ERC

Egyptian Resorts Company

Annual Report 2010

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 and financial performance. Equally, create growth by being a reliable partner to our sub-developers and help them maximize the return on their investments.

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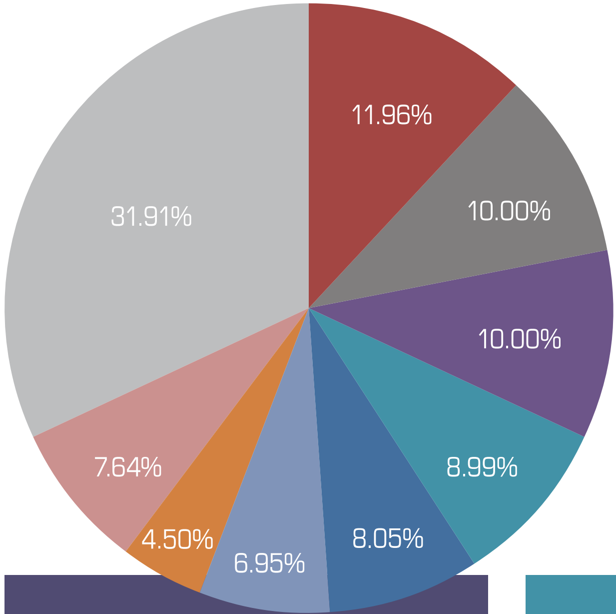
ERC At A Glance

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



Shareholder 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 second quarter 2011

2nd largest company in Egypt in terms of volume traded in 2010 (3.042 billion shares)

15th largest company in Egypt in terms of value traded in 2009 (EGP 1.8 billion)

199 employees

ERC derives revenues from three clear streams: project-defined land plot sales to sub-developers, the sale of utilities and community management fees and the development and operation of strategic one-off projects and recurring revenue assets.

ERC creates value for its sub-developers and delivers a unique end-user experience.

Legal Structure
Egyptian Public Joint Stock Company

Listing
Egyptian Exchange (EGX)

ERC Tax Structure
20% on net income

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% owned by ERC

SHC Tax Structure
10-year tax exemption ending 2017

Sahl Hasheesh at a Glance

Location and Size

- 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 m^2 / 4,100 hectares in size

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 bay
- 9 km of swimmable beach
- Year-round destination with moderate to hot weather with low humidity and calm waters

Chairman's Note

Dear Shareholders,

It is a great honor to serve Egyptian Resorts Company as Chairman of the Board of Directors, 13 years after I co-authored the original feasibility study for Sahl Hasheesh, our flagship development on the Red Sea coast. I have had the immense pleasure of watching Sahl Hasheesh grow from an idea into one of the finest resorts in Egypt.

With this pride in my heart, I am now entrusted with the responsibility of guiding ERC during a period of transformation for both the Company and the great nation in which we live and work. While the first few months of 2011 have certainly reinvigorated Egyptian society and inspired great hopes in Egyptians from all walks of life, Egyptian businesses that depended on foreign investment and tourism in-flows are now experiencing a slow-down, the extent and duration of which even industry experts cannot predict.

On top of these challenges, the Egyptian Tourism Development Authority recently announced without warning that it had rescinded its 20 million square meter approval for Phase 3 located at the rear of Sahl Hasheesh away from the bay, for which we had already paid 27 percent of the land's contract value and spent over USD 6.8 million on master planning, on grounds that are, to date, not officially disclosed to the company.

Upon receiving the news, we promptly responded publicly with a pledge to appeal the decision before the Tourism Development Authority. We are also prepared to put our faith in the legal system and present our case in court in the event the TDA rejects our formal appeal.

Regardless of the outcome of the appeal, Management has made the strategic decision to upgrade the company's business model to position ERC to take a more direct role in the development of the remaining 4.94 million square meters of undeveloped land in our uncontested land bank. The board supports this new strategic direction without reservation.

We will work with leading developers and investors to bring Phases I and II of development to completion, project-by-project. Specifically, the company made significant progress in the expansion of infrastructure and utilities capacity, notably completing its state-of-the-art fiber optics network design for Phase I and II in February 2011. Simultaneously, we will sell properties off-plan to a discerning clientele. We have already piloted this strategy with great success; pre-launch sales of the Sawari Marina properties – co-developed with Orascom Development Holding – at the end of 2010 and into 2011 saw us book reservations in excess of USD 20 million. Ongoing sales at Sawari will support our revenue streams throughout the year, while our modified strategy will see us depend more on revenues from our strategic assets stream in the medium-term.

Finally, ERC's forward looking strategy does not preclude future land sales to sub-developers. We will continue to review all bids from interested sub-developers, but will only sell at attractive valuations to protect the interests of shareholders, in the form of land bank residual value, and that of our existing sub-developers.

Dr. Samir Makary
Chairman of the Board

CEO's Note

2010 was a milestone year for Egyptian Resorts Company. The tremendous support from our board of directors ensured Management's ability to deliver on its promise of building a sustainable organization by executing our 2010 strategic and operational initiatives.

On the strategic front, management focused on 4 main priorities (SP's).

We started the year strong and in April 2010 signed a co-development agreement with Orascom Development and Management to develop and bring to market our **first mega proprietary development (SP1),** the Sawari Marina, a 2.5 million square meter luxury development on prime land at Sahl Hasheesh. Simultaneously, Orascom Development Holding, through one of its investment companies, acquired a 4.5% equity stake in ERC, underlining its confidence in ERC's long-term prospects. As a book-end to the start of the year, we closed 2010 with a robust pre-sales soft launch of the Sawari Marina properties, in which we booked over USD 20 million in reservations, far exceeding our best-case-scenario estimates and a manifestation of sound strategy and timely decision making.

Our **community management (SP2)** model has been fully built and the company has already signed on all major sub-developers to its community management agreement. As a consequence, roll-out will begin during 2011. Although this represents a new, yet small, revenue stream for ERC in the future, it is a critical step in reducing community cost burdens and expenditures incurred in running the resort by sharing it amongst ERC and its sub-developers.

Early in 2010, we partnered with WATG (Irvine) as lead master planner for **Phase III (SP3)** of the Sahl Hasheesh Resort Community. Phase III at Sahl Hasheesh encompasses the resort's remaining 28 million square meters (contractually 20 million m^2) of land and will see Sahl Hasheesh transform from a young resort town into a thriving city, complete with schools, hospitals, office buildings, and an array of small- and medium-sized enterprises. To complement WATG's work and to set an unprecedented example for master planning in Egypt, ERC hired eight of the world's most prominent consultants in their respective fields to verify and give their professional input to the master planning process.

ERC signed a major **Corporate Social Responsibility (SP4)** initiative with the Hurghada Environmental Protection and Conservation Association (HEPCA) to build a world class marine research center at Sahl Hasheesh in cooperation with the Italian government. This center will include 16 professors in addition to 40-50 Egyptian and foreign volunteers. ERC is particularly proud of this potential partnership that aims to protect the local marine environment and spread knowledge on sustainable conservation efforts throughout the Red Sea coast.

For ERC's operational priorities, management focused on 3 main initiatives: human capital, resort infrastructure, and the launch of subsidiary assets.

ERC depends on a relatively small team of professionals (less than 200 people) and had to ensure that its HR investments were competitive and rewarding to optimize the company's performance and maximize sustainable shareholder returns. We subsequently hired Hay Group and implemented a large scale restructuring plan. The work also included a review of our board of director's governance framework, and implementation included reducing our board members from 13 to 11. During the course of the year, ERC also hired about 50 new professionals and executives for vacant positions and as replacement hires.

On the development and infrastructure front, the highly anticipated opening of the Arrival Piazza was one of the 2010 highlights that took visitors' breath away and hosted multiple events with its 15,000-person capacity on an almost weekly basis during the resort's peak season.

Meanwhile, ERC completed its state-of-the-art fiber optics network design for Phases I and II, which will be used as a communications network as well as a fully-automated utilities management cable. The first phase of its implementation was completed in February 2011 and sub-developers are now being connected to the network.

In addition, we made steady progress on expanding the resort's infrastructure and utilities capacity, applying for an electricity distribution license as part of our strategy to build-out our recurring revenue streams. The license will clear the path for the construction of a 70 MVA (Megavolt Ampere) substation, on which the construction commencement has been postponed to 2012/2013 as part of our cash flow rationalization strategy. Once we begin, the substation will take 18-24 months to complete and is projected to meet the power requirements of Sahl Hasheesh for at least a decade.

Finally, ERC was committed to supporting Sahl Hasheesh Company (SHC), its 69.4% owned subsidiary, complete and launch the Old Town – the commercial core and entertainment hub of Phase I in Sahl Hasheesh. SHC commissioned Jones Lang LaSalle (JLL), the leading global commercial real estate advisory firm, to deliver a complete feasibility and launch plan. The Old Town started receiving tenants and the first store opened in January 2011. ERC is also expected to sign with an international beach operator for the Old Town beach within 2011.

In the fourth quarter, we ramped up our marketing efforts in response to demand from our sub-developers, with a strategic campaign promoting Sahl Hasheesh in high-profile international travel magazines and quarterly Egypt tourism publications as the top choice for both national and global holiday makers and seekers of second homes.

In support of its sub-developers, ERC Management has decided to partially waive off community management fees in 2011 given recent events that have pushed all hotel properties into operational losses for the first six months of the year. Starting in 2012 all sub-developers will be paying for community services, thereby relieving an average quarterly expense of EGP 3-5 million.

In my view, our achievements in 2010 are exactly what the company needed; to set up the structure that can handle multiple projects and multiple revenue streams, and an operating and commercial foundation that can ensure medium-to-long term sustainable revenue and income streams.

On the one hand, our operational performance in 2010 is definitely representative of the operational performance that can be expected from ERC into the future. On the other hand, our commercial performance beyond 2011 will definitely receive a significant boost given the strategic alliances and ground work completed in 2010.

In 2011

The coming year will prove to be challenging. The events of January 25 have undoubtedly caused a general slowdown affecting all sectors of the economy. Tourism arrivals have been negatively affected and we have already witnessed almost a 46% decrease year-on-year in the first quarter of 2011. Although we expect this phenomenon to be short-lived, lasting through the fall of this year, the pickup of tourist arrival figures will be the main leading indicator for tourism-based investment – our primary source of revenue. As a result, ERC expects no more than one land plot sale, low-to-no new reservations in the coming months at the Sawari Marina development, and a significant reduction in the consumption of utilities, and hence utilities revenue, by existing operators.
Despite the slowdown, many sub-developers are pushing through with their development plans to complete their

hospitality developments in anticipation of a strong recovery in 2012.

Our priority remains the protection of the investments of our shareholders and sub-developers, while our operational strategy is geared towards attaining the highest possible return on shareholder capital in the long run. Accordingly, our focus in 2011 will be on recovering our Phase 3 land bank, cash conservation, and the continued nurture and development of our base of strategic assets as we lay a foundation to support growth in anticipation of a 2012 that will probably be marked by a strong uptick in economic growth, a return of consumer confidence (boosting sales at our Sawari Marina as well as at key sub-developer projects), and a surge in the number of tourist arrivals.

With low levels of tourism projected throughout the first half of the year, we have trimmed our operating budget and that of our subsidiary Sahl Hasheesh Company accordingly, but not to the point that would constrict our ability to capitalize on a recovery in tourism early next year or earlier.

We realize that the January 25 revolution will have a negative short-term impact on sales and may result in more than the 6% cancellations recorded to date. Despite this fact, the company is confident of a demand rebound and is hence committed to finalizing all its licenses and beginning light dredging works to stay ahead of the demand curve.

Although 2011 will pose a unique set of challenges for all companies operating in Egypt's tourism sector, the management team remains highly committed to safely navigating the company through these tough economic conditions and by setting the company on both a short- and long-term path that will see it emerge in an even stronger position relative to competitors.

Mohamed Kamel
Chief Executive Officer

Our Strategy

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: land sales, strategic real estate development, and utilities and community management.

The company pursues an integrated, full-cycle development strategy. It acquires broad acre land holdings suitable for premium mega resorts development at nominal value, creates a master plan with some of the world's leading architectural and urban planning firms, builds state-of-the-art infrastructure networks and develops strategic assets, implements design guidelines and community management rules and regulations, and on-sells a proportion of pre-designated plots to sub-developers and investors whose main businesses are hotel ownership, operation and management, as well as 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 release from its land bank so as to preserve both ERC's residual land valuations and the returns on the 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. The land was first allotted by the Tourism Development Authority to ERC in 1995 for an approximate average price of USD 1.32 per square meter. In the fifteen years since the initial purchase, ERC has partnered with a number of world-class urban design and architectural firms to create and implement a master plan for phases one and two of the project's development. ERC has positioned itself as the sole utilities provider through extensive investment in state-of-the-art infrastructure including water desalination plants, sewage treatment facilities, 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.

4. Sell land plots to qualified sub-developers...

5. Manage the development of key strategic assets...

6. Producing world-class community developments.

Complementing the utilities business, Egyptian Resorts Company'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. Although the company has defrayed these fees on behalf of sub-developers in the past years and in 2011, the new community management fee scheme taking effect in early 2012 will see all major developers begin paying dues proportionate to their draw on ERC's community management resources.

In addition to land sales to sub-developers and extensive investment in resort infrastructure, ERC manages the development of a number of strategic one-off and recurring revenue assets within the mega resort to ensure the presence of a base supply of property units and provide a quality-control framework for sub-development projects. The Sahl Hasheesh Company, a majority-owned subsidiary of ERC, is the sole developer for the Phase I and Phase II downtown commercial retail and entertainment areas, including approximately 600,000 square meters of strategic commercial and residential property. ERC will record revenue from both the sale and short- and long-term rental of these units.

While ERC's present operational focus is driving its strategic assets to completion, the Company is well positioned to leverage its strong, debt-free, liquid balance sheet towards developing its remaining 4.94 million square meters.

To develop the company's most significant strategic asset, the Sawari Marina at Sahl Hasheesh, ERC partnered in early 2010 with Orascom Development Holding, one of the world's most experienced marina developers. The 2.5 million square meter development will promise recurring revenues from the lease of boat berths and commercial retail space, as well as a one-off revenue stream from the sale of residential units and hotel land plots. Additional strategic assets under development in Sahl Hasheesh by third-party developers or strategic alliances include golf courses, sporting facilities, and healthcare and educational infrastructure.

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

A surge in tourism to Egypt in 2010 set an industry benchmark for years to come. Arrivals to Egypt increased 17.6% year-on-year, with 14.7 million tourists visiting Egypt, surpassing the government-set goal of 14 million arrivals by 2012, two years ahead of time.

Overall, the sector contributed USD 12.53 billion to Egypt's GDP, a 16.5% increase year-on-year, making the sector the second-largest hard currency earner and the third-largest contributor to GDP growth (approximately 11%). In addition, roughly 1 out of every 8 Egyptians was employed in the tourism sector in 2010.

More than 50% of all tourists to Egypt flew directly to the Red Sea. To accommodate the rise in tourism to the area surrounding Hurghada, the governorate is slated to open a new terminal and runway at Hurghada International Airport by 2012, increasing the airport's capacity by an additional 7.5 million passengers per year.

For Egyptian Resorts Company, the surge in tourism arrivals in 2010 reaffirmed ERC's long-term outlook for the industry and for Sahl Hasheesh in particular. As additional strategic assets come online at Sahl Hasheesh and a comprehensive offering of amenities becomes available, Sahl Hasheesh will attract an increasing number of visitors and second-home owners, growing the young resort town into a thriving city.

Throughout 2010, ERC resisted the temptation to inflate its quarterly financials through the sale of land plots at prices that would have threatened the property valuations of land plots bought by sub-developers before the financial crisis spilled into the Egyptian market.

Meanwhile, demand for second homes on the Red Sea Coast continued to expand last year. Domestically, an increasing number of upper-middle and upper class Egyptian families are purchasing second homes on the Red Sea Coast versus the North Coast. In comparison, the Red Sea Coast offers a year-round holiday destination at superior value.

Indeed, the success of pre-launch sales of Sawari Marina properties at the end of 2010 and into 2011 – in which ERC booked over USD 20 million in reservations – has demonstrated the strength of demand for luxury developments on the Red Sea Coast. Even following the January 25 revolution, only 6% of Sawari reservations had been cancelled by end of April 2011.

Recent Events and the Remainder of 2011

It is clear that the Egyptian Revolution has had a profound impact on both the Egyptian tourism and real estate sectors. Following the outbreak of unrest on January 25, about a million tourists fled the country. However, thanks to the predominantly peaceful nature of the demonstrations – during which not a single tourist was harmed – and the fact that the country has now entered a period of peaceful transition to a new elected government, many countries have removed or reduced warnings against citizens traveling to Egypt; Russia and Italy have dropped official travel warnings altogether and the United States has reduced its travel warning to travel alert, as of the end of April. As of May 1, the United Kingdom has yet to drop its travel warning.

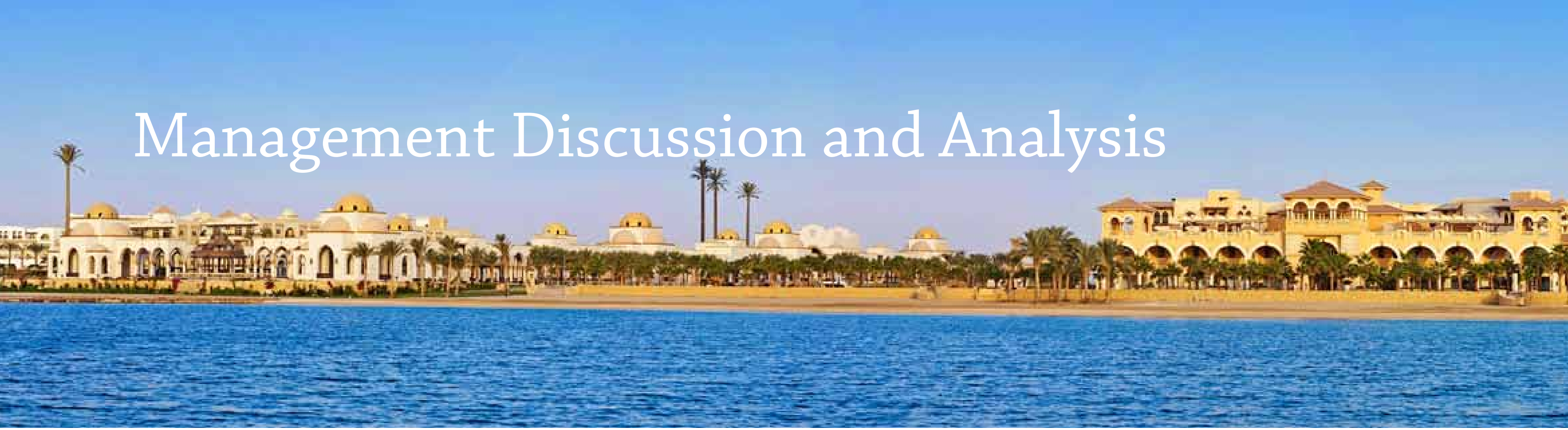
Throughout the unrest, the Red Sea Coast remained undisturbed by any incidents of violence. In April, the Egyptian Ministry of Tourism launched a coordinated campaign to promote Egypt as a stable destination in a number of markets, with a particular focus on attracting tourists from GCC countries. In the medium term, Egypt stands to gain market share relative to competing destinations in the Arab world, as vacationers realize that the country's unique selling propositions remain unchanged and once again recognize Egypt as a secure destination.

According to the Ministry of Tourism, tourist arrivals were down 80% in February from the same time last year and down 60% in March year over year. Barclays Capital reported in April that hotel occupancy rates, which dropped to as low as 5% in February, had gradually risen to 25% and 30% by March.

Meanwhile, with the Egyptian pound depreciating significantly against major currencies worldwide, a trend that is expected to continue for a while, the coming months represent an opportunity for inexpensive travel to Egypt and foreign investment in the Egyptian real estate market. ERC will continue to market Sawari Marina properties in key markets overseas and expects the market for second homes on the Red Sea to make a significant recovery by year-end.

In conclusion, a full-fledged recovery is inevitable as Egyptian tourism has consistently proved its resilience following crises in the past. Blessed with a rich history and a beautiful year-round climate, Egypt offers exceptional value to holiday-makers compared to other Mediterranean destinations, while the Red Sea remains one of the most attractive year-round resort destinations in the region.

Management Discussion and Analysis



Despite lingering fallout from the global financial crisis, 2010 was a successful turnaround year for Egyptian Resorts Company. The company's record of a swift organizational turnaround and the development achievement over the past year has built a strong platform for growth over the next decade and beyond.

Following the appointment of new management in January, 2010 was characterized by extensive restructuring with an eye to boost the company's long-term competitiveness and maximize sustainable shareholder returns. On the recommendation of leading consultants, Management implemented a large scale restructuring program that included strategy identification, operating model and organizational structure redesign, and the development of a regionally-competitive performance-based compensation framework. During the course of the year, ERC welcomed nearly 50 new professionals and executives to its workforce in areas such as master planning, community management, business development, human resources and finance.

While several qualified firms expressed interest in land at Sahl Hasheesh during 2010, developers' valuation proposals were below price levels at which Management was willing to release land. Thus, ERC made the strategic decision to forego land sales to protect the company's valuations and the investments of Sahl Hasheesh sub-developers, focusing instead on bringing its strategic assets to completion and building out the company's recurring revenue stream, namely the provision of utilities and community services to sub-developers. Consolidated revenue for 2010 was EGP 14.9 million and consolidated earnings before tax were negative EGP 7.8 million, compared to adjusted 2009 revenue of EGP 25.8 million and earnings before tax of EGP 3.9 million.

Key progress on strategic assets in 2010 included the highly anticipated opening of the Arrival Piazza. Truly an architectural gem, the Piazza serves as an excellent outdoor event venue, with a 15,000-person capacity. In addition, ERC's subsidiary, Sahl Hasheesh Company (SHC), completed the Old Town in the autumn – the waterfront commercial core and entertainment hub of Sahl Hasheesh. Shortly thereafter, ERC also signed Jones Lang LaSalle to develop a retail strategy for the commercial area. The first store opened in 2011 and ERC has entered negotiations with leading international commercial consultants to develop channels for attracting the

appropriate mix of retail tenants to the Old Town. ERC is also in talks with several international beach operators and expects to sign a beach management contract in 2011.

The highlight of the year was the pre-launch sales event for the Sawari Marina at Sahl Hasheesh. A joint development between ERC and Orascom Development and Management, upon completion, the Sawari Marina will be the leading luxury marina on the Red Sea Coast. The sales event, which was extended into January 2011 to meet demand, saw ERC book over USD 20 million in reservations.

With a focus on building out its recurring revenue streams, ERC completed its state-of-the-art fiber optics network backbone for Phases I and II in February 2011, which will be used as a communications network as well as a fully-automated utilities management cable; sub-developers are now being connected to the network. In addition, the company made steady progress on expanding Sahl Hasheesh's infrastructure and utilities capacity applying for an electricity distribution license. The license will clear the path for the construction of a 70 MVA (Megavolt Ampere) substation, slated to begin in end of 2012 / beginning of 2013. The substation will take 18 to 24 months to complete and is projected to meet the power requirements of Sahl Hasheesh for at least a decade.

Also in 2010, ERC developed a community management model to which all major sub-developers have signed and will be implemented as of 2012. As noted previously, this will eliminate EGP 3-5 million in quarterly cash outflows from ERC's balance sheet.

The company collected EGP 136.1 million worth of Accounts Receivables in 2010 after working with sub-developers at Sahl Hasheesh to resolve challenges they had been facing. ERC has also resolved the majority of the design violations in the villa zone — 12 in total — as seven villas have been demolished and agreements have been reached to rectify violations in three. Negotiations are taking place to resolve the remaining two violations.

In the fourth quarter, ERC ramped up its marketing efforts in response to demand from sub-developers, with a strategic campaign promoting Sahl Hasheesh in high-profile international travel magazines and travel industry publications targeting the wholesale trade. The company is diligently establishing itself as the top choice for both national and global holiday-makers as well as seekers of second homes.

Sahl Hasheesh Resort City.

FAST FACT:

Sahl Hasheesh is now home to nearly 1,580 hotel rooms and close to 679 luxury villas and apartments.

Sahl Hasheesh Resort City

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 shore on the Egyptian Red Sea coast.

The resort infrastructure for the 5.6 million-square-meter Phase I area and all under-development plots in the phase II area has already been completed and the opening of the first hotels and apartments occurred in the first half of 2007. With stunning five-star hotels, luxurious apartments, a beautiful downtown waterfront, unforgettable dive sites, golf courses, a cinema complex, and a world-class marina, 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 Sahl Hasheesh Marriott Beach Resort (formerly the Old Palace), Pyramisa, Premier Le Reve and Premier Romance 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, Ocean Breeze and Sunset Pearl - 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 promises dynamic growth in tourist arrivals and Red Sea real estate prices in the coming years.

FAST FACT:

The Arrival Piazza can accommodate up to 15,000 standing guests or 2,500 seated guests.

FAST FACT:

ERC has already booked USD 20 million in reservations for the Sawari Marina, the next luxury seaport on the Red Sea Coast.

The Development of Sahl Hasheesh

Phases I and II of Sahl Hasheesh are presently home to over 1,580 hotel rooms and suites and 679 residential units managed by brands including Premier Le Reve, Premier Romance, Pyramisa, and Marriott Old Palace. In addition to the completed hotels and residential neighbourhoods, 31,309 square meters of retail and entertainment property is currently available for lease.

The quality of the developments completed thus far and the promise of an excellent long-term return on investment formed the basis of negotiations with 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 with ODH in early 2010, adding another industry leader to the Sahl Hasheesh developer lineup. The completion of the Marina will bring online an asset that will directly expand ERC's recurring revenue streams, in the form of harbor rental and management fees. The Marina will also play a vital role in attracting future investors and second-home purchasers.

Recent Achievements

- Grand Opening of the Arrival Piazza
- Grand Opening of the Premier Romance hotel in August 2010
- Finalization of the master plan for the Sawari Marina.
- Opening of the first storefront in the Old Town, a home furnishings shop
- Signing of Jones Lang LaSalle in October to set the retail mix strategy and tenancy mix plan for Old Town
- Launch of an international print marketing campaign targeting tour operators, real estate agencies, and prospective second-home owners

On the Horizon

Under the terms agreed to in 2010, existing sub-developers will, starting in 2012, begin paying for the community services that ERC had formerly provided free of charge, offsetting an average quarterly cash flow of EGP 3-5 million. The full implementation of the Community Fees Model will deliver a substantial boost to one of ERC's important sources of recurring revenues.

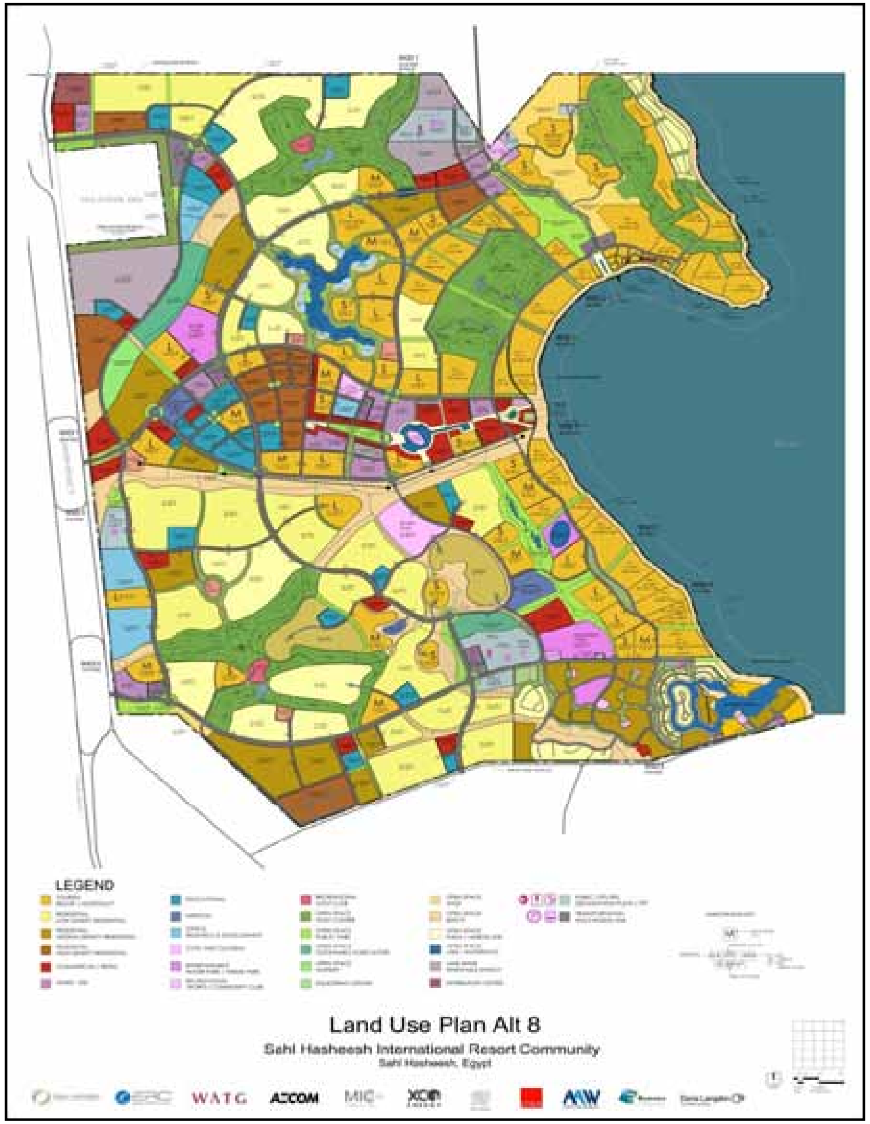
Although the Egyptian tourism industry faces unique challenges in 2011, development at Sahl Hasheesh is continuing apace. With its strong, liquid balance sheet, ERC is strategically allocating both financial and human resources towards hastening progress on the Company's strategic assets and launching additional projects. The remainder of 2011 at Sahl Hasheesh will feature:

- Initial dredging at the Sawari Marina.
- Additional tenants occupying premium retail outlets at the Old Town, which will soon feature a comprehensive array of amenities, from designer retail, fine dining, and vibrant nightlife to spas, cinemas, and children's play areas.
- The reopening of the Old Palace Hotel as the Marriott Beach Resort at Sahl Hasheesh after a comprehensive renovation; Sahl Hasheesh now boasts over 1,580 operational hotel rooms.
- The opening of the 5-star Tropitel Hotel.
- The opening of the 4-star Ocean Breeze Hotel and Apartments complex.
- Initial dredging adjacent to the Old Town to construct a 5-star boutique hotel by Golden Chain.
- The Old Town Pier will be licensed to receive yachts.
- A reassessment of the Phase II master plan and the recruitment of contractors to partner with ERC in launching additional projects within the company's 4.94 million square meter land bank at Sahl Hasheesh.

In 2012

- Sahl Hasheeh will add anywhere between 1,500 and 2,000 hotel rooms bringing the total number to over 3,500
- The Sawari Marina basin construction will be well underway and the subsequent launch of official sales, accompanied by a number of promotional events and ongoing site tours
- A comprehensive marketing campaign for Sahl Hasheesh will take off promoting the entire 41 million square meter master planned destination to sub-developers

Sahl Hasheesh Master Plan



Sahl Hasheesh Scale Comparison

Cairo Centre / Nile, Egypt

Lower Manhattan, New York City, USA

The Outline of Sahl Hasheesh International Resort Community
Land Bank Area: 40,907,554 Square Meters / 4,091 Hectares

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 metres, the Marina itself will host up to 330 yachts ranging from 10 to 50-plus metres in length.

The Marina's extensive pedestrian promenade will offer more than two kilometres 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 honour 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: sleek interiors and the latest in home technology.

ERC held a pre-launch sales event in December 2010, which was extended into the beginning of 2011 to satisfy demand that far outpaced Management's optimistic projections that saw the Company book over USD 20 million in reservations.

Sawari Concept Master Plan

Legend

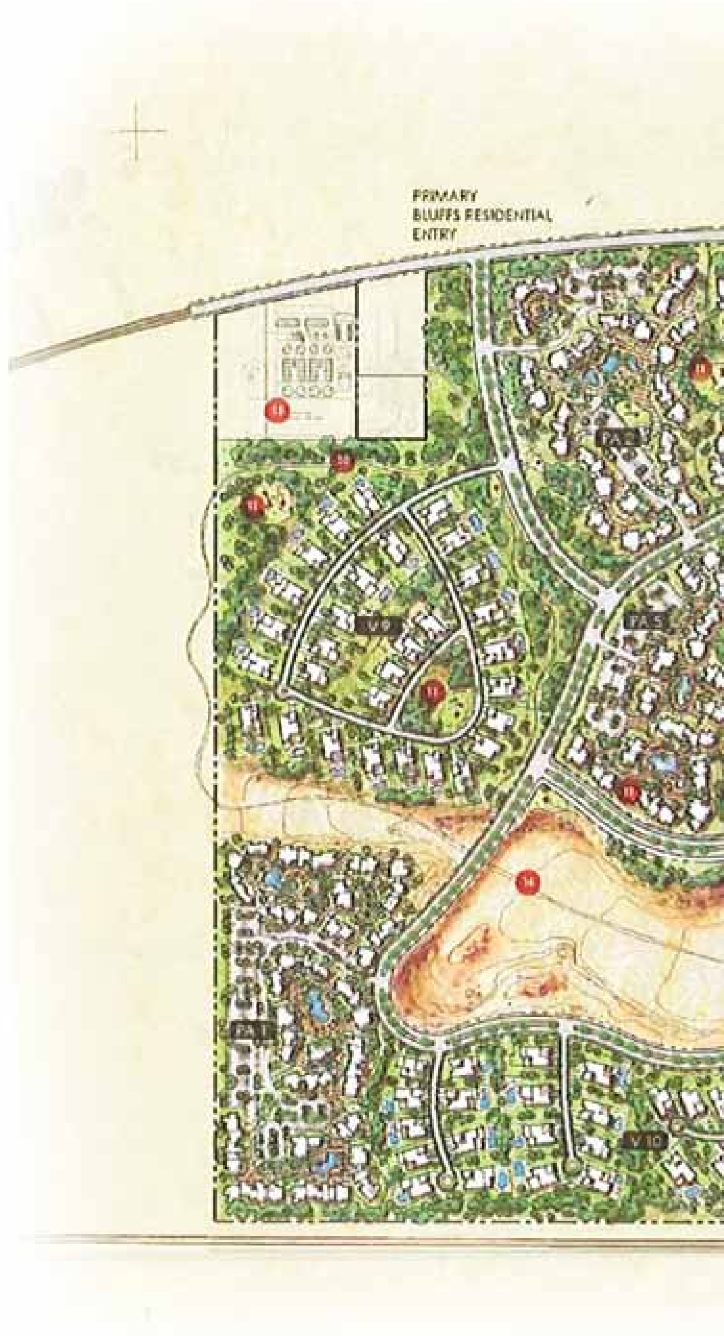
1 Public Parking
2 Resort Transit Hub
3 Yacht Club
4 Public Piazza
5 Beach
6 Promenade
7 Fishing Village
8 Boat Ramp
9 Public Parking
10 Resort Transit Hub
11 Yacht Club
12 Public Piazza
13 Beach
14 Promenade
15 Fishing Village
16 Boat Ramp

Program Summary

Sym	Description	Plot Area	Keys	Bldg. Height
H1	Boutique Hotel	34,000 m²	200	G + 2
H2	Lagoon Hotel	32,595 m²	200	G + 2
H3	Marina Hotel	36,867 m²	200	G + 2
HOTEL SUB-TOTAL		**103,462 m²**	**600**	
PA 9	MDR Resort Chalets	112,211 m²	591	G + 2
PA 10	MDR Resort Chalets	49,824 m²	345	G + 2
RESORT CHALETS SUB-TOTAL		**162,035 m²**	**936**	

Sym	Description	Plot Area	Units	Parcel Area
V1	Beachfront Villas	18,089 m²	14	1,000 m2
V2	Beach Terrace Villas	10,098 m²	9	1,000 m2
V3	Island Villas	51,982 m²	29	1,000 m2
V4	Marina Villas	3,483 m²	4	900 m2
V5	Lagoon Villas	7,367 m²	6	1,000 m2
V6	Lagoon Terrace Villas	30,940 m²	28	1,000 m2
V7	Lagoon Terrace Villas	27,205 m²	40	550 m2
V8	Lagoon Villas Terrace	13,875 m²	40	325 m2
V9	Estate Mansions	101,641 m²	30	1,500 - 2,500 m2
V10	Estate Mansions	127,813 m²	35	1,500 - 2,500 m2
VILLAS SUB-TOTAL		**392,493 m²**	**235 Units**	

Sym	Description	Plot Area	Units	Bldg. Height
PA 1	MDR Chalets	71,465 m²	610	G + 2
PA 2	MDR Chalets	52,154 m²	288	G + 2
PA 3	MDR Chalets	74,137 m²	400	G + 2
PA 4	MDR Chalets	67,135 m²	391	G + 2
PA 5	MDR Chalets	40,328 m²	225	G + 2
PA 6	MDR Chalets	24,936 m²	210	G + 2
PA 7	MDR Chalets	43,312 m²	240	G + 2
PA 8	MDR Chalets	38,000 m²	211	G + 2
PA 11M	MDR Chalets + Retail	17,253 m²	69	G + 2
PA 11L	MDR Chalets	26,102 m²	191	G + 2
PA 12	MDR Chalets	40,451 m²	278	G + 2
PA 13	MDR Chalets + Retail	26,663 m²	111	G + 2
PA 14	MDR Chalets + Retail	40,493 m²	188	G + 2
MDR CHALETS SUB-TOTAL		**562,429 m²**	**3,412 Units**	




PRIMARY
HILLSIDE RESIDENTIAL
ENTRY
PRIMARY
MARINA VILLAGE
ENTRY
SECONDARY
MARINA VILLAGE
ENTRY
RED SEA
MARINA
LAGOON
W A D I
MAKADI

Sahl Hasheesh

Development Partners

RTKL
Phase I and II Master Planners

WATG
Phase III Lead Master Planners

Arthur Consulting Group
Feasibility Consultant
(Phase I and II)

AECOM
Feasibility and Market Analysis Consultant

AAW CONSULTING ENGINEERS
Specialist Infrastructure Engineer and Local Master Planner

Environics
Environmental Systems... ...On the path to sustainability
Environmental Consultants

XCO2 ENERGY
Sustainability Consultant

Buro Happold
Waterways and Lakes Engineering Consultants

Davis Langdon
Cost Analysis Consultant

MIC mobility in chain
Traffic Management Solutions

EDSA
Landscaping Consultant

Sahl Hasheesh

Operating Partners

BECHTEL
Phase I Infrastructure Supervisor

SABBOUR ASSOCIATES
Strategic Assets Development Consultant

SHAKER
CONSULTING GROUP
Electrical Networks Design Consultant

ELSEWEDY ELECTRIC
Fiber Optic Network Contractor

VEOLIA
WATER
Solutions & Technologies
Sewerage Treatment Plant Operator

tam
ENVIRONMENTAL SERVICES
Desalination Plant Contractor and Operator

iBAHN
Video-On-Demand Provider

BT

Sahl Hasheesh Sub-Developers & Development Brands

Sub-Developers

- Red Sea Hotels Egypt
- Tropicana Hotels & Resorts
- Traveline Egypt
- International Red Sea Investment
- Orascom Development & Management
- EnjoyEgypt
- El Riad Real Estate Investment & Development
- Sahl Hasheesh Development Co.

Development Brands

- Premier Romance
- Baron Palace Sahl Hasheesh
- Dishdaba
- Serenity Sahl Hasheesh
- Mamma Mia
- Palm Beach Piazza
- El Andalous
- Valentine

Development Brands (cont.)

Sunset Pearl
Beach & Golf Apartments
SAHL HASHEESH

Premier
Le Rêve
Hotel & Spa

Lana Hills

Paradise Gardens

Tropitel
Hotels & Resorts

Alsaraya
RESORT
SAHL HASHEESH

OLD TOWN
SAHL HASHEESH

Veranda
SAHL HASHEESH

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PLEASURES
SAHL HASHEESH

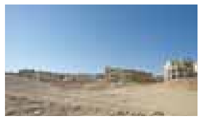
Zoser
HOTEL

Premier

Dream Heaven
On earth

Iberotel
Hotels & Resorts

Sun Gate



OCEAN
BREEZE

OLD
PALACE
RESORT
SAHL HASHEESH

Management Team

Mohamed Kamel
Chief Executive Officer

Mr. Kamel assumes the role of Chief Executive Officer 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 Bachelors 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 Bachelors degrees in Aeronautical Engineering and Military Science.

Abu Bakr Makhlouf
Head of Investor Relations

Mr. Makhlouf has over ten 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 Bachelors 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 Bachelors 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.

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 Bachelors 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 Bachelors degree in Electrical Power and Machines Engineering from Cairo University.

Sherine Amr

Director - Human Resources

Prior to joining ERC, Ms. Amr was the Deputy General Manager for HR at BMW Egypt. Previously, she worked as HR director for TE Data. She began her career in Dubai, where she spent 12 years working for various multinationals, including Standard Chartered Bank, Master Foods (Effemex) and the British Council. Ms. Amr holds a Bachelors degree in Psychology from the American University in Cairo.

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 Bachelors degree in Accounting from Cairo University and an MBA in Banking & Finance from the Maastricht School of Management.

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, for which it boosts investor confidence by protecting the value of their shares, and the business community, for which it provides a regulatory framework for healthy competition. ERC is committed to implementing best practices in corporate governance and attaining top ranking among Egyptian listed companies. In 2010-11, ERC took a number of steps to further strengthen the company's corporate governance procedures.

Key Highlights

Following the resignation of Mr. Mahmoud Abdullah from his position as Chairman in July 2010, Dr. Samir Makary was elected to replace him. A member of ERC's Board of Directors since 2008, Dr. Makary has served as Chairman of ERC's Technical Committee and a member of the Executive and Human Resources committees. He has over 20 years of experience in market and financial analysis and economic policy issues with a proven track record of consulting on tourism development policies and projects. In the 1990s, Dr. Makary was an author of one of the first studies to examine the feasibility of Sahl Hasheesh as a major tourism destination.

Board Committees

As management built out its in-house human resource and technical expertise, the board elected to follow Hay Group's recommendations and dissolve the Technical Committee and repurpose the Human Resources Committee. ERC Board members serve on three committees, in accordance with their respective expertise: the Executive, Audit, and Remuneration and Nomination.

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. It then proposes strategies that the Executive Management should follow to achieve the company's overall objectives. The current Chairman and the current CEO both sit on this committee, ensuring that each decision that exits the Executive Committee has been deliberated and reached by the consensus of the company's senior leadership.

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

The Remuneration and Nomination Committee supports the board in matters relating to executive compensation and to the appointment, performance management and replacement of the CEO, as well as ensures that the appropriate succession planning for key executive positions and talent management systems are in place.

Board Report

On 28 April 2011, ERC held its General Assembly meeting (AGM), to which all shareholders were invited, at Premier Le Reve Hotel in Sahl Hasheesh, in which the ratification of 2010 company financial statements and reports took place.

The majority of the Board is made up of non-executive members, elected from different groups of shareholders. Once elected, however, 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 strategic 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 appropriate Board composition.

The Board is 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 11 times in 2010.

External Auditor

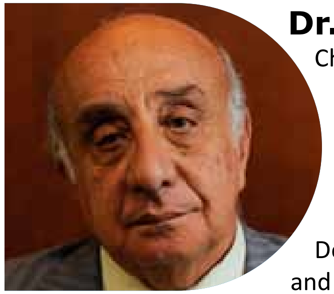
Based on the recommendation of the Audit Committee, the Board nominates a qualified external auditor. The external auditor is selected and awarded annual remuneration by the General Assembly, operating independently from the company and the Board. The external auditor fully abides by Egyptian Accounting 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 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. Currently Chairman and CEO of Misr Assets Management, he brings more that 17 years of experience in private equity and assets management to the ERC Board.

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 assumes the role of Chief Executive Officer 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 Bachelors 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 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, most recently participating in the amendments to Egyptian Insurance Law No. 10. He holds a Bachelors 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 Committee.

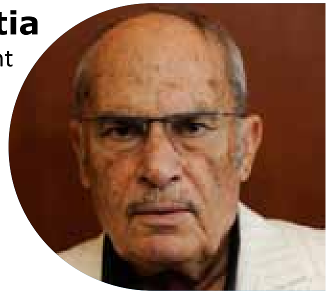
Mr. Mohamed Hussein

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

Eng. Abdel Monem Attia

Representing KATO Investment



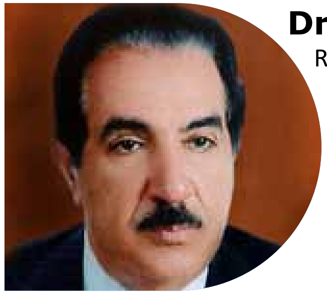
Eng. Attia is Chairman of KATO Real Estate Development. Previously, he was Chairman of Saudi Egyptian Belgium Construction. With more than 50 years experience in real estate and tourism investment, he sits on the board of First Arabian Real Estate & Tourism Investment, Ghazala Hotels, and International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

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

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 Bachelors degree in Banking Management from Sadat Academy for Management Science. He is a member of the Audit 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. Mr. Al Kholi holds a Bachelors degree in Pharmacy from King Saud University.

Mr. Ahmed Abu Hendia
Representing First Arabian Development and 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 Bachelors degree in Law from Ain Shams University. He chairs the Remuneration and Nomination 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 Bachelors degree in Business Administration from AUC and Adelphi University, and Masters degrees in Finance and International Economics from Adelphi and Brandeis University. He also holds a PhD in Finance from Brandeis. He chairs the Audit Committee and is a member of the Executive Committee as well as the Remuneration and Nomination 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 Bachelors 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 Remuneration and Nomination Committee.

History of ERC

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

2011 and onwards

Launch of community services model

Start of construction on Sawari Marina

Development of master plan for remaining land bank at Sahl Hasheesh

Consolidated Financial Statements & Auditor's Report

Egyptian Resorts Company (S.A.E) — Fiscal Year Ending December 31, 2010

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Modified 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, 2010, and the 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 financial statements referred to above present fairly, in all material respects, the financial position of Egyptian Resorts Company (SAE) as of December 31, 2010, and of its financial performance and its 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 a qualification:

1) As disclosed in detail in note no. 28 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 contracts of all lands allocated to 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 documents in support of the Company's position. The Company's legal consultant believes that the lawsuit before the council of state is still in its very early stages and the Company intervened in the lawsuit since the prior court hearing only and 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, then it would be impossible for the time being to predict the results of the lawsuit it this early stage of dispute. Though the extent of the negative effects on the Company's economics and financial position that may result because of this lawsuit is not yet determined.

2) On April 11, 2011 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 meter squared. This action is in response of TDA's decision dated March 31, 2011 which is subsequent to the date of our report on the financial statements for the financial year ended December 31, 2010 dated March 29, 2011 knowing that work in process in connection with this phase amounted to L.E 54.94 million. The Company is currently taking the legal procedures to appeal the decision of the General Authority of Touristic Development related to withdrawal of it consent aforementioned or raising a lawsuit before the administrative court of law to cancel this decision. Based on the Company's legal consultant's opinion issued April 21, 2011, it is too soon to predict the results of those procedures in the dispute. Our procedures to audit the subsequent events for the date of our report dated March 29, 2011 is limited only for the event of TDA decision without considering any other events.

3) As disclosed in note no. 30 of the notes to the financial statements, the Company has no available information which enables it to disclose the impact of the subsequent events to the date of the balance sheet on the reported amounts of assets, liabilities and the business results during the upcoming financial periods, as these values and results may materially differ in the upcoming periods if the Company's management obtained trust worthy indications and evidences, and then the Company can use these indications and evidences to determine the impact of the subsequent events to the date of the balance sheet on the reported amounts of assets and liabilities included in the balance sheet.

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 therewith and 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 29, 2011
Cairo, April 26, 2011

Consolidated Balance Sheet of the Company and its Subsidiaries as of December 31, 2010

Translated & Originally Issued in Arabic

	Note No.	12/31/2010 L.E.	(Adjusted) 12/31/2009 L.E.
Long Term Assets			
Fixed assets (Net)	(3-2,4)	163 097 550	140 064 967
Projects in progress	(3-3,5)	199 320 499	130 653 517
Utilization rights of trade marks	(6)	5 941 526	-
Accounts & notes receivable (Net)	(3-7,8/1)	81 128 399	73 960 889
Deferred tax assets (Net)	(3-18,24)	2 805 906	4 314 899
Total Long Term Assets		**452 293 880**	**348 994 272**
Current Assets			
Work in process	(3-5,7)	441 830 266	403 984 538
Inventory	(3-4)	1 001 221	51 031
Accounts & notes receivable (Net)	(3-7,8/2)	250 755 203	369 577 104
Sundry debtors and other debit balances	(9)	11 953 034	2 647 416
Cash on hand & at banks	(10)	273 767 389	309 218 545
Total Current Assets		**979 307 113**	**1085 478 634**
Current Liabilities			
Provision for claims	(3-11,11)	15 043 508	5 292 148
Receivables - advance payments	(12)	40 092 803	33 653 264
Sundry creditors and other credit balances	(3-12,13)	40 328 469	36 451 678
Due to Authority of Touristic Development-(due within one year)	(14-1)	23 771 254	25 573 446
Estimated cost for development of sold land	(3-6)	119 366 716	147 147 093
Total Current Liabilities		**238 602 750**	**248 117 629**
Working capital		740 704 363	837 361 005
Total Investments		**1192 998 243**	**1186 355 277**
Financed as follows:			
Shareholders' Equity			
Issued and fully paid in capital	(15)	1050 000 000	1050 000 000
Gains from sale of treasury shares		6 041 052	6 041 052
Legal reserve	(25)	123 986 754	123 986 754
Carried forward losses	(26)	(264 225 600)	(268 325 606)
Net (loss) profit for the year	(27)	(3 856 953)	4 100 006
Shareholders' Equity of holding company		**911 945 253**	**915 802 206**
Minorities' interest	(21)	**72 975 518**	**78 476 536**
Total Shareholders' Equity		**984 920 771**	**994 278 742**
Long-term Liabilities			
Purchase of land creditors	(3-7)	206 979 363	190 775 930
Due to Authority of Touristic Development- Long term	(14-2)	1 098 109	1 300 605
Total Long-term Liabilities		**208 077 472**	**192 076 535**
Total Shareholders' Equity & Long-term Liabilities		**1192 998 243**	**1186 355 277**

Chairman
Dr. Samir Makary

Chief Executive Officer
Mr. Mohamed Ibrahim Kamel

Chief Financial Controller
Mr. Ahmed Amer

* The accompanying notes from 58-79 represent an integral part of these financial statements and are to be read with them.

The Consolidated Income Statement of the Company and its Subsidiaries
For the Financial year from January 1, 2010 till December 31, 2010

	Note No.	From 1/1/2010 to 31/12/2010 L.E.	(Adjusted) From 1/1/2009 to 31/12/2009 L.E.
Net sales	(3-14,17/1)	189 615	-
Deferred interest (Net)	(3-14,17/2)	(25 789)	15 503 472
Sales return	(3-14,17/3)	(1 162 038)	-
Revenues from services rendered	(3-14,17/4)	15 918 515	10 278 184
Total Revenues		**14 920 303**	**25 781 656**
Less:			
Cost of sales	(3-15,18/1)	(981 955)	-
Cost of sales return of land	(3-15,18/2)	2 443 417	-
Operating costs	(3-15)	(11 267 590)	(9 969 028)
Depreciation of operating fixed assets	(3-2,4)	(10 906 736)	(3 704 806)
Gross profit		**(5 792 561)**	**12 107 822**
Other operating revenues	(9)	8 198 077	748 944
		2 405 516	**12 856 766**
Add/(Less):			
Selling & marketing expenses	(3-15)	(4 392 470)	(1 670 115)
General and administrative expenses	(3-15,19)	(24 250 660)	(16 699 956)
Depreciation of assets	(3-2,4)	(1 854 651)	(1 322 132)
Banks charges		(92 389)	(98 243)
Impairment in receivables		-	(6 000 000)
Reverse of impairment in receivables	(8)	7 124 780	-
Provision for claims	(11)	(18 203 279)	(4 872 148)
Provisions no longer required	(11)	4 206 045	-
(Loss) Profits resulted from operating activity		**(35 057 108)**	**(17 805 828)**
Capital gain		424 750	-
Interest income	(20)	18 400 359	23 898 558
Foreign exchange differences		8 383 021	(2 202 322)
		27 208 130	21 696 236
Net profit before income tax	**(3-18)**	**(7 848 978)**	**3 890 408**
Deferred tax that results in a liability	(3-18)	(1 508 993)	786 555
Net (loss) profit for the year after tax		**(9 357 971)**	**4 676 963**
Holding company's shareholders' share in the year's (losses) profits		(3 856 953)	4 100 006
Minorities share in (losses) profits of subsidiary company for the year	(21)	(5 501 018)	576 957
Net profit after income tax		**(9 357 971)**	**4 676 963**
Earning per Share	**(16)**	**(0.004)**	**0.004**

* The accompanying notes from 58-79 represent an integral part of these financial statements and are to be read with them.

Consolidated Statement of Changes in Shareholders' Equity for the Company and its Subsidiaries
For the Financial year from January 1, 2010 till December 31, 2010

Translated & Originally Issued in Arabic

Description	Note No.	Issued & Paid in Capital L.E.	Treasury Shares L.E.	Gains from Sale of Treasury Shares L.E.	Legal Reserve L.E.	Carried Forward Losses L.E.	Net Profit (loss) of the year L.E.	Minorities' interest L.E.	Total L.E.
Balance as at December 31, 2008 before adjustments		**1050 000 000**	**(51 640 333)**	**-**	**113 279 929**	**(334 827 119)**	**264 601 632**	**77 899 579**	**1119 313 688**
Adjustments on retained earnings	(26)	-	-	-	-	(168 289 212)	-	-	(168 289 212)
Balance as at December 31, 2008 - Adjusted		**1050 000 000**	**(51 640 333)**	**-**	**113 279 929**	**(503 116 331)**	**264 601 632**	**77 899 579**	**951 024 476**
Transferred to carried forward losses		-	-	-	-	264 601 632	(264 601 632)	-	-
Transferred to legal reserve		-	-	-	10 706 825	(10 706 825)	-	-	-
Sale of treasury shares	(15)		51 640 333	6 041 052	-	-	-	-	57 681 385
Adjustments on retained earnings		-	-	-	-	(19 104 082)	-	-	(19 104 082)
Net loss for the year		-	-	-		-	(3 947 926)	576 957	(3 370 969)
Balance as at December 31, 2009 before adjustments		**1050 000 000**	**-**	**6 041 052**	**123 986 754**	**(268 325 606)**	**(3 947 926)**	**78 476 536**	**986 230 810**
Adjustments on losses of year 2009	(27)	-	-	-	-	-	8 047 932		8 047 932
Balance as at December 31, 2009 - adjusted		**1050 000 000**	**-**	**6 041 052**	**123 986 754**	**(268 325 606)**	**4 100 006**	**78 476 536**	**994 278 742**
Transferred to carried forward losses		-	-	-	-	4 100 006	(4 100 006)	-	-
Net loss of the year		-	-	-	-	-	(3 856 953)	(5 501 018)	(9 357 971)
Balance as at December 31, 2010		**1050 000 000**	**-**	**6 041 052**	**123 986 754**	**(264 225 600)**	**(3 856 953)**	**72 975 518**	**984 920 771**

* The accompanying notes from 58-79 represent an integral part of these financial statements and are to be read with them.

The Consolidated Cash Flows Statement for the Company and its Subsidiaries
For the Financial year from January 1, 2010 till December 31, 2010

Translated & Originally Issued in Arabic

	Note No.	For the financial year From 1/1/2010 to 31/12/2010 L.E.	(Adjusted) For the financial year From 1/1/2009 to 31/12/2009 L.E.
Cash Flows from Operating Activities			
Net (loss) profit before income tax		(7 848 978)	3 890 408
Adjustments to Reconcile Net Profit with Net Cash Flows from Operating activities			
Fixed assets' depreciation	(4)	12 761 386	5 026 938
Amortization for utilization rights of trade marks		58 474	-
Impairment in receivables		-	6 000 000
Reverse of impairment in receivables		(7 124 780)	-
Provision for claims formed		18 203 279	4 872 148
Provisions no longer required		(4 206 045)	-
Other income		(7 078 664)	-
Capital gain		(424 750)	-
Foreign currency exchange differences		(8 458 258)	1 353 263
		(4 118 336)	**21 142 757**
Change in working capital			
Decrease in receivables		76 471 611	65 171 589
(Increase) in inventory		(950 190)	-
(Increase) decrease in debtors and other debit balances		(2 226 955)	2 928 156
Payments for acquiring utilization rights of trade marks		(2 000 000)	-
(Increase) in work in process		(37 845 728)	(22 207 467)
Increase in receivables advance payments		4 672 539	(712 796)
(Decrease) increase in creditors and other credit balances		(123 208)	809 150
Changes in estimated cost for development of sold land		(27 780 377)	(16 047 466)
(Decrease) dues to Authority of Touristic Development		(787 307)	(361 209)
Used form provision for claims	(11)	(3 579 771)	-
Increase in purchase of land creditors		5 411 366	(26 741 435)
Paid income tax		(666 103)	(79 753 302)
Net cash flow available from (used in) operating activities		**6 477 541**	**(55 772 023)**
Cash Flows from Investing Activities			
Payments for purchase of fixed assets, projects in progress and property investments	(4)	(42 353 447)	(63 863 169)
Proceeds from sale of fixed assets		424 750	-
Net cash available from investing activities		**(41 928 697)**	**(63 863 169)**
Cash Flows from Financing Activities			
Proceeds from treasury shares' sale		-	57 681 385
Net cash flow available from financing activities		-	57 681 385
Net cash (used) during the year		(35 451 156)	(61 953 807)
Cash & cash equivalent as at January 1, 2010		309 218 545	371 172 352
Cash & cash equivalent as at December 31, 2010	(10)	273 767 389	309 218 545

The impact of adjusting the beginning balance of the retained earnings and balances in relation mentioned in detail in notes to the financial statements (note no. 26) has been eliminated considering it as non cash transaction

* The accompanying notes from 58-79 represent an integral part of these financial statements and are to be read with them.

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 Hasheesh – Hurghada – Red Sea, and the location of the Company's branch at Cairo Governorate is at 4A Aziz Abaza Street – Zamalek – Cairo.
- The Chairman of the Board of Directors is Dr. Samir Makary – and the Chief Executive Officer is Mr. Mohamed Ibrahim Kamel Abu Eloyoon. The Board of Directors approved these financial statements on 28/03/2011).

(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 on the Red Sea coast, by 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 consisting of 200 rooms of a 5-star level, fully complete with its complementary utilities and entertainment services: 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.
It is worth mentioning that Sahl Hasheesh Company for touristic did not start its activity yet.

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

2- Basis of preparation of the separate financial statements

2-1 Basis for preparation

A- Statement of compliance

The separate financial statements have been prepared in accordance with Egyptian Accounting Standards and in the light of applicable laws and regulations.

B- Basis of measurement

These financial statements have been prepared on the historical cost basis.

C- Functional and presentation currency

These financial statements are presented in Egyptian pounds, which is the Company's functional currency.

D- Use of estimates and judgments

- The preparation of financial statements requires Management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses and the estimates and assumptions related to them when applied are considered according to prior experience and acceptable other factors. The results of these assumptions and estimates represent the base for judgment on the net book values of assets and liabilities in a clearer way than any other source. Actual results may differ from these estimates.

- The assumptions and estimates are reviewed periodically.
- Revisions to accounting estimates are recognized in the period in which the estimate is revised if revision affects this period, in the revision period or in any future periods if the revision affects both of them.

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

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

- All balances and transactions between the companies of the group were eliminated.
- Minority interest from owners' equity and companies' results which the holding company controls so it was classified in a separate item in the consolidated financial statements. The percentage of the minority interest in assets and liabilities of the subsidiary companies were computed when acquired.

Cost of acquisition was classified according to the fair value of owned assets and liabilities as at acquisition date which is equivalent in value to the book value and in the limit of the percentage the holding company obtained on that date.

3- Significant Accounting Policies

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.

Moreover, 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	50 years
Machinery & Equipment	10 years
Furniture & Fixtures	16 years
Vehicles	5 years
Computers	5 years
Desalination plant and sewage treatment plant	
Structural works	30 years
Mechanical works	30 years
Water Tank	30 years
Warehouses	30 years
Gateways	30 years
Sunken City	30 years
Lights & Marketing Signs	30 years
Networks & Facilities	10 years
Internal Road Networks	30 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 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 until 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 process 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 process is recorded at cost or the net realizable value which is lower in the balance sheet.

The Company concluded a contract with Ernst Body Corporate Management for providing consulting and administrative services for the management of the community, As the Management decided to develop a model for managing the services rendered to the clients of the community, which permits the Company to obtain fees from clients for services provided and for recovering the cost of managing the community, which resulted in amending the accounting treatment of some work in process costs, and reclassifying them to projects in progress to be capitalized as fixed assets when completed, considering them as assets provide services which will generate income in future. This treatment has been made based on the Company's legal consultant's opinion dated April 14, 2009 which stated the Company is entitled to impose charges on clients with fees as long as the Company implemented its contractual obligations towards them.

3-6 Estimated cost for development of sold land

This item includes the estimated cost necessary to complete the development of land sold and supplying facilities for these lands. 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.
Based on the aforementioned concerning the contract with Ernst Body Corporate Management for providing consulting and administrative services for the management of the community, the estimated costs necessary to develop these phases have been modified based on the study prepared by the Company's experts in 2008.

3-7 Receivables, debtors and other debit balances

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

3-8 Cash flow statement

Cash flow statement is prepared according to indirect method.

3-9 Cash and cash equivalent

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

3-10 Impairment

A- Financial assets

- A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

- 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 that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

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 is 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. Thus and all land sold to customers are received with full utilities ready for construction.

Financial investments' revenue

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

Interest income

Interest income is recorded according to the accrual basis.

3-15 Expenses

Expenses are recognized on accrual basis.

3-16 Financial costs (net)

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

3-17 Interest expenses

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

3-18 Income Tax

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

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

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

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

3-19 Purchase of capital's shares

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

3-20 Dividends

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

3-21 Earning per share

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

3-22 Transaction with related parties

Transactions with related parties made by the Company are recorded in accordance with the rules stated by the Board of Directors and by the same basis of dealing with others.

4- Fixed Assets

The balance of fixed assets (net) shown in the balance sheet as at December 31, 2010 is represented as follows:-

Description	Cost as at 1/1/2010 L.E.	Adjustments on the beginning balance of cost L.E.	Cost as at 1/1/2010 - adjusted L.E.	Additions of the year	Transfers among assets L.E.	Disposals of the year	Cost as at 31/12/2010 L.E.	Accumulated Depreciation as at 1/1/2010 L.E.	Adjustments to the beginning balance for accumulated depreciation	Accumulated Depreciation as at 1/1/2010 - adjusted	Depreciation of the year L.E.	Accumulated depreciation of the assets transferred	Accumulated Depreciation of disposals	Accumulated Depreciation as at 31/12/2010 L.E.	Net book value as at 31/12/2010 L.E.	Net book value as at 31/12/2009 - adjusted L.E.
Land	521 610		521 610	-	-	-	521 610	-	-	-	-	-	-	-	521 610	521 610
Buildings	13 407 296	(3 876 561)	9 530 735	23 330 268	-	-	32 861 003	1 299 219	(32 416)	1 266 803	250 354	-	-	1 517 157	31 343 846	8 263 932
Machinery & Equipment	2 436 283		2 436 283	518 711	(883 345)	-	2 071 649	888 214	-	888 214	119 019	(28 632)	-	978 601	1 093 048	1 548 069
Furniture & fixtures	3 647 667		3 647 667	792 836	10 424	-	4 450 927	549 974	-	549 974	259 768	(18 321)	-	791 421	3 659 506	3 097 693
Transportation vehicles	1 563 691		1 563 691	132 000	-	(905 454)	790 237	1 262 309	-	1 262 309	89 786	-	(905 454)	446 641	343 596	301 382
Networks & facilities	80 321 239	(11 998 475)	68 322 764	9 642 036	692 002	-	78 656 802	2 008 031	(299 976)	1 708 055	6 937 712	-	-	8 645 767	70 011 035	66 614 709
Marketing signs & flags	4 561 305	(4 561 305)	-		-	-	-	38 011	(38 011)	-	-	-	-	-	-	-
Sunken City	6 093 653	(6 093 653)	-		-	-	-	50 780	(50 780)	-	-	-	-	-	-	-
Sewage Treatment Plant	21 561 564		21 561 564	13 500	-	-	21 575 064	1 812 857	-	1 812 857	956 850	-	-	2 769 707	18 805 357	19 748 707
Primary gateway	5 979 118	(5 979 118)	-		-	-	-	436 646	(436 646)	-	-	-	-	-	-	-
Water tank	8 901 556		8 901 556	17 598	-	-	8 919 154	236 825	-	236 825	296 971	-	-	533 796	8 385 358	8 664 731
Warehouses	1 514 767		1 514 767		-	-	1 514 767	126 232	-	126 232	50 526	-	-	176 758	1 338 009	1 388 535
Road networks	8 153 296	(8 153 296)	-		-	-	-	67 944	(67 944)	-		-	-	-	-	-
Water desalination plant	28 466 594		28 466 594	183 143	-	-	28 649 737	2 543 392	-	2 543 392	2 715 203	-	-	5 258 595	23 391 142	25 923 202
Computers & Air-conditioning	6 150 523		6 150 523	1 163 878	180 919	-	7 495 320	2 158 126	-	2 158 126	1 085 198	46 953	-	3 290 277	4 205 043	3 992 397
Total	**193 280 162**	**(40 662 408)**	**152 617 754**	**35 793 970**	**-**	**(905 454)**	**187 506 270**	**13 478 560**	**(925 773)**	**12 552 787**	**12 761 387**	**-**	**(905 454)**	**24 408 720**	**163 097 550**	**140 064 967**

* Fixed assets included assets which are fully depreciated, its cost amounted to L.E 2 398 116 as at December 31, 2010 as follows:

	L.E
Transportation vehicles	253 287
Machinery & Equipment	729 560
Furniture	4 547
Buildings (Caravans)	82 831
Computers	1 327 891
	2 398 116
Depreciations were classified as follows:	
Depreciation of operating fixed assets	10 906 736
Depreciation of administrative fixed assets	1 854 651
	12 761 387

(*) Adjustments on beginning balance of accumulated depreciation has been classified as follows:

	L.E
Depreciation of operating fixed assets included in income statement (Comparative figures of year 2009)	659 001
Adjustments on the beginning balance of carried forward losses (Note no. 26)	266 772
	925 773

5- Projects in progress

Projects in progress shown in the consolidated balance sheet as at December 31, 2010 are represented as follows:

	31/12/2010 L.E	31/12/2009 L.E
Sahl Hasheesh Company		
Lands	116 152 096	49 803 326
Work done by Sahl Hasheesh	61 218 060	46 045 508
Supplies of furniture for apartments' samples	37 853	--
Air conditioning works	9 179 538	--
Elevator 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	--
Advance payments to suppliers	1 088 730	278 794
Egyptian Resorts Company		
Public landscape & irrigation	--	4 294 112
Water Tank 6000 m2	--	3 784
Hydraulic works	--	772 367
Arrival Piazza	--	20 711 681
Water Desalination plant	183 052	353 313
Water Desalination plant Phase 3	--	49 365
Sundry projects in progress	556 968	758 686
Advance payments to suppliers	5 206 593	7 582 581
Balance as at 31/12/2010	**199 320 499**	**130 653 517**

- 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.

7- Work in Progress

The Company concluded a contract with Ernst Body Corporate Management for providing consulting and administrative services for the management of the community, As the management decided to develop a model for managing the services rendered to the clients of the community, which permits the Company to obtain fees from clients for services provided and for recovering the cost of managing the community, which resulted in amending the accounting treatment of some work in process costs, and reclassifying them to projects in progress to be capitalized as fixed assets when completed, considering them as assets provide services which will generate income in future. This treatment has been made based on the Company's legal consultant's opinion dated April 14, 2009 which stated the Company is entitled to impose charges on clients with fees as long as the Company implemented its contractual obligations towards them.

Based on the aforementioned the estimated costs necessary to develop the lands of the community have been modified based on the study prepared by the Company's experts in 2008. The cost per estimated square meter has become L.E 22.36 and L.E 34.31 for both the first and second phases, respectively. The study of development costs for the third phase is still in progress and there has not been any lands sold from this phase yet.

Based on the periodic study carried out by the Company for the elements of the estimated cost based on the operation, it has been clear for the Company's experts that such measurements and studies were not accurate and there should be significant amendments to be considered when calculating estimated cost of both first and second phases which are represented in reducing the land areas available for sale to both phases based on the geographical survey and the master plan for both phases, which was prepared in 2008, though the experts believed that the Company should reclassify some of the projects to be included in the costs of work in progress rather than fixed assets or projects in progress based on the nature of these assets and its contact to the facilitation activity (Note 4), as the Company has re-measured non-direct contact to the facilitation activity based on any updates in the current or the future operating conditions. The differences results from this amendments in the measurement aforementioned shall be charged to the retained earnings - note (26).

The Company has concluded a contract with a specialized consultancy firm to assess all elements of the estimated cost of the Company's project in light of the expected amendments to the master plan of the project and expected to be completed accurately during the second half of the financial year of 2011.

The actual cost for the work in progress account shown in the separate balance sheet as at December 31, 2010 is represented as follows:

		Balance as at 31/12/2010 L.E.	Balance as at 31/12/2009 L.E.
7-1	Cost of the project's lands haven't been sold yet 732 440 m^2- Phase 1	26 484 217	21 961 706
7-2	Cost of the project's lands haven't been sold yet 4 925 955 m^2-Phase 2	128 400 124	108 515 685
7-3	Cost of project's lands 28 312 296 million m^2 – Phase 3	286 392 710	273 507 147
7-4	Cost of Sawari Project	553 215	--
		441 830 266	**403 984 538**

7-1 First Phase Lands

- The General Authority for Touristic Development allocated an area of six million square meters 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 to 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 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.
  The total cost estimated for development as at December 31, 2010 of the first phase of the project based on the revised study prepared by the Company's experts amounted to L.E 251 742 815 in which the estimated cost per meter amounted to LE 51.773 approximately.
- 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, 2010.

7-2 Second Phase Lands

- The Company rented the second phase's lands - 6 million square meters - as an extension to the touristic development of phase one.
  On March 30, 2003 the Company received initial approval from the General Authority for Touristic Development (Ministry of Tourism) to sell the area allocated to the second phase (6 million m²).

- The estimated cost as at December 31, 2010 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 per meter of L.E 60. And upon the sale of any of the project's lands, 7.5% of the selling price is due to the authority with minimum payment L.E 11.25/meter and increase by 10% yearly according to the contracts, applying the prime minister's decree No. 1026 of 2005 mentioned above in note (8-1) over the project's second phase.

- Based on the geographical survey for the second phase made on 2008 which is mentioned in (8-1), the total area of that phase is 7 032 867 meter square and the area to be sold from this phase is 6 542 922 meter square. These differences were included in purchase of land creditors as at December 31, 2010.

7-3 Third phase lands

The Company rented the third phase's lands (20 million m²) as an extension to the 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 asked the General Authority for Touristic Development to issue a letter confirming the Company's rights in developing the project's third phase. 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 per square meter was determined to be USD 1.40/m².

As per the geographical survey prepared by the experts 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 aforementioned company, 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 were USD 7 567 359 as at 31 December 2010. The remaining amount due to the Authority based on the aforementioned is L.E 201 749 423 equivalent to USD 34 844 460 and included in purchase of land creditors, knowing that no allocation contracts for phase 3 have yet been concluded because the Company did not yet submit a master plan for this phase to the Authority of Touristic Development. Subsequently, the Company did not receive a final time schedule determining payment installments, its dates and its interests until this date. The master plan for this phase is currently being prepared by the Company to be submitted to the General Authority for Touristic Development .

(**)Work in process of the period included 50% of the Chief Executive Officer's salary in return for his technical supervision of work done in Sahl Hasheesh, and also included the administrative consultancy costs of the representative of Ernst Body Corporate Management whom the Company concluded a contract with for rendering consultancy and administrative services for the management of the Sahl Hasheesh community.

7-4 Cost of work in process (Sawari 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 square meters from the Phase 2 landbank, 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 the project's landbank (no. 37 and 38) for an amount of USD 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 works which he is entitled to through his own staff and his own expenditure, and shall receive his fees as follows:

First: sales commission

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

Second: Incentive management fees:

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

8- Accounts & Notes Receivable (Net)

The balance of accounts & notes receivable shown in the Consolidated balance sheet as at December 31, 2010 is represented as follows:

8/1 Accounts & Notes receivable - long term (Net)	31/12/2010 L.E.	31/12/2009 L.E.
Land receivables- first phase	21 452 693	373 378 30
Land receivables- second phase	66 428 303	49 610 370
Villas receivables- first zone	--	--
Villas receivables- second zone	350 000	--
	88 230 996	79 988 743
Less: Deferred interest – long term	(7 102 597)	(6 027 854)
	81 128 399	73 960 889

8/2 Accounts & Notes receivable -short term (Net)	31/12/2010 L.E.	31/12/2009 L.E.
Land receivables- first phase	101 401 581	121 659 886
Land receivables- second phase	142 590 151	246 439 826
Villas receivables- first zone	4 816 808	4 865 358
Villas receivables- second zone	6 499 999	8 050 012
Service rendered – receivables	5 428 208	9 076 154
	260 736 747	390 091 416
Less: Deferred interest -Short term	(1 964 544)	(3 514 312)
Less: Impairment in receivables	(8 017 000)	(17 000 000)
	250 755 203	**369 577 104**

(*) Land receivables includes balances which are against notes receivable amounted to L.E 67.148 million deposited at banks and on hand in the Company as at December, 31 2010, and shall be deducted from the balance when collected.

(**) Impairment in receivables is represented as follows:

	Balance as at 1/1/2010 L.E	Transferred during the year L.E	Reverse of impairment in receivables L.E	Used during the year L.E	Balance as at 31/12/2010 L.E
Land receivables	17 000 000	(877 000)	(7 124 780)	(1 858 220)	7 140 000
Rendering services	-	877 000	-	-	877 000
Balance at December 31,2010	17 000 000	-	(7 124 780)	(1 858 220)	8 017 000

9- Sundry Debtors & Other Debit Balances

The balance of sundry debtors & other debit balances shown in the Consolidated balance sheet as at December 31, 2010 are represented as follows:

	31/12/2010 L.E.	31/12/2009 L.E.
Letters of guarantee covers	50 000	50 000
Cash interests and loans	170 865	124 939
Prepaid expenses	914 823	744 023
Deposits with others	241 329	279 165
Accrued interest	2 886 922	505 187
Contractors (debit balances)	174 475	591 020
Sundry debtors	156 107	294 972
Withholding Tax – Debit	212 171	15 788
Income Tax Authority– debit balances	7 078 664	--
Other debit balances	67 678	42 322
	11 953 034	**2 647 416**

(*) Income Tax Authority balance (debit) amounted to L.E 7 078 664 is represented in the differences due to the Company resulting from tax inspection for the years from 2005 to 2007 as per the tax inspection forms while the tax claims based on the tax pool of these years have been charged to provision for claims as at December 31, 2010.

10- Cash on Hand and at Banks

This item shown in the Consolidated balance sheet as at December 31, 2010 is represented as follows:

	31/12/2010 L.E	31/12/2009 L.E
Cash on hand	154 494	414 207
Banks – current accounts-L.E	37 712 052	51 612 021
Banks – current accounts-USD	35 705 448	44 631 776
Banks – current accounts-EURO	35 697	290 605
Banks-time deposit-L.E	31 663 223	173 082 909
Banks-time deposit-USD	51 685 525	39 187 027
Treasury Bills (*)	116 810 950	--
	273 767 389	**309 218 545**

(*) This item is represented in the following:

- Purchase of treasury bills from Arab African International bank due on 6/7/2011 with an amount of L.E 30 million at a rate of 9.7%.

- Purchase of treasury bills from Misr Iran bank due on 5/7/2011 with an amount of L.E 95 million at a rate of 10%.

11- Provision for Claims

	Balance 1/1/2010 L.E	Formed during the year L.E	Provisions no longer required L.E	Used during the year LE	Balance as at 31/12/2010 LE
Provision For claims – receivables	420 000	12 873 279	--	(3 579 771)	9 713 508
Provision For claims	4 872 148	5 330 000	(4 206 045)	(666 103)	5 330 000
Total	**5 292 148**	**18 203 279**	**(4 206 045)**	**(4 245 874)**	**15 043 508**

12- Receivables Advance Payments

Receivables advance payments shown in the consolidated balance sheet as at December 31, 2010 are represented as follows:

		L.E
A-	Amounts received from some of the clients of the holding company as a reservation paid under the account of purchasing project's lands and 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 LE 33 003 000 considering his delay in fulfilling his contractual obligations until this date and the legal procedures concerning this matter are currently being undertaken.	38 913 549
B-	Advance payments from receivables – rentals of Sahl Hasheesh Company (subsidiary company)	1 179 254
		40 092 803

13- Sundry Creditors & Other Credit Balances

The balance shown in the consolidated balance sheet as at December 31, 2010 is represented as follows:

	31/12/2010 L.E	31/12/2009 L.E
Sundry creditors	23 208 603	16 425 714
Contractors' retention	3 923 441	6 443 179
Suppliers	447 409	550 347
Contractors-social insurance	2 135 259	3 359 474
Accrued expenses	300 519	588 208
Due to governmental authorities	8 194 437	7 042 698
Other credit balances	-	216 031
Villas' maintenance deposits	1 118 063	1 148 063
Deposits from others (shops)	125 750	--
Dividends payable	393 499	393 499
Unearned revenues	481 489	284 465
	40 328 469	**36 451 678**

14- Due to the General Authority for Touristic Development

This item shown in the Consolidated balance sheet as at December 31, 2010 is represented as follows:

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

	31/12/2010 L.E.	31/12/2009 L.E.
Accrued rent due to the authority for the third phase	942 429	891 971
Dues to the authority for the sale of the project's land	22 828 825	24 681 475
	23 771 254	**25 573 446**

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, 2010 are as follows:

	31/12/2010 L.E.	31/12/2009 L.E.
Due to General Authority for Touristic Development – Long Term	1 098 109	1 300 605

15- Capital

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

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

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

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.

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

16- Earning per share

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

	From 1/1/2010 to 31/12/2010 L.E.	From 1/1/2009 to 31/12/2009 L.E.
(*) Net profit for the period	(3 856 953)	4 100 006
(**) Average number of shares during the period	1 050 000 000	1 050 000 000
Earning (loss) per share	L.E. (0.004)/share	L.E. 0.004/share

(*) Earnings per share of the comparative figures has been adjusted to be L.E 0.004 instead of LE (0.004) before adjustment due to the adjustments mentioned in note no. (27).

(**) Average number of outstanding shares for comparative period was computed as follows:

The number of outstanding common stock shares were amended to be 1 050 000 000 shares after selling 25 million treasury stock share during year 2009 as if this event happened at the beginning of the financial period (1/1/2009) as per the Egyptian Accounting Standards.

17- Sales

17-1 Net sales

	From 1/1/2010 to 31/12/2010 L.E.	From 1/1/2009 to 31/12/2009 L.E.
First zone	888 870	--
Second zone	--	--
Total revenue from sale of land	888 870	--
Less: Adjustments resulted from the geographical survey	(699 255)	--
	189 615	

17-2 Net Deferred income

	From 1/1/2010 to 31/12/2010 L.E.	From 1/1/2009 to 31/12/2009 L.E.
Interest recalled from deferred income	8 247 042	15 503 472
Less:		
Differences resulted from rescheduling of receivables' installments	(8 272 831)	--
	(25 789)	**15 503 472**

(*) Differences resulted from rescheduling of receivables' installments included in the separate income amounted to L.E 8 272 831 as at December 31, 2010 are represented in the differences resulted from revaluation of deferred income balance related to installments due on some of the clients of phase 1 and 2. The revaluation concerns the rescheduling of the balance due on clients and it has been made based on the approval of the board of directors on June 27, 2010 and also based on the agreements concluded with these clients for rescheduling their installments.

17-3 Sales Return

Sales returns, included in the income statement by an amount of L.E 1 162 038, is due to the partial reverse of an area of 46 482 square meters from a piece of land allocated for one of the clients of phase 1 and 2, which was previously sold to the client on prior years based on the agreement concluded between the two parties on February 16, 2010.

17-4 Revenue from services rendered

	From 1/1/2010 to 31/12/2010 L.E.	From 1/1/2009 to 31/12/2009 L.E.
Revenue from water and electricity supplied	13 447 878	9 577 241
Revenue from irrigation water supplied	895 791	609 152
Revenue from communication services supplied	1 574 846	91 791
	15 918 515	**10 278 184**

18- Cost

18-1 Cost of sales

	From 1/1/2010 to 31/12/2010 L.E.	From 1/1/2009 to 31/12/2009 L.E.
Cost of sales villa land		
First zone	51 774	--
	51 774	--
Add:		
Cost of indemnified areas – phase one	930 181	--
	981 955	**--**

18-2 Cost of sales return

	From 1/1/2010 to 31/12/2010 L.E.	From 1/1/2009 to 31/12/2009 L.E.
Cost of recoverable areas during the year – phase one (Note no. 19-3)	(2 406 513)	--
Less: Adjustments resulted from geographical survey – phase two	(36 904)	--
	(2 443 417)	**--**

19- Administrative and general expenses

	From 1/1/2010 to 31/12/2010 L.E.	From 1/1/2009 to 31/12/2009 L.E.
Salaries, wages and related expenses	10 826 841	6 024 045
Salaries and allowances for Board of directors(*)	2 781 031	3 802 674
Consultancy & audit fees	4 146 069	890 594
Recruitment fees	378 839	126 524
Donations	200 000	100 000
Rentals	625 791	633 076
Stationary, printings & computer expenses	385 730	663 700
Employees' training fund	147 782	71 261
Subscriptions	441 964	8 997
Traveling & transportation expenses	1 663 693	1 072 226
Publishing and advertising fees	781 542	1 651 182
Others	1 871 378	1 655 677
Total	**24 250 660**	**16 699 956**

(*) Salaries, wages, allowances and its related include 50 % from salary of chief executive officer for the period 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, 2010 is represented in the following:

	From 1/1/2010 to 31/12/2010 L.E.	From 1/1/2009 to 31/12/2009 L.E.
Interest income from bank deposits	13 759 584	14 320 210
Interest resulted from delay in payment of installments	4 640 775	9 578 348
	18 400 359	**23 898 558**

21- Minority Interest

The balance shown in the consolidated balance sheet as at December 31, 2010 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 1/1/2010	78 476 536
Add:	
Minority's share in the losses for the financial year ended December 31, 2010 for the subsidiary	(5 501 0180
Balance as at December 31, 2010	**72 975 518**

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 31/12/2010 is represented in the following:

22-1 Corporate Tax

The Company is subject to the provisions of tax law No. 157/1981 until 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 until 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 Company's books were inspected by the Tax Authority of corporate companies since company's activity inception until 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 until 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.

The tax returns were submitted for years from 2005 to 2009 according to Law No.91 of 2005 in the due dates.

2005, 2006, 2007

- The tax inspection for the years from 2005 until 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.

Year 2008

- The tax inspection has been made for year 2008 but the Company did not receive any tax forms until this date.

Year 2009

- 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 until year 2004 and there has been tax assessment and the tax due and delay penalties amounted to L.E 214 915 after deducting payments. This assessment is based on form No.9 dated 14/6/2009.
- For the years from 2005 until 2008 is currently being inspected.

22-3 Sales tax

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

22-5 Movable tax

There has been an inspection for the Company's books from the date of activity's inception until year 2004 by the Tax Authority for corporate companies and there has been an assessment and it has been paid.

Second: Tax position for the subsidiary company (Sahl Hasheesh Company for touristic investment) as per what was presented in the consolidated financial statements as at December 31, 2010, which complies with the practices of the tax system of Arab Republic of Egypt.

- 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 until December 31, 2018 for the specified purpose mentioned in the Company's tax card.
- The tax inspection and the final assessment for the movable taxes and salary tax were made and the due amounts paid until year 2005.
- The Company also submitted its tax returns for the years 2004, 2005, 2006, 2007, 2008 and 2009.

22-7 Salary tax

There has been an inspection for the salary tax of the Company until December 31, 2006 and there has been tax assessment and the resulting tax differences have been paid.

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, other credit balances and banks overdraft).

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 other than the financial investments not registered in the stock exchange market which are recorded at cost and it is difficult to determine 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 405 789 078 and L.E 263 662 333 respectively. The Company's net balances in foreign currencies at the balance sheet date are as follows:

Foreign currencies	Surplus
USD	24 540 753
Euro	4 647

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 until the customers settle the full value of the land.

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

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

	31/12/2010 L.E.	31/12/2009 L.E.
Fixed assets and intangible assets	(8 940 577)	(7 431 584)
Carried forward losses	11 746 483	11 746 483
Net tax that results in (Asset) Liability	**2 805 906**	**4 314 899**

Unrecognized deferred tax that results in an asset

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

	31/12/2010 L.E.	31/12/2009 L.E.
Provisions	5 715 511	3 484 000

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 the C ompany's capital.

26- Adjustments on retained earnings

Adjustments to the beginning balance of retained earnings shown in the shareholders' equity are represented in the following:

	L.E	L.E
Balance of retained earnings as per the consolidated financial statements for year 2009 (before adjustments) Less : adjustments to the beginning balance of retained earnings are represented in the following:		(100 036 394)
The tax related to sales reversed on year 2009 has been adjusted as per the adjusted tax return of year 2009 - Note No. (9)	(4 776 020)	
The debit adjustments resulted from correction of accounting basis measurement for the land area prepared for sale. And also the cost of some projects which were included in the cost of facilitating the land in which the experts used by the Company on 2008 to determine the estimated cost of development and facilitating of first and second phases and considering the possibility of capitalizing these projects to be fixed assets which will generate revenues in the future. Based on the periodic study for the estimated costs until the end of year 2010 prepared by the experts used by the Company, the areas of land prepared for sale shall be modified based on the current master plan for the site. And also the adjustments related to the error in the study resulted from including capitalization of some of costs to fixed assets in prior periods which should have been included in work in process instead of fixed assets in that time as these costs are directly related to the infrastructure of the project and these costs amounted to L.E 91 096 368 (note 4)	(146 349 759)	
Reversal of depreciation related to fixed assets that have been reclassified to cost of work in process, which were included in the income statement until December 31, 2008 (Note - 4).	266 772	
Adjustments resulting from the cancellation of revenue and costs related to the sale of a piece of land in phase 2, which was recorded during year 2008, as the General Authority for Touristic Development disapproved the drawings submitted to it by the client because it does not match the master plan for phase 2. This decision was based on the letter received from the General Authority for Touristic Development on September 13, 2010 (*)	(21 787 757)	
Settlement of deferred tax arising from the carried forward losses resulted from cancellation revenue and costs related to the sale of a piece of land in phase 2 (aforementioned) which were recorded during year 2008	4 357 552	
Net adjustments on the beginning balance		(168 289 212)
Adjusted beginning balance		(268 325 606)

(*) The debit adjustments on retained earnings as at December 31, 2010 resulting from the cancellation of revenue recognized and costs related to the sale of a piece of land in phase 2 are represented in the following:

	Debit adjustments on the retained earning L.E
- Reversal of net sales based on the contract concluded with the client	22 628 401
- Reversal of deferred income recorded until year 2009	954 104
- Reversal of delay interests during year 2009	163 836
- Reversal of cost of sales related to this land	(1 920 157)
- Reversal of the revaluation of the client's balances in USD	192 376
- Reversal for the revaluation of the dues to the General Authority for Touristic Development balances in USD related to this land recorded on year 2009.	(2 421)
- Reversal for 1% from net profit recorded for the employees' training fund during year 2008	(228 382)
The impact of adjustments on retained earnings (debit)	(21 787 757)

27- Adjustments to the results for the comparative figures

The adjustments to the results of the financial year ended December 31, 2009 (comparative year) are represented in the following:

- Reversal of depreciation related to fixed assets that have been reclassified to work in process which were previously included in the income statement for year 2009 amounted to L.E 659 001 (note no. 4).
- The tax differences that arises an asset resulted from the carried forward losses for year 2009 that should have been recorded in year 2009 by an amount of L.E 7 388 931.

28- Legal Position

1- A 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 legal consultant of the Company believes that there will be no probable obligations resulting from this lawsuit.

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

First- Proceedings :

On October 26, 2010 the prosecutor filed a lawsuit No. 3516/65 before the Administrative Court of Law against the Prime Minister, the Minister of Tourism and the Chairman of the Touristic Development Authority and requested on an expedited basis:
(1) 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.
(2) 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 until now.

- The prosecutor relied in his lawsuit on the claim 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 bids) considering that it is the prevailing law when contracting and also considering law No. 143/1981 of desert lands which organizes the conditions for selling lands in which the authority breaches when selling some lands lots.
- The prosecutor also relied in his lawsuit on the claim 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 the old bids law, as he pointed out that the Authority sold the land to ERC for a very low price and that ERC only paid a quarter of the lands' price. He mentioned that only 4 hotels have been established on that land, and also he

also relied on the claim that the land has not been developed since 1993 until 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 had been agreed that ERC would 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, 2011.
- 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. The documents which defend the Company's position have been prepared.

The Company's legal consultant believes that the lawsuit before the Council of State is still in its very early stages and the Company intervened in the lawsuit since the prior court hearing only. Nevertheless, the Company has submitted a request to the state attorneys' authority in order to prepare for the lawsuit considering that there are documents that should be submitted to them before being handed over to be reported; it is impossible for the time being to predict the results of the lawsuit it this early stage of dispute.

3- There are two arbitration lawsuits raised from two clients who purchased lands from the Company, these lawsuits were concerned with the contracts concluded with ERC as they refused to commit with the Company's right to collect the fees for the services of community management other than their commitment to pay maintenance expenses agreed upon in their contract. The hearing for this lawsuit has not been appointed yet.

29- Comparative figures

The financial statements have been adjusted and reclassified for the financial year ended December 31, 2009 in order to reflect the impact of the following adjustments:

Item	Amount L.E.
Decrease in fixed assets (net).	39 736 635
Decrease projects in process.	29 068 145
Increase in work in process	30 558 497
Decrease in Accounts & notes receivable – Short term	23 938 717
Decrease in Sundry debtors and other debit balances.	4 776 020
Decrease in Sundry creditors and other credit balances.	228 382
Decrease in dues to the Touristic Development Authority (due within a year).	306 876
Increase in estimated cost for development of sold land	105 562 001
Increase in deferred tax assets.	11 746 483
Decrease in retained earnings (note no. 27).	168 289 212
Increase in net profit for year 2009 (note no. 28).	8 048 932

30- Subsequent events to the date of the balance sheet

The Arab Republic of Egypt has encountered certain events that have a significant impact on the economic sectors in general, a matter which may lead to a substantial decline in the economic activities in the foreseeable future.

Therefore, there is a possibility that the above mentioned events will have a significant impact on the Company's assets, liabilities, their recoverable/settlement amounts and the results of operations in the foreseeable future.

It is difficult in the time being to determine the impact on the Company's assets and liabilities included in the current financial statements as the impact for the aforementioned events relies on the expected extent and the period awaiting until the end of these events and the resulting impacts.

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