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Egyptian Resorts Company
"Egyptian Joint Stock Company"

Separate Financial Statements
For the financial year ended December 31, 2014
And Auditor's Report

KPMG

Hazem Hassan
Public Accountants & Consultants

Pyramids Heights Office Park
Km 22 Cairo/Alex Road
P.O. Box 48 Al Ahram
Giza - Cairo - Egypt

Telephone : (202) 35 36 22 00 - 35 36 22 11
Telefax : (202) 35 36 23 01 - 35 36 23 05
E-mail : egypt@kpmg.com.eg
Postal Code : 12556 Al Ahram

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Auditor's Report
To the Shareholders of Egyptian Resorts Company

Report on the Financial Statements

We have audited the accompanying separate financial statements of Egyptian Resorts Company (S.A.E), which comprise the separate balance sheet as at December 31, 2014, and the income statement, statement of changes in equity and separate 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 separate financial position of Egyptian Resorts Company (SAE) as of December 31, 2014, 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.

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Emphasis of matter

Without considering the following as qualifications:

1 As disclosed in detail in Note No. (30-2) of the notes to the financial statements, there is a lawsuit before court which is raised by one of the lawyers against the General Authority for Touristic Development in order to annul the allocation contract of all lands for Egyptian Resorts Company at Sahl Hasheesh, and On February 28, 2011 the company's management decided to become a part of this lawsuit in order to undertake the legal procedures and submit the documents supports the company's position. The lawsuit is now still pending before the state attorneys' authority in its preliminary, whom decided to postpone the lawsuit for a hearing on June 12, 2014. The company's management & legal consultant believes the integrity of the company's legal position in light of the defenses presented from them, though it would be difficult for the time being to predict the results of the lawsuit in this early stage of dispute along with the ruling ruled by the court. Though the extent of the negative effects, that may result, on the company's economics and financial position that may result because of this lawsuit is not yet determined.

2 As disclosed in detail in Note No. (30-4) of the notes to the financial statements, the General Authority of Touristic Development has informed ERC that it has decided to withdraw its previous consent for the company on development of phase 3 lands at Sahl Hasheesh (zone c) in which its area is 20 million square meter in its resolution dated March 31, 2011. Knowing that Work in process in connection with this phase amounted toEGP73.136 million on December 31, 2013. The company raised a lawsuit to cancel this resolution, which is issued from Touristic Development Authority of taking the land of phase 3 back and taking into consideration that this resolution is submitted to administrative court on September 21, 2011. The company's management & legal consultant believes the integrity of the company's legal position in light of the provisions of the contract concluded between The Authority & the company dated October 24, 1995 in which the terms were executed by the company. The court decided to submit the lawsuit to the state attorneys to prepare a report with the legal opinion. The lawsuit is postponed for a hearing on April 20, 2015 though it would be impossible for the time being to predict the results of the lawsuit in this early stage of dispute along with the ruling ruled by the court. Though the extent of the negative effects, that may result, on the company's economics and financial position that may result because of this lawsuit is not yet determined.

Report on Other Legal and Regulatory Requirements

The Company maintains proper books of account, which include all that is required by law and by the statutes of the Company, the financial statements are in agreement thereto, the inventory was counted by management in accordance with methods in practice.
The financial information included in the Board of Directors' report, prepared in accordance with Law No. 159 of 1981 and its executive regulation, is in agreement with the Company's books of account but in the limit of the data which has been recorded in the books.

Hesham Gamal El-Afandy
Auditors' register
At the Egyptian Financial Supervisory
Authority No. (100)
KPMG Hazem Hassan

Cairo, March 31, 2015

KPMG Hazem Hassan
Public Accountants and Consultants
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Egyptian Resorts Company
(Egyptian Joint Stock Company)

Separate Balance Sheet
As December 31, 2014

	Note No.	31/12/2014 EGP	31/12/2013 EGP
Long Term Assets			
Fixed assets (Net)	(3-2, 4)	134 659 012	137 824 568
Projects in progress	(3-3, 5)	343 554	10 728 126
Investment in subsidiary companies	(3-4, 6)	278 447 910	278 447 910
Accounts & notes receivable - long term (Net)	(3-9, 9)	65 113 252	9 905 835
Total Long Term Assets		**478 563 728**	**436 906 439**
Current Assets			
Work in process	(3-7, 7)	540 751 864	522 795 402
Inventory	(3-6, 8)	2 485 870	2 250 395
Accounts & notes receivable - short term (Net)	(3-9, 9)	503 329 683	526 429 635
Sundry debtors and other debit balances	(3-9, 10)	11 252 428	9 063 696
Cash on hand & at banks	(11)	92 691 642	103 784 604
Total Current Assets		**1150 511 487**	**1164 323 732**
Current Liabilities			
Provision for claims	(3-13, 12)	13 085 151	11 834 122
Receivables - advance payments	(13)	13 745 731	12 641 608
Subsidiaries - Sahl Hasheesh Company - Current Account	(4-19)	12 245 817	407 686
Sundry creditors and other credit balances	(3-14, 14)	131 283 238	84 782 294
Due to Authority of Touristic Development (due within one year)	(15)	35 741 768	33 353 530
Estimated cost for development of sold land	(3-8)	67 856 496	78 740 568
Banks-Credit Facilities	(16)	5 430	8 793 201
Total Current Liabilities		**273 963 631**	**230 553 009**
Working capital		**876 547 856**	**933 770 723**
Total Investments		**1355 111 584**	**1370 677 162**
Financed as follows:			
Shareholders' Equity			
Issued and fully paid in capital	(17)	1050 000 000	1050 000 000
Legal reserve	(29)	131 664 379	131 664 379
Retained earnings (losses)		(60 522 840)	(42 003 259)
Net (loss) for the year		(23 703 976)	(18 519 581)
Total Shareholders' Equity		**1097 437 563**	**1121 141 539**
Long-term Liabilities			
Purchase of land creditors	(7-3)	256 118 876	248 906 076
Deferred tax liabilities (net)	(3-20, 25-2)	1 555 145	629 547
Total Long-term Liabilities		**257 674 021**	**249 535 623**
Total shareholders' equity & Long-term Liabilities		**1355 111 584**	**1370 677 162**

(*) The accompanying notes from page (5) to page (31) form an integral part of these financial statements and to be read therewith.

Financial Controller	Managing Director	Chairman
Mr. Wael Abou Alam	Mr. Mohamed Ibrahim Kamel	Dr. Adel Hammad

Auditor's report (attached),,,

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Egyptian Resorts Company
(Egyptian Joint Stock Company)

Separate Income Statement
For the Financial year ended December 31, 2014

	Note No.	From 1/1/2014 to 31/12/2014 EGP	From 1/1/2013 to 31/12/2013 EGP
Lands Sales	(3-16, 20-1)	66 544 457	5 380 357
Lands sales returns	(3-16, 20-2)	(62 315 767)	(12 198 681)
Revenues from services rendered	(3-16, 20-3)	44 383 738	34 873 929
Total revenues		**48 612 428**	**28 055 605**
Less:			
Cost of sales	(3-17, 21-1)	(26 268 105)	(1 046 890)
Cost of lands sales returns	(3-17, 21-2)	5 049 001	7 319 209
Operating cost of services rendered	(3-17, 21-4)	(63 673 245)	(49 536 225)
Gross loss		**(36 279 921)**	**(15 208 301)**
Other operating revenues	(22)	3 261 914	2 555 668
		(33 018 007)	**(12 652 633)**
Add/(Less):			
Net Interest recalled from deferred income	(3-16)	427 775	1 032 013
Delay Penalties in lands installement sales		11 015 148	16 815 482
Selling & marketing expenses	(3-17, 26)	(9 561 512)	(1 326 775)
General and administrative expenses	(3-17, 23)	(24 375 492)	(27 999 817)
Impairment in receivables	(9)	(11 484 386)	(24 309 937)
Reverse Impairment in recievables (net)	(21-3)	35 955 072	-
Impairment in debitors & other debit balances	(10)	-	(1 383 254)
Provisions for claims	(12)	(1 251 029)	(1 510 614)
Loss resulted from operating activity		(32 292 431)	(51 335 535)
Add:			
Change in evaluation of investment funds	(11)	2 178 895	4 265 651
Financing revenue (costs)(net)	(24)	7 335 158	31 579 813
		9 514 053	**35 845 464**
Net (loss) before income tax		**(22 778 378)**	**(15 490 071)**
Income tax	(3-20, 25-1)	-	(467 775)
Deferred tax (expense) benefit	(3-20, 25-2)	(925 598)	(2 561 735)
Net loss after income tax		**(23 703 976)**	**(18 519 581)**
Loss per Share	(3-24, 18)	**(0.02)**	**(0.02)**

(*) The accompanying notes from page (5) to page (31) form an integral part of these financial statements and to be read therewith.

Egyptian Resorts Company
(Egyptian Joint Stock Company)

Separate Statement of Changes in Shareholders' Equity
For the Financial year from January 1, 2014 till December 31, 2014

	Issued & paid in capital EGP	Legal reserve EGP	Retained earnings (losses) EGP	Net loss of the year EGP	Total EGP
Balance as at December 31, 2013	**1050 000 000**	**131 664 379**	**31 094 876**	**(73 098 135)**	**1139 661 120**
Transferred to retained earnings	-	-	(73 098 135)	73 098 135	-
Net loss for the year	-	-	-	(18 519 581)	(18 519 581)
Balance as at December 31, 2013	**1050 000 000**	**131 664 379**	**(42 003 259)**	**(18 519 581)**	**1121 141 539**
Transferred to retained earnings	-	-	(18 519 581)	18 519 581	-
Net loss for the year	-	-	-	(23 703 976)	(23 703 976)
Balance as at December 31, 2014	**1050 000 000**	**131 664 379**	**(60 522 840)**	**(23 703 976)**	**1097 437 563**

(*) The accompanying notes from page (5) to page (31) form an integral part of these financial statements and to be read therewith.

Egyptian Resorts Company
(Egyptian Joint Stock Company)

Separate Cash Flows Statement
For the Financial year ended December 31, 2014

	Note No.	From 1/1/2014 to 31/12/2014 EGP	From 1/1/2013 to 31/12/2013 EGP
Cash Flows from Operating Activities			
Net (loss) before income tax		(22 778 378)	(15 490 071)
Adjustments to Reconcile Net Profit with Net Cash Flows from Operating activities			
Fixed assets' depreciation	(4)	16 925 174	15 590 088
Impairment in receivables	(9)	11 484 386	24 309 937
Reserve Impairment in recievables (net)	(9)	(35 955 072)	-
Impairment in debitors & other debit balances		-	1 383 254
Provision for claims - formation	(12)	1 251 029	1 510 614
Return of governmental treasury bills	(24)	-	(1 066 869)
Differences in evaluation of foreign monetary balances		(4 502 897)	(17 108 934)
		(33 575 758)	**9 128 019**
Change in working capital			
Change in receivables		6 392 139	108 636 613
Change in inventory		(235 475)	(384 922)
Change in debtors and other debit balances		(2 188 732)	(1 128 626)
Change in work in process		(17 956 462)	(20 674 242)
Change in receivables advance payments		(259 420)	8 968 792
Change in creditors and other credit balances		46 500 944	(51 902 919)
Change in subsidiary companies' current accounts		11 838 131	2 866 827
Change in estimated cost for development of sold land		(10 884 072)	(8 687 810)
Change in dues to Authority of Touristic Development		1 438 560	505 177
Change in purchase of land creditors		-	(561 578)
Net cash flow available from operating activities		**1 069 855**	**46 765 331**
Cash Flows from Investing Activities			
Payments for purchase of fixed assets and projects in progress	(4, 5)	(3 375 046)	(9 721 845)
Payments - Investment in subsidiary companies	(6)	-	(105 000 000)
Proceeds from sale of fixed assets		-	3 305
Changes in value of time deposits (more than three months)	(11)	6 545 500	33 056 089
Proceeds from investments in governmental treasury deposits (after tax)		-	1 871 095
Net cash (used in) available from investing activities		**3 170 454**	**(79 791 356)**
Cash Flows from Financing Activities			
(Decrease) Increase in banks credit facilities balance	(16)	(8 787 771)	8 793 201
Cash flow available from financing activities		(8 787 771)	8 793 201
Net cash & cash equivalent used in available during the year		(4 547 462)	(24 232 824)
Cash & cash equivalent as at the beginning of the year		82 939 104	107 171 928
Cash & cash equivalent balance at the end of the year	(11-2)	**78 391 642**	**82 939 104**

(*) The accompanying notes from page (5) to page (31) form an integral part of these financial statements and to be read therewith.

Egyptian Resorts Company
(Egyptian Joint Stock Company)

Notes to the separate Financial Statements
For the financial ended December 31, 2014

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 4 A Aziz Abaza Street – Zamalek – Cairo.
- The Chairman of the board of directors is Mr. Adel Hammad – and the Managing director is Mr. Mohamed Ibrahim Kamel Abu Eloyoon. (The board of directors approved these separate financial statements on 31/3/2015).

(B) Company's purpose

B-1 Egyptian Resorts Company
The purpose of the company is generally touristic constructions and establishing a complete touristic residential compound in Sahl Hasheesh area in the Red Sea City, through preparing the land and supplying the needed facilities and basic services; stations and networks for generating electricity, water treatment, sewage services, and roads to embark them for establishing a group of hostelry, touristic, residential and entertainment projects, whether by itself or by other parties. It owns the production and distribution of the electric energy , selling of desalinated water , management of urban resorts and touristic villages and establishment and management of service's stations. The company is allowed to participate in any means with the companies & others which perform activities similar to its activities or could help it to achieve its purpose in Egypt or outside.

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

2- Basis of preparation of the separate financial statements

A- Statement of compliance
The accounting policies set out below have been applied to all periods presented in these financial statements.

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.

3- Significant Accounting Policies Applied

The accounting policies set out below have been applied consistently to all periods presented in these financial statements and they are the same policies applied in the latest annual issued 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 EGP 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 translated 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 (3-12).

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 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 other costs are recognized as expenses in the income statement as incurred.

C- Depreciation

Depreciation is recognized in income statement on a straight-line basis over the estimated useful lives of each part of the fixed assets. Land is not depreciated. The estimated useful lives for these assets are as follows:

Buildings	30-50 years
Machinery & Equipments	10 years
Furniture & Fixtures	16 years
Vehicles	5 years
Computers	5 years
Desalination plant and sewage treatment plant	
Structural works	30 years
Mechanical works	10 years
Water tank	30 years
Warehouses	30 years
Networks & Facilities	10 years
Pier	25 years
Beach restaurant	10 years

- The company revises the useful lives of the fixed assets periodically at least once at the end of each financial year.

3-3 Projects in progress

Primary measurement: Projects in progress are recorded at cost. Cost includes all expenditures that are directly attributable to bringing the asset to a working condition for its intended use and to the purpose in which it was acquired for.

Projects in progress are transferred to fixed assets as soon as these projects were finished and are ready for their intended use.

Projects in progress are evaluated on the balance sheet date deducted from it impairment losses – if any (note 3-12).

3-4 Accounting for investments in subsidiary companies

The investments in subsidiary companies are recorded at cost. In case of the occurrence of impairment in its value (note 3-12), the book value of these investments are decreased by the value of these impairment losses in the income statement for each investment separately.

3-5 Investments in trading securities

The fair value of investments in trading securities are determined with the reference to the market value of these investments declared in the financial statements date. The differences resulting from re-evaluation are recorded in the income statement.

3-6 Inventory

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

3-7 Work in process

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

3-8 Estimated cost for development of sold land

Primary measurement: The cost of sold land is recorded initially based on the share of meters sold from the total cost estimated for the development and supplying facilities to the lands for each phase and then the estimated cost shall be adjusted by the work in process which includes the actual cost development of lands for each phase as per the share of meters sold (7-3) in order to reach the remaining cost for development and supplying facilities' works for the remaining sold land for each phase. The estimated cost shall be studied all over again based on the technical study of the total estimated cost for each phase prepared annually by the technical department and this study shall be approved by the project consultant. The differences results from the re-estimation shall be charged to the income statement.

3-9 Receivables, debtors and other debit balances

Receivables, debtors and other short-term debit balances are stated at nominal value less any amounts expected to be uncollected which is estimated when it is probable not to collect the entire amount. The balances of receivables and debtors are reduced by the amount of bad debts when identified. The other debit balances are recorded at cost less impairment losses (Note No. 3-12). Long –term receivables are measured by present value of expected cash flows, which is computed by using actual return rate.

3-10 Cash flow statement

Cash flow statement is prepared according to indirect method.

3-11 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, short-term investments which are highly liquid and can be converted easily to specific monetary amounts in which its vulnerability to change in value is negligible. It also includes balance of bank overdrafts that are payable on demand and form an integral part of the company's cash management.

3-12 Impairment

A- Financial assets

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

- An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized for financial assets measured at amortized cost and financial assets considered as debt instrument is recognized in the income statement.

B- Non-financial assets

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

3-13 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.

3-14 Creditors and other credit balances

Creditors and other credit liabilities are recorded at cost.

3-15 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 income statement according to the accrual basis.

3-16 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 revenue 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 which are recognized as revenue over its accrual period.

Dividends Revenue

Dividends 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 based on the accrual basis.

3-17 Expenses

Expenses are recognized based on the accrual basis.

3-18 Financial costs (net)

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

3-19 Interest expenses

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

3-20 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 at the balance sheet date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reviewed in the balance sheet date and reduced to by the value of the portion that it is no longer probable that the related tax benefit will be realized during the next years.

3-21 Governmental treasury bills

Governmental treasury bills are recognized at net cost after disposing amortization and losses from impairment in assets' value (3-12)

3-22 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.

3-23 Dividends

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

3-24 Basic earnings per share

Basic earnings 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.

4- Fixed Assets

The balance of fixed assets (net) shown in the balance sheet as at December 31, 2014 is represented as follows:-

Description	Cost as at 1/1/2014	Additions of the year	Cost as at 31/12/2014	Accumulated Depreciation as at 1/1/2014	Depreciation of the year	Accumulated Depreciation as at 31/12/2014	Net book value as at 31/12/2014	Net book value as at 31/12/2013
	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP
Land	521 610	-	521 610	-	-	-	521 610	521 610
Buildings	34 510 666	-	34 510 666	4 806 155	1 050 908	5 857 063	28 653 603	29 704 511
Furniture & fixtures	4 735 103	164 049	4 899 152	1 656 490	303 056	1 959 546	2 939 606	3 078 613
Transportation vehicles	797 387	-	797 387	716 074	62 145	778 219	19 168	81 313
Computers & Air-conditioning	7 890 800	803 050	8 693 850	6 198 883	1 104 327	7 303 210	1 390 640	1 691 917
Tools & Equipment	2 365 785	21 350	2 387 135	1 430 616	163 970	1 594 586	792 549	935 169
Networks & facilities	88 415 286	2 425 345	90 840 631	33 340 084	8 968 733	42 308 817	48 531 814	55 075 202
Sewage Treatment Plant	21 775 252	-	21 775 252	5 653 711	963 524	6 617 235	15 158 017	16 121 541
Water tank	8 950 096	-	8 950 096	1 427 736	298 307	1 726 043	7 224 053	7 522 360
Water desalination plant	29 060 055	10 345 824	39 405 879	13 449 703	3 683 288	17 132 991	22 272 888	15 610 352
Pier	7 566 571	-	7 566 571	302 663	302 663	605 326	6 961 245	7 263 908
Beach restaurant	242 532	-	242 532	24 460	24 253	48 713	193 819	218 072
Total	**206 831 143**	**13 759 618**	**220 590 761**	**69 006 575**	**16 925 174**	**85 931 749**	**134 659 012**	**137 824 568**

Fixed assets included assets which are fully depreciated with a historical cost amounted to EGP 6 212 707 and the book value amounted to EGP 338 (1 EGP for each fixed asset) and it's still under operation and represented as follows:

	31/12/2014	31/12/2013
	EGP	EGP
Transportation vehicles	658 237	377 437
Machinery & equipments	754 642	754 642
Furniture	214 384	166 857
Buildings (Caravans)	142 973	82 830
Computers	4 442 471	3 149 841
	6 212 707	4 531 607

5- Projects in progress

Cost of projects in progress shown in the balance sheet is represented in the following:

	31/12/2014	31/12/2013
	EGP	EGP
Sea bridge	255 000	210 000
Raising the level of the drainage network station	-	2 306 411
Construction of water wells desalination station with a capacity of 4000 meters cube	-	8 211 715
Various Projects	36 237	-
The technical study for the establishment of an electricity transformer station	52 317	-
	343 554	**10 728 126**

6- Investments in subsidiary companies

Investments in subsidiary companies item shown in the balance sheet is represented in the following:

Company	Share %	31/12/2014 EGP	31/12/2013 EGP
- The value of contribution in Sahl Hasheesh For Touristic Investment's capital (subsidiary company) amounted EGP 250 million with a contribution percentage of 69.38%. The number of shares owned by The Egyptian Resorts Company have reached 17 344 791 shares with a par value of EGP10/share paid in full	100%	173 447 910	173 447 910
- The value of increase in the subsidiary company's capital amounting EGP 105 million for 10.5 million shares with a par value of EGP 10/share so its capital becomes EGP 355 million after increase and its contribution percentage after the increase is 78.44% from the company's capital. This is in accordance with the approval of The Egyptian Resorts Company's board of directors during year 2012 to underwrite in full increase of Sahl Hasheesh For Touristic Investment's capital (The subsidiary company)	100%	105 000 000	105 000 000
		278 447 910	**278 447 910**

- According to the Egyptian Accounting Standards No.17 "separate and consolidated financial statements" and the article 188 from the executive regulation for the Egyptian Companies Law No.159 for 1981 , the company prepares consolidated financial statements for the group. It could be referenced when it is need to get a clearer picture about the financial position , the results of operations and the group's cash flows as a whole.

7- Works in Progress

The actual cost for the works in progress account shown in the separate balance sheet among the current assets is represented as follows:-

		31/12/2014	31/12/2013
		EGP	EGP
7-1	Cost of the lands haven't been sold yet - Phase 1	26 603 324	29 744 201
7-2	Cost of the lands haven't been sold yet - Phase 2	196 797 634	179 110 350
7-3	Cost of project's lands – Phase 3	304 586 838	303 139 715
7-4	Cost of Sawary Project	10 530 274	10 530 274
7-5	Cost of Jomran Project	2 233 794	270 862
		540 751 864	**522 795 402**

(*) Based on the events occurred in Arab Republic of Egypt during year 2011, and what followed this of a governmental resolutions by taking the lands of phase three in which current legal procedures are being taken in note (7-3) below which would affect on the data, information and the technical assumptions in connection with estimation of the cost elements aforementioned. Based on the financial and technical data currently available for the company, it prepared a financial estimations for those elements to compute cost till terminating all the obstacles hinder completing this study in a proper way with the help of the experts aforementioned.

7-1 First Phase Lands

- The General Authority for Touristic Development allocated an area of six million meter square by virtue of a contract for sale and leasing of desert land at Sahl Hasheesh at Red Sea for the purpose of touristic development concluded on October 24, 1995. The amounts due to the authority for this phase has been paid in full. As per the contract, the authority is entitled for 7.5% of the sales price as a commission with a minimum amount of EGP 11.25 per meter and to be increased by a 10% annually according to the sales contract concluded presented from the company.

  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 constructing a touristic project, US$ 1.75 is due to the authority per meter sold.

  As the company took the final settlement procedures of the share of authority over the actions that the company concluded on the lands phase one , two and three of Sahl Hashesh Centre up on which has been agreed that the due share of authority of phase one is calculated on a base of 7.5% of the sales price or EGP 11.25 per meter and to be increased by a 10% annually from the date of the first contract whichever is greater.

  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.

  The total cost estimated for development as at December 31, 2013 for the execution of the first phase of the project based on the revised study prepared by the company's experts amounted to EGP 251 742 815 in which the estimated cost per meter amounted to LE 51.773 approximately.

7-2 Second Phase Lands

- The company rented the second phase's lands 6 million meters as an extension to the touristic development of phase one.
- On March 30, 2003, the company got an initial approval from the General Authority for touristic development (Ministry of Tourism) to sell the area allocated from the touristic center for the second phase (6 million m²). A decision No. (82) dated 5/6/2005 for final allocation of the phase's land has been made after full payment of stipulation and allocation expenses.

In light of the final settlement for the Authority's share in the conductance made by the company on the lands of phase 1, 2 and 3 from Sahl Hasheesh Company mentioned in (7-1) , an agreement has been made to account the Authority's share on the same basis adopted in phase 1 for the conductance conducted before the date of the Prime Minister's resolution on July 28, 2005 . Therefore, the Authority's share is accounted by US Dollar 1.75 / meter for the conductance over the land pieces specified for hostelry use or US Dollar 5 for the land pieces specified for touristic housing.

- Based on the geographical survey for the second phase made on 2008 which is mentioned in (7-1), the total area of that phase is 7 032 867 meter square and the area to be sold from this phase is 6 542 922 meter square.
- The estimated cost as at December 31, 2013 for the project's second phase according to the study prepared by the company's experts amounted to EGP 392 607 701 with estimated cost of EGP 60.

7-3 Third phase lands

- The company rented the third phase's lands (20 million m²) as an extension to touristic development of the first and second phase as per the main agreement with the Authority for Touristic Development on 24/10/1995.
- On March17, 2005, the company communicated the General Authority for Touristic Development to issue a letter confirming the company's rights in developing the project's third phase. 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. According to the authority's letter dated February 26, 2007, the price of the meter was determined by USD 1.40/m.
- Moreover, as per the geographical survey prepared by the expertise whom the company used during year 2008, the total area of the third phase is 28 312 296 m^2.

  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 EGP 231 450 740. This cost is included in Work In Progress – Phase 3 and the total payments were USD 7 567 359 as at June 30, 2014. The remaining amount due to the Authority based on the aforementioned is EGP 249 190 505 equivalent to USD 34 851 819 and included in purchase of land creditors.

- The cost of work carried out of these fees on December 31, 2014 amounted EGP 73 136 095 (Amounted of EGP 71 688 975 on December 31, 2013).
- The General Authority for Touristic Development notified the company to annul its previous consent that issued for the company to develop the land of the third phase of Sahl Hasheesh (Area C) and of an area of 20 million meter square in its resolution dated March 31, 2011. The company appealed to the resolution of the General Authority for Touristic Development to annul its previous consent referred to in 27 May 2011 and the company did not receive any reply in this concern. The company raised a lawsuit to cancel this resolution, which is issued from TDA of taking the land of phase 3 back in front of the administrative court which was postponed to a session of April 20 , 2015 according to what was stated in details in the company's legal position (Note No. 30-4)

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

The item is represented in the following:

7-4--1 Based on the project undertaken by the company which will be a luxurious compound to be established on an area of 2.583 million meter square from the lands of phase 2, the company concluded an agreement with Orascom Co. for Development and Management (FZC) (as developer) on April 28, 2010 in order to obtain the services associated with the development, management, marketing and sale of project units in accordance with the master plan agreed upon.

7-4--2 Trademarks represented in the value against use of trademark for Orascom Co. for Development and Management (FZC) located in Ras al-Khaimah in United Arab of Emirates as for the supervision over execution, promotion & propaganda for Sawary project mentioned above.

The company is in process of following up the procedures, which allow the continuance of the project works since that a part of the areas on which the project established upon interferes with phase 3 lands which are under dispute with The General Authority For Tourism (Note 7-3).

7-5 Jomran Project

The item mentioned above is represented in the value of the cost incurred to execute works of phase 2 project for the villas region in addition to conduction of building villas units by the company for the favor of those lands' clients which is commensurate with the integrated urban planning for this region.

8- Inventory

Balance of inventory item shown in the balance sheet among the current assets is represented in the following:

	31/12/2014	31/12/2013
	EGP	EGP
Maintenance supplies & spare parts in the location	2 485 870	2 250 395

9- Accounts & Notes Receivable (Net)

The accounts & notes receivable item shown in the balance sheet among current assets is represented as follows:

	31/12/2014	31/12/2013
	EGP	EGP
Land receivables	558 594 374	628 674 534
Accounts and notes receivable of Jomran project	76 098 151	9 882 601
Receivables – Resort's services and managment	32 549 798	28 620 948
	667 242 323	**667 178 083**
Less: Deferred interest	(11 817 815)	(445 283)
Less: Impairment in receivables (*)	(86 981573)	(130 397 330)
	568 442 935	**536 335 470**

For presentation purposes, the accounts & notes receivable as at December 31, 2014 are classified as follows:

	31/12/2014 EGP	31/12/2013 EGP
Accounts & notes receivable – long term assets	65 113 252	9 905 835
Accounts & notes receivable – current assets	503 329 683	526 429 635

(*) Impairment in receivables balance shown above is represented in the value of impairment in receivables balances according to the study prepared by the management's knowledge as a result of the current situations in Arab Republic Of Egypt and its reflection over the company's activity which led to some financial difficulties for some clients in addition to the effect of market decline because of the financial difficulties facing generally the tourism sector. Thus , the company's management has made a study based on several assumptions to determine the amount of impairment in receivables as a result of the indicators mentioned above. The study has been prepared in light of the following:

- Assuming the continuation of engagement with the clients and following up the collection process with them.
- Expected future cash flows in light of number of expected payments on the level of each client separately.
- Deducting the expected cash flows using rates of return on similar investments according to the nature of the currency related to each client.
- The movement of impairment in receivables balance during the year is represented in the following:

	EGP
Beginning balance	130 397 330
Impairment in value of receivables during the year	11 484 386
Reserve Impairment in recievables	(35 955 072)
Used from the balance during the year (*)	(18 945 071)
Ending Balance	**86 981 573**

(*) The used from the balance during the year includes an amount of EGP 11 344 319 represented in Loss of land return previously sold years ago and has been shown in Note No.(20/2) from the accompanying notes for the financial statements

10- Sundry Debtors & Other Debit Balances

Sundry debtors & other debit balances item shown in the balance sheet is represented in the following:

	31/12/2014 EGP	31/12/2013 EGP
Letters of guarantee covers	50 000	50 000
Cash imprests and loans (*)	25 454	171 190
Prepaid expenses	1 210 613	768 211
Deposits with others	404 770	426 984
Accrued interests & returns	314 207	317 263
Contractors & suppliers-advance payments (*)	4 422 470	2 773 616
Sundry debtors (*)	670 877	474 176
Withholding Tax – Debit	432 219	360 438
Income Tax Authority paid – Debit(**)	5 105 072	5 105 072
	12 635 682	10 446 950
Less: Impairment in the value of sundry debtors & other debit balances (*)	(1 383 254)	(1 383 254)
	11 252 428	**9 063 696**

(**) The balance is represented in the rest of paid in excess to the tax authority amounting EGP 5 105 672 as of judicial persons' income as of the financial year 2008 in light of the internal committee's decision shown in form No. 36 payment dated March 31, 2012. The value of what has been settled during this year with the authority from this balance amounted EGP 1 303 894. This indebtedness will be settled with the authority in exchange with tax claims emerged from the incoming financial years.

11- Cash on Hand and at Banks

The cash on hand and at banks item shown in the balance sheet is represented in the following:-

	31/12/2014 EGP	31/12/2013 EGP
Cash on hand	123 200	147 369
Banks – current accounts – EGP	8 660 181	4 975 286
Banks – current accounts – US Dollars	1 184 475	4 033 475
Banks – current accounts – Euro	243 582	164 585
Banks – time deposit – EGP (less than three months)	5 000 000	–
Banks – time deposit – US Dollars (less than three months)	35 750 000	31 268 250
Banks-time deposit-US Dollars (more than three months)	14 300 000	20 845 500
Investment funds in fund market tools –Jaman (**)	27 430 204	42 350 139
Balance	**92 691 642**	**103 784 604**

(*) The balances of deposits in US Dollars (more than three months) shown above in the value equivalent to 2 million US Dollars due during periods ranging between more than three months and less than one year from the balance sheet date with an interest of 2%.

(**) The item is represented in the market value for 169 626 documents out of investment fund in fund market tool documents – Jaman (daily) which is administered by the knowledge of Arab African Bank for administrating the investments. The declared price of the document has amounted to EGP 161.71 as of December 31, 2014. The value of change in investment's market value recognized in the income statement during the year has amounted to EGP 2 178 895.

(11-2) For the purpose of cash flow statements , the cash & cash equivalent item is represented in the following:

	31/12/2014 EGP	31/12/2013 EGP
Cash on hand & bank	92 691 642	103 784 604
Deducted		
Time deposit (more than three months)	(14 300 000)	(20 845 500)
Cash & cash equivalent according to cash flow statement	**78 391 642**	**82 939 104**

12- Provision for Claims

This item shown among current liabilities is represented in the following:-

	31/12/2014 EGP	31/12/2013 EGP
Beginning Balance	11 834 122	11 627 402
Formation during the year	1 251 029	1 510 614
Less : Used from the year	-	(1 303 894)
Ending Balance	**13 085 151**	**11 834 122**

(*) Provision for claims includes the value of expected tax differences emerging from tax inspection of the Egyptian Resorts Company as mentioned in details in note No. (27) Tax position as of the years from activity start till 2008. These tax differences will be settled from credit balance due to the company from the Egyptian Tax Authority.

13- Advance Payments from clients

The item shown in the balance sheet among current liabilities as of December31, 2014 represented as follows:

	31/12/2014 EGP	31/12/2013 EGP
Advances lands reservations	11 883 199	9 656 596
Advances lands reservations-Sawary project units	1 648 979	2 654 727
Advances lands reservations-Jamran project units	213 553	330 285
	13 745 731	**12 641 608**

14- Sundry Creditors & Other Credit Balances

The item shown in the balance sheet among the current liabilities is represented in the following:

	31/12/2014 EGP	31/12/2013 EGP
Contractors' retention	8 574 343	4 862 431
Suppliers and contractors	752 762	850 899
Contractors-social insurance	1 523 691	1 547 887
Social insurance authority	17 893 969	14 179 202
Accrued expenses	431 416	989 742
Retentions-Contracts of distributing electricity	428 000	250 000
Maintenance deposits	2 259 873	1 995 850
Dividends payable	393 499	393 499
Deferred revenues (*)	44 268 956	9 945 587
Other Credit balances (**)	40 755 000	39 606 450
Sundry Creditors	14 001 729	10 160 747
	131 283 238	**84 782 294**

(*) Deferred revenue includes an amount of EGP 43 497 136 which is the value of building paid in advance from Jomran project's clients which will be recognized once their receipt by the clients upon execution of building villas.

(**) The balance includes the value of paid from one of the company's clients as a contract payment to purchase land in phase 2. The company has raised a lawsuit to annul contract with the client with reversal of contract payment amounted USD 5 700 000 equivalent to amount of EGP 40 755 000 due to his delay in meeting his contractual obligations till that date. The lawsuit has been submitted to the expert. The company, through its legal consultant, has submitted all the legal defenses, which support its position in the lawsuit according to what was stated in details in Note (30-1) legal position.

15- Due to the General Authority for Touristic Development

The due to the General Authority for Touristic Development shown among current liabilities in the balance sheet is represented in an amount of EGP 35 741 768 (EGP 33 353 530 as of December 31, 2013) which is the value of The Authority's share in the company's conductance in the lands of the three phases. Current continuance of final settlement for the value of due to_the General Authority for Touristic Development from the company as conductance with selling the lands according to the basis of accounting agreed upon with the Authority and mentioned in details in note (7) works in process.

16- Banks – Credit Facilities

The balance amounting EGP 5 430 shown in the balance sheet among the current liabilities on December,31 2014 (EGP 8 793 201 on December,31 2013) is represented in the unpaid portion from the credit facility with a maximum withdrawal of 88 million Egyptian Pounds with a guarantee of investment funds in fund markets & an interest of 3% adding to the loan rate from the Central Bank Of Egypt with a maximum of 13.75%. The current balance will be paid at the end of financing period. The facility has been renewed on August 22 , 2013 for a duration ends on June 30 , 2014.

17- Capital

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

Based on the Extra Ordinary General Assembly Meeting dated 28/11/2004 unanimously agreed upon reducing the issued capital from EGP 350 millions to EGP 210 millions, by reducing the par value of the shares from EGP 100 to EGP 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 EGP 60 to EGP 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 EGP 210 millions divided over 21 million shares at a par value of EGP 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 EGP 262 500 000 represented in 26 250 000 shares in which the nominal value of the share is EGP 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 EGP 1 instead of EGP 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 EGP 262 500 000 distributed on 262 500 000 shares with nominal value EGP 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 EGP 437 500 000 represented in 437 500 000 shares in which the nominal value of the share is EGP 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 EGP 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 EGP 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 EGP 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 EGP 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 EGP 2 000 000 000 and the capital after this free increase became EGP 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 EGP 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 EGP 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 EGP 2 billion though the issued capital will be EGP 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 EGP 840 million. There was annotation in the commercial register on 29/7/2008.

18- Basic Earnings per share in year's loss:

Basic earnings per share in year's loss is computed using weighted average of number of the outstanding shares during the year as follows:

	2014	2013
Net (loss) for the year (EGP)	(23 703 976)	(18 519 581)
Average number of shares during the year	1 050 000 000	1 050 000 000
Basic earnings per share in year's loss (EGP/share)	**(0.02)**	**(0.02)**

19- Related Parties

The most important transactions with the related parties during the financial year ended December, 31 2014 are represented in the value of dealing with Sahl Hasheesh Company For Touristic Investment (Subsidiary Co.) is represented in the following:

19-1 In light of settling the indebtedness due from Sahl Hasheeh Company For Touristic Investment which is classified among the balances of receivables- lands (note-9) as of the two pieces 13 and 19 according to the agreement signed between the two companies' managements as of December 30, 2009 to schedule the payment of indebtedness till year 2014. The Egyptian Resorts Company has stopped calculating the delay interest for the financial year from April, 1 2013 to March, 31 2014. In May ,7 2014 Sahl Hashesh Company requested to extend the exemption period till the end of 2016 and the company agreed up on the request according to the Board of Directors' Decision that has been held on May, 22 2014, The due balance from the subsidiary company among the receivables balances – lands as of December 31, 2014 an amount of EGP 226 478 882 equivalent $ 31 675 370 (against EGP 220 096 309 equivalent to to $ 31 675 370 as December 31, 2013).

19-2 In the light of the disapproval of the Tourism Development Authority during 2014 on the registration of the company's concession contract in favor of Oscar For Development & Real State Company for land no.3 (a part of land 9-A) which previously sold to subsidiary company with an initial contract on 1/12/2013 ,Therefore the signed contract between the subsidiary company and Oscar Company was terminated during 2014 so that Sahl Hashish Company returns land No. 3 to the Egyptian Resorts Company (Holding Company) to resale the land to Oscar company as it considers the main developer of Sahl Hashish Area and that's according to it's contract with The Tourism Development Authority so that a partial terminated contract has been signed on June ,2 2014 for the initial contract signed on 1/12/2013 that was mentioned above regarding that piece of land no.3 for an area of 7 500 meter square with remain all the contract conditions valid for the rest of the area according to the initial contract and the partial contract termination was amounted to 3 million USD equivalent to 21.450 million EGP in favor of Sahl Hashesh Company which is committed to give The General Authority for Tourism Development an amount of USD 150 187 equivalent to EGP 1 073 841 which was deducted from the due balance of The Egyptian Resorts Company against that termination and the due balance from the Egyptian Resorts company according to this agreement was amounted to USD

1 849 812 equivalent to EGP 13 226 160 was listed among the current balance as shown in note (19-4)

19-3 The value of services rendered for the subsidiary company's favor during the financial year ended December 31, 2014 has reached an amount of EGP 962 643. Moreover, the subsidiary company's share in the resort fees during the period has reached an amount of EGP 1 961 015.

19-4 Related parties' current account (Sahl Hasheesh)

The credit balance shown in the balance sheet among the current liabilities as at December 31, 2014 is represented in the following:

	2014	2013
	EGP	EGP
Beginning Balance - (credit) Debit	(407 686)	2 459 141
Add (deduct):		
- Expenses paid on behalf of ERC	26 208	537 309
- Technical support , security & guard expenses	310 848	203 230
-Electricity / Water supplies invoices	422 809	-
-Conversion of the due value of the services performed from the balance of the receivables	628 164	-
- Paid from Sahl Hasheesh Company during the year	-	(3 607 366)
-Due from the subsidiary company return for tha partial invalidation of the primary contract for the piece (9-A) Note No. (19-2).	(13 226 160)	-
Ending balance (credit)	**(12 245 817)**	**(407 686)**

20- Net sales & sales returns - Lands

20\1 Lands Sales

	2014	2013
	EGP	EGP
Net Sales of lands – Phase 1 (*)	33 743 592	5 380 357
Land sales – Jomran Project (Phase 1)	32 800 865	-
	66 544 457	**5 380 357**

As illustrated in detail at Note No. (19-2) , Related party transactions include net sales of the land-phase 1 during the period , A selling contract signed in July 26 ,2014 for land no.3 (a part of land 9-A) for an area of 7 500 meter square in favor of oscar company for development and Marketing real state and tourism for an amount 3 million USD equivalent to 21.450 million EGP.

20\2 Sales Returns

	2014	2013
	EGP	EGP
Sales returns of Land- phase 2 (*)	(62 122 967)	-
Adjust the differences of land facilities – phase 1	(192 800)	-
Sales returns – Lands sales of Sawary project	-	(12 198 681)
	(62 315 767)	**(12 198 681)**

(*) The sales returns of land sales listed in the income statement for the financial year ended in December 31 ,2014 represented in the value of reversing the contract of selling land No. (43) from one of the company's clients about an area of 84 thousands meter square in phase 2 that previously sold with a intial contract in june 30,2008 and it has been modified in the dated contract in September 28,2009 with an amount of USD 11 611 779 equivalent to EGP 62 122 967 in that date.

- A comprehensive agreement contract has been hold to terminate the contracting and reserve the selling in 10\8\2014 between the company and all the representive parties of that client against reversing part of the paid installments of the land by the company after deducting its administrative expenses and waivering all the juiderical diputes against the client concerning that contract that previously formed an impairment for the client amounted to EGP 47 299 519.

20-3 Revenue from services rendered

	2014	2013
	EGP	EGP
Revenue from water supplied	9 180 021	9 621 434
Revenue from electricity supplied	20 596 989	11 997 481
Revenue from irrigation water supplied	3 048 479	2 238 524
Revenue from communication services	163 707	195 140
Revenue from resort services (*)	11 394 542	10 821 350
	44 383 738	**34 873 929**

(*) Revenue from resort services amounted EGP 11 394 542 shown above is represented in the value of due from the company's clients during the year valuing 2.76 EGP /meter from the lands sold to them against rendering management , maintenance , security and cleaning services and operation of all the networks and facilities by the company. This includes repairing and replacement works for the energy facilities and infrastructure for Sahl Hasheesh center in light of the agreement concluded with Sahl Hasheeh's investors community on October 22, 2012 in which an agreement has been made to render the service for three years valuing 2.5 EGP / meter square with an annual increase of 5% annually starting from 1/1/2013.

21- Cost of sales & sales return

21-1 Cost of sales

	2014	2013
	EGP	EGP
Net sales of lands – Phase 1 (*)	(23 906 568)	(1 046 890)
Land sales – Jomran Project (Phase 1)	(2 361 537)	-
	(26 268 105)	**(1 046 890)**

As illustrated in detail at Note No. (19-2) , cost of sales of the land-phase 1 include an amount of 21.450 million EGP equivalent to an amount of 3 million USD the amount of partial termination agreement in June 2 ,2014 for the intial contract signed in December 1, 2013 between the company and sahl hasheesh company and that for the part of land No. 3 for an area of 7 500 meter square as others contract conditions remain valid for the area of intial contract.

21-2 Cost of lands sales returns

	2014	2013
	EGP	EGP
Cost of lands sales returns-phase 1 (*)	5 049 001	-
Cost of lands sales returns- Sawary project	-	7 319 209
	5 049 001	**7 319 209**

(*) The cost of land sales return (highly-built) which amounted to EGP 5,049 million represented in the cost of reversing the sale of the land no.(43) phase 2 which has been sold for one of the clients and the cost has been recorded through previous years in the light of signing a comprehensive agreement contract in 10\8\2014 between the company and the represented parties of the client according to Note No. (20-2).

21-3 Reverse impairment in receivables (net) :

Represented the balance listed in the income statement for the financial year ended December 31,2014 as follows :

	EGP
Impairment in receivables shown at note No. (20-2)	47 299 391
Less : loss in returns of land previously sold shown at note No. (9) and (20-2)(*)	(11 344 319)
Reverse impairment in receivables (net)(note no.9)	**35 955 072**

(*) Loss in returns of lands previously sold in previous years represented in reversing the amount of foreign currency exchange reverse (credit) amounted to EGP 13 429 million which is related to evaluate the dollar balance due from the client of land No. 43 through the period from date of signing the contract in 2003 to the date of termination and adjust the balances related to that contract as 10\8\2014 (note 20-2) and that's after discounting what has been deducted from the client amounted to EGP 2.085 million against recovery of the company's expenses related to that contract.

21-4 Cost of operating services rendered

The cost of operating services rendered shown in the income statement is represented in the following:

	2014	2013
	EGP	EGP
Electricity cost	24 545 753	15 859 157
Water cost	3 482 598	3 446 343
Water irrigation cost	713 783	682 882
Operating fixed assets depreciation	15 709 800	14 699 826
Salaries , wages & their equivalents	8 272 019	7 514 793
Temporary labor contracts	9 369 747	7 272 385
Cleaning expenses	1 978 758	1 763 294
Rentals	2 057 405	1 883 573
Other expenses	4 719 380	3 869 554
	70 849 243	**56 991 807**
Less: Transferred during the year to works in process as of the share of unsold lands	(7 175 998)	(7 455 582)
Total	**63 673 245**	**49 536 225**

27-3 Sales tax

xi. 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.

xii. Years from 2008 till 2010 have been inspected and the due tax has reached roughly EGP 359 793 as an offset has been made with the credit balance for the company from the authority.

xiii. Years from 2011 till 2013 have been inspected , the company was not provided with the tax inspection forms (15).

27-4 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.

28- Financial Instruments and Risk Management

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

28-1 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 unlisted in the stock market recognized at cost since that it is difficult to determine its fair value.

28-2 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 EGP 549 278 389 and EGP 342 631 696 respectively. The Company's net balances in foreign currencies at the balance sheet date are as follows:-

Foreign currencies	Surplus
USD	28 869 829
Euro	26 174

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

28-3 Credit Risk

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

29- Legal Reserve

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

30- Legal Position

1- The company has filed a lawsuit in order to annul a contract concluded with one of the clients in light of the company's point of view that the client has breached the contract terms. With the hearing of April 26, 2012, the lawsuit was submitted to an expert. A session was stipulated for that purpose on July 26, 2012 to present the nature of relationship between the two parties of the lawsuit and the obligations of each one of them towards the other and presenting the extent of breach in executing these obligations and the party responsible for this breach. The company, through its legal consultant, has submitted all the documents which support its position in the lawsuit.The sessions in front of the court were in succession due to the absence of the expert's report. The lawsuit is postponed to the session of June 26, 2014 until the arrival of the expert's report then to December 25 ,2014. The expert's report was deposited in the session of March, 26 2015 which came against the Company therefore the Company made a request to postpone this session , view the expert's report and make a note with the objections on this report and that session was postponed to May,7 2015 . The company's legal advisor sees according to his report the integrity of the legal position of the Company according to rules of the law and this issue is likely to be in favor of the Egyptian Resorts Company. Regardless the expert's report which represents serious and substantive objections by the Company and supported by documents that will submitted to the court with a request of reissuing the lawsuit to the experts and the assignment of a triple committee is likely to modify this report.

2- There is a lawsuit raised in front of the administrative court against the General Authority For Touristic Investment from one of the lawyers for the annulment of allocation contract of all The Egyptian Resorts Company's lands in Sahl Hasheesh region. The company's management has decided on February 28, 2011 to enter as a party in this lawsuit to take the legal procedures and present the documents supporting the company's situation. The lawsuit is now pending in front of the state attorneys. It is in its primary phases and postponed to present the documents requested by the company from The General Authority for Touristic Development including the photocopies of the similar contracts which prove that selling price of Sahl Hasheesh Land is the same price adapted in all the authority's contracts to session of June 12, 2014 for the same reason At that session the lawsuit was confiscated because the report of the Authority's Contracts was issued and That report wasn't issued till the date of the Legal Advisor's report that dated at March, 12 2015. The Company sees in the light of what has been issued in the report of it's legal advisor that the provided legal defenses supported the company's legal position . It is not currently possible to forecast how the State Commissioners Authority's report will be ended in this stage of disputes and also what the court's judgement would be.

3- Pyramisa Resorts Company has raised a lawsuit against state council in which it demanded for the annulment of the contract included between the General Authority For Touristic Development and The Egyptian Resorts Company concerning Sahl Hasheesh land dated October 24, 1995 and return of the land to the Authority except for made upon complete projects. The first lawsuit session has been attended on October 10, 2013. The lawsuit was postponed to April 17, 2014 . Current inspection of the lawsuit's file to evaluate Pyramisa Company's claims and preparing the necessary defense to reply over what was aroused in this lawsuit.

4- The General Authority For Toursitic Development has informed the company that it has decided to withdraw its previous consent for the company on development of phase 3 lands at Sahl Hasheesh (zone c) in which its area is 20 million square meter in its resolution dated March 31, 2011. The company has raised a lawsuit to cancel the administrative resolution specific to the withdrawal of Phase 3 land issued from the General Authority for Touristic Development in front of administrative court on September 21, 2011. The company's management and its legal consultant the integrity of the company's legal position in light of the provisions of the contract concluded between the Authority and the company dated October 24, 1995 in which the company has fulfilled its articles. The court has decided to submit the lawsuit to the state attorneys to prepare a report about the legal opinion. The lawsuit is postponed to a session of October 21, 2013 to enable the company to reply and submit the documents. In this session , Pyramisa Company has attended and demanded to interfere offensively in the lawsuit. It was postponed to a session of June 16, 2014 after licensing Pyamisa to interfere offensively and extract the documents from the Authority in the session of December 16, 2013. In addition to reserve of the Egyptian Company's rights concerning the access to justice, the Egyptian Company has made a second appeal to The General Authority of Touristic Development dated July 22, 2013 in another trial to reverse its decision to withdraw the land. It is impossible now to predict what will be concluded by the report state attorneys' authority in this dispute and also the ruling ruled by the court.

5- There is an arbitration lawsuit from a lands' client concerning his contract concluded with The Egyptian Resorts Company concerning the client's desire not to comply with the sole purpose from purchasing the land under contract which is the establishment of an integrated housing project for labor. In the session of June 28, 2012 , the court has issued its ruling for recruitment of the recommended arbitrator among the arbitrators listed in the ministry of justice. According to the corrective court's ruling , the name of the recommended arbitrator has been determined on January 30, 2013 in which the client has appealed over the ruling of his recruitment through the appeal court. A session of August 17, 2013 has been decided for it to inspect it. Postponement has been made several times in a row to a session of January 21, 2014 in which a ruling has been issued for the cancellation of the corrective ruling by naming the recommended arbitrator without naming another arbitrator. The company will appeal over this ruling on 30/3/2014 for the error in applying the law. The client has raised a new lawsuit to hire an arbitrator by the Egyptian Resort Company and the session was postponed to May, 22 2014 and then to session 5/6/2014 , in this session a secondary lawsuit was raised for the invalidation of the formation of the arbitral tribunal and it was postponed to session 26/6/2014 ,and the court decided to confiscate the secondary lawsuit to session July, 24 2014 and then it was postponed to November, 13 2014 to interrogate the two parties of the lawsuit and successive sessions were made and the lawsuit is currently postponed to session April ,7 2015 view the documents and notes.

Since that, the dispute from the legal aspect is considered to be in its beginning therefore it is impossible to predict what the arbitrary authority will conclude in ruling.

31- Comparative Figures

The comparative figures have been reclassified to agree with the classification of the current year without affecting the results of the comparative figures.