

**MADINET NASR FOR HOUSING AND
DEVELOPMENT S.A.E.**

**SUMMARIZED CONSOLIDATED
FINANCIAL STATEMENTS
AND AUDITOR'S REPORT THEREON**

AT 31 DECEMBER 2019

*Translation of financial statements
originally issued in Arabic*

**TO THE SHAREHOLDERS OF
MADINET NASR FOR HOUSING AND DEVELOPMENT S.A.E.**

**REPORT OF THE INDEPENDENT AUDITOR ON THE SUMMARY
CONSOLIDATED FINANCIAL STATEMENTS**

We have audited the consolidated financial statements of Madinet Nasr for Housing and Development S.A.E. for the year ended 31 December 2019, from which the attached summary consolidated financial statements are derived, in accordance with the Egyptian Standards on Auditing and the relevant laws and regulations. As stated in our Arabic audit report dated 6 February 2020, we expressed an unqualified audit opinion, with an emphasis of matter regarding going concern for a subsidiary, on the consolidated financial statements for the year then ended, from which the attached summary of consolidated financial statements are derived.

In our opinion, the attached summary consolidated financial statements are consistent in all material respects, with the audited consolidated financial statements for the year then ended.

In order to obtain a comprehensive understanding of the company's consolidated financial position as of 31 December 2019, the results of its operations for the year then ended and our scope of audit, you should refer to the Arabic audited consolidated financial statements for the year ended 31 December 2019 and our report thereon.

Mohanad T. Khaled

Fellow of ACCA

Fellow of ESAA

R.A.A. 22444

FRA No. 375

Cairo, 10 February 2020

Madinet Nasr for Housing and Development S.A.E.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2019

	<i>Note</i>	<i>31/12/2019</i> <i>L.E.</i>	<i>31/12/2018</i> <i>L.E.</i>
Assets			
Non-Current Assets			
Fixed assets (Net)	4/1	72,953,153	54,445,418
Fixed assets under construction	4/2	17,826,517	18,121,810
Held to maturity investments	5/1	672,200	672,200
Available for sale investments	5/2	4,833,310	4,833,310
Investments properties	5/3	4,222,895	12,859,265
Long term notes receivable (Net)	8	6,524,381,851	6,149,282,308
Deferred tax asset	32	6,084,211	8,128,980
Total Non-Current Assets		<u>6,630,974,137</u>	<u>6,248,343,291</u>
Current Assets			
Inventories	6	57,651,705	54,799,073
Lands and unfinished properties – WIP	7	2,874,935,949	1,455,180,110
Finished properties	7	78,958,430	78,545,714
Short term notes receivable	8	2,447,017,650	2,239,238,936
Trade receivables (Net)	8	984,507,092	776,161,974
Trade payables – debit balances (Net)	9	754,939,191	227,082,786
Debtors and other debit balances	10	356,201,796	250,082,891
Cash margin on letters of guarantee		12,290,918	10,290,918
Tax Authority		3,896,666	632,377
Investments at fair value through profit and loss	5/4	12,990,817	12,169,504
Held to maturity investments – Treasury bills	5/5	425,580,885	115,893,797
Bank current account's and deposits of compounds facility management	21	475,493,384	338,488,109
Cash and bank balances	11	949,570,061	485,592,406
Total Current Assets		<u>9,434,034,544</u>	<u>6,044,158,595</u>
Total Assets		<u>16,065,008,681</u>	<u>12,292,501,886</u>
EQUITY AND LIABILITIES			
Equity			
Issued and paid up capital	17	1,440,000,000	1,200,000,000
Legal reserve		223,961,329	170,478,648
Retained earnings		1,599,997,287	918,233,758
Net profit for the year		980,895,727	1,084,591,561
Issued capital and reserves attributable to owners of the parent		4,244,854,343	3,373,303,967
Non-controlling interest	18	110,313,613	96,136,160
Total Equity		<u>4,355,167,956</u>	<u>3,469,440,127</u>

CFO and Head of investors relationships

Mr. Mohamed Abdelsalam

Managing Director

Eng. Ahmed Ali Elhitamy

Chairman

Eng. Mohamed Hazem Barakat

The attached notes from 1 to 38 form part of these summary consolidated financial statements.

Madinet Nasr for Housing and Development S.A.E.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION - Continued

At 31 December 2019

	<i>Note</i>	<i>31/12/2019</i> <i>L.E.</i>	<i>31/12/2018</i> <i>L.E.</i>
Non-Current Liabilities			
Unearned revenues	12	8,150,028,622	6,694,922,865
Long term notes payable		12,127,976	39,255,924
Term loans	19	687,300,873	238,780,101
Total Non-Current Liabilities		<u>8,849,457,471</u>	<u>6,972,958,890</u>
Current Liabilities			
Creditors – Advance payments		91,219,987	39,066,777
Provisions	13	109,615,968	124,043,415
Trade payables		540,290,899	343,573,058
Infrastructure completion liabilities	14	117,595,536	116,553,018
Dividends payable		20,279,270	12,195,918
Creditors and other credit balances	16	486,878,380	238,539,522
Current portion of long term loans	19	28,451,936	137,768,093
Short term loans	20/1	464,595,367	111,666,664
Liabilities of compounds facility management	21	476,716,149	340,312,213
Credit banks (credit facilities)	20/2	216,717,683	66,295,682
Tax Authority		308,022,079	320,088,509
Total current liabilities		<u>2,860,383,254</u>	<u>1,850,102,869</u>
Total Liabilities		<u>11,709,840,725</u>	<u>8,823,061,759</u>
Total EQUITY AND LIABILITIES		<u>16,065,008,681</u>	<u>12,292,501,886</u>

Auditor's report attached.

**CFO and Head of investors
relationships**

Mr. Mohamed Abdelsalam

Managing Director

Eng. Ahmed Ali Elhitamy

Chairman

Eng. Mohamed Hazem Barakat

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Madinet Nasr for Housing and Development S.A.E.

CONSOLIDATED STATEMENT OF INCOME

For the year ended 31 December 2019

	<i>Note</i>	31/12/2019 <i>L.E.</i>	31/12/2018 <i>L.E.</i>
Net revenues	23-a	2,200,628,226	2,782,727,509
Less:			
Cost of revenues	23-b	(640,371,176)	(992,348,517)
Gross Profit		1,560,257,050	1,790,378,992
Less:			
Selling and marketing expenses	25	(224,539,428)	(206,216,925)
General and administrative expenses	26	(138,491,389)	(114,025,186)
Impairment of receivables		-	(500,000)
Decrease in inventory		-	(265,000)
Impairment of trade payables - debit balances		(982,000)	(4,981,724)
Provisions	13	(2,250,000)	(30,931,930)
Provisions no longer required		4,250,000	3,950,000
Finance expenses		(85,381,071)	(112,878,889)
Add:			
Finance income	27	99,430,237	45,427,791
Other operating income	28	90,709,897	74,405,491
Operating profit		1,303,003,296	1,444,362,620
Return on investments held to maturity and available for sale		672,320	527,860
Other expenses	29	(8,585,698)	(16,627,544)
Net profit for the year before tax		1,295,089,918	1,428,262,936
Income tax		(292,049,535)	(314,055,252)
Deferred tax	32	(2,044,769)	(3,831,036)
Net profit for the year		1,000,995,614	1,110,376,648
Less: Non-controlling interest		(20,099,887)	(25,785,087)
Attributable to owners of the parent	30	980,895,727	1,084,591,561
Earnings per share for the year	34	0.62	0.68

**CFO & Head of Investors
Relationships**

Mr. Mohamed Abdelsalam

Managing Director

Eng. Ahmed Ali Elhitamy

Chairman

Eng. Mohamed Hazem Barakat

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Madinet Nasr for Housing and Development S.A.E.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2019

	<i>31/12/2019</i>	<i>31/12/2018</i>
	<i>L.E.</i>	<i>L.E.</i>
Net profit for the year	1,000,995,614	1,110,376,648
Other comprehensive income	-	4,008
Total comprehensive income for the year	1,000,995,614	1,110,380,656
Non-controlling interest	(20,099,887)	(25,786,992)
Attributable to owners of the parent	980,895,727	1,084,593,664

**CFO & Head of Investors
Relationships**

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Chairman

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Madinet Nasr for Housing and Development S.A.E.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the year ended 31 December 2019

	<i>Issued and paid up Capital L.E.</i>	<i>Legal reserve L.E.</i>	<i>Retained earnings L.E.</i>	<i>Net profit for the year L.E.</i>	<i>Total owners of the parent L.E.</i>	<i>Non-controlling interest L.E.</i>	<i>Total Equity L.E.</i>
Balance at 1 January 2018	997,100,389	123,313,788	332,036,186	931,621,229	2,384,071,592	70,527,049	2,454,598,641
Transferred to retained earnings	-	-	931,621,229	(931,621,229)	-	-	-
Dividends for 2017	-	-	(95,165,000)	-	(95,165,000)	-	(95,165,000)
Transferred to legal reserve	-	47,164,860	(47,164,860)	-	-	-	-
Increase in capital according to Extraordinary General Assembly Meeting held on 1 April 2018 (Note 17)	202,899,611	-	(202,899,611)	-	-	-	-
Dividends for Al Nasr Company for Civil Works	-	-	(196,289)	-	(196,289)	(177,881)	(374,170)
Total comprehensive income	-	-	2,103	1,084,591,561	1,084,593,664	25,786,992	1,110,380,656
Balance at 31 December 2018	1,200,000,000	170,478,648	918,233,758	1,084,591,561	3,373,303,967	96,136,160	3,469,440,127
Transferred to retained earnings	-	-	1,084,591,561	(1,084,591,561)	-	-	-
Dividends for 2018	-	-	(104,730,000)	-	(104,730,000)	-	(104,730,000)
Transferred to legal reserve	-	53,482,681	(53,482,681)	-	-	-	-
Increase in capital according to Extraordinary General Assembly Meeting held on 25 March 2019 (Note 17)	240,000,000	-	(240,000,000)	-	-	-	-
Dividends for Al Nasr Company for Civil Works	-	-	(4,615,351)	-	(4,615,351)	(5,922,434)	(10,537,785)
Total comprehensive income	-	-	-	980,895,727	980,895,727	20,099,887	1,000,995,614
Balance at 31 December 2019	1,440,000,000	223,961,329	1,599,997,287	980,895,727	4,244,854,343	110,313,613	4,355,167,956

**CFO & Head of Investors
Relationships**
Mr. Mohamed Abdelsalam

Managing Director
Eng. Ahmed Ali Elhitamy

Chairman
Eng. Mohamed Hazem Barakat

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Madinet Nasr for Housing and Development S.A.E.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

	<i>Note</i>	31/12/2019 L.E.	31/12/2018 L.E.
OPERATING ACTIVITIES			
Net profit for the year before tax		1,295,089,918	1,428,262,936
Adjustments for:			
Depreciation of fixed assets and investment properties	4/1 & 5/3	17,035,852	14,733,730
Bad debts	29	227,916	-
Provisions, decrease in inventory and impairment of receivables		3,232,000	36,678,654
Return on investment properties		(24,923,282)	-
Provisions no longer required		(4,250,000)	(3,950,000)
Return from available for sale investments		(672,320)	(527,860)
Gain (loss) on sale of fixed assets	28	(695,770)	(899,673)
Net recognized installment - profit and interest	15	(36,688,749)	(51,898,384)
Gain on foreign exchange	29	314,360	(32,515)
Return on treasury bills	27	(25,513,187)	-
Operating profit before working capital changes		1,223,156,738	1,422,366,888
Inventories, unfinished and finished properties		(1,423,021,187)	(176,599,431)
Trade receivables, debtors, debit balances and notes receivable		(1,392,321,191)	(1,831,830,517)
Trade payables and other credit balances		1,926,230,235	1,351,187,452
Used provisions	13	(12,427,447)	(25,259,219)
Dividends paid to Board of Directors and employees		(101,261,999)	(90,127,818)
Income tax paid		(307,380,254)	(291,318,091)
Held to maturity investment – Treasury bills		126,806,984	(101,293,797)
Assets held for sale		-	14,731,191
Net cash from operating activities		39,781,879	271,856,658
INVESTING ACTIVITIES:			
Payments for purchase of fixed assets and fixed assets under construction	4/1, 4/2	(35,191,921)	(19,660,197)
Proceeds from sale of fixed assets		699,049	912,933
Payments for investment properties		-	(2,705,329)
Proceeds from sale of investment properties		33,500,000	-
Return on investments held to maturity		672,320	527,860
Net cash used in investing activities		(320,552)	(20,924,733)

The attached notes from 1 to 38 form part of these summary consolidated financial statements.

Madinet Nasr for Housing and Development S.A.E.

CONSOLIDATED STATEMENT OF CASH FLOWS - Continued

For the year ended 31 December 2019

	<i>Note</i>	<i>31/12/2019</i> <i>L.E.</i>	<i>31/12/2018</i> <i>L.E.</i>
FINANCING ACTIVITIES:			
Non-controlling interest		(5,922,433)	(177,881)
Proceeds from long term loans	19	(137,700,945)	209,966,744
Payments of long term loans	19	476,905,560	(218,463,845)
Payments of short term loans	20	(345,000,246)	(280,219,456)
Proceeds from short term loans	20	<u>697,928,949</u>	<u>335,010,373</u>
Net cash from financing activities		<u>686,210,885</u>	<u>46,115,935</u>
Change in cash and cash equivalents		725,672,212	297,047,860
Cash and cash equivalents at the beginning of the year		446,066,228	148,985,853
Gain of foreign exchange differences		<u>(314,360)</u>	<u>32,515</u>
Total cash and cash equivalents at the end of the year		<u>1,171,424,080</u>	<u>446,066,228</u>
Less: Pledged time deposits against letters of guarantee		(95,369,760)	(88,682,048)
Pledged investment certificates against letters of guarantee		(10,468,303)	(9,203,122)
Cash and cash equivalents at the end of the year	20	<u><u>1,065,586,017</u></u>	<u><u>348,181,058</u></u>

NON-CASH TRANSACTIONS:

The statement of cash flows does not include the following non-cash transactions:

- An amount of L.E. 1,012,063 represents amount transferred from fixed assets under construction to fixed assets during the year.
- An amount of L.E. 240,000,000 represents increase in paid up capital through issuance of free shares financed from retained earnings.

CFO & Head of Investors Relationships <hr style="width: 100%;"/> Mr. Mohamed Abdelsalam	Managing Director <hr style="width: 100%;"/> Eng. Ahmed Ali Elhitamy	Chairman <hr style="width: 100%;"/> Eng. Mohamed Hazem Barakat
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The attached notes from 1 to 38 form part of these summary consolidated financial statements.

NOTES TO THE SUMMARIZED CONSOLIDATED FINANCIAL STATEMENTS

31 December 2019

1. COMPANY BACKGROUND

1.1 *Legal form of the company*

Madinet Nasr for Housing and Development S.A.E. was incorporated in accordance with the Presidential Decree No. 815/1959 and was changed to Joint Stock Company according to Presidential Decree No 2908/1964, then became a subsidiary of Public Sector Authority for Housing by Presidential Decree No. 469/1983.

The company was converted under the provisions of Law No. 203 for 1991 issued on 30/06/1996 to an Egyptian Joint Stock Company as a subsidiary to the Holding Company for Housing under the name of Madinet Nasr Housing and Development. The Extraordinary General Assembly of the company held on 30/06/1996 approved the change in the governing laws under which the company was operating from the provisions of Law No. 203 for 1991 to the provisions of Law No. 159 for 1981 and its executive regulations and published in company's journal on January 1997.

The Company was registered in the Commercial Registry under No. (300874) dated 23 December 1996 and Tax Registration No. 095-009-200.

1.2 *Activity*

The company is engaged in all activities related to real estate development for land, buildings and facilities including acquisition of land and real estate, sale and rental, dividing it and providing all types of facilities necessary for reconstruction and connected to it in Nasr City and other areas nationwide, the purchase and development, utilization, leasing and sale of all buildings and land. The company can establish, manage and invest in all residential, administrative, tourist, recreational and all projects necessary to achieve these purposes, and all real estate operations, financial, commercial and entertainment related to these purposes, as well as carrying out design, and engineering consultancy, and supervision of the execution by others.

BIG Investment Group Limited – Britain – is considered the main shareholder of the company.

1.3 *Duration*

The company's term is 50 years starting from the date of the registration in the commercial register and has been renewed for another 25 years started from 23/12/1996 to 22/12/2021.

1.4 *Location*

The company's Head Office is located at 4, Youssef Abbass, Nasr City, Cairo, Egypt.

The Chairman is Eng. Mohamed Hazem Barakat.

The company's ordinary shares are listed on the Egyptian Exchange (EGX) and, as Global Depositary Receipts (GDRs).

The company's Board of Directors has approved the consolidated financial statements for the year ended 31 December 2019 on 2 February 2020.

NOTES TO THE SUMMARIZED CONSOLIDATED FINANCIAL STATEMENTS

31 December 2019

1. COMPANY BACKGROUND - *Continued*

1.5 *Basis of consolidation*

A subsidiary is a company in which the company owns more than 50% of the share capital and the company exercises the right to control the investee when the company is exposed or entitled to variable returns through the company's contribution to the investee company and has the ability to affect those returns through its authority over the company. Therefore the company controls the investee company when the company has all the following:

- Power over the investee.
- Exposure or right to variable returns by contributing to the investee company.
- The ability to use the authority on the investee company to influence the amount of proceeds obtained from it.

Investments in subsidiaries are carried at cost less impairment losses, if any.

- The consolidated financial statements include the financial statements of the company and its subsidiaries.
- The financial statements of the subsidiaries are prepared for the same reporting year as the parent company, using consistent accounting policies.
- All intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions that are recognized as assets and liabilities, are eliminated in full.
- Subsidiaries are fully consolidated from date of acquisition, being the date on which the group obtains control, and continue to be consolidated until the date such control ceases.
- Non-controlling interests represent the portion of total comprehensive income and net assets not held by the group are presented separately in statement of income and within equity in consolidated financial position, separate from owners of parent's equity.

The following is a listing of subsidiaries:

<i>Subsidiary</i>	<i>Percentage Ownership</i>	<i>Activity</i>
Al Nasr for Civil Works S.A.E.	52.46%	Civil construction
Al Nasr for Utilities and Erection S.A.E.	98.37% (Direct investment) 0.84% (Indirect investment)	Civil construction

NOTES TO THE SUMMARIZED CONSOLIDATED FINANCIAL STATEMENTS

31 December 2019

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - *Continued*

2. USE OF ESTIMATES AND JUDGMENTS

The preparation of consolidated financial statements in accordance with Egyptian Accounting Standards requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable, under the circumstances, the results of which form the basis of making the judgments about the carrying values of assets and liabilities. Actual results may differ from those estimates.

The estimates and underlying assumptions are reviewed on a continuous basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and the future periods if it affects future periods.

The following are items on the consolidated financial statements that are effected by judgments, assumptions, and estimates:

- Depreciation of fixed assets and investment property
- Provisions
- Assets impairment
- Taxation
- Cost of sales and cost of completion of infrastructure liability
- Amortization of the discount of present value of notes receivable

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Basis of preparation of consolidated financial statements

The consolidated financial statements were prepared in accordance with the Egyptian Accounting Standards and relevant local laws and regulations.

The consolidated financial statements are prepared under the historical cost convention modified for measurement of available for sale investments, held to maturity investments and investment at fair value through profit and loss.

The consolidated financial statements are presented in Egyptian Pounds which presents the functional currency of the group.

The consolidated financial statements are prepared by complying the same accounting policies for the current year, except the implementation of the new Egyptian Accounting Standard no. (34)- Investment Property- issued during 2019 which is applied starting from or after the financial period January 2019 concerned with applying the cost model with fair value disclosure-investment property, but the company couldn't measure its fair value reliably.

NOTES TO THE SUMMARIZED CONSOLIDATED FINANCIAL STATEMENTS

31 December 2019

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - *Continued*

b) Fixed assets and depreciation

Fixed assets are recorded on purchase at cost and are presented in the consolidated financial position net of accumulated depreciation and impairment losses. Historical costs include costs associated with the purchase of the asset. For assets constructed internally, the cost of the asset includes the cost of raw materials, direct labor and other direct costs incurred in bringing each asset to its location and the purpose for which it was acquired, as well as the costs of removal and rearrangement of the site, where the assets are located.

Components are accounted for on an item of fixed assets that have different useful lives as separate items within those fixed assets.

The carrying amount of fixed assets includes the cost of replacing a part or component of such assets when it is expected to obtain future economic benefits as a result of spending that cost. Other costs allocated to the consolidated statement of income as an expense when incurred.

Depreciation is provided on a straight line basis to write off the cost less estimated residual value of each asset – other than land. Estimated useful lives are reviewed periodically and on review base useful lives are adjusted and relevant rates for year 2019 as follows:

	<i>MNHD</i> <i>Useful life</i> <i>Years</i>	<i>NCCE</i> <i>Useful life</i> <i>Years</i>	<i>NCUE</i> <i>Useful life</i> <i>Years</i>
Buildings	40	10-40	20-50
Improvements- Leasehold building	5 or the duration of the lease whichever is lower	-	-
Improvements- Building owned	8	-	-
Machinery & equipment for production	-	2-10	2-10
Machinery & equipment	5	-	-
Motor vehicles	5	5-10	4-6
Computers and servers	5-8	-	-
Programs	3	-	-
Tools & equipment	2	4-10	4-12
Furniture & office equipment	2-8	10	10-15

c) Fixed assets under construction

Fixed assets under construction are recorded at cost which includes all the direct costs incurred on the assets to reach its final position. These are transferred to fixed assets or investment property when the asset is complete and ready for its intended use. Fixed assets under construction are recorded at cost less impairment, if any.

NOTES TO THE SUMMARIZED CONSOLIDATED FINANCIAL STATEMENTS

31 December 2019

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - *Continued*

d) Available for sales investment

Available for sale investments are initially recorded at cost and are subsequently measured at fair value. Changes in fair value are reported as a separate component of other comprehensive income. Where available for sale investments could not be measured reliably, as the market for an investment is not active (and for unlisted securities), these are stated at cost less impairment losses, if any. Impairment loss is charged to the consolidated statement of income.

e) Held to maturity investments

Held to maturity investments are carried at amortized cost using the effective interest method. Premiums or discounts (if any) are amortized using the effective interest method. When the investment is impaired, the impairment loss is adjusted against book value and included in the consolidated statement of income.

f) Investment properties

Investment properties are measured at cost model and depreciation expense carried to the consolidated statement of income according to the straight-line method over the estimated useful life of all investment property except the land. In case of such assets are impaired, the loss is included in the consolidated income statement.

<i>Assets</i>	<i>Useful life</i>
Residential	40 years
Nan-residential units	40 years

g) Investments at fair value through profit and loss

Investments at fair value through profit and loss are initially recorded at cost and revaluated at the date of consolidated financial statements at fair value which represents the market price at the valuation date. Changes in fair value are charged to the consolidated statement of income.

h) Inventories

Inventories are stated at the lower of cost or net realizable value. Costs include expenses incurred in bringing each product to its present location and condition. Cost of raw materials, packing materials, spare parts, fuel and oil is determined on an weighted average basis.

Net realizable value is based on estimated selling price less selling and completion cost.

i) Lands, unfinished and finished properties

All cost incurred on lands, unfinished and finished properties are included in this account. At point of sale, this account is adjusted based on actual per meter cost of land or units sold. Lands, unfinished and finished properties are measured at the lower of cost and net realizable value. In case of decrease the net realizable value under the cost, the decrease is charged to the consolidated statement of income.

NOTES TO THE SUMMARIZED CONSOLIDATED FINANCIAL STATEMENTS

31 December 2019

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - *Continued*

j) Consolidated statement of cash flows

Consolidated statement of cash flows is prepared according to the indirect method.

k) Cash and cash equivalents

Cash and cash equivalents include cash on hand, time deposits and treasury bills (due within 3 months), investments at fair value through profit and loss, bank current accounts, and short term highly liquid investments, which can be easily converted to cash, less overdrafts (credit banks) and pledged time deposits against letters of guarantee.

l) Trade receivables, notes receivables and other debit balances

Trade accounts receivable stated at cost net of allowance for doubtful debts, which is estimated for amounts not expected to be collected in full. Other debtors stated at cost less any impairment.

Notes receivable represents are the value of the Post Dated Checks (PDCs) obtained from the customers in payment of the remaining contractual values of the contracted real estate units. The initial recognition of the notes receivable is at fair value at the time the contract is entered into with the customers. At the date of preparation of the consolidated financial statements, notes receivable are re-measured at amortized cost which is determined by discounting the future cash flows of the notes receivable using the rate of return that discounts the nominal value of the instruments to the current cash price for selling the real estate units.

m) Assets impairment

Non-Financial Assets

At the consolidated financial statements date, the company reviews the carrying amounts of its owned non financial assets to determine whether there is any indication that those assets may be impaired. If any such indication exists, the company estimates the recoverable amount for each asset separately in order to estimate the impairment losses. In case the recoverable amount of the asset cannot be properly estimated, the company estimates the recoverable amounts for the cash-generating unit which is related to the asset.

In case of using a reasonable and consistent basis for allocating of the assets to the cash generating units, the company's general assets would be also allocated to these units. If this is unattainable, the general assets of the company shall be allocated to the smallest group of the cash-generating units, which the company determined using logical and fixed bases.

The asset recoverable amount or the cash-generating unit is represented by the higher of the fair value (less the estimated selling costs) or the estimated amount from the usage of the asset (or the cash generating unit).

NOTES TO THE SUMMARIZED CONSOLIDATED FINANCIAL STATEMENTS

31 December 2019

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - *Continued*

The estimated future cash flow from the usage of the assets, or the cash generating unit using a discount rate before tax is discounted in order to reach the present value for these flows which represents the estimated amount from using the asset (or the cash generating unit).

This rate reflects current market assessments of the time value of money and the risks specific to the asset, which were not taken into consideration when estimating the future cash flow generated from it. When the recoverable amount of the asset (cash generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash generating unit) is reduced to its recoverable amount with the impairment loss recognized immediately in the consolidated income statement.

In case the impairment on asset (or cash generating unit) decreases subsequently, and this decrease is related in a logical manner to one event or more taking place after the initial recognition of the impairment at the profit or losses, a reversal is done for the revised amount of losses (or a part of it) - which had been previously recognized - in the consolidated income statement, and the carrying amount for the asset is increased (or the cash generating unit) with the new estimated recoverable amount provided that the revised carrying amount of the asset after revising (or the cash generating unit) does not exceed the carrying amount determined for the asset, had the recognized losses resulting from impairment, not been recognized in previous years

Financial Assets

At the consolidated financial statements date, the company determines whether there is any indication that its financial assets may be impaired.

Financial assets are exposed to impairment when an objective evidence that the estimated future cash flow have been affected by the event or more established at a date subsequent to the initial recognition of the financial asset.

The carrying value of all financial assets is reduced directly with the impairment losses except those related to the reduction in the expected value of the collections from the customers debts and other debit balances, where a formed allowances for impairment loss is done on its value. When the debt of the clients or the owner of the debit balance is uncollectible, a written off discount is applied upon this account. All the changes in the book value relating to this account are recognized in the consolidated income statement.

n) Provisions

Provisions are recognized when there is a present obligation (legal or constructive) as a result of a past event, it is probable an outflow of resources embodying economic benefits will be required to settle this obligation and a reliable estimate can be made for the obligation.

Provisions are reviewed at the consolidated statement of financial position date and adjusted (if necessary) to present the best current estimate.

NOTES TO THE SUMMARIZED CONSOLIDATED FINANCIAL STATEMENTS

31 December 2019

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - *Continued*

o) Unearned revenue, payables and other credit balances

The value of unearned revenues on real estate units (villas, townhouses, twin houses, apartments and garages) contracted for sale and were not delivered to customers on the date of the consolidated statement of financial position is recorded as a liability at the cash price of those units (after discounting the future contractual value of these units to reach the cash sale price). These balances are recognized as sales income in the consolidated statement of income on the date of delivery.

Liabilities are recognized for amounts to be paid in the future for goods received or services rendered to the company, whether billed or not billed by the supplier.

p) Treasury stocks

Treasury stocks are recorded at cost and deducted from shareholders equity. Gain or loss from sale of shares is included in the retained earnings.

q) Dividends

Dividends are recorded as liability during the year when declared.

r) Revenue recognition

1. *Cash sales*

Sales of land and property is recorded after collection of the agreed upon price and delivery to the customer in accordance with the terms of the contract.

2. *Installment Sales*

- Total sale of value of land and property is recorded as sales during the period after deduction of profit relating to deferred installments on those sales. Such deduction is recorded as a liability (profit from deferred installments) when the following terms for sales are met as:

- The risk and rewards of ownership of units sold is not transferred to the buyer until settlement of all installments due from the buyers and the transfer of ownership to buyer.
- The company has the right of managerial intervention and supervision on units sold to guarantee that the buyer is a bidding by the contractual terms.
- According to the signed contracts with the customers, the company has the right to cancel the contracts if all installments due were not paid.

- Deferred installments profit and deferred interests on installments which related to sale of land and properties in prior years are recognized on the accrual basis when the installments full due adjusting the profit margin by cost incurred on projects during the year.

NOTES TO THE SUMMARIZED CONSOLIDATED FINANCIAL STATEMENTS

31 December 2019

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - *Continued*

3. Revenue from real estate contracts

The company is performing the activity of real estate and marketing to this activity through customers' contracts which give them the right to have real estate villa, town house and unit over the period of the contract. Revenue recognized from sales agreements according to the stages included in the sales agreements according to the following:

- Development of land for construction of real estate
- Construction of the building
- Finishing of units

4. Joint arrangement

A joint arrangement is an arrangement in which two or more parties have joint control. It is either a joint operation or a joint venture. A joint arrangement is that the parties are bound by a contractual agreement granting joint control to two or more parties of the arrangement.

The classification of a joint arrangement as a joint operation or a joint venture depends on the rights and obligations (undertakings) of the parties to the arrangement. The joint operation becomes a joint arrangement when its parties have joint control over the rights over the assets and the obligations associated with the arrangement. These parties are called joint operators. A joint venture is a joint arrangement when its parties have joint control over the rights over the net assets associated with the arrangement. These parties are called shareholders in joint ventures. The entity shall apply the judgment in assessing whether the joint arrangement is a joint operation or a joint venture.

The joint operator shall account for assets, liabilities, income and expenses related to its share in the joint operation in accordance with the Egyptian Accounting Standards applicable to such assets, liabilities, revenues and expenses.

On 31 December 2015, the Company adopted a new strategy to execute a joint venture development contract based on a share in the revenue of the sales. The Company receives its share against the land provided for development by the other co-developer who will receive the rest of the sale revenue against incurring the development cost.

5. Other revenue:

- Rent, time deposits interest and bonds revenue recorded on the accrual basis.
- Dividends revenue are recognized and recorded as income when they become legally payable by the investee companies and realized after acquisition date.

NOTES TO THE SUMMARIZED CONSOLIDATED FINANCIAL STATEMENTS

31 December 2019

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - *Continued*

6. *Contracting Revenue*

Contacting revenue of the two subsidiary companies included value of contracts with customers, approved change orders, incentives, and other claims. Revenue from contracting is recognized following percentage-of-completion method.

s) Direct and indirect cost

Direct and indirect costs incurred for the constructions of the real estate are accumulated in the lands, unfinished and finished properties inventory account. Cost of the completed units are comprises of land cost, cost of building constructed and other indirect costs.

t) Operating rent

Operating rent are recorded in the consolidated statement of income on a straight line method over the rent period.

u) Employees' benefits

The company contributes to the social insurance scheme for the benefit of its employees in accordance with the Social Insurance Law. Contributions of workers and employers are calculated at a fixed rate of wages. The company's commitment is represented in value of its contribution. The company's contributions are charged to the statement of income. The company gives employees who have reached retirement age, end of service gratuity up to a maximum of 50 thousand Egyptian pounds. The Company also applies an optional early retirement scheme. End of service benefits for employees benefiting from this system are charged to the consolidated statement of income in the period in which they are approved for early retirement.

v) Taxation

Income tax

Taxation is accounted according to Egyptian laws and regulations.

Income tax expense that is calculated on the profits of the company represents the sum of the tax currently payable (calculated according to the applied laws and regulations and using the tax rates prevailing as of the consolidated financial statements date) and deferred tax. Current and deferred taxes are recognized as income or expenses and included in the profits or losses of the period except for instances that taxes are established from:

- A transaction or event recognized, in the same period or other period, outside profit or loss either in other comprehensive income or directly in equity, or
- Business combinations.

NOTES TO THE SUMMARIZED CONSOLIDATED FINANCIAL STATEMENTS

31 December 2019

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - *Continued*

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities according to the accounting basis used in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates that have been enacted or substantively enacted at the consolidated financial statements date.

Deferred tax liabilities are generally recognized (generated from taxable temporary differences in the future) while deferred tax assets recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

The carrying amount of deferred tax assets is reduced to the extent that it is no longer probable that sufficient taxable profits will be available in future years to allow all or part of the asset to be recovered. The balance sheet method is used in accounting for deferred assets and liabilities and they are recognized as non-current assets and liabilities.

w) Earnings per share

Earnings per share are calculated by dividing the net profit for the period after deduct employees share in profit and Board of Directors remuneration by the weighted average number of outstanding shares during the year.

x) Borrowing cost

Borrowing costs directly attributable to the acquisition, construction or production of a qualified asset for capitalization of cost of borrowing; are capitalized as part of the cost of the asset. Other borrowing costs are charged as an expense in the consolidated statement of income on a time-apportioned basis using the effective interest rate.

y) Legal reserve

As required, by the Companies Law No. 159 of 1981 and the company's Articles of Association 5% of the profit for the year is transferred to the legal reserve. The company may resolve to discontinue such annual transfers when the reserve totals 50% of the issued share capital. The legal reserve cannot be distributed except in cases stated in the Law.

z) Foreign currency transactions

The company's functional currency is the Egyptian pound. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the consolidated financial statements date are translated at the rate of exchange ruling at that date. Retranslation exchange profit and loss is taken to the consolidated statement of income.

NOTES TO THE SUMMARIZED CONSOLIDATED FINANCIAL STATEMENTS

31 December 2019

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - *Continued*

3.2 *New amendments on the Egyptian Accounting Standards*

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 which was published at the official Gazette on 25/4/2019. The most prominent amendments are as follows:

New or Amended Standards	A Summary of the Most Significant Amendments	The Possible Impact on the Financial Statements	Date of application
The new Egyptian Accounting Standard No. 47 "Financial Instruments"	<p>1- The New Egyptian Accounting Standard No. 47 "Financial Instruments", supersede 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.</p> <p>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.</p> <p>3-When measuring the impairment of financial assets the Incurred Loss Model is replaced by the Expected Credit Loss (ECL) Models, which requires measuring the impairment of all financial assets</p>	The Management is currently assessing the potential impact of implementing the amendment of the standard on the financial statements.	<p>This standard applies to the financial periods beginning on or after January 1st, 2020, and the early adoption thereof is permitted; provided that the amended Egyptian Accounting Standards Nos.1, 25, 26 and 40 are to be simultaneously applied.</p> <p>-These amendments are effective as of the date of applying Standard No. 47</p>

NOTES TO THE SUMMARIZED CONSOLIDATED FINANCIAL STATEMENTS

31 December 2019

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - *Continued*

New or Amended Standards	A Summary of the Most Significant Amendments	The Possible Impact on the Financial Statements	Date of application
	<p>measured at amortized cost and financial instruments measured at fair value through other comprehensive income from their initial recognition date regardless whether there is any indication of the occurrence of loss event.</p> <p>4-Based on the requirements of this standard the following standards were amended :</p> <p>-Egyptian Accounting Standard No. 1“Presentation of Financial Statements” as amended in 2019</p> <p>-Egyptian Accounting Standard No. 4 -“Statement of Cash Flows”.</p> <p>-Egyptian Accounting Standard No. 25 - “Financial Instruments: Presentation.</p> <p>-Egyptian Accounting Standard No. 26 “Financial Instruments: Recognition and Measurement”.</p> <p>-Egyptian Accounting Standard - EAS No. 40 “Financial Instruments: Disclosures “ .</p>		
<p>The new Egyptian Accounting Standard No. 48 - “Revenue from Contracts with Customers”</p>	<ol style="list-style-type: none"> 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: 2. Egyptian Accounting Standard No. (8) - “Construction Contracts” as amended in 2015. 3. Egyptian Accounting Standard No. (11) – “Revenue” as amended in 2015. 4. For revenue recognition, Control Model is used instead of Risk and Rewards Model. 5. incremental costs of obtaining a contract with a customer are 	<p>The Management is currently assessing the potential impact of adopting the amendment of the standard on the financial statements</p>	<p>Standard No 48 applies to financial periods beginning on or after January 1st, 2020, and the early adoption thereof is permitted</p>

NOTES TO THE SUMMARIZED CONSOLIDATED FINANCIAL STATEMENTS

31 December 2019

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - *Continued*

New or Amended Standards	A Summary of the Most Significant Amendments	The Possible Impact on the Financial Statements	Date of application
	<p>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>6. the standard requires that contract must have a commercial substance in order for revenue to be recognized</p> <p>7. Expanding in the presentation and disclosure requirements.</p>		
<p>The new Egyptian Accounting Standard No. 49 "Lease Contracts</p>	<p>1- The new Egyptian Accounting Standard No. (49) "Lease Contracts" shall supersede and revoke Standard No. (20), "Accounting Rules and Standards related to Financial Leasing" issued in 2015</p> <p>2- The Standard introduces a single accounting model for the lessor and the lessee where the lessee recognizes the usufruct of the leased asset as part of the company's assets and recognizes a liability that represents the present value of the unpaid lease payments among the company's liabilities, taking into consideration that the lease contracts are not classified in respect of the lessee as operating or finance lease contracts.</p> <p>3- As for the lessor, he should classify each lease contract either as an operating lease or a finance lease contract.</p> <p>4- As for the finance lease, the lessor must recognize the assets held under a finance lease contract in the Statement of Financial Position to be presented as receivable amounts with an amount equivalent to the net</p>	<p>The Management is currently assessing the potential impact of adopt the amendment of the standard on the financial statements.</p>	<p>This standard No. 49 Applies to financial periods beginning on or after January 1st, 2020, and the early adoption thereof is permitted if Egyptian Accounting Standard No. (48) "Revenue from Contracts with Customers" is simultaneously applied. Except for the above-mentioned date of enforcement, Standard No. (49) applies to lease contracts that were subject 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 subject to Law No. 176 of 2018 which regulates 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>

NOTES TO THE SUMMARIZED CONSOLIDATED FINANCIAL STATEMENTS

31 December 2019

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

New or Amended Standards	A Summary of the Most Significant Amendments	The Possible Impact on the Financial Statements	Date of application
	<p>investment in the lease contract.</p> <p>5- As for operating leases, the lessor must recognize the lease payments of operating lease contracts as income either based on the straight-line method or based on any other regular basis.</p>		
Egyptian Accounting Standard No. 38)as ammended " Employees Benefits "	<p>A number of paragraphs were introduced and amended in order to amend the Accounting Rules of adjusting Settlements and reducing of Benefit Plans</p>	<p>The Management is currently assessing the potential impact of implementing the amendment of the standard on the financial statements.</p>	<p>This standard No. 38 Applies to financial periods beginning on or after January 1st, 2020, and the early adoption thereof is permitted.</p>
Egyptian Accounting Standard No. 4as ammended " Consolidated Financial Statements"	<p>Some paragraphs related to the exclusion of the Investment Entities from the consolidation process were added . This amendment has resulted in introducing an amendment to some of the standards related to the the Investment Entities. The standards that were ammended are as follows:</p> <p>(EAS 15) Related Party Disclosures.</p> <p>(EAS 17) Separate Financial Statements.</p> <p>EAS 18 Investments in Associates.</p> <p>EAS 24 Income Taxes.</p> <p>EAS 29 Business Combinations.</p> <p>EAS 30 Periodical Financial Statements.</p> <p>EAS 44 Disclosure of Interests in Other Entities.</p>	<p>The Management is currently assessing the potential impact of implementing the amendment of the standard on the financial statements.</p>	<p>This standard applies to financial periods beginning on or after January 1st, 2020, and the early adoption thereof is permitted.</p> <p>-The new or amended paragraphs Pertaining to the amended standards concerning the investment entities shall apply on the effective date of Egyptian Accounting Standard No. 42"Consolidated Financial Statements", as amended and issued in 2019</p>
Issuance of Egyptian Accounting Interpretation No.(1)"Public Service Privileges Arrangements"	<p>This interpretation provides guidance on the accounting by operators of public service privileges arrangements whether a public entity / or a private entity for the construction, operation and maintenance of the infrastructure for public utilities such as roads, bridges,</p>	<p>The Management is currently assessing the potential impact of implementing the amendment of the standard on the financial statements</p>	<p>Interpretation No. 1 applies to financial periods beginning on or after January 1st, 2019,</p>

NOTES TO THE SUMMARIZED CONSOLIDATED FINANCIAL STATEMENTS

31 December 2019

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - *Continued*

New or Amended Standards	A Summary of the Most Significant Amendments	The Possible Impact on the Financial Statements	Date of application
	<p>tunnels, hospitals, airports, water supply facilities, power supplies and communications networks. .. etc</p> <p>This interpretation gives the option of continuing to apply the prior treatment of public service privileges arrangements that prevailed prior to January 1st,2019 on entities that used to recognize and measure the assets of these arrangements as fixed assets in accordance with Egyptian Accounting Standard No. 10 "Fixed Assets and Depreciation"until their useful lives are expired .</p>		
Egyptian Accounting Standard No. 22)as ammended " Earnings per Share	<p>The scope of implementaion of the Standard was amended to be applied to the separate, or consolidated financial statements issued to all enterprises.</p>	<p>The Management is currently assessing the potential impact of implementing the amendment of the standard on the financial statements.</p>	<p>This amendment is introduced and shall be applied to the financial periods beginning on or after January 1st, 2019.</p>
Egyptian Accounting Standard No. 34)as ammended " Real Estate Investment	<p>The Fair Value Model option for all enterprises is revoked when the subsequent measurement of their real estate investments is made and should apply only the Cost Model.</p> <p>while only the 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 ammended :</p> <ul style="list-style-type: none"> - Egyptian Accounting Standard No. 32 Non-current Assets Held for Sale and Discontinued Operations. - Egyptian Accounting Standard No. 3 Impairment of Assets. 	<p>The Management is currently assessing the potential impact of implementing the amendment of the standard on the financial statements.</p>	<p>This amendment is introduced and shall be applied to the financial periods beginning on or after January 1st, 2019.</p>

NOTES TO THE SUMMARIZED CONSOLIDATED FINANCIAL STATEMENTS

31 December 2019

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - *Continued*

New or Amended Standards	A Summary of the Most Significant Amendments	The Possible Impact on the Financial Statements	Date of application
Egyptian Accounting Standard No. 4 as amended " 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 is currently assessing the potential impact of implementing the amendment of the standard on the financial statements	This amendment is introduced and shall be applied to the financial periods beginning on or after January 1st, 2019.

Madinet Nasr for Housing and Development S.A.E.

NOTES TO THE SUMMARIZED CONSOLIDATED FINANCIAL STATEMENTS

31 December 2019

4/1 FIXED ASSETS

	<i>Land (*)</i>	<i>Buildings and constructions (*)</i>	<i>Machinery & equipment</i>	<i>Motor vehicles</i>	<i>Tools</i>	<i>Furniture & office equipment</i>	<i>Computers & software</i>	<i>Leasehold improvement</i>	<i>Total</i>
	<i>L.E.</i>	<i>L.E.</i>	<i>L.E.</i>	<i>L.E.</i>	<i>L.E.</i>	<i>L.E.</i>	<i>L.E.</i>	<i>L.E.</i>	<i>L.E.</i>
Cost:									
At 1 January 2019	1,660,315	21,712,113	37,216,903	17,781,535	3,905,784	17,387,432	27,041,081	6,553,485	133,258,648
Additions during the year	-	520,101	16,800	2,377,600	83,627	2,059,376	5,660,075	23,757,572	34,475,151
Transferred from fixed assets under construction (4/2)	-	576,804	435,259	-	-	-	-	-	1,012,063
Disposals during the year	-	-	(385,667)	(330,374)	(161,116)	(153,139)	(208,629)	-	(1,238,925)
At 31 December 2019	<u>1,660,315</u>	<u>22,809,018</u>	<u>37,283,295</u>	<u>19,828,761</u>	<u>3,828,295</u>	<u>19,293,669</u>	<u>32,492,527</u>	<u>30,311,057</u>	<u>167,506,937</u>
Accumulated depreciation:									
At 1 January 2019	-	6,078,086	29,138,897	16,685,952	3,525,878	11,128,254	10,945,466	1,310,697	78,813,230
Provided during the year	-	997,796	2,776,045	598,926	76,004	2,206,139	7,345,804	2,975,486	16,976,200
Disposals during the year	-	-	(385,667)	(330,374)	(161,116)	(149,860)	(208,629)	-	(1,235,646)
At 31 December 2019	<u>-</u>	<u>7,075,882</u>	<u>31,529,275</u>	<u>16,954,504</u>	<u>3,440,766</u>	<u>13,184,533</u>	<u>18,082,641</u>	<u>4,286,183</u>	<u>94,553,784</u>
Net book value:									
At 31 December 2019	<u>1,660,315</u>	<u>15,733,136</u>	<u>5,754,020</u>	<u>2,874,257</u>	<u>387,529</u>	<u>6,109,136</u>	<u>14,409,886</u>	<u>26,024,874</u>	<u>72,953,153</u>
At 31 December 2018	<u>1,660,315</u>	<u>15,634,027</u>	<u>8,078,006</u>	<u>1,095,583</u>	<u>379,906</u>	<u>6,259,178</u>	<u>16,095,615</u>	<u>5,242,788</u>	<u>54,445,418</u>

(*) Land and buildings includes land and buildings of the social club and the playground rented for Madinet Nasr for Housing and Development club by book value approximately L.E. 1.3 million and L.E. 4.5 million for land and buildings respectively, also the buildings and constructions of El Nasr for Utilities on a plot of land of 7,780 M² by a usufruct right for the company with unlimited period and there are negotiation to purchase this land.

NOTES TO THE SUMMARIZED CONSOLIDATED FINANCIAL STATEMENTS

31 December 2019

4/1 FIXED ASSETS - *Continued*

a) Fully depreciated assets and still operating are as follows:

	31/12/2019	31/12/2018
	L.E.	L.E.
Buildings and constructions	825,518	728,518
Machinery and equipment	21,106,986	17,681,571
Motor vehicles	15,106,455	14,987,989
Tools	3,093,672	3,238,300
Furniture and office equipment	6,412,465	4,607,960
Computers and software	4,024,367	228,491
	50,569,463	41,472,829

b) Depreciation for the year is allocated as follows:

	31/12/2019	31/12/2018
	L.E.	L.E.
Cost of sales	2,577,725	4,538,538
Selling & marketing expenses (Note 25)	4,175,104	1,796,196
General and administrative expenses (Note 26)	10,223,371	8,332,865
	16,976,200	14,667,599

4/2 FIXED ASSETS UNDER CONSTRUCTION

	31/12/2019	31/12/2018
	L.E.	L.E.
Balance at the beginning of the year	17,482,227	10,106,923
Additions during the year	716,770	9,203,809
Transferred to fixed assets (Note 4/1)	(1,012,063)	(1,828,505)
Balance at the end of the year (Parent Co.)	17,186,934	17,482,227
Al Nasr Company for Civil Works	639,583	639,583
	17,826,517	18,121,810

5. INVESTMENTS

5/1 Held to maturity investments

	31/12/2019	31/12/2018
	L.E.	L.E.
Investments in Governmental bonds (unlisted)	672,200	672,200

NOTES TO THE SUMMARIZED CONSOLIDATED FINANCIAL STATEMENTS

31 December 2019

5. INVESTMENTS - *Continued*

5/2 Available for sale investments

	<i>Contribution</i> %	<i>30/12/2019</i> <i>L.E.</i>	<i>31/12/2018</i> <i>L.E.</i>
Egyptian Kuwaiti Real Estate Development (*)	7.503	4,314,110	4,314,110
High Education House (S.A.E.) (*)	1.76	300,000	300,000
El Nasr Transformers & Electrical Products Co. (El-Maco)	0.01	19,200	19,200
El Nasr Co. for Clay Brick Production (*)	0.8	200,000	200,000
		4,833,310	4,833,310

(*) Available for sale investments are not traded in active market, the management point of view that there is no material variance between the cost and the fair value.

5/3 Investments properties

	<i>31/12/2019</i> <i>L.E.</i>	<i>31/12/2018</i> <i>L.E.</i>
Land held for investment purpose	176,318	8,753,036
Held land ownership on sold properties	3,427,692	3,427,692
Rented building – Net (*)	618,885	678,537
	4,222,895	12,859,265

Fair value of investment properties is not less than its book value.

(*) Rented buildings (Net)

	<i>Residential</i> <i>units</i> <i>L.E.</i>	<i>None</i> <i>residential</i> <i>units</i> <i>L.E.</i>	<i>Total</i> <i>L.E.</i>
Cost:			
At 1 January and at 31 December 2019	545,997	2,645,758	3,191,755
Accumulated depreciation:			
At 1 January 2019	457,863	2,055,355	2,513,218
Provided during the year (Note 23-b)	9,339	50,313	59,652
At 31 December 2019	467,202	2,105,668	2,572,870
Net book value:			
At 31 December 2019	78,795	540,090	618,885
At 31 December 2018	88,134	590,403	678,537

NOTES TO THE SUMMARIZED CONSOLIDATED FINANCIAL STATEMENTS

31 December 2019

5. INVESTMENTS - *Continued*

- Fully depreciated investment properties and still used are as follows:

	<i>31/12/2019</i>	<i>31/12/2018</i>
	<i>L.E.</i>	<i>L.E.</i>
Residential units	109,417	109,417
Non-residential units	300,737	300,737
	410,154	410,154

5/4 Investments at fair value through profit and loss

	<i>31/12/2019</i>	<i>31/12/2018</i>
	<i>L.E.</i>	<i>L.E.</i>
<u>Investment certificates in:</u>		
Bank Misr Investment Fund (Day-By-Day)	313,342	275,845
QNB Investment Fund	1,241,140	1,098,849
Banque Du Caire Investment Fund	66,093	776,798
United Bank Investment Fund (*)	11,370,242	9,996,054
SAIB Investment Fund	-	21,958
	12,990,817	12,169,504

- (*) United Bank Investment Fund (Rakhaa) includes pledged investment certificates by L.E. 10,468,303 (2018: L.E. 9,203,122) against letters of guarantee as of consolidated financial statement date. (Note 20)

5/5 Held to maturities investments – Treasury Bills

	<i>31/12/2019</i>	<i>31/12/2018</i>
	<i>L.E.</i>	<i>L.E.</i>
Treasury Bills - 63 days	-	14,600,000
Treasury Bills - 83 days	273,675,000	-
Treasury Bills - 90 days	160,875,000	-
Treasury Bills - 124 days	-	106,500,000
	434,550,000	121,100,000
Less:		
Not accrued interest	(8,969,115)	(5,206,203)
	425,580,885	115,893,797

Treasury bills are classified as follows:

	<i>31/12/2019</i>	<i>31/12/2018</i>
	<i>L.E.</i>	<i>L.E.</i>
Treasury bills matures within 3 months (Note 20)	425,580,885	14,600,000
Treasury bills matures more than 3 months	-	101,293,797
	425,580,885	115,893,797

NOTES TO THE SUMMARIZED CONSOLIDATED FINANCIAL STATEMENTS

31 December 2019

6. INVENTORIES

	<i>31/12/2019</i>	<i>31/12/2018</i>
	<i>L.E.</i>	<i>L.E.</i>
Materials	53,369,745	47,593,662
Fuel and oil	451,319	89,931
Spare parts and supplies	4,230,641	1,612,819
Others (materials on site & WIP)	-	5,902,661
	58,051,705	55,199,073
Less: Decrease in inventory	(400,000)	(400,000)
	57,651,705	54,799,073

7. LANDS, UNFINISHED AND FINISHED PROPERTIES

	<i>31/12/2019</i>	<i>31/12/2018</i>
	<i>L.E.</i>	<i>L.E.</i>
<u>Lands and unfinished properties:</u>		
El Waha and premira	17,005,598	46,841,246
6th October	215,874,959	203,688,887
Tag City	1,771,931,300	793,409,875
Nasr City	8,762,791	1,046,791
Sarai City	861,327,926	410,193,311
West Assuit	33,375	-
	2,874,935,949	1,455,180,110
<u>Finished properties:</u>		
El Waha	6,852,894	6,680,048
Nasr City	11,587,224	11,587,224
6th October	60,518,312	60,278,442
	78,958,430	78,545,714
Total lands, unfinished and finished properties	2,953,894,379	1,533,725,824

(*) The main development "Taj City" includes the stages that have been launched for sale: "Taj Sultan", "Zone T", "Zone B", "Zone A - CBD". In addition to the stages not yet put up for sale, the balance on December 31, 2019 represents the cost of the work of external and internal facilities and construction

Lands, unfinished and finished properties has been recorded at cost which is not less than net realizable value as the consolidated financial statements date.

NOTES TO THE SUMMARIZED CONSOLIDATED FINANCIAL STATEMENTS

31 December 2019

8. TRADE AND NOTES RECEIVABLE

	<i>31/12/2019</i>	<i>31/12/2018</i>
	<i>L.E.</i>	<i>L.E.</i>
<u>Long term notes receivable</u>		
Tag Sultan customers	271,024,110	339,937,210
Tag City customers (Zone T)	1,735,682,781	2,040,268,312
Tag City customers (Zone B)	1,357,538,860	1,470,693,448
Tag City customers (Zone A)	276,157,125	-
Premira customers	17,198,126	63,480,106
Capital Gardens customers (*)	293,197,421	376,806,276
Sarai City (1) customers	853,679,109	917,561,199
Sarai City (2) customers	2,109,403,796	1,978,825,254
Sarai City (3) customers	714,719,807	317,033,107
Sarai City (Zone H) customers	21,924,367	-
El Waha and Nasr city	38,664,001	-
Lands customers	15,554,840	-
Total long term notes receivables	7,704,744,343	7,504,604,912
Less: Present value discount		
Tag Sultan	(36,578,408)	(56,209,331)
Tag City (Zone T)	(258,468,371)	(331,669,477)
Tag City (Zone B)	(183,084,061)	(238,347,477)
Tag City (Zone A)	(52,302,100)	-
Premira	(3,660,146)	(20,754,041)
Capital Gardens (*)	(109,472,493)	(153,670,025)
Sarai City (1)	(116,614,856)	(138,844,423)
Sarai City (2)	(313,785,234)	(367,285,477)
Sarai City (3)	(102,501,406)	(48,542,353)
Sarai City (Zone H)	(3,895,417)	-
Total present value discount	(1,180,362,492)	(1,355,322,604)
Net long term notes receivables	6,524,381,851	6,149,282,308
<u>Short term notes receivable</u>		
Tag Sultan customers	95,851,293	229,264,003
Tag City customers (Zone T)	607,044,133	573,873,051
Tag City customers (Zone B)	421,487,838	380,222,994
Tag City customers (Zone A)	58,121,330	-
Premira customers	2,915,690	34,611,060
Capital Gardens customers (*)	88,317,274	90,767,155
Sarai City (1) customers	316,548,866	281,999,760
Sarai City (2) customers	663,498,994	576,448,134
Sarai City (3) customers	146,132,002	72,052,779
Sarai City (Zone H) customers	5,531,776	-
El Waha and Nasr city	7,373,676	-
Land customers	34,194,778	-
	2,447,017,650	2,239,238,936

NOTES TO THE SUMMARIZED CONSOLIDATED FINANCIAL STATEMENTS

31 December 2019

8. TRADE AND NOTES RECEIVABLE – Continued

	<i>31/12/2019</i>	<i>31/12/2018</i>
	<i>L.E.</i>	<i>L.E.</i>
<u>Trade receivables</u>		
Tag Sultan	25,053,863	9,133,903
Tag City (Zone T)	157,503,159	124,501,331
Tag City (Zone B)	95,718,578	32,555,901
Tag City (Zone A)	25,350,609	-
Premira	1,015,674	741,706
Sarai City (1)	64,305,302	32,253,825
Sarai City (2)	168,187,913	108,857,586
Sarai City (3)	42,199,768	7,384,828
El Waha and Nasr City	61,214,852	192,539,232
Land	34,704,426	90,408,858
Rent	1,451,882	1,361,496
Other trade receivables	146,366	-
Construction contracts	465,165,908	410,169,590
	<u>1,142,018,300</u>	<u>1,009,908,256</u>
Less: Deferred profit & interest on outstanding installments (Note 15)	(119,644,775)	(183,956,762)
Less: Impairment of trade receivables	(37,866,433)	(49,789,520)
	<u>984,507,092</u>	<u>776,161,974</u>

(*) Capital Gardens' development represents joint operation between the company and Palm Hills for Development Company S.A.E. in accordance with the signed contract on 5 July 2015, the company's share is 36% of total operation's revenues. (Note 22)

On 4 December 2019, the company transferred financial instruments portfolio (installments for selling residential units in Taj Sultan, Primera, Al Waha) supported by notes receivable (post dated checks) amounted to L.E. 370,500,238 to the Financial Group Company for Securitization to issue securitized bonds amounted to L.E 305 million obtained by the company and its book value transferred after deducting interest and unrealized profits related to installments amounted to L.E. 304,696,058.

9. TRADE PAYABLES – DEBIT BALANCES - NET

	<i>31/12/2019</i>	<i>31/12/2018</i>
	<i>L.E.</i>	<i>L.E.</i>
Trade payables & contractors	803,249,785	274,411,380
Less: Impairment in trade payables – debit balances	(48,310,594)	(47,328,594)
	<u>754,939,191</u>	<u>227,082,786</u>

NOTES TO THE SUMMARIZED CONSOLIDATED FINANCIAL STATEMENTS

31 December 2019

10. DEBTORS AND OTHER DEBIT BALANCES – NET

	<i>31/12/2019</i>	<i>31/12/2018</i>
	<i>L.E.</i>	<i>L.E.</i>
Cheques under collection	312,966	202,968
Notes receivable	4,840,370	-
Prepaid expenses	291,871,039	225,308,008
Accrued income	1,841,306	1,738,534
Refundable deposits	42,568,135	21,558,357
Other debit balances	14,831,140	1,338,184
	<u>356,264,956</u>	<u>250,146,051</u>
Less: Impairment in debtors and other debit balances	(63,160)	(63,160)
	<u>356,201,796</u>	<u>250,082,891</u>

11. CASH AND BANK BALANCES

	<i>31/12/2019</i>	<i>31/12/2018</i>
	<i>L.E.</i>	<i>L.E.</i>
Cash on hand	220,726	674,982
Bank current accounts with return	852,628,843	395,227,644
Time deposits (*)	96,720,492	89,689,780
	<u>949,570,061</u>	<u>485,592,406</u>

(*) Time deposit included an amount of L.E. 95,369,760 (2018: L.E. 88,682,048) pledged time deposits against letters of guarantee. (Note 20)

12. UNEARNED REVENUES

	<i>31/12/2019</i>	<i>31/12/2018</i>
	<i>L.E.</i>	<i>L.E.</i>
Tag Sultan	325,163,239	203,252,824
Premira	4,682,216	31,162,943
Zone T	2,286,344,937	2,131,674,074
Zone B	1,548,491,089	1,316,699,988
Zone A	174,575,597	-
Capital Gardens	132,796,823	134,825,919
Sarai City(1)	1,023,338,774	864,952,324
Sarai City(2)	2,196,122,974	1,829,635,619
Sarai City(3)	441,764,179	182,719,174
Sarai City(Zone H)	16,748,794	-
	<u>8,150,028,622</u>	<u>6,694,922,865</u>

13. PROVISIONS

	<i>Balance at</i>	<i>Transferred</i>	<i>Provided</i>	<i>Used during</i>	<i>No longer</i>	<i>Balance at</i>
	<i>1/1/2019</i>	<i>from other</i>	<i>during the</i>	<i>the year</i>	<i>required</i>	<i>31/12/2019</i>
	<i>L.E.</i>	<i>provisions to</i>	<i>year</i>	<i>L.E.</i>	<i>L.E.</i>	<i>L.E.</i>
		<i>claims</i>				
		<i>provision</i>				
		<i>L.E.</i>				
Disputed taxes provision	11,978,471	-	-	-	-	11,978,471
Claims provision	50,091,295	500,000	-	(7,451,133)	-	43,140,162
Legal provision	24,026,728	-	2,250,000	(992,810)	-	25,283,918
General provision	15,000,000	-	-	-	-	15,000,000
Other provisions	22,946,921	(500,000)	-	(3,983,504)	(4,250,000)	14,213,417
	<u>124,043,415</u>	<u>-</u>	<u>2,250,000</u>	<u>(12,427,447)</u>	<u>(4,250,000)</u>	<u>109,615,968</u>

NOTES TO THE SUMMARIZED CONSOLIDATED FINANCIAL STATEMENTS

31 December 2019

14. INFRASTRUCTURE COMPLETION LIABILITIES

	<i>Balance at 1/1/2019 L.E.</i>	<i>Provided / (returns) L.E.</i>	<i>Work executed L.E.</i>	<i>Balance at 31/12/2019 L.E.</i>
Tag City	48,802,876	61,831,982	(105,295,411)	5,339,447
Sarai City	58,596,511	84,222,371	(35,552,048)	107,266,834
Capital Gardens	4,311,597	(92,245)	-	4,219,352
El Waha	4,842,034	4,218,594	(8,290,725)	769,903
	<u>116,553,018</u>	<u>150,180,702</u>	<u>(149,138,184)</u>	<u>117,595,536</u>

15. DEFERRED PROFIT & INTEREST ON OUTSTANDING INSTALLMENTS

	<i>Land L.E.</i>	<i>Properties L.E.</i>	<i>Total L.E.</i>
<u>31/12/2019</u>			
Balance at beginning of the year	40,386,717	143,570,045	183,956,762
Additions during the year	6,217,708	-	6,217,708
Due during the year (Note 23-a)	(9,154,591)	(27,534,158)	(36,688,749)
Disposals during the year	-	(33,840,946)	(33,840,946)
Balance at the end of the year (Note 8)	<u>37,449,834</u>	<u>82,194,941</u>	<u>119,644,775</u>
<u>31/12/2018</u>			
Balance at beginning of the year	48,852,758	177,958,402	226,811,160
Additions during the year	14,685,971	-	14,685,971
Due during the year (Note 23-a)	(19,025,841)	(32,872,543)	(51,898,384)
Disposals during the year	(4,126,171)	(1,515,814)	(5,641,985)
Balance at the end of the year (Note 8)	<u>40,386,717</u>	<u>143,570,045</u>	<u>183,956,762</u>

16. CREDITORS AND OTHER CREDIT BALANCES

	<i>31/12/2019 L.E.</i>	<i>31/12/2018 L.E.</i>
Notes payable	169,239,617	58,368,017
Notes payable - Land purchase (*)	39,255,924	39,255,924
Support to National Housing Project	880,000	880,000
Down payment for reservation of land & property sales	73,924,564	16,207,949
Customers' collection (Gas, water)	796,540	1,791,217
Accrued employees' bonus	8,154,789	8,154,789
Contractors under settlement	24,149,365	14,167,814
Engineering stamp and Building Union stamp	263,321	172,603
Customers' balances for cancelled reservations	13,115,179	13,144,322
Proceeds for maintenance expenses and counters	8,338,867	9,359,761
Accrued interest on loans	27,854,592	16,679,297
Customers' deposits under settlement	18,462,389	1,517,936
Governmental authorities	56,367,708	46,631,880
Accrued expenses	36,656,887	5,363,225
Early retirement benefits and others	1,522,723	1,700,630
Comprehensive medical care	6,396,646	4,031,616
Other	1,499,269	1,112,542
	<u>486,878,380</u>	<u>238,539,522</u>

NOTES TO THE SUMMARIZED CONSOLIDATED FINANCIAL STATEMENTS

31 December 2019

16. CREDITORS AND OTHER CREDIT BALANCES – *Continued*

- (*) The Company has purchased pieces of lands in Tag City project during 2018 from its own Customers by L.E. 100,009,500 and it has paid 20% as an advance payment of total lands price, the rest amount against notes payable over (8) quarterly advances ended in year 2020.

	<i>31/12/2019</i>	<i>31/12/2018</i>
	<i>L.E.</i>	<i>L.E.</i>
Purchase price	100,009,500	100,009,500
Less: Advance payment (20%)	<u>(20,001,900)</u>	<u>(20,001,900)</u>
	80,007,600	80,007,600
Less:		
Settlement (**)	(1,495,752)	(1,495,752)
Payments during the year	<u>(39,255,924)</u>	<u>-</u>
	<u>39,255,924</u>	<u>78,511,848</u>

- (**) The rest of amounts due from the company's customers regarding previously sold lands to its customers were settled against purchase of lands.

The balance classified in consolidated financial statements as follows:

	<i>31/12/2019</i>	<i>31/12/2018</i>
	<i>L.E.</i>	<i>L.E.</i>
Non current liabilities:		
Long term notes payable	<u>-</u>	<u>39,255,924</u>
Current liabilities:		
Short term notes payable	<u>39,255,924</u>	<u>39,255,924</u>
	<u>39,255,924</u>	<u>78,511,848</u>

17. SHARE CAPITAL

Authorized capital:

The authorized capital is five billion Egyptian Pounds.

	<i>31/12/2019</i>	<i>31/12/2018</i>
	<i>L.E.</i>	<i>L.E.</i>
Issued and paid up:		
1.44 billion shares (2018: 1.2 Billion shares) – The value of each share is one Egyptian pound	<u>1,440,000,000</u>	<u>1,200,000,000</u>

NOTES TO THE SUMMARIZED CONSOLIDATED FINANCIAL STATEMENTS

31 December 2019

17. SHARE CAPITAL - *Continued*

Following are a list of percentage of shares of issued and paid up capital for shareholders as of 31 December 2019:

	<i>No. of shares</i>	<i>Nominal Value L.E.</i>	<i>Contribution %</i>
BIG Investment Group Ltd.	286,309,039	286,309,039	19.88%
Holding Co. for Construction and Development	218,742,298	218,742,298	15.19%
B Investment Holding Co.	107,355,324	107,355,324	7.46%
National Investment Bank	53,069,241	53,069,241	3.68%
Al Alian Co. for Investments Ltd.	50,963,824	50,963,824	3.54%
Banque Misr	45,627,636	45,627,636	3.17%
Other shareholders	677,932,638	677,932,638	47.08%
	<u>1,440,000,000</u>	<u>1,440,000,000</u>	<u>100%</u>

List of percentage of shares of issued and paid up capital for shareholders as of 31 December 2018 is as follows:

<i>Name</i>	<i>No. of shares</i>	<i>Nominal value L.E.</i>	<i>Contribution % L.E.</i>
BIG Investment Group Ltd.	238,590,867	238,590,867	19.88%
Holding Co. for Construction and Development	182,285,249	182,285,249	15.19%
B Investment Holding Co.	89,462,770	89,462,770	7.45%
National Investment Bank	44,224,368	44,224,368	3.69%
Al Alian Co. for Investments Ltd.	42,303,187	42,303,187	3.53%
Banque Misr	38,023,030	38,023,030	3.17%
Other shareholders	565,110,529	565,110,529	47.09%
	<u>1,200,000,000</u>	<u>1,200,000,000</u>	<u>100%</u>

18. NON-CONTROLLING INTEREST

	<i>Non-controlling interest in net assets %</i>	<i>31/12/2019 Non-controlling interest share in net assets L.E.</i>	<i>31/12/2018 Non-controlling interest share in net assets L.E.</i>
Al Nasr Company for Civil Works	47.54	112,042,396	97,821,365
Al Nasr Company for Utilities & Erection	0.79	(1,728,783)	(1,685,205)
Total non-controlling interest		<u>110,313,613</u>	<u>96,136,160</u>

NOTES TO THE SUMMARIZED CONSOLIDATED FINANCIAL STATEMENTS

31 December 2019

19. TERM LOANS

Madinet Nasr for Housing & Development S.A.E.

	(A) National Investment Bank L.E.	(B) Arab Investment Bank L.E.	(B) Commercial International Bank L.E.	Total L.E.
<u>31/12/2019</u>				
Balance at the beginning of the year	1,237,813	-	375,310,381	376,548,194
Proceeds during the year	-	-	476,905,559	476,905,559
Installments paid during the year	(424,309)	-	(137,276,635)	(137,700,944)
Balance at the end of the year	<u>813,504</u>	<u>-</u>	<u>714,939,305</u>	<u>715,752,809</u>

Classified in financial position as follows:

Current liabilities:

Current portion of term loans	<u>384,935</u>	<u>-</u>	<u>28,067,001</u>	<u>28,451,936</u>
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Non-current liabilities:

Term loans	<u>428,569</u>	<u>-</u>	<u>686,872,304</u>	<u>687,300,873</u>
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31/12/2018

Balance at the beginning of the year	1,694,337	2,026,971	381,323,986	385,045,294
Proceeds during the year	-	-	209,966,744	209,966,744
Installments paid during the year	(456,524)	(2,026,971)	(215,980,349)	(218,463,844)
Balance at the end of the year	<u>1,237,813</u>	<u>-</u>	<u>375,310,381</u>	<u>376,548,194</u>

Classified in financial position as follows:

Current liabilities:

Current portion of term loans	<u>491,458</u>	<u>-</u>	<u>137,276,635</u>	<u>137,768,093</u>
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Non-current liabilities:

Term loans	<u>746,355</u>	<u>-</u>	<u>238,033,746</u>	<u>238,780,101</u>
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NOTES TO THE SUMMARIZED CONSOLIDATED FINANCIAL STATEMENTS

31 December 2019

20. CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the consolidated statement of cash flows comprise the following consolidated financial position amounts:

	<i>31/12/2019</i>	<i>31/12/2018</i>
	<i>L.E.</i>	<i>L.E.</i>
Cash and bank balances (Note 11)	949,570,061	485,592,406
Investment at fair value through profit and loss (Note 5/4)	12,990,817	12,169,504
Held to maturity investment - short term (Note 5/5)	425,580,885	14,600,000
Less:		
Credit banks (credit facilities) (Note 20/2)	<u>(216,717,683)</u>	<u>(66,295,682)</u>
Cash and cash equivalents at the end of the year	1,171,424,080	446,066,228
Less:		
Pledged time deposits against letters of guarantee (Note 11)	(95,369,760)	(88,682,048)
Pledged investment certificates against letters of guarantee (Note 5/4)	<u>(10,468,303)</u>	<u>(9,203,122)</u>
Cash and cash equivalents at the end of the year	<u>1,065,586,017</u>	<u>348,181,058</u>

20/1 SHORT TERM LOAN

	<i>31/12/2019</i>	<i>31/12/2018</i>
	<i>L.E.</i>	<i>L.E.</i>
Balance at the beginning of the year	111,666,664	56,875,747
Proceeds during the year	697,928,949	335,010,373
Installments and interests paid during the year	<u>(345,000,246)</u>	<u>(280,219,456)</u>
Balance at the end of the year	<u>464,595,367</u>	<u>111,666,664</u>

20/2 CREDIT BANKS (CREDIT FACILITIES)

The balance of credit banks are summarized as follows:

	<i>31/12/2019</i>	<i>31/12/2018</i>
	<i>L.E.</i>	<i>L.E.</i>
Madinet Nasr for Housing Development (Parent company)	159,769,002	12,231,854
Al Nasr Company for Civil Works (Subsidiary)	56,869,254	53,984,401
Al Nasr Company for Utilities and Erections (Subsidiary)	79,427	79,427
	<u>216,717,683</u>	<u>66,295,682</u>

NOTES TO THE SUMMARIZED CONSOLIDATED FINANCIAL STATEMENTS

31 December 2019

21. BANK CURRENT ACCOUNTS AND DEPOSITS OF COMPOUNDS FACILITY MANAGEMENT

	<i>31/12/2019</i>	<i>31/12/2018</i>
	<i>L.E.</i>	<i>L.E.</i>
Bank current saving accounts	77,340,717	11,082,624
Time deposits	331,437,394	286,322,778
Cheques under collection	64,544,501	35,585,953
Accrued revenues	2,170,772	5,496,754
Bank deposits of compounds facility management	<u>475,493,384</u>	<u>338,488,109</u>
Amounts under settlement	<u>1,222,765</u>	<u>1,824,104</u>
Liabilities of compounds facility management	<u><u>476,716,149</u></u>	<u><u>340,312,213</u></u>

The checks received from the customers for the compounds facility management amounted to L.E. 1,378,246,099 (2018: L.E. 1,101,300,866), including collections of L.E. 475,493,384 (2018: L.E. 338,488,109) invested in deposits and interest-bearing bank accounts. The remaining balance amounting to L.E. 902,752,715 is notes receivable at 31 December 2019 (2018: L.E. 762,812,757) and will be collected on maturity dates during the subsequent periods. The deposit's term ranges from 1 to 6 months.

22. TRANSACTIONS WITH RELATED PARTIES

	<i>Nature of relationship</i>	<i>Nature of Account</i>	<i>Balance at 31/12/2019</i>	<i>Balance at 31/12/2018</i>
			<i>L.E.</i>	<i>L.E.</i>
Capital Gardens project	Joint operation	Long term notes payable	293,197,421	376,806,276
		Discount of present value	<u>(109,472,493)</u>	<u>(153,670,025)</u>
		Net	183,724,928	223,136,251
		Short term notes payable	<u>88,317,274</u>	<u>90,767,155</u>
			<u><u>272,042,202</u></u>	<u><u>313,903,406</u></u>

NOTES TO THE SUMMARIZED CONSOLIDATED FINANCIAL STATEMENTS

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23. REVENUES AND COST OF REVENUES

23-a Net Revenues

	31/12/2019	31/12/2018
	L.E.	L.E.
<u>Property sales revenue</u>		
Tag Sultan	199,616,488	464,473,720
Premira	27,501,950	130,787,705
Tag City (Zone T)	172,467,249	109,577,314
Tag City (Zone B)	170,890,459	482,850,181
Tag City (Zone A)	57,252,846	-
Capital Garden	6,385,725	98,204,017
Sarai City 1	90,197,483	247,455,090
Sarai City 2	472,413,920	250,547,438
Sarai City 3	271,674,256	182,430,280
Sarai City Zone H	7,031,962	-
El Waha	-	120,000
Property sales revenue	<u>1,475,432,338</u>	<u>1,966,445,745</u>
Land sales revenue - El Waha	49,592,360	218,849,803
Land sales revenue – Tag City (Zone A)	115,205,441	-
Total property and land sales revenues	<u>1,640,230,139</u>	<u>2,185,295,548</u>
Contracting revenues - Al Nasr Company for Civil Works	273,058,071	299,434,554
Contracting revenues - Al Nasr Company for Utilities & Erections	137,344,237	102,760,112
Less: Property sales returns		
Tag Sultan	(10,851,024)	(5,010,656)
Premira	-	(244,400)
Tag City (Zone T)	(71,753,277)	(62,196,450)
Tag City (Zone B)	(60,282,037)	(14,713,395)
Tag City (Zone A)	(1,443,903)	-
Capital Garden	(10,232,062)	(6,408,791)
Sarai City 1	(27,759,751)	(14,008,185)
Sarai City 2	(148,957,179)	(110,490,462)
Sarai City 3	(12,979,344)	-
El Waha	(417,000)	(1,653,493)
Total property sales returns	<u>(344,675,577)</u>	<u>(214,725,832)</u>
Net sales	<u>1,705,956,870</u>	<u>2,372,764,382</u>
Amortization of discount of present value of notes receivable	456,760,121	356,852,504
Profit & interest from deferred sales installments during the year (Note 15)	36,688,749	51,898,384
Return on investment properties	1,222,486	1,212,239
Net revenue	<u><u>2,200,628,226</u></u>	<u><u>2,782,727,509</u></u>

NOTES TO THE SUMMARIZED CONSOLIDATED FINANCIAL STATEMENTS

31 December 2019

23. REVENUES AND COST OF REVENUES - *Continued*

23-b Cost of Revenues

	31/12/2019	31/12/2018
	L.E.	L.E.
Cost of sold property		
Cost of Tag Sultan	119,258,604	410,016,453
Cost of Premira	40,090,877	152,963,303
Cost of Tag City (Zone T)	22,341,608	10,249,150
Cost of Tag City (Zone B)	33,891,780	53,971,424
Cost of Tag City (Zone A)	6,381,883	-
Cost of Capital Garden	165,986	2,897,684
Cost of Sarai City 1	21,028,773	38,199,727
Cost of Sarai City 2	66,898,562	44,245,311
Cost of Sarai City 3	18,314,490	11,660,770
Cost of Sarai City Zone H	458,140	-
Total cost of properties sales	328,830,703	724,203,822
Cost of land sold	3,046,929	3,419,157
Cost of land sold Tag city Zone A	17,690,400	-
Total cost of land and finished properties sales	349,568,032	727,622,979
Cost - Al Nasr Company for Civil Works	209,359,546	191,736,651
Cost - Al Nasr Company for Utilities and Erections	132,976,439	106,514,916
Less: Cost of sold property sales returns:		
Tag Sultan	(3,107,556)	(2,140,606)
Premira	-	(61,107)
Tag City (Zone T)	(6,293,051)	(5,350,010)
Tag City (Zone B)	(6,229,044)	(1,586,469)
Tag City (Zone A)	(170,652)	-
Capital Garden	(350,608)	(207,201)
Sarai City 1	(4,586,584)	(2,302,987)
Sarai City 2	(29,875,613)	(21,660,373)
Sarai City 3	(820,402)	-
El Waha	(172,846)	(283,407)
Total cost of returns	(51,606,356)	(33,592,160)
Net cost of sales	640,297,661	992,282,386
Depreciation of investment properties (Note 5/3)	59,652	66,131
Cost of investment properties	13,863	-
Cost of revenues	640,371,176	992,348,517

24. CONSTRUCTIONS COMMITMENTS

Al Nasr Company for Civil Works – (Subsidiary Company)

Contracts for executing utilities and civil constructions amounted to L.E. 3,339 million at 31 December 2019, while the executed amount till that date amounted to L.E. 2,816 million.

Al Nasr Company for Utilities and Erections (Subsidiary Company)

Contracts for executing utilities and civil constructions amounted to L.E. 499,1 million at 31 December 2019, while the executed amount till that date amounted to L.E. 149 million.

NOTES TO THE SUMMARIZED CONSOLIDATED FINANCIAL STATEMENTS

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25. SELLING AND MARKETING EXPENSES

	<i>31/12/2019</i>	<i>31/12/2018</i>
	<i>L.E.</i>	<i>L.E.</i>
Salaries and wages	10,630,078	7,420,523
Selling and marketing commissions	65,435,388	60,781,226
Advertising expenses (including stamp tax)	118,677,841	113,269,505
Rent	12,311,769	9,345,910
Professional fees	6,367,350	4,854,002
Depreciation (Note 4/1)	4,175,104	1,796,196
Transportation and sundry expenses	6,941,898	8,749,563
	<u>224,539,428</u>	<u>206,216,925</u>

26. GENERAL AND ADMINISTRATIVE EXPENSES

	<i>31/12/2019</i>	<i>31/12/2018</i>
	<i>L.E.</i>	<i>L.E.</i>
Salaries, wages and equivalent	49,714,407	42,006,711
Board of Directors salaries and allowances	10,166,923	8,584,394
Depreciation (Note 4/1)	10,223,371	8,332,865
Other expenses	68,386,688	55,101,216
	<u>138,491,389</u>	<u>114,025,186</u>

27. FINANCE INCOME

	<i>31/12/2019</i>	<i>31/12/2018</i>
	<i>L.E.</i>	<i>L.E.</i>
Income from investments at fair value through profit and loss	1,654,952	1,596,395
Credit interest	71,729,348	42,053,054
Return on treasury bills	25,513,187	1,778,342
Return on stocks	532,750	-
	<u>99,430,237</u>	<u>45,427,791</u>

28. OTHER OPERATING INCOME

	<i>31/12/2019</i>	<i>31/12/2018</i>
	<i>L.E.</i>	<i>L.E.</i>
Administrative fees	55,493,168	50,550,575
Customers delay payment penalties	18,631,708	9,519,359
Contractors delivery delay penalties	201,610	96,000
Sundry revenue	15,518,006	12,740,914
Gain on foreign exchange	-	32,515
Gain on sale of fixed assets	695,770	909,286
Gain on sale of raw materials	169,635	556,842
	<u>90,709,897</u>	<u>74,405,491</u>

NOTES TO THE SUMMARIZED CONSOLIDATED FINANCIAL STATEMENTS

31 December 2019

29. OTHER EXPENSES

	<i>31/12/2019</i>	<i>31/12/2018</i>
	<i>L.E.</i>	<i>L.E.</i>
Compensations and fines	143,901	9,434,003
Comprehensive medical care	5,939,837	4,031,616
Donations for others	-	200,000
Capital loss	-	9,613
Foreign exchange loss	314,360	-
Bad debts	227,916	3,016
Sundry expenses	1,959,684	2,949,296
	<u>8,585,698</u>	<u>16,627,544</u>

30. CONSOLIDATED STATEMENT OF INCOME

	<i>31/12/2019</i>	<i>31/12/2018</i>
	<i>L.E.</i>	<i>L.E.</i>
Net profit from Madinet Nasr for Housing & Development S.A.E.	934,889,256	1,069,653,619
Group portion in net profits/(losses) of subsidiaries companies	16,762,550	10,081,588
Elimination effect of impairment in investments	10,527,907	-
Reverse of elimination effect of impairment in investments	-	(19,518,646)
Elimination effect of income from investments in subsidiaries	(1,920,006)	-
Elimination effect of impairment in related parties	20,636,020	-
Reverse of impairment of trade payables - debit balance transferred to investments	-	24,375,000
	<u>980,895,727</u>	<u>1,084,591,561</u>

31. CONTINGENT LIABILITIES

Letters of guarantee

National Bank of Egypt, Egyptian Gulf Bank, United Bank and others, have issued letters of guarantee amounted to L.E. 59,222,720 at 31 December 2019 (2018: L.E. 23,204,040), in favor of third parties, which are partially secured by the company's time deposits amounting to L.E. 4,249,268 (Note 11) (2018: L.E. 4,592,268) and cash margin on letters of guarantee by L.E. 8,892,374 (2018: L.E. 10,892,374) and pledged investment certificates amounting to L.E. 10,468,303 (2018: L.E. 9,203,122) (Note 5/4).

32. DEFERRED TAX

Madinet Nasr for Housing and Development (Parent company)

	<i>31/12/2019</i>		<i>31/12/2018</i>	
	<i>Assets</i>	<i>(Liabilities)</i>	<i>Assets</i>	<i>(Liabilities)</i>
	<i>L.E.</i>	<i>L.E.</i>	<i>L.E.</i>	<i>L.E.</i>
Fixed assets	-	(3,353,156)	-	(2,833,839)
Provisions	4,944,935	-	4,712,404	-
Total deferred tax (liabilities)/ assets	4,944,935	(3,353,156)	4,712,404	(2,833,839)
Net deferred tax assets	1,591,779	-	1,878,565	-
Deferred tax charged to the statement of income	-	(286,786)	212,968	-

NOTES TO THE SUMMARIZED CONSOLIDATED FINANCIAL STATEMENTS

31 December 2019

32. DEFERRED TAX - Continued

	<i>31/12/2019</i>	<i>31/12/2018</i>
	<i>L.E.</i>	<i>L.E.</i>
Unrecorded deferred tax assets (provisions)	<u>43,000,290</u>	<u>35,988,407</u>

Al Nasr Company for Civil Works – (Subsidiary Company)

	<i>31/12/2019</i>		<i>31/12/2018</i>	
	<i>Assets</i>	<i>(Liabilities)</i>	<i>Assets</i>	<i>(Liabilities)</i>
	<i>L.E.</i>	<i>L.E.</i>	<i>L.E.</i>	<i>L.E.</i>
Fixed assets	-	(131,369)	-	(55,557)
Provisions	4,623,801	-	6,305,972	-
Total deferred tax (liabilities)/ assets	<u>4,623,801</u>	<u>(131,369)</u>	<u>6,305,972</u>	<u>(55,557)</u>
Net deferred tax assets	<u>4,492,432</u>	<u>-</u>	<u>6,250,415</u>	<u>-</u>
Deferred tax charged to the statement of income	<u>-</u>	<u>(1,757,983)</u>	<u>(1,560,438)</u>	<u>-</u>

Al Nasr Company for Utilities and Erections – (Subsidiary Company)

	<i>31/12/2019</i>		<i>31/12/2018</i>	
	<i>Assets</i>	<i>(Liabilities)</i>	<i>Assets</i>	<i>(Liabilities)</i>
	<i>L.E.</i>	<i>L.E.</i>	<i>L.E.</i>	<i>L.E.</i>
Fixed assets	-	-	-	(43,868)
Unused taxable losses	-	-	-	-
Total deferred tax (liabilities)/ assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net deferred tax assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Deferred tax charged to the statement of income	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,483,566)</u>

The effect on consolidated financial statements

Total deferred tax asset (financial position)	<u>6,084,211</u>	<u>-</u>	<u>8,128,980</u>	<u>-</u>
Total charged to the statement of income	<u>-</u>	<u>(2,044,769)</u>	<u>-</u>	<u>(3,831,036)</u>

NOTES TO THE SUMMARIZED CONSOLIDATED FINANCIAL STATEMENTS

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33. TAX STATUS

Madinet Nasr for Housing and Development S.A.E. (Parent company)

The company submits tax returns to the Tax Authority on due dates and pays taxes according to these returns.

Al Nasr Company for Civil Works – S.A.E. (Subsidiary company)

Tax returns submitted on due dates, the tax has been settled and paid.

Al Nasr Company for Utilities and Erections – (Subsidiary Company)

Tax returns were submitted on due dates, the company has objected on tax claims received from the Tax Authority.

34. EARNINGS PER SHARE

	<i>31/12/2019</i>	<i>31/12/2018</i>
	<i>L.E.</i>	<i>L.E.</i>
Net profit for the year after tax	1,000,995,614	1,084,591,561
Less:		
Board of Directors and employees share in profit	(105,365,443)	(104,730,000)
Shareholders share in net profit	895,630,171	979,861,561
Weighted average numbers of shares outstanding during the year	1,440,000,000	1,440,000,000
Earnings per share	0.62	0.68

35. FINANCIAL INSTRUMENTS AND RELATED RISKS

On-balance sheet financial instruments comprise cash and bank balances, financial investments, debtors, creditors, and amounts due from/to related parties. Notes to the financial statements include the accounting policies adopted in the recognition and measurement of financial instruments.

The significant risks associated with the financial instruments and the procedures followed by the company to mitigate these risks are as follows:

- ***Credit risk***

Credit risk is the risk that debtors fail to settle the amounts due from them. The company seeks to reduce this risk to the minimum by agreeing with the customers to transfer property after settling all of their debts, also the company charges customers for delay penalties calculated on settlement.

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35. FINANCIAL INSTRUMENTS AND RELATED RISKS - *Continued*

• ***Liquidity risk***

Liquidity risk represents all factors which affect the company's ability to pay part or all of its obligations. According to the company's policy sufficient liquidity is maintained which reduce the risk to the minimum.

The following are due dates of the financial liabilities:

	<i>Less than one year L.E.</i>	<i>1 – 2 years L.E.</i>	<i>More than 2 years L.E.</i>	<i>Book value L.E.</i>
<u>31/12/2019</u>				
Term loans	28,451,936	164,849,352	522,451,521	715,752,809
Creditors and other credit balances	486,878,380	-	-	486,878,380
Short term loans	464,595,367	-	-	464,595,367
Trade payables and tax	848,312,978	-	-	848,312,978
Long term notes payable	-	5,390,212	6,737,764	12,127,976
	<u>1,828,238,661</u>	<u>170,239,564</u>	<u>529,189,285</u>	<u>2,527,667,510</u>
<u>31/12/2018</u>				
Term loans	137,768,093	28,813,357	209,966,744	376,548,194
Creditors and other credit balances	238,539,522	-	-	238,539,522
Short term loans	111,666,664	-	-	111,666,664
Trade payables and tax	663,661,567	-	-	663,661,567
Long term notes payable	-	39,255,924	-	39,255,924
	<u>1,151,635,846</u>	<u>68,069,281</u>	<u>209,966,744</u>	<u>1,429,671,871</u>

• ***Interest rate risk***

Interest rate risk represents the risk of changes in the rate of interest. Time deposits, loans and bank overdrafts are subject to this risk. The company uses most of its deposits in settling its loans and overdraft balances whenever a gap between debit and credit interest rates takes place in order to reduce this risk to the minimum as possible.

The following are the financial assets and liabilities according to interest rate type:

	<i>30/9/2019 L.E.</i>	<i>31/12/2018 L.E.</i>
<u>Financial assets instruments with fixed interest rate</u>		
Financial assets (trade and notes receivable)	<u>11,650,045,249</u>	<u>11,016,179,755</u>
<u>Financial liabilities instruments with floating interest rate</u>		
Financial liabilities (Long and short term loans and credit banks)	<u>1,397,065,859</u>	<u>554,510,540</u>

NOTES TO THE SUMMARIZED CONSOLIDATED FINANCIAL STATEMENTS

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35. FINANCIAL INSTRUMENTS AND RELATED RISKS - *Continued*

- ***Foreign currency risk***

Foreign currency risk represents the changes in the currency rates which affect the receipts and disbursements and the translation of assets and liabilities in foreign currencies. The company policy is not to take a loan in foreign currencies nor keep significant balances in currencies other than Egyptian pound.

36. CONTRACTUAL COMMITMENTS

The value of contracts with contractors for the implementation of lands, unfinished and finished properties amounted to L.E. 5,003 million, the executed works till 31 December 2019 amounted to L.E. 1,850 million. Contractors' dues have been paid in accordance with the contracts.

37. FAIR VALUE

The fair values of financial assets and liabilities are not materially different from their carrying value at the financial position date, except for investments available for sale.

38. COMPARATIVE FIGURES

Certain prior year figures have been reclassified to conform to the financial statement presentation for the current year.