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Egyptian Resorts Company
"Egyptian Joint Stock Company"

Separate Financial Statements
For the financial year ended December 31, 2013
And Auditor's Report

KPMG

Hazem Hassan
Public Accountants & Consultants

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

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

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Auditor's Report

To the Shareholders of Egyptian Resorts Company

Report on the Financial Statements

We have audited the accompanying separate financial statements of Egyptian Resorts Company (S.A.E), which comprise the separate balance sheet as at December 31, 2013, and the income statement, statement of changes in equity and separate statement of cash flows for the financial year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the separate financial position of Egyptian Resorts Company (SAE) as of December 31, 2013, and of its financial performance and its cash flows for the year then ended in accordance with the Egyptian Accounting Standards and the Egyptian laws and regulations relating to the preparation of these financial statements.

Emphasis of matter

Without considering the following as qualifications:

1 As disclosed in detail in note no. (32-2) of the notes to the financial statements, there is a lawsuit before court which is raised by one of the lawyers against the General Authority for Touristic Development in order to annul the allocation contract of all lands for Egyptian Resorts Company at Sahl Hasheesh, and On February 28, 2011 the company's management decided to become a part of this lawsuit in order to undertake the legal procedures and submit the documents supports the company's position. The lawsuit is now still pending before the state attorneys' authority in its preliminary, whom decided to postpone the lawsuit for a hearing on June 12, 2014. The company's management & legal consultant believes the integrity of the company's legal position in light of the defenses presented from them, though it would be difficult for the time being to predict the results of the lawsuit in this early stage of dispute along with the ruling ruled by the court. Though the extent of the negative effects, that may result, on the company's economics and financial position that may result because of this lawsuit is not yet determined.

2 As disclosed in detail in note no. (32-4) of the notes to the financial statements, the General Authority of Touristic Development has informed ERC that it has decided to withdraw its previous consent for the company on development of phase 3 lands at Sahl Hasheesh (zone c) in which its area is 20 million square meter in its resolution dated March 31, 2011. Knowing that Work in process in connection with this phase amounted to L.E 71.689 million on December 31, 2013. The company raised a lawsuit to cancel this resolution, which is issued from Touristic Development Authority of taking the land of phase 3 back and taking into consideration that this resolution is submitted to administrative court on September 21, 2011. The company's management & legal consultant believes the integrity of the company's legal position in light of the provisions of the contract concluded between The Authority & the company dated October 24, 1995 in which the terms were executed by the company. The court decided to submit the lawsuit to the state attorneys to prepare a report with the legal opinion. The lawsuit is postponed for a hearing on June 16, 2014 though it would be impossible for the time being to predict the results of the lawsuit in this early stage of dispute along with the ruling ruled by the court. Though the extent of the negative effects, that may result, on the company's economics and financial position that may result because of this lawsuit is not yet determined.

Report on Other Legal and Regulatory Requirements

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

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

Cairo, March 25, 2014

KPMG Hazem Hassan
Public Accountants and Consultants
(5)

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Egyptian Resorts Company
(Egyptian Joint Stock Company)

Separate Balance Sheet
As December 31, 2013

	Note No.	31/12/2013 EGP	31/12/2012 EGP
Long Term Assets			
Fixed assets (Net)	(3-2, 4)	137 824 568	145 059 872
Projects in progress	(3-3, 6)	10 728 126	1 797 799
Investment in subsidiary companies	(3-4, 5)	278 447 910	173 447 910
Accounts & notes receivable - long term (Net)	(3-9, 9)	9 905 835	43 492 376
Deferred tax assets (Net)	(3-20, 28-2)	-	1 932 188
Total Long Term Assets		**436 906 439**	**365 730 145**
Current Assets			
Work in process	(3-7, 7)	522 795 402	509 687 731
Inventory	(3-6, 8)	2 250 395	1 865 473
Accounts & notes receivable - short term (Net)	(3-9, 9)	526 429 635	578 881 683
Sundry debtors and other debit balances	(3-9, 10)	9 063 696	11 894 220
Subsidiaries - Sahl Hasheesh Company - Current Account	(3-19, 3-25)	-	2 459 141
Investment in treasury bills	(3-21)	-	53 711 135
Cash on hand & at banks	(11)	103 784 604	107 362 381
Total Current Assets		**1164 323 732**	**1265 861 764**
Current Liabilities			
Provision for claims	(3-13, 12)	11 834 122	11 627 402
Receivables - advance payments	(13)	52 248 058	38 996 305
Subsidiaries - Sahl Hasheesh Company - Current Account	(3-19, 3-25)	407 686	-
Sundry creditors and other credit balances	(3-14, 14)	45 175 844	97 078 763
Due to Authority of Touristic Development (due within one year)	(15)	33 353 530	29 881 495
Estimated cost for development of sold land	(3-8)	78 740 568	87 428 378
Banks-Credit Facilities	(16)	8 793 201	-
Total Current Liabilities		**230 553 009**	**265 012 343**
Working capital		933 770 723	1000 849 421
Total Investments		**1370 677 162**	**1366 579 566**
Financed as follows:			
Shareholders' Equity			
Issued and fully paid in capital	(17)	1050 000 000	1050 000 000
Legal reserve	(31)	131 664 379	131 664 379
Retained earnings (losses)		(42 003 259)	31 094 876
Net loss for the year		(18 519 581)	(73 098 135)
Total Shareholders' Equity		**1121 141 539**	**1139 661 120**
Long-term Liabilities			
Purchase of land creditors	(7-3)	248 906 076	226 918 446
Deferred tax liabilities (net)	(3-20, 28-2)	629 547	-
Total Long-term Liabilities		**249 535 623**	**226 918 446**
Total shareholders' equity & Long-term Liabilities		**1370 677 162**	**1366 579 566**

(*) The accompanying notes from page (1) to page (26) form an integral part of these financial statements and to be read therewith.

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

Auditor's report (attached),,,

Egyptian Resorts Company
(Egyptian Joint Stock Company)

Separate Income Statement
For the Financial year ended December 31, 2013

	Note No.	From 1/1/2013 to 31/12/2013 EGP	From 1/1/2012 to 30/12/2012 EGP
Lands Sales	(3-16, 20)	5 380 357	8 100 554
Lands sales returns	(3-16, 20)	(12 198 681)	(2 701 495)
Revenues from services rendered	(3-16, 22)	34 873 929	32 697 290
Total revenues		**28 055 605**	**38 096 349**
Less:			
Cost of sales	(3-17, 23)	(1 046 890)	(3 319 856)
Cost of lands sales returns	(3-17, 23)	7 319 209	1 620 897
Operating cost of services rendered	(3-17, 24)	(49 536 225)	(43 381 561)
Gross loss		**(15 208 301)**	**(6 984 171)**
Other operating revenues	(25)	2 555 668	3 694 952
		(12 652 633)	**(3 289 219)**
Add/(Less):			
Net Interest recalled from deferred income	(3-16, 21)	1 032 013	1 960 023
Delay Penalties in lands installement sales		16 815 482	19 476 525
Selling & marketing expenses	(3-17)	(1 326 775)	(3 101 923)
General and administrative expenses	(3-16, 26)	(27 999 817)	(20 810 320)
Impairment in receivables	(9)	(24 309 937)	(95 444 168)
Impairment in debitors & other debit balances	(10)	(1 383 254)	-
Provisions for claims	(12)	(1 510 614)	(1 136 402)
Loss resulted from operating activity		(51 335 535)	(102 345 484)
Add:			
Change in evaluation of investment funds		4 265 651	82 009
Financing revenue (costs)(net)	(27)	31 579 813	31 736 279
		35 845 464	**31 818 288**
Net loss before income tax		**(15 490 071)**	**(70 527 196)**
Income tax	(3-20, 28-1)	(467 775)	(2 317 208)
Deferred tax (expense) benefit	(3-20, 28-2)	(2 561 735)	(253 731)
Net loss after income tax		**(18 519 581)**	**(73 098 135)**
Loss per Share	(3-24, 18)	**(0.02)**	**(0.07)**

(*) The accompanying notes from page (1) to page (26) form an integral part of these financial statements and to be read therewith.

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Egyptian Resorts Company
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Separate Statement of Changes in Shareholders' Equity
For the Financial year from January 1, 2013 till December 31, 2013

	Issued & Paid in Capital EGP	Legal Reserve EGP	Retained earnings(losses) EGP	Net Loss of the year EGP	Total EGP
Balance as at December 31, 2011	**1050 000 000**	**130 892 541**	**16 429 964**	**15 436 750**	**1212 759 255**
Transferred to retained earnings	-	-	15 436 750	(15 436 750)	-
Transferred to legal reserve	-	771 838	(771 838)	-	-
Net loss for the year	-	-	-	(73 098 135)	(73 098 135)
Balance as at December 31, 2012	**1050 000 000**	**131 664 379**	**31 094 876**	**(73 098 135)**	**1139 661 120**
Transferred to retained earnings	-	-	(73 098 135)	73 098 135	-
Net loss for the year	-	-	-	(18 519 581)	**(18 519 581)**
Balance as at December 31, 2013	**1050 000 000**	**131 664 379**	**(42 003 259)**	**(18 519 581)**	**1121 141 539**

(*) The accompanying notes from page (1) to page (26) form an integral part of these financial statements and to be read therewith.

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Egyptian Resorts Company
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Separate Cash Flows Statement
For the Financial year ended December 31, 2013

	Note No.	The Financial year ended 31/12/2013 EGP	The Financial year ended 31/12/2012 EGP
Cash Flows from Operating Activities			
Net profit before income tax		(15 490 071)	(70 527 196)
Adjustments to Reconcile Net Profit with Net Cash Flows from Operating activities			
Fixed assets' depreciation	(4)	15 590 088	14 736 198
Tax settlements differences	(26)	-	669 698
Impairment in receivables	(9)	24 309 937	95 444 168
Impairment in debitors & other debit balances	(10)	1 383 254	-
Provision for claims - formation	(12)	1 510 614	1 136 402
Capital gains		-	(22 500)
Return of governmental treasury bills	(27)	(1 066 869)	(11 947 185)
Differences in evaluation of foreign monetary balances		(17 108 934)	(11 600 328)
		9 128 019	**17 889 257**
Change in working capital			
Change in receivables		108 636 613	(46 874 100)
Change in inventory		(384 922)	(603 343)
Change in debtors and other debit balances		(1 128 626)	763 616
Change in work in process		(20 674 242)	(21 055 421)
Change in receivables advance payments		8 968 792	410 276
Change in creditors and other credit balances		(51 902 919)	13 142 365
Change in subsidiary companies' current accounts		2 866 827	2 710 609
Change in estimated cost for development of sold land		(8 687 810)	(20 503 233)
Change in dues to Authority of Touristic Development		505 177	13 708 013
Change in purchase of land creditors		(561 578)	-
Net cash flow (used in) available from operating activities		**46 765 331**	**(40 411 961)**
Cash Flows from Investing Activities			
Payments for purchase of fixed assets and projects in progress	(4, 6)	(9 721 845)	(2 146 621)
Payments - Investment in subsidiary companies	(5)	(105 000 000)	-
Proceeds from sale of fixed assets		3 305	232 540
Changes in value of time deposits (more than three months)	(11)	33 056 089	(11 789 589)
Proceeds from investments in governmental treasury deposits (after tax)		1 871 095	9 268 838
Net cash (used in) investing activities		**(79 791 356)**	**(4 434 832)**
Cash Flows from Financing Activities			
Increase in banks credit facilities balance	(16)	8 793 201	-
Cash flow available from financing activities		8 793 201	-
Net cash & cash equivalent used in available during the year		(24 232 824)	(44 846 793)
Cash & cash equivalent as at the beginning of the year		107 171 928	152 018 721
Cash & cash equivalent balance at the end of the year	(11)	**82 939 104**	**107 171 928**

The effect of used from provision of claims has been disposed during the year with an amount of L.E 1 303 894 in exchange of what was settled during the year from the balance of the income tax authority - debit balance which is classified among sundry debitors & other debit balances item in the current assets as it is considered to be a non-cash transaction

(*) The accompanying notes from page (1) to page (26) form an integral part of these financial statements and to be read therewith

Egyptian Resorts Company
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Notes to the separate Financial Statements
For the financial ended December 31, 2013

1- General Background

(A) General

- Egyptian Resorts Company - Egyptian joint stock Company – established under the provisions of Law No. 159 of 1981 and its executive regulations and also subject to the provisions of Law No. 95 of 1992 and its executive regulations. The company was registered in the commercial register under No. 6514 on 24/4/1996.
- The Company's duration is 50 years starting from the date of registration in the commercial registry.
- The financial year for the company starts from January 1st and ends at December 31st each year.
- The company's head office location is at Sahl Hasheesh – Hurghada – Red Sea, and the location of the company's branch at Cairo Governorate is at 4 A Aziz Abaza Street – Zamalek – Cairo.
- The Chairman of the board of directors is Mr. Adel Hammad – and the Managing director is Mr. Mohamed Ibrahim Kamel Abu Eloyoon. (The board of directors approved these separate financial statements on 24/3/2014).

(B) Company's purpose

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

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

2- Basis of preparation of the separate financial statements

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

B- Basis of measurement
These financial statements have been prepared on the historical cost basis.

C- Functional and presentation currency
These financial statements are presented in Egyptian pounds, which is the Company's functional currency.

D- Use of estimates and judgments

- The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses and the estimates and assumptions related to them when applied are considered according to prior experience and acceptable other factors. The results of these assumptions and estimates represent the base for judgment on the net book values of assets and liabilities in a clearer way than any other source. Actual results may differ from these estimates.
- The assumptions and estimates are reviewed periodically.
- Revisions to accounting estimates are recognized in the period in which the estimate is revised if revision affects this period, in the revision period or in any future periods if the revision affects both of them.

3- Significant Accounting Policies Applied

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

3-1 Foreign currencies translation

Transactions in foreign currencies are translated based on prevailing exchange rates at the dates of the transactions. At the balance sheet date, monetary assets and liabilities denominated in foreign currencies are retranslated to EGP as per the prevailing exchange rates on that date. Any differences resulting from translation are taken to the income statement.

Moreover, the non-monetary assets and liabilities, which are stated at historical cost of the foreign currency, are translated as per the prevailing exchange rate on the date of the transaction.

3-2 Fixed assets and depreciation

A- Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation (3-2-C) and impairment losses (3-12).

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labor, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

B- Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow and its cost can be measured reliably. The other costs are recognized as expenses in the income statement as incurred.

C- Depreciation

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

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

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

3-3 Projects in progress

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

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

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

3-4 Accounting for investments in subsidiary companies

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

3-5 Investments in trading securities

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

3-6 Inventory

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

3-7 Work in process

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

3-8 Estimated cost for development of sold land

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

3-9 Receivables, debtors and other debit balances

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

3-10 Cash flow statement

Cash flow statement is prepared according to indirect method.

3-11 Cash and cash equivalent

For the purpose of preparing the cash flow statement, cash and cash equivalents comprise cash at banks and on hand, call deposits, short-term investments which are highly liquid and can be converted easily to specific monetary amounts in which its vulnerability to change in value is negligible. It also includes balance of bank overdrafts that are payable on demand and form an integral part of the company's cash management.

3-12 Impairment

A- Financial assets

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

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

B- Non-financial assets

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

3-13 Provisions

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

3-14 Creditors and other credit balances

Creditors and other credit liabilities are recorded at cost.

3-15 Employees' pension plan

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

3-16 Revenue recognition

- Activity's revenues

Revenue from sales of land (through installments) is recognized in accordance with the contract terms and handing over to customers, under which the payment of the corresponding installments will be recognized at the cash sales price (without interest) as revenue on the date of sale. The cash sales price is determined by deducting the due installments by using appropriate discount rate to show the difference between the total sale price and the cash price deducted from the customers' balances which are recognized as revenue over its accrual period.

Dividends Revenue

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

Interest income
Interest income is recorded based on the accrual basis.

3-17 Expenses

Expenses are recognized based on the accrual basis.

3-18 Financial costs (net)

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

3-19 Interest expenses

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

3-20 Income Tax

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

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

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

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

3-21 Governmental treasury bills

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

3-22 Purchase of capital's shares

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

3-23 Dividends

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

3-24 Basic earnings per share

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

3-25 Transaction with related parties

Transactions with related parties made by the company are recorded in accordance with the rules stated by the board of directors.

4- Fixed Assets

The balance of fixed assets (net) shown in the balance sheet as at December 31, 2013 is represented as follows:-

Description	Cost as at 1/1/2013	Additions of the year	Transferred from work in process	Disposals of the year	Cost as at 31/12/2013	Accumulated Depreciation as at 1/1/2013	Depreciation of the year	Accumulated depreciaction of disposals	Accumulated Depreciation as at 31/12/2013	Net book value as at 31/12/2013	Net book value as at 31/12/2012
	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP
Land	521 610	-	-	-	521 610	-	-	-	-	521 610	521 610
Buildings	34 510 666	-	-	-	34 510 666	3 746 059	1 060 096	-	4 806 155	29 704 511	30 764 607
Furniture & fixtures	4 557 487	177 616	-	-	4 735 103	1 366 296	290 194	-	1 656 490	3 078 613	3 191 191
Transportation vehicles	797 387	-	-	-	797 387	632 085	83 989	-	716 074	81 313	165 302
Computers & Air-conditioning	7 568 187	329 013	-	(6 400)	7 890 800	5 372 472	829 506	(3 095)	6 198 883	1 691 917	2 195 715
Tools & Equipment	2 323 428	42 357	-	-	2 365 785	1 269 716	160 900	-	1 430 616	935 169	1 053 712
Networks & facilities	88 415 286	-	-	-	88 415 286	24 498 556	8 841 528	-	33 340 084	55 075 202	63 916 730
Sewage Treatment Plant	21 775 252	-	-	-	21 775 252	4 690 187	963 524	-	5 653 711	16 121 541	17 085 065
Water tank	8 950 096	-	-	-	8 950 096	1 129 429	298 307	-	1 427 736	7 522 360	7 820 667
Water desalination plant	29 060 055	-	-	-	29 060 055	10 714 782	2 734 921	-	13 449 703	15 610 352	18 345 273
Pier	-	-	7 566 571	-	7 566 571	-	302 663	-	302 663	7 263 908	-
Beach restaurant	-	242 532	-	-	242 532	-	24 460	-	24 460	218 072	-
Total	**198 479 454**	**791 518**	**7 566 571**	**(6 400)**	**206 831 143**	**53 419 582**	**15 590 088**	**(3 095)**	**69 006 575**	**137 824 568**	**145 059 872**

* Fixed assets included assets which are fully depreciated as at December 31, 2013 as follows:

	EGP
Transportation vehicles	377 437
Machinery & equipments	754 642
Furniture	166 857
Buildings (Caravans)	82 830
Computers	3 149 841
	4 531 607

Depreciations were classified as follows:	**EGP**
Depreciation of operating fixed assets (Note-24)	14 699 826
Depreciation of administrative fixed assets (Note-26	890 262
	15 590 088

5- **Investments in subsidiary companies**

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

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

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

6- **Projects in progress**

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

	31/12/2013 EGP	**31/12/2012 EGP**
Sea bridge	210 000	-
Raising the level of the drainage network station	2 306 411	1 797 799
Construction of water wells desalination station with a capacity of 4000 meters cube	8 211 715	-
	10 728 126	**1 797 799**

7- Works in Progress

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

		31/12/2013	31/12/2012
		EGP	EGP
7-1	Cost of the lands haven't been sold yet - Phase 1	29 744 201	31 275 447
7-2	Cost of the lands haven't been sold yet - Phase 2	179 110 350	165 965 122
7-3	Cost of project's lands – Phase 3	303 139 715	301 895 888
7-4	Cost of Sawary Project	10 530 274	10 530 274
7-5	Cost of Jomran Project	270 862	21 000
		522 795 402	**509 687 731**

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

7-1 First Phase Lands

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

  According to the prime minister's decree No. 1026 of 2005 published in the official gazette issue No. 28 on July 14, 2005 stating that the lands sold for constructing a touristic project, US$ 1.75 is due to the authority per meter sold.

  Based on the geographical survey for phase 1 made on 2008, which was prepared by the company's experts, the total area of that phase is 5 604 817 meter square in which the sold area is 4 862 347 meter square.

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

7-2 Second Phase Lands

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

- In light of the final settlement for the Authority's share in the conductance made by the company on the lands of phase 1, 2 and 3 from Sahl Hasheesh Company mentioned in (7-1) , an agreement has been made to account the Authority's share on the same basis adopted in phase 1 for the conductance conducted before the date of the Prime Minister's resolution on July 28, 2005 . Therefore, the Authority's share is accounted by US Dollar 1.75 / meter for the conductance over the land pieces specified for hostelry use or US Dollar 5 for the land pieces specified for touristic housing.
- Based on the geographical survey for the second phase made on 2008 which is mentioned in (7-1), the total area of that phase is 7 032 867 meter square and the area to be sold from this phase is 6 542 922 meter square.
- The estimated cost as at December 31, 2013 for the project's second phase according to the study prepared by the company's experts amounted to EGP 392 607 701 with estimated cost of EGP 60.

7-3 Third phase lands

- The company rented the third phase's lands (20 million m²) as an extension to touristic development of the first and second phase as per the main agreement with the Authority for Touristic Development on 24/10/1995.
- On March17, 2005, the company communicated the General Authority for Touristic Development to issue a letter confirming the company's rights in developing the project's third phase. On March 20, 2005, the Authority for Touristic Development replied that there are no restrictions on studying the company's proposal as long as the company fulfills the terms of the contract and the authority will notify the company with the results of the study. According to the authority's letter dated February 26, 2007, the price of the meter was determined by USD 1.40/m.
- Moreover, as per the geographical survey prepared by the expertise whom the company used during year 2008, the total area of the third phase is 28 312 296 m^2.

  The cost of land purchased from the Authority of Touristic Development (including the contractual and allocation expenses) amounted to USD 42 411 819 which is equivalent to EGP 231 450 740. This cost is included in Work In Progress – Phase 3 and the total payments were USD 7 567 359 as at 31 December 2013. The remaining amount due to the Authority based on the aforementioned is EGP 242 167 864 equivalent to USD 34 851 819 and included in purchase of land creditors.
- The General Authority for Touristic Development notified the company to annul its previous consent that issued for the company to develop the land of the third phase of Sahl Hasheesh (Area C) and of an area of 20 million meter square in its resolution dated March 31, 2011. The company appealed to the resolution of the General Authority for Touristic Development to annul its previous consent referred to in 27 May 2011 and the company did not receive any reply in this concern. The company raised a lawsuit to cancel this resolution, which is issued from TDA of taking the land of phase 3 back in front of the administrative court which was postponed to a session of June 16 , 2014 according to what was stated in details in the company's legal position (Note No. 32-4)

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

The item is represented in the following:

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

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

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

7-5 **Jomran Project**

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

8- Inventory

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

	31/12/2013	31/12/2012
	EGP	EGP
Maintenance supplies & spare parts in the location	2 250 395	1 865 473

9- Accounts & Notes Receivable (Net)

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

	31/12/2013	31/12/2012
	EGP	EGP
Land receivables	628 674 534	648 118 108
Accounts and notes receivable of Sawary project	-	50 238 797
Accounts and notes receivable of Jomran project	9 882 601	11 531 395
Receivables – Resort's services and managment	28 620 948	19 929 081
	667 178 083	**729 817 381**
Less: Deferred interest	(445 283)	(1 180 442)
Less: Impairment in receivables (*)	(130 397 330)	(106 262 880)
	536 335 470	**622 374 059**

For presentation purposes, the accounts & notes receivable as at December 31, 2013 are classified as follows:

	31/12/2013 EGP	31/12/2012 EGP
Accounts & notes receivable – long term assets	9 905 835	43 492 376
Accounts & notes receivable – current assets	526 429 635	578 881 683

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

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

	EGP
Beginning balance	106 262 880
Impairment in value of receivables during the year	24 309 937
Used from the balance during the year	(175 487)
Ending Balance	**130 397 330**

10- Sundry Debtors & Other Debit Balances

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

	31/12/2013 EGP	31/12/2012 EGP
Letters of guarantee covers	50 000	50 000
Cash imprests and loans (*)	171 190	168 654
Prepaid expenses	768 211	980 526
Deposits with others	426 984	480 984
Accrued interests & returns	317 263	1 674 380
Contractors & suppliers-advance payments (*)	2 773 616	1 427 889
Sundry debtors (*)	474 176	398 736
Withholding Tax – Debit	360 438	304 085
Income Tax Authority paid - Debit	5 105 072	6 408 966
	10 446 950	11 894 220
Less: Impairment in the value of sundry debtors & other debit balances (*)	(1 383 254)	-
	9 063 696	**11 894 220**

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

11- Cash on Hand and at Banks

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

	31/12/2013 EGP	31/12/2012 EGP
Cash on hand	147 369	92 576
Banks – current accounts - EGP	4 975 286	28 452 692
Banks – current accounts – US Dollars	4 033 475	4 833 516
Banks – current accounts – Euro	164 585	3
Banks – time deposit – US Dollars (less than three months)	31 268 250	-
Banks-time deposit-US Dollars (more than three months)	20 845 500	53 901 589
Investment funds in fund market tools –Jaman (**)	42 350 139	-
Investment funds Mubasher – Gothor (***)	-	20 082 005
Balance	**103 784 604**	**107 362 381**

(*) The balances of deposits in US Dollars (more than three months) shown above in the value equivalent to 3 million US Dollars due during periods ranging between more than three months and less than one year from the balance sheet date with an interest of 2%.

(**) The item is represented in the market value for 282 932 documents out of investment fund in fund market tool documents – Jaman (daily) which is administered by the knowledge of Arab African Bank for administrating the investments. The declared price of the document has amounted to EGP 149.6831 as of December 31, 2013. The value of change in investment's market value recognized in the income statement during the year has amounted to L. E 476 190.

(***) The return from investment funds documents in fixed income tool in Egyptian Pounds "Gothor" has reached EGP 3 789 461 during the year (against EGP 82 009 as of year 2012)

– For the purpose of cash flow statements , the cash & cash equivalent item is represented in the following:

	31/12/2013 EGP	31/12/2012 EGP
Cash on hand & bank	103 784 604	107 362 381
Added		
Investments in treasury bills (less than three months)	-	53 711 136
Deducted		
Time deposit (more than three months)	(20 845 500)	(53 901 589)
Cash & cash equivalent according to cash flow statement	**82 939 104**	**107 171 928**

12- Provision for Claims

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

	31/12/2013 EGP	31/12/2012 EGP
Beginning Balance	11 627 402	10 491 000
Formation during the year	1 510 614	1 136 402
Used from the year	(1 303 894)	-
Ending Balance	**11 834 122**	**11 627 402**

(*) Provision for claims includes the value of expected tax differences emerging from tax inspection of the Egyptian Resorts Company as mentioned in details in note No. (30) Tax position as of the years from activity start till 2008. These tax differences will be settled from credit balance due to the company from the Egyptian Tax Authority.

13- Advance Payments from clients

The item shown in the balance sheet among current liabilities as of December31, 2013 represented as follows:

	31/12/2013 EGP	31/12/2012 EGP
Advances lands reservations-phases 1 & 2 (*)	49 263 046	36 553 214
Advances lands reservations-Sawary project units	2 654 727	2 112 806
Advances lands reservations-Jamran project units	330 285	330 285
	52 248 058	**38 996 305**

(*) The balance includes the value of paid from one of the company's clients as a contract payment to purchase land in phase 2. The company has raised a lawsuit to annul contract with the client with reversal of contract payment amounted USD 5 700 000 equivalent to amount of EGP 39 606 450 due to his delay in meeting his contractual obligations till that date. The lawsuit has been submitted to the expert. The company, through its legal consultant, has submitted all the legal defenses, which support its position in the lawsuit according to what was stated in details in note (32-1) legal position.

14- Sundry Creditors & Other Credit Balances

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

	31/12/2013 EGP	31/12/2012 EGP
Contractors' retention	4 862 431	7 085 922
Suppliers and contractors	850 899	1 004 518
Contractors-social insurance	1 547 887	1 646 917
Social insurance authority	14 179 202	11 809 846
Accrued expenses	989 742	1 392 942
Retentions-Contracts of distributing electricity	250 000	-
Maintenance deposits	1 995 850	4 886 110
Dividends payable	393 499	393 499
Deferred revenues (*)	9 945 587	58 698 262
Sundry Creditors	10 160 747	10 160 747
	45 175 844	**97 078 763**

(*) Deferred revenue includes an amount of EGP 9 389 523 which is the value of building paid in advance from Jomran project's clients which will be recognized once their receipt by the clients upon execution of building villas.

15- Due to the General Authority for Touristic Development

The due to the General Authority for Touristic Development shown among current liabilities in the balance sheet is represented in an amount of EGP 33 353 530 (EGP 29 881 495 as of December 31, 2012) which is the value of The Authority's share in the company's conductance in the lands of the three phases. Current continuance of final settlement for the value of due to the General Authority for Touristic Development from the company as conductance with selling the lands according to the basis of accounting agreed upon with the Authority and mentioned in details in note (7) works in process.

16- Banks – Credit Facilities

The balance amounting EGP 8 793 201 shown in the balance sheet among the current liabilities is represented in the unpaid portion from the credit facility totaling EGP 105 million with a a duration of 180 days with a maximum interest of 13.75% from Arab African International Bank with a purpose of its utilization in financing the company's underwriting in increasing subsidiary company's capital. An approval has been obtained from the bank over the credit facility dated 13/3/2013. An amount of EGP 105 million has been transferred from the value of the facility during the year to the underwriting account in increasing subsidiary company's capital. The facility has been renewed on August 22 , 2013 for a duration ends on June 30 , 2014 with a maximum withdrawal of 88 million Egyptian Pounds with a guarantee of investment funds in fund markets & an interest of 3% adding to the loan rate from the Central Bank Of Egypt with a maximum of 13.75%. The current balance will be paid at the end of financing period.

17- Capital

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

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

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

As per the decision of General Assembly Meeting held on 11/5/2006 and the decision of the company's board of directors on 24/5/2006 which approved on though the company's issued and paid in capital became EGP 262 500 000 represented in 26 250 000 shares in which the nominal value of the share is EGP 10. There was annotation in the commercial register on 18/7/2006.

As per the decision of the Extraordinary General Assembly Meeting held on 23/12/2006 the nominal value of the share was amended to be EGP 1 instead of EGP 10 and the share was spitted to be ten shares though the number of issued and fully paid shares became 262 500 000 shares then issued and fully paid in capital amounted to EGP 262 500 000 distributed on 262 500 000 shares with nominal value EGP 1 for each share. There was annotation in the commercial register on 21/2/2007.

As per the decision of the General Assembly Meeting held on April 11, 2007 all the members unanimously approved on the increase of the authorized capital to become 2 000 000 000 (Two billion Egyptian pounds) increasing the company's issued and paid in capital to be EGP 437 500 000 represented in 437 500 000 shares in which the nominal value of the share is EGP 1 which were fully financed by the shareholders' dividends of year 2006. There was annotation in the commercial register on 26/4/2007.

Issued and paid in capital was increased by an amount of EGP 262.5 million (two hundred sixty two million and five hundred thousand Egyptian pounds) which was fully paid by the subscription of old shareholders in capital as per the decision of the board of directors on 25/3/2007.

The share was issued by a nominal value of EGP 1 in addition to issuance premium of 25 piaster for each share. As per the certificate from Misr Iran Bank dated June 20, 2007, the issued and paid in capital amounted to EGP 700 million. There was annotation in the commercial register on 16/7/2007.

As per the decision of General Assembly Meeting held on 11/9/2007 there was a verification on the dividend distribution of EGP 140 million from the realized profits in the financial statements for the financial period for six months ended June 30, 2007 as a bonus shares for shareholders and the board of directors was delegated to take the necessary procedures for capital increase in the limit of the authorized capital amounted to EGP 2 000 000 000 and the capital after this free increase became EGP 840 million. Articles 6 and 7 of the company's articles of associations were amended by distributing one bonus share for each five outstanding share of issued capital which is amounted to EGP 700 million. There was annotation in the commercial register on 27/11/2007.

As per the decision of General Assembly Meeting held on 24/4/2008 there was a verification on the distribution project by an amount of EGP 210 million from the realized profits on the financial statements for the financial year ended December 31, 2007 as a bonus shares for shareholders and the board of directors was delegated to take the necessary procedures for capital increase in the limit of the authorized capital amounted to EGP 2 billion though the issued capital will be EGP 1 050 000 000. Articles 6 and 7 of the company's articles of associations were amended by distributing one bonus share for each four outstanding share of issued capital which is amounted to EGP 840 million. There was annotation in the commercial register on 29/7/2008.

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

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

	2013 **EGP**	**2012** **EGP**
Net loss for the year	(18 519 581)	(73 098 135)
(*) Average number of shares during the year	1 050 000 000	1 050 000 000
Basic earnings per share in year's loss (EGP/share)	**(0.02)**	**(0.07)**

19- Related Parties

19-1 In light of settling the indebtedness due from Sahl Hasheeh Company For Touristic Investment which is classified among the balances of receivables- lands (note-9) as of the two pieces 13 and 19 according to the agreement signed between the two companies' managements as of December 30, 2009 to schedule the payment of indebtedness till year 2014. The interest on rescheduling the indebtedness calculated during the year which is annually due with a percentage of 5% of the unpaid balance from the original indebtedness as of the two pieces 13 and 19 classified among interest revenue from delay in payment of installment land sales amounting $ 365 882 equivalent to EGP 2 489 092. The due balance from the subsidiary company among the receivables balances – lands as of December 31, 2013 an amount of EGP 220 096 309 equivalent to $ 31 675 370 (against EGP 283 232 318 equivalent to $ 44 822 331 as December 31, 2012).

19-2 The value of services rendered for the subsidiary company's favor during the financial year ended December 31, 2013 has reached an amount of EGP 867 549. Moreover, the subsidiary company's share in the resort fees during the year has reached an amount of EGP 1 867 638. The balance due from the subsidiary company among the balances of services clients & management of resort has reached an amount of EGP 399 180 on December 31, 2013.

19-3 Related parties' current account (Sahl Hasheesh)

The credit balance shown in the balance sheet among the current liabilities as at December 31, 2013 is represented in the following:

	2013	**2012**
	EGP	**EGP**
Beginning Balance (Debit)	2 459 141	5 169 750
Add (deduct):		
- The value of purchasing an inspection apartment for the Egyptian Armed Forces' favor	-	(3 046 176)
- Paid for purchasing the furniture of the marine inspection apartment for Sahl Hasheeh For Touristic Investment	-	86 650
- Cash transfers to the subsidiary during the year	-	167 800
- Expenses paid on behalf of the subsidiary company	537 309	106 425
- Expenses paid on behalf of ERC	-	(25 308)
- Technical support , security & guard expenses	203 230	-
- Paid from Sahl Hasheesh Company during the year	(3 607 366)	-
Ending balance (credit) debit	**(407 686)**	**2 459 141**

20- Net sales & sales returns - Lands

20\1 Lands Sales

	2013	2012
	EGP	EGP
Holding Company's operating revenues		
Sales of lands – Phase 1	5 380 357	-
Land sales – Sawary Project	-	4 050 215
Land sales – Jomran Project	-	4 050 339
	5 380 357	**8 100 554**

20\2 Sales Returns

	2013	2012
	EGP	EGP
Sales returns – Lands sales of Sawary project	(12 198 681)	(2 701 495)
	(12 198 681)	**(2 701 495)**

21- Net deferred interest recalled

	2013	2012
	EGP	EGP
Interest revenue recalled from deferred income	1 032 013	1 960 023
	1 032 013	**1 960 023**

22- Revenue from services rendered

	2013	2012
	EGP	EGP
Revenue from water supplied	9 621 434	9 585 591
Revenue from electricity supplied	11 997 481	10 741 803
Revenue from irrigation water supplied	2 238 524	2 020 639
Revenue from communication services	195 140	245 804
Revenue from resort services (*)	10 821 350	10 103 453
	34 873 929	**32 697 290**

(*) Revenue from resort services amounted EGP 10 821 350 shown above is represented in the value of due from the company's clients during the year valuing 2.625 EGP /meter from the lands sold to them against rendering management , maintenance , security and cleaning services and operation of all the networks and facilities by the company. This includes repairing and replacement works for the energy facilities and infrastructure for Sahl Hasheesh center in light of the agreement concluded with Sahl Hasheeh's investors community on October 22, 2012 in which an agreement has been made to render the service for three years valuing 2.5 EGP / meter square with an annual increase of 5% annually starting from 1/1/2013.

23- Cost of sales & sales returns

23\1 Cost of lands sales

	2013	2012
	EGP	EGP
Egyptian Resorts Company		
Cost of lands sales – Phase 1	1 046 890	-
Cost of sales- Sawary project	-	3 090 916
Cost of sales- Jomran project	-	228 940
	1 046 890	**3 319 856**

23\2 Cost of lands sales returns

	2013	2012
	EGP	EGP
Cost of lands sales returns- Sawary project	(7 319 209)	(1 620 897)
	(7 319 209)	**(1 620 897)**

24- Cost of operating services rendered

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

	2013	2012
	EGP	EGP
Electricity cost	15 859 157	13 751 619
Water cost	3 446 343	3 145 508
Water irrigation cost	682 882	626 700
Operating fixed assets depreciation (note-4)	14 699 826	13 494 513
Salaries , wages & their equivalents	7 514 793	6 351 107
Temporary labor contracts	7 272 385	6 229 487
Cleaning expenses	1 763 294	1 791 919
Rentals	1 883 573	1 679 149
Other expenses	3 869 554	3 581 283
	56 991 807	**50 651 285**
Less: Transferred during the year to works in process as of the share of unsold lands	(7 455 582)	(7 269 724)
Total	**49 536 225**	**43 381 561**

These costs were distributed as follows:

	2013	2012
	EGP	EGP
Cost of electricity , water , water irrigation & communication services	33 245 554	29 608 786
Cost of managing the resort service	16 290 671	13 772 775
Total	**49 536 225**	**43 381 561**

25- Other operating revenues

Other operating revenues recognized in the income statement is represented in the following:

	2013 EGP	2012 EGP
Extension of facilities for the clients' lands	145 646	1 878 003
Revision of graphical drawings	144 330	384 246
Lands rental for communication towers	1 217 127	1 112 078
Pier rental	522 000	-
Beach rental	206 700	-
Gain from sale of fixed assets	-	22 500
Miscellaneous	319 865	298 125
Total	**2 555 668**	**3 694 952**

26- General and Administrative Expenses

	2013 EGP	2012 EGP
Salaries, wages, allowances and its related expenses	10 464 096	10 932 649
Attendance allowances of board of directors & executive committees	1 177 300	1 086 000
End of service benefits	1 012 353	-
Consultancy fees	2 583 960	2 128 167
Legal fees expenses	3 458 729	1 707 345
Judicial compensations (*)	4 260 650	-
Differences in tax settlements	-	669 698
Administrative fixed assets depreciation	890 262	1 241 685
Banking fees	34 736	32 163
Rentals	1 481 540	695 411
Stationary, printings & computer expenses	174 833	202 377
Traveling & transportation expenses	488 278	512 408
Others	1 973 080	1 602 417
Total	**27 999 817**	**20 810 320**

(*) The value of judicial compensations mentioned above is represented in the value of paid in accordance with the approval of the company's board of directors on June 17 , 2013 to The Telecom Egypt for reconciliation in the lawsuit raised against the company for damages resulting from its tools & equipment in Sahl Hasheesh region in light of its execution of the contract concluded between the two parties on November 26 , 2006 for designing , execution and fixing the main telecommunications network in Sahl Hasheesh center. It was not complete due to the presence of dispute between the two parties. A first degree court ruling was issued on April 27, 2013 based on what was mentioned in the report of the expert delegated from general prosecution with an estimation of the value of these damages. A reconciliation minute was presented in the session of 18/6/2013.

27- Financing revenues (costs) (net)

Financing income (cost) (net) shown in the income statement is represented in the following:

	2013 EGP	2012 EGP
Burden of financing bank credit facilities (note-16)	(1 949 487)	-
Credit (debit) Currency evaluation differences	30 258 555	16 137 293
Return on investments in treasury bills	1 066 870	11 947 185
Interest revenue from bank deposits	2 203 875	3 651 801
	31 579 813	**31 736 279**

28- Income tax expense

28-1 Income tax expense shown in the income statement is represented in the following:

	2013 EGP	2012 EGP
Current tax	(467 775)	(2 317 208)
	(467 775)	**(2 317 208)**

(*) The value of current tax amounting EGP 467 775 is represented in the value of the tax on base of returns on treasury bills (independent tax base) valuing EGP 2 338 870 during year 2013. The tax was withheld from source and supplied to the tax authority according to law provisions No. 114 for year 2008.
The value of interest revenues withheld during the year amounted EGP 1 066 870 (note-27) after deduction of the withheld accrued revenues during year 2012 with an amount of EGP 1 272 000.

28-2 The value of deferred tax benefit (expense) shown in the income statement is represented in the following:

	2013 EGP	2012 EGP
Deferred tax benefit (expense)	(2 561 735)	(253 731)
	(2 561 735)	**(253 731)**

- The balance of deferred taxes whether asset or liability is represented in the following:

	31/12/2012		Movement of the year		31/12/2013	
	Assets	Liabilities	Asset	Liability	Asset	Liability
	EGP	EGP	EGP	EGP	EGP	EGP
Fixed assets and intangible assets	-	(12 243 188)	-	(1 269 835)	-	(13 513 023)
Provisions	6 453 047	-	4 867 159	-	11 320 206	-
Carried forward losses	7 722 329	-	-	(6 159 059)	1 563 270	-
Total	14 175 376	(12 243 188)	4 867 159	(7 428 894)	12 883 476	(13 513 023)
Balance	**1 932 188**			**(2 561 735)**		**(629 547)**

28-3 Unrecognized deferred tax which results in an asset

Deferred tax which results in an asset are not recognized in the following items:

	31/12/2013
	EGP
- Carried forward losses	4 781 133
-Provisions	25 051 504

- The deferred tax which results in an asset which is related in the items previously mentioned were not recognized because there is no current expectation for the usage of the asset to decrease taxable profits due from the company in future years.

29- Tax Position

29-1 Corporate tax

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

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

Years since activity inception till year 2004

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

Year from 2005 till 2007

- The tax inspection for the years from 2005 till 2007 has been made based on the provisions of Law No. 91/2005, and the company received form (19) taxes for separate tax pools and movable tax. The company has appealed to the inspection results on the legal due dates and has been assigned to an internal committee.
- The internal committee considered the disputes and reached to an agreement in all the points of dispute except for the debit foreign exchange differences. The tax file was submitted to the specialized committee as of the foreign differences item so as not to be a basis for accounting in the subsequent years. The tax differences as per the internal committee results amounted to EGP 139 839 excluding the fines and delay interests. The credit balance for the company has been settled from the authority's side.

Year 2008

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

- Therefore , there is credit balance for the company from the tax authority. Current settlement of the authority's dues from the credit balance is currently made.

Year 2009 and 2010

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

29-2 Salary tax

Years from start of activity till year 2004

- The salary tax for the company was inspected till year 2004 and there has been tax assessment and the tax due and delay penalties amounted to EGP 237 914 after deducting payments. This assessment is based on form No. 9 dated on 1/8/2011.An offset has been made with the company's balance from the authority's side.

Years from 2005 till 2008

- Year 2005 has been inspected resulting with tax differences accrual amounted EGP 31 665
- The company has inspected years from 2006 till 2007. The inspection has resulted in differences amounted EGP 521 221
- Year 2008 has been inspected. Form (38-salaries) has been issued with differences amounted EGP 3.806 million. The form was objected and an internal committee was made in which the company has agreed upon some items according to the committee's result in which the due tax amounted EGP 1.486 million. Meanwhile, it has objected over some other items and the penalties resulting from them amounted EGP 1.862 EGP Points of objection were submitted to the specialized committee to be decided.

Years from 2009 till 2012

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

29-3 Sales tax

- There has been an inspection from the date of activity's inception until year 2007 by the Tax Authority and there has been an assessment and it has been paid.
- Years from 2008 till 2010 have been inspected and the due tax has reached roughly EGP 514 thousand according to form (15) dated April 17, 2012. The form has been appealed which has led to decreasing the differences to EGP 358 thousand roughly. An offset has been made with the credit balance for the company from the authority.

29-4 Stamp tax

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

30- Financial Instruments and Risk Management

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

30-1 Fair Value

Fair value of the financial instruments reflects the reciprocal value of the asset or settlement of a liability between parties has the desire and the capability to trade with a free will, the book value of the financial instruments as at the balance sheet date is almost equivalent to its fair value other than the financial investments unlisted in the stock market recognized at cost since that it is difficult to determine its fair value.

30-2 Foreign Currency Fluctuation Risk

Foreign currency risk represents the risk of fluctuation in exchange rates, which in turn affects the company's cash inflows and outflows in foreign currency as well as the value of its foreign monetary assets and liabilities as of the date of the financial position the company has foreign currency assets & liabilities equivalent to EGP 574 087 741 and EGP 328 943 223 respectively. The Company's net balances in foreign currencies at the balance sheet date are as follows:-

Foreign currencies	Surplus
USD	35 259 085
Euro	15 315

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

30-3 Credit Risk

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

31- Legal Reserve

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

32- Legal Position

1- The company has filed a lawsuit in order to annul a contract concluded with one of the clients in light of the company's point of view that the client has breached the contract terms. With the hearing of April 26, 2012, the lawsuit was submitted to an expert. A session was stipulated for that purpose on July 26, 2012 to present the nature of relationship between the two parties of the lawsuit and the obligations of each one of them towards the other and presenting the extent of breach in executing these obligations and the party responsible for this breach. The company, through its legal consultant, has submitted all the documents which support its position in the lawsuit.The sessions in front of the court were in succession due to the absence of the expert's report. The lawsuit is postponed to the session of March 27, 2014 until the arrival of the expert's report. The date of the first session in front of the expert was not determined. It is expected that postponement of considering the lawsuit will continue until the remittance of the expert's report.

2- There is a lawsuit raised in front of the administrative court against the General Authority For Touristic Investment from one of the lawyers for the annulment of allocation contract of all The Egyptian Resorts Company's lands in Sahl Hasheesh region. The company's management has decided on February 28, 2011 to enter as a party in this lawsuit to take the legal procedures and present the documents supporting the company's situation. The lawsuit is now pending in front of the state attorneys. It is in its primary phases and postponed to present the documents requested by the company from The General Authority for Touristic Development including the photocopies of the similar contracts which prove that selling price of Sahl Hasheesh Land is the same price adapted in all the authority's contracts to session of June 12, 2014 for the same reason. The company's management and its legal consultant see the integrity of the company's legal position in light of the legal defenses presented. It is impossible now to predict the conclusion made by the state attorneys' report in this early stage of the dispute and the ruling ruled by the court.

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

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

5- There is an arbitration lawsuit from a lands' client concerning his contract concluded with The Egyptian Resorts Company concerning the client's desire not to comply with the sole purpose from purchasing the land under contract which is the establishment of an integrated housing project for labor. In the session of June 28, 2012 , the court has issued its ruling for recruitment of the recommended arbitrator among the arbitrators listed in the ministry of justice. According to the corrective court's ruling , the name of the recommended arbitrator has been determined on January 30, 2013 in which the client has appealed over the ruling of his recruitment through the appeal court. A session of August 17, 2013 has been decided for it to inspect it. Postponement has been made several times in a row to a session of January 21, 2014 in which a ruling has been issued for the cancellation of the corrective ruling by naming the recommended arbitrator without naming another arbitrator. The company will appeal over this ruling. Since that, the dispute from the legal aspect is considered to be in its beginning therefore it is impossible to predict what the arbitrary authority will conclude in ruling.

6- There is an arbitration lawsuit from one of the company's clients listed in Cairo Regional Center for International Commercial Arbitrary number 863 for year 2012. It is concerned with obliging The Egyptian Resorts Company for the corporeal execution of golf courts which are overlooked by the client's land according to the contract concluded with the client on December 31, 2005 in which it is scheduled to be established in land piece No. 25 in Sahl Hasheesh. Also, obliging it with a delay penalty valued 10 thousand US Dollars for each day of delay in contract execution. With the session of June 12, 2013, the client has presented a description of his lawsuit. On August 18, 2013, a description of The Egyptian Resort Company's defense has been presented. On September 17, 2013, Pyramisa Company has demanded the arbitrary authority to halt the proceeding with the lawsuit since that it has not been able to pay all the arbitrary expenses until the improvement of its financial position. On September 18, 2013, a resolution has been issued for halting arbitrary procedures until the payment of expenses. The company's management and its legal consultant see that the defense and the legal references submitted support the company's demands in this lawsuit in light of the arbitrary authority's discretion. Since that, the dispute from the legal aspect is considered to be in its beginning, so it is impossible to predict what the arbitrary authority will conclude in ruling.

33- Contractual Obligations

The following is the main contractual obligations concluded with the company's knowledge as of December 31, 2013:

	31/12/2013
	EGP
- The company has made an agreement with Sahl Hasheesh Resort's investors community to render services of managing the resort as shown in details in revenue services rendered note (note No. -22) for three years starting from 1/1/2012 with a total value of EGP 32 287 025 as of this period about the land pieces sold till December 31, 2012 . What is specific to the year about the value of these services has been included with an amount of EGP 20 924 803 in the income statement according to the share of each financial period from these revenues.	11 362 222
- The company has concluded a contract with one of the lands' clients to sell land piece with an area of 48 448 meters on 1/1/2013 with a total amount of \$ 1 897 920 equivalent to an amount of EGP 13 187 697. The company has received checks in advance with the amount due starting from 15/1/2013 till 30/6/2016. They have been deposited in the company's accounts in the banks. Procedures of handing the land under contracting to the client is under current follow up and collection of due payable checks.	13 187 697

34- Comparative Figures

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