,382,288** | 414,932,017 |
| Uptown Cairo Project | **156,638,062** | 46,069,051 | **84,693,682** | 42,751,235 |
| Mivida Project | **482,132,881** | 261,756,006 | **374,196,108** | 80,172,630 |
| | **683,485,164** | 854,900,588 | **491,272,078** | 537,855,882 |

The cost of revenue of projects includes reversal of impairment loss 30 June 2020: EGP 2,990,217 (30 June 2019: Nil).

## 17 SELLING AND MARKETING EXPENSES

| | *Six Months* | | *Three Months* | |
|---|---|---|---|---|
| | **2020** | 2019 | **2020** | 2019 |
| | **EGP** | EGP | **EGP** | EGP |
| Advertisements | **16,827,784** | 13,489,561 | **10,295,771** | 6,621,207 |
| Depreciation expenses of fixed assets | **3,783,984** | 2,247,701 | **2,178,688** | 1,135,460 |
| Marketing production and materials | **8,446,996** | 17,244,240 | **6,054,970** | 8,805,241 |
| Events and exhibitions | **6,138,586** | 12,619,224 | **2,383,527** | 7,784,964 |
| Sales commission | **124,696,249** | 88,220,889 | **66,681,924** | 44,519,508 |
| Other marketing expenses | **15,922,892** | 10,519,343 | **8,040,130** | 5,724,451 |
| | **175,816,491** | 144,340,958 | **95,635,010** | 74,590,831 |

## 18 GENERAL AND ADMINSTRATIVE EXPENSES

| | *Six Months* | | *Three Months* | |
|---|---|---|---|---|
| | **2020** | 2019 | **2020** | 2019 |
| | **EGP** | EGP | **EGP** | EGP |
| Depreciation expenses of fixed assets | **91,937,924** | 80,401,750 | **46,787,251** | 40,469,845 |
| Depreciation expenses of investment property | **5,191,694** | 2,478,440 | **2,607,336** | 1,232,067 |
| Salaries and benefits | **45,489,637** | 54,891,566 | **19,686,786** | 26,858,079 |
| Professional fees | **9,421,905** | 9,104,320 | **3,688,099** | 5,051,936 |
| IT expenses | **12,062,960** | 13,676,570 | **6,523,391** | 7,598,437 |
| Travel and entertainment | **4,096,440** | 5,017,361 | **1,750,643** | 2,734,412 |
| Communication | **2,261,211** | 3,257,617 | **1,351,203** | 1,439,144 |
| Facility management expenses | **26,379,294** | 29,439,704 | **12,697,525** | 18,284,968 |
| Other bank charges | **1,275,404** | 2,403,868 | **188,639** | 1,354,910 |
| Donations | **12,105,159** | 905,363,680 | **11,428,662** | 879,823,746 |
| Other expenses | **19,379,954** | 10,642,494 | **9,530,610** | 5,336,839 |
| | **229,601,582** | 1,116,677,370 | **116,240,145** | 990,184,383 |

## 19 NET OTHER INCOME

| | *Six Months* | | *Three Months* | |
|---|---|---|---|---|
| | **2020** | 2019 | **2020** | 2019 |
| | **EGP** | EGP | **EGP** | EGP |
| Customers service charges | **18,178,825** | 22,218,532 | **14,092,060** | 12,351,331 |
| Penalties and administrative fees | **40,899,069** | 47,194,229 | **17,394,431** | 24,609,591 |
| Hospitality net profit or (loss)* | **(27,491,515)** | (7,466,486) | **(7,653,731)** | 6,752,862 |
| Operating lease income | **6,687,059** | 5,338,885 | **2,806,229** | 1,482,341 |
| (Loss) gain from sale of fixed assets | **(861)** | 575,525 | **-** | (6,399) |
| Other operating income | **585,526** | 733,422 | **470,394** | 175,000 |
| | **38,858,103** | 68,594,107 | **27,109,383** | 45,364,726 |

*Hospitality net profit or loss represents the net results of operation from El Alamain hotel, golf club, beach club in Marassi and Golf club in Uptown Cairo and Community club in Mivida.

## 20 INCOME TAX

| | *Six Months* | | *Three Months* | |
|---|---|---|---|---|
| | **2020** | 2019 | **2020** | 2019 |
| | **EGP** | EGP | **EGP** | EGP |
| **Statement of Profit or Loss** | | | | |
| Current income tax | **(130,809,164)** | (135,598,236) | **(62,131,935)** | (44,574,448) |
| Deferred income tax | **33,921,699** | (61,083,538) | **(16,917,502)** | (49,533,158) |
| | **(96,887,465)** | (196,681,774) | **(79,049,437)** | (94,107,606) |

**20 INCOME TAX (continued)**

**Deferred income tax**

| | Statement of financial position | | Statement of Profit or Loss | |
|---|---|---|---|---|
| | **30 June 2020** | 31 December 2019 | **30 June 2020** | 30 June 2019 |
| | **EGP** | EGP | **EGP** | EGP |
| Depreciation of fixed assets | **(18,179,019)** | (79,430,828) | **61,251,809** | (42,369,606) |
| Provisions and accruals | **334,631,297** | 361,961,407 | **(27,330,110)** | (18,713,932) |
| **Net deferred income tax assets** | **316,452,278** | 282,530,579 | **33,921,699** | (61,083,538) |

**21 CONTINGENT LIABILITIES**

- A letter of guarantee was issued in favour of “Shore protection Authority” during the 2017 valid till 2022, the letter of guarantee margin amounted to EGP 50 million is fully covered.
- A letter of credit was issued in favour of “Kharafi National for infrastructure projects developments – construction and services” during the 2017 amounted to USD 1,709,338 (against time deposit to EGP 98,614,197) representing 90% of the contract value is fully covered.
- A letter of credit was issued in favour of “Siemens Technologies S.A.E” during the 2017 amounted to Euro 408,485 (equivalent to EGP 8,467,894) is fully covered.
- A letter of credit was issued in favour of “Kharafi National for infrastructure projects developments – construction and services” during 2019 against treasury bills of face value of EGP 44,975,000. The unexecuted works amounted to USD 3,501,681.
- A letter of guarantee was issued in favour of “General Authority for Roads, Bridges and Land Transport” during 2020 valid for one year, the letter of guarantee margin amounted to EGP 85,000 is fully covered.
- The Company issued a corporate Credit card in April 2020 amounted to EGP 1,500,000 guarantee by time deposits amounted to EGP 1,875,000.
- The Company has received an arbitration notification raised by “Dar Al Handasah Consultants” claiming for monetary amount regarding additional work of USD 7,580,000 refering to the contract. On 4 June 2020, the Arbitral Tribunal has been constituted and the company is currently waiting the issuance of Procedural Order to determine the next steps in the arbitration proceedings.
- The Company has received an arbitration notification raised by “Detac for Trading and Contracting” claiming for an amount of EGP 148,221,832. The Company will reply to the notice and intends to file counterclaims in its reply to the notice or in its statement of defense and counterclaim.

**22 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES**

**Overview**
The Company has exposure to the following risks from its use of financial instruments:

a) Credit risk,
b) Market risk, and
c) Liquidity 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, and the Company's management of capital.

The Board of Directors of the Parent Company has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's senior management are responsible for developing and monitoring the risk management policies and report regularly to the Parent Company on their activities.

The Company's current financial risk management framework is a combination of formally documented risk management policies in certain areas and informal risk management policies in other areas.

## 23 SIGNIFICANT EVENTS

Some major global events occurred, which included the Arab Republic of Egypt as well, where an outbreak of COVID19 occurred near the end of 2019, and the World Health Organization "WHO" announced that the outbreak of the virus can be described as a global epidemic, and the government has introduced various measures to combat disease outbreaks, including travel restrictions and quarantine, business closures, and other locations, these government responses and their corresponding impacts are still evolving and which are expected to affect the economic climate and that, in turn, could expose the company to various risks, including a significant reduction in revenues, and evaluation / impairment of assets and other risks.

There is no effect on the Company's current economic situation (its financial position and business results and cash flows) therefore these events did not affect the interim consolidated financial statements of the company as of June 30, 2020 but may affect the consolidated financial statements for future financial periods. If it is difficult to quantify this effect for now, this effect will appear in future consolidated financial statements. The magnitude of the impact varies according to the expected extent, the period during which those events are expected to end and their impact.

The Financial Regulatory Authority decided in its declaration on April 12, 2020 to postpone the application of the new accounting standards and the accompanying amendments issued by Ministerial Resolution No. 69 of 2019 to the interim (quarterly) financial statements that will be issued during the year 2020, companies should apply these standards and amendments in the annual financial statements of these companies at the end of the fiscal year ending December 31, 2020 and inclusion of the combined effect in full at the end of the year, with companies committed to adequate disclosure in its interim financial statements during the year 2020 about this fact and its accounting impact, if any.