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<u>Issued in Arabic</u>

Egyptian Resorts Company
<u>"Egyptian Joint Stock Company"</u>

The Consolidated Financial Statements
For the Company and its Subsidiaries for the Financial Year
<u>For the Financial Year Ended December 31, 2006</u>
<u>And Auditor's Report</u>

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Auditor's Report
<u>To The Shareholders of Egyptian Resorts Company</u>

We have audited the financial statements of Egyptian Resorts Company S.A.E represented in the consolidated balance Sheet as at December 31, 2006 and the related consolidated statements of Income, Cash Flow and Changes in Equity for the year then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

Except for what has mentioned in paragraph (*) below, we conducted our audit in accordance with the Egyptian Auditing Standards and in the light of applicable Egyptian laws and regulations. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statements presentation. We have obtained the information and explanations which we deemed necessary for our audit. We believe that our audit provides a reasonable basis for our opinion.

(*) We have not audited the financial statements of the subsidiary company which have been audited by another auditor. The company’s total assets’ percentage of total assets in the consolidated financial statements is 10 %.

Except for any likely adjustments that might have been necessary have audited the financial statements mentioned in paragraph (*) above, in our opinion, the consolidated financial statements referred to above together with the notes attached thereto present fairly, in all material respects, the financial position of the Company as of December 31, 2006, the results of its operations, and its cash flow for the financial year then ended, in accordance with Egyptian Accounting Standards and in compliance with applicable Egyptian laws and regulations.

Cairo, March 22, 2007

KPMG Hazem Hassan

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Egyptian Resorts Company
(Egyptian Joint Stock Company)

Consolidated Balance Sheet for the company and its subsidiaries
As at December 31, 2006

	Note No.	31/12/2006 L.E	31/12/2005 L.E
Long Term Assets			
Fixed assets (Net)	(3-3,4)	6 970 547	6 427 041
Projects in progress	(3-4,5)	44 419 785	27 224 175
Accounts & notes receivable (Net)	(7/2)	159 156 426	112 895 851
Deferred tax assets (Net)	(24)	25 057	-
Total Long Term Assets		**210 571 815**	**146 547 067**
Current Assets			
Work in process	(3-5,6)	154 959 684	162 057 283
Inventory	(3-6)	4 640	4 640
Accounts & notes receivable (Net)	(7/1)	205 673 042	70 078 486
Suppliers & Contractors advance payments		7 257 835	5 993 550
Sundry debtors and other debit balances (Net)	(8)	2 882 730	4 307 727
Advance payments-purchased lands	(9)	10 810 800	3 450 000
Cash on hand & at banks	(10)	76 019 092	19 994 462
Total Current Assets		**457 607 823**	**265 886 148**
Current Liabilities			
Banks - credit balances		-	15 995
Provision for claims	(3-8,11)	420 000	250 000
Receivables- advance payments	(12)	13 010 931	17 754 707
Sundry creditors and other credit balances	(13)	17 556 386	12 931 141
Estimated costs for development of sold lands	(3-7,14)	67 889 661	32 098 482
Due to Authority of Touristic development-(due within a year)	(15-1)	12 686 579	3 405 870
Purchase of land creditors (Installments due within a year)	(17)	-	8 131 807
Total Current Liabilities		**111 563 557**	**74 588 002**
Working capital		**346 044 266**	**191 298 146**
Total Investments		**556 616 081**	**337 845 213**
Financed as follows:			
Shareholders' Equity			
Issued and fully paid in capital	(16)	262 500 000	210 000 000
Legal reserve	(25)	11 627 163	7 500 716
Profits carried forward		(24 936 256)	(25 389 233)
Net income of the year		235 840 930	61 332 493
Minority interest	(21)	15 476 500	13 996 130
Total Shareholders' Equity		**500 508 337**	**267 440 106**
Long-term Liabilities			
Purchase of land creditors	(17)	34 320 000	37 273 490
Due to Authority of Touristic Development- Long term	(15/2)	21 787 744	33 083 497
Deferred tax liabilities	(24)	-	48 120
Total Long-term Liabilities		**56 107 744**	**70 405 107**
Total Shareholders' Equity & Long-term Liabilities		**556 616 081**	**337 845 213**

- The accompanying notes form an integral part of these financial statements.

- Auditor's report attached.

(Financial Manager) (Managing Director) (Chairman)

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Egyptian Resorts Company
(Egyptian Joint Stock Company)

Consolidated Income Statement
For the Financial year ended December 31, 2006

	Note No.	2006 L.E	2005 L.E
Sale of land revenues	(3/1, 20)	325 611 096	84 492 437
Cost of lands sale	(20)	(77 193 365)	(22 188 172)
Gross profit		**248 417 731**	**62 304 265**
Add/(Less):			
Selling & marketing expenses		(3 980 596)	(2 699 270)
General and administrative expenses		(4 363 896)	(3 041 440)
Subscriptions of training and rehabilitation finance fund		(2 383 920)	(579 904)
Fixed assets depreciation	(4)	(289 442)	(308 356)
Debit interests		-	(47 155)
Bank charges		(57 089)	(41 278)
Provisions for claims		(170 000)	(250 000)
Impairment in receivables		-	(1 083 000)
Impairment in debtors & Other debit balances		-	(2 128)
Net pre-operating expenses		-	(881 411)
Foreign exchange differences		(2 248 380)	(948 945)
Provisions no longer required		-	8 790 772
Other revenues		9 608	77 239
Credit interests		586 783	491 354
Minorities' share in the profits (losses) of the year		303 820	(400 130)
Net income before income tax		**235 824 619**	**61 380 613**
Current income tax	(22/1)	-	-
Income tax (subsidiary company)		(2 564)	-
Deferred tax that results in an asset (Liability)		18 875	(48 120)
Net income after income tax		**235 840 930**	**61 332 493**
Earning per Share	**(18)**	**8.82**	**2.16**

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Egyptian Resorts Company
(Egyptian Joint Stock Company)

Consolidated Statement of Changes in Shareholders' Equity
For the financial year ended December 31, 2006

Description	Issued & paid in capital L.E.	Legal reserve L.E.	Losses carried forward L.E.	Profits of the year L.E.	Minority interest L.E.	Total L.E.
Balance as at January 1, 2005	**210 000 000**	**7 500 716**	**(46 783 715)**	**21 394 482**	**13 996 130**	**206 107 613**
Transferred to profits carried forward	-	-	21 394 482	**(21 394 482)**	-	-
Profits of the year 2005	-	-	-	61 332 493	-	61 332 493
Balance as at December 31, 2005	**210 000 000**	**7 500 716**	**(25 389 233)**	**61 332 493**	**13 996 130**	**267 440 106**
Transferred to profits carried forward	-	-	61 332 493	(61 332 493)	-	-
Transferred to capital increase	52 500 000	-	(52 500 000)	-	-	-
Transferred to legal reserve	-	4 126 447	(4 126 447)	-	-	-
Employees' shares in dividends of year 2005	-	-	(2 377 831)	-	-	(2 377 831)
Board of directors remunerations	-	-	(2 292 400)	-	-	(2 292 400)
Minority interest	-	-	-	-	15 476 500	15 476 500
Adjustments resulting from consolidation	-	-	417 162	-	(13 996 130)	(13 578 968)
Profits of the year	-	-	-	235 840 930		235 840 930
Balance as at December 31, 2006	**262 500 000**	**11 627 163**	**(24 936 256)**	**235 840 930**	**15 476 500**	**500 508 337**

- The accompanying notes form an integral part of these financial statements.

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Egyptian Resorts Company
(Egyptian Joint Stock Company)

Consolidated Cash Flows Statementfor the company and its subsidiaries
For the Financial year ended December 31, 2006

	Note No.	From 1/1/2006 to 31/12/2006 L.E	From 1/1/2005 to 31/12/2005 L.E
Cash Flows from Operating Activities			
Net profit before income tax		235 824 619	61 380 613
Adjustments to Reconcile Net Profit with Net Cash Flows from Operating activities			
Fixed assets depreciation	(4)	289 442	308 356
Provision for claims		170 000	250 000
Impairment in debtors& other debit balances		-	2 128
Impairment in recievables		-	1 083 000
Provisions no longer required		-	(8 790 772)
Minorities share in losses (profits) of the year		(303 820)	400 130
		235 980 241	54 633 455
Change in working capital			
Net (increase) in Receivables		(181 437 970)	(43 968 632)
Decrease (increase) in debtors & other debit balances		1 424 997	(1 311 364)
(Increase) in suppliers advance payments		(1 264 285)	(2 519 470)
Decrease (increase) in work in process		7 097 599	(40 660 283)
Decrease in inventory		-	705
(Decrease) increase in recievables advance payments		(4 743 776)	11 202 958
Increase (decrease) in creditores and other credit balances		4 568 379	(1 712 155)
Increase in estimated cost for development of sold land		35 791 179	17 236 093
(Decrease) of dues to Authority of Touristic Development		(2 015 044)	(8 059 980)
Payments under the account of land purchase		(7 360 800)	(1 595 000)
(Decrease) increase in Purchase of land creditors		(11 085 297)	31 623 723
Change in minority interest		1 784 190	1 634 917
Dividends paid - employees		(4 670 230)	(1 081 210)
Net cash flow available from operating activities		**74 069 183**	**15 423 757**
Cash Flows from Investment Activities			
Payments for purchase of fixed assets		(832 948)	(46 894)
Payments for projects in progress		(17 195 610)	(8 280 727)
Net cash (used in) investing activities		**(18 028 558)**	**(8 327 621)**
Cash Flows from Financing Activities			
Decrease (increase) in banks - credit balances		(15 995)	15 995
Net cash flow provided by financing activities		**(15 995)**	**15 995**
Net cash available during the period		56 024 630	7 112 131
Cash & cash equivalent as at January 1, 2006		19 994 462	12 882 331
Cash & cash equivalent as at December 31, 2006	**(11)**	**76 019 092**	**19 994 462**

- The accompanying notes form an integral part of these financial statements and to be read with.

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Egyptian Resorts Company
(Egyptian Joint Stock Company)

Notes to the consolidated Financial Statements
For the financial year ended December 31, 2006

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, 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.

Egyptian Resorts Company – Egyptian joint stock company – (Holding company) owns 54.68% in Sahl Hasheesh company for touristic investment – Egyptian joint stock company – established under the internal investment system. Sahl Hasheesh activity aims to establishing and operating of 30 hostelry apartments consisted of 200 rooms (5 stars level) with its complementary utilities and entertainment services.

(B) Company's purpose

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

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

2- Basis of preparing consolidated Financial Statement

2-1 The consolidated financial statements were prepared in accordance with the Egyptian Accounting Standards & in conformity with the Egyptian laws & regulations under historical cost basis.

Preparation of consolidated financial statements as per Egyptian Accounting Standards require that the management make some estimates and assumptions that influence the value of assets, liabilities, revenues and expenses during the financial year, although these estimates and assumptions were prepared in accordance to the best information available to the management concerning the events and current transactions, the actual results may differ from those estimates.

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 of 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 as follows:
  1. The fair value of owned assets and liabilities as at acquisition date which is equivalent in value to the book value and in the limit of the percentage the holding company obtained on that date.
  2. What exceeds from the acquisition cost of the holding company's share in the fair value of subsidiary company's assets and liabilities – if any – it should be recorded as goodwill and to be amortized according to the expected usefulness of this goodwill.
  3. It is worth mentioning that Sahl Hasheesh Company for touristic investment did not start its activity yet. The consolidated income statement for the financial year ended 31/12/2005 was charged by the establishment expenses of Sahl Hasheesh Company amounted to L.E 37 778.

3- Significant Accounting Policies

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

3-1 Revenue recognition

Activity's revenues

Revenue from sales of land (through installments) is recognized in accordance with the contract terms, 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 customer's balances are recognized as income over its accrual period .Thus and all land sold to customers are received with full utilities ready for construction.

Financial investments' Revenue

Investment revenue is recognized, when a company's right to receive dividends from the companies invested in and realized after the date of acquisition. The credit interest is recorded according to the accrual basis.

3-2 Foreign Currency Transactions

The company maintains its accounts in Egyptian pound. Transactions in foreign currency are recorded at the prevailing exchange rate on the date of the transaction. Monetary assets & liabilities denominated in foreign currency other than Egyptian pound are revalued at the prevailing exchange rates as on the balance sheet date. Arising differences during the period and from the revaluation on the balance sheet date are recorded in the income statement.

3-3 Fixed Assets & Depreciation

Fixed assets are recorded at cost in the balance sheet net of accumulated depreciation and any impairment in the asset value – if any (Note 3/9) and depreciated using the straight line method according to the following rates:-

Buildings	50 years
Tools & Equipment	10 years
Furniture & Fixtures	16 years
Vehicles	5 years
Computers	5 years

3-4 Projects in Progress

Projects in progress are recorded by the lowest of either the initial cost; paid to construct or acquire a fixed asset, or the net realizable value. Projects in progress are transferred to fixed assets when they are completed and are ready for their intended use.

3-5 Work in progress

All Costs related to the work in progress 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.

3-6 Inventory

Inventory is valued at cost or net sale value which is lower and it is determined by using the weighted average method.

3-7 Estimated cost for the development of sold land

The cost of development of sold land is recorded initially by the estimated cost of the accomplishment of all the development and utilities works related to sold land for each phase separately, and it is restudied in the light of the technical study of the total estimated cost prepared annually by the technical department for each phase and approved by the project's consultant.

3-8 Provisions

The provisions are formed when any legal liabilities existed or concluded from surrounding circumstances resulting from prior events, these provisions can be probably resulting in economic utilities in flows which are used to pay this liability & a trust worthy estimation can be made for the liability amount. In case of existence of significant effect of time value of money, then the provisions are determined by deducting future cash flows using deducting rate – before tax – to take this effect into consideration. These provisions are audited & adjusted (if necessary) to represent the best current estimate.

3-9 Impairment of Assets

Value of the company's assets (except for inventory and deferred tax assets) is reviewed on the balance sheet date to determine if there is any indicator to the impairment of the assets. However if such indicator exists, the net realizable value of the assets shall be assessed. The impairment in the value of the asset is recorded in the income statement when its carrying amount exceeds its estimated realizable amount and the value of this impairment shall be taken to the income statement. In case of increasing the realizable value of assets that were previously declined, that increase shall be taken to the income statement in limit of the previous impairment of these assets.

3-10 Pension Plans

The company contributes in the social insurance system for the benefit of employees according to law no. 79 for 1975 and its amendments of Social Insurance Authority, the company charges this contribution to the salaries and wages in the income statement according to accrual basis.

3-11 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 income tax related 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.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

3-12 Cash and Cash Equivalents

Cash flow statement is prepared according to the indirect method for the purpose of preparing the cash flow statement, the item of cash & cash equivalents include cash on hand; current account and time deposits at bank (mature during 3 months).

3-13 Dividends

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

3- 14 Debtors

Accounts & notes receivable and debtors (short term) are recorded at their par value deducted from it any uncollectible amounts, Long terms are determined using the actual return rate.

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4- **Fixed Assets (net)**

The balance of this item shown in balance sheet as at December 31, 2006 amounted to L.E 6 970 547 as follows:-

	Land	Buildings	Machinery & Equipment	Furniture	Transportation vehicles	Computers & air conditioning	Total
	L.E.	L.E.	L.E.	L.E.	L.E.	L.E.	L.E.
Cost as at 1/1/2006	521 610	5 886 518	764 674	601 405	1 162 691	1 372 121	10 309 019
Additions of the period	-	543 538	113 581	28 505	96 150	51 175	832 949
Cost as at 31/12/2006	**521 610**	**6 430 056**	**878 255**	**629 910**	**1 258 841**	**1 423 296**	**11 141 968**
Accumulated Depreciation as at 1/1/2006	-	704 738	491 665	255 346	1 126 106	1 304 123	3 881 978
Depreciation of the year	-	124 041	77 555	36 811	22 949	28 086	289 442
Accumulated Depreciation as at 31/12/2006	**-**	**828 779**	**569 220**	**292 157**	**1 149 055**	**1 332 209**	**4 171 420**
Net book value as at 31/12/2006	**521 610**	**5 601 277**	**309 035**	**337 753**	**109 786**	**91 087**	**6 970 548**
Net book value as at 31/12/2005	**521 610**	**5 181 780**	**273 009**	**346 059**	**36 585**	**67 998**	**6 427 041**

* Fixed assets include assets fully depreciated, its cost amounted to L.E 2 520 991 as at December 31, 2007 as follows:

	L.E
Transportation vehicles	1 093 541
Machinery & Equipment	77 892
Buildings	82 831
Computers	1 266 727
	2 520 991

5- Projects in Progress

The balance of this item shown in the balance sheet as at December 31, 2006 as the follows:

Egyptian Resorts Company

	31/12/2006	**31/12/2005**
	L.E	**L.E**
Sewage treatment plant	11 046 333	9 757 632
Call center	--	498 192
*The main gate	3 841 179	2 420 847
Water tank	1 927 724	1 840 805
Warehouses	738 810	119 617
Desalination station	5 923 263	--
Total	**23 477 309**	**14 637 093**
Sahl Hasheesh Company		
Work processed by Sahl Hasheesh Company	15 365 031	7 130 402
Work processed by Kato for contracting company	5 237 426	4 978 514
Contractors' advance payments	340 019	478 166
	20 942 476	12 587 082
Balance as at December 31, 2006	**44 419 785**	**27 224 175**

- Projects in progress are transferred to fixed assets as soon as it was executed.

* The company concluded a contract with KATO for contracting Co. (related party- the chairman of KATO for investments is also the chairman for ERC, and KATO for investments is the main investor in KATO for contracting).

6- Work in Progress

The actual cost for the work in progress account shown in the balance sheet as at December 31, 2006 is represented as follows:-

		Balance as at 31/12/2005	**Work during the year**	**Balance as at 31/12/2006**
		L.E	**L.E**	**L.E**
6-1	Cost of the project's lands haven't been sold yet 1 678 432 meters square- Phase 1	73 554 451	(8 276 371)	65 278 080
6-2	Cost of the project's lands haven't been sold yet 3 659 742 meters square - Phase 2	66 336 823	(2 093 347)	64 243 476
6-3	Cost of project's lands 20 million meters square- phase 3	22 166 009	3 272 119	25 438 128
		162 057 283	(7 097 599)	154 959 684

6-1 The estimated cost for Phase 1 of the project as at December 31, 2006 according to the study prepared by the technical department and approved by the project's consultant amounted to L.E 182 343 522 (with estimated cost L.E 56.15 / meter) and upon the sale of any of the project's lands, 7.5% of the selling price is due to the authority with minimum payment L.E 11.25/meter according to the contracts.

According to the prime minister's decree No. 1026 of 2005 published in the official gazette issue No.28 July14, 2005 stating that the lands sold for the purpose of constructing a touristic project, $ 1.75 is due to the authority per meter sold.

The project's first Phase lands were purchased by the Touristic Development Authority (note 20).

6-2 Second Phase Lands

- The company rented the second phase's lands 6 million meters as an extension to 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 dedicated from the touristic center for the second phase (6 million m²). The balance of the work in progress includes an amount of L.E 46 134 750 equivalents to $ 8 025 000 represented as follows:

	US $	**L.E**
- The value of second phase land (6 million m²)	7 500 000	43 125 000
- Allocation expenses	150 000	862 500
- contracting expenses	375 000	2 156 250
	8 025 000	46 143 750

* The Allocation and contracting expenses and 20% of the value of the second phase's land (mentioned above) were paid.

The estimated cost as at December 31, 2006 for the project's second phase according to the study prepared by the technical department and approved by the project's consultant amounted to L.E 221 199 478 (estimated cost L.E 40.91/meter) and upon the sale of any of the project's lands, 7.5% of the selling price is due to the authority with minimum payment L.E 11.25/meter according to the contracts, applying the prime minister's decree No. 1026 of 2005 mentioned above in note (6-1) over the project's second phase.

6-3 Third phase lands

The company rented the third phase's lands (20 million m²) as an extension for touristic development of the first and second phase.

On March 17, 2005 the company communicated the General Authority for Touristic Development to issue a letter confirming the company's rights in developing the project's third phase. 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 $ 1.40/m² instead of $ 1.35/m² (Note No. 9).

7- Accounts & Notes receivable (Net)

The balance of accounts & notes receivable shown in the balance sheet as at December 31, 2006 is represented as follows:

	31/12/2006 L.E	31/12/2005 L.E
7/1 Accounts & Notes receivable - short term (Net)		
Land receivables- First phase	82 564 245	4 611 080
Land receivables- Second phase	96 832 437	53 606 794
Villas Lands receivables- First phase	6 984 479	4 345 976
Villas Lands receivables- Second phase	14 322 874	5 730 510
	200 704 035	**68 294 360**
Add: Short term notes receivables	6 052 007	2 867 126
Less: Impairment in receivables	(1 083 000)	(1 083 000)
	205 673 042	**70 078 486**

	31/12/2006 L.E	31/12/2005 L.E
7/2 Accounts & Notes receivable - Long term (Net)		
Land receivables- First phase	54 688 617	27 666 550
Land receivables- Second phase	142 423 906	105 898 766
Villas Lands receivables- First phase	4 455 174	4 209 095
Villas Lands receivables- Second phase	9 653 949	5 550 021
	211 221 646	**143 324 432**
Less: Present value *	(56 185 763)	(38 596 748)
	155 035 883	104 727 684
Add: Long term notes receivables	4 120 543	8 168 167
	159 156 426	**112 895 851**

* The balance of accounts& notes receivables shown in the balance sheet as at December 31, 2006 includes the following:

- L.E 32 258 893 balance of Pyramisa Hotels Company (shareholder).
- L.E 48 975 860 balance of El Ganoub for Tourism Construction (main client).

8- Sundry Debtors & Other Debit balances

The balance of sundry debtors & other debit balances shown in the balance sheet as at December 31, 2006 is represented as follows:

		31/12/2006	31/12/2005
		L.E	L.E
	Letters of guarantees cover	50 000	50 000
8-1	Letters of credit	463 606	472 716
	Cash imprests and loans	247 526	1 519 005
	Prepaid expenses	17 923	14 876
	Deposits with others	73 375	73 375
	Accrued interest	51 425	33 707
8-2	Contractors (debit balances)	1 889 034	1 836 856
	Paid under the account of employees' dividends	--	177 802
	Sundry debtors	89 841	129 390
		2 882 730	4 307 727

8-1 The letter of credit shown in the balance sheet as at December 31, 2006 amounting to L.E 463 606 represents the value of the letter of credit opened for the contractor (American Egyptian Company for irrigation) who is responsible for the installation of water facilities for the second phase.

8-2 The item of contractors (debit balances) represents the amounts dispensed on work by the company to be settled later with the contractors when the company receives the contractor's statement.

9- Payments under the Account of Land's Purchase

- The item of payments under the account of land's purchase shown in the balance sheet as at December 31, 2006 amounting to L.E 10 810 800 equivalent to US$ 1 890 000 represents the amounts paid to the Authority for Touristic Development under the account of land's purchase of the third phase as the allocation expenses by 2 % in addition to 5 % contractual fees US$ 1.35/m² which was adjusted to US$ 1.4/m² according to the Authority's letter dated 26/2/2007 (Note No.7/3).

- During February 2007, (subsequent to the financial year 2006) the company fully paid the allocation and contractual expenses in addition to 20% advance payment for the third stage's land.

10- Cash at Banks & on Hand

This item shown in the balance sheet as at December 31, 2006 is represented in the following:-

	31/12/2006 L.E	31/12/2005 L.E
Cash on hand	35 551	69 242
Banks – current accounts-L.E	15 754 214	2 882 705
Banks – current accounts-US $	2 590 509	1 718 772
Banks – current accounts-EURO	317 558	144 114
Banks-time deposit-L.E *	5 041 144	5 644 230
Banks-time deposit-US $	5 936 737	3 272 873
Cheques under collection	46 343 379	6 262 526
Balance	**76 019 092**	**19 994 462**

Deposits Include, deposit with an amount of L.E 1 029 492 as a guarantee of the credit facilities granted to the company from one of the banks.

11- Provision for Claims

This item shown under the current liabilities in the balance sheet as at December 31, 2006 with an amount of L.E 420 000.out of which L.E 250 000 are formed to face the salaries tax inspection differences for year 2004.

12- Advance Payments from Receivables

Advance payments from receivables amounted to L.E 13 010 931 as at December 31, 2006 includes an amount of LE. 9 426 077 which represent the deposits received by the company from some of the customers under the account of purchasing villa's lands in the project's first phase and lands (compared to LE. 15 873 441 as at December 31, 2005).

13- Sundry Creditors & Other Credit Balances

	31/12/2006 L.E	31/12/2005 L.E
Sundry creditors	3 497 487	1 372 040
Contractors' retention	6 776 136	3 489 146
Contractors-social insurance	1 921 620	1 599 304
Accrued expenses	551 735	113 425
Due to governmental authorities	1 082 973	3 220 364
Other credit balances	3 725 583	3 136 862
Dividends payable	852	-
	17 556 386	**12 931 141**

14- Estimated Costs for the Development of Sold Land

The item of the estimated costs for the development of sold land in Phase I & II shown in the balance sheet as at December 31, 2006 is represented as follows:

	31/12/2006 L.E	31/12/2005 L.E
Balance of the estimated costs for the Development of sold Land at the beginning of the year.	32 098 482	23 653 161
Add: Estimated costs for the sold land from Phase I during the year	27 922 184	3 224 099
Estimated costs for the sold land from Phase II during the year	61 185 470	8 235 141
Less:		
Actual costs of the sold land from the Phase I during the year.	(24 792 540)	(3 013 919)
Actual costs of the sold land from the Phase II during the year.	(28 523 935)	-
	67 889 661	**32 098 482**

The item represents the part of the estimated cost which is not completed yet in the first and second phase only as the company hasn't prepared the study of the estimated cost for the third phase yet, and this balance is used to spend on that sold land.

15- Due to the General Authority for Touristic Development

This item shown in the balance sheet as at December 31, 2006 is represented as follows:

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

	31/12/2006 L.E	31/12/2005 L.E
Accrued rent to the authority for the third phase	884 484	889 123
Liabilities due to the authority for the sale of the project's sold land *	11 802 095	2 516 747
Balance	12 686 579	3 405 870

15-2 Dues to the authority – Long Term

The classifications of the short and long term dues to the authority is according to the customers' payments of the installments of the lands sold, thus the amounts due to the authority (long term) shown in the balance sheet as at December 31, 2006 are as follows:

31/12/2006 L.E	31/12/2005 L.E
21 787 744	33 083 497

16- Capital

The company's authorized capital amounted to L.E 700 000 000 and the issued capital amounted to L.E 350 000 000 divided over 3 500 000 shares at par value of L.E 100, and the shareholders paid one fourth of the par value of the shares, the paid in capital amounted to L.E 210 000 000 (paid from the dividends declared by the General assembly meeting for the approved financial statements from 1999 till 2003) thus the amount paid from the share is L.E 60.

- **Reduction of the issued capital**

According to the Extra Ordinary General Assembly Meeting dated 28/11/2004 unanimously agreed upon the following:

1- reducing the issued capital from L.E 350 millions to L.E 210 millions, by reducing the par value of the shares from L.E 100 to L.E 60 for the same number of shares (3.5 million share) 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.

2- Splitting 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.

- **Increase of the issued and paid up capital**

  As per the decision of General Assembly Meeting held on 11/5/2006 and the decision of the company's board of directors on 24/5/2006 which approved on retaining the shareholders share in dividends for the financial year ended 31/12/2005 under the account of increase of issued and paid up capital which amounted to L.E 52 500 000 (Fifty two million five hundred thousand Egyptian pounds) which will be one free stock for each four owned stocks (these stocks amounted to 21 000 000) though the company's issued and paid up 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.

- **Reduction of share's nominal value**
  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 splitted to be ten shares though the number of issued and fully paid shares became 262 500 000 share then issued and fully paid up 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.

17- Purchase of land creditors

This item shown in the balance sheet as at December 31, 2006 is represented in the amounts due on the company in order to purchase land for the project's first and second phases from the Touristic Development Authority as follows:

	31/12/2006 **L.E**	**31/12/2005** **L.E**
Total installments due during the year for purchasing land for first phase (one installment due date on 16/3/2006).	--	8 131 807
Total installments (long term) due for purchasing land for second phase (7 installment due for 7 years starting from January 2009) equivalent to USD 6 million.	34 320 000	37 273 490
Balance as at December 31, 2006	34 320 000	45 405 297

18- Earning per Share

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

		31/12/2006 **L.E**	**31/12/2005** **L.E**
	Net profit of the year	235 840 930	61 332 493
	Less:		
	Employees' share in profits	(2 891 198)	(2 377 831)
	Board of directors remuneration	(1 478 995)	(2 292 400)
		231 470 737	56 662 262
(*)	Average number of shares during the year	26,250,000	26,250,000
	Earning per share	**8.82**	**2.16**

(*) This average was before reducing the nominal value of the share from L.E 10 to L.E 1 which resulted in increase in number of shares from 26 250 million shares to 262 500 million shares and these shares was annotated in the commercial register on 21/2/2007.

19- Profits Carried Forward

19-1 There was a contract concerning the sale of a piece of land its area is 118 941 (meter squared) concluded to Pyramiza for hotels company. This land was in the first phase of the project for building a hotel and the remaining balance due is included in the receivables by an amount of L.E 9 362 955 (Note 7).

19-2 There was a contract concerning the sale of a piece of land its area is 15 265 (meter squared) concluded to Pyramiza for hotels company on 14/6/2005. This land was in the first phase of the project for building hotel's employees housing by a total amount L.E 2 289 750 and the remaining balance due is included in the receivables by an amount of L.E 2 060 775 (Note 7).

19-3 There was a contract concerning the sale of a piece of land its area is 59 300 (meter squared) concluded to Pyramiza for hotels company. This land was in the first phase of the project for building hotels and touristic housing by a total amount L.E 7 556 525 and the remaining balance due is included in the receivables (Note 7).

19-4 There was a contract concerning the sale of a piece of land during year 2006 its area is 56 900 (meter squared) concluded to Pyramiza for hotels company by an amount of USD 44.2 million (Note 7).

20- Revenues and Costs of Sale of Land

Revenues from sale of land

	2006	**2005**
Revenues from sale of land	**L.E**	**L.E**
Phase one	195 327 330	20 242 884
Phase two	94 918 870	40 750 728
Revenues from sale of villas		
First zone	7 324 172	10 656 713
Second zone	18 497 869	12 770 735
Total revenues from sale of land and villas	316 068 241	84 421 060
Accrued revenues from previously sold land	9 542 855	71 377
Total	**325 611 096**	**84 492 437**

Cost of sale of land

	2006	**2005**
Cost of sale of land	**L.E**	**L.E**
Phase one	9 704 483	5 320 770
Phase two	64 764 144	14 403 334
Cost of sale of villas		
First zone	750 729	1 102 110
Second zone	1 974 009	1 361 958
Total	**77 193 365**	**22 188 172**

21- Minority interest

The balance shown in the balance sheet as at December 31, 2006 is represented in their share in owners' equity in the subsidiary company by the percentage of 45.22% as follows:

	L.E
Minority's share in company's issued capital	13 596 000
Minority's share in paid under capital increase of the subsidiary company.	2 184 320
Minority's share in the losses of the financial year ended as at December 31, 2006.	(303 820)
	15 476 500

22- Tax Position

22-1 Corporate tax

The tax position of the company as at 31/12/2006 is represented in:
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 explanations which was stated previously in Law No. 59/1979 concerning the new urban communities. The company's books were inspected by the Tax Authority of corporate companies since company's activity inception 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.

22-2 Salary tax

The salary tax for the company was inspected starting from the company's activity inception till year 2003 and there was an assessment as per the resolution of the internal committee and there were no disputes. There was Tax inspection for year 2004 and there was assessment as per the resolution of the internal committee which amounted to LE. 920 623 in which LE. 668 808 was paid and the company formed a provision by the difference.

22-3 Sales tax

The company was inspected by the Tax Authority from the activity inception till year 2005 and there was assessment by an amount of L.E 18 500 and was paid.

22-4 Stamp tax

The company was inspected by the Tax Authority from the activity inception till year 2005 and there was assessment by an amount of LE. 4 875 and was paid.

22-5 Movable tax

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 and all tax due were paid. There was tax inspection for years from 2001 till 2004 and the dispute was assigned to an internal committee by the Tax Authority which made a final assessment by an amount L.E 131 192 and this amount was paid.

22-6 Tax position for Sahl Hasheesh Company

The company is subject to the provisions of Law No. 8/1997 issuing guarantee and incentive investment law and its executive regulations. The company is temporarily exempted from corporate tax till determining the date of activity inception by the Investment Authority.

23- Financial Instruments and Risk Management

The Company's financial instruments are represented in financial assets which include cash on hand, at banks and other debit balances and the financial liabilities include creditors, receivables credit balances and banks over draft.

23-1 Financial Instruments' Fair Value

As per the basis for valuation of assets and liabilities mentioned in notes to the financial statements, the book values of financial assets and liabilities do not materially differ from their fair market values as of December 31, 2006.

23-2 Foreign Currency Fluctuation Risk

Foreign currency risk represents the risk of fluctuation in exchange rates, which in turn affects the company's cash inflows and outflows in foreign currency as well as the value of its foreign monetary assets and liabilities as of the date of the financial position the company has foreign currency assets & liabilities equivalent to L.E 356 284 073 and L.E 124 569 984 respectively. The Company's net balances in foreign currencies at the balance sheet date are as follows:-

Foreign currencies	Surplus (Shortage)
USD	40 849 995
Euro	(271 783)

As mentioned in Note (3-2) "foreign currency translation"the assets and liabilities in foreign currency were revaluated at the prevailing exchange rate at the balance date.

23-3 Credit Risk

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

24- Deferred tax in which asset or (liability) resulted from it

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

	31/12/2006 L.E	31/12/2005 L.E
Fixed assets	(111 143)	(48 120)
Provisions	136 200	--
	25 057	(48 120)

25- Legal Reserve

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

26- Comparative Figures

Comparative figures have been reclassified to comply with the classification of the figures in the financial statements for year 2006 without affecting the net profit of the comparative year.