Annual Report | 2011

Egyptian Resorts Company

Vision

Become a regional master developer of international standard mega communities by designing and implementing a world class master designed, developed and controlled community standard, with the aim of redefining Egyptian urban planning, from every aspect of the world’s best international communities and developments.

Mission

Make our shareholders proud of the company’s standards, reputation, operational performance and financial performance by creating memorable destinations and by being a reliable partner to our sub-developers and investors.

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Sahl Hasheesh bay

ERC at a Glance

ERC is Egypt's leading publicly-traded master developer of mega-communities.

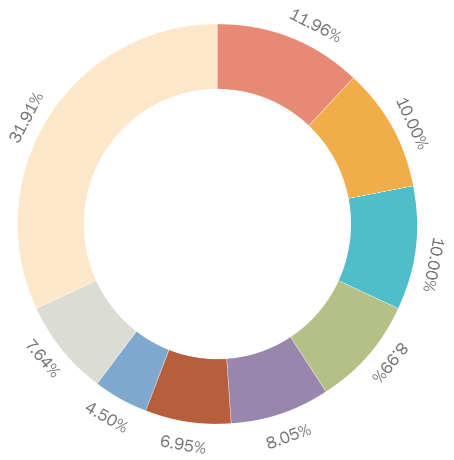
EGX Rankings:

6th
largest company on EGX in terms of volume traded in 2011 (998 million shares)

16th
largest company on EGX in terms of value traded in 2011 (EGP 1.2 Billion)

60th
largest company on EGX by market capitalization in 2011 (EGP 882 million)

473
Employees



Shareholding structure

- KATO Investment (11.96%)
- Rowad Tourism Company (10.00%)
- First Arabian Company (10.00%)
- Al Ahly Capital Holding (8.99%)
- Misr Insurance (8.05%)
- Misr for Life Insurance (6.95%)
- Orascom Development Holding (4.50%)
- Other long-term investors (7.64%)
- Free Float (31.91%)

*As of end of fiscal year 2011

ERC generates revenues from three clear streams: (1) project-defined land plot sales to sub-developers; (2) the sale of utilities and community management services; and (3) the development and operation of strategic projects and recurring revenue assets.

ERC creates value for its sub-developers by investing in state-of-the-art infrastructure, implementing and enforcing sustainable community management regulations, and delivering a unique end-user experience.

Legal Structure
Egyptian Public Joint Stock Company

Listing
Egyptian Exchange (EGX)

ERC Tax Structure
20% on net income up to EGP 10 million
25% on net income in excess of EGP 10 million

Paid-in-Capital
EGP 1.05 billion

Par Value Per Share
EGP 1.00

Fiscal Year
Ends December 31

Subsidiaries
Sahl Hasheesh Co. (SHC) – 69.4% share ownership

SHC Tax Structure
10-year tax exemption on core operations ending 2017

Sahl Hasheesh at a Glance

a. Location:

- **18 km** south of Hurghada International Airport
- **22 km** south of Hurghada City Centre
- **475 km** from Cairo
- **250 km** from Luxor and the Valley of the Kings
- **41 million m²** / 4,100 hectares in size

b. Unique Characteristics:

- An all sea-view resort — land elevations rise gently from sea level up to 120 meters at the western edge of the resort
- **12.5 km** natural bay
- **9 km** of swimmable beach
- Year-round destination with moderate to hot weather, low humidity and calm waters

The Old Town

Chairman’s note

“I am pleased that despite Egypt’s general economic and industry-specific challenges, ERC continues to create long-term value for its shareholders by maintaining its momentum on infrastructure investments and the development of value-adding partnerships in Sahl Hasheesh.”

Dear Shareholders,

During this transformative period for both ERC and the great nation of Egypt, I am pleased to introduce our 2011 Annual Report. During the year past, we have been presented with unique challenges, but thanks to the dedication of every ERC employee, we have together risen to face these challenges that I am quite certain we shall overcome during 2012.

The Egyptian economy has witnessed one of its most difficult years in recent history with foreign direct investment plummeting, GDP growth almost negligible, and unemployment rising sharply. This sudden slowdown, if prolonged, may require a significant period of recovery before pre-revolution macro growth levels are restored.

On a brighter note, however, this recovery may begin soon as the end of the year saw the Egyptian people exercising their right to the ballot, in secure and transparent elections and shortly, we will elect a new president, whom we will endow with the responsibility of leading Egypt through a grueling economic period and to a more prosperous future. This is Egypt’s first and most fundamental step, after the January 25th revolution, leading us to a stable economic environment where companies can refocus their efforts on growth and real value creation.

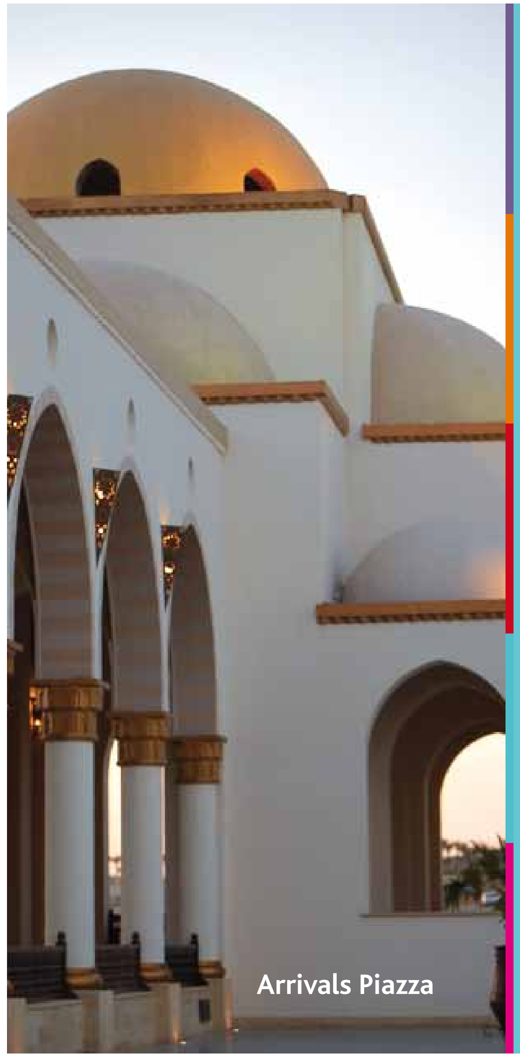
For ERC, we will remember 2011 for the launch of the Sawari marina, our flagship marine resort community at Sahl Hasheesh, which ERC is developing in partnership with Orascom Development Holding. Sawari property sales, currently off-plan, to real estate investors and second-home owners has opened the door to our expanded business model - one that is expected to account for a significant portion of incoming revenue for the company in 2012 and beyond, and that we plan to grow many-fold over the coming years, supporting our recurring revenue streams and expansion into other development projects.

Following the launch of the Sawari marina, management is excited about the prospect of developing a pipeline of new projects over the next five-to-ten years. In 2012, we expect to disclose the launch details of at least one of these strategic developments.

I am pleased that despite Egypt’s general economic and industry-specific challenges, ERC continues to create long-term value for its shareholders by maintaining its momentum on infrastructure investments and the development of value-adding partnerships in Sahl Hasheesh.

I am confident that ERC’s strong balance sheet combined with the steady leadership of its top-tier managers will swiftly restore the company’s equity value as the general market recovers. For 2012, the board has mandated ERC’s management to exercise cash flow prudence, nurture the company’s marina project, maintain investment on critical infrastructure, and continue its administrative and organizational development.

Dr. Samir Makary
Chairman of the board



Arrivals Piazza

CEO's Note

"We embarked on 2011 with the promise of it being the biggest year in the company's history.

Yet the revolutionary events of January and their after effects forced us to swiftly reconsider our plans and chart a new conservative course designed to weather the storm ahead."

Having successfully executed on our 2010 restructuring mandate and having built a solid foundation for sustainable growth for the years ahead, we embarked on 2011 with the promise of it being the biggest year in the company's history. The planned combination of land plot sales and the Sawari marina residential unit sales were to elevate ERC to a completely new platform setting a benchmark for future performance. Yet the revolutionary events of January and their after effects forced us to swiftly reconsider our plans and chart a new conservative course designed to weather the storm ahead.

As a result, and with the full support of the Board of Directors, ERC's strategy in 2011 evolved to cope with changing market realities where large-scale land plot sales to sub-developers await not just the full recovery of the Egyptian tourism industry, but the restoration of political stability and the recovery of the wider economy.

The ERC management team presented a revised set of priorities for board approval and set out on executing them. Chief amongst our strategic priorities was cash conservation and as such management slashed actual spending by 50% to EGP 131 million from a planned EGP 266 million. Of equal importance was ERC's endeavor to legally secure its Phase 3 land bank. I am pleased to report that significant progress has been achieved on this front, through the legal process and open communication channels with the Tourism Development Authority and Ministry of Tourism, and we expect positive updates during 2012.

On the operational front, the highlight of 2011 was the follow-through on the prelaunch of the Sawari marina in partnership with Orascom Development and Management, which translated into EGP 50 million+ in contracted sales. In comparison to other second-home projects, consumer appetite for Sawari was encouraging, and we look forward to a further surge in sales momentum towards the fourth quarter of 2012 following the expected mid-year conclusion of the presidential elections. Sales through the first six months of 2012 are expected to be negligible as local and international investors alike await the outcome of the elections.

We treated the relatively successful prelaunch of the Sawari marina as an acid test of a fine-tuned business model that now foresees ERC playing a more active role in the development of strategic assets by partnering with leading national and international players rather than relying entirely on bulk sales of infrastructure-installed land plots. To continue testing this adjacent departure from our core, on deck for 2012 will be the cautious launch of Jamaran, a small exclusive sea front villa community, ideally located at the Northern borders of Sahl Hasheesh.

ERC maintained its momentum on the infrastructure front completing our 15+ kilometer 144-core, multi-function optic fiber backbone enabling triple-play services to our sub-developers through an agreement with TevoTech, a Vodafone affiliate. In addition, we more than doubled our electricity capacity from 8MVA to 20MVA by adding an additional distributor and electricity loop in phase 2 of Sahl Hasheesh. Finally, ERC received its final approval from the armed forces to utilize its existing pier as a mini marina for yachts with operations expected to begin during the third quarter of 2012.

In a year when several developers struggled to remain in business, the Old Town in Sahl Hasheesh saw 42 shops being rented out with 24 operational as of March 2012. ERC also went on to sign a Memorandum of Understanding with the leading global hotel and resort operator and manager Nikki Beach Hotels and Resorts to operate and manage a 100-room boutique hotel in Sahl Hasheesh's Sawari marina. The MOU indicated to both ERC and to our industry as a whole that top international players in our market still see outstanding profit potential in Egypt in general and Sahl Hasheesh in particular.

In 2012

Given our current economic environment, we will maintain a policy of proactive cash conservation as we continue to examine areas of our business where we can cut any unnecessary costs without infringing on our capacity to deliver on our obligations or respond to a rapid market recovery. We will maintain our operational focus on (1) Sahl Hasheesh's Sawari marina with the aim of breaking ground before year end, (2) attracting more shop and restaurant owners to the Old Town, and (3) critical site-wide infrastructure.

I remain confident in our company's fundamentals, its long-term value, and our ability as a management team to realize this value in sync with the country's broad economic recovery.

Mohamed Kamel
Chief Executive Officer

Our Strategy

1 WE BUY RAW LAND AT NOMINAL VALUE IN PRIME LOCATIONS...

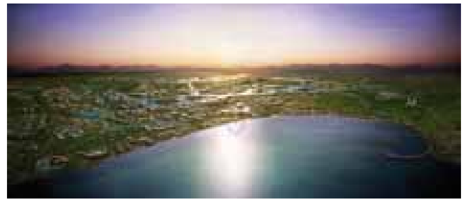
2 DEVELOP DETAILED MASTER PLANS WITH BEST-IN-CLASS FIRMS...

3 BUILD STATE-OF-THE-ART INFRASTRUCTURE AND SERENE LANDSCAPE...

4 SELL PROJECT-DEFINED LAND PLOTS TO QUALIFIED SUB-DEVELOPERS...

5 DEVELOP STRATEGIC PLOTS & ASSETS...

6 PRODUCING WORLD CLASS COMMUNITIES.



Egyptian Resorts Company is a master developer of mega communities with an inaugural flagship development project on the Red Sea coast, Sahl Hasheesh. ERC's business model focuses on generating long-term shareholder value from three revenue streams: (1) land sales; (2) strategic real estate development; and (3) the supply of utilities and community management services.

The company pursues an integrated, full-cycle development strategy. It acquires broad acre land holdings suitable for premium mega resorts development at nominal value, develops a master plan with the world's leading architectural and urban planning firms, builds state-of-the-art infrastructure networks and develops strategic assets, enforces design guidelines and community management rules and regulations, and on-sells a proportion of infrastructure-installed, project-defined plots to sub-developers and investors whose main businesses are hotel ownership, operation and management, and luxury resort residential real estate and entertainment development.

ERC focuses on the macro development of infrastructure and land plot sales. The timing of land sales — which tend to be large, strategic plots — to value-adding developers is a function of market conditions. ERC targets a healthy pace of land release from its land bank so as to preserve both ERC's residual land value and the returns on investments of sub-developers. As such, past revenues for the company have been necessarily "lumpy" and should be viewed in context, not as a straight linear progression as one might view a business driven by a more traditional sales cycle.

Sahl Hasheesh is located on the shores of a natural bay 18 kilometers south of Hurghada International Airport. The land was first allotted by the Tourism Development Authority to ERC in 1995 for the approximate average price of USD 1.32 per square meter. In the sixteen years since the initial purchase, ERC has partnered with a number of world-class urban design and architectural firms to create and implement its Sahl Hasheesh master plan. ERC has positioned itself as the sole utilities provider through extensive investment in state-of-the-art infrastructure including water desalination and sewage treatment plants, and fiber-optic communications networks. The company is also in the process of expanding its recurring revenue streams from electricity resale through a proprietary high-to-medium voltage substation. Owned by ERC, these networks represent a reliable stream of revenue that will mature as more developments come online in the Sahl Hasheesh community.

Complementing the utilities business, ERC's value-sustaining strategy also includes community management services on a predominantly cost-recovery model ERC provides the full array of services to its residents, including security, waste management, maintenance, cleaning, and community brand management, as well as ongoing quality and design control.

Finally, ERC develops a number of key strategic one-off and recurring revenue assets within the mega resort to ensure the presence of a base supply of property units that provides a quality-control framework for sub-development projects. Sahl Hasheesh Company, a majority-owned subsidiary of ERC, is the sole developer for the Phase I and Phase II downtown commercial retail core and entertainment hubs, including approximately 600,000 square meters of strategic mixed-use property. ERC will record revenues from both the sale and short- and long-term rental of these units.

Going forward, the company will continue to leverage its debt-free, liquid balance sheet in developing landmark assets in its remaining 4.94 million square meters. This drive began in 2010, when we partnered with Orascom Development Holding, one of the world's most experienced marina developers, to create our market-beating Sawari marina. The 2.5 million square meter development will promise recurring revenues from the lease of 300+ boat berths and commercial retail space, as well as a one-off revenues from the sale of residential units and hotel land parcels.

With a view to adding one strategic asset to our development pipeline every 24 months in good market conditions, we obtained board approval in 2012 to cautiously launch a mini test development – Jamaran – a small exclusive sea front 181-villa-only community, ideally located at the Northern borders of Sahl Hasheesh with full or partial sea views in a private setting. Jamran's market prospects as a luxury development are bolstered by unique modern designs and competitive value; two hallmarks of ERC-developed assets in Sahl Hasheesh.

The company continues to target a position as the region's leading master-developer. The institutional skill sets and best practices developed on the Red Sea coast are equally portable to large-scale industrial, office and mixed-use developments, and other cross-border tourism destinations.

Our Current Market

Premier Romance Hotel

The Egyptian economy suffered tremendously in 2011 and continues to bleed in 2012. GDP growth slipped to 1.8% for the full year, down from 6-7% pre-revolution levels. Unemployment has risen to 12.4% up from an official rate of 8.9% before the revolution. Foreign direct investment plummeted against a pre-revolution target of USD 10 billion for calendar year 2011. Foreign currency reserves plunged from USD 37 billion to a shockingly low reported USD 18 billion in December 2011. This is a direct reflection of the performance of key hard-currency-earning industries, most notably tourism.

Our industry was amongst those hardest hit by the impact of the revolution. Tourist arrivals to Egypt dwindled in 2011 to 9.8 million, a 33.3% decline from 14.7 million the year before and total tourist nights dropped 19% to 114 million. This resulted in a 30% decline in total sector revenues to USD 8.8 billion from USD 12.5 billion in 2010.

On the bright side, the Red Sea coast's share of overall tourism to Egypt increased with the vast majority of visitors skipping Cairo and flying directly to Hurghada or Sharm El-Sheikh to experience the beauty of the Red Sea and enjoy the relaxing beach lifestyle. So although overall tourist arrivals continue to lag significantly behind 2010 figures, we believe a rebound could be sooner rather than later as visitors to the Red Sea return home and report that Egypt remains as safe a destination as ever for resort tourism with a market-beating value-for-money offering.

It has recently been forecasted that 11.3 million tourists will visit Egypt in 2012, signaling expectations of a broad-based recovery that will gain new momentum in the second half following the appointment of a newly-elected president. On this basis, we expect to see a gradual and steady recovery of visitor arrivals and demand for second homes to pre-revolution levels beginning very late this year or early in 2013.

Things look relatively brighter for Sahl Hasheesh as early indicators show a recovery of tourist demand exceeding that of the broader market as Hotels in Sahl Hasheesh reported a very respectable 75% average occupancy rate in the fourth quarter.

We maintain the view that our market is currently one of great opportunity. On the hospitality front, our view remains as previously proven that, despite the European economic woes, holiday goers keep looking for greater value-for-money destinations as opposed to canceling or postponing vacation plans. In many cases, it may make more financial sense for some Europeans to spend 10 days vacationing in Egypt than to stay in their European homes. Similarly, real estate investors and investment vehicles would be well advised to acquire Sahl Hasheesh properties, as property values are expected to increase sharply over the next 5-10 years due to a broad-based economic and sector recovery as well as the unique product offerings in Sahl Hasheesh.

Management Discussion and Analysis

The Old Palace Hotel and the Arrivals Piazza

For a year that was intent on setting financial records for ERC, the 2011 actual financial results clearly reflected a sudden halt in macroeconomic growth, vulnerability of the tourism sector to the events of January 25th, and rapidly waning investor confidence. Further exacerbating matters was the immediate banking credit withdrawal from the sector dealing a second blow to already vulnerable developers who had just lost their main source of cash flow from operating properties.

Witnessing the developments, ERC's management team adopted a strategy of short-term sustenance and long-term value creation by making the decision early in 2011 to forego any land plot sales prospects to protect the company's residual land bank valuations and that of its sub-developers, while focusing exclusively on cash conservation, phase 3 land bank protection, and further development of its most strategic assets, while meeting all infrastructure obligations.

Consolidated revenue for 2011 was EGP 28.2 million and consolidated earnings before tax came in at a negative EGP 3.2 million, compared to 2010 revenue of EGP 14.8 million and earnings before tax of negative EGP 7.6 million. Notably, off-plan Sawari marina sales contributed over 30% of the recognized revenue as ERC contracted residential unit sales in excess of EGP 50 million during the year. In comparison to other second-home projects, we were encouraged by consumer appetite for Sawari during a time of tremendous uncertainty and excessive individual investor prudence. We expect Sawari unit sales to remain negligible-to-weak through the first half of 2012 with an uptick following a successful conclusion to the mid-year presidential elections.

A broader translation of our short-term sustenance / long-term value creation strategy ensured we maintain our unwavering support to our sub-developers by waving all maintenance and community management fees for 2011, postponing any due land plot installments, and freezing interest on delayed payments. While it increased the short-term cash flow burden on ERC, it helped developers make notable operational progress in 2011 that will, in the medium-term, have a direct financial return from higher residual land bank valuations and a stronger Sahl Hasheesh brand. Most notably, Azzurra, a high-end residential development, announced its grand opening of phase 1 in October and has begun delivering units to its owners. That same month, the 5-star Tropitel hotel held its soft opening and subsequently completed its grand opening in December 2011. Both developments are considered best-in-class amongst competitors in and around the Egyptian Red Sea.

Promising to add to Sahl Hasheesh's attractiveness, the Old Town – Sahl Hasheesh's phase 1 waterfront commercial core and entertainment hub – opened its first retail outlets in 2011. Shortly thereafter 42 tenants rented a diverse array of shops and 24 are open for business as of March 2012.

In summary, we successfully navigated the treacherous waters of one the most difficult years in the company's 16-year history. The challenge shall remain for 12-to-18 months as the sector and the broader economy recover from the spillover effects of 2011. Yet, ERC's management team is confident that the company stands on solid ground and is in a position to capitalize on opportunities with the first signs of a recovery.

Projects: Sahl Hasheesh Resort Community

Pyramisa Hotel

SAHL HASHEESH
RED SEA, EGYPT

Sahl Hasheesh is ERC's unique, purpose-built Red Sea destination, located 18 kilometers south of Hurghada International Airport (approximately 475 kilometers from Cairo). This year-round development is expected to eventually exceed the population of Hurghada. The 12-kilometer-long bay has been a popular destination for decades, renowned for excellent diving and a beautiful beach, one of the longest stretches of swimmable shores on the Egyptian Red Sea coast.

All resort infrastructure has been installed for the 5.99 million-square-meter Phase I area and all under-development plots in the 6.01 million-square-meter Phase II area, with the first hotels having opened and first apartments delivered in the first half of 2007. With stunning five-star hotels, luxurious apartments, a beautiful downtown waterfront, unforgettable dive sites, golf courses, a world-class marina, and an array of daily attractions, Sahl Hasheesh is poised to become one of the most exclusive addresses on the Red Sea.

Nestled in the spectacular surroundings of Sahl Hasheesh, exclusive hotels and apartments with direct beach access are now available for short-term stay, purchase or lease. The resort's 5-star hotels, including the brand new Tropitel, the Old Palace hotel (soon to become Sahl Hasheesh Marriott Beach Resort), Pyramisa Dessole, Premier Le Reve, Premier Romance and Sunset Pearl offer vacationers the best value for money on the Egyptian Red Sea Coast. The highest-quality flats at Azzurra, Veranda, Palm Beach Piazza, El Andalous and Ocean Breeze offer investors a first-rate price/performance ratio. Short flight times from all European capitals, a warm climate throughout the year and the government's commitment to expanding the tourism industry promise dynamic growth in tourist arrivals and Red Sea real estate prices in the coming years.

Delivered hotel rooms: 2,303

Sahl Hasheesh Resort Community

Tropitel Hotel

The Development of Sahl Hasheesh

Phases I and II of Sahl Hasheesh are presently home to over 2,303 hotel rooms and suites and 1,378 residential units managed by brands including Premier Le Reve, Premier Romance, Pyramisa & Tropitel. In addition to the completed hotels and residential neighborhoods, 31,309 square meters of retail and entertainment property are strategically attracting tenants and shop and restaurant owners to a buzzing downtown.

The quality of the developments completed thus far and the promise of an excellent long-term return on investment continue to form the basis of negotiations with industry leading brands. Building upon the signing of Orascom Development Holding (ODH) for the development of the Sawari marina and surrounding real estate, a central feature of the Sahl Hasheesh seascape and lifestyle, ERC signed an MOU with Nikki Beach Hotels and Resorts in 2011 and expects to finalize a sub-development contract with a luxury hospitality investor for this development during 2012/2013.

Old Town: 31,309 sqm of retail and entertainment

Also in 2012, ERC expects to announce plans for its new development, an exclusive sea-front villa community - Jamaran (Bedouin for two moons) named after a beautiful island in the Red Sea. The development will be located in a prime waterfront location and will provide comprehensive services and amenities to residents upon completion.

a. Recent highlights

- Successful migration from slow satellite internet connectivity to high-speed fiber optics-based communications
- More than doubling the resort electricity capacity to 20MVA
- Obtaining final approval to operate the Old Town Yacht Pier
- Completing the Sawari marina detailed master plan with EDSA
- Opening of the 5-star Tropitel Hotel
- Opening of Azzurra, a high-end residential community
- Opening of Old Town – phase 1 commercial core – to commercial tenants
- Signing a Memorandum of Understanding with Nikki Beach Hotels and Resorts to manage Sawari's most exclusive 5-star hotel plot

Constructed residential units: 1,378

b. On the Horizon

In 2012, ERC with Sahl Hasheesh Company intends to maintain its successful momentum in leasing out retail space in the Old Town, in partnership with Orascom Development and Management (ODM) prepares to break ground at the Sawari Marina, and will continue to invest in state-of-the-art resort-wide infrastructure.

ERC also looks forward to the following events in 2012:

- Opening of the Baron Palace Resort by year end. Located on a 100,000-square-metre waterfront property, the Baron will feature 1,200 hotel rooms, as well as all the services and amenities of a 5-star luxury resort hotel
- Opening of Veranda, a high-end residential community
- Breaking ground in Sawari marina
- Launching Jamaran by the third quarter of 2012
- The re-launch of the Old Palace as the Marriott Beach Resort at Sahl Hasheesh

Projects: The Sawari marina at Sahl Hasheesh

The Sawari marina at Sahl Hasheesh will soon be the Red Sea's premier marina and the crown jewel of Sahl Hasheesh, an unmatched luxury destination in Egypt. A 2.5-million-square-meter project, Sawari is being developed in partnership with Orascom Development and Management, a subsidiary of Orascom Development Holding.

Sawari, or 'masts' in Arabic, evokes the opulence of the ancient Red Sea, a vibrant trade route travelled by ships from all over the world. ERC and ODM are sparing no effort to ensure that Sawari becomes a complete luxury destination, catering to the needs of a discerning clientele.

With a total water surface area of 117,000 square meters, the Marina itself will host up to 330 yachts ranging from 10 to 50-plus meters in length.

The marina's extensive pedestrian promenade will offer more than two kilometers of boutique shopping, restaurants, cafes, bars and entertainment venues, in addition to an exclusive yacht club and three luxury hotels. With a wide range of dining and entertainment options to suit all ages and a friendly and professional staff, Sawari will be as rich in community as it is in natural beauty and comfort.

Sawari will ensure that Sahl Hasheesh becomes the top destination on the Red Sea Coast for second-home owners and property investors from across Europe and the Arabian Gulf.

The marina has been carefully planned to conform to the design rules governing the development of the resort. Buildings in the marina, which include commercial, one and two-bedroom residences, and three-bedroom penthouses, are limited to three stories in order to honor the natural beauty of its surroundings at Sahl Hasheesh.

As the beating heart of Sahl Hasheesh, Sawari will help transform the young town into a thriving seaside resort community. Early marina patrons and property investors will watch as the resort blossoms around them, guaranteeing an excellent return on their long-term lifestyle and financial investment.

One and two-bedroom condominiums, three-bedroom penthouses, as well as spacious villas with pools are available for sale at Sawari. These modern interpretations of traditional regional architecture are constructed to the highest building standards, and incorporate the best of professional design.

ERC held a pre-launch sales event from December 2010 – January 2011, sparking exceptionally encouraging feedback and demonstrating strong consumer appetite for the product. The first phase of the project will be delivered in 2015.

LEGEND

1. PUPLIC PARKING / TRANSPORTATION HUB
2. YACHT CLUB
3. PUBLIC PLAZA
4. BEACH
5. WATERFRONT PROMENADE
6. FISHING VILLAGE
7. BOAT RAMP
8. SPECIALTY RETAIL CENTER
9. OPEN SPACE GREENBELT
10. BEACH CLUB AND PARK
11. RETAIL CENTER
12. AQUA PARK
13. EQUESTRIAN CENTER
14. UTILITY ZONE
15. WADI PRESERVE
16. WATER TAXI
17. COMMUNITY CENTER

Projects: Jamaran: Sea-front villa project

Actual view from a Jamaran villa

Named after the beautiful Red Sea island of Kamaran or 'two moons,' Jamaran — as the Bedouin call it — is an exclusive enclave of seaside villas along the coast of Sahl Hasheesh. Designed to appeal to those looking to have their own haven in the midst of a dynamic community, Jamaran is set to become a destination for luxury and privacy.

Opening 2015

Located in the northeastern corner of Sahl Hasheesh, Jamaran's beachfront location affords unlimited views of the Red Sea's shimmering waters. Spanning a total area of 320,000 square meters, Jamaran will be home to 181 villas when work on the site is complete.

Homeowners will have the option of four different villa designs, each of which possesses its own unique architecture style while embodying the elegance, simplicity and charm associated with the Jamaran name. Each home design includes several bedrooms, state-of-the-art washrooms, spacious kitchens and living rooms, private backyard pools and rooftop terraces with breathtaking views of the sea. In addition to all that, each villa has a large private garden of 800 square meters on average, and the option of adding a swimming pool and barbeque area.

In accordance with ERC design guidelines — which are designed to maintain a high level of aesthetics for the community as a whole — all villas are built to two stories, with total floor areas of around 300 square meters. As with all of Sahl Hasheesh properties, the Jamaran villas will be built according to the highest standards of modern construction.

Entertainment and Amenities

The development's proximity to the Old Town retail and entertainment hub is a major attraction, particularly once the boardwalk connecting Jamaran to the Old Town area is completed. A range of amenities are planned for the neighborhood, including a network of parks spread out amongst the villas, a private club house to service homeowners and a dining area and gym, acting as a gathering point for activities and a center for the community to grow. A mini golf course will also be available for residents looking to have fun without making the trip to one of the town's professional golf courses.

Jamaran
SAHL HASHEESH

Jamaran: Sea-front villa project

Jamaran Project site

The Contemporary villa model at Jamaran

Sahl Hasheesh | Development Partners

Phase I and II Master Planners	Phase III Lead Master Planners	Feasibility Consultant (Phase I and II)
Feasibility and Market Analysis Consultant	Specialist Infrastructure Engineer and Local Master Planner	Environmental Consultants
Sustainability Consultant	Waterways and Lakes Engineering Consultants	Cost Analysis Consultant
Traffic Management Solutions	Landscaping Consultant	Electrical Networks Design Consultant
Strategic Assets Development Consultant		

Sahl Hasheesh | Operating Partners

Phase I Infrastructure Supervisor	Communication networks	Communication networks
Communication networks	Fiber Optic Network Contractor	Sewerage Treatment Plant Operator
Desalination Plant Contractor and Operator	IPTV and Video on demand provider	

Sahl Hasheesh | Sub-development Brands

- Alsaraya Resort Sahl Hasheesh
- Azzurra Red Sea
- Baron Palace Sahl Hasheesh
- Dessole resorts & hotels
- El Andalous
- Dishdaba
- Old Town Sahl Hasheesh
- Old Palace Resort Sahl Hasheesh
- Ocean Breeze
- Iberotel Hotels & Resorts
- Mamma Mia
- Zoser Hotel
- Palm Beach Piazza
- Lana Hills
- Paradise Gardens
- Pleasures Sahl Hasheesh
- Premier
- Premier
- Premier
- Serenity Sahl Hasheesh
- Sun Gate
- Sunset Pearl Sahl Hasheesh
- Valentine
- Veranda Sahl Hasheesh
- Tropitel Hotels & Resorts

ERC Projects

SAWARI

Jamaran SAHL HASHEESH

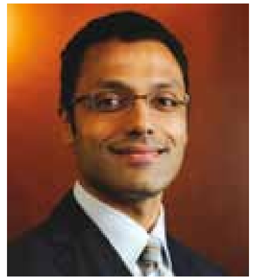
Management Team

Mohamed Kamel
Chief Executive Officer

Mr. Kamel assumed the role of Chief Executive Officer in Janaury 2010 having previously served on the ERC Board, Audit and Investment Committees. Prior to joining ERC, he spent eight years with KATO Investment, one of Egypt's largest and most diversified industrial and services conglomerates with over twenty subsidiaries in eight divisions operating in manufacturing, aerospace, tourism, real estate, construction, logistics, banking, and trading. Mr. Kamel assumed several roles in different divisions of KATO, including sales and marketing, operations and project management, business development, and finally group Vice President of Strategy at KATO Investment's headquarters. While at KATO, he was instrumental in creating the first modern privately-held, bonded warehouse at Cairo International Airport, and managed the debt-raising process from European banks for the aerospace division. Mr. Kamel also worked as a consultant with Bain & Company in their London offices following his MBA. Mr. Kamel holds a Bachelor's degree in Economics with high honors from the American University in Cairo and an MBA with distinction from Harvard Business School.

Hassan Azab
General Manager, Sahl Hasheesh Company for Touristic Investments

Mr. Azab has 30 years of experience developing some of the largest and most comprehensive resorts in Egypt. He has designed and commissioned hotels in Hurghada, Sharm El-Sheikh, Cairo, Luxor and Aswan, in addition to five Nile-floating hotels. A veteran Lieutenant Colonel in the Egyptian Air Force, Mr. Azab holds Bachelor's degrees in Aeronautical Engineering and Military Science.



Abu Bakr Makhlouf
Head of Investor Relations

Mr. Makhlouf has over twelve years of experience in strategy, commercial management and investor relations. He holds an MBA from IESE Business School in Barcelona, Spain. Prior to joining ERC, Mr. Makhlouf served as the Commercial Strategy Manager at CEMEX, a world leading cement and Ready Mix producer. During his tenure with CEMEX, Mr. Makhlouf was a member of a turnaround team for the operation in Egypt after acquiring a local producer and has led strategic projects in several areas of the business. Mr. Makhlouf is a lecturer of Strategy and International Marketing at the American University in Cairo and has published case studies on the reforms of the Egyptian Economy and the prospects of the global telecom industry through IESE Business School.

Ahmed Zaki
Head of Contracts and Procurement

Mr. Zaki joined ERC in July 2010 as Contracts Manager. Mr. Zaki has extensive field experience with major local and multinational corporations from his time with PGESCo, a local joint venture managed by Bechtel, where his last position was Project Procurement Manager. Mr. Zaki holds a Bachelor's degree in Civil Engineering from Ain Shams University and an MBA from the American University in Cairo.

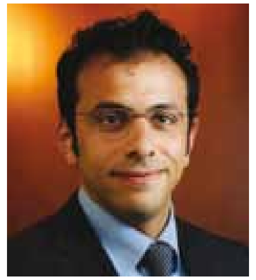
Carlos Arenas
Director - Strategy and Business Development

Prior to joining ERC, Mr. Arenas spent the last four years of his career with McKinsey & Company, a strategy and management consulting firm. While at McKinsey, Mr. Arenas led teams advising a geographically and industrially diverse client pool, from telecom companies in Spain and Portugal to Egyptian ministries, on a wide range of issues, including strategy, M&A and core operations. Most relevant to ERC is his real estate and master development experience acquired on engagements mainly for the Egyptian government. Mr. Arenas also worked as a project manager for oil and gas multinationals Union Fenosa and BG Group prior to his MBA. Mr. Arenas holds a Master of Science in Chemical Engineering from the Alfonso X University in Madrid and an MBA from INSEAD Business School.

Darren Gibson
Vice President - Planning and Development

Mr. Gibson joined ERC with over 20 years of experience in public and private sector urban planning, including 8 years as a Company Director in town planning and development consultancy practices. He has extensive experience in assessment and management of urban planning projects, including master plans and large urban land release areas, major tourism projects, commercial and residential projects and major infrastructure. Mr. Gibson spent nine years as a town planner for Tweed Shire, a regional government in Australia which covered an area of 1,300 square kilometers, specializing in urban planning, strategic feasibility studies and land use structure planning. Mr. Gibson holds a Bachelor's degree with honors in Town Planning from the University of New South Wales, Sydney, Australia. He is also accredited as a Certified Practicing Planner by the Planning Institute of Australia.

Management Team

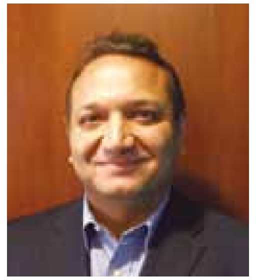


Hazem Kassem
Head of Approvals

Prior to joining ERC in 2008, Mr. Kassem launched an architecture and interior design firm in Cairo that has, over a seven year span, successfully delivered more than 45 commercial and residential projects in Egypt and London. Mr. Kassem holds a Bachelor's degree in Architectural Engineering and Environmental Design from the Arab Academy for Science and Technology.

Mohamed Kamal Saad
Director - Community Management

Mr. Saad joins ERC from Misr American Carpet Company (MAC), where he was the regional business manager (Middle East and Africa). Previously, as a general manager with El Sewedy Electrical Group, he was responsible for business development and sales of major electrical infrastructure projects, including power stations, substations, and transmission and distribution networks. He also has extensive experience in the beverage sector, having worked at Coca Cola Bottling Company of Saudi Arabia, Fayrouz International, and Pepsi-Cola's North Africa division. Mr. Saad holds a Bachelor's degree in Electrical Power and Machines Engineering from Cairo University.

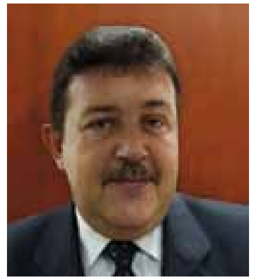


Wael Abou Alam
Director - Finance and Administration

Prior to joining ERC, Mr. Abou Alam was the Group Financial Controller for Gozour, Citadel Capital's food holding company, which comprises a number of leading brands such as Rashidi Al Mizan, El Masreyeen, Enjoy and Dina Farms. Prior to this position, he was the Financial Planning, Analysis & Reporting Manager for Misr American Carpet Company (MAC). Mr. Abou Alam was also employed by ExxonMobil for over 14 years, rising to become the North Africa Cluster Fuel Marketing Business Analysis & Reporting Manager. Mr. Abou Alam holds a Bachelor's degree in Accounting from Cairo University and an MBA in Banking & Finance from the Maastricht School of Management.

Osama Shendy
Director - Human Resources

Mr. Shendy joined ERC with 19 years' experience, bringing his extensive expertise in strategic planning, restructuring, organizational development, human resources management, and quality management systems. He has an outstanding experience in dealing with different cultures due to managing restructuring & transformation projects in multinational, private & public, as well as governmental organizations. Prior to joining ERC, Mr. Shendy has acted as lead consultant for numerous organizations such as Arabian Cement Company, Kobusch Packaging Egypt, Universal Group, Misr Al-Amria for Textile, Al Rajhi Investments, and Contact Group to name a few in addition to being Director of HR and Organizational Development at El Sewedy, Mobica and Mac Carpet. Mr. Shendy was also a National Business Planning Consultant for FAO (UN) in addition to having been a member of Board of Advisors for National Award for Excellence for both Government & Business Sector. Mr. Shendy holds an MBA in Corporate Strategy and Economic Policy from the Maastricht School of Management, and is a certified assessor for business excellence as well as a Certified Management Consultant from Institute of Management Consultancy - UK.



Sherif Omar
Head of Infrastructure, Planning and Design

Sherif Omar joined ERC in 2003 as Chief Mechanical Engineer, supervising a number of projects including the construction of a sewage treatment plant and a water pump station. He became Head of Infrastructure, Planning and Design in 2010. Prior to joining ERC, Mr Omar was a Technical Office Project Engineer, and later a Project Manager, at the Arab Engineering Company. He holds a BSc in Mechanical Engineering from Cairo University.

Nazih Seoudy
Head of Developer Services

Nazih Seoudy joined ERC with over 20 years' experience at Xerox Egypt, where he served in a number of positions including Director of Customer Services and National Service Manager. Prior to joining ERC, Mr Seoudy was Director of the Customer Care Department at EMAAR Misr, before joining MAC Carpets as Director of Customer Relations Management. Mr. Seoudy holds a BSc in Electrical Engineering and Communications from Ain Shams University and is also a certified Lean Six Sigma Green Belt.

Corporate Governance

ERC assigns central importance to the implementation of rigorous corporate governance practices. ERC believes that a robust, proactive approach to corporate governance is vital to the interests of both the individual company boosting investor confidence by protecting the value of their shares, and the business community by providing a regulatory framework for healthy competition. ERC is committed to implementing best practices in corporate governance and attaining top ranking amongst Egyptian listed companies.

Board Committees

The majority of ERC's board members serve on Board Committees according to their respective expertise.

The Executive Committee

The Executive Committee is responsible for studying and analyzing high-level strategic and operational issues and any other topics assigned to it by the Board of Directors and/or the Chairman of the Board. The current chairman and the current CEO sit on this committee ensuring Executive Committee decisions have been deliberated and reached by a consensus of board members and management leadership and are operationally practical expediting their successful implementation.

Members:
- Dr. Samir Makary (Chairperson)
- Mr. Mohamed Kamel (Member)
- Eng. Abdel Monem Attia (Member)
- Dr. Eskander Tooma (Member)
- Mr. Ahmed Abou Hendia (Member)
- Dr. Gamal El Saeed (Member)

The Audit and Investment Committee

The Audit and Investment Committee oversees the corporate accountability of the company, assisting the board in validating and monitoring the integrity of ERC's financial reporting process, systems of internal audits and controls as well as financial statements and reports. The Audit and Investment Committee also monitors ERC's compliance with legal and regulatory requirements and is responsible for recommending and overseeing ERC's independent auditors. The Committee maintains frequent, open communication with the independent auditor, the internal auditor and senior management. This communication includes periodic private executive sessions with each of these parties.

Members:
- Dr. Eskander Tooma (Chairperson)
- Mr. Atef Tawfik (Member)
- Mr. Walid Essam (Member)
- Mr. Mohamed Hussein (Member)
- Mr. Hisham Ramadan (Member)

The Nomination and Remuneration Committee

The Nomination and Remuneration Committee meets regularly to review the company's HR practices, policies and procedures, and organizational structure and develops strategies to improve the company's ability to attract, select, hire and retain the most suitable talent. The Nomination and Remuneration Committee recommends additional policies that ensure that salaries, benefits, bonuses, pensions, and training and development are competitive and optimal to ERC's business model. This not only safeguards shareholder interests, but also ensures the long-term sustainability of the company.

Members:
- Mr. Ahmed Abou Hendia (Chairperson)
- Dr. Samir Makary (Member)
- Dr. Eskander Tooma (Member)
- Mr. Mohamed Kamel (Member)
- Mr. Wael El Hatow (Member)

Board structure

The majority of the board of directors is composed of non-executive members, elected from different groups of shareholders. Once elected, board members are considered representatives for all shareholders and commit to work in the best interests of the company, not just for their respective shareholder group. The board is responsible for vision and strategy development, review and oversight of risk management systems, internal compliance and control, codes of ethics and conduct, legal and regulatory compliance and the development of suitable key indicators of financial and operational performance. The skills and experience profile of the board is reviewed regularly, both internally and by external consultants, to ensure an optimal board composition.

The board is currently composed of 11 members. Board meetings are scheduled at the commencement of each calendar year. At the minimum, meetings are held once per quarter. The ERC board of directors convened 12 times in 2011.

External Auditor

Based on the recommendation of the Audit and Investment Committee, the board nominates a qualified external auditor. The external auditor is selected and awarded annual remuneration by the General Assembly, operating independently from the company and the board. The external auditor fully abides by Egyptian Accounting Standards (EAS). To guard against potential conflict-of-interest and ensure independence, the external auditor cannot be contracted for additional services without the prior approval of the Audit and Investment Committee.

ERC's external auditor is KPMG Hazem Hassan. The firm was reappointed at the General Assembly meeting in April 2011.

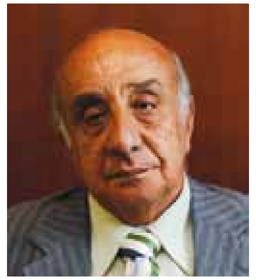
Additional Board Consultants & Experts

To complement the membership of the various board committees, the Board draws on the expertise of the following consultants:

Walid Essam sits on the Audit Committee. Mr. Essam is the ex-Chairman and CEO of Misr Assets Management, and brings more than 17 years of experience in private equity and assets management to the ERC Board.

Old Town at Sahl Hasheesh

Board of Directors



Dr. Samir Makary
Chairman

Dr. Makary has over 20 years of experience in financial analysis.

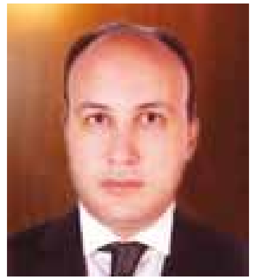
With Hazem Hassan Management Consultants and other firms, he has advised many public and private institutions, including the Tourism Development Authority and the Ministry of Tourism. He is also a long-time distinguished professor of Economics at AUC.

Dr. Makary holds a Bachelors and Masters in Economics from the University of Alexandria, with a second Masters in Economic Development from the University of Strathclyde and a PhD in Economics from the University of Leicester. He is a member of the Remuneration and Nomination Committee and chairs the Executive Committee.

Mr. Mohamed Kamel
Chief Executive Officer

Mr. Kamel assumed the role of Chief Executive Officer in Janaury 2010 having previously served on the ERC Board and the Audit and Investment Committees. Prior to joining ERC, he spent eight years with KATO Investment. Mr. Kamel assumed several roles in different divisions of KATO, including sales and marketing, operations manager, project manager and finally, business development manager at KATO Investment's headquarters. While at KATO, he was instrumental in creating the first modern, privately-held bonded warehouse at Cairo International Airport, and managed the debt-raising process from European banks for the aerospace division. Mr. Kamel also worked as a consultant with Bain & Company in their London offices following his MBA.

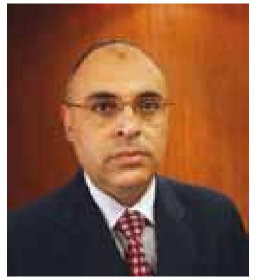
Mr. Kamel holds a Bachelor's degree in Economics with high honors from the American University in Cairo and an MBA with distinction from Harvard Business School. He is a member of the Executive and Remuneration and Nomination Committees.



Mr. Hisham Ramadan
Representing Misr for Life Insurance

Mr. Ramadan is a recognized expert in the Egyptian Insurance Industry (EII). He is currently the vice chairman of Misr Life Insurance Co. and a board member of HD Bank, in addition to ERC, Mr. Ramadan worked as a supervisor for Egyptian Insurance Supervisory Authority (EISA) for more than 10 years and most recently participated in the amendments to Egyptian Insurance Law No. 10.

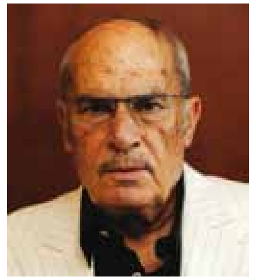
Mr. Ramadan holds a Bachelor's degree in Math, Statistics and Operational Researches from Zagazig University and a Masters degree in Actuarial Science from City University in London. He is a member of the Audit and Investment Committee.



Mr. Mohamed Hussein
Representing Misr Insurance

Mr. Hussein is currently the Head of Investment at Misr Insurance Co. and a Board Member at ARCOSTEEL, as well as the newest addition to the ERC Board. Mr. Hussein has worked at Misr Insurance Co. for more than ten years, bringing great depth of experience in the field of investment to the Board.

Mr. Hussein holds a Bachelors of Commerce in Accounting as well as a Diploma in Accounting from Cairo University. He is a member of the Audit and Investment Committee.

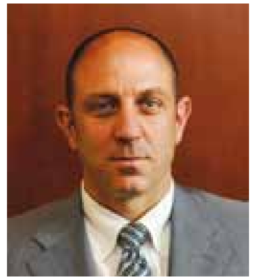


Eng. Abdel Monem Attia
Representing KATO Investment

Eng. Attia is Chairman of KATO Real Estate Development. Previously, he was Chairman of Saudi Egyptian Belgium Construction. With more than 50 years' experience in real estate and tourism investment, he sits on the board of First Arabian Real Estate & Tourism Investment, Ghazala Hotels, and International Airports Co.

Eng. Attia holds a Bachelor's degree in Architecture from Cairo University. He is a member of the Executive Committee.

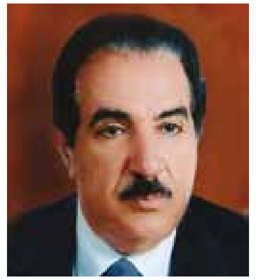
Board of Directors



Mr. Atef Tawfik
Representing KATO Investment

Mr. Tawfik is currently the Corporate Vice President of Food Manufacturing for KATO Investment and Chairman and CEO of National Food Company. Mr. Tawfik is also a distinguished entrepreneur, having started a leading IT solutions provider and a print management company.

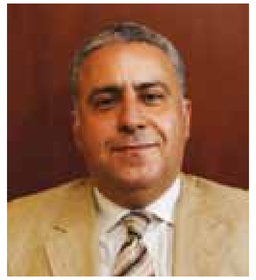
Mr. Tawfik holds an MBA from Maastricht University and a Bachelor's degree in Banking Management from Sadat Academy for Management Science. He is a member of the Audit and Investment Committee.



Dr. Hamza Al Kholi
Representing First Arabian Development & Investment

Dr. Al Kholi is Chairman and CEO of First Arabian Development & Investment Company. He is also owner and CEO of the Al Kholi Group in Saudi Arabia, founding and leading four Class A companies. These companies hold subsidiaries in the Middle East, Europe and the US in many industries, including hotels and resorts, real estate development, construction, maintenance and operations, and information services and technology.

Dr. Al Kholi holds a Bachelor's degree in Pharmacy from King Saud University.



Mr. Ahmed Abu Hendia
Representing First Arabian Development & Investment

Mr. Abu Hendia is a board member and the legal counsel of First Arabian Development and Investment. He also serves on the Board of Information and Technology Services Co. and Delta Hotels and Tourism.

Mr. Abu Hendia holds a Bachelor's degree in Law from Ain Shams University. He chairs the Nomination and Remuneration Committee and is a member of the Executive Committee.

Dr. Gamal Elsaeed
Representing Rowad Tourism

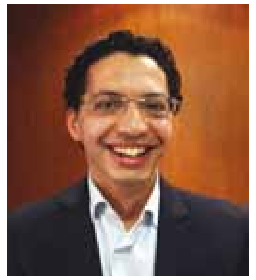
Dr. Elsaeed is a professor of Civil Engineering at Banha University. In the private sector, Dr. Elsaeed manages an engineering firm involved in major infrastructure projects in MENA countries.

Dr. Elsaeed holds a Bachelors, Masters and PhD in Civil Engineering and Business Administration from Ain Shams University, Texas A&M and Harvard University. He is a member of the Executive Committee.

Dr. Eskander Tooma
Representing Rowad Tourism

Dr. Tooma is co-owner and board member of Premium International for Credit Services and a board member of Orascom Investment Fund and Rowad Tourism Company. He has served as a senior advisor to the Egyptian Capital Market Authority and advised leading companies such as Citadel Capital and Orascom Development Holding. Dr. Tooma is also a tenured professor of finance and management at AUC.

Dr. Tooma holds a Bachelor's degree in Business Administration from AUC and Adelphi University, and Master's degrees in Finance and International Economics from Adelphi and Brandeis University. He also holds a PhD in Finance from Brandeis. He chairs the Audit and Investment Committee and is a member of the Executive Committee as well as the Nomination and Remuneration Committee.



Mr. Wael El Hatow
Representing Al Ahly Capital Holding

Mr. El Hatow currently serves as Executive Director at Al Ahly Capital. He has many years of experience in the Egyptian investment banking and private equity sectors and has been involved in most of the landmark M & A transactions that have taken place in Egypt over the past decade. In addition to ERC, Mr. El Hatow currently serves on the board of a number of companies, namely Alexandria Mineral Oils Company (AMOC), Al Ahly Medical Services Company and Al Ahly Asset Management Company.

Mr. El Hatow holds a Bachelor's degree in Political Science from the American University in Cairo and a Masters of Business Administration from Pennsylvania State University. He is a member of the Nomination and Remuneration Committee.

History of ERC's Sahl Hasheesh Community

1995

Land acquired for first project - "Sahl Hasheesh"

at USD 1.32/m² (average)

1996-1997

Incorporation

Concept development and master planning for Phases I and II by RTKL

1998

First plot sold for USD $37/m²

1999-2003

Infrastructure work begins with Bechtel as project manager

Aggressive marketing to counter tourism industry crash

Appreciation of overall financial climate led to practical and market leading sales terms and development schedules

2004-2007

Unprecedented sales success based on relationship marketing and private round-table discussions

2007-2009

First regional four-star hotel begins operations

Phase III master planning process begins

ERC begins considering additional land holdings to replicate business model

2010

New management augments existing internal structure taking company to next level in its lifecycle – key support functions included in HR plan

Development of community services management and utilities reticulation model

Third regional five-star hotel begins operations

The Old Town receives its first tenant

Focus on completing key strategic assets

ERC signs with leading global developer Orascom Development Holding (ODH) to develop the Sawari Marina at Sahl Hasheesh. ODH also takes equity stake in ERC

2011 & onwards

Launch of community services model

Start of construction on Sawari marina

Development of master plan for remaining land bank at Sahl Hasheesh

Sahl Hasheesh reaches tipping point with 2,303 finished hotel rooms and 1,378 residential units constructed

Consolidated Financial Statements & Auditor's Report for 2011

Egyptian Resorts Company

The consolidated Financial Statements
For the financial year ended December 31, 2011
And Auditor's Report

Auditor's Report To the Shareholders of Egyptian Resorts Company

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Egyptian Resorts Company (S.A.E), which comprise the consolidated balance sheet as at December 31, 2011, and the consolidated income statement, statement of changes in equity and statement of cash flows for the financial year then ended, and a summary of significant accounting policies and other explanatory notes.

Management›s Responsibility for the Financial Statements

These financial statements are the responsibility of Company's management. Management is responsible for the preparation and fair presentation of these financial statements in accordance with the Egyptian Accounting Standards and in the light of the prevailing Egyptian laws, management responsibility includes, designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; management responsibility also includes selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor›s Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Egyptian Standards on Auditing and in the light of the prevailing Egyptian laws. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor›s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity›s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity›s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the financial statements.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Egyptian Resorts Company (SAE) as of December 31, 2011, and of its financial performance and its consolidated cash flows for the year then ended in accordance with the Egyptian Accounting Standards and the Egyptian laws and regulations relating to the preparation of these financial statements.

Emphasis of matter

Without considering the following as qualifications:

1 As disclosed in detail in note No. (26) 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 April 5, 2012 to complete the documents needed and to commit the General Authority for Touristic Development to submit its resolution concerning withdrawal of lands of phase three. The company's legal consultant believes that the lawsuit is still in its early stages, though it would be impossible for the time being to predict the results of the lawsuit in this early stage of dispute. 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. (26) 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. 67.76 million on December 31, 2011. 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 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. Based on the company's legal consultant's opinion issued on February 23, 2012, it's too soon to predict the results of those procedures in the dispute. 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.

Report on Other Legal and Regulatory Requirements

The Company maintains proper books of account, which include all that is required by law and by the statutes of the Company, the financial statements are in agreement thereto, the inventory was counted by management in accordance with methods in practice.

The financial information included in the Board of Directors' report, prepared in accordance with Law No. 159 of 1981 and its executive regulation, is in agreement with the Company's books of account but in the limit of the data which has been recorded in the books.

Ahmed Mohamed Mohamed Salem
Auditors' register
At the Money Market General Authority No. (94)
KPMG Hazem Hassan
Cairo, March 18, 2012

Egyptian Resorts Company

The Consolidated Balance Sheet of the Company and its Subsidiaries

As at December 31, 2011

Long Term Assets	Note No.	12/31/2011 L.E.	12/31/2010 L.E.
Fixed assets (Net)	(3-2,4)	247 488 617	163 097 550
Projects in progress	(3-3,5)	118 256 956	199 612 326
Utilization rights of trademarks	(6)	5 274 926	5 941 526
Accounts & notes receivable (Net)	(3-7,8)	68 162 103	81 128 399
Deferred tax assets (Net)	(3-18,24-2)	1 361 421	2 805 906
Total Long Term Assets		**440 544 023**	**452 585 707**
Current Assets			
Work in process	(3-5,7)	483 357 384	441 830 266
Inventory	(3-4)	1 262 130	1 001 221
Accounts & notes receivable (Net)	(3-7,8)	316 050 143	250 755 203
Sundry debtors and other debit balances	(9)	13 041 854	11 953 034
Cash on hand & at banks	(10)	199 987 659	273 767 389
Total Current Assets		**1013 699 170**	**979 307 113**
Current Liabilities			
Provision for claims	(3-11,11)	10 491 000	15 043 508
Income tax	(3-18,24-1)	2 765 042	-
Receivables - advance payments	(12)	38 316 052	40 092 803
Sundry creditors and other credit balances	(3-12,13)	86 181 637	40 328 469

Due to Authority of Touristic Development (due within one year)	(14-1)	14 346 576	22 828 825
Estimated cost for development of sold land	(3-6)	107 931 611	119 366 716
Total Current Liabilities		**260 031 918**	**237 660 321**
Working capital		753 667 252	741 646 792
Total Investments		**1194 211 275**	**1194 232 499**
Financed as follows: **Owners› Equity**			
Issued and fully paid in capital	(15)	1050 000 000	1050 000 000
Legal reserve	(25)	130 892 541	130 360 967
Carried forward losses		(268 655 461)	(264 528 700)
Net (loss) for the period / year		(433 383)	(3 595 187)
Shareholders› Equity of holding company		**911 803 697**	**912 237 080**
Minorities› interest	**(21)**	**65 971 156**	**72 975 518**
Total Owners› Equity		**977 774 853**	**985 212 598**
Long-term Liabilities			
Purchase of land creditors	(7-3)	216 037 567	207 921 792
Due to Authority of Touristic Development- Long term	(14-2)	398 855	1 098 109
Total Long-term Liabilities		**216 436 422**	**209 019 901**
Total Owners› equity & Long-term Liabilities		**1194 211 275**	**1194 232 499**

- The accompanying notes from (1) to (26) 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

Egyptian Resorts Company

The Consolidated Income Statement of the Company and its Subsidiaries

For the financial year from January 1, 2011 till December 31, 2011

	Note No.	From 1/1/2011 to 31/12/2011	From 1/1/2010 to 31/12/2010
		L.E.	L.E.
Net sales	(3-14,17/1)	11 254 561	189 615
Sales returns		-	(1 162 038)
Revenues from services rendered	(3-14,17/3)	16 924 120	15 782 468
Total revenues		**28 178 681**	**14 810 045**
Less:			
Cost of sales	(3-15,18)	(5 848 822)	(981 955)
Cost of sales returns		-	2 443 417
Operating cost of services rendered	(3-15)	(11 484 864)	(11 267 590)
Depreciation of fixed assets in operation	(3-2,4)	(11 841 228)	(10 906 736)
Gross (Loss)		**(996 233)**	**(5 902 819)**
Other operating revenues		3 002 915	8 595 890
		2 006 682	**2 693 071**
(Less) Add :			
Interest recalled from deferred income	(3-14,17/2)	5 926 675	(25 789)
Selling & marketing expenses	(3-15)	(8 133 358)	(4 392 470)
General and administrative expenses	(3-15,19)	(25 364 447)	(24 250 660)
Depreciation of fixed assets	(3-2,4)	(2 889 567)	(1 854 651)
Banks charges		(54 367)	(92 389)
Impairment in receivables		(4 287 652)	-
Reverse of impairment in receivables		-	7 124 780
Provisions for claims formed	(11)	(982 492)	(18 203 279)
Impairment in debtors		(67 678)	-
Provisions no longer required	(11)	3 382 956	4 206 045
(Loss) resulted from operating activity		**(30 463 248)**	**(34 795 342)**
Capital (loss) gain		(375 000)	424 750
Interest income	(20)	22 949 500	18 400 359
Foreign exchange differences		4 660 530	8 383 021
		27 235 030	**27 208 130**
Net (Loss) before income tax		**(3 228 218)**	**(7 587 212)**
Current income tax	(3-18)	(2 765 042)	-
Deferred tax that results in a liability	(3-18)	(1 444 485)	(1 508 993)
Net (loss)for the year after tax		(7 437 745)	(9 096 205)
Holding company׳s shareholders׳ share in the year׳s (losses)		(433 383)	(3 595 187)
Minorities share in (losses) of subsidiary company for the year	(21)	(7 004 362)	(5 501 018)
		(7 437 745)	**(9 096 205)**
Earning per Share(L.E./share)	**(16)**	**(0.000)**	**(0.003)**

- The accompanying notes from (1) to (26) form an integral part of these financial statements and to be read therewith.

Egyptian Resorts Company

Consolidated Statement of Changes in Shareholders' Equity for the company & its subsidiaries

For the Financial year from January 1, 2011 till December 31, 2011

Description	Note No.	Issued & Paid in Capital	Gains from Sale of Treasury Shares	Legal Reserve	Carried Forward (Losses)	Net (Loss) Profit of the year	Minorities interest	Total
		L.E.	L.E.	L.E.	L.E.	L.E.	L.E.	L.E.
Balance as at December 31, 2009		**1 050 000 000**	**6 041 052**	**123 986 754**	**(268 298 525)**	**4 102 986**	**78 476 536**	**994 308 803**
Transferred to carried forward losses		-	-	-	4 102 986	(4 102 986)	-	-
Closing of Gains from sale of treasury share	(15)	-	(6 041 052)	6 041 052	-	-	-	-
Transferred to legal reserve		-	-	333 161	(333 161)	-	-	-
Net loss for the year		-	-	-	-	(3 595 187)	(5 501 018)	(9 096 205)
Balance as at December 31, 2010		**1 050 000 000**	**-**	**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 profit of the period		-	-	-	-	(433 383)	(7 004 362)	(7 437 745)
Balance as at December 31, 2011		**1 050 000 000**	**-**	**130 892 541**	**(268 655 461)**	**(433 383)**	**65 971 156**	**977 774 853**

- The accompanying notes from (1) to (26) form an integral part of these financial statements and to be read therewith.

The Consolidated Cash Flows Statement for the Company and its Subsidiary

For the Financial year from January 1, 2011 till December 31, 2011

	Note No.	For the financial year From 1/1/2011 to 31/12/2011	For the financial year From 1/1/2010 to 31/12/2010
		L.E.	L.E.
Cash Flows from Operating Activities			
Net loss before income tax		(3 228 218)	(7 587 212)
Adjustments to Reconcile Net loss with Net Cash Flows from Operating activities			
Fixed assets، depreciation	(4)	14 730 795	12 761 386
Amortization for utilization rights of trade marks		666 600	58 474
Impairment in receivables		4 287 652	-
Reverse of impairment in receivables		-	(7 124 780)
Provisions for claims formed		982 492	18 203 279
Provisions no longer required		(3 382 956)	(4 206 045)
Impairment in debtors		67 678	-
Other revenues		-	(7 078 664)
Capital gain		375 000	(424 750)
		14 499 043	4 601 688

Egyptian Resorts Company

Change in working capital			
(Increase) decrease in receivables (net)		(44 114 128)	76 471 611
(Increase) in inventory		(260 909)	(950 190)
(Increase) in debtors and other debit balances		(856 498)	(2 226 955)
Payments for purchase of utilization rights of trade marks		-	(2 000 000)
(Increase) in work in process		(41 527 118)	(37 845 728)
(Decrease) in receivables advance payments		(3 064 950)	4 672 539
Increase (Decrease) in creditors and other credit balances		45 853 168	(123 208)
Changes in estimated cost for development of sold land		(11 435 105)	(27 780 377)
(Decrease) dues to Authority of Touristic Development		(9 741 919)	(787 307)
Used from provision for claims	(11)	(2 152 044)	(3 579 771)
Increase (Decrease) in purchase of land creditors		-	5 411 366
Paid income tax		-	(666 103)
Net cash flow (used in)available from operating activities		**(52 800 460)**	**15 197 565**
Cash Flows from Investing Activities			
Payments for purchase of fixed assets, projects in progress and property investments		(18 452 963)	(42 615 213)
Proceeds from sale of fixed assets		11 470	424 750
Net cash used investing activities		**(18 441 493)**	**(42 190 463)**
Net cash & cash equivalent used during the year		**(71 241 953)**	**(26 992 898)**
Foreign currency exchange differences		(2 537 777)	(8 458 258)
Cash & cash equivalent as at January 1, 2011		273 767 389	309 218 545
Cash & cash equivalent as at December 31, 2011	**(10)**	**199 987 659**	**273 767 389**

- The accompanying notes from (1) to (26) form an integral part of these financial statements and to be read therewith.

Notes to the Consolidated Financial Statements

For the financial year from January 1, 2011 till December 31, 2011

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 17/3/2012).

(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 Consolidated 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,

Egyptian Resorts Company

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.

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.

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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.

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4- Fixed Assets (Net)

The balance of fixed assets (net) shown in the consolidated balance sheet as at December 31, 2011 is represented as follows:-

Description	Cost as at 1/1/2011	Additions of the year	Disposals Adjustments	Cost as at 31/12/2011	Accumulated Depreciation as at 1/1/2011	Depreciation of the for year	Accumulated Depreciation of disposals	Accumulated Depreciation as at 31/12/2011	Net book value as at 31/12/2011	Net book value as at 31/12/2010
	L.E.	L.E.	L.E.	L.E.	L.E.	L.E.		L.E.	L.E.	L.E.
Land	521 610	12 034 404	-	12 556 014	-	-	-	-	12 556 014	521 610
Buildings	34 375 770	67 688 551	(300 741)	101 763 580	1 693 915	1 066 825	-	2 760 740	99 002 840	32 681 855
Machinery & equipments	2 071 649	99 750	-	2 171 399	978 601	139 517	-	1 118 118	1 053 281	1 093 048
Furniture & fixtures	4 450 927	219 105	-	4 670 032	791 421	298 133	-	1 089 554	3 580 478	3 659 506
Transportation vehicles	790 237	202 150	-	992 387	446 641	131 840	-	578 481	413 906	343 596
Networks & facilities	78 656 802	1 414 483	-	80 071 285	8 645 767	7 865 680	-	16 511 447	63 559 838	70 011 035
Sewage Treatment Plant	21 575 064	-	-	21 575 064	2 769 707	956 956	-	3 726 663	17 848 401	18 805 357
Water tank	8 919 154	30 942	-	8 950 096	533 796	297 326	-	831 122	8 118 974	8 385 358
Water desalination plant	28 649 737	410 318	-	29 060 055	5 258 595	2 721 266	-	7 979 861	21 080 194	23 391 142
Electrical instruments & Computers	7 495 320	844 407	(15 025)	8 324 702	3 290 277	1 253 252	(3 557)	4 539 972	3 784 730	4 205 043
Air-conditioning	-	9 759 995	-	9 759 995	-	-	-	-	9 759 995	-
Elevators	-	2 955 000	-	2 955 000	-	-	-	-	2 955 000	-
Electrical circuits & convertors	-	2 635 911	-	2 635 911	-	-	-	-	2 635 911	-
Kitchens & operating supplies	-	1 139 055	-	1 139 055	-	-	-	-	1 139 055	-
Total	**187 506 270**	**99 434 071**	**(315 766)**	**286 624 575**	**24 408 720**	**14 730 795**	**(3 557)**	**39 135 958**	**247 488 617**	**163 097 550**

* Fixed assets included assets which are fully depreciated, its cost amounted to L.E. 2 527 484 as at December 31, 2011 as follows:

	L.E
Transportation vehicles	349 437
Machinery & equipments	734 061
Furniture	1 016
Buildings (Caravans)	82 830
Computers	1 360 140
	2 527 484
Depreciations were classified as follows:	
Depreciation of fixed assets in operation	11 841 228
Depreciation of administrative fixed assets	2 889 567
	14 730 795

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5- Projects in progress

Projects in progress shown in the consolidated balance sheet as at December 31, 2011 are represented in the following:

	31/12/2011 L.E.	31/12/2010 L.E.
Sahl Hasheesh Company		
Lands	104 117 692	116 152 096
Works done by Sahl Hasheesh	--	61 509 887
Supplies of furniture for apartments	1 038 202	37 853
Air conditioning works	--	9 179 538
Elevators works	--	2 686 934
Electrical circuit boards and convertors	--	2 473 189
Supplies of apartments' samples and supplies for the kitchen of main restaurant	--	537 486
Internet networks works	283 104	--
Advance payments to suppliers	1 316 924	1 088 730
Egyptian Resorts Company		
Electricity network	8 067 069	
Extending networks	660 837	
Water Desalination plant		183 052
Sundry projects in progress		556 968
Advance payments to suppliers & contractors	2 773 128	5 206 593
	118 256 956	**199 612 326**

- 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 December 31, 2011 as follows:

	31/12/2011 L.E.
Balance as at 1/1/2011	5 941 526
Less: Amortized during the year included in selling and distribution expenses	(666 600)
Balance as at 31/12/2011	5 274 926

7- Work in Progress

The actual cost for the work in progress account shown in the Consolidated balance sheet as at December 31, 2011 is represented as follows:

	Balance as at 31/12/2011 L.E.	Balance as at 31/12/2010 L.E.
Cost of the project's lands haven't been sold yet 732 440 m²- Phase 1	28 218 623	26 484 217
Cost of the project's lands haven't been sold yet 4 925 603 m²-Phase 2	150 896 529	128 400 124
Cost of project's lands 28 312 296 million m² – Phase 3	299 215 588	286 392 710
Cost of Sawari Project	5 026 644	553 215
	483 357 384	**441 830 266**

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(*) 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 (7-3) 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 aforementioned.

(**) 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 on July 14, 2005 stating that the lands sold for the purpose of constructing a touristic project, USD 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 December 31, 2011.

The total cost estimated for development as at December 31, 2011 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 L.E. 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 (7-1), 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 December 31, 2011 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 (7-1) 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 March 17, 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 31 December 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 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 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:

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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 year ended December 31, 2011 amounted to L.E. 3 254 988 and the unpaid part of these commissions included in the accrued expenses (note 13) amounted to L.E. 2 474 104.

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. And the total incentives due to the developer for the financial year ended December 31, 2011 amounted to L.E. 673 617 included in the accrued expenses (note 13).

8- Accounts & Notes Receivable (Net)

The balance of accounts & notes receivable shown in the Consolidated balance sheet as at December 31, 2011 is represented as follows:

	31/12/2011 L.E.	31/12/2010 L.E.
Land receivables (*)	341 849 017	343 539 535
Accounts and notes receivable of Sawary project (**)	47 511 678	--
Services' receivables	9 256 669	5 428 208
	398 617 364	**348 967 743**
Less: Deferred interest	(3 140 465)	(9 067 141)
Less: Impairment in receivables	(11 264 653)	(8 017 000)
	384 212 246	**331 883 602**

And for presentation purposes, the accounts & notes receivable as at December 31, 2011 are classified as follows:

	31/12/2011 L.E.	31/12/2010 L.E.
Accounts & notes receivable – long term assets	68 162 103	81 128 399
Accounts & notes receivable – current assets	316 050 143	250 755 203
	384 212 246	**331 883 602**

(*) Land receivables include balances which are against notes receivable amounted to L.E 23 117 620 deposited at banks and on hand in the company as at December 31, 2011, and shall be deducted from the balance when collected.

(**) Accounts and notes receivables for Sawari project includes an amount of L.E 44 947 093 represented in notes receivable collected from clients concluded contracts to purchase units in the project as of December 31, 2011.

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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 December 31, 2011 are represented as follows:

	31/12/2011 L.E.	31/12/2010 L.E.
Letters of guarantee covers	50 000	50 000
Cash imprests and loans	10 656	75 216
Prepaid expenses	793 839	914 823
Deposits with others	275 330	241 329
Accrued interest	1 004 482	2 886 922
Contractors & suppliers (debit balances)	--	174 475
Sundry debtors	868 562	319 434
Withholding Tax – independent tax pools (treasury shares)	2 765 042	--
Withholding Tax – Debit	262 957	212 171
Income Tax paid for reversed sales (*)	7 078 664	7 078 664
	13 109 532	11 953 034
Impairment in debtors	(67 678)	--
	13 041 854	11 953 034

(*) 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 December 31, 2011 is represented in the following:

	31/12/2011 L.E.	31/12/2010 L.E.
Cash on hand	157 448	154 494
Banks – current accounts – L.E.	28 402 027	37 712 052
Banks – current accounts – US$	12 243 125	35 705 448
Banks – current accounts – EURO	88 511	35 697
Banks-time deposit – L.E	5 516 580	31 663 223
Banks-time deposit-US$	54 144 000	51 685 525
Treasury Bills (*)	99 435 968	116 810 950
	199 987 659	**273 767 389**

(*) Treasury Bills represented in treasury bills 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. 102.750 million.

11- Provision for Claims

	Balance 1/1/2011 L.E.	Formed during the year L.E.	Provision no longer required L.E.	Used during the year L.E.	Balance as at 31/12/2011 L.E.
Provision For claims – receivables	9 713 508	982 492	(86 550)	(1 868 450)	8 741 000
Provision For claims- others	5 330 000	-	(3 296 406)	(283 594)	1 750 000
Total	**15 043 508**	**982 492**	**(3 382 956)**	**(2 152 044)**	**10 491 000**

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12- Receivables Advance Payments

Receivables advance payments shown in the consolidated balance sheet as at December 31, 2011 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 December 31, 2011 amounted to L.E. 37 537 248. 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. 34 291 200 considering his delay in fulfilling his contractual obligations till this date and the hearing for the lawsuit has been postponed to be on April 5, 2012 for viewing and submitting documents.	37 537 248
B	Advance payments from receivables – rentals of Sahl Hasheesh company (subsidiary company)	778 804
		38 316 052

(*) 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.

13- Sundry Creditors & Other Credit Balances

The balance shown in the Consolidated balance sheet as at December 31, 2011 is represented in the following:

	31/12/2011 L.E.	31/12/2010 L.E.
Sundry creditors	10 160 747	10 367 563
Contractors' retention	2 488 231	3 923 441
Suppliers and contractors	9 202 409	13 288 449
Contractors-social insurance	1 816 574	2 135 259
Social insurance authority	127 715	222 759
Accrued expenses	3 361 307	300 519
Due to sovereign authorities	9 744 287	7 971 678
Maintenance deposits	3 809 636	1 118 063
Deposits from others (shops)	1 204 422	125 750
Dividends payable	393 499	393 499
Deferred revenues(*)	43 872 810	481 489
	86 181 637	**40 328 469**

(*) Deferred revenue includes an amount of L.E. 43 399 884 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. 2 712 490 which represents the customers' contribution in community maintenance which were collected from sawary project's clients.

14- Due to the General Authority for Touristic Development

This item shown in the Consolidated balance sheet as at December 31, 2011 is represented as follows:

14-1 Dues to the authority – due within one year

	31/12/2011 L.E.	31/12/2010 L.E.
Dues to the authority for the sale of the project's land	14 346 576	22 828 825
	14 346 576	**22 828 825**

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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 December 31, 2011 are as follows:

	31/12/2011 L.E.	31/12/2010 L.E.
Due to General Authority for Touristic Development – Long Term	398 855	1 098 109

15- Capital

The company's authorized capital amounted to L.E. 700 000 000 (only seven hundred million Egyptian pounds) and the issued capital amounted to L.E. 350 000 000 (only three hundred and fifty million Egyptian pounds) divided over 3 500 000 share at par value of L.E. 100, and the shareholders paid one fourth of the par value of the shares, the paid in capital amounted to L.E. 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 L.E. 60.

Based on the Extra Ordinary General Assembly Meeting dated 28/11/2004 unanimously agreed upon reducing the issued capital from L.E. 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.

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.

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

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16- 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 1/1/2011 to 31/12/2011 L.E.	From 1/1/2010 to 31/12/2010 L.E.
Net profit for the year	(433 383)	(3 595 187)
(*) Average number of shares during the year	1 050 000 000	1 050 000 000
Earning per share (L.E/share)	**(0.0004)**	**(0.003)**

(*) Earnings per share was not affected by employees and members of the Board of Directors share in terms of profits which shall be determined at the end of the year, according to draft distribution of dividends the Board of Directors till being approved by the General Assembly Meeting.

17- Sales

17-1 Net sales

	From 1/1/2011 to 31/12/2011 L.E.	From 1/1/2010 to 31/12/2010 L.E.
Land sales Sawary project	10 849 961	--
Against lands' utilization	404 600	--
Land and Villa sales income - First zone	--	888 870
Less: Adjustments of the geographical survey	--	(699 255)
Total revenue of land and villa sales	**11 254 561**	**189 615**

Interest recalled from deferred income

	From 1/1/2011 to 3/12/2011 L.E.	From 1/1/2010 to 31/12/2010 L.E.
Interest recalled from deferred income	5 926 675	8 247 042
Less:	--	(8 272 831)
Differences in installment' rescheduling		
	5 926 675	**(25 789)**

17-3 Revenue from services rendered

	From 1/1/2011 to 31/12/2011 L.E.	From 1/1/2010 to 31/12/2010 L.E.
Revenue from water supplied	7 406 861	6 233 727
Revenue from electricity supplied	7 635 722	7 475 916
Revenue from irrigation water supplied	1 324 075	895 790
Revenue from communication services supplied	557 462	1 177 035
	16 924 120	**15 782 468**

18- Cost of sales

	From 1/1/2011 to 31/12/2011 L.E.	From 1/1/2010 to 31/12/2010 L.E.
The cost of sale of villas' lands (first zone)	--	51 774
Cost of sales land sawary project (*)	5 848 822	--
Less: adjustments of geographical measurements	--	930 181
	5 848 822	**981 955**

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(*) Sawari 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

19- General and Administrative Expenses

	From 1/1/2011 to 31/12/2011 L.E.	From 1/1/2010 to 31/12/2010 L.E.
Salaries, wages, allowances and its related expenses (*)	13 540 640	10 826 841
Attendance allowances of board of directors & executive committees	1 586 350	2 781 031
Consultancy & audit fees	3 698 674	4 146 069
Recruitment fees	69 443	378 839
Donations	--	200 000
Rentals	3 034 005	625 791
Stationary, printings & computer expenses	288 446	385 730
Subscriptions	307 207	441 964
Traveling & transportation expenses	805 704	1 663 693
Publishing and advertising fees	335 575	781 542
Others	1 698 403	2 019 160
Total	**25 364 447**	**24 250 660**

(*) 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.

20- Interest income

Interest income shown in the consolidated income statement as at December 31, 2011 is represented in the following:

	From 1/1/2011 to 31/12/2011 L.E.	From 1/1/2010 to 31/12/2010 L.E.
Interest income from bank deposits	15 892 547	13 759 584
Interest resulted from delay in payment of installments	7 056 953	4 640 775
	22 949 500	**18 400 359**

21- Minority Interest

The balance shown in the consolidated balance sheet as at December 31, 2011 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 1/1/2011	72 975 518
Add:	(7 004 362)
Minority's share in the losses for the financial year ended December 31, 2011 for the subsidiary	
Balance as at December 31, 2011	**65 971 156**

22- 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 31/12/2011 is represented in the following:

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22-1 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 and 2010

- The company submitted the tax returns in its legal dates based on the provisions of Law No. 91/2005.

22-2 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. 237 914 after deducting payments. This assessment is based on form No. 9 dated on 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.

22-3 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.

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 December 31, 2011 which complies with the tax system of Arab Republic of Egypt in practice

22-5 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 by (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 did not receive any assessment forms till this date.

Years from 2009 till 2010

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 2006

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 2007 till December 31, 2011

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

22-7 Stamp Tax

Years form activity inception till year 2005

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

Years form 2006 till December 31, 2011

These years were not yet inspected and the tax due is being paid monthly based on the provisions of law.

22-8 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 July 30, 2011.

23- 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).

23-1 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.

23-2 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. 592 521 923 and L.E. 265 246 751 respectively. The Company's net balances in foreign currencies at the balance sheet date are as follows:

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Surplus	Foreign currencies
21 141 400	USD
11 433	Euro

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.

23-3 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.

24- Income tax

24-1 Income tax

The balance shown the balance sheet as at December 31, 2011 amounted to L.E. 2 765 042 is represented in the tax due on the independent tax pools related to treasury shares' income pool which amounted to L.E. 13 825 210 included in interest income in the income statement on December 31, 2011.

24-2 Deferred Tax that results in an Asset (Liability)

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

	31/12/2011 L.E.	31/12/2010 L.E.
Fixed assets and intangible assets	(11 256 568)	(8 940 577)
Provision	4 869 264	--
Carried forward losses	7 748 725	11 746 483
Net tax that results in Asset Liability	**1 361 421**	**2 805 906**

Unrecognized deferred tax that results in an asset

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

	31/12/2011 L.E.	31/12/2010 L.E.
Provisions	379 866	5 715 511
Carried forward losses	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.

25- 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.

26- 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, and the hearing of this lawsuit has been postponed to October 20, 2011 in order to view the documents submitted by both parties. On October 20, 2011 the lawsuit has been assigned to the third district (commercial) and a hearing has been determined to be on February 15, 2012. On February 16, 2012, the hearing has been postponed to be on April 5, 2012 because the judges were busy with the parliament elections.

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.

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- 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 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. The lawsuit is still discussed before the state attorneys' authority.

  And 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 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.

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. And because the judges were busy with the parliament elections, the lawsuit has been postponed to hearing on April 12, 2012 and there is no jurisdiction has been made against the company with any financial obligations till this date, 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.

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