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Review Report for the interim financial statements
<u>To the board of directors of Egyptian Resorts Company</u>

Introduction

We have performed a limited review for the accompanying consolidated balance sheet of Egyptian Resorts Company (SAE) as of June 30, 2012 and the related statements of income, cash flows and changes in equity for the six-months then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of these interim financial statements in accordance with Egyptian Accounting Standards. Our responsibility is to express a conclusion on these interim financial statements based on our limited review.

Scope of Limited Review

We conducted our limited review in accordance with Egyptian Standard on Review Engagements 2410, "Limited Review of Interim Financial Statements Performed by the Independent Auditor of the Entity." A limited review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters in the Company, and applying analytical and other limited review procedures. A limited review is substantially less in scope than an audit conducted in accordance with Egyptian Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on these interim financial statements.

Conclusion

Based on our limited review, nothing has come to our attention that causes us to believe that the accompanying interim financial statements do not present fairly, in all material respects, the consolidated financial position of the Company as at June 30, 2012, and of its financial performance and its cash flows for the six-month then ended in accordance with Egyptian Accounting Standards.

Emphasis of matter

Without considering the following as qualifications:

1 As disclosed in detail in note no. 27 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, whom decided to postpone the lawsuit for a hearing on July 5, 2012 and in this hearing, the court decided to postpone the lawsuit to a hearing on October 18, 2012 to complete the documents needed and the lawsuit is now still pending before the state attorneys' authority. Based on the company's legal consultant opinion dated July 24, 2012 it is not possible for the time being to predict the results of the report being prepared by the state attorneys' authority and also the opinion in which the court of law will issue. 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. 27 of the notes to the financial statements, the General Authority of Touristic Development has informed ERC on April 11, 2011 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 approximately L.E 69.217 million on June 30, 2012. And the company raised a lawsuit to cancel this resolution which is issued from TDA of taking the land of phase 3 back and taking into consideration that this resolution is submitted to administrative court on September 21, 2011. and on the hearing dated December 17,2011 the court decided to assign the lawsuit to the state attorneys' authority to prepare a report for a legal opinion, but this report was not yet prepared and the lawsuit has been postponed again to a hearing on September 17, 2012 to submit all the rest of the documents. In addition to the aforementioned, the company is looking forward to approach the ministerial group in order to settle the dispute of investment between the company and TDA. the company's legal consultant's believes that it's too soon to predict the results of those procedures in the dispute. Based on the legal consultant's opinion dated July 24, 2012, it is too soon to predict the results of these procedures in the early stage of dispute.

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

Cairo, August 13, 2012

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Egyptian Resorts Company
(Egyptian Joint Stock Company)

Draft

The Consolidated Balance Sheet of the Company and its Subsidiaries
As at June 30, 2012

	Note No.	30/06/2012 L.E.	31/12/2011 L.E.
Long Term Assets			
Fixed assets (Net)	(3-2,4)	240 921 649	247 488 617
Projects in progress	(3-3,5)	116 048 590	118 256 956
Utilization rights of trade marks	(6)	4 941 626	5 274 926
Accounts & notes receivable - long term (Net)	(3-7,8)	50 148 173	68 162 103
Deferred tax assets (Net)	(3-18,25-2)	1 501 789	1 361 421
Total Long Term Assets		**413 561 827**	**440 544 023**
Current Assets			
Work in process	(3-5,7)	492 070 915	483 357 384
Inventory	(3-4)	1 801 320	1 262 130
Accounts & notes receivable - short term (Net)	(3-7,8)	354 795 216	316 050 143
Sundry debtors and other debit balances	(9)	14 127 780	13 041 854
Treasury bills	(11)	92 861 386	99 435 968
Cash on hand & at banks	(10)	85 736 658	100 551 691
Total Current Assets		**1041 393 275**	**1013 699 170**
Current Liabilities			
Provision for claims	(3-11,12)	13 113 342	13 256 042
Receivables - advance payments	(13)	38 128 317	38 316 052
Sundry creditors and other credit balances	(3-12,14)	104 273 686	86 181 637
Due to Authority of Touristic Development (due within one year)	(15-1)	12 838 256	14 346 576
Estimated cost for development of sold land	(3-6)	104 183 154	107 931 611
Total Current Liabilities		**272 536 755**	**260 031 918**
Working capital		768 856 520	753 667 252
Total Investments		**1182 418 347**	**1194 211 275**
Financed as follows:			
Shareholders' Equity			
Issued and fully paid in capital	(16)	1050 000 000	1050 000 000
Legal reserve	(26)	130 892 541	130 892 541
Retained earnings		(269 088 844)	(268 655 461)
Net profit for the period / year		(9 483 807)	(433 383)
Total Shareholders' Equity		**902 319 890**	**911 803 697**
Minorities' interest	(22)	**62 937 983**	**65 971 156**
Total Owners' Equity		**965 257 873**	**977 774 853**
Long-term Liabilities			
Purchase of land creditors	(7-3)	217 043 061	216 037 567
Due to Authority of Touristic Development- Long term	(15-2)	117 413	398 855
Total Long-term Liabilities		**217 160 474**	**216 436 422**
Total Owners' equity & Long-term Liabilities		**1182 418 347**	**1194 211 275**

- The accompanying notes from (1) to (28) 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. Samir Makary

- Review report attached.

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Egyptian Resorts Company
(Egyptian Joint Stock Company)

Draft

The Consolidated Income Statement of the Company and its Subsidiaries
For the Financial period from January 1, 2012 till June 30, 2012

	Note No.	From 1/01/2012 to 30/06/2012 L.E.	From 1/04/2012 to 30/06/2012 L.E.	From 1/01/2011 to 30/06/2011 L.E.	From 1/04/2011 to 30/06/2011 L.E.
Net sales	(3-14,18/1)	3 333 521	666 180	7 679 035	4 473 300
Revenues from services rendered	(3-14,18/3)	10 051 586	6 061 194	6 587 266	3 893 293
Total revenues		**13 385 107**	**6 727 374**	**14 266 301**	**8 366 593**
Less:					
Cost of sales	(3-15,19)	(2 538 537)	(298 863)	(3 934 213)	(2 192 448)
Operating cost of services rendered	(3-15)	(12 815 659)	(9 153 971)	(6 582 872)	(3 976 986)
Depreciation of operating fixed assets	(3-2,4)	(8 463 423)	(4 248 845)	(5 920 678)	(2 960 338)
Gross (loss) profit		**(10 432 512)**	**(6 974 305)**	**(2 171 462)**	**(763 179)**
Other operating revenues		2 492 185	2 074 830	1 757 201	1 359 224
		(7 940 327)	**(4 899 475)**	**(414 261)**	**596 045**
Add/(Less):					
Interest recalled from deferred income	(3-14,18/2)	1 683 188	729 808	3 531 891	1 837 026
Selling & marketing expenses	(3-15)	(1 854 792)	(1 047 644)	(4 488 723)	(2 913 750)
General and administrative expenses	(3-15,20)	(10 716 093)	(5 087 881)	(12 504 778)	(6 137 118)
Depreciation of administrative fixed assets	(3-2,4)	(1 505 775)	(755 574)	(1 409 349)	(700 376)
Banks charges		(18 928)	(9 017)	(31 443)	(13 715)
Impairment in receivables		(3 569 660)	(2 133 512)	(4 611 999)	(4 611 999)
Provisions for claims	(12)	(1 165 897)	(258 103)	-	-
Provisions no longer required	(12)	-	-	2 875 524	2 875 524
Loss resulted from operating activity		(25 088 284)	(13 461 398)	(17 053 138)	(9 068 363)
Add/(Less):					
Capital gain		22 500	22 500	-	-
Interest income	(21)	13 270 023	6 757 134	10 863 300	5 413 501
Foreign exchange differences		594 857	375 841	3 889 741	190 488
Financial costs (net)		**13 887 380**	**7 155 475**	**14 753 041**	**5 603 989**
Net profit before income tax		**(11 200 904)**	**(6 305 923)**	**(2 300 097)**	**(3 464 374)**
Provision for income tax	(3-18 , 25-1)	(1 456 445)	(793 638)	-	-
Deferred tax that results in a (liability)	(3-18)	140 369	89 952	(1 162 249)	(1 259 373)
Net (loss) profit after income tax		**(12 516 980)**	**(7 009 609)**	**(3 462 346)**	**(4 723 747)**
Holding company's shareholders' share in the year's (losses)		(9 483 807)	(5 959 741)	905 518	(3 287 134)
Minorities share in (losses) of subsidiary company for the year	(22)	(3 033 173)	(1 049 868)	(4 367 864)	(1 436 613)
		(12 516 980)	**(7 009 609)**	**(3 462 346)**	**(4 723 747)**
Earning per Share (L.E./share)	(3-21,17)	**(0.009)**	**(0.0057)**	**0.001**	**0.0030**

- The accompanying notes from (1) to (28) form an integral part of these financial statements and to be read therewith.

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Egyptian Resorts Company
(Egyptian Joint Stock Company)

Draft

The Consolidated Cash Flows Statement for the Company and its Subsidiary
For the Financial period from January 1, 2012 till June 30, 2012

	Note No.	From 1/1/2012 to 30/06/2012 L.E.	From 1/1/2011 to 30/06/2011 L.E.
Cash Flows from Operating Activities			
Net (loss) before income tax		(11 200 904)	(2 300 097)
Adjustments to Reconcile Net Profit with Net Cash Flows from Operating activities			
Fixed assets' depreciation	**(4)**	9 969 198	7 330 026
Amortization for utilization rights of trade marks		333 300	333 300
Impairment in receivables		3 569 660	4 611 999
Provisions for claims formed		1 165 897	-
Provisions no longer required		-	(2 875 524)
Treasury bills' income		(7 345 230)	-
Capital gain		(22 500)	-
		(3 530 579)	**7 099 704**
Change in working capital			
(Increase) in acounts and notes receivable		(23 681 374)	(30 394 457)
(Increase) decrease in inventory		(539 190)	(67 445)
(Increase) in debtors and other debit balances		2 411 188	(7 839 900)
(Increase) in work in process		(8 153 913)	(23 878 846)
(Decrease) increase in receivables advance payments		(347 335)	(1 729 591)
Increase (decrease) in creditors and other credit balances		18 092 049	33 828 886
Changes in estimated cost for development of sold land		(3 748 457)	(2 523 447)
(Decrease) in dues to Authority of Touristic Development		(1 858 774)	(9 700 084)
Used form provision for claims	**(12)**	(2 765 042)	(2 152 044)
Net cash flow (used in) operating activities		**(24 121 427)**	**(37 357 224)**
Cash Flows from Investing Activities			
Payments for purchase of fixed assets and projects in progress	**(4,5)**	(1 963 533)	(11 472 718)
Proceeds for purchase of Treasury bills		232 540	11 470
Proceeds (payments) of income of Treasury bills		11 353 311	(1 771 280)
Net cash available from (used in) investing activities		**9 622 318**	**(13 232 528)**
Net cash & cash equivalent used during the period		**(14 499 109)**	**(50 589 752)**
Foreign currency exchange differences		(315 924)	(1 976 820)
Cash & cash equivalent as at January 1, 2012		100 551 691	156 956 439
Cash & cash equivalent as at June 30, 2012	**(10)**	**85 736 658**	**104 389 867**

- The accompanying notes from (1) to (28) form an integral part of these financial statements and to be read therewith.

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Egyptian Resorts Company
(Egyptian Joint Stock Company)

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Consolidated Statement of Changes in Shareholders' Equity for the company & its subsidiaries
For the Financial period from January 1, 2012 till June 30, 2012

	Issued & Paid in Capital L.E.	Legal Reserve L.E.	Carried Forward (Losses) L.E.	Net (Loss) Profit of the year L.E.	Minorities' interest L.E.	Total L.E.
Balance as at December 31, 2010	**1050 000 000**	**130 360 967**	**(264 528 700)**	**(3 595 187)**	**72 975 518**	**985 212 598**
Transferred to carried forward losses	-	-	(3 595 187)	3 595 187	-	-
Transferred to legal reserve	-	531 574	(531 574)	-	-	-
Net losses for the year	-	-	-	(433 383)	(7 004 362)	(7 437 745)
Balance as at December 31, 2011	**1050 000 000**	**130 892 541**	**(268 655 461)**	**(433 383)**	**65 971 156**	**977 774 853**
Transferred to carried forward losses	-	-	(433 383)	433 383	-	-
Net losses for the period	-	-	-	(9 483 807)	(3 033 173)	(12 516 980)
Balance as at June 30, 2012	**1050 000 000**	**130 892 541**	**(269 088 844)**	**(9 483 807)**	**62 937 983**	**965 257 873**

- The accompanying notes from (1) to (28) form an integral part of these financial statements and to be read therewith.

Egyptian Resorts Company
(Egyptian Joint Stock Company)

Notes to the Consolidated Financial Statements
For the financial period from January 1, 2012 till June 30, 2012

1- General Background

(A) General

- Egyptian Resorts Company - Egyptian joint stock Company – established under the provisions of Law No. 159 of 1981 and its executive regulations and also subject to the provisions of Law No. 95 of 1992 and its executive regulations. The company was registered in the commercial register under No. 6514 on 24/4/1996.
- The Company's duration is 50 years starting from the date of registration in the commercial registry
- The financial year for the company starts from January 1st and ends at December 31st each year.
- The company's head office location is at Sahl Hashish – Hurghada – Red Sea, and the location of the company's branch at Cairo Governorate is at 4 A Aziz Abaza Street – Zamalek – Cairo.
- The Chairman of the board of directors is Mr. Samir Makary – and the Managing director is Mr. Mohamed Ibrahim Kamel Abu Eloyoon (and the board of directors approved these financial statements on 13/8/2012).

(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 69.38 % of Sahl Hasheesh Company for Touristic Investment.

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

2- Basis of preparation of the Separate 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 functional currency.

D- Use of estimates and judgments

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

2-2 Principles for consolidation of company's and its subsidiaries financial statements

The attached consolidated financial statements include assets, liabilities and the results of Egyptian Resorts Company and its subsidiaries which is called a "group" in which the holding company controls. The basis for preparation consolidated financial statements is as follows:

- All balances and transactions between the companies of the group were eliminated.
- Minority interest from Owners' equity and companies' results which the holding company controls so it was classified in a separate item in the consolidated financial statements. The percentage of the minority interest in assets and liabilities of the subsidiary companies were computed when acquired.
- Cost of acquisition was classified according to the fair value of owned assets and liabilities as at acquisition date which is equivalent in value to the book value and in the limit of the percentage the holding company obtained on that date.

3- Significant Accounting Policies Applied

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

3-1 Foreign currencies translation

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

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

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 3-10).

3-4 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.

3-5 Work in process

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

3-6 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 (3-5) in order to reach the cost for development and supplying facilities' works for the remaining sold land for each phase. And the estimated cost shall be studied all over again based on the technical study of the total estimated cost for each phase prepared annually by the technical department and this study shall be approved by the project consultant. The differences results from the re-estimation shall be charged to the income statement.

3-7 Receivables, debtors and other debit balances

Receivables, debtors and other debit balances are stated at nominal value less any amounts expected to be uncollected which is estimated when its probable not to collect all the amount and the balances of receivables and debtors are reduced by the amount of bad debts when identified. These balances are recorded at cost less impairment losses (Note No. 3-10), 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 and cash equivalent

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

3-10 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 related to financial asset which has been measured at amortized cost is calculated based on the difference between the book value and the present value of estimated future cash flows discounted at the current interest price.

- Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

- All impairment losses are recognized in the income statement.

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

B- Non-financial assets

- The carrying amounts of the non-financial assets, other than inventory and deferred tax assets are reviewed at the balance sheet date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

- An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognized in the income statement.

- The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

- An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent of the assets' carrying amount. Which has been determined after discounting depreciation or amortization if no impairment loss had been recognized. that the asset's carrying amount does not exceed the recoverable amount.

3-11 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 and handing over to customers, under which the payment of the corresponding installments will be recognized at the cash sales price (without interest) as income on the date of sale. The cash sales price is determined by deducting the due installments by using appropriate discount rate to show the difference between the total sale price and the cash price deducted from the customers' balances are recognized as income over its accrual period.

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

Interest income 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.

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.

3-22 Transaction with related parties

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

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4- Fixed Assets

The balance of fixed assets (net) shown in the consolidated balance sheet as at June 30, 2012 is represented as follows:-

Description	Cost as at 1/1/2012 L.E.	Transfers from other assets L.E.	Additions of the year L.E.	Disposals of the period L.E.	Cost as at 30/06/2012 L.E.	Accumulated Depreciation as at 1/1/2012 L.E.	Depreciation of the year L.E.	Accumlated depreciation of disposals L.E.	Accumulated Depreciation as at 30/06/2012 L.E.	Net book value as at 30/06/2012 L.E.	Net book value as at 31/12/2011 L.E.
Land	12 556 014	-	-	-	12 556 014	-	-	-	-	12 556 014	12 556 014
Buildings	101 873 140	(499 681)	220 902	(82 830)	101 511 531	2 760 740	1 374 622	(82 830)	4 052 532	97 458 999	99 002 840
Machinery & equipments	2 171 399	-	84 050	-	2 255 449	1 118 118	73 965	-	1 192 083	1 063 366	1 053 281
Furniture & fixtures	4 670 032	(59 937)	1 991 773	-	6 601 868	1 089 554	208 357	-	1 297 911	5 303 957	3 580 478
Transportation vehicles	992 387	-	-	-	992 387	578 481	61 961	-	640 442	351 945	413 906
Networks & facilities	79 871 097	-	-	-	79 871 097	16 511 447	3 993 555	-	20 505 002	59 366 095	63 559 838
Sewage Treatment Plant	21 775 252	-	-	-	21 775 252	3 726 663	481 762	-	4 208 425	17 566 827	17 848 401
Water tanks	8 950 096	-	-	-	8 950 096	831 122	149 153	-	980 275	7 969 821	8 118 974
Water desalination plant	29 060 055	-	-	-	29 060 055	7 979 861	1 367 460	-	9 347 321	19 712 734	21 080 194
Electrical instruments & Computers	8 324 702	-	430 483	(232 540)	8 522 645	4 539 972	703 989	(22 500)	5 221 461	3 301 184	3 784 730
Air-conditioning	9 436 265	-	-	-	9 436 265	-	943 626	-	943 626	8 492 639	9 759 995
Elevators	2 949 205	-	-	-	2 949 205	-	147 460	-	147 460	2 801 745	2 955 000
Electrical circuits & convertors	2 963 858	-	213 168	-	3 177 026	-	317 702	-	317 702	2 859 324	2 635 911
Kitchens & operating supplies	1 031 073	-	119 978	-	1 151 051	-	53 121	-	53 121	1 097 930	1 139 055
Internet networks	-	-	1 111 534	-	1 111 534	-	92 465	-	92 465	1 019 069	-
Total	**286 624 575**	**(559 618)**	**4 171 888**	**(315 370)**	**289 921 475**	**39 135 958**	**9 969 198**	**(105 330)**	**48 999 826**	**240 921 649**	**247 488 617**

* Fixed assets included assets which are fully depreciated, its cost amounted to L.E 2 572 438 as at June 30, 2012 as follows:

	L.E
Transportation vehicles	377 437
Machinery & equipments	734 061
Furniture	1 016
Buildings (Caravans)	82 830
Computers	1 377 094
	2 572 438

Depreciations were classified as follows:

Depreciation of operating fixed assets	8 463 423
Depreciation of administrative fixed assets	1 505 775
	9 969 198

5- Projects in progress

Projects in progress shown in the consolidated balance sheet as at June 30, 2012 are represented in the following:

	30/6/2012	31/12/2011
	L.E	L.E
Sahl Hasheesh Company		
Lands	104 117 692	104 117 692
Supplies of furniture for apartments	-	1 038 202
Internet networks works	-	283 104
Advance payments to suppliers	38 047	1 316 924
Egyptian Resorts Company		
Electricity network	8 294 916	8 067 069
Extending networks	1 361 659	660 837
Advance payments to suppliers & contractors	2 236 276	2 773 128
	116 048 590	**118 256 956**

6- Utilization rights of Trademarks

The utilization rights of trademarks are represented in amounts due to Orascom Co. for Development and Management (FZC) in which its premises is at Ras Al Kamiah, United Arab Emirates. These dues are against the utilization of its trade name in promotion and publicity by Egyptian Resorts Company for a period of 9 years starting from November 2010. These dues amounted to L.E 6 million to be paid on three annual installments starts on the date of concluding the contract. And this would be in favor of the company's planned project which should be executed at phase two at the land allocated to the company at Sahl Hasheesh. These amounts shall be amortized in the income statement included in sales and marketing expenses. represented as at June 30, 2012 as follows:-

	30/06/2012
	L.E
Balance as at 1/1/2012	5 274 926
Less: Amortized during the period in the selling and distribution expenses	(333 300)
Balance as at 30/06/2012	4 941 626

7- Work in Progress

The actual cost for the work in progress account shown in the separate balance sheet as at June 30, 2012 is represented as follows:-

		Balance as at 30/06/2012	Balance as at 31/12/2011
		L.E.	L.E.
7-1	Cost of the project's lands haven't been sold yet of Phase 1	28 825 767	28 218 623
7-2	Cost of the project's lands haven't been sold yet of Phase 2	157 003 200	150 896 529
7-3	Cost of project's lands 28 312 296 million m² – Phase 3	300 668 330	299 215 588
7-4	Cost of Sawry Project	5 573 618	5 026 644
		492 070 915	483 357 384

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

(**) Work in process include 50 % from salary of chief executive officer for the period for his technical supervision on the works done in the company's site at Sahl Hasheesh at Hurghada.

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. And this contract has been concluded on October 24, 1995 and the amounts due to the authority for this phase has been paid in full. As per the contract the authority is entitled for 7.5% of the sales price as a commission with a minimum amount of L.E 11.25 per meter and to be increased by a 10% annually.
  According to the prime minister's decree No. 1026 of 2005 published in the official gazette issue No.28 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.

- Based on the geographical survey for phase 1 made on 2008, which was prepared by the company's experts, the total area of that phase is 5 604 817 meter square in which the sold area is 4 862 347 meter square. These differences were included in purchase of land creditors as at June 30, 2012.

  The total cost estimated for development as at June 30, 2012 of the first phase of the project based on the revised study prepared by the company's experts amounted to L.E 251 742 815 in which the estimated cost per meter amounted to LE 51.773 approximately.

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 3٠, 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).

- Based on the geographical survey for the second phase made on 2008 which is mentioned in (8-1), the total area of that phase is 7 032 867 meter square and the area to be sold from this phase is 6 542 922 meter square. the amounts against the differences of areas were included in the balance of purchase of land creditors as at June 30, 2012.

- The estimated cost as at June 30, 2012 for the project's second phase according to the study prepared by the company's experts amounted to L.E 392 607 701 with estimated cost L.E 60. 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 and increase by 10% yearly according to the contracts, applying the prime minister's decree No. 1026 of 2005 mentioned above in note (8-1) over the project's second phase.

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

And as per the geographical survey prepared by the expertise whom the company used during year 2008 in order to measure the total area of lands, the total area of the third phase is 28 312 296 m2.

And as per the geographical survey prepared by the company aforementioned, the cost of land purchased from the Authority of Touristic Development (including the contractual and allocation expenses) amounted to USD 42 411 819 which is equivalent to L.E 231 450 740. This cost is included in Work In Progress – Phase 3 and the total payments was USD 7 567 359 as at June 30, 2012 and the remaining amount due to the Authority based on the aforementioned is L.E 210 644 394 equivalent to USD 34 851 819 and included in purchase of land creditors, knowing that there are no allocation contracts for phase 3 have been concluded.

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

And the company raised a lawsuit to cancel this resolution which is issued from TDA of taking the land of phase 3 back and taking into consideration that this resolution is submitted to administrative court. And this lawsuit has been postponed to a hearing on September 17, 2012 based on what was mentioned in detail in the company's legal position Note no. (28-3)

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

Based on the project undertaken by the company which will be a luxurious compound to be established on an area of 2.583 million meter square 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 based on the following conditions:

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

First: sales commission

- Subject to the terms of contract (from 6 / 12 until 6 / 14), the developer shall receive 6% from all realized sales due based on the contracts concluded and after payment of a part from the advance payment from the total sales amount, and the remaining amount shall be obtained via cheques or any trusted way of payment.
- If the Owner shall acquire the remaining units or shall give it to one of its shareholders or its subsidiaries or its associates, this shall be excluded from the commission of 6% on the condition that these units shall not exceed 50 units.
- If it is necessary to use experts other than the developer's experts, the two parties agreed that the commission shall be charged s follows:
- up to 2% shall be charged to the developer. Above 2% to 4% it would be charged as follows: 2% to the developer and the other 2% shall be charged to the owner. Above 4% it would be charged as follows: 2% shall be charged to the owner and the remaining shall be charged to the developer on condition that the commission rate to be charged to the Owner shall not exceed 8% from all sales including the developer's commission. And the total commissions due to the developer for total contracts concluded during the financial period ended March 31, 2012 amounted to L.E 789 443 and the unpaid part of these commissions included in the accrued expenses (note 15) amounted to L.E 2 229 795.

Second: Incentive management fees:

- In addition to the sales commission set forth above the developer shall receive an incentive fees to develop and manage the project amounted to 15% from the net profit of the project before tax and to be calculated in accordance with the basis agreed upon in the contract and after deducting from the revenues an estimated cost for the square meter with an amount of USD 24 per meter. The rate shall be calculated based on L.E 10 million for the first year in case of increasing the project's profits before tax, and the net profit before tax in which is the base for computing the incentive shall be increased by a compound 3% annually.

8- Accounts & Notes Receivable (Net)

The balance of accounts & notes receivable shown in the Consolidated balance sheet as at June 30, 2012 is represented as follows:

	30/06/2012	31/12/2011
	L.E.	L.E.
Land receivables (*)	347 387 449	341 849 017
Accounts and notes receivable of Sawary project (**)	56 652 662	47 511 678
Services' receivables	16 734 647	9 256 669
Receivables – shop's rent	15 590	-
	420 790 348	**398 617 364**
Less: Deferred interest	(1 457 277)	(3 140 465)
Less: Impairment in receivables	(14 389 682)	(11 264 653)
	404 943 389	**384 212 246**

And for presentation purposes, the accounts & notes receivable as at June 30, 2012 are classified as follows:

	30/06/2012	31/12/2011
	L.E.	L.E.
Accounts & notes receivable – long term assets	50 148 173	68 162 103
Accounts & notes receivable – current assets(***)	354 795 216	316 050 143
	404 943 389	384 212 246

(*) Land receivables include balances which are against notes receivable amounted to L.E 21 412 280 deposited at banks and on hand in the company as at June 30, 2012, and shall be deducted from the balance when collected.

(**) Accounts and notes receivables for Sawary project includes an amount of L.E 53 181 673 represented in notes receivable collected from clients concluded contracts to purchase units in the project as of June 30, 2012.

9- Sundry Debtors & Other Debit Balances

The balance of sundry debtors & other debit balances shown in the Consolidated balance sheet as at June 30, 2012 are represented as follows:

	30/06/2012	31/12/2011
	L.E.	**L.E.**
Letters of guarantee covers	50 000	50 000
Cash imprests and loans	77 259	10 656
Prepaid expenses	643 372	793 839
Deposits with others	328 236	275 330
Accrued interest	3 198 299	1 004 482
Sundry debtors	1 555 670	868 562
Withholding Tax – independent tax pools (treasury bills)	955 745	2 765 042
Withholding Tax – Debit	308 213	262 957
Income Tax Authority– debit balances (*)	7 078 664	7 078 664
	14 195 458	13 109 532
	(67 678)	(67 678)
	14 127 780	**13 041 854**

(*) Income Tax Authority balance (debit) amounted to L.E 7 078 664 is represented in the differences due to the company resulted from tax inspection for the years from 2005 to 2007 based on the amended tax returns for those years and approved by the tax authority and its forms of tax inspection. This indebtedness shall be settled when a further tax claims arise in any upcoming financial years.

10- Cash on Hand and at Banks

This item shown in the Consolidated balance sheet as at June 30, 2012 is represented in the following:-

	30/06/2012	31/12/2011
	L.E	**L.E**
Cash on hand	292 123	157 448
Banks – current accounts-L.E	23 134 674	28 402 027
Banks – current accounts-US$	8 909 547	12 243 125
Banks – current accounts-EURO	25 666	88 511
Banks-time deposit-L.E	2 000 648	5 516 580
Banks-time deposit-US$	51 374 000	54 144 000
	85 736 658	**100 551 691**

11- Treasury bills

Treasury Bills shown in the separate balance sheet amounted to L.E 92 861 386 represented in treasury bills purchased from Arab African International and Misr Iran bank due within three months from the date of the balance sheet with a nominal value of L.E 98.275 million.

12- Provision for Claims

	Balance 1/1/2012	Formed during the year	Provision no longer required	Used during the year	Balance as at 30/06/2012
	L.E	L.E	LE	LE	LE
Provision For claims – receivables	8 741 000	482 541	-	-	9 223 541
Provision For claims – others	1 750 000	683 356	-	-	2 433 356
Provision for income tax	2 765 042	1 456 445	-	(2 765 042)	1 456 445
Total	**13 256 042**	**2 622 342**	**-**	**(2 765 042)**	**13 113 342**

13- Receivables Advance Payments

Receivables advance payments shown in the consolidated balance sheet as at June 30, 2012 are represented as follows:

		L.E
A-	The company received amounts from some of the clients as a reservation paid under the account of purchasing project’s lands and Sawary project in Sahl Hasheesh and its balance as at June 30, 2012 amounted to L.E 37 508 132. The company terminated a contract with one of the clients and paid him back the contracting advance payment amounting to USD 5 700 000 equivalent to L.E 34 450 800 considering his delay in fulfilling his contractual obligations till this date and this issue has been assigned to an expert and the company submitted all the legal supporting documents which supports its position in the lawsuit.	37 508 132
B-	Advance payments from receivables – rentals of Sahl Hasheesh company (subsidiary company)	620 185
		38 128 317

14- Sundry Creditors & Other Credit Balances

The balance shown in the consolidated balance sheet as at June 30, 2012 is represented in the following:

	30/06/2012	**31/12/2011**
	L.E	**L.E**
Sundry creditors	10 160 747	10 160 747
Contractors’ retention	1 671 339	2 488 231
Suppliers and contractors	7 159 090	9 202 409
Contractors-social insurance	2 068 686	1 816 574
Social insurance authority	-	127 715
Accrued expenses	2 602 627	3 361 307
Due to sovereign authorities	11 135 788	9 744 287
Maintenance deposits	4 593 592	3 809 636
Deposits from others (shops)	1 929 533	1 204 422
Dividends payable	393 499	393 499
Unearned revenue	1 488 889	-
Deferred revenues(*)	61 069 896	43 872 810
	104 273 686	**86 181 637**

(*) Deferred revenue includes an amount of L.E 55 918 174 which represent the building and finishing works paid in advance by the customers of sawary project, which will be recognized when implementing building structures and finishing works for the units based on contracts concluded with clients. And also the Villas’ maintenance deposits mentioned above include an amount of L.E 3 496 447 which represents the customers' contribution in community maintenance which were collected from sawary project's clients.

15- Due to the General Authority for Touristic Development

This item shown in the Consolidated balance sheet as at June 30, 2012 is represented as follows:

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

	30/06/2012	31/12/2011
	L.E.	L.E.
Dues to the authority for the sale of the project's land	12 838 256	14 346 576
	12 838 256	**14 346 576**

15-2 Dues to the authority – Long Term

The classifications of the short and long term dues to the authority is according to the customers' payments of the installments of the lands sold, thus the amounts due to the authority (long term) shown in the consolidated balance sheet as at June 30, 2012 are as follows:

	30/06/2012	31/12/2011
	L.E.	L.E.
Due to General Authority for Touristic Development – Long Term	117 413	398 855

16- Capital

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

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

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

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

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

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

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

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

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

As per the decision of General Assembly Meeting held on 24/4/2008 there was a verification on the distribution project by an amount of L.E 210 million from the

realized profits on the financial statements for the financial year ended December 31, 2007 as a bonus shares for shareholders and the board of directors was delegated to take the necessary procedures for capital increase in the limit of the authorized capital amounted to L.E 2 billion though the issued capital will be L.E 1 050 000 000. Articles 6 and 7 of the company's articles of associations were amended by distributing one bonus share for each four outstanding share of issued capital which is amounted to L.E 840 million. There was annotation in the commercial register on 29/7/2008.

- **Treasury bills**

As per the board of directors meeting decision issued on 29/9/2008, the company decided to purchase 25 million shares as a treasury shares. This purchase was done during October 2008 by an amount of L.E 51 640 333.

As per the approval of the Extraordinary General Assembly meeting held on October 4, 2009, the Board of Directors was empowered to dispose the purchased treasury shares amounted to 25 million shares considering that the legally allowed period for keeping those shares has ended, though these shares have been re-offered for sale in the open market by one of the Securities' Brokerage companies after notifying the Chairman of the Investment Authority on October 5, 2009. The net sale of such shares during the period from October 8, 2009 until October 12, 2009 amounted to L.E. 57 681 385 with an average sale price of L.E 2.31 / share, The gains from sale of treasury shares amounted to L.E 6 041 052 and has been included in Equity in the balance sheet.

17- Earning per share

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

	From 1/1/2012 to 30/06/2012 L.E.	From 1/1/2011 to 30/06/2011 L.E.
Net profit for the year	(9 483 807)	905 518
(*)Average number of shares during the year	1 050 000 000	1 050 000 000
Earning per share (L.E/share)	**(0.009)**	**0.0008**

18- Sales

18-1 Net sales

	From 1/1/2012 to 30/06/2012 L.E.	From 1/4/2011 to 30/06/2011 L.E.	From 1/1/2011 to 30/06/2011 L.E.	From 1/4/2011 to 30/06/2011 L.E.
Land sales Sawary project	3 129 583	498 105	7 274 435	4 068 700
Lease and maintenance of shops – subsidiary company	203 938	168 075	-	-
Amounts against establishing infrastructure for lands	-	-	404 600	404 600
Total revenue of land and villa sales	**3 333 521**	**666 180**	**7 679 035**	**4 473 300**

18-2 Interest recalled from deferred income

	From 1/1/2012 to 30/06/2012 L.E.	From 1/4/2011 to 30/06/2011 L.E.	From 1/1/2011 to 30/06/2011 L.E.	From 1/4/2011 to 30/06/2011 L.E.
Interest recalled from deferred income	1 683 188	729 808	3 531 891	1 837 026
Total	**1683 188**	**729 808**	**3 531 891**	**1 837 026**

18-3 Revenue from services rendered

	From 1/1/2012 to 30/06/2012 L.E.	From 1/4/2011 to 30/06/2011 L.E.	From 1/1/2011 to 30/06/2011 L.E.	From 1/4/2011 to 30/06/2011 L.E.
Revenue from water and electricity supplied	9 026 375	5 480 598	5 827 665	3 508 321
Revenue from irrigation water supplied	927 788	533 500	545 260	292 325
Revenue from communication services supplied	97 423	47 096	214 341	92 647
Total	**10 051 586**	**6 061 194**	**6 587 266**	**3 893 293**

19- Cost of sales

	From 1/1/2012 to 30/06/2012 L.E.	From 1/4/2011 to 30/06/2011 L.E.	From 1/1/2011 to 30/06/2011 L.E.	From 1/4/2011 to 30/06/2011 L.E.
Cost of sales land sawary project (*)	2 538 537	298 863	3 934 213	2 192 448
Total	**2 538 537**	**298 863**	**3 934 213**	**2 192 448**

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

20- Administrative and general expenses

	From 1/1/2012 to 30/06/2012 L.E.	From 1/4/2011 to 30/06/2011 L.E.	From 1/1/2011 to 30/06/2011 L.E.	From 1/4/2011 to 30/06/2011 L.E.
Salaries, wages, allowances and its related (*)	6 908 527	3 475 208	7 346 240	3 897 308
Consultancy & audit fees	1 975 001	748 878	2 537 280	923 676
Recruitment fees	18 750	18 750	21 873	11 028
Rentals	361 418	181 959	648 608	324 257
Stationary, printings & computer expenses	127 277	51 878	206 978	75 255
Subscriptions	39 682	10 585	147 021	96 569
Traveling & transportation expenses	466 942	249 450	463 445	276 625
Publishing and advertising fees	113 043	92 000	212 523	178 023
Others	705 453	259 173	920 809	354 377
Total	**10 716 093**	**5 078 881**	**12 504 778**	**6 137 118**

(*) Salaries, wages, allowances and its related include 50 % from salary of chief executive officer for the period and the other 50% was charged to work in process considering that it is a direct cost on the projects.

21- Interest income

Interest income shown in the separate income statement as at June 30, 2012 is represented in the following:

	From 1/1/2012 to 30/06/2012 L.E.	From 1/4/2011 to 30/06/2011 L.E.	From 1/1/2011 to 30/06/2011 L.E.	From 1/4/2011 to 30/06/2011 L.E.
Interest income from bank deposits	8 575 661	4 261 673	7 838 307	3 792 407
Interest resulted from delay in payment of installments	4 694 362	2 495 461	3 024 993	1 621 094
Total	**13 270 023**	**6 757 134**	**10 863 300**	**5 413 501**

22- Minority Interest

The balance shown in the consolidated balance sheet as at June 30, 2012 is represented in their share in owners' equity in the subsidiary company by the percentage of 30.62% as follows:

	L.E
Balance as at 1/1/2012	65 971 156
Add:	
Minority's share in the losses for the financial year ended March 31, 2012 for the subsidiary	(3 033 173)
Balance as at March 31, 2012	**62 937 983**

23- Tax Position

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

The tax position of the company as at 30/06/2012 is represented in the following:

23-1 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 2010 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.

Years 2005, 2006 and 2007

- The tax inspection for the years from 2005 till 2007 has been made based on the provisions of Law no. 91/2005, and the company received form (19) taxes for separate tax pools and movable tax. The company has appealed to the inspection results on the legal due dates and has been assigned to an internal committee.
- The internal committee considered the disputes and reached to an agreement in all the points of dispute except for the debit foreign exchange differences. The tax differences as per the internal committee results amounted to L.E 139 839 excluding the fines and delay interests which amounted to approximately L.E 88 000.

Year 2008

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

Year 2009, 2010 and 2011

- The company submitted the tax returns in its legal dates based on the provisions of law no. 91/2005.
- The tax return for the financial year ended December 31, 2011 is currently being prepared.

23-2 Salary tax

- The salary tax for the company was inspected till year 2004 and there has been tax assessment and the tax due and delay penalties amounted to L.E 237 419 after deducting payments. This assessment is based on form No.9 dated 1/8/2011.
- For the years from 2005 till 2008 is currently being inspected.

Years from 2009 till 2011

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

23-3 Sales tax

- There has been an inspection from the date of activity's inception till year 2007 by the Tax Authority and there has been an assessment and it has been paid.
- The company's books have been inspected for the years from 2008 till 2010 and the tax due amounted to L.E 514 000 based on form (15) and the company obligated to this form which led to reducing the amount to approximately L.E 316 000.

23-4 Stamp tax

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

Second: Tax position for the subsidiary company (Sahl Hasheesh for touristic investment) as per what was presented in the consolidated financial statements as at June 30, 2012 which complies with the tax system of Arab Republic of Egypt in practice

23-5 Corporate income tax

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

Years from activity inception till year 2004

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

Years from 2005 till 2008

The company paid the tax due based on the approved tax return in its due dates according to the provisions of law no. 91/2005. There has been inspection for these years and the company has been notified with (form 19) which included tax differences amounted to L.E 20 251 and the company objected and appealed on this form.

Years from 2009 till 2011

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

22-6 Salary tax

Years form activity inception till year 2007

There has been inspection and the company has been notified by (form 38) which included tax differences amounted to L.E 162 203 and the company objected and appealed on this form.

Years from 2008 till December 31, 2009

There has been inspection and the company has been notified by (form 38) which included tax differences amounted to L.E 261 337 and the company objected and appealed on this form.

Years from 2010 till December 31, 2011

Taxes are deducted from salaries paid to employees and the company pays regularly.

23-7 Stamp Tax

Years form activity inception till year 2007

The company has been notified and paid all tax differences due to the Authority.

Years form 2008 till December 31, 2009

There has been inspection and the company has been notified with the tax differences amounted to L.E 36 609 and the company objected and appealed on this form.

Years form 2010 till December 31, 2011

These years were not inspected yet and the company pays the tax due monthly according the provisions of law.

23-8 Withholding tax

The company submits all kinds of tax due which results from the company's regular transactions with others to the Tax Authority in its due dates. The company pays regularly till June 30, 2012.

24- 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, 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 other than the financial investments not registered in the Stock exchange market which are recorded at cost and its difficult to determine 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 391 827 626 and L.E 266 390 621 respectively. The Company's net balances in foreign currencies at the balance sheet date are as follows:-

Foreign currencies	Surplus
USD	20 753 971
Euro	3 375

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.

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.

25- Income tax

25-1 Income tax

The balance shown the balance sheet as at June 30, 2012 amounted to L.E 1 456 445 is represented in the tax due on the independent tax pools related to treasury shares' income pool included in interest income in the income statement on June 30, 2012.

25-2 Deferred Tax that results in an Asset (Liability)

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

	30/06/2012	31/12/2011
	L.E.	L.E.
Fixed assets and intangible assets	(11 206 851)	(11 256 568)
Provision	5 373 721	4 869 264
Carried forward losses	7 334 919	7 748 725
Net tax that results in (Asset) Liability	**1 501 789**	**1 361 421**

Unrecognized deferred tax that results in an asset

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

	30/06/2012	31/12/2011
	L.E.	L.E.
Provisions	500 207	379 866
Carried forward losses	12 499 552	10 539 875

No deferred tax assets or liabilities has been recognized because there will be no probable future taxable profits available against which those tax losses can be utilized.

26- 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.

27- Legal Position

1- The company has filed a lawsuit in order to annul a contract concluded with one of the clients as the client has breached the contract terms. On April 26, 2012 the hearing has been assigned to an expert and a hearing has been determined on July 26, 2012 and the company submitted all the legal supporting documents which support their position in the lawsuit.

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

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

- To cease the resolution made by the defendant to be put into action which is related to allocation and contracting for sale of 41 million meter square of lands at Sahl Hasheesh to ERC. ERC is obligated to execute the jurisdiction and without declaration.
- To cancel and annul the aforementioned contract and any associated impacts as it breaches the law and also obligates the authority to pay any fees or expenses. There was no hearing set for this lawsuit before the administrative court of law till now.
- The prosecutor relied in his lawsuit on that the General Authority for Touristic Development (TDA) has allocated that land at Sahl Hasheesh by direct order which breaches the law of bids no. 9/1983 (old law of auctions and bids) considering that it is the prevailing law when contracting and also considering law no. 143/1981 of desert lands which organizes the conditions for selling lands in which the authority breaches when selling some lands lots.
- The prosecutor also relied in his lawsuit on that the General Authority for Touristic Development (TDA) did not take into consideration the public interest when signing the contract of Sahl Hasheesh, as the Authority did not follow the rules of competition rules set by old bids' law as he pointed out that the authority sold the land to ERC for a very law price and that ERC only paid a quarter of the lands price and he mentioned that there only 4 hotels have been established on that land, he also relied on that the land hasn't been developed since 1993 till now.
- As detailed above the prosecutor has appealed the sales and rental contract of desert lands at Sahl Hasheesh dated October 24, 1995 which were intended for touristic development, this contract was concluded between the authority and ERC (under establishment). It has been agreed that ERC will start pursuing its obligations from the date of execution of the aforementioned contract which is March 19, 1997, this is based on the addendum of the contract dated December 31, 2001.
- On February 28, 2011 ERC has decided to be a part of this lawsuit in order to take the legal procedures and prepare the documents that supports the company's positions. These documents which defends the company's position has been prepared.

- ERC intervened in the court hearing to defend the accuracy of the contract concluded with TDA nevertheless the company submitted a request to the state attorneys' authority in order to prepare for the lawsuit considering that there are documents should be submitted to them before being handed over to be reported, though the documents submitted proves that the company made an integrated developments to the Sahl Hasheesh project and there has been a legal advice offered to the company's shareholders with the necessity of intervening in the lawsuit.

- The Court of law has postponed the lawsuit to the hearing on September 12, 2011, and the state attorneys' authority determined a hearing on October 27, 2011 because new opponents has intervened in the lawsuit and that's why the lawsuit is submitted to the state attorneys' authority. The hearing for completing the rest of the documents will be set on January 26, 2012. In the last hearing, the state attorneys' authority decided to postpone the lawsuit to a hearing on April 5, 2012 in order to complete the rest of the documents and also to obligate TDA to submit its resolution concerning withdrawal of the phase three lands. And the court of law obligated the prosecutor to declare the resolution to TDA considering the fact that they didn't attend the hearing. In this hearing the lawsuit has been postponed to be on July 5, 2012 to complete the rest of the lawsuit documents and the court decided to postpone the lawsuit to a hearing on October 18, 2012 and the lawsuit is still discussed before the state attorneys' authority. the legal consultant believes that it would be impossible for the time being to predict the results of these procedures in this early stage of dispute and also its impossible to predict the verdict which the court shall issue.

3- The General Authority for Touristic Development notified the company on April 11, 2011 notified the company to annul its previous consent that issued for the company to develop the land of the third phase of Sahl Hasheesh (Area C) and of an area of 20 million meter square in its resolution dated March 31, 2011, the company appealed to the resolution of the General Authority for Touristic Development to annul its previous consent referred to in 27 May 2011 and the company did not receive any reply in this concern.

And the company raised a lawsuit to cancel this resolution which is issued from TDA of taking the land of phase 3 back and taking into consideration that this resolution is submitted to administrative court on September 21, 2011 (seventh region – Investment). And there will be a hearing to be set on September 27, 2011 and this lawsuit has been listed under the no. 55158/65, This lawsuit has been listed and the first hearing has been determined to be on December 17, 2011, and on the hearing dated December 17,2011 the court decided to assign the lawsuit to the state attorneys' authority to prepare a report for a legal opinion, but this report was not yet prepared and the company's representative claimed to determine a hearing before the state attorneys' authority and some hearings have been held and on the hearing held on June 18, 2012 it has been decided to postpone the hearing to be held on July 16, 2012 to submit the documents of the TDA and it has been postponed again to September 17, 2012 to complete the documents and its predicted in the foreseeable future to reach a settlement with the Authority and the experts before this hearing which will strengthens the company's position in this case, and also to reserve the company's rights when approaching judiciary, the company is looking forward to approach the ministerial group in order to settle the dispute of investment between the company and TDA. the company's legal consultant's believes that it's too soon to predict the results of those procedures in the dispute.

4- There is an arbitration lawsuit raised from one of the clients who purchased lands from the company, the lawsuit is concerned with the contracts concluded with ERC as the client refused to commit with the only purpose of purchasing the land in question which is building a comprehensive employee housing project. And in the hearing held on June 28, 2012 the court issued a jurisdiction in which a probable arbitrator is assigned among other arbitrators listed in the ministry of justice, and there is an attempt to settle the dispute amicably. considering the fact that legally the dispute is still in its early stage so subsequently it is not possible to predict of what will be the verdict which the arbitration authority shall end up.

28- Comparative figures

The net profit for the comparative period has been adjusted from L.E 334 257 to 3 462 346 as a result of amending the estimated cost of Sawary project which has been made during the fourth quarter of year 2011. And also because of the decision made by ERC during the third quarter of year 2011 to cancel community fees for year 2011 and don't ask investors of Sahl Hasheesh project for these fees considering the economic conditions in which the country faced during year 2011 which affected the tourism sector. And the following is the effects of these adjustments on the cash flow statement:

Item	Amount before adjustment	Amount after adjustment
Net profit before tax	1 496 506	(2 300 097)
Accounts and notes receivable	(37 184 298)	(30 394 457)
Work in process	(17 089 005)	(23 394 457)
Change in estimated cost for development of sold land	(6 320 050)	(2 532 447)