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Egyptian Resorts Company
"Egyptian Joint Stock Company"

The Consolidated Financial Statements of the Company and its subsidiaries For the Financial Year Ended December 31, 2007 And Auditor's Report

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Auditor's Report
To The Shareholders of Egyptian Resorts Company

We have audited the financial statements of Egyptian Resorts Company S.A.E represented in the consolidated balance Sheet as at December 31, 2007 and the related consolidated statements of Income, Cash Flow and Changes in shareholders' 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 financial statements based on our audit.

Expect 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 5 %.

Except for any adjustments which might have been necessary if we have audited the financial statements of the subsidiary company mentioned in paragraph (*) above, in our opinion, the 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, 2007, 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 30, 2008 **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, 2007

	Note No.	31/12/2007 L.E.	31/12/2006 L.E.
Long Term Assets			
Fixed assets (Net)	(3-2,4)	34 801 206	6 970 547
Projects in progress	(3-3,5)	58 211 601	47 649 853
Accounts & notes receivable (Net)	(3-7,7/2)	180 433 296	159 156 426
Deferred tax assets (Net)	(27)	-	25 057
Total Long Term Assets		**273 446 103**	**213 801 883**
Current Assets			
Work in process	(3-5,6)	122 938 205	154 959 684
Inventory	(3-4)	51 031	4 640
Accounts & notes receivable (Net)	(3-7,7/1)	328 989 621	205 673 042
Suppliers & contractors advance payments		9 526 204	7 257 835
Debtors and other debit balances	(8)	3 774 344	2 882 730
Advance payments-purchase of land	(9)	43 285 294	10 810 800
Reservations' advances	(29)	8 990 000	-
Cash on hand & at banks	(10)	462 279 870	76 019 092
Total Current Assets		**979 834 569**	**457 607 823**
Current Liabilities			
Provision for claims	(3-11,11)	420 000	420 000
Receivables- advance payments	(12)	7 007 375	13 010 931
Reservations' advances	(29)	8 990 000	-
Creditors and other credit balances	(13)	22 213 492	17 555 534
Dividends payables		535 251	852
Estimated cost for development of sold land	(3-6)	61 138 596	67 889 661
Due to Authority of Touristic Development-(due within one year)	(14/1)	33 946 335	12 686 579
Income tax		2 232 949	-
Total Current Liabilities		**136 483 998**	**111 563 557**
working capital		**843 350 571**	**346 044 266**
Total Investments		**1116 796 674**	**559 846 149**
Financed as follows:			
Shareholders' Equity			
Issued and fully paid in capital	(15)	840 000 000	262 500 000
Legal reserve	(27)	99 394 633	11 627 163
Profits carried forward	(28)	18 895 430	(22 106 318)
Net profitof the year	(23-2)	274 919 335	235 840 930
Less: Distributed periodical dividends	(23-1)	(142 713 967)	-
Total Shareholders' Equity of Holding company		**1090 495 431**	**487 861 775**
Minority interest	(22)	**15 919 630**	**15 876 630**
Total Owners' Equity		**1106 415 061**	**503 738 405**
Long-term Liabilities			
Purchase of land creditors	(16)	-	34 320 000
Due to Authority of Touristic Development- Long term	(14/2)	9 914 226	21 787 744
Deferred tax liability	(26)	467 387	-
Total Long-term Liabilities		**10 381 613**	**56 107 744**
Total Owners' equity & Long-term Liabilities		**1116 796 674**	**559 846 149**

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

- Auditor report attached.

(Financial Manager)	(Managing Director)	Chairman
Wael William	Hussein Abu Seada	Ibrahim Kamel

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Egyptian Resorts Company
(Egyptian Joint Stock Company)

Consolidated Income Statement for the Company and its Subsidiaries
For the Financial period from January 1, 2007 till December 31, 2007

	Note No.	From 1/1/2007 to 31/12/2007 L.E.	From 1/1/2006 to 31/12/2006 L.E.
Net sales	(19)	348 912 549	325 611 096
Revenues from services rendered		2 647 350	-
Total revenues		**351 559 899**	**325 611 096**
Less:			
Cost of sales	(19)	(44 874 949)	(77 193 365)
operating costs		(4 357 112)	-
Gross profit		**302 327 838**	**248 417 731**
Add/(Less):			
Selling & marketing expenses		(2 771 870)	(3 980 596)
General and administrative expenses	(20)	(12 038 095)	(6 747 816)
Provision for expected claims		-	(170 000)
Fixed assets depreciation	(4)	(1 521 699)	(289 442)
Banks charges		(128 516)	(57 089)
Other revenues		66 000	9 608
Profits resulted from operating activity		**285 933 658**	**237 182 396**
Credit interest income		11 236 325	586 783
Foreign exchange differences		(9 150 160)	(2 248 380)
financial costs (net)		**2 086 165**	**(1 661 597)**
Net profit before income tax		**288 019 823**	**235 520 799**
Current income tax	(3/19,24/1)	(2 232 949)	(2 564)
Deferred tax that results in an Asset (Liability)	(3/19,26)	(492 444)	18 875
Net profit after income tax		**285 294 430**	**235 537 110**
Holding company's shareholders share in year's profits		**285 251 430**	**235 840 930**
Minorities share in profits (losses) of subsidiary company for the year		**(43 000)**	**303 820**
		285 294 430	**235 537 110**
Earning per Share	**(17)**	**0.54**	**0.45**

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

Egyptian Resorts Company
(Egyptian Joint Stock Company)

Consolidated Statement of Changes in Shareholders' Equity for the company and its subsidiaries
For the Financial period from January 1, 2007 till December 31, 2007

Description	Issued & Paid in Capital L.E.	Legal Reserve L.E.	Profits carried forward L.E.	Profit of the year L.E.	Distributed periodical dividends L.E.	Minorities interest L.E.	Total L.E.
Balance as at December 31, 2006	**262 500 000**	**11 627 163**	**(22 106 318)**	**235 840 930**	-	**15 876 630**	**503 738 405**
Transferred to profits carried forward	-	-	235 840 930	(235 840 930)	-	-	-
Transferred to capital increase	175 000 000	-	(175 000 000)	-	-	-	-
Transferred to legal reserve	-	11 810 375	(11 810 375)	-	-	-	-
Employees' shares in dividends of year 2006	-	-	(2 891 198)	-	-	-	(2 891 198)
Board of directors remunerations of year 2006	-	-	(1 478 995)	-	-	-	(1 478 995)
Balance as at 30/6/2007	**437 500 000**	**23 437 538**	**22 554 044**	-	-	**15 876 630**	**499 368 212**
Amounts paid for issued capital increase	262 500 000	-	-	-	-	-	262 500 000
Issuance premium of capital increase shares	-	65 625 000	-	-	-	-	65 625 000
Transferred to legal reserve from periodical dividends	-	10 332 095	-	(10 332 095)	-	-	-
Minority interest	-		-		-	43 000	43 000
Employees' shares in dividends for the period from 1/1/2007 til 30/6/2007	-	-	-	-	(1 823 304)	-	(1 823 304)
Board of directors remunerations of the period	-	-	-	-	(890 663)	-	(890 663)
Adjustments on retained earnings - Note No. (28)	-	-	(3 926 307)	-	-	-	(3 926 307)
Adjustments resulting from consolidation	-	-	267 693	-	-	-	267 693
Capital increase from periodic dividends as of 30/6/2007	140 000 000	-	-	-	(140 000 000)	-	-
Profits of the period from 1/7/2007 till 31/12/2007	-	-	-	285 251 430	-	-	285 251 430
Balance as at December 31, 2007	**840 000 000**	**99 394 633**	**18 895 430**	**274 919 335**	**(142 713 967)**	**15 919 630**	**1106 415 061**

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

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Egyptian Resorts Company
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Cash Flows Statement for the company and its subsidaries
For the Financial period from January 1, 2007 till December 31, 2007

	Note No.	From 1/1/2007 to 31/12/2007 L.E.	From 1/1/2006 to 31/12/2006 L.E.
Cash Flows from Operating Activities			
Net profit before income tax		288 019 823	235 520 799
Adjustments to Reconcile Net Profit with Net Cash Flows from Operating activities			
Impairment in recievables		-	-
Fixed assets depreciation	(4)	1 521 699	289 442
Provision for claims		-	170 000
		289 541 522	**235 980 241**
Change in working capital			
(Increase) in receivables (net)		(148 252 034)	(181 437 970)
(Increase) in inventory		(46 391)	-
(Increase) decrease in debtors & other debit balances		(891 641)	1 424 997
(Increase) in suppliers advance payments		(2 268 370)	(1 264 285)
Decrease in work in process		32 021 479	7 097 599
(Decrease) in recievables advance payments		(6 003 556)	(4 743 776)
Increase in creditors and other credit balances		3 885 517	4 568 379
(Increase) decrease in Estimated cost for development of sold land		(6 751 065)	35 791 179
Increase (decrease) in due to Authority of Touristic Development		9 386 238	(2 015 044)
Payments under the account of land purchase		(32 474 494)	(7 360 800)
(Decrease) in purchase of land creditors		(34 320 000)	(11 085 297)
Change in minority interest		-	1 784 190
Net cash flow available from operating activities		**103 827 205**	**78 739 413**
Cash Flows from Investment Activities			
Payments for purchase of fixed assets		(1 104 547)	(832 948)
Payments for projects in progress		(38 037 118)	(17 195 610)
Net cash (used in) investing activities		**(39 141 665)**	**(18 028 558)**
Cash Flows from Financing Activities			
Paid for capital increase		262 500 000	-
Paid for Issuance premium of capital increase shares		65 625 000	-
Paid Dividends		(6 549 762)	(4 670 230)
Payments for banks overdraft		-	(15 995)
Net cash flow provided by financing activities		**321 575 238**	**(4 686 225)**
Net cash available during the period		386 260 778	56 024 630
Cash & cash equivalent as at January 1, 2007		76 019 092	19 994 462
Cash & cash equivalent as at December 31, 2007	(10)	**462 279 870**	**76 019 092**

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

Egyptian Resorts Company
(Egyptian Joint Stock Company)

Notes to the unconsolidated Financial Statements
For the financial period from January 1, 2007 till December 31, 2007

1- General Background

(A) General

- Egyptian Resorts Company - Egyptian joint stock Company – established under the provisions of Law No. 159 of 1981 and its executive regulations and also subject to the provisions of Law No. 95 of 1992 and its executive regulations. The company was registered in the commercial register under No. 6514 on 24/4/1996.
- The Company's duration is 50 years starting from the date of registration in the commercial registry.
- The financial year for the company starts from January 1st and ends at December 31st each year.
- The company's head office location is at Sahl Hasheesh – Hurghada – Red Sea, and the location of the company's branch at Cairo Governorate is at 4 A Aziz Abaza street – Zamalek – Cairo.
- The Chairman of the board of directors is Dr. Ibrahim Kamel Abu Eloyoon – and the Managing director is Dr. Hussein Abu Seeda (and the board of directors authorized these financial statements on 27/3/2008).

(B) Company's purpose

B-1 Egyptian Resorts Company
The purpose of the company is generally touristic constructions and establishing a complete touristic residential compound in Sahl Hasheesh area in the Red Sea city, through preparing the land and supplying the needed facilities and basic services; stations and networks for generating electricity, water treatment, sewage services, and roads to embark them for establishing a group of hostelry, touristic, residential and entertainment projects, whether by itself or by other parties .

B-2 Sahl Hasheesh Company for touristic investment
The purpose of the company is establishing 30 hostelry apartments consists of 200 rooms of a 5 stars level, fully completed with its complementary utilities and entertainment services which represented in restaurants, cafeterias, health club, swimming pools, tennis, golf, squash playgrounds, entertainment hall and disco, meeting rooms, wedding halls, gardens and playgrounds for kids, entertainment center, medical unit, marine and all kinds of marine sports. Egyptian Resorts Company owns 54.68% of Sahl Hasheesh Company for touristic investment.
It was worth mentioning that Sahl Hasheesh Company for touristic did not start its activity yet.

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

2- Basis of preparation of the consolidated financial statement

2-1 Basis for preparation

A- Statement of compliance

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

B- Basis of measurement

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

C- Functional and presentation currency

These financial statements are presented in Egyptian pounds, which is the Company's and its subsidiary companies 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 and in any future periods affected.

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 as follows:

  (A) 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.

  (B) 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- Significant Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, and these policies applied in the most recent annual financial statements were issued.

3-1 Foreign currencies translation

Transactions in foreign currencies are translated based on prevailing exchange rates at the dates of the transactions. At the balance sheet date monetary assets and liabilities denominated in foreign currencies are retranslated to L.E as per the prevailing exchange rates on that date. Any differences resulting from translation are taken to the income statement.
More over the non monetary assets and liabilities which are stated at historical cost of the foreign currency are retranslated as per the prevailing exchange rate on the date of the transaction.

3-2 Fixed assets and depreciation

A- Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation (3-2-C) and impairment losses (3-10).
Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labor, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located.
When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

B- Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognized in profit or loss as incurred.

C- <u>Depreciation</u>

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

Buildings	50 years
Machinery & Equipments	10 years
Furniture & Fixtures	16 years
Vehicles	5 years
Computers	5 years
<u>Water treatment station and deflation station</u>	
Structural works	30 years
Mechanical works	10 years
Water tank	30 years
Warehouses	30 years
Gateway	30 years

3-3 <u>Projects in progress</u>

First 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 use.

Projects in progress are evaluated on the balance sheet date deducted from it impairment losses – if any (note 3-10).

3-4 <u>Inventory</u>

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

3-5 <u>Work in progress</u>

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 in the consolidated balance sheet.

3-6 <u>Estimated cost for development of sold land</u>

The cost of development of sold land is recorded initially by the actual cost of the completed part in addition to estimated cost of the not completed part in order to reach the full cost of the accomplished 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.

3-7 Receivables, debtors and other debit balances

Receivables, debtors 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. These balances are recorded less impairment losses (note no. 3-10), Long –term receivables are measured by present value of expected cash flows which is computed by using actual return rate.

3-8 Cash flow statement

Cash flow statement is prepared according to indirect method.

3-9 Cash an cash equivalent

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

3-10 Impairment

A- Financial assets

- A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.
- An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.
- 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 the reversal is recognized in the income statement.

B- Non-financial assets

- The carrying amounts of the non-financial assets, other than inventory and deferred tax assets are reviewed at the balance sheet date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.
- An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognized in the income statement.

- The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.
- An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

3-11 Provisions

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

3-12 Creditors and other credit balances

Creditors and other credit liabilities are recorded at cost.

3-13 Employees' pension plan

The company contributes in the social insurance system for the benefit of employees according to law of Social Insurance Authority. The employer and the employees contribute in the system by a fixed percentage from salaries as per this law and the company's liability is limited to this contribution. The company charges this contribution to the salaries and wages in the income statement according to the accrual basis.

3-14 Revenue recognition

Activity's revenues

Revenue from sales of land (through installments) is recognized in accordance with the contract terms, 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 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

The credit interest is recorded according to the accrual basis.

3-15 Expenses

Expenses are recognized on accrual basis.

3-16 Financial costs (net)

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

3-17 Interest expenses

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

3-18 Income Tax

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

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

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

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

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

3-19 Purchase of capital's shares

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

3-20 Dividends

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

3-21 Earning per share

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

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4- Fixed Assets

The balance of this item shown in balance sheet as at December 31, 2007 amounted to L.E 34 801 205 as follows:-

	Land	Buildings	Machinery & Equipment	Furniture & Fixtures	Transportation vehicles	Water Deflation station	Primary gateway	Water tank	Warehouses	Water desalination station	Computers & Air-conditioning	Total
	L.E.	L.E.	L.E.	L.E.	L.E.	L.E.	L.E.	L.E.	L.E.	L.E.	L.E.	L.E.
Cost as at 1/1/2007	521 610	6 430 056	878 255	629 910	1 258 841	-	-	-	-	-	1 423 296	11 141 968
Additions during the year	-	-	63 749	75 359	28 000	11 514 253	4 801 902	2 177 545	1 514 767	9 040 637	136 146	29 352 358
Cost as at 31/12/2007	**521 610**	**6 430 056**	**942 004**	**705 269**	**1 286 841**	**11 514 253**	**4 801 902**	**2 177 545**	**1 514 767**	**9 040 637**	**1 559 442**	**40 494 326**
Accumulated Depreciation as at 1/1/2007	-	828 779	569 220	292 157	1 149 056	-	-	-	-	-	1 332 209	4 171 421
Depreciation of the year	-	126 945	74 593	39 187	37 403	569 755	106 709	35 622	25 248	464 111	42 126	1 521 699
Accumulated Depreciation as at 31/12/2007	**-**	**955 724**	**643 813**	**331 344**	**1 186 459**	**569 755**	**106 709**	**35 622**	**25 248**	**464 111**	**1 374 335**	**5 693 120**
Net book value as at 31/12/2007	**521 610**	**5 474 332**	**298 191**	**373 925**	**100 382**	**10 944 498**	**4 695 193**	**2 141 923**	**1 489 519**	**8 576 526**	**185 107**	**34 801 206**
Net book value as at 31/12/2006	**521 610**	**5 601 277**	**309 035**	**337 753**	**109 785**	**-**	-	-	-	-	**91 087**	**6 970 547**

* Fixed assets include assets fully depreciated, its cost amounted to L.E 2 682 085 as at December 31, 2007 as follows:

	L.E
Transportation vehicles	1 093 541
Machinery & equipment	212 408
Buildings (Caravans)	82 831
Computers	1 293 305
	2 682 085

5- Projects in Progress

The balance of this item shown in the consolidated balance sheet as at December 31, 2007 as the follows:

	31/12/2007	31/12/2006
Egyptian Resorts Company	L.E	L.E
Sewage treatment plant	-	11 046 333
The primary gateway *	-	3 841 179
Water tank	-	1 927 724
Warehouses	-	738 810
Desalination station	-	5 923 263
	-	23 477 309
Sahl Hasheesh Company		
Land	30 802 254	3 230 068
Work processed by Sahl Hasheesh Company	22 159 455	15 365 031
Work processed by Katoo for contracting	5 237 426	5 237 426
Contractors' advance payments	12 466	340 019
	58 211 601	24 172 544
Balance as at December 31, 2007	**58 211 601**	**47 649 853**

- 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 consolidated balance sheet as at December 31, 2007 is represented as follows:-

		Balance at 01/01/2007	Work during the period	Cost of sold land during the year	Balance as at 31/12/2007
		L.E.	L.E.	L.E.	L.E.
6-1	Cost of the project's lands haven't been sold yet 503 409 m²- Phase 1	65 278 080	21 504 261	(62 149 326)	24 633 015
6-2	Cost of the project's lands haven't been sold yet 3 501 493 m²-Phase 2	64 243 476	6 088 393	(3 041 184)	67 290 685
6-3	Cost of project's lands 20 million m² – Phase 3	25 438 128	5 576 377	-	31 014 505
		154 959 684	33 169 031	(65 190 510)	122 938 205

6-1 The estimated cost for Phase 1 of the project as at December 31, 2007 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 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 project's first Phase is purchased by the Touristic development Authority

6-2 <u>Second Phase Lands</u>

- The company rented the second phase's lands 6 million meters as an extension to the touristic development of phase one,
- In March30, 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). The balance of the work in progress includes an amount of L.E 46 134 750 equivalents to US$ 8 025 000 represented as follows:

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

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

The estimated cost as at December 31, 2007 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 <u>Third phase lands</u>
The company rented the third phase's lands (20 million m²) as an extension to touristic development of the first and second phase.
On March17, 2005 the company communicated the General Authority for Touristic Development to issue a letter confirming the company's rights in developing the project's third phase. On March 20, 2005 the Authority for Touristic Development replied that there are no restrictions on studying the company's proposal as long as the company fulfills the terms of the contract and the authority will notify the company with the results of the study then, according to the authority's letter dated February 26, 2007, the price of the meter was determined by $ 1.40/m² instead of US$ 1.35/m².

The allocation and contractual expenses were paid in addition to an amount of US$ 7 567 342 from the value of phase one land. What was paid from land's value was recorded as payments under the account of land's purchase. The company didn't receive a time table for the dates, values and interests of the installments. The following represents the value of land, what was recorded and what was paid:

	USD	Equivalent in L.E
Value of phase three land (20 million meter squared)	28 000 000	156 800 000
Allocation expenses	560 000	3 136 000
Contractual expenses	1 400 000	7 840 000
	29 960 000	167 776 000
Less:		
What was paid and recorded included in payments under the account of land's purchase (Note 9)	(7 567 342)	(43 285 294)
The unrecorded amount included in the payments under the account of land's purchase (Note 30/1)	22 392 658	124 490 706

7- Accounts & Notes Receivable (Net)

The balance of accounts & notes receivable shown in the consolidated balance sheet as at December 31, 2007 is represented as follows:

	31/12/2007 L.E.	31/12/2006 L.E.
7/1 Accounts & Notes receivable (short term)		
Land receivables- first phase	248 188 009	82 564 245
Land receivables- second phase	47 559 263	96 832 437
Villas receivables- first zone	6 112 977	6 984 479
Villas receivables- second zone	11 178 849	14 322 874
	313 039 098	**200 704 035**
Add: Short term notes receivables	16 528 832	6 052 007
Less: Impairment in receivables	(578 309)	(1 083 000)
	328 989 621	205 673 042
7/2 Accounts & Notes receivable(Long term)		
Land receivables- first phase	183 746 709	54 688 617
Land receivables- second phase	38 885 028	142 423 906
Villas receivables- first zone	2 172 406	4 455 174
Villas receivables- Second zone	5 277 876	9 653 949
	230 082 019	**211 221 646**
***Less:** Present value	(51 872 253)	(56 185 763)
	178 209 766	155 035 883
Add: Long term notes receivables	2 223 530	4 120 543
	183 433 296	**159 156 426**

8- Sundry Debtors & Other Debit Balances

The balance of sundry debtors & other debit balances shown in the consolidated balance sheet as at December 31, 2007 is represented as follows:

	31/12/2007 L.E.	31/12/2006 L.E.
Letters of guarantee covers	50 000	50 000
Cash imprests and loans	151 256	247 526
Prepaid expenses	47 747	17 923
Withholding tax	1 419	-
Deposits with others	82 525	73 375
Accrued interest	399 621	51 425
Contractors (debit balances)	1 448 437	2 352 640
Sundry debtors	1 603 339	89 841
	3 774 344	2 882 730

9- Payments under the Account of Land's Purchase

- The item of payments under the account of land's purchase shown in the consolidated balance sheet as at December 31, 2007 amounting to LE. 43 285 294 equivalent to US$ 7 567 342 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 $ 1.35/m² which was adjusted to $ 1.4/m² according to the Authority's letter dated 26/2/2007 (Note No. 6/3).
- During February 2007 the company fully paid the allocation and contractual expenses in addition to 20% advance payment for the third stage's land.

10- Cash on Hand and at Banks

This item shown in the consolidated balance sheet as at December 31, 2007 is represented in the following:-

	31/12/2007 L.E	31/12/2006 L.E
Cash on hand	60 285	35 551
Banks – current accounts-L.E	29 149 008	15 754 214
Banks – current accounts-US$	8 822 374	2 590 509
Banks – current accounts-EURO	562 577	317 558
Banks-time deposit-L.E	344 785 646	5 041 144
Banks-time deposit-US$	52 732 447	5 936 737
Cheques under collection	26 167 533	46 343 379
Balance	462 279 870	76 019 092

11- Provision for Claims

This item shown in the consolidated balance sheet as at December 31, 2007 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 as at December 31, 2007 amounted to L.E 7 007 375 is represented as follows:

		L.E
A-	Deposits received from some of the customers under the account of purchasing villa's lands in the project's first phase and lands in the second phase (compared to L.E 9 903 077 as at December 31, 2006).	**4 240 250**
B-	Advance payments from receivables – rentals of Sahl Hasheesh company (subsidiary company)	**2 767 125**
		7 007 375

13- Sundry Creditors & Other Credit Balances

The balance shown in the consolidated balance sheet as at December 31, 2007 is represented in the following:

	31/12/2007 L.E	31/12/2006 L.E
Sundry creditors	9 055 761	3 497 487
Contractors' retention	5 896 754	6 776 136
Contractors-social insurance	2 491 961	1 921 620
Accrued expenses	655 742	551 735
Due to governmental authorities	1 220 562	1 082 973
Other credit balances	2 232 712	3 725 583
Villas' maintenance deposits	660 000	-
	22 213 492	**17 555 534**

14- Due to the General Authority for Touristic Development

This item shown in the consolidated balance sheet as at December 31, 2007 is represented as follows:

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

	31/12/2007 L.E.	31/12/2006 L.E.
Accrual rent for the third phase	865 928	884 484
Liabilities due to the authority for the sale of the project's land	33 080 407	11 802 095
Balance	33 946 335	12 686 579

14-2 Dues to the authority – Long Term

The classifications of the short and long term dues to the authority is according to the customers' payments of the installments of the lands sold, thus the amounts due to the authority (long term) shown in the consolidated balance sheet as at December 31, 2007 are as follows:

	31/12/2007 L.E.	31/12/2006 L.E.
Due to General Authority for Touristic Development – Long Term	9 914 226	21 787 744
	9 914 226	21 787 744

15- Capital

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

- **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 in 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 in 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 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.

- **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 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.

- **Authorized capital increase**

  As per the decision of the General Assembly Meeting held on April 11, 2007 all the members unanimously approved on the following:

  - Increase of the authorized capital which is L.E 700 000 000 (Seven hundard million Egyptian pounds) to become 2 000 000 000 (Two billion Egyptian pounds) and this was annotated in the commercial register on April 26, 2007.

  - Increase in Issued and Paid in capital

    Increase in Issued and Paid in capital by retaining the shareholders share in dividends for the financial year ended 31/12/2006 under the account of increase of issued and paid in capital which amounted to L.E 175 000 000 (fifty two million five hundred thousand Egyptian pounds) though the company's issued and paid in capital became L.E 437 500 000 represented in 437 500 000 shares in which the nominal value of the share is L.E 1. There was annotation in the commercial register on 26/4/2007.

  - Increase in Issued and Paid in capital

    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. The total number of issued and subscribed shares is 262.5 million shares as per the certificate from Misr Iran bank dated June 20, 2007. 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 distribution project by an amount of L.E 140 million from the realized profits on 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.

16- Purchase of land's creditors

On May 21, 2007 the company paid an amount of L.E 34 260 000 equivalent to US$ 6 000 000 to the Authority of Touristic Development. This item is represented in amounts due from the remaining installments related to land of second phase. The company would have paid the value of the second phase land in full after the payment of this balance.

17- Earning per share

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

	From 1/1/2007 to 31/12/2007	From 1/1/2006 to 31/12/2006
	L.E.	**L.E.**
Net profit for the year	285 251 430	235 840 930
Less:		
Employees' share in proposed appropriation profit	(4 138 806)	(2 891 198)
Board of directors remuneration	(1 931 580)	(1 478 995)
	279 181 044	231 470 737
(*)Average number of shares during the year	514 212 329	514 212 329
Earning per share	**0.54**	**0.45**

Earning per share was computed as follows:

1- Earning per share was affected by the share of employees and board of directors in profits as per the appropriation profit proposed by the board of directors and is currently being approved by the General Assembly Meeting.

2- Average number of outstanding shares was computed as follows:

2/1 <u>During the period from January 1, 2007 till December 31, 2007</u>

As per the resulted shares after reduction its nominal value from L.E 10 to L.E 1 in addition to the capital increase shares by distributing 2 bonus shares for each 3 shares of the original capital shares (262.5 million shares) after reduction of share's value to L.E 1 accordingly the outstanding number of shares is 437.5 million shares. There was an annotation in the commercial register on 26/4/2007. Recalculation was done as per full settlement of issued capital increase shares by a number of 262.5 million shares on June 20, 2007 as per the certificate of Misr Iran Bank on June 20, 2007 and according to the company's capital increase by distributing one share for each five shares as per the decision of the general assembly meeting dated 11/9/2007 and the number of shares amounted to 840 million shares as of 31/12/2007 which was annotated in the commercial register on 27/11/2007.

2/2 <u>During the period from January 1, 2006 till December 31, 2006</u>

The number of common stock shares was amended before reduction of the share's nominal value (splitting the share) distributing bonus shares for capital increase which resulted in the increase of outstanding shares to 437.5 million shares. Recalculation was done as per full settlement of issued capital increase shares by a number of 262.5 million shares on June 20, 2007 according to the increase of the company's capital by distributing one free share for each five shares as per the general assembly meeting held on 11/9/2007 as the outstanding shares become 840 million shares as this event had happened on the beginning of the financial period (1/1/2006) as per the Egyptian Accounting Standards in this concern.

18- <u>Related parties</u>

Net sales (note 20) includes lands' sales from phase one which amounted to L.E 300 000 belongs to 6 members of the board of directors who purchased lands for L.E 50 000 for each piece of land as per the decision of the company's board of directors No. 5 for year 2001 on condition that to start the constructions immediately to activate the sales movement during the period till the authorization of the sales contracts in the first General Assembly Meeting for the company.

19- <u>Net Sales and Costs of Sale</u>

<u>Net sales</u>

Company's activity is represented in one main sector which is selling lands in Sahl Hasheesh; the subsidiary company did not start its activity yet though the activity inception was not determined from the specialized managerial authority. Company's net sales can be analyzed as follows:

	From 1/1/2007 till 31/12/2007	From 1/1/2006 till 31/12/2006
	L.E.	L.E.
Revenues from sale of land		
Phase one	277 633 703	195 327 330
Phase two	38 770 754	94 918 870
Revenues from sale of villas *		
First zone	4 017 349	7 324 172
Second zone	4 224 026	18 497 869
Total revenues from sale of land and villas	324 645 832	316 068 241
Accrued revenues from previously sold land	24 266 717	9 542 855
Total	**348 912 549**	**325 611 096**

(*) Selling Villas was stopped as per the decision of the board of directors on 22/8/2007. Decision No. 43/2007.

Cost of land

	From 1/1/2007 to 31/12/2007	From 1/1/2006 to 31/12/2006
	L.E.	L.E.
Cost of land		
Phase one	41 712 224	9 704 483
Phase two	2 261 903	64 764 144
Cost of sale of villas		
First zone	334 524	750 729
Second zone	566 298	1 974 009
Total	**44 874 949**	**77 193 365**

20- Administrative and general expenses

	From 1/1/2007 to 31/12/2007	From 1/1/2006 to 31/12/2006
	L.E.	L.E.
Salaries, wages and related expenses	5 025 142	2 630 396
Other expenses	2 157 984	1 733 500
Employees' orientation and training fund	4 854 969	2 383 920
Total	12 038 095	6 747 816

21- Cash and cash equivalents balance as at December 31, 2007 for the purpose of preparing cash flows statement

21-1 The consolidated cash flows statement was not affected by the non Cash transactions amounted to L.E 27 475 370 represented in projects in progress transferred to fixed assets.

21-2 The unpaid dividends payable were not included in the financing activities in the cash flows statement which amounted to L.E 535 251 shown in the consolidated balance sheet as at 31/12/2007 included in dividends payable.

22- Minority Interest

The balance shown in the consolidated balance sheet as at December 31, 2007 is represented in their share in owners' equity in the subsidiary company by the percentage of 31.56% as follows:

	L.E
Balance as at 1/1/2007	15 876 630
Less:	
Minority's share in the profits of the financial year ended as at December 31, 2007	43 000
	15 919 630

23- Periodical Dividends

23/1 As per the proposed appropriation profit to the board of directors for the period from 1/1/2007 till 30/6/2007 which was authorized from General Assembly Meeting on 11/9/2007 the dividends for the period ended June 30, 2007 were distributed as follows:

	L.E
Employees' share which should not exceed total salaries for the six months ended June 30, 2007	1 823 304
Board of directors' remuneration	890 663
Shareholders' dividends Note No. (15)	140 000 000
Total periodical dividends	**142 713 967**

23/2 The period's profits shown at the balance sheet as at December 31, 2007 are represented in the following:

	31/12/2007
	L.E.
Profits for the year ended 31/12/2007 – as shown in income statement	285 251 430
<u>Less:</u>	
Transferred to legal reserve as per the proposed appropriation profit in order to distribute dividends for the period ended June 30, 2007	(10 332 095)
Total profits for the year shown in the balance sheet as at 31/12/2007	**274 919 335**

24- <u>Tax Position</u>

<u>First: Tax position for the holding company (Egyptian Resorts Company) as per what was presented in the unconsolidated financial statements which complies with the tax system of Arab Republic of Egypt in practice</u>

24-1 <u>Corporate tax</u>

The tax position of the company as at 31/12/2007 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.

The tax returns were submitted for year 2005, 2006 according to Law No.91 of 2005 in the due dates.

24-2 <u>Salary tax</u>

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 L.E 920 623 in which L.E 668 808 was paid and the company formed a provision by the difference.

24-3 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 which was paid.

24-4 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 L.E 4 875 which was paid. The company was inspected for the period from January 1, 2006 till July 31, 2007 and there was an assessment by an amount of L.E 5 305 which was paid.

24-5 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.

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

- 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. The tax inspection and the final assessment for the movable taxes and salary tax was done and the due amounts paid till year 2005.
- The company also submitted its tax returns for the years 2004, 2005, 2006.

25- Financial Instruments and Risk Management

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

25-1 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.

25-2 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 530 547 511 and L.E 38 195 885 respectively. The Company's net balances in foreign currencies at the balance sheet date are as follows:-

Foreign currencies	Surplus (Shortage)
USD	87 259 489
Euro	980 596

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

25-3 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.

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

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

	31/12/2007	31/12/2006
	L.E.	**L.E.**
Fixed assets	(515 387)	(111 143)
Provisions	48 000	136 200
Net tax that results in (Liability) Asset	**(467 387)**	**25 057**

27- 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.

The balance of legal reserve as at December 31, 2007 is represented in the following:

	L.E.
Beginning balance as at 1/1/2007	11 627 163
Add:	
Transferred to legal reserve from dividends of year 2006	11 810 375
Legal reserve increase by the issuance premium of capital increase shares during the year ended 31/12/2007	65 625 000
Transferred to legal reserve from periodical dividends for the financial period ended June 30, 2007 as per the decision of the General Assembly Meeting on 11/9/2007, which is shown deducted from profits of the year ended 31/12/2007.	10 332 095
Balance as at 31/12/2007	**99 394 633**

28- Retained Earnings

The balance of retained earnings shown in the consolidated balance sheet as at December 31, 2007 is represented as follows:

	31/12/2007 L.E.
Balance as at 31/12/2006	(22 106 318)
Add: Net profit for year 2006	235 840 930
Less:	
Transferred to the increase of capital from shareholders' distribution	(175 000 000)
Transferred to legal reserve	(11 810 375)
Employees' shares in profits of year 2006	(2 891 198)
Board of directors remuneration	(1 478 995)
Retained earnings adjustments (*)	(3 926 307)
Adjustments resulting from consolidation	267 693
Balance of retained earnings as at December 31, 2007	18 895 430

(*) Retained earnings adjustments as at December 31, 2007 are represented in the net difference results from the reconciling the deferred revenues' balance of lands previously sold to (Shaheen business) by virtue of the contract concluded at 25/12/2006 amounting to US$ 22.714 millions in addition to usufruct Sahl Hasheesh's marine amounting to US$ 9.5 millions equivalent to L.E 184 264 080 and the contractual fees will be paid as follows:

- Advance payment amounting to US$ 5.7 millions.
- The remaining will be paid on installments accrued during the period from June30, 2007 till December 31, 2009.

It was agreed between the company and the customer on December 3rd 2007 upon the following:

Revocation of the previous contract with the name of Shaheen Business and concluding a new contract with the name of Trans Mediterranean for Touristic Investments – Egyptian Joint Stock Company subject to Law No. 159 of 1981 and registered under No. 23717 on April 4th 2007 with the same contractual fees to be paid as follows:

- Deducting the previously paid amounts amounting to US$ 5.7 millions
- The remaining will be paid on installments accrued during the period from March 31, 2008 till September 30, 2010.

29- Reservations' Advances

The company receives cheques from the customers who want to purchase plots of lands as a down payment which were recorded in the books till having the board of directors approval upon the sale, thus the total received cheques as of December 31,2007 amounted to L.E 8 990 000 (out of which $ 1 000 000).

30- Capital Commitments

Capital commitments as at 31/12/2007 are represented in the following:

		L.E.	US$
30/1	The remaining amount of the third phase's land value which was not requested to be paid till the date of preparation of financial statements as at 31/12/2007.	124 490 706	22 392 658
30/2	The remaining amounts due for the supplier (Pharonica company) for the prolonged warranty of the deflation station.	2 290 000	-
30/3	The remaining amounts related to the unexecuted amounts contracts from the development of first, second and third Phase lands.	45 861 981	-

31- Comparative figures

The comparative figures have been reclassified to agree with the classification of the figures in the financial statements as at December 31, 2007, without any effect on the income statement.