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Issued in Arabic

Egyptian Resorts Company
"Egyptian Joint Stock Company"
Subject to the provisions of Law no. 159/1981

The consolidated Financial Statements
For the three months ended March 31, 2012
And review report

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Review Report for the interim financial statements

<u>To the board of directors of Egyptian Resorts Company</u>

Introduction

We have performed a limited review for the accompanying Consolidated balance sheet of Egyptian Resorts Company (SAE) as of March 31, 2012 and the related statements of income, cash flows and changes in equity for the nine-months then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of these interim financial statements in accordance with Egyptian Accounting Standards. Our responsibility is to express a conclusion on these interim financial statements based on our limited review.

Scope of Limited Review

We conducted our limited review in accordance with Egyptian Standard on Review Engagements 2410, "Limited Review of Interim Financial Statements Performed by the Independent Auditor of the Entity." A limited review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters in the Company, and applying analytical and other limited review procedures. A limited review is substantially less in scope than an audit conducted in accordance with Egyptian Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on these interim financial statements.

Conclusion

Based on our limited review, nothing has come to our attention that causes us to believe that the accompanying interim financial statements do not present fairly, in all material respects, the financial position of the Company as at March 31, 2012, and of its financial performance and its cash flows for the three-month then ended in accordance with Egyptian Accounting Standards.

Emphasis of matter

Without considering the following as qualifications:

1 As disclosed in detail in note no. 27 of the notes to the financial statements, there is a lawsuit before court which is raised by one of the lawyers against the General Authority for Touristic Development in order to annul the allocation contract of all lands for Egyptian Resorts Company at Sahl Hasheesh, and On February 28, 2011 the company's management decided to become a part of this lawsuit in order to undertake the legal procedures and submit the documents supports the company's position. The lawsuit is now still pending before the state attorneys' authority, whom decided to postpone the lawsuit for a hearing on July 5, 2012 to complete the documents needed and the lawsuit is now still pending before the state attorneys' authority. Based on the company's legal consultant opinion dated April 29, 2012 it is not possible for the time being to predict the results of the report being prepared by the state attorneys' authority and also the opinion in which the court of law will issue. Though the extent of the negative effects ,that may result, on the company's economics and financial position that may result because of this lawsuit is not yet determined.

2 As disclosed in detail in note no. 27 of the notes to the financial statements, the General Authority of Touristic Development has informed ERC that it has decided to withdraw its previous consent for the company on development of phase 3 lands at Sahl Hasheesh (zone c) in which its area is 20 million square meter in its resolution dated March 31, 2011. Knowing that Work in process in connection with this phase amounted to L.E 68.202 million on March 31, 2012. And the company raised a lawsuit to cancel this resolution which is issued from TDA of taking the land of phase 3 back and taking into consideration that this resolution is submitted to administrative court on September 21, 2011. This lawsuit has been listed and the first hearing has been determined to be on December 17, 2011, and on the hearing dated December 17,2011 the court decided to assign the lawsuit to the state attorneys' authority to prepare a report for a legal opinion, but this report was not yet prepared. In addition to the aforementioned, the company is looking forward to approach the ministerial group in order to settle the dispute of investment between the company and TDA. the company's legal consultant's believes that it's too soon to predict the results of those procedures in the dispute. Based on the legal consultant's opinion dated April 29, 2012, it is too soon to predict the results of these procedures in the early stage of dispute.

Hesham Gamal Eldin Ibrahim ElAfandy
Auditors' register
At the Money Market General Authority No. (100)
KPMG Hazem Hassan

Cairo, May 15, 2012

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Egyptian Resorts Company
(Egyptian Joint Stock Company)

The Consolidated Balance Sheet of the Company and its Subsidiaries
As at March 31, 2012

	Note No.	31/03/2012 L.E.	31/12/2011 L.E.
Long Term Assets			
Fixed assets (Net)	(3-2,4)	245 700 761	247 488 617
Projects in progress	(3-3,5)	116 417 200	118 256 956
Utilization rights of trademarks	(6)	5 108 276	5 274 926
Accounts & notes receivable (Net)	(3-7,8)	51 613 024	68 162 103
Deferred tax assets (Net)	(3-18,25-2)	1 411 838	1 361 421
Total Long Term Assets		**420 251 099**	**440 544 023**
Current Assets			
Work in process	(3-5,7)	489 414 259	483 357 384
Inventory	(3-4)	1 605 900	1 262 130
Accounts & notes receivable (Net)	(3-7,8)	345 800 005	316 050 143
Sundry debtors and other debit balances	(9)	14 164 696	13 041 854
Treasury bills	(11)	94 646 821	99 435 968
Cash on hand & at banks	(10)	93 053 432	100 551 691
Total Current Assets		**1038 685 113**	**1013 699 170**
Current Liabilities			
Provision for claims	(3-11,12)	11 398 794	10 491 000
Income tax	(3-18)	3 427 848	2 765 042
Receivables - advance payments	(13)	38 168 896	38 316 052
Sundry creditors and other credit balances	(3-12,14)	95 318 988	86 181 637
Due to Authority of Touristic Development (due within one year)	(15-1)	14 562 775	14 346 576
Estimated cost for development of sold land	(3-6)	107 277 696	107 931 611
Total Current Liabilities		**270 154 997**	**260 031 918**
Working capital		768 530 116	753 667 252
Total Investments		**1188 781 215**	**1194 211 275**
Financed as follows:			
Owners' Equity			
Issued and fully paid in capital	(16)	1050 000 000	1050 000 000
Legal reserve	(26)	130 892 541	130 892 541
Carried forward losses		(269 088 844)	(268 655 461)
Net (loss) for the period / year		(3 524 066)	(433 383)
Shareholders' Equity of holding company		**908 279 631**	**911 803 697**
Minorities' interest	(22)	**63 987 851**	**65 971 156**
Total Owners' Equity		**972 267 482**	**977 774 853**
Long-term Liabilities			
Purchase of land creditors	(7-3)	216 396 670	216 037 567
Due to Authority of Touristic Development- Long term	(15-2)	117 063	398 855
Total Long-term Liabilities		**216 513 733**	**216 436 422**
Total Owners' equity & Long-term Liabilities		**1188 781 215**	**1194 211 275**

- The accompanying notes from (1) to (28) form an integral part of these financial statements and to be read therewith.
- Review report attached.

Financial Controller	Managing Director	Chairman
Mr. Wael Abou Alam	Mr. Mohamed Ibrahim Kamel	Dr. Samir Makary

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Egyptian Resorts Company
(Egyptian Joint Stock Company)

The Consolidated Income Statement of the Company and its Subsidiaries
For the financial period from January 1, 2012 till March 31, 2012

	Note No.	From 1/01/2012 to 31/03/2012 L.E.	From 1/01/2011 to 31/03/2011 L.E.
Net sales	(3-14,18/1)	2 667 341	3 205 735
Revenues from services rendered	(3-14,18/3)	3 990 392	2 693 973
Total revenues		**6 657 733**	**5 899 708**
Less:			
Cost of sales	(3-15,19)	(2 239 674)	(1 741 765)
Operating cost of services rendered	(3-15)	(3 661 688)	(2 605 886)
Depreciation of fixed assets in operation	(3-2,4)	(4 214 578)	(2 960 340)
Gross (Loss)		**(3 458 207)**	**(1 408 283)**
Other operating revenues		417 355	397 977
		(3 040 852)	**(1 010 306)**
(Less) Add :			
Interest recalled from deferred income	(3-14,18/2)	953 380	1 694 865
Selling & marketing expenses	(3-15)	(807 148)	(1 574 973)
General and administrative expenses	(3-15,20)	(5 628 212)	(6 367 660)
Depreciation of fixed assets	(3-2,4)	(750 201)	(708 973)
Banks charges		(9 911)	(17 728)
Impairment in receivables		(1 436 148)	-
Provisions for claims formed	(12)	(907 794)	-
(Loss) resulted from operating activity		**(11 626 886)**	**(7 984 775)**
Interest income	(21)	6 512 889	5 449 799
Foreign exchange differences		219 016	3 699 253
Financial costs (net)		**6 731 905**	**9 149 052**
Net (Loss) before income tax		**(4 894 981)**	**1 164 277**
Current income tax	(3-18)	(662 807)	-
Deferred tax that results in a liability	(3-18)	50 417	97 124
Net (loss)for the year after tax		(5 507 371)	1 261 401
Holding company's shareholders' share in the year's (losses)		(3 524 066)	4 192 652
Minorities share in (losses) of subsidiary company for the year	(22)	(1 983 305)	(2 931 251)
		(5 507 371)	**1 261 401**
Earning per Share(LE/share)	(17)	**(0.0034)**	**0.004**

- The accompanying notes from (1) to (28) form an integral part of these financial statements and to be read therewith.

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Egyptian Resorts Company
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Consolidated Statement of Changes in Shareholders' Equity for the company & its subsidiaries
For the Financial period from January 1, 2012 till March 31, 2012

Description	Note No.	Issued & Paid in Capital L.E.	Legal Reserve L.E.	Carried Forward (Losses) L.E.	Net (Loss) Profit of the year L.E.	Minorities' interest L.E.	Total L.E.
Balance as at December 31, 2010		**1050 000 000**	**130 360 967**	**(264 528 700)**	**(3 595 187)**	**72 975 518**	**985 212 598**
Transferred to carried forward losses		-	-	(3 595 187)	3 595 187	-	-
Transferred to legal reserve		-	531 574	(531 574)	-	-	-
Net loss of the year		-	-	-	(433 383)	(7 004 362)	(7 437 745)
Balance as at December 31, 2011		**1050 000 000**	**130 892 541**	**(268 655 461)**	**(433 383)**	**65 971 156**	**977 774 853**
Transferred to carried forward losses		-	-	(433 383)	433383	-	-
Net loss of the period		-	-	-	(3 524 066)	(1 983 305)	(5 507 371)
Balance as at March 31, 2012		**1050 000 000**	**130 892 541**	**(269 088 844)**	**(3 524 066)**	**63 987 851**	**972 267 482**

- The accompanying notes from (1) to (28) form an integral part of these financial statements and to be read therewith.

Egyptian Resorts Company
(Egyptian Joint Stock Company)

The Consolidated Cash Flows Statement for the Company and its Subsidiary
For the Financial period from January 1, 2012 till March 31, 2012

	Note No.	For the financial period From 1/01/2012 to 31/03/2012 L.E.	For the financial period From 1/01/2011 to 31/03/2011 L.E.
Cash Flows from Operating Activities			
Net loss before income tax		(4 894 981)	1 164 277
Adjustments to Reconcile Net loss with Net Cash Flows from Operating activities			
Fixed assets' depreciation	**(4)**	4 964 779	3 669 312
Amortization for utilization rights of trade marks		166 650	166 650
Impairment in receivables		1 436 148	-
Provisions for claims formed		907 794	-
Treasury bills' income		(3 626 187)	-
		(1 045 797)	**5 000 239**
Change in working capital			
Change in receivables (net)		(14 087 797)	(16 461 509)
Change in inventory		(343 770)	35 375
Change in debtors and other debit balances		(810 687)	(4 175 268)
Change in work in process		(6 056 875)	(12 261 114)
Change in receivables advance payments		(204 156)	364 269
Change in creditors and other credit balances		9 137 351	12 991 919
Changes in estimated cost for development of sold land		(653 915)	(3 237 249)
Change in dues to Authority of Touristic Development		(90 240)	(9 674 041)
Used from provision for claims	**(11)**	-	(2 198 794)
Net cash flow (used in) operating activities		**(14 155 886)**	**(29 616 173)**
Cash Flows from Investing Activities			
Payments for purchase of fixed assets, projects in progress and property investments	**(4,5)**	(1 337 167)	(9 200 747)
Proceeds for purchase of Treasury bills		4 789 147	-
Proceeds from income of Treasury bills		3 314 032	-
Net cash available from (used in) investing activities		**6 766 012**	**(9 200 747)**
Net cash & cash equivalent used during the period		(7 389 874)	(38 816 920)
Foreign currency exchange differences		(108 385)	(1 939 498)
Cash & cash equivalent as at January 1, 2012		100 551 691	273 767 389
Cash & cash equivalent as at March 31, 2012	**(10)**	**93 053 432**	**233 010 971**

- The accompanying notes from (1) to (28) form an integral part of these financial statements and to be read therewith.

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Egyptian Resorts Company
(Egyptian Joint Stock Company)

Notes to the Consolidated Financial Statements
For the financial period from January 1, 2012 till March 31, 2012

1- General Background

(A) General

- Egyptian Resorts Company - Egyptian joint stock Company – established under the provisions of Law No. 159 of 1981 and its executive regulations and also subject to the provisions of Law No. 95 of 1992 and its executive regulations. The company was registered in the commercial register under No. 6514 on 24/4/1996.
- The Company's duration is 50 years starting from the date of registration in the commercial registry.
- The financial year for the company starts from January 1st and ends at December 31st each year.
- The company's head office location is at Sahl Hashish – Hurghada – Red Sea, and the location of the company's branch at Cairo Governorate is at 4 A Aziz Abaza Street – Zamalek – Cairo.
- The Chairman of the board of directors is Mr. Samir Makary – and the Managing director is Mr. Mohamed Ibrahim Kamel Abu Eloyoon (and the board of directors approved these financial statements on 15/5/2012).

(B) Company's purpose

B-1 Egyptian Resorts Company

The purpose of the company is generally touristic constructions and establishing a complete touristic residential compound in Sahl Hasheesh area in the Red Sea City, through preparing the land and supplying the needed facilities and basic services; stations and networks for generating electricity, water treatment, sewage services, and roads to embark them for establishing a group of hostelry, touristic, residential and entertainment projects, whether by itself or by other parties.

B-2 Sahl Hasheesh Company for Touristic Investment

The purpose of the company is establishing 30 hostelry apartments consists of 200 rooms of a 5 stars level, fully completed with its complementary utilities and entertainment services which represented in restaurants, cafeterias, health club, swimming pools, tennis, golf, squash playgrounds, entertainment hall and disco, meeting rooms, wedding halls, gardens and playgrounds for kids, entertainment center, medical unit, marine and all kinds of marine sports. Egyptian Resorts Company owns 69.38 % of Sahl Hasheesh Company for Touristic Investment.

(C) The company is listed under the stock exchange market in Cairo and Alexandria.

2- Basis of preparation of the Separate financial statement

2-1 Basis for preparation

A- Statement of compliance
The consolidated financial statements have been prepared in accordance with Egyptian Accounting Standards and in the light of applicable Laws and regulations.

B- Basis of measurement
These financial statements have been prepared on the historical cost basis.

C- Functional and presentation currency
These financial statements are presented in Egyptian pounds, which is the Company's functional currency.

D- Use of estimates and judgments

- The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses and the estimates and assumptions related to them when applied are considered according to prior experience and acceptable other factors. The results of these assumptions and estimates represent the base for judgment on the net book values of assets and liabilities in a clearer way than any other source. Actual results may differ from these estimates.
- The assumptions and estimates are reviewed periodically.
- Revisions to accounting estimates are recognized in the period in which the estimate is revised if revision affects this period, in the revision period or in any future periods if the revision affects both of them.

2-2 Principles for consolidation of company's and its subsidiaries financial statements

The attached consolidated financial statements include assets, liabilities and the results of Egyptian Resorts Company and its subsidiaries which is called a "group" in which the holding company controls. The basis for preparation consolidated financial statements is as follows:

- All balances and transactions between the companies of the group were eliminated.
- Minority interest from Owners' equity and companies' results which the holding company controls so it was classified in a separate item in the consolidated financial statements. The percentage of the minority interest in assets and liabilities of the subsidiary companies were computed when acquired.
- Cost of acquisition was classified according to the fair value of owned assets and liabilities as at acquisition date which is equivalent in value to the book value and in the limit of the percentage the holding company obtained on that date.

3- Significant Accounting Policies Applied

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

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3-1 Foreign currencies translation

Transactions in foreign currencies are translated based on prevailing exchange rates at the dates of the transactions. At the balance sheet date monetary assets and liabilities denominated in foreign currencies are retranslated to L.E as per the prevailing exchange rates on that date. Any differences resulting from translation are taken to the income statement.
More over the non monetary assets and liabilities which are stated at historical cost of the foreign currency are retranslated as per the prevailing exchange rate on the date of the transaction.

3-2 Fixed assets and depreciation

A- Recognition and measurement
Items of property, plant and equipment are measured at cost less accumulated depreciation (3-2-C) and impairment losses (3-10).
Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labor, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located.
When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

B- Subsequent costs
The cost of replacing part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognized in profit or loss as incurred.

C- Depreciation
Depreciation is recognized in income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated. The estimated useful lives for these assets are as follows:

Buildings	30-50 years
Machinery & Equipments	10 years
Furniture & Fixtures	16 years
Vehicles	5 years
Computers	5 years
Desalination plant and sewage treatment plant	
Structural works	30 years
Mechanical works	10 years
Water tank	30 years
Warehouses	30 years
Networks & Facilities	10 years
Furniture	6-10 years
Air condition works electrical circuits & convertors	5 years
Elevators	10 years
Kitchens & operating supplies	10 years
Networks & internet	5 years

3-3 Projects in progress

Primary measurement: Projects in progress are recorded at cost. Cost includes all expenditures that are directly attributable to bringing the asset to a working condition for its intended use and to the purpose in which it was acquired for.
Projects in progress are transferred to fixed assets as soon as these projects were finished and are ready for their intended use.
Projects in progress are evaluated on the balance sheet date deducted from it impairment losses – if any (note 3-10).

3-4 Inventory

Inventory is stated at cost or net realizable value which is lower. Net realizable value is represented in estimated sale price during the ordinary activity less the estimated completion cost and selling expenses, disbursed from inventory is valued using weighted average method. Cost includes all costs the company bears to purchase the inventory till reaching its site and its current position.

3-5 Work in process

Primary measurement: work in process is recorded at cost and it includes all actual costs related to the land, direct and indirect expenditures necessary to complete the development of the land and supplying the necessary infrastructure and facilities. The cost related to the work in process are recorded in the work in progress account and at sale this account shall be deducted from the estimated cost account according to the actual cost of the meters sold. Work in progress is recorded at cost or the net realizable value which is lower in the balance sheet.

3-6 Estimated cost for development of sold land

Primary measurement: the cost of sold land is recorded initially based on the share of meters sold from the total cost estimated for the development and supplying facilities to the lands for each phase and then the estimated cost shall be adjusted by the work in process which includes the actual cost development of lands for each phase as per the share of meters sold (3-5) in order to reach the cost for development and supplying facilities' works for the remaining sold land for each phase. And the estimated cost shall be studied all over again based on the technical study of the total estimated cost for each phase prepared annually by the technical department and this study shall be approved by the project consultant. The differences results from the re-estimation shall be charged to the income statement.

3-7 Receivables, debtors and other debit balances

Receivables, debtors and other debit balances are stated at nominal value less any amounts expected to be uncollected which is estimated when its probable not to collect all the amount and the balances of receivables and debtors are reduced by the amount of bad debts when identified. These balances are recorded at cost less impairment losses (Note No. 3-10), long –term receivables are measured by present value of expected cash flows which is computed by using actual return rate.

3-8 Cash flow statement

Cash flow statement is prepared according to indirect method.

3-9 Cash and cash equivalent

For the purpose of preparing the cash flow statement, cash and cash equivalents comprise cash at banks and on hand, call deposits, balance of bank overdrafts that are pre-payable on demand and form an integral part of the company's cash management.

3-10 Impairment

A- Financial assets

- A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.
- an impairment loss related to financial asset which has been measured at amortized cost is calculated based on the difference between the book value and the present value of estimated future cash flows discounted at the current interest price.
- Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.
- All impairment losses are recognized in the income statement.
- An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized for financial assets measured at amortized cost and financial assets considered as debt instrument is recognized in the income statement.

B- Non-financial assets

- The carrying amounts of the non-financial assets, other than inventory and deferred tax assets are reviewed at the balance sheet date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.
- An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognized in the income statement.
- The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.
- An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent of the assets' carrying amount. Which has been determined after discounting depreciation or amortization if no impairment loss had been recognized. that the asset's carrying amount does not exceed the recoverable amount.

3-11 Provisions

A provision is recognized in the balance sheet when the Company has a legal or constructive obligation as a result of past events, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax to take such effect into consideration in which reflects the current estimate of the monetary value in the market and the risks related to this liability if it's suitable. Provisions are reviewed at each balance sheet date and adjusted, (if required), to reflect the best current estimate.

3-12 Creditors and other credit balances

Creditors and other credit liabilities are recorded at cost.

3-13 Employees' pension plan

The company contributes in the social insurance system for the benefit of employees according to law of Social Insurance Authority. The employer and the employees contribute in the system by a fixed percentage from salaries as per this law and the company's liability is limited to this contribution. The company charges this contribution to the salaries and wages in the income statement according to the accrual basis.

3-14 Revenue recognition

Activity's revenues

Revenue from sales of land (through installments) is recognized in accordance with the contract terms and handing over to customers, under which the payment of the corresponding installments will be recognized at the cash sales price (without interest) as income on the date of sale. The cash sales price is determined by deducting the due installments by using appropriate discount rate to show the difference between the total sale price and the cash price deducted from the customers' balances are recognized as income over its accrual period.

Financial investments' Revenue

Investment revenue is recognized in income statement, when a company's right to receive dividends from the companies invested in and realized after the date of acquisition.

Interest income

Interest income is recorded according to the accrual basis.

3-15 Expenses

Expenses are recognized on accrual basis.

3-16 Financial costs (net)

Financial costs include all debit and credit interests on the invested money in addition to the foreign exchange differences.

3-17 Interest expenses

Interest expenses related to loans are charged to income statement using actual interest rate method.

3-18 Income Tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognized in the income statement except to the extent that it relates to items recognized directly in equity, in this case it is recognized in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is measured using tax rates enacted or substantively enacted at the balance sheet date.

Deferred tax assets are reviewed at the balance sheet date and reduced to the extent that it is no longer probable that the related tax benefit will be realized during the subsequent years.

3-19 Purchase of capital's shares

The amounts paid for Company's capital shares and all costs related are included in Shareholders' equity as a change. Purchased shares are classified as treasury shares and to be presented deducted from total Shareholders' equity.

3-20 Dividends

The dividends recorded as liability in the period they are declared.

3-21 Earning per share

Earning per share is computed by dividing the profit or loss related to shareholders who represent their contribution in company's capital over the weighted average of common stock shares outstanding during the period.

3-22 Transaction with related parties

Transactions with related parties made by the company are recorded in accordance with the rules stated by the board of directors and by the same basis of dealing with others.

4- **Fixed Assets (Net)**

The balance of fixed assets (net) shown in the consolidated balance sheet as at March 31, 2012 is represented as follows:-

Description	Cost as at 1/1/2012	Transfers from other assets	Additions of the year	Cost as at 31/03/2012	Accumulated Depreciation as at 1/1/2012	Depreciation of the for year	Accumulated Depreciation as at 31/3/2012	Net book value as at 31/3/2012	Net book value as at 31/12/2011
	L.E.	L.E.	L.E.	L.E.	L.E.	L.E.	L.E.	L.E.	L.E.
Land	12 556 014	-	-	12 556 014	-	-	-	12 556 014	12 556 014
Buildings	101 763 580	109 560	143 478	102 016 618	2 760 740	688 485	3 449 225	98 567 393	99 002 840
Machinery & equipments	2 171 399	-	84 050	2 255 449	1 118 118	35 932	1 154 050	1 101 399	1 053 281
Furniture & fixtures	4 670 032	-	1 243 741	5 913 773	1 089 554	97 976	1 187 530	4 726 243	3 580 478
Transportation vehicles	992 387	-	-	992 387	578 481	31 213	609 694	382 693	413 906
Networks & facilities	80 071 285	-	-	80 071 285	16 511 447	1 996 777	18 508 224	61 563 061	63 559 838
Sewage Treatment Plant	21 575 064	-	-	21 575 064	3 726 663	240 881	3 967 544	17 607 520	17 848 401
Water tanks	8 950 096	-	-	8 950 096	831 122	74 577	905 699	8 044 397	8 118 974
Water desalination plant	29 060 055	-	-	29 060 055	7 979 861	683 730	8 663 591	20 396 464	21 080 194
Electrical instruments & Computers	8 324 702	-	370 524	8 695 226	4 539 972	348 837	4 888 809	3 806 417	3 784 730
Air-conditioning	9 759 995	(323 730)	-	9 436 265	-	471 813	471 813	8 964 452	9 759 995
Elevators	2 955 000	(5 795)	-	2 949 205	-	73 730	73 730	2 875 475	2 955 000
Electrical circuits & convertors	2 635 911	327 947	213 168	3 177 026	-	158 851	158 851	3 018 175	2 635 911
Kitchens & operating supplies	1 139 055	(107 982)	10 428	1 041 501	-	25 930	25 930	1 015 571	1 139 055
Internet networks	-	-	1 111 534	1 111 534	-	36 047	36 047	1 075 487	-
Total	**286 624 575**	-	**3 176 923**	**289 801 498**	**39 135 958**	**4 964 779**	**44 100 737**	**245 700 761**	**247 488 617**

* Fixed assets included assets which are fully depreciated, its cost amounted to L.E 2 555 484 as at March 31, 2012 as follows:

	L.E
Transportation vehicles	377 437
Machinery & equipments	734 061
Furniture	1 016
Buildings (Caravans)	82 830
Computers	1 360 140
	2 555 484

Depreciations were classified as follows:

Depreciation of fixed assets in operation	4 214 578
Depreciation of administrative fixed assets	750 201
	4 964 779

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5- Projects in progress

Projects in progress shown in the consolidated balance sheet as at March 31, 2012 are represented in the following:

	31/3/2012	31/12/2011
	L.E	L.E
Sahl Hasheesh Company		
Lands	*104 117 692*	*104 117 692*
Supplies of furniture for apartments	-	*1 038 202*
Internet networks works	-	*283 104*
Advance payments to suppliers	*327 903*	*1 316 924*
Egyptian Resorts Company		
Electricity network	*8 248 122*	*8 067 069*
Extending networks	*660 837*	*660 837*
Advance payments to suppliers & contractors	*3 062 646*	*2 773 128*
	116 417 200	***118 256 956***

- Projects in progress are transferred to fixed assets as soon as it is completed.

6- Utilization rights of Trademarks

The utilization rights of trademarks are represented in amounts due to Orascom Co. for Development and Management (FZC) in which its premises is at Ras Al Kamiah, United Arab Emirates. These dues are against the utilization of its trade name in promotion and publicity by Egyptian Resorts Company for a period of 9 years starting from November 2010. These dues amounted to L.E 6 million to be paid on three annual installments starts on the date of concluding the contract. And this would be in favor of the company's planned project which should be executed at phase two at the land allocated to the company at Sahl Hasheesh. These amounts shall be amortized in the income statement included in sales and marketing expenses. represented as at March 31, 2012 as follows:-

	31/03/2012
	L.E
Balance as at 1/1/2012	5 274 926
Less: Amortized during the year included in selling and distribution expenses	(166 650)
Balance as at 31/03/2012	5 108 276

7- Work in Progress

The actual cost for the work in progress account shown in the Consolidated balance sheet as at March 31, 2012 is represented as follows:-

		Balance as at 31/03/2012	Balance as at 31/12/2011
		L.E.	L.E.
7-1	Cost of the project's lands haven't been sold yet of Phase 1	28 444 020	28 218 623
7-2	Cost of the project's lands haven't been sold yet of Phase 2	155 743 565	150 896 529
7-3	Cost of project's lands 28 312 296 million m² – Phase 3	299 653 095	299 215 588
7-4	Cost of Sawry Project	5 573 579	5 026 644
		489 414 259	483 357 384

(*) The company concluded a contract with one of the experts whom are specialized in the consulting field (WATG) in order to evaluate all elements of the estimated cost of the company's project based on the projected amendments of the master plan of the project. Based on the events occurred in Arab Republic of Egypt during year 2011, and what followed this of a governmental resolutions by taking the lands of phase three. And the company is currently proceeding taking the necessary legal procedures concerning taking these lands as detailed below in note (8-3) which would affect on the data, information and the unbiased technical assumptions in connection with estimation of the cost elements aforementioned. And based on the financial and technical data currently available for the company, it prepared a financial estimations for those elements to compute cost till terminating all the obstacles hinder completing this study in a proper way with the help of the experts above mentioned.

(**) Work in process include 50 % from salary of chief executive officer for the period for his technical supervision on the works done in the company's site at Sahl Hasheesh at Hurghada.

7-1 First Phase Lands

- The General Authority for Touristic Development allocated an area of six million meter square by virtue of a contract for sale and leasing of desert land at Sahl Hasheesh at Red Sea for the purpose of touristic development. And this contract has been concluded on October 24, 1995 and the amounts due to the authority for this phase has been paid in full. As per the contract the authority is entitled for 7.5% of the sales price as a commission with a minimum amount of L.E 11.25 per meter and to be increased by a 10% annually.
  According to the prime minister's decree No. 1026 of 2005 published in the official gazette issue No.28 July 14, 2005 stating that the lands sold for the purpose of constructing a touristic project, US$ 1.75 is due to the authority per meter sold.
- Based on the geographical survey for phase 1 made on 2008, which was prepared by the company's experts, the total area of that phase is 5 604 817 meter square in which the sold area is 4 862 347 meter square. These differences were included in purchase of land creditors as at March 31, 2012.

  The total cost estimated for development as at March 31, 2012 of the first phase of the project based on the revised study prepared by the company's experts amounted to L.E 251 742 815 in which the estimated cost per meter amounted to LE 51.773 approximately.

7-2 Second Phase Lands

- The company rented the second phase's lands 6 million meters as an extension to the touristic development of phase one.
  On March 30, 2003 the company got an initial approval from the General Authority for touristic development (Ministry of Tourism) to sell the area allocated from the touristic center for the second phase (6 million m²).
- Based on the geographical survey for the second phase made on 2008 which is mentioned in (8-1), the total area of that phase is 7 032 867 meter square and the area to be sold from this phase is 6 542 922 meter square. the amounts against the differences of areas were included in the balance of purchase of land creditors as at 31 December 2011.
- The estimated cost as at March 31, 2012 for the project's second phase according to the study prepared by the company's experts amounted to L.E 392 607 701 with estimated cost L.E 60. And upon the sale of any of the project's lands, 7.5%

of the selling price is due to the authority with minimum payment L.E 11.25/meter and increase by 10% yearly according to the contracts, applying the prime minister's decree No. 1026 of 2005 mentioned above in note (8-1) over the project's second phase.

7-3 Third phase lands

The company rented the third phase's lands (20 million m²) as an extension to touristic development of the first and second phase as per the main agreement with the Authority for Touristic Development on 24/10/1995.

On March17, 2005 the company communicated the General Authority for Touristic Development to issue a letter confirming the company's rights in developing the project's third phase and On March 20, 2005 the Authority for Touristic Development replied that there are no restrictions on studying the company's proposal as long as the company fulfills the terms of the contract and the authority will notify the company with the results of the study then, according to the authority's letter dated February 26, 2007, the price of the meter was determined by USD 1.40/m.

And as per the geographical survey prepared by the expertise whom the company used during year 2008 in order to measure the total area of lands, the total area of the third phase is 28 312 296 m2.

And as per the geographical survey prepared by the company aforementioned, the cost of land purchased from the Authority of Touristic Development (including the contractual and allocation expenses) amounted to USD 42 411 819 which is equivalent to L.E 231 450 740. This cost is included in Work In Progress – Phase 3 and the total payments was USD 7 567 359 as at 30 September 2011 and the remaining amount due to the Authority based on the aforementioned is L.E 209 668 545 equivalent to USD 34 851 819 and included in purchase of land creditors, knowing that there are no allocation contracts for phase 3 have been concluded.

The General Authority for Touristic Development notified the company to annul its previous consent that issued for the company to develop the land of the third phase of Sahl Hasheesh (Area C) and of an area of 20 million meter square in its resolution dated March 31, 2011, the company appealed to the resolution of the General Authority for Touristic Development to annul its previous consent referred to in 27 May 2011 and the company did not receive any reply in this concern.

And the company raised a lawsuit to cancel this resolution which is issued from TDA of taking the land of phase 3 back and taking into consideration that this resolution is submitted to administrative court on September 21, 2011 (seventh region – Investment). And a hearing to be set on September 27, 2011 and this lawsuit has been listed under the no. 55158/65, This lawsuit has been listed and the first hearing has been determined to be on December 17, 2011, and on the hearing dated December 17,2011 the court decided to assign the lawsuit to the state attorneys' authority to prepare a report for a legal opinion, but this report was not yet prepared. In addition to the aforementioned, the company is looking forward to approach the ministerial group in order to settle the dispute of investment between the company and TDA. the company's legal consultant's believes that it's too soon to predict the results of those procedures in the dispute.

7-4 Cost of work in process (Sawary project)

Based on the project undertaken by the company which will be a luxurious compound to be established on an area of 2.583 million meter square from the lands of phase 2, the company concluded an agreement with Orascom Co. for Development and Management (FZC) (as developer) on April 28, 2010 in order to obtain the services associated with the development, management, marketing and sale of project units in accordance with the master plan based on the following conditions:

- Egyptian Resorts Company (the owner) provides Orascom Co. for Development and Management the right to lease two plots of project's lands (no. 37 and 38) for an amount of $ 100 annually for the duration of the contract in order to ensure the rights of the developer of this contract.
- The developer shall execute all marketing works in which he is entitled for through his own staff and the owner shall be charged with these costs in the limit of 3 % from the approved sales budget. And the developer shall receive his fees as follows:

First: sales commission

- Subject to the terms of contract (from 6 / 12 until 6 / 14), the developer shall receive 6% from all realized sales due based on the contracts concluded and after payment of a part from the advance payment from the total sales amount, and the remaining amount shall be obtained via cheques or any trusted way of payment.
- If the Owner shall acquire the remaining units or shall give it to one of its shareholders or its subsidiaries or its associates, this shall be excluded from the commission of 6% on the condition that these units shall not exceed 50 units.
- If it is necessary to use experts other than the developer's experts, the two parties agreed that the commission shall be charged s follows:

• up to 2% shall be charged to the developer. Above 2% to 4% it would be charged as follows: 2% to the developer and the other 2% shall be charged to the owner. Above 4% it would be charged as follows: 2% shall be charged to the owner and the remaining shall be charged to the developer on condition that the commission rate to be charged to the Owner shall not exceed 8% from all sales including the developer's commission. And the total commissions due to the developer for total contracts concluded during the financial period ended March 31, 2012 amounted to L.E 789 443 and the unpaid part of these commissions included in the accrued expenses (note 15) amounted to L.E 2 229 795.

Second: Incentive management fees:

- In addition to the sales commission set forth above the developer shall receive an incentive fees to develop and manage the project amounted to 15% from the net profit of the project before tax and to be calculated in accordance with the basis agreed upon in the contract and after deducting from the revenues an estimated cost for the square meter with an amount of USD 24 per meter. The rate shall be calculated based on L.E 10 million for the first year in case of increasing the project's profits before tax, and the net profit before tax in which is the base for computing the incentive shall be increased by a compound 3% annually.

Second: Incentive management fees:

- In addition to the sales commission set forth above the developer shall receive an incentive fees to develop and manage the project amounted to 15% from the net profit of the project before tax and to be calculated in accordance with the basis agreed upon in the contract and after deducting from the revenues an estimated cost for the square meter with an amount of USD 24 per meter. The rate shall be calculated based on L.E 10 million for the first year in case of increasing the project's profits before tax, and the net profit before tax in which is the base for computing the incentive shall be increased by a compound 3% annually.

8- Accounts & Notes Receivable (Net)

The balance of accounts & notes receivable shown in the Consolidated balance sheet as at March 31, 2012 is represented as follows:

	31/03/2012	31/12/2011
	L.E.	**L.E.**
Land receivables (*)	344 410 608	341 849 017
Accounts and notes receivable of Sawary project (**)	56 967 478	47 511 678
Services' receivables	10 919 382	9 256 669
Receivables – shops' rentals	3 448	-
	412 300 916	**398 617 364**
Less: Deferred interest	(2 187 086)	(3 140 465)
Less: Impairment in receivables	(12 700 801)	(11 264 653)
	397 413 029	**384 212 246**

And for presentation purposes, the accounts & notes receivable as at March 31, 2012 are classified as follows:

	31/03/2012	31/12/2011
	L.E.	**L.E.**
Accounts & notes receivable – long term assets	51 613 024	68 162 103
Accounts & notes receivable – current assets	345 800 005	316 050 143
	397 413 029	384 212 246

(*) Land receivables include balances which are against notes receivable amounted to L.E 23 156 097 deposited at banks and on hand in the company as at March 31, 2012, and shall be deducted from the balance when collected.

(**) Accounts and notes receivables for Sawary project includes an amount of L.E 53 952 933 represented in notes receivable collected from clients concluded contracts to purchase units in the project as of March 31, 2012.

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9- Sundry Debtors & Other Debit Balances

The balance of sundry debtors & other debit balances shown in the Consolidated balance sheet as at March 31, 2012 are represented as follows:

	31/03/2012	**31/12/2011**
	L.E.	**L.E.**
Letters of guarantee covers	50 000	50 000
Cash imprests and loans	106 514	10 656
Prepaid expenses	864 037	793 839
Deposits with others	346 786	275 330
Accrued interest	1 314 512	1 004 482
Contractors & suppliers (debit balances)	9 404	--
Sundry debtors	737 591	868 562
Withholding Tax – independent tax pools (treasury shares)	3 427 848	2 765 042
Withholding Tax – Debit	297 018	262 957
Income Tax paid for reversed sales (*)	7 078 664	7 078 664
	14 232 374	13 109 532
Impairment in debtors	(67 678)	(67 678)
	14 164 696	**13 041 854**

(*) Income Tax Authority balance (debit) amounted to L.E 7 078 664 is represented in the differences due to the company resulted from tax inspection for the years from 2005 to 2007 based on the amended tax returns for those years and approved by the tax authority and its forms of tax inspection. This indebtedness shall be settled when a further tax claims arise in any upcoming financial years.

10- Cash on Hand and at Banks

This item shown in the Consolidated balance sheet as at March 31, 2012 is represented in the following:-

	31/03/2012	**31/12/2011**
	L.E	**L.E**
Cash on hand	164 184	157 448
Banks – current accounts-L.E	25 863 776	28 402 027
Banks – current accounts-US$	9 337 876	12 243 125
Banks – current accounts-EURO	63 720	88 511
Banks-time deposit-L.E	3 389 876	5 516 580
Banks-time deposit-US$	54 234 000	54 144 000
	93 053 432	**100 551 691**

11- Treasury bills

Treasury Bills shown in the separate balance sheet amounted to L.E 94 646 821 represented in treasury bills purchased from Arab African International and Misr Iran bank due within three months from the date of the balance sheet with a nominal value of L.E 99.450 million.

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12- Provision for Claims

	Balance 1/1/2012	Formed during the year	Provision no longer required	Used during the year	Balance as at 31/03/2012
	L.E	L.E	L.E	LE	LE
Provision For claims – receivables	8 741 000	224 438	--	--	8 965 438
Provision For claims- others	1 750 000	683 356	--	--	2 433 356
Total	**10 491 000**	**907 794**	**--**	**--**	**11 398 794**

13- Receivables Advance Payments

Receivables advance payments shown in the consolidated balance sheet as at March 31, 2012 are represented as follows:

		L.E
A-	The company received amounts from some of the clients as a reservation paid under the account of purchasing project's lands and Sawary project in Sahl Hasheesh and its balance as at March 31, 2012 amounted to L.E 37 443 987. The company terminated a contract with one of the clients and paid him back the contracting advance payment amounting to USD 5 700 000 equivalent to L.E 34 348 200 considering his delay in fulfilling his contractual obligations till this date and this issue has been assigned to an expert and a hearing for the lawsuit has been determined to be on June 27, 2012 and the company submitted all the legal supporting documents which supports its position in the lawsuit.	37 443 987
B-	Advance payments from receivables – rentals of Sahl Hasheesh company (subsidiary company)	724 909
		38 168 896

14- Sundry Creditors & Other Credit Balances

The balance shown in the Consolidated balance sheet as at March 31, 2012 is represented in the following:

	31/03/2012	31/12/2011
	L.E	L.E
Sundry creditors	10 160 747	10 160 747
Contractors' retention	2 222 161	2 488 231
Suppliers and contractors	7 038 742	9 202 409
Contractors-social insurance	1 811 234	1 816 574
Social insurance authority	103 930	127 715
Accrued expenses	2 518 812	3 361 307
Due to sovereign authorities	10 725 477	9 744 287
Maintenance deposits	4 468 901	3 809 636
Deposits from others (shops)	1 471 128	1 204 422
Dividends payable	393 499	393 499
Deferred revenues(*)	54 404 357	43 872 810
	95 318 988	**86 181 637**

(*) Deferred revenue includes an amount of L.E 53 925 756 which represent the building and finishing works paid in advance by the customers of sawary project, which will be recognized when implementing building structures and finishing works for the units based on contracts concluded with clients. And also the Villas' maintenance deposits mentioned above include an amount of L.E 3 371 755 which represents the customers' contribution in community maintenance which were collected from sawary project's clients.

15- Due to the General Authority for Touristic Development

This item shown in the Consolidated balance sheet as at March 31, 2012 is represented as follows:

15-1 Dues to the authority – due within one year

	31/3/2012 L.E.	31/12/2011 L.E.
Dues to the authority for the sale of the project's land	14 562 775	14 346 576
	14 562 775	14 346 576

14-2 Dues to the authority – Long Term

The classifications of the short and long term dues to the authority is according to the customers' payments of the installments of the lands sold, thus the amounts due to the authority (long term) shown in the consolidated balance sheet as at March 31, 2012 are as follows:

	31/03/2012 L.E.	31/12/2011 L.E.
Due to General Authority for Touristic Development – Long Term	117 063	398 855

16- Capital

The company's authorized capital amounted to LE. 700 000 000 (only seven hundred million Egyptian pounds) and the issued capital amounted to LE. 350 000 000 (only three hundred and fifty million Egyptian pounds) divided over 3 500 000 share at par value of LE. 100, and the shareholders paid one fourth of the par value of the shares, the paid in capital amounted to LE. 210 000 000 (paid from the dividends declared by the General Assembly Meeting for the approved financial statements from 1999 till 2003) thus the amount paid from the share is LE. 60.

Based on the Extra Ordinary General Assembly Meeting dated 28/11/2004 unanimously agreed upon reducing the issued capital from LE. 350 millions to L.E 210 millions, by reducing the par value of the shares from L.E 100 to L.E 60 for the same number of shares (3.5 million shares) accordingly the company's issued capital is fully paid, to organize the company's position according to the procedures and continuation of the registration of the stocks in the stock exchange market.

And also it has been approved to split the par value of the shares from L.E 60 to L.E 10 then the number of shares will be 21 million shares instead of 3.5 million shares, thus the company's issued and fully paid in capital amounted to L.E 210 millions divided over 21 million shares at a par value of L.E 10.

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As per the decision of General Assembly Meeting held on 11/5/2006 and the decision of the company's board of directors on 24/5/2006 which approved on though the company's issued and paid in capital became L.E 262 500 000 represented in 26 250 000 shares in which the nominal value of the share is L.E 10 . There was annotation in the commercial register on 18/7/2006.

As per the decision of the Extraordinary General Assembly Meeting held on 23/12/2006 the nominal value of the share was amended to be L.E 1 instead of L.E 10 and the share was spitted to be ten shares though the number of issued and fully paid shares became 262 500 000 shares then issued and fully paid in capital amounted to L.E 262 500 000 distributed on 262 500 000 shares with nominal value L.E 1 for each share. There was annotation in the commercial register on 21/2/2007.

As per the decision of the General Assembly Meeting held on April 11, 2007 all the members unanimously approved on the increase of the authorized capital to become 2 000 000 000 (Two billion Egyptian pounds) increasing the company's issued and paid in capital to be L.E 437 500 000 represented in 437 500 000 shares in which the nominal value of the share is L.E 1 which were fully financed by the shareholders' dividends of year 2006. There was annotation in the commercial register on 26/4/2007.

Issued and paid in capital was increased by an amount of L.E 262.5 million (two hundred sixty two million and five hundred thousand Egyptian pounds) which was fully paid by the subscription of old shareholders in capital as per the decision of the board of directors on 25/3/2007.

The share was issued by a nominal value of L.E 1 in addition to issuance premium of 25 piaster for each share. As per the certificate from Misr Iran Bank dated June 20, 2007, the issued and paid in capital amounted to L.E 700 million. There was annotation in the commercial register on 16/7/2007.

As per the decision of General Assembly Meeting held on 11/9/2007 there was a verification on the dividend distribution of L.E 140 million from the realized profits in the financial statements for the financial period for six months ended June 30, 2007 as a bonus shares for shareholders and the board of directors was delegated to take the necessary procedures for capital increase in the limit of the authorized capital amounted to L.E 2 000 000 000 and the capital after this free increase became L.E 840 million. Articles 6 and 7 of the company's articles of associations were amended by distributing one bonus share for each five outstanding share of issued capital which is amounted to L.E 700 million. There was annotation in the commercial register on 27/11/2007.

As per the decision of General Assembly Meeting held on 24/4/2008 there was a verification on the distribution project by an amount of L.E 210 million from the

realized profits on the financial statements for the financial year ended December 31, 2007 as a bonus shares for shareholders and the board of directors was delegated to take the necessary procedures for capital increase in the limit of the authorized capital amounted to L.E 2 billion though the issued capital will be L.E 1 050 000 000. Articles 6 and 7 of the company's articles of associations were amended by distributing one bonus share for each four outstanding share of issued capital which is amounted to L.E 840 million. There was annotation in the commercial register on 29/7/2008.

– **Treasury bills**

As per the board of directors meeting decision issued on 29/9/2008, the company decided to purchase 25 million shares as a treasury shares. This purchase was done during October 2008 by an amount of L.E 51 640 333.

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As per the approval of the Extraordinary General Assembly meeting held on October 4, 2009, the Board of Directors was empowered to dispose the purchased treasury shares amounted to 25 million shares considering that the legally allowed period for keeping those shares has ended, though these shares have been re-offered for sale in the open market by one of the Securities' Brokerage companies after notifying the Chairman of the Investment Authority on October 5, 2009. The net sale of such shares during the period from October 8, 2009 until October 12, 2009 amounted to L.E. 57 681 385 with an average sale price of L.E 2.31 / share, The gains from sale of treasury shares amounted to L.E 6 041 052 and has been included in Equity in the balance sheet.

17- Earnings per share (loss) profit during the period:

Earning per share is computed using weighted average of number of the outstanding shares during the year as follows:

	From 1/1/2012 to 31/03/2012	From 1/1/2011 to 31/03/2011
	L.E.	L.E.
Net profit for the year	(3 524 066)	4 192 652
(*) Average number of shares during the year	1 050 000 000	1 050 000 000
Earning per share (L.E/share)	**(0.0034)**	**0.004**

18- Sales

18-1 Net sales

	From 1/1/2012 to 31/03/2012	From 1/1/2011 to 31/03/2011
	L.E.	L.E.
Land sales Sawary project	2 631 478	3 205 735
Shops' rentals and maintenance – subsidiary	35 863	--
Total revenue of land and villa sales	**2 667 341**	**3 205 735**

18-2 Interest recalled from deferred income

	From 1/1/2012 to 3/03/2012	From 1/1/2011 to 3/03/2011
	L.E.	L.E.
Interest recalled from deferred income	953 380	1 694 865
Total	**953 380**	**1 694 865**

18-3 Revenue from services rendered

	From 1/1/2012 to 31/03/2012	From 1/1/2011 to 31/03/2011
	L.E.	L.E.
Revenue from water and electricity supplied	3 545 777	1 213 153
Revenue from irrigation water supplied	394 288	252 936
Revenue from communication services supplied	50 327	121 693
	3 990 392	**2 693 973**

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19- Cost of sales

	From 1/1/2012 to 31/03/2012	From 1/1/2011 to 31/03/2011
	L.E.	L.E.
Cost of sales land sawary project (*)	2 239 674	1 741 765
	2 239 674	**1 741 765**

(*) Sawary project cost represents in the cost of sold land built in sawary project According to the contracts concluded with customers, using estimated cost prepared by the managemnt of the Company till the completion of all matters to determine the estimated cost to implement the project, that is implemented by experts hired by the company for this purpose.

20- General and Administrative Expenses

	From 1/1/2012 to 31/03/2012	From 1/1/2011 to 31/03/2011
	L.E.	L.E.
Salaries, wages, allowances and its related (*)	3 055 569	3 068 182
Attendance allowances of board of directors & executive committees	377 750	380 750
Consultancy & audit fees	1 226 123	1 613 604
Recruitment fees	--	10 845
Rentals	179 459	324 352
Stationary, printings & computer expenses	75 399	131 723
Subscriptions	29 097	50 452
Traveling & transportation expenses	217 492	186 820
Publishing and advertising fees	21 043	34 500
Others	446 280	566 432
Total	**5 628 212**	**6 367 660**

(*) Salaries, wages, allowances and its related include 50 % from salary of chief executive officer for the year and the other 50% was charged to work in process considering that it is a direct cost on the projects.

21- Interest income

Interest income shown in the consolidated income statement as at March 31, 2012 is represented in the following:

	From 1/1/2012 to 31/03/2012	From 1/1/2011 to 31/03/2011
	L.E.	L.E.
Interest income from bank deposits	4 313 988	4 045 900
Interest resulted from delay in payment of installments	2 198 901	1 403 899
	6 512 889	**5 449 799**

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22- Minority Interest

The balance shown in the consolidated balance sheet as at March 31, 2012 is represented in their share in owners' equity in the subsidiary company by the percentage of 30.62% as follows:

	L.E
Balance as at 1/1/2012	65 971 156
Add:	
Minority's share in the losses for the financial year ended March 31, 2012 for the subsidiary	(1 983 305)
Balance as at March 31, 2012	**63 987 851**

23- Tax Position

First: Tax position for the holding company (Egyptian Resorts Company) as per what was presented in the consolidated financial statements which complies with the tax system of Arab Republic of Egypt in practice

The tax position of the company as at 31/03/2012 is represented in the following:

23-1 Corporate tax

The Company is subject to the provisions of tax law no. 157/1981 till the issuance of the new tax law no. 91/2005. The company enjoys income tax exemption for ten years starting from the first financial year subsequent to the activity inception on January 1, 1998 till December 31, 2007 in application of the provisions of article no. 4 of law no. 143/1981 concerning desert land owned by the state. This law was amended by Law No. 72/1996 with the same explanation which was stated previously in Law No. 59/1979 concerning the new urban communities.

The tax returns were submitted for years from 2005 to 2010 according to Law No.91 of 2005 in the due dates.

Years since activity inception till year 2004

The company's books were inspected by the Tax Authority of corporate companies since company's activity inception till year 2000 and there was an assessment as per the resolution of the appeal committee and tax due was fully paid. There was tax inspection for years from 2001 till 2004 and the company was informed by form (18) and the dispute was assigned to an internal committee by the Tax Authority which declared that there were no tax differences.

Years 2005, 2006 and 2007

- The tax inspection for the years from 2005 till 2007 has been made based on the provisions of Law no. 91/2005, and the company received form (19) taxes for separate tax pools and movable tax. The company has appealed to the inspection results on the legal due dates and has been assigned to an internal committee.
- The internal committee considered the disputes and reached to an agreement in all the points of dispute except for the debit foreign exchange differences. The tax differences as per the internal committee results amounted to L.E 139 839 excluding the fines and delay interests which amounted to approximately L.E 88 000. And the company's tax file for the debit foreign tax differences is currently being assigned to a specialized committee in order not to be the base for computation for the subsequent years.

Year 2008

- The tax inspection has been made for the year 2008 and the company received a notification with the elements of the tax assessment (form 19) on July 14, 2011. The company settled some disputed issues and the internal committee decided that the differences resulted from the amounts paid in excess for the tax return of year 2008 should be booked in the company's books which amounted to L.E 6 408 965 and also claiming the company to pay an amount of L.E 473 670 for the unpaid amount related to tax pool of article no. (56) other than the delay interests and also cancelling the estimations of the tax authority concerning tax pool of article no. (57) commissions.

Year 2009, 2010 and 2011

- The company submitted the tax returns in its legal dates based on the provisions of law no. 91/2005.
- The tax return for the financial year ended December 31, 2011 is currently being prepared.

23-2 Salary tax

- The salary tax for the company was inspected till year 2004 and there has been tax assessment and the tax due and delay penalties amounted to L.E 237 419 after deducting payments. This assessment is based on form No.9 dated 1/8/2011.
- For the years from 2005 till 2008 is currently being inspected.

Years from 2009 till 2011

The company pays under the account of salary tax due monthly and there is no inspection for these years yet.

23-3 Sales tax

- There has been an inspection from the date of activity's inception till year 2007 by the Tax Authority and there has been an assessment and it has been paid.
- The company's books have been inspected for the years from 2008 till 2010 and the tax due amounted to L.E 514 000 based on form (15) and the company obligated to this form.

22-4 Stamp tax

There has been an inspection from the date of activity's inception till 31/7/2006 by the Tax Authority and there has been an assessment and it has been paid.

Second: Tax position for the subsidiary company (Sahl Hasheesh for touristic investment) as per what was presented in the consolidated financial statements as at March 31, 2012 which complies with the tax system of Arab Republic of Egypt in practice

23-5 Corporate income tax

- The company is subject to the provisions of law no. 8/1997 related to the issuance of guarantee and incentive investments law and its executive regulations. Based on this law which has been issued on November 9, 2008, the company is exempted from corporate tax from 1/2/2008 till December 31, 2018 for the specified purpose mentioned in the company's tax card.

Years from activity inception till year 2004

There has been inspection and assigned to internal committee. And the company has been notified with (form 19) which included tax differences amounted to L.E 190 103 and the company objected and appealed on this form.

Years from 2005 till 2008

The company paid the tax due based on the approved tax return in its due dates according to the provisions of law no. 91/2005. There has been inspection for these years and the company has been notified with (form 19) which included tax differences amounted to L.E 20 251 and the company objected and appealed on this form.

Years from 2009 till 2011

The company paid the tax due as per its tax returns in its due dates based on the provisions of law no. 91/2005.

22-6 Salary tax

Years form activity inception till year 2007

There has been inspection and the company has been notified by (form 38) which included tax differences amounted to L.E 162 203 and the company objected and appealed on this form.

Years from 2008 till December 31, 2009

There has been inspection and the company has been notified by (form 38) which included tax differences amounted to L.E 261 337 and the company objected and appealed on this form.

Years from 2010 till December 31, 2011

Taxes are deducted from salaries paid to employees and the company pays regularly.

23-7 Stamp Tax

Years form activity inception till year 2007

The company has been notified and paid all tax differences due to the Authority.

Years form 2008 till December 31, 2009

There has been inspection and the company has been notified with the tax differences amounted to L.E 36 609 and the company objected and appealed on this form.

Years form 2010 till December 31, 2011

These years were not inspected yet and the company pays the tax due monthly according the provisions of law.

23-8 Withholding tax

The company submits all kinds of tax due which results from the company's regular transactions with others to the Tax Authority in its due dates. The company pays regularly till March 31, 2012.

24- Financial Instruments and Risk Management

The Company's financial instruments are represented in financial assets (cash at banks and on hand, financial investments, accounts & other notes receivables, debtors & debit balances) and the financial liabilities (creditors, receivables credit balances, purchase of land creditors, suppliers and contractors and other credit balances).

24-1 Fair Value

Fair value of the financial instruments reflects the reciprocal value of the asset or settlement of a liability between parties has the desire and the capability to trade with a free will, the book value of the financial instruments as at the balance sheet date is almost equivalent to its fair value.

24-2 Foreign Currency Fluctuation Risk

Foreign currency risk represents the risk of fluctuation in exchange rates, which in turn affects the company's cash inflows and outflows in foreign currency as well as the value of its foreign monetary assets and liabilities as of the date of the financial position the company has foreign currency assets & liabilities equivalent to L.E 392 314 986 and L.E 265 597 267 respectively. The Company's net balances in foreign currencies at the balance sheet date are as follows:-

Foreign currencies	Surplus
USD	21 018 024
Euro	8 065

As mentioned in Note (3-1) "foreign currency transactions translation" the assets and liabilities in foreign currency were revaluated at the prevailing exchange rate at the balance sheet date.

24-3 Credit Risk

Credit risk is represented in the inability of customers who are offered credit to settle amounts due from them. But the company faces this risk by selecting customers with good reputation who have the ability to settle their obligations. The contracts of land sale in which the company conclude with its customers are preliminary contracts with keeping the ownership of the land till the customers settle the full value of the land.

25- Income tax

25-1 Income tax

The balance shown the balance sheet as at March 31, 2012 amounted to L.E 681 744 is represented in the tax due on the independent tax pools related to treasury shares' income pool included in interest income in the income statement on March 31, 2012.

25-2 Deferred Tax that results in an Asset (Liability)

The balance of deferred tax whether assets or liabilities is represented in:

	31/03/2012	31/12/2011
	L.E.	L.E.
Fixed assets and intangible assets	(11 013 267)	(11 256 568)
Provision	4 984 324	4 869 264
Carried forward losses	7 440 781	7 748 725
Net tax that results in (Asset) Liability	**1 411 838**	**1 361 421**

Unrecognized deferred tax that results in an asset

The deferred tax that results in an asset is unrecognized for the following:

	31/3/2012	31/12/2011
	L.E.	L.E.
Provisions	500 207	379 866
Carried forward losses	11 759 948	11 375 837

No deferred tax assets or liabilities has been recognized because there will be no probable future taxable profits available against which those tax losses can be utilized.

26- Legal Reserve

As per the Company's articles of associations 5 % of the net profit for the year is set aside to form the legal reserve until the balance reaches 50% of the Company's paid–in capital. The legal reserve is used to cover any losses or to increase company's capital.

27- Legal Position

1- The company has filed a lawsuit in order to annul a contract concluded with one of the clients as the client has breached the contract terms. On April 5, 2012 the hearing has been assigned to an expert and a hearing has been determined on June 27, 2012 and the company submitted all the legal supporting documents which support their position in the lawsuit.

2- **Legal opinion based on the legal position of ERC (Egyptian Company) regarding the lawsuit filed before the Council of state in order to annul the contract for allocation and purchase a community at Sahl Hasheesh from the General Authority for Touristic Development:**

First- Proceedings :

On October 26, 2010 the prosecutor filed a lawsuit No. 3516/65 before the Administrative Court of law against each of the Prime Minister, Minister of Tourism and the Chairman of the Touristic Development Authority and requested on an expedited basis:

- To cease the resolution made by the defendant to be put into action which is related to allocation and contracting for sale of 41 million meter square of lands at Sahl Hasheesh to ERC. ERC is obligated to execute the jurisdiction and without declaration.
- To cancel and annul the aforementioned contract and any associated impacts as it breaches the law and also obligates the authority to pay any fees or expenses. There was no hearing set for this lawsuit before the administrative court of law till now.
- The prosecutor relied in his lawsuit on that the General Authority for Touristic Development (TDA) has allocated that land at Sahl Hasheesh by direct order which breaches the law of bids no. 9/1983 (old law of auctions and bids) considering that it is the prevailing law when contracting and also considering law no. 143/1981 of desert lands which organizes the conditions for selling lands in which the authority breaches when selling some lands lots.
- The prosecutor also relied in his lawsuit on that the General Authority for Touristic Development (TDA) did not take into consideration the public interest when signing the contract of Sahl Hasheesh, as the Authority did not follow the rules of competition rules set by old bids' law as he pointed out that the authority sold the land to ERC for a very law price and that ERC only paid a quarter of the lands price and he mentioned that there only 4 hotels have been established on that land, he also relied on that the land hasn't been developed since 1993 till now.
- As detailed above the prosecutor has appealed the sales and rental contract of desert lands at Sahl Hasheesh dated October 24, 1995 which were intended for touristic development, this contract was concluded between the authority and ERC (under establishment). It has been agreed that ERC will start pursuing its obligations from the date of execution of the aforementioned contract which is

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March 19, 1997, this is based on the addendum of the contract dated December 31, 2001.

- On February 28, 2011 ERC has decided to be a part of this lawsuit in order to take the legal procedures and prepare the documents that supports the company's positions. These documents which defends the company's position has been prepared.

- ERC intervened in the court hearing to defend the accuracy of the contract concluded with TDA nevertheless the company submitted a request to the state attorneys' authority in order to prepare for the lawsuit considering that there are documents should be submitted to them before being handed over to be reported, though the documents submitted proves that the company made an integrated developments to the Sahl Hasheesh project and there has been a legal advice offered to the company's shareholders with the necessity of intervening in the lawsuit.

- The Court of law has postponed the lawsuit to the hearing on September 12, 2011, and the state attorneys' authority determined a hearing on October 27, 2011 because new opponents has intervened in the lawsuit and that's why the lawsuit is submitted to the state attorneys' authority. The hearing for completing the rest of the documents will be set on January 26, 2012. In the last hearing, the state attorneys' authority decided to postpone the lawsuit to a hearing on April 5, 2012 in order to complete the rest of the documents and also to obligate TDA to submit its resolution concerning withdrawal of the phase three lands. And the court of law obligated the prosecutor to declare the resolution to TDA considering the fact that they didn't attend the hearing. In this hearing the lawsuit has been postponed to be on July 5, 2012 to complete the rest of the lawsuit documents and the lawsuit is still discussed before the state attorneys' authority. the legal consultant believes that it would be impossible for the time being to predict the results of these procedures in this early stage of dispute and also its impossible to predict the verdict which the court shall issue.

3- The General Authority for Touristic Development notified the company on April 11, 2011 notified the company to annul its previous consent that issued for the company to develop the land of the third phase of Sahl Hasheesh (Area C) and of an area of 20 million meter square in its resolution dated March 31, 2011, the company appealed to the resolution of the General Authority for Touristic Development to annul its previous consent referred to in 27 May 2011 and the company did not receive any reply in this concern.

And the company raised a lawsuit to cancel this resolution which is issued from TDA of taking the land of phase 3 back and taking into consideration that this resolution is submitted to administrative court on September 21, 2011 (seventh region – Investment). And there will be a hearing to be set on September 27, 2011 and this lawsuit has been listed under the no. 55158/65, This lawsuit has been listed and the first hearing has been determined to be on December 17, 2011, and on the hearing dated December 17,2011 the court decided to assign the lawsuit to the state attorneys' authority to prepare a report for a legal opinion, but this report was not yet prepared. In addition to the aforementioned, the company is looking forward to approach the ministerial group in order to settle the dispute of investment between the company and TDA. the company's legal consultant's believes that it's too soon to predict the results of those procedures in the dispute.

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4- There is an arbitration lawsuit raised from one of the clients who purchased lands from the company, the lawsuit is concerned with the contracts concluded with ERC as the client refused to commit with the only purpose of purchasing the land in question which is building a comprehensive employee housing project. The lawsuit has been postponed to a hearing on 7/6/2012 . considering the fact that legally the dispute is still in its early stage so subsequently it is not possible to predict of what will be the verdict which the arbitration authority shall end up.

28- Comparative figures

The net profit for the comparative period has been adjusted from L.E 3 753 269 to 1 261 401 as a result of amending the estimated cost of Sawary project which has been made during the fourth quarter of year 2011. And also because of the decision made by ERC during the third quarter of year 2011 to cancel community fees for year 2011 and don't ask investors of Sahl Hasheesh project for these fees considering the economic conditions in which the country faced during year 2011 which affected the tourism sector. And the following is the effects of these adjustments on the cash flow statement:

Item	Amount before adjustment	Amount after adjustment
Net profit before tax	3 656 145	1 164 277
Accounts and notes receivable	(21 203 979)	(16 461 509)
Work in process	(8 427 147)	(12 261 114)
Change in estimated cost for development of sold land	(4 820 614)	(3 237 249)