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Egyptian Resorts Company
"Egyptian Joint Stock Company"

The consolidated Financial Statements
For the financial year ended December 31, 2012
And Auditor's Report

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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, 2012 and the consolidated income statement, statement of changes in equity and statement of cash flows for the financial year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Egyptian Resorts Company (SAE) as of December 31, 2012, and of its financial performance and its consolidated cash flows for the year then ended in accordance with the Egyptian Accounting Standards and the Egyptian laws and regulations relating to the preparation of these financial statements.

Emphasis of matter

Without considering the following as qualifications:

1 As disclosed in detail in note No. (32) 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. And in the light of the receipts delivered, The company's management and its legal consultant believes the solidity of the company's legal position The lawsuit is now still pending before the state attorneys' authority, whom decided to postpone the lawsuit for a hearing on May 16, 2013. The company's legal consultant believes that the lawsuit is still in its early stages, though it would be impossible for the time being to predict the results of the lawsuit in this early stage of dispute. Though the extent of the negative effects ,that may result, on the company's economics and financial position that may result because of this lawsuit is not yet determined.

2 As disclosed in detail in note No. (32) of the notes to the financial statements, the General Authority of Touristic Development has informed ERC that it has decided to withdraw its previous consent for the company on development of phase 3 lands at Sahl Hasheesh (zone c) in which its area is 20 million square meter in its resolution dated March 31, 2011. Knowing that Work in process in connection with this phase amounted to L.E 70.445 million on December 31, 2012. And the company raised a lawsuit to cancel this resolution which is issued from TDA of taking the land of phase 3 back and taking into consideration that this resolution is submitted to administrative court on September 21, 2011. And in the light of the implemented provisions by ERC and regulations of the contract concluded between TDA And ERC on October 24, 1995, The company's management and its legal consultant believes the solidity of the company's legal position, and the court decided to assign the lawsuit to the state attorneys' authority to prepare a report for a legal opinion, and the lawsuit is postponed for a hearing on June 17, 2013 in order to enable ERC to reply and submit the documents, though it's too soon to predict the results of the report of the state attorneys' authority in the dispute. Though the extent of the negative effects ,that may result, on the company's economics and financial position that may result because of this lawsuit is not yet determined.

Report on Other Legal and Regulatory Requirements

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

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

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

Cairo, March 28, 2013

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Egyptian Resorts Company
(Egyptian Joint Stock Company)

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

	Note No.	Schedule No.	31/12/2012 L.E.	31/12/2011 L.E.
Long Term Assets				
Fixed assets (Net)	(3-2,4)		149 808 886	152 799 692
Investments' Properties	(3-3,5)	(1)	194 283 085	198 806 617
Projects in progress	(3-3,6)		1 797 799	11 366 136
Utilization rights of trademarks	(7)		4 608 326	5 274 926
Accounts & notes receivable (Net)	(3-9,10)		43 492 376	68 162 103
Deferred tax assets (Net)	(3-20,27-2)		621 556	1 361 421
Total Long Term Assets			**394 612 028**	**437 770 895**
Current Assets				
Non-current assets held for sale			91 664	-
Work in process	(3-7,8)		502 592 847	483 357 384
Inventory	(3-6,9)		1 865 473	1 262 130
Accounts & notes receivable (Net)	(3-9,10)		292 720 182	316 050 143
Sundry debtors and other debit balances	(11)		11 957 684	13 049 940
Cash on hand & at banks	(12, 11-3)		88 227 604	100 551 691
Investments in treasury bills	(13, 21-3)		53 711 135	99 435 968
Investments in direct investment funds	(14, 5-3)		20 082 005	-
Total Current Assets			**971 248 594**	**1013 707 256**
Current Liabilities				
Provision for claims	(3-13,15)		12 622 758	10 491 000
Receivables - advance payments	(16)		40 484 900	38 316 052
Sundry creditors and other credit balances	(3-14,17)		100 770 254	86 181 637
Due to Authority of Touristic Development (due within one year)	(18)		29 881 495	14 745 431
Estimated cost for development of sold land	(3-8)		87 428 378	107 931 611
Total Current Liabilities			**271 187 785**	**257 665 731**
Working capital			**700 060 809**	**756 041 525**
Total Investments			**1094 672 837**	**1193 812 420**
Financed as follows:				
Owners' Equity				
Issued and fully paid in capital	(18)		1050 000 000	1050 000 000
Legal reserve	(30)		131 664 379	130 892 541
Carried forward losses			(269 860 682)	(268 655 461)
Net (loss) for the period / year			(99 475 942)	(433 383)
Shareholders' Equity of holding company			**812 327 755**	**911 803 697**
Non-controlling interest	(28)		**55 426 636**	**65 971 156**
Total Owners' Equity			**867 754 391**	**977 774 853**
Long-term Liabilities				
Purchase of land creditors	(8-3)		226 918 446	216 037 567
Total Long-term Liabilities			**226 918 446**	**216 037 567**
Total Owners' equity & Long-term Liabilities			**1094 672 837**	**1193 812 420**

- The accompanying notes from (1) to (34) form an integral part of these financial statements and to be read therewith.
- Review report attached.

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

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Egyptian Resorts Company
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The Consolidated Income Statement of the Company and its Subsidiaries
For the financial year from January 1, 2012 till December 31, 2012

	Note No.	From 1/1/2012 to 31/12/2012 L.E.	From 1/1/2011 to 31/12/2011 L.E.
Net sales	(3-14,21)	6 657 911	11 254 561
Revenues from services rendered	(3-14,23)	30 450 738	16 924 120
Other operating revenues		3 385 508	3 002 915
Total revenues		**40 494 157**	**31 181 596**
Less:			
Cost of sales	(3-17, 24-1)	(7 450 940)	(5 848 822)
Operating cost of services rendered	(3-17, 24-2)	(27 377 552)	(11 484 864)
Depreciation of fixed assets in operation	(3-2, 4)	(17 002 533)	(11 841 228)
Gross (Loss) profit		**(11 336 868)**	**2 006 682**
(Less) Add :			
Interest recalled from deferred income	(3-16, 22)	1 960 023	5 926 675
Selling & marketing expenses	(3-17)	(3 436 348)	(8 133 358)
General and administrative expenses	(3-17, 25)	(25 507 218)	(28 308 381)
Impairment in receivables	(3-12, 10)	(95 444 168)	(4 287 652)
Impairment in debtors	(3-12)		(67 678)
Provisions for claims formed	(3-12, 15)	(2 181 758)	(982 492)
Provisions no longer required	(3-12, 15)		3 382 956
(Loss) resulted from operating activity		**(135 946 337)**	**(30 463 248)**
Valuation Changes in Investments in direct investment funds	(3-4, 14)	82 009	-
Capital gain (loss)		22 500	(375 000)
Net Financial bank income (charges)	(3-18, 26)	28 878 439	27 610 030
Net (Loss) before income tax		**(106 963 389)**	**(3 228 218)**
Current income tax	(3-20, 27-1)	(3 057 073)	(4 209 527)
Net (loss) for the year after tax		**(110 020 462)**	**(7 437 745)**
Holding company's shareholders' share in the year's (losses)		(99 475 942)	(433 383)
Non-controlling interest share in (losses) of subsidiary company for the year	(28)	(10 544 520)	(7 004 362)
		(110 020 462)	**(7 437 745)**
Earning per Share(LE/share)	(16)	**(0.0947)**	**(0.0004)**

- The accompanying notes from (1) to (34) form an integral part of these financial statements and to be read therewith.

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Consolidated Statement of Changes in Shareholders' Equity for the company & its subsidiaries
For the Financial year from January 1, 2012 till December 31, 2012

Description	Issued & Paid in Capital L.E.	Legal Reserve L.E.	Carried Forward (Losses) L.E.	Net (Loss) Profit of the year L.E.	Non-controlling interest L.E.	Total L.E.
Balance as at December 31, 2010	**1050 000 000**	**130 360 967**	**(264 528 700)**	**(3 595 187)**	**72 975 518**	**985 212 598**
Transferred to carried forward losses	-	-	(3 595 187)	3 595 187	-	-
Transferred to legal reserve	-	531 574	(531 574)	-	-	-
Net (loss) for the year	-	-	-	(433 383)	(7 004 362)	(7 437 745)
Balance as at December 31, 2011	**1050 000 000**	**130 892 541**	**(268 655 461)**	**(433 383)**	**65 971 156**	**977 774 853**
Transferred to carried forward losses	-	-	(433 383)	433 383	-	-
Transferred to legal reserve	-	771 838	(771 838)	-	-	-
Net (loss) of the year	-	-	-	(99 475 942)	(10 544 520)	(110 020 462)
Balance as at December 31, 2012	**1050 000 000**	**131 664 379**	**(269 860 682)**	**(99 475 942)**	**55 426 636**	**867 754 391**

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

	Note No.	From 1/1/2012 to 31/12/2012 L.E.	From 1/1/2011 to 31/12/2011 L.E.
Cash Flows from Operating Activities			
Net loss before income tax		(106 963 389)	(3 228 218)
Adjustments to Reconcile Net loss with Net Cash Flows from Operating activities			
Fixed assets' depreciation	(4)	19 983 026	14 730 795
Capital (loss) gain		(22 500)	375 000
Amortization for utilization rights of trade marks	(7)	666 600	666 600
Impairment in receivables	(10)	95 444 168	4 287 652
Tax adjustments	(12)	669 698	-
Impairment in debtors		-	67 678
Trasury bills returns	(13)	(11 947 185)	(12 240 546)
Valuation Changes in Investments in direct investment funds	(14)	(82 009)	-
Provisions for claims formed	(15)	2 181 758	982 492
Provisions no longer required		-	(3 382 956)
		(69 833)	**2 258 497**
Change in working capital			
Change in receivables (net)		(35 251 431)	(44 114 128)
Change in inventory		(603 343)	(260 909)
Change in debtors and other debit balances		783 695	323 881
Change in work in process		(18 675 845)	(41 527 118)
Change in receivables advance payments		441 748	(3 064 950)
Change in creditors and other credit balances		14 588 619	45 853 168
Changes in estimated cost for development of sold land		(20 503 233)	(11 435 105)
Change in dues to Authority of Touristic Development		13 708 013	(9 741 919)
Used from provision for claims	(15)	(50 000)	(2 152 044)
Net cash flow (used in) operating activities		**(45 631 610)**	**(63 860 627)**
Cash Flows from Investing Activities			
Payments for purchase of fixed assets, projects in progress and property investments	**(4,5)**	(3 761 684)	(18 452 963)
Proceeds from sale of fixed assets		232 540	11 470
changes in time deposit value (more than three months)	**(12)**	(11 789 589)	(42 112 000)
Payments for purchase Investments in direct investment funds		(19 999 996)	
Proceeds from investments in treasury bills		9 268 838	11 060 167
Net cash used in investing activities		**(26 049 891)**	**(49 493 326)**
Net cash & cash equivalent used during the year		(71 681 501)	(113 353 953)
Foreign currency exchange differences		1 842 993	(2 537 777)
Cash & cash equivalent as at January 1, 2012		157 875 659	273 767 389
Cash & cash equivalent as at December 31, 2012	(12)	**88 037 151**	**157 875 659**

- The accompanying notes from (1) to (34) form an integral part of these financial statements and to be read therewith.

Egyptian Resorts Company
(Egyptian Joint Stock Company)

Notes to the Consolidated Financial Statements
For the financial year from January 1, 2012 till December 31, 2012

1- General Background

(A) General

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

(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, with other parties or by other parties. and produce, distribute and sell the electrical energy, selling the demineralised water and managing touristic constructions, touristic villages and establishing & managing service stations and the company has the right to participate with other companies that engage in similar business or may help to achieve its purpose in Egypt or abroad.

B-2 Sahl Hasheesh Company for Touristic Investment
The purpose of the company is establishing 30 hostelry apartments consists of 200 rooms of a 5 stars level, fully completed with its complementary utilities and entertainment services which represented in restaurants, cafeterias, health club, swimming pools, tennis, golf, squash playgrounds, entertainment hall and disco, meeting rooms, wedding halls, gardens and playgrounds for kids, entertainment center, medical unit, marine and all kinds of marine sports. Egyptian Resorts Company owns 69.38 % of Sahl Hasheesh Company for Touristic Investment.

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

2- Basis of preparation of the Consolidated financial statement

2-1 Basis for preparation

A- Compliance with accounting standard &lows

The company followed the same Egyptian Accounting Standards and policies set out below in comparison with the latest annual 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.

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 of the holding company obtained on that date.

3- Significant Accounting Policies Applied

The accounting policies set out below have been applied constantly consistently to all periods presented in these financial statements and they are the same applied in the latest annual 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 included in the income statement.

More over the non monetary assets and liabilities which are stated at historical cost of the foreign currency are retranslated as per the prevailing exchange rate on the date of the transaction.

3-2 Fixed assets and depreciation

A- Recognition and measurement

Fixed assets 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 Fixed assets have different useful lives, they are accounted for as separate items (major components) of these fixed assets.

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

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

- The company reconsider the useful life of the fixed assets periodically at least once evey financial year.

3-3 Property investments

The property investments represented in lands held for sale or which the company is currently preparing a plan for use , also the lands and leased buildings (operating lease) for others. the property investments are measured at historical cost less accumulated depreciation and impairment losses - if any – note no. (3-12)and the estimate remaining useful life of the property investments is periodically reviewed, if its substantially differ from the basic estimation then the net book value will be depreciated over the remaining life after revolution.

- These investments' fair value is represented in the balance sheet date, in case of difficulty to reasonably determine that fair value, that will be disclosed in the financial statements.

The estimated useful lives for each item of the property investments for the purpose of calculating are as follows :-

	Estimated useful lives in years
Buildings & constructions	40 years
Buildings & constructions belongings	
Air condition works electrical circuits & convertors	5 years
Elevators	10 years

3-4 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).

3-5 Investments in securities held for trading

The fair value of Investments in securities held for trading is determined as per the market value announced in the financial statements date. The differences resulted from revaluation are charged 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 this account shall be deducted from the estimated cost account according to the actual cost of the meters sold. Work in progress is recorded at cost or the net realizable value which is lower in the balance sheet.

3-8 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 estimated cost 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 (3-7) in order to reach the cost for development and supplying facilities' works for the remaining sold land for each phase. And the estimated cost shall be studied all over again based on the technical study of the total estimated cost for each phase prepared annually by the technical department and this study shall be approved by the project consultant. The differences results from the re-estimation shall be charged to the income statement.

3-9 Receivables, debtors and other debit balances

Short term 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. 3-12), 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, balance of bank overdrafts that are pre-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. that the asset's carrying amount does not exceed the recoverable amount.

3-13 <u>Provisions</u>

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

3-14 <u>Creditors and other credit balances</u>

Creditors and other credit liabilities are recorded at cost.

3-15 <u>Employees' pension plan</u>

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.

3-16 <u>Revenue recognition</u>

<u>Activity's revenues</u>

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.

<u>Financial investments' Revenue</u>

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.

3-17 Expenses

Expenses are recognized on accrual basis.

3-18 Financial income / costs (net)

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

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 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.

3-21 Governmental treasury bills

Governmental treasury bills are recorded at cost less amortization and impairment losses in assets (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 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.

3-25 Transaction with related parties

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

4- Fixed Assets (Net)

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

Description	Cost as at 1/1/2012	Transfers from other assets	Additions of the year	Disposals of the year	Transfers to long term assets held for sale	Cost as at 31/12/2012	Accumulated Depreciation as at 1/1/2012	Depreciation of the for year	Accumulated Depreciation of disposals	Accumulated Depreciation of Transfers to long term assets held for sale	Accumulated Depreciation as at 31/12/2012	Net book value as at 31/12/2012	Net book value as at 31/12/2011
	L.E.	L.E.	L.E.	L.E.	L.E.	L.E.	L.E.	L.E.	L.E.	L.E.	L.E.	L.E.	L.E.
Land	521 610	-	-	-	-	521 610	-	-	-	-	-	521 610	521 610
Buildings	34 459 965	-	180 311	-	-	34 640 276	2 760 740	1 086 378	-	-	3 847 118	30 793 158	31 699 225
Machinery & equipments	2 171 399	-	152 029	-	-	2 323 428	1 118 118	151 598	-	-	1 269 716	1 053 712	1 053 281
Furniture & fixtures	4 670 032	-	2 109 723	(59 937)	(6 635)	6 713 183	1 089 554	455 084	-	(663)	1 543 975	5 169 208	3 580 478
Transportation vehicles	992 387	-	-	-	-	992 387	578 481	123 456	-	-	701 937	290 450	413 906
Networks & facilities	79 871 097	-	8 544 189	-	-	88 415 286	16 511 447	7 987 109	-	-	24 498 556	63 916 730	63 359 650
Sewage Treatment Plant	21 775 252	-	-	-	-	21 775 252	3 726 663	963 524	-	-	4 690 187	17 085 065	18 048 589
Water tank	8 950 096	-	-	-	-	8 950 096	831 122	298 307	-	-	1 129 429	7 820 667	8 118 974
Water desalination plant	29 060 055	-	-	-	-	29 060 055	7 979 861	2 734 921	-	-	10 714 782	18 345 273	21 080 194
Electrical instruments & Computers	8 324 702	-	593 998	(232 540)	(5 267)	8 680 893	4 539 972	1 375 306	(22 500)	(1 053)	5 891 725	2 789 168	3 784 730
Kitchens & operating supplies	1 139 055	(107 982)	197 953	-	-	1 229 026	-	112 272	-	-	112 272	1 116 754	1 139 055
Communications network & Internet	-	-	1 111 534	-	(1 053)	1 110 481	-	203 601	-	(211)	203 390	907 091	-
Total	**191 935 650**	**(107 982)**	**12 889 737**	**(292 477)**	**(12 955)**	**204 411 973**	**39 135 958**	**15 491 556**	**(22 500)**	**(1 927)**	**54 603 087**	**149 808 886**	**152 799 692**

* Fixed assets cost included assets which are fully depreciated, its cost amounted to L.E 2 655 056 as at December 31, 2012 as follows:

	L.E
Transportation vehicles	377 437
Machinery & equipments	734 061
Furniture	1 016
Buildings (Caravans)	82 830
Computers	1 459 712
	2 655 056

Depreciations were classified as follows:

Depreciation of operating fixed assets	12 511 063
Depreciation of administrative fixed assets (Note - 24)	2 980 493
	15 491 556

Complementry Schedule to Property Investments Note No. 5 (Schedule 1)

The balance of Property Investments (net) shown in the consolidated balance sheet as at December 31, 2012 is represented as follows:-

Description	Cost as at 1/1/2012	Transfers from other assets	Additions of the year	Disposals of the year	Transfers to long term assets held for sale	Cost as at 31/12/2012	Accumulated Depreciation as at 1/1/2012	Depreciation of the for year (**)	Accumulated Depreciation of Transfers to long term assets held for sale	Accumulated Depreciation as at 31/12/2012	Net book value as at 31/12/2012	Net book value as at 31/12/2011
	L.E.	L.E.	L.E.	L.E.	L.E.	L.E.	L.E.	L.E.	L.E.	L.E.	L.E.	L.E.
Lands (*)	116 152 096	-	-	-	-	116 152 096	-	-	-	-	116 152 096	116 152 096
Buildings	67 303 615	109 560	227 105	(499 681)	(72 495)	67 068 104	-	1 673 892	(1 812)	1 672 080	65 396 024	67 303 615
Air-conditioning	9 759 995	(323 730)	-	-	(12 442)	9 423 823	-	1 887 252	(2 489)	1 884 763	7 539 060	9 759 995
Elevators	2 955 000	(5 795)	-	-	-	2 949 205	-	294 920	-	294 920	2 654 285	2 955 000
Transformers and Electric panels	2 635 911	327 947	213 168	-	-	3 177 026	-	635 406	-	635 406	2 541 620	2 635 911
Total	**198 806 617**	**107 982**	**440 273**	**(499 681)**	**(84 937)**	**198 770 254**	**-**	**4 491 470**	**(4 301)**	**4 487 169**	**194 283 085**	**198 806 617**

* The land item has an amount of L.E 104 117 692 represented in the held land by Sahl Hashish for Touristec Investments (subsidiary company) and the company management is currently preparing the plan for the land use.

* the depreciation of the property investments in the financial year ended December 31, 2012 is included in operating assets' depreciation in income statement.

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5- Property Investments

Property investments shown in the consolidated balance sheet as at December 31, 2012 are represented in the long term assets as follows:-

	31/12/2012	31/12/2011
	L.E	L.E
Cost as at 1/1/2012	198 806 617	104 117 692
Additions for the year (schedule - 1)	440 273	94 688 925
Transfers from fixed assets during the year	107 982	--
Sold property investments during the year	(499 681)	--
Transfers to long term assets held for sale (Note – 7)	(84 937)	--
Cost as at 31/12/2012	**198 770 254**	**198 806 617**
Less :		
Accumulated depreciation as at 1/1/2012	--	--
Depreciation for the year	4 491 470	--
Accumulated depreciation for Transfers to long term assets held for sale (schedule 1)	(4 301)	--
Accumulated depreciation as at 31/12/2012	4 487 169	--
Net cost of property investments as at 31/12/2012	**194 283 085**	**198 806 617**

6- Projects in progress

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

	31/12/2012	31/12/2011
	L.E	L.E
Sahl Hasheesh Company		
Supplies of furniture for apartments	--	1 038 202
Internet networks works	--	283 104
Advance payments to suppliers	--	1 316 924
Egyptian Resorts Company		
Electricity network	--	8 067 069
Extending networks	1 797 799	660 837
	1 797 799	**11 366 136**

7- 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 Sawary project which is currently executing at phase two at the land allocated to the company at Sahl Hasheesh (Note 7-4) . These amounts shall be amortized in the income statement included in sales and marketing expenses. The accrued balance to Orascom Co. for Development and Management as at December 31, 2012 amounted to L.E 2 million. And this balance is represented in the following:-

	31/12/2012
	L.E
Balance as at 1/1/2012	5 274 926
Less: Amortized during the year included in selling and distribution expenses	(666 600)
Balance as at 31/12/2012	4 608 326

8- Work in Progress

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

		Balance as at 31/12/2012 L.E.	Balance as at 31/12/2011 L.E.
8-1	Cost of the project's lands haven't been sold yet - Phase 1	30 206 227	28 218 623
8-2	Cost of the project's lands haven't been sold yet -Phase 2	164 547 784	150 896 529
8-3	Cost of project's lands 28 312 296 million m² – Phase 3	301 895 888	299 215 588
8-4	Cost of Sawary Project	5 921 948	5 026 644
8-5	Cost of Jamaran Project	21 000	--
		502 592 847	483 357 384

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

8-1 First Phase Lands

- The General Authority for Touristic Development allocated an area of six million meter square by virtue of a contract for sale and leasing of desert land at Sahl Hasheesh at Red Sea for the purpose of touristic development. And this contract has been concluded on October 24, 1995 and the amounts due to the authority for this phase has been paid in full. As per the contract the authority is entitled for 7.5% of the sales price as a commission with a minimum amount of L.E 11.25 per meter and to be increased by a 10% annually. According to the prime minister's decree No. 1026 of 2005 published in the official gazette issue No.28 on July 14, 2005 stating that the lands sold for the purpose of constructing a touristic project, US$ 1.75 is due to the authority per meter sold.

- The company takes a final settlement procedures for the General Authority's commission from ERC concerning the lands selling price phase 1, phase 2 and phase 3 in Sahl Hashees, then the company concluded an agreement to compute a commission for the authority for 7.5% of the sale price or L.E 11.25 each m^2 which 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. These differences were included in purchase of land creditors as at December 31, 2012.

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

8-2 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). And a final allocation decision were issued by no. (82) on 5/6/2006 for this phase after the payment of the total allocation and contracting expenses.
- Based on the final settlement of the Authority commission from company upon the sale of lands phase 1, phase 2 or phase 3 in Sahl Hasheesh mentioned in (7-1), an agreement concluded to compute the Authority share as per the same followed basis for the selling of the first phase before the date of issuing the prime minister's decree on July 28, 2005. And after the date mention above , the Authority's shall be entitled for $ 1.75/m^2 upon the sales of lands allocated for touristic projects or $5 /m^2 upon the the sales of lands allocated for touristic housing.
- Based on the geographical survey for the second phase made on 2008 which is mentioned in (8-1), the total area of that phase is 7 032 867 meter square and the area to be sold from this phase is 6 542 922 meter square. the amounts against the differences of areas were included in the balance of purchase of land creditors as at December 31, 2012.
- The estimated cost as at December 31, 2012 for the project's second phase according to the revised study prepared by the company's experts amounted to L.E 392 607 701 with estimated cost L.E 60 per meter.

8-3 Third phase lands

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

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

- And as per the geographical survey prepared by the expertise whom the company used during year 2008 in order to measure the total area of lands, the total area of the third phase is 28 312 296 m^2. And as per the geographical survey prepared by the company aforementioned, the cost of land purchased from the Authority of Touristic Development (including the contractual and allocation expenses) amounted to USD 42 411 819 which is equivalent to L.E 231 450 740. This cost is included in Work In Progress – Phase 3 and the total payments was USD 7 567 359 as at 31 December 2012 and the remaining amount due to the Authority based on the aforementioned is L.E 220 228 647 equivalent to USD 34 851 819 and included in purchase of land creditors, knowing that there are no allocation contracts for phase 3 have been concluded.

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

- And the company raised a lawsuit to cancel this resolution which is issued from TDA of withdrawing the land of phase 3 back and taking into consideration that this resolution is submitted to administrative court and. And there will be a hearing to be set on June17, 2013 to enable the General Authority for Touristic Development to submit the rest of documents as per detailed in the company's legal position note no. (32-3)

8-4Cost of work in process (Sawary project)

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

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

First: sales commission

- Subject to the terms of contract (from 6 / 12 until 6 / 14), the developer shall receive 6% from all realized sales due based on the contracts concluded and after payment of a part from the advance payment from the total sales amount, and the remaining amount shall be obtained via cheques or any trusted way of payment from the owner.
- 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 remaining shall be charged to the developer on condition that the commission rate to be charged to the Owner shall not exceed 8% from all sales including the developer's commission. And the total commissions due to the developer for total contracts concluded during the financial year ended December 31, 2012 amounted to L.E 1 215 064 and the unpaid part of these commissions included in the accrued expenses (Note.16) amounted to L.E 1 370 331.

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.

8-5 Jamaran project

The cost shown above is represented in the cost of selling 50 lots of land from phase two (villas) in addition to the cost of the construction works of villas for this phase' customers to be compatible with the integrated urban plan for these area.

9- Inventory

The balance of inventory shown in the Consolidated balance sheet as at December 31, 2012 is represented as follows:

	31/12/2012	31/12/2011
	L.E.	L.E.
Maintenance supplies and spare parts	**1 865 473**	**1 262 130**

10- Accounts & Notes Receivable (Net)

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

	31/12/2012	31/12/2011
	L.E.	L.E.
Land receivables (*)	364 885 790	341 849 017
Accounts and notes receivable of Sawary Project (**)	50 238 797	47 511 678
Notes receivables of Jamaran Project	11 531 395	--
Services' receivables	16 999 898	9 256 669
	443 655 880	**398 617 364**
Less: Deferred interest	(1 180 442)	(3 140 465)
Less: Impairment in receivables(***)	(106 262 880)	(11 264 653)
	336 212 558	**384 212 246**

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

	31/12/2012 L.E.	31/12/2011 L.E.
Accounts & notes receivable – long term assets	43 492 376	68 162 103
Accounts & notes receivable – current assets	292 720 182	316 050 143
	336 212 558	**384 212 246**

(*) the company has been received cheques in return of the balance of receivables – land with an amount of $ 1 248 766 equivalent to L.E 5 402 052 due on February 28, 2013. And during the period from 31/3/2013 till 31/12/2014 respectively . and the cheques' amounts shall be deducted from the receivables balance when collected.

(**) Accounts and notes receivables for Sawary project includes an amount of L.E 40 486 434 represented in notes receivable collected from clients concluded contracts to purchase units in the project as of December 31, 2012.

(***) the impairment in account receivables aforementioned which amounted to L.E 106 262 880 is represented in the expected impairment in the receivables as per the study by the management which is prepared as a result of current events in Egypt which impacts on the company's activity what led to the existence of indicators for the inability to collect indebitness and the most important of them is the delay in the payment of due installments due& interests and the existence of some financial difficulties for some customers in addition to the disappearance of an active market because of the financial difficulties facing the tourism sector in general, so it has been a study conducted at the year end to determine the expected impairment amount of receivables' balances as a result of the aforementioned indicators, which have been based upon proving impairment losses for the year of L.E 95 444 168 included in the income statement, the study has been prepared in the light of the following:-

- Assuming the continuation of the engagement with the customer and following the collection process whenever possible.
- The expected future cash flows in light of the expected number of years to repay at the level of each individual client.
- Discounting the expected cash flows using a market rate of return for a similar investment, according to the nature of the currency used by each client.

11- Sundry Debtors & Other Debit Balances

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

	31/12/2012 L.E.	31/12/2011 L.E.
Letters of guarantee covers	50 000	50 000
Cash imprests and loans	168 654	10 656
Prepaid expenses	1 001 450	793 839
Deposits with others	503 984	275 330
Accrued interest	1 693 920	1 004 482
Contractors & suppliers (debit balances)	1 427 889	2 773 128
Sundry debtors	466 414	868 562
Withholding Tax – Debit	304 085	262 957
Income Tax paid for reversed sales (*)	6 408 966	7 078 664
	12 025 362	13 117 618
Impairment in debtors	(67 678)	(67 678)
	11 957 684	13 049 940

(*) as detailed in the tax position disclosure (note-29), the paid differences in increase to Income Tax Authority balance (debit) amounted to L.E 6 408 966 for the year 2008 in the light internal committee decision included in the payment model no. 36 on March 31, 2012 then the indebtedness previously recognized to the authority has been modified to be L.E 7 078 664 during year 2010 in the light of the modified tax return for year 2008 to the aforementioned amount, the decrease in the indebtedness which amounted to L.E 669 998 has been classified in administrative expenses in the income statement for the financial year ended December 31,2012.

- this indebtedness will be settled with the authority in return of the tax claims arising from the upcoming financial years.

12- Cash on Hand and at Banks

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

	31/12/2012 L.E	31/12/2011 L.E
Cash on hand	343 958	157 448
Banks – current accounts-L.E	28 542 364	28 402 027
Banks – current accounts-US$	4 882 092	12 243 125
Banks – current accounts-EURO	56 963	88 511
Banks-time deposit-L.E (less than 3 months)	500 638	5 516 580
Banks-time deposit-US$ (less than 3 months)	--	12 032 000
Banks-time deposit-US$ (more than 3 months)	53 901 589	42 112 000
	88 227 604	100 551 691

(*) Banks-time deposit-US$ (more than 3 months) aforementioned amounted to USD 8 530 082 represented in time deposits due within a period from more than 3 months and less than one year of the balance sheet date by an interest of .56 % to 2%.

- And for preparation of cash flow statement purposes, the cash and cash equivalents are classified as follows:

	31/12/2012 L.E.	31/12/2011 L.E.
Cash at banks and on hand	88 227 604	100 551 691
Add: investments in treasury bills (Note 12)	53 711 136	99 435 968
Less : time deposits (more than 3 months)	(53 901 589)	(42 112 000)
Cash and cash equivalents according to cash flow statement	**88 037 151**	**157 875 659**

13- Investments in treasury bills

The investments in treasury bills shown in the consolidated balance sheet amounted to L.E 53 711 135 is represented in the value of Treasury bills purchased for the company by Arab African International Bank at a nominal value of L.E 56.05 million and the maturity date is within three months from the balance sheet date and with an interest rate between 12.40% and 13.10%. The total value of investment returns in Treasury bills for the financial year ended December 31, 2012 and included in the consolidated income statement under the item income (costs) financing (net) amounted to L.E 11 947 185 (L.E 12 240 546 for the same financial year 2011) and total receipts during the financial year amounted to L.E 11 586 046.

14- Investments in direct investment funds

This item shown in the consolidated balance sheet amounted to L.E 20 082 005 represented in the market value of the acquisition number of 1 830 566 of the documents issued by investment fund of Arab African International Bank for investment in fixed income instruments in the Egyptian pound, "roots", which established in accordance with the provisions of the Capital Market Law and its implementing regulations at a nominal value of L.E 20 million at the acquisition date. The document price is declared with an amount of L.E10.97 as at December 31, 2012.

15- Provision for Claims

This item shown including the current liabilities in the balance sheet as at December 31, 2012 represented in the following:-

	31/12/2012	31/12/2011
	L.E	L.E
Balance as at 1/1/2012	10 491 000	15 043 508
Formed during the year	2 181 758	982 492
Provision no longer required	--	(3 382 956)
Used during the year	(50 000)	(2 152 044)
Balance as at 31/12/2012	**12 622 758**	**10 491 000**

- The provision for claims includes the contingent tax liabilities arising from the tax inspection for the parent company and its subsidiaries as set out detailed in the tax position disclosure (Note - 29).

16- Receivables Advance Payments

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

	31/12/2012	31/12/2011
	L.E	L.E
- Advance payments for lands reservation – phase (1) and (2) (*)	36 553 214	34 818 236
- Advance payments for units reservation – Sawary Project	2 112 806	2 719 012
- Advance payments for units reservation – Jamaran Project	1 008 604	--
- Advance payments for stores reservation – subsidiary company	624 431	778 804
- Advance payments for touristic units purchase (**)	185 845	--
	40 484 900	**38 316 052**

(*) The amount is represented in the received amount from some of the clients as a reservation paid under the account of purchasing land in phase 1 And The company terminated a contract with the client and paid him back the contracting advance payment amounting to USD 5 700 000 equivalent to LE 36 018 300 considering his delay in fulfilling his contractual obligations till this date and the case has been submitted to the expert. The company submitted the legal documents by its legal consultant to support its position in the case as per detailed in legal position disclosure (note -32).

(**) The amount is represented in the received amount from some of the clients which amounted to USD 30 thousand for reserving a touristic unit in building (C) owned by the subsidiary company with an area of 54 $m^2$with a total amount of USD 118 000 as per the concluded contract on January 1,2013 . and the remaining amount will be paid on installments starting from March 31, 2013 till March 31, 2014.

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17- Sundry Creditors & Other Credit Balances

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

	31/12/2012 L.E	31/12/2011 L.E
Contractors' retention	1 372 932	2 488 231
Suppliers and contractors	7 521 220	9 202 409
Contractors-social insurance	1 904 619	1 816 574
Social insurance authority	98 410	127 715
Accrued expenses	1 822 888	3 361 307
Due to sovereign authorities	12 482 801	9 744 287
Maintenance deposits (*)	4 207 791	3 809 636
Deposits from others (shops)	2 082 085	1 204 422
Dividends payable	393 499	393 499
Deferred revenues(*)	58 723 262	43 872 810
Sundry creditors	10 160 747	10 160 747
	100 770 254	86 181 637

(*) Deferred revenue includes an amount of L.E 48 794 710 which represent the building and finishing works paid in advance by the customers of Sawary project, which will be recognized when implementing building structures and finishing works for the units based on contracts concluded with clients. And also includes an amount of L.E 9 389 523 which represents the paid in advance from customers of Jamaran Project which will be recognized when implementing building structures based on contracts concluded with clients.

(**) The maintenance insurance balance aforementioned includes an amount of L.E 3 053 774 of customers' contribution in community maintenance and management which were collected from Sawary project's clients.

18- Due to the General Authority for Touristic Development

The item of Due to the General Authority for Touristic Development shown in the current liabilities in the Consolidated balance sheet as at December 31, 2012 amounted to L.E 29 881 495 (L.E 14 745 431 as at December 31, 2011) is represented in the authority's share in the company's sales of the three land phases according to the settlements basis agreed as per the current final settlement of the dues to General Authority for Tourism Development from the company which detailed in (Note 8- works in process) , and the dues to the state has been reached for the sale of land first phase with the General Authority for Tourism Development under authorized clearances from the authority, and the due amounts of sale of land second phase have being currently settled. The settlement differences has been recorded including the due balance to the authority during year 2012 which is amounted toL.E 15 720 568 .

19- 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 shares at par value of LE. 100, and the shareholders totally paid one fourth of the par value of the shares, the paid in capital amounted to LE. 210 000 000 (paid from the dividends declared by the General Assembly Meeting for the approved financial statements from 1999 till 2003) thus the amount paid from the share is LE. 60.

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

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

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 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

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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.

20- Earnings per share (loss) during the period:

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

	From 1/1/2012 to 31/12/2012	From 1/1/2011 to 31/12/2011
	L.E.	L.E.
Net profit for the year	(99 475 942)	(433 383)
(*) Average number of shares during the year	1 050 000 000	1 050 000 000
Earning per share (L.E/share)	**(0.0947)**	**(0.0004)**

21- Sales revenues

	From 1/1/2012 to 31/12/2012	From 1/1/2011 to 31/12/2011
	L.E.	L.E.
Land sales Sawary project	4 050 215	10 849 961
Land sales Jamaran project	4 050 339	--
Against lands' utilization	--	404 600
Less: returns of Land sales Sawary project	(2 701 495)	--
	5 399 059	**11 254 561**
Revenues of Shops and beach Restaurant – It's subsidiary	1 258 852	--
Total	**6 657 911**	**11 254 561**

22- Interest recalled from deferred income

	From 1/1/2012 to 3/12/2012	From 1/1/2011 to 31/12/2011
	L.E.	L.E.
Interest recalled from deferred income	1 960 023	5 926 675
	1 960 023	**5 926 675**

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23- Revenue from services rendered

	From 1/1/2012 to 31/12/2012	From 1/1/2011 to 31/12/2011
	L.E.	L.E.
Revenue from water supplies	9 502 091	7 406 861
Revenue from electricity supplies	10 452 464	7 635 722
Revenue from irrigation water supplies	2 020 639	1 324 075
Revenue from communication services supplied	150 790	557 462
Revenues from community services (*)	8 324 754	--
	30 450 738	**16 924 120**

(*) The revenues of community services amounted to L.E 8 324 754 have been included in the due amount from the company's customers for the year 2012 (after excluding the Company's share of revenue of community services) at L.E 2.5 per m^2 of land sold to them in exchange for providing the services of management, maintenance, security, cleansing and operating all public utilities and networks, including the repair and replacement of the utilities energies and infrastructure of Sahl Hasheesh Center in the light of the agreement with investors Association of Sahl Hasheesh on October 22, 2012, under which it was agreed to provide the service for a period of three years with an annual increase rate 5% annually starting from 1/1/2013.

24- Cost of sales and cost of operating services rendered

24-1 Cost of sales

The cost of sales shown in the consolidated income statement on December 31, 2012 represented in the following :-

	From 1/1/2012 to 31/12/2012	From 1/1/2011 to 31/12/2011
	L.E.	L.E.
Cost of sales land Sawary project (*)	3 090 916	5 848 822
Cost of sales of villas’ lands Jamaran project (second zone)	228 940	--
Less: returns of Land sales Sawary project	(1 620 897)	--
	1 698 959	5 848 822
Operating costs – subsidiary company	5 751 981	--
	7 450 940	**5 848 822**

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

24-2 Cost of operating services rendered

The cost of operating services rendered shown in the consolidated income statement on December 31, 2012 represented in the following :-

	From 1/1/2012 to 31/12/2012	From 1/1/2011 to 31/12/2011
	L.E.	L.E.
Cost of electricity, water, irrigation and communication services	15 500 057	11 484 864
Cost of community management services	11 877 495	--
	27 377 552	**11 484 864**

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25- General and Administrative Expenses

	From 1/1/2012 to 31/12/2012	From 1/1/2011 to 31/12/2011
	L.E.	L.E.
Salaries, wages, allowances and its related expenses	12 475 319	13 540 640
Attendance allowances of board of directors & executive committees	1 512 750	1 586 350
Consultancy & audit fees	4 079 602	3 698 674
Depreciation of administrative assets (Note No. 4)	2 980 493	2 889 567
Bank charges	35 682	54 367
Tax settlements differences (Note No. 11)	669 698	--
Rentals	725 958	3 034 005
Stationary, printings & computer expenses	276 917	288 446
Traveling & transportation expenses	945 250	805 704
Others	1 805 549	2 410 628
	25 507 218	**28 308 381**

26- Interest income (financial costs)

Interest income (financial costs) shown in the consolidated income statement as at December 31, 2012 is represented in the following:

	From 1/1/2012 to 31/12/2012	From 1/1/2011 to 31/12/2011
	L.E.	L.E.
Foreign currency differences – credit	2 695 680	4 660 530
Returns of investments in treasury bills	11 947 185	12 240 546
Interest income from bank deposits	3 848 222	3 652 001
Interest resulted from delay in payment of installments	10 387 352	7 056 953
	28 878 439	**27 610 030**

27- Income tax

27-1 Income tax expense shown in the consolidated income statement as at December 31, 2012 is represented in the following:

	31/12/2012	31/12/2011
	L.E.	L.E.
Corporate income tax (*)	(2 317 208)	(2 765 042)
Deferred Tax that results in an Asset (Liability) (Note No. 27-2)	(739 865)	(1 444 485)
Income tax expense on December 31, 2012	**(3 057 073)**	**(4 209 527)**

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(*) The Corporate income tax as at December 31, 2012 is represented in the tax due on the independent tax pools related to received treasury shares' income pool during the financial year from 1/1/2012 till 31/12/2012 which was deducted from the upstream and supplied to the Tax Authority as per the provisions of law No. 114 of 2008.

27-2 The balance of deferred tax whether assets or liabilities is represented in:

	31/12/2011		**Year movement**		**31/12/2012**	
	Asset L.E.	**Liability L.E.**	**Asset L.E.**	**Asset L.E.**	**Asset L.E.**	**Liability L.E.**
Fixed assets and intangible assets	--	(11 256 568)		(2 297 252)	--	(13 553 820)
Provision	4 869 264	--	1 583 783	--	6 453 047	--
Carried forward losses	7 748 725	--	--	(26 396)	7 722 329	--
Total	12 617 989	(11 256 568)	1 583 783	(2 323 648)	175 376 14	(13 553 820)
The Balance	**1 361 421**	**--**	**--**	**(739 865)**	**621 556**	**--**

Unrecognized deferred tax that results in an asset

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

	31/12/2012 L.E.
Provisions	21 494 841
Carried forward losses	15 767 248

No deferred tax that results in an asset has been recognized because there will be no probable future taxable profits available against which those tax losses can be utilized.

28- Non - controlling Interest

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

	L.E
Balance as at 1/1/2012	**65 971 156**
Add:	
Non - controlling Interest in the losses for the financial year ended December 31, 2012 for the subsidiary	(10 544 520)
Balance as at December 31, 2012	**55 426 636**

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29- 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

29-1 Corporate tax

The tax position of the company as at 31/12/2012 is represented in the following:

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

The tax returns were submitted for years from 2005 to 2011 according to Law No.91 of 2005 in the due dates.

Years since activity inception till year 2004

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

Years from 2005 to 2007

The tax inspection for the years from 2005 till 2007 has been made based on the provisions of Law no. 91/2005, and the company received form (19) taxes for separate tax pools and movable tax. The company has appealed to the inspection results on the legal due dates and has been assigned to an internal committee.

The internal committee considered the disputes and reached to an agreement in all the points of dispute except for the debit foreign exchange differences. The tax differences as per the internal committee results amounted to L.E 139 839 excluding the fines and delay interests which amounted to approximately L.E 88 000. And the company's tax file for the foreign currency differences is assigned to a specialized committee in order not to be the basis for computation for the subsequent years.

Year 2008

The tax inspection has been made for the year 2008 and the company received a notification with the elements of the tax assessment (form 19) on July 14, 2011. The company settled some disputed issues and the internal committee decided that the differences resulted from the amounts paid in excess for the tax return of year 2008 should be booked in the company's books which amounted to L.E 6 408 965 as per a claim and a settlement notification (settlement model -36) as at March 31, 2012 also claiming the company to pay an amount of L.E 473 670 for the unpaid amount related to tax pool of article no. (56) other than the delay interests and also cancelling the estimations of the tax authority concerning tax pool of article no. (57) commissions.

- Then the company has a credit balance from the tax authority and the due taxes are currently being settled from the credit balance.

Year 2009 and 2011

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

29-2 Salary tax

Years since activity inception till year 2004

The salary tax for the company was inspected till year 2004 and there has been tax assessment and the tax due and delay penalties amounted to L.E 237 914 after deducting payments. This assessment is based on form No.9 dated on 1/8/2011.

Years from 2005 till year 2008

Year 2005 has been inspected and due tax differences amounted to L.E 31 665 have been resulted.

The company has been inspected from year 2006 till 2007 and due tax differences amounted to L.E 521 221 have been resulted.

Year 2008 is currently being inspected.

Years from 2009 till 2011

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

29-3 Sales tax

There has been an inspection from the date of activity's inception till year 2007 by the Tax Authority and there has been an assessment and it has been paid.

There has been an inspection from year 2008 till year 2010 and the due tax amounted to approximately L.E 514 thousand as per form (15) on April 17, 2012 and the company appealed on this form what led to decreasing the differences to be approximately L.E 316 thousand.

29-4 Stamp tax

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

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

29-5 Corporate income tax

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

Years from activity inception till year 2004

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

Years from 2005 till 2009

The company paid the tax due based on the approved tax return in its due dates according to the provisions of law no. 91/2005. There has been inspection for these years and the company has been notified by the assessment forms which included tax differences amounted to L.E 1 127 845 and the company objected and appealed on this form. And the company formed the sufficient provisions against these differences.

Years from 2010 till 2011
The company paid the tax due as per its tax returns in its due dates based on the provisions of law no. 91/2005.

29-6 Salary tax

Years form activity inception till year 2009
There has been inspection and the company has been notified by tax differences amounted to L.E 157 257 and the company objected and appealed on this form.

Years from 2010 till December 31, 2011
Tax are deducted from salaries paid to employees and the company pays regularly.

29-7 Stamp Tax

Years form activity inception till year 2007
The company has been notified and paid all tax differences due to the Authority.

Years from 2008 till December 31, 2009
There has been inspection and the company has been notified by tax differences amounted to L.E 13 181 and the company objected and appealed on this form.

Years from 2010 till December 31, 2011
These years have not been inspected and the company pays the due tax monthly as per the provisions of law.

29-8 Withholding tax

The company submits all kinds of tax due which results from the company's regular transactions with others to the Tax Authority in its due dates.

30- 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).

30-1 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.

30-2 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 311 562 531 and L.E 295 009 516 respectively. The Company's net balances in foreign currencies at the balance sheet date are as follows:-

Foreign currencies	Surplus
USD	2 599 525
Euro	15 441

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.

30-3 Credit Risk

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

31- 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 issued capital. The legal reserve can be used to cover any losses or to increase company's capital.

32- Legal Position

1- The company has filed a lawsuit in order to annul a contract of lands purchase concluded with one of the clients as the client has breached the contract terms in the light of the company's vision, and the hearing of this lawsuit has been forwarded to an expert on April 26, 2012 in order to determine the nature of the relationship between the parties and the obligations of both of them toward the other and the extent of the existence of preaching in the commitments' implementation of those and the party causing the breach, the company by its legal consultant submitted all supported and legal documents. the lawsuit has been assigned to march 28 till the expert's report has been issued. The date for the first hearing before the expert didn't determined yet and it is expected be to postponed until issuing the expert report.

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

First- Proceedings :

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

- To cease the resolution made by the defendant to be put into action which is related to allocation and contracting for sale of 41 million meter square of lands at Sahl Hasheesh to ERC. ERC is obligated to execute the jurisdiction and without declaration.
- To cancel and annul the aforementioned contract and any associated impacts as it breaches the law and also obligates the authority to pay any fees or expenses.
- The prosecutor relied in his lawsuit on that the General Authority for Touristic Development (TDA) has allocated that land at Sahl Hasheesh by direct order which breaches the law of bids no. 9/1983 (old law of auctions and bids) considering that it is the prevailing law when contracting and also considering law no. 143/1981 of desert lands which organizes the conditions for selling lands in which the authority breaches when selling some lands lots.
- The prosecutor also relied in his lawsuit on that the General Authority for Touristic Development (TDA) did not take into consideration the public interest when signing the contract of Sahl Hasheesh, as the Authority did not follow the rules of competition rules set by old bids' law as he pointed out that the authority sold the land to ERC for a very law price and that ERC only paid a quarter of the lands price and he mentioned that there only 4 hotels have been established on that land, he also relied on that the land hasn't been developed since 1993 till now.

- As detailed above the prosecutor has appealed the sales and rental contract of desert lands at Sahl Hasheesh dated October 24, 1995 which were intended for touristic development, this contract was concluded between the authority and ERC (under establishment). It has been agreed that ERC will start pursuing its obligations from the date of execution of the aforementioned contract which is March 19, 1997, this is based on the addendum of the contract dated December 31, 2001.
- On February 28, 2011 ERC has decided to be a part of this lawsuit in order to take the legal procedures and prepare the documents that supports the company's positions. These documents which defends the company's position has been prepared.
- ERC intervened in the court hearing to defend the accuracy of the contract concluded with TDA nevertheless the company submitted a request to the state attorneys' authority in order to prepare for the lawsuit considering that there are documents should be submitted to them before being handed over to be reported, though the documents submitted proves that the company made an integrated developments to the Sahl Hasheesh project and there has been a legal advice offered to the company's shareholders with the necessity of intervening in the lawsuit.
- The lawsuit is submitted to the state attorneys' authority. The state attorneys' authority stated that the company should claim from TDA to submit the documents required by ERC such as the copies of concluded contracts between TDA and the other companies for integrated development which approve that the price of sale of land in Sahl Hasheesh is the same price used in the whole contracts of the TDA. And in the hearing on February 14, 2013 the next hearing is postponed to May 16, 2013. And There is no judgment issued on this case to date.

3- The General Authority for Touristic Development notified the company on April 11, 2011 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, that's in violation of the provisions of the contract concluded between the parties on 24/10/1995 and the company has executed its clauses. the company appealed to the resolution of the General Authority for Touristic Development to annul its previous consent referred to in 27 May 2011 and the company did not receive any reply in this concern.

And the company raised a lawsuit to cancel this resolution which is issued from TDA of withdrawing the land of phase 3 back and taking into consideration that this resolution is submitted to administrative court on September 21, 2011 (seventh region – Investment). And there will be a hearing to be set on September 27, 2011 and this lawsuit has been listed under the no. 55158/65, This lawsuit has been listed and the first hearing has been determined to be on December 17, 2011, and the court decided to assign the lawsuit to the state attorneys' authority to prepare a report for a legal opinion, but this report was not yet prepared. the company submitted a request through its legal representative to identify a hearing before the state attorneys' authority and several lawsuits where held and a hearing on June 18, 2012 a decision issued to postpone the hearing to be on July 16, 2012 to take the supported documents from the Tourism Development Authority based on its request. And the hearing was postponed again for hearing September 17, 2012 to submit the rest of the documents. At this hearing a decision issued to postpone to hearing November 19, 2012 for the same reason then postponed for hearing June 17, 2013 for response to the submission of documents by the Egyptian company. And there is no judgment issued on this case to date.

In addition to the aforementioned, the company is looking forward to approach the ministerial group in order to settle the dispute of investment between the company and TDA. the company's legal consultant's believes that it's too soon to predict the results of those procedures in the dispute.

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4- There is an arbitration lawsuit raised from one of the clients who purchased lands from the company, the lawsuit is concerned with the contracts concluded with ERC as the client refused to commit with the only purpose of purchasing the land in question which is building a comprehensive employee housing project. And on a hearing on June 28, 2012 the Court issued a decision to hire arbitrators who are registered at the Ministry of Justice, and after reviewing the court's decision more than once, its turned out that the arbitrators' name didn't specified yet. the correspondence and necessary procedures are being taken for the formation of the arbitral tribunal. considering the dispute is still in its early stage in its legal view, so subsequently it is not possible to predict of what will be the verdict which the arbitration authority shall end up.

33- Contractual Commitments

The most important contractual commitments concluded by the parent company and its subsidiaries as at December 31, 2012 (after excluding the impact of mutual financial contracts):

	31/12/2012 **L.E**
The Egyptian Resorts Company (parent company) in agreement with the Investors Association of Sahl Hasheesh resort on the resort management services, as detailed in services rendered revenues (Note no. 24) for a period of three years starting from 1/1/2012 with a total amount of L.E 26 679 677 for that period for the plots of land sold until December 31, 2012 (after excluding the due from subsidiary company of those revenues) the revenues concerning the year have been included with an amount of L.E 8 324 754, and the value of the cheques received from some customers as at the December 31, 2012 against the due from them with an amount of L.E 7 188 166, and the maturity date during the period from 31/3/2013 until 31/12/2014, the amount has been deposited for the Company account at banks.	18 354 923
The parent company concluded a contract with a customer for the sale of two land plots of 68 with an area of 668 m^2 as at 1/1/2013 with a total amount of USD 2 706 720 equivalent to an amount of L.E 17 103 764, the company has been received in advance cheques due staring from 15/1/ 2013 till 30/6/2016 and have been deposited at the company's banks account as at December 31, 2012	17 103 764
Sahl Hasheesh company for Tourism Investment (subsidiary) sold one of its touristic units on building (C) of an area of 54 m^2 with an amount of USD 118 thousand on the first of January 2013 to a customer and the company has been received an advance payment of USD 30 thousand equivalent to L.E 185 845 and the remaining is to be paid in installments commencing from March 31, 2013 until 31 March 2014	745 642

34- Comparative Numbers

Some comparative figures have been reclassified to be in conformation with the financial statements for this year avoiding its impact on the financial results of the comparative year ended December 31, 2011.