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Egyptian Resorts Company
"Egyptian Joint Stock Company"

The consolidated Financial Statements
For the financial year ended December 31, 2015
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 consolidated financial statements of Egyptian Resorts Company (S.A.E), which comprise the consolidated balance sheet as at December 31, 2015, and the consolidated income statement, statement of changes in equity and statement of cash flows for the financial year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Egyptian Resorts Company (SAE) as of December 31, 2015, and of its financial performance and its consolidated cash flows for the year then ended in accordance with the Egyptian Accounting Standards and the Egyptian laws and regulations relating to the preparation of these financial statements.

Emphasis of matter

Without considering the following as qualifications:

1 As disclosed in detail in note no. (29-2) 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. 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 pending before the state attorneys' authority in its preliminary. On June 12, 2014, the case was booked to report, which ended to stop the lawsuit and postpone it to November 24, 2015 to respond and comment by the Legal advisory of the Holding Company and it has been administratively postponed to session January 12, 2016. At that meeting, the Court decided to reserve the case for the rule of session March 22, 2016 and the Court issued its ruling on that day to accept the entrance of Egyptian Resorts Company (the holding company) and not to accept the original lawsuit filed by one of the lawyers to be removed from the irrelevant. The company's management is of the opinion that according to its legal advisory report , the submissions made by them support the legal position of the Holding company and it is difficult for the time being to predict the results of the lawsuit , upon which the extent of the negative effects that may result on the company's economics and financial position is not verified.

2 As disclosed in detail in note no. (29-4) 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 approximately EGP 74 million on December 31, 2015. The company raised a lawsuit to cancel the administrative decision issued by the General Authority of Touristic Development referred to above & submitted to administrative court on September 21, 2011. The court decided to refer the case to the College of Commissioners to prepare a report by the legal opinion. On May 18, 2015, the case was booked to report with a statement to submit memos within two weeks from the parties' sides to the lawsuit. The certificate submitted from the legal advisory of the holding company mentioned that it was not determined any session before the court until the date of certificate issuance. And the Holding Company did not receive any notification from the court to deposit the report. The company's management is of the opinion that according to its legal advisory report , the submissions made by them support the legal position of the Holding company in the light of the provisions of the contract between the Authority and the Holding Company on October 24, 1995 and that it would be impossible for the time being to predict the results of the lawsuit 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 verified.

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

Cairo, March 22, 2016

KPMG Hazem Hassan
Public Accountants and Consultants
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Egyptian Resorts Company
(Egyptian Joint Stock Company)

The Consolidated Balance Sheet of the Company and its Subsidiaries
As December 31, 2015

	Note No.	31/12/2015 EGP	Restated 31/12/2014 EGP
Non current Assets			
Fixed assets (Net)	(3-2,4)	138 929 257	157 155 760
Real estate investments	(3-3,5)	154 344 497	200 177 237
Projects in progress	(3-4,6)	1 154 683	350 704
Time Deposits - Long term	(12)	39 150 500	-
Accounts & notes receivable - long term (Net)	(3-9,9)	283 359 189	65 113 252
Deferred Tax assets (Net)	(3-20 ، 24-2)	355 691	-
Total non current Assets		**617 293 817**	**422 796 953**
Current Assets			
Work in process	(3-7,7)	524 832 413	491 962 153
Inventory	(3-6,8)	2 371 460	2 637 130
Accounts & notes receivable - short term (Net)	(3-9,9)	336 112 836	276 850 802
Sundry debtors and other debit balances	(10)	7 868 340	11 644 795
Cash on hand & at banks	(3-11,11)	135 603 136	98 143 235
Total Current Assets		**1006 788 185**	**881 238 115**
Current Liabilities			
Claims Provision	(3-13,13)	12 136 762	13 757 323
Receivables - advance payments	(14)	70 287 696	14 133 675
Sundry creditors and other credit balances	(3-14,15)	147 709 183	140 133 931
Due to Authority of Touristic Development	(16)	73 066 760	62 110 587
Estimated cost for development of sold land	(3-8)	156 008 989	149 782 099
Banks-Credit Facilities		12 648	5 430
Income tax		4 032 160	-
Total Current Liabilities		**463 254 198**	**379 923 045**
Working capital		**543 533 987**	**501 315 070**
Total Investments		**1160 827 804**	**924 112 023**
Financed as follows:			
Owners' Equity			
Issued and fully paid in capital	(17)	1050 000 000	1050 000 000
Legal reserve	(28)	131 664 379	131 664 379
Carried forward losses		(556 921 574)	(513 737 973)
Net Profit (loss) for the year		217 857 117	(43 183 601)
Holding Company's Shareholders' Equity		**842 599 922**	**624 742 805**
Minority Interest	(25)	**44 762 345**	**45 156 547**
Total Shareholders' Equity		**887 362 267**	**669 899 352**
Long-term Liabilities			
Purchase of land creditors	(3-7)	273 465 537	249 713 106
Deferred tax liabilities (net)	(3-20, 24-2)	-	4 499 565
Total Long-term Liabilities		**273 465 537**	**254 212 671**
Total shareholders' equity & Long-term Liabilities		**1160 827 804**	**924 112 023**

(*) The accompanying notes from page (5) to page (43) form an integral part of these financial statements and to be read therewith.

Head of Accounting	Managing Director	Chairman
Mr. Sayed Amer	Mr. Mohamed Ibrahim Kamel	Mr. Adel Hammad

Auditor's report (attached),,,

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Egyptian Resorts Company
(Egyptian Joint Stock Company)

The Consolidated Income Statement of the Company and its Subsidiaries
For the financial year ended December 31, 2015

	Note No.	2015 EGP	Restated 2014 EGP
Operating Revenue	(3-16,18-1)	372 696 703	71 886 539
Sales return	(3-16,18-2)	(18 805 236)	(62 315 767)
Revenue from rendered services	(3-16,18-3)	46 506 372	41 746 930
Total revenues		**400 397 839**	**51 317 702**
Less:			
Cost of sales	(3-17,19-1)	(76 755 441)	(41 429 530)
Cost of returned sold land	(3-17,19-2)	3 216 265	7 825 684
Operating cost of rendered services	(3-17,19-4)	(85 004 316)	(66 416 266)
Gross Operating (loss)		**241 854 347**	**(48 702 410)**
Other operating revenue	(20)	5 682 438	2 975 066
		247 536 785	**(45 727 344)**
Add/(Less):			
Net Interest recalled from deferred income		9 295 776	1 433 857
Fines for installments in arrears		–	11 015 148
Loss from reversed property investment previously sold		–	(885 541)
Loss from reversed land previously sold	(3 - 17 ، 19 - 3)	(13 364 121)	(11 344 319)
Selling & marketing expenses	(3 - 17 ، 21)	(19 679 764)	(10 514 299)
General and administrative expenses	(3 - 17 ، 22)	(30 084 105)	(28 390 359)
Impairment in receivables	(3 - 12 ، 9)	(31 055)	(11 484 386)
Reverse of impairment in the balances of receivables (net)	(3 - 12 ، 9)	15 503 590	47 299 391
Impairment in debtors & other debit balances	(3 - 12 ، 10)	(932 815)	–
Claims Provision	(3 - 13 ، 13)	(2 056 670)	(1 251 029)
Income (Loss) resulted from operating activity		**206 187 621**	**(49 848 881)**
Change in evaluation of investment funds	(3-5,11)	1 756 689	2 178 895
Financing revenue (costs) (net)	(3-18,23)	8 695 509	1 484 270
Net (loss) before tax		**216 639 819**	**(46 185 716)**
Income tax	(3-20,24-1)	(4 032 160)	–
Deferred tax (expense)	(3-20,24-2)	4 855 256	(969 356)
Net profit after income tax		**217 462 915**	**(47 155 072)**
The Holding Company's share in the year's loss		217 857 117	(43 183 601)
The Minority Interest's share in the year's loss	(25)	(394 202)	(3 971 471)
		217 462 915	**(47 155 072)**

(*) The accompanying notes from page (5) to page (43) form an integral part of these financial statements and to be read therewith.

Egyptian Resorts Company
(Egyptian Joint Stock Company)

Consolidated Statement of Changes in Shareholders' Equity for the company & its subsidiaries
For the financial year ended December 31, 2015

	Note	Paid in Capital EGP	Legal Reserve EGP	Carried Forward (losses) EGP	The Holding Company's share in year's net (loss) profit EGP	Minority Interest EGP	Total EGP
Balance as at December 31, 2013		1050 000 000	131 664 379	(369 336 624)	(41 429 956)	49 128 018	820 025 817
adjustments to Carried forward losses	(30)	-	-	(102 971 393)	-	-	(102 971 393)
Net (loss) for the year		-	-	-	-	-	-
Restated balance as at December 31, 2013		1050 000 000	131 664 379	(472 308 017)	(41 429 956)	49 128 018	717 054 424
Transferred to Carried forward losses		-	-	(41 429 956)	41 429 956	-	-
Net (loss) for the year		-	-	-	(37 474 611)	(3 971 471)	(41 446 082)
Adjustments to losses for financial year ended December 31, 2015	(30)	-	-	-	(5 708 990)	-	(5 708 990)
Restated balance as at December 31, 2014		1050 000 000	131 664 379	(513 737 973)	(43 183 601)	45 156 547	669 899 352
Transferred to Carried forward losses		-	-	(43 183 601)	43 183 601	-	-
Net Income for the year		-	-	-	217 857 117	(394 202)	217 462 915
Balance as at December 31, 2015		1050 000 000	131 664 379	(556 921 574)	217 857 117	44 762 345	887 362 267

(*) The accompanying notes from page (5) to page (43) form an integral part of these financial statements and to be read therewith.

Egyptian Resorts Company
(Egyptian Joint Stock Company)

The Consolidated Cash Flows Statement for the Company and its Subsidiaries
For the financial year ended December 31, 2015

	Note No.	2015 EGP	Restated 2014 EGP
Cash Flows from Operating Activities			
Net (loss) before income tax	(30)	216 639 819	(46 185 716)
Adjustments to Reconcile Net Income (Loss) with Net Cash Flows from Operating activities			
Fixed assets and Real Estate Investments depreciation	(4,5)	26 127 378	25 683 332
Impairment in receivables	(9)	31 054	11 484 386
Reverse of impairment in receivables	(9)	(15 503 590)	(35 955 072)
Impairment in debtors	(10)	932 815	-
Formed claim provision	(13)	2 056 671	1 251 029
Financing Charges - Bank Facilities		-	1 182 508
Capital gain	(20)	(1 333 888)	-
Time deposit interests		(5 449 125)	(1 493 803)
Net Interest recalled from deferred income		(9 295 776)	(427 775)
Differences in evaluation of foreign monetary balances		(1 604 872)	1 699 150
		212 600 486	**(42 761 961)**
Change in working capital			
Change in receivables (net)		(260 167 358)	19 497 779
Change in inventory		265 670	(328 014)
Change in debtors and other debit balances		74 840	677 511
Change in work in process		(3 335 434)	(17 956 462)
Change in receivables advance payments		102 190 681	(370 136)
Change in creditors and other credit balances		3 620 892	50 372 463
Change in estimated cost for development of sold land		6 226 890	(12 798 738)
Change in dues to Authority of Touristic Development		8 312 756	5 865 421
Used from claim provision	(13)	(25 000)	(20 000)
Net cash flows provided by operating activities		**69 764 423**	**2 177 863**
Cash Flows from Investing Activities			
Payments for purchase of fixed assets, projects in progress and real estate investments	(4,5)	(5 730 147)	(4 163 012)
Proceeds from time deposits		4 565 693	1 179 596
Proceeds from sale of fixed assets & real estate investments		7 925 429	-
Changes in value of time deposits (more than three months)	(11)	12 902 855	6 545 500
Time deposits (due after a year)		(39 150 500)	-
Net cash (used in) available from investing activities		**(19 486 670)**	**3 562 084**
Cash Flows from Financing Activities			
Payments of financing charges - Bank facilities		-	(1 182 508)
Banks facilities		7 218	(8 787 771)
Cash flows available from (used in) financing activities		**7 218**	**(9 970 279)**
Net cash & cash equivalent available (used) during the year		**50 284 971**	**(4 230 332)**
Cash & cash equivalent as at the beginning of the year		**83 843 235**	**88 073 567**
Cash & cash equivalent balance at the end of the year	(11)	**134 128 206**	**83 843 235**

- in the light of what detailed in the note no. 30 (previous year adjustments) , the effect of these adjustments have been excluded on the comparative figures (financial year ended December 2014) and before as non-cash adjustments.

(*) The accompanying notes from page (5) to page (43) form an integral part of these financial statements and to be read therewith.

Egyptian Resorts Company
(Egyptian Joint Stock Company)

Notes to the Consolidated Financial Statements
For the financial year ended December 31, 2015

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 – the Chair man and Managing director is Mr. Mohamed Ibrahim Kamel Abu Eloyoon. (.(The board of directors approved the consolidated financial statements dated 22/3/2016)

(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.

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 and 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.

According to the Extraordinary General Assembly resolution held on May 9, 2015, the purpose of the company were amended and registered in the commercial registry during year 2015 as follows:

Establishing, operating, managing, selling and renting hostelry apartments and shops of at least three-star till five-star level with full facilities as well as establishing all hotel and tourism projects of at least three-star till five-star level with full facilities and entertainment services and complementary activities and establish, own and manage Marina freely and stations Supply of fuel for cars, managing marine units, own and operate marine units and yacht safari centers for games and activities aquatic and marine all kinds As well as the establishment and management of hotel facilities and tourist villages for the company or to others and to set up and down the villages, hotels and resorts local and international business center with a tourist level and the work of tourism promotion and activation, including conference tourism and to set up and sell real estate projects for its own account and for the account of others, buying and renting and reconstruction of the land, whether building or in any other way . The company may have interests or participate in any way with companies and other firms conducting similar activities or which may assist to achieve its purpose in Egypt or abroad, as it may be integrated into the above bodies or buy or inflict upon them in accordance with the provisions of the law and its executive regulations. Egyptian Resorts Company owns 78.43 % 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 consolidated financial statements

2-1 Basis for preparation

A- Statement of compliance

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

B- Basis of measurement

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

C- Functional and presentation currency

These consolidated financial statements are presented in Egyptian pounds, which is the Company's functional currency and its subsidiaries.

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's operation and its subsidiaries which is called the "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 was separated 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 financial 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.

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.

B- 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
Hostelry furniture & fixtures	6-10 years
Kitchens & operating supplies	10 years
Networks & internet	5 years
Beach restaurant	10 years

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

3-3 Property investments

The real estate investments are represented in the lands held and under current preparation to utilize it or hold for sale in the long run along with lands & leased buildings (operating lease) to others. Real estate investments are measured at the historical cost deducting from them accumulated depreciation & accumulated impairment losses –if any (note 3-12). The remaining useful life for real estate investments is reviewed periodically with the estimated useful life. If the remaining useful life was different from the main estimation, then the net book value is depreciated over the remaining useful life after modification.

The fair value for these investments in the balance sheet date is disclosed unless there are cases in which the fair value of any of these investments is difficult to be determined in a feasible way and it is disclosed in such a case.

The following is a description of the estimated useful lives to each item of the real investments items for the purpose of depreciation as follows :

	Estimated useful lives in years
Buildings and constructions	40 years
Building & constructions attachments	
Air conditioning, transformers & electric boards	5 years
Elevators	10 years

3-4 Projects in progress

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

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

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

3-5 Investments in trading securities

The fair value of investments in trading securities are stated by referring to the declared market value for these investments in the date of financial statements. The differences resulted from revaluation are recognized 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 (3-7) 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 its probable not to collect all the amount. The balances of receivables and debtors are reduced by the amount of bad debts when identified. These balances are recorded at cost less impairment losses (Note No. 3-12). Long –term receivables are measured by present value of expected cash flows which is computed by using actual return rate.

3-10 Cash flow statement

Cash flow statement is prepared according to indirect method.

3-11 Cash and cash equivalent

For the purpose of preparing the cash flow statement, cash and cash equivalents comprise cash at banks and on hand, call deposits, balance of bank overdrafts that are 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 is recognized when the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, there is no continuing management involvement with the goods and the amount of revenue can be measured reliably. The associated costs and possible return of goods can be estimated reliably.

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 recognized as revenue over its accrual period.

In case of selling units, revenue is recognized when risks and returns are transferred to the buyer, and according to a deliverable reports to the buyer and according to the contractual condition.

Units' revenue owned by the subsidiary company

The restaurant revenues are recognized once the service is rendered to the restaurant's customer. Also, the revenue specific to the hostelry apartments and shops rent is recognized according to the accrual basis.

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 according to the accrual basis and as per time percentage taking in consideration the potential income rate on asset.

3-17 Expenses

Expenses are recognized according on accrual basis.

3-18 Financial revenues (costs) (net)

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

3-19 Interest expenses

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

3-20 Income Tax

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

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

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is measured using tax rates enacted 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 Owners' equity as a change. Purchased shares are classified as treasury shares and to be presented deducted from total owners' equity.

3-23 Dividends

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

3-24 Basic earnings per share

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 year. The paragraph (4) of the Accounting Standard No. (22) " Earnings per share " has been applied and disclosed in the separate financial statements.

3-25 New Issues and Amendments issued to the Egyptian Accounting Standards (EAS) but not adopted.

During the year 2015, a modified version of the Egyptian Accounting Standards (EAS) was issued including some of the new accounting standards and the amendments to some existing standards provided that they shall come into force for the financial periods that start after January 1, 2016, while taking into consideration that the early implementation of these standards is not permissible.

In the following table, we shall review the most prominent amendments on the Egyptian Accounting Standards (EAS) that may have a significant impact on the financial statements of the company at the beginning of the implementation thereof:

New or Amended Standards	Summary of the Most Significant Amendments	Possible Impact on the Financial Statements
EAS (1) Presentation of Financial Statements	*Financial Position Statement* • The Standard does not require to present the working capital presentation. The reference financial statements that was included in 2006 Standards was excluded; which presented the working capital. • A statement shall be added to the statement of financial position including balances of the beginning of the first presented comparative period in case of retrospective implementation or change in an accounting policy or reclassification. *Income Statement (Profit or Loss)/Statement of Comprehensive Income* The entity shall disclose all recognized income and expense captions during the financial period in two separate statements; one of them presents the profit or loss components (*Income Statement*) and the other one starts with the profit or loss and presents the other comprehensive income items *(Statement of Comprehensive Income)*.	• Re-presenting all the presented financial statements, disclosures and their accompanying notes including the comparative figures to be in conformity with the required amendments to the Standard. • Adding a new statement, *Statement of Comprehensive Income*, for the current and comparative period.

New or Amended Standards	**Summary of the Most Significant Amendments**	**Possible Impact on the Financial Statements**
EAS (10) Property, Plant and Equipment *(PPE)* and its depreciation	• The financial shall disclose a reconciliation of movement of the PPE and its depreciations-in the notes accompanying the financial statements at the beginning and the end of the current period and the comparable period. • The strategic (major) spare parts and stand-by equipment that can be classified as PPE when the entity expects to use them for more than one period (when the definition of PPE applies thereto).	Re-presenting the comparative figures related to the PPE in the notes accompanying the financial statements to be in conformity with the required amendments on the standard.
EAS (14) Borrowing Costs	Elimination of treatment that recognized the borrowing cost directly attributable to the acquisition, construction or production of a qualifying asset in the Income Statement without being capitalized on the asset.	For the companies that applied the benchmark treatment, the note shall be as follows: The entity shall apply this Standard to the borrowing costs attributable to the qualifying assets, where the start date of capitalization falls within or after the date of the implementation of this Standard.
EAS (40) Financial Instruments: Disclosures	• A new Egyptian Accounting Standard No.(40) *"Financial Instruments: Disclosures"* was issued including all the disclosures required for the financial instruments. • Accordingly, EAS (25) was amended by separating the disclosures from it. The name of the Standard became *"Financial Instruments: Presentation"* instead of "Financial Instruments: Presentation and Disclosure"	Retroactive amendment to all the comparative figures of the presented disclosures shall be carried out.

New or Amended Standards	Summary of the Most Significant Amendments	Possible Impact on the Financial Statements
Egyptian Standard No. (45) Fair Value Measurement	The new Egyptian Accounting Standard No. (45) *"Fair Value Measurement"* was issued and shall be applied when another Standard requires or allows measurement or disclosure to be made at fair value. This Standard aims the following: (a) Defining the fair value (b) Laying down a framework to measure the fair value in one Standard and (c) Identifying the disclosure required for the fair value measurements.	Currently, the management is assessing the potential impacts on its financial statements resulting from application of the standard.
Egyptian -Standard No.(42): The Consolidated Financial Statements	• The new Egyptian Accounting Standard No. (42) *"The Consolidated Financial Statements"* was issued and accordingly Egyptian Accounting Standard No. (17) *"The Consolidated and Separate Financial Statements"* has changed to become *"The Separate Financial Statements"*. Pursuant to the new Egyptian Accounting Standard No. (42) *"The Consolidated Financial Statements"* The control model has changed to determine the investee entity that must be consolidated.	Retroactive amendment to all the comparative figures of the consolidated financial statements and financial information presented.
	• Accounting for the changes in the equity of the parent company in a subsidiary are accounted for as transactions with equity holders in their capacity as equity holders. • Any Investment retained in a former subsidiary re-measured at fair value at the date when control is lost and recognize any resulting difference in the Income Statement. • Losses applicable to the Non-Controlling Interest "NCI" in a subsidiary including component of Other Comprehensive Income are allocated to the owners of the holding entity and the NCI even if this causes the NCI to have a deficit balances.	Currently, the management is assessing the potential impacts on its consolidated financial statements resulting from application of the standard.

New or Amended Standards	Summary of the Most Significant Amendments	Possible Impact on the Financial Statements
Egyptian Standard No. (44): Disclosure of Interests in Other Entities	• A new Egyptian Accounting Standard No.(44) "**Disclosure of Interests in Other Entities**" was issued in order to comprise all the required disclosures pertaining to the investments in subsidiaries, associates, joint arrangements, and the unconsolidated special Structured Entities. • The objective of this standard is to comply the entity to disclose the information that enable users of its financial statements to evaluate the nature and risks associated with its interests in other entities and the effects of those interests on its financial position, financial performance, and cash flows.	Retroactive amendment to all the comparative figures for the disclosures presented.

4- Fixed Assets

The balance of fixed assets (net) shown in the consolidated balance sheet as at December 31, 2015 is represented as follows:-

Description	Cost as at 1/1/2015	Additions transferred from project in progress	Restated opening balance	Additions during the year	Disposal during the year	Cost as at 31/12/2015	Accumulated depreciation as at 1/1/2015	Accumulated depreciation for Additions transferred from project in progress	Restated Accumulated depreciation on 1/1/2015	Depreciation of the year	Accumulated depreciation for disposals	Accumulated Depreciation as at 31/12/2015	Net book value as at 31/12/2015	Net book value as at 31/12/2014
	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP
Land	521 610	-	521 610	-	-	521 610	-	-	-	-	-	-	521 610	521 610
Buildings	35 007 364	-	35 007 364	159 820	-	35 167 184	5 993 811	-	5 993 811	1 062 670	-	7 056 481	28 110 703	29 013 553
Administrative & operating furniture & fixtures	7 293 614	-	7 293 614	1 819 827	(39 763)	9 073 678	2 553 048	-	2 553 048	2 479 250	(4 407)	5 027 891	4 045 787	4 740 566
Transportation & vehicles	992 387	-	992 387	764 000	-	1 756 387	926 071	-	926 071	196 575	-	1 122 646	633 741	66 316
Electronic tools & devices & Computers	10 000 687	-	10 000 687	1 024 717	(11 070)	11 014 334	8 284 909	-	8 284 909	901 191	(6 945)	9 179 155	1 835 179	1 715 778
Kitchens & Operating Facilities	1 688 245	-	1 688 245	206 352	-	1 894 597	369 630	-	369 630	176 150	-	545 780	1 348 817	1 318 615
Internet & Communications	1 271 077	-	1 271 077	15 959	(1 863)	1 285 173	695 005	-	695 005	-	(1 118)	693 887	591 286	576 072
Tools & Equipment	2 387 135	-	2 387 135	316 501	-	2 703 636	1 594 586	-	1 594 586	188 399	-	1 782 985	920 651	792 549
Network & Facilities	90 473 543	33 773 216	124 246 759	322 090	-	124 568 849	42 301 679	15 344 400	57 646 079	12 453 059	-	70 099 138	54 469 711	66 600 680
Sewage Treatment Plant	21 775 252	-	21 775 252	-	-	21 775 252	6 617 235	-	6 617 235	963 524	-	7 580 759	14 194 493	15 158 017
Water tank	8 950 096	-	8 950 096	-	-	8 950 096	1 726 043	-	1 726 043	298 307	-	2 024 350	6 925 746	7 224 053
Water desalination plant	39 405 879	-	39 405 879	-	-	39 405 879	17 132 991	-	17 132 991	3 769 503	-	20 902 494	18 503 385	22 272 888
Pier	7 566 571	-	7 566 571	-	-	7 566 571	605 326	-	605 326	302 663	-	907 989	6 658 582	6 961 245
Beach restaurant	242 532	-	242 532	-	-	242 532	48 713	-	48 713	24 253	-	72 966	169 566	193 819
Total	227 575 992	33 773 216	261 349 208	4 629 266	(52 696)	265 925 778	88 849 047	15 344 400	104 193 447	22 815 544	(12 470)	126 996 521	138 929 257	157 155 761

* Fixed assets included assets which are fully depreciated as at December 31, 2015 as follows:

	31/12/2015	31/12/2014
	EGP	EGP
Transportation vehicles	790 237	658 237
Machinery & equipments	768 624	754 652
Furniture	254 872	214 384
Buildings (Caravans)	272 583	142 973
Computers	4 995 823	4 442 471
	7 082 139	6 212 717

5- **Property Investments**

The balance of real estate investment (net) shown in the consolidated balance sheet as at December 31, 2015 is represented as follows:-

Description	Cost as at 1/1/2015	Adjustments to opening balance	Restated opening balance	Additions of the year	Cost of transferred to work in process Tawaya Project (**)	Disposals during year	Cost as at 31/12/2015	Accumulated depreciation as at 1/1/2015	Depreciation of the year	Accumulated depreciation of disposal	Accumulated depreciation of transferred to work in process Tawaya Project (**)	Accumulated depreciation as at 31/12/2015	Net book value as at 31/12/2015	Net book value as at 31/12/2014
	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP
Lands (*)	109 956 692	21 082 606	131 039 298	-	-	(13 161 623)	117 877 675	-	-	-	-	-	117 877 675	131 039 298
Buildings	67 052 698	-	67 052 698	297 159	(29 860 900)	(123 518)	37 365 439	5 015 080	934 984	(9 264)	(2 234 190)	3 706 610	33 658 829	62 037 618
Air Conditioning	9 400 377	-	9 400 377	-	-	(18 404)	9 381 973	5 640 226	1 876 406	(11 042)	-	7 505 590	1 876 383	3 760 151
Elevators	2 949 205	-	2 949 205	-	(2 089 850)	-	859 355	884 760	85 938	-	(626 955)	343 743	515 612	2 064 445
Transformers & Electric Boards	3 183 586	-	3 183 586	-	(1 111 052)	-	2 072 534	1 907 861	414 506	-	(665 831)	1 656 536	415 998	1 275 725
Total	192 542 558	21 082 606	213 625 164	297 159	(33 061 802)	(13 303 545)	167 556 976	13 447 927	3 311 834	(20 306)	(3 526 976)	13 212 479	154 344 497	200 177 237

(*) Property investments' depreciation as of December 31,2015 was classified among operating depreciations included in the cost of sales item in the income statement (Note 19-1)

(**) Net book value of the assets aforementioned has been transferred to work in process item (note 6-7)

6- Projects in progress

Projects in progress shown in the consolidated balance sheet among the non-current assets item are represented in the following:

	31/12/2015 EGP	31/12/2014 EGP
Raising the level of the drainage network station	255 000	255 000
Miscellaneous projects	847 366	36 237
Technical study for constructing an electric station	52 317	52 317
Suppliers-advance payments	–	7 150
	1 154 683	**350 704**

7- Work in Progress

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

		31/12/2015 EGP	31/12/2014 EGP
7-1	Cost of the lands haven't been sold yet - Phase 1	38 764 782	40 478 415
7-2	Cost of the lands haven't been sold yet - Phase 2	125 224 185	134 878 043
7-3	Cost of project's lands – Phase 3	305 078 335	303 841 627
7-4	Cost of Sawary Project	10 530 275	10 530 275
7-5	Cost of Jomran Project	3 965 167	2 233 793
7-6	Cost of Tawaya Project	41 269 669	–
		524 832 413	**491 962 153**

- 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. Then the company has concluded a contract with a house consultancy to prepare a study to calculate the estimated cost of the project Based on the financial and technical data currently available for the company in the light of the general outline of the project's amendments. And the consultant has issued the study report on the January 28, 2016.

- In the light of this study of the estimated cost elements and in the light of the current operating conditions, the experts hired by the company for this purpose are inaccurate in their cadastral measurements and studies, upon which the previous study were built, which necessitated making significant changes recorded on the basis of calculating the estimated cost for both the first and second phases which represents in the increase in the area prepared for sale for the first phase and decrease the area prepared for sale for the second phase in the light of the general outline adopted by the General Authority for Tourism Development.

- And the item work in progress has been affected – first and second phase- in the light of the company management's vision based on the opinion of specialists in the planning and development management, number of electricity and communication networks recorded among work in progress costs have been recapitalized to fixed assets in the light of the agreement with the organization of a convention electricity facility during the previous years, which gives the company the ability to achieve current and future economic benefits from the exploitation of its owned electricity grid at Sahl Hasheesh area, and as per concluded contracts with some parties to operate the communications network on the company's project at Sahl Hasheesh area, and modifying the mistakes of estimation of the direct and indirect costs related to the process of utilization in light of the operating conditions, this has been a settlement resulting from these mistakes on losses phase differences - (Note -30).

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 the purpose of constructing a touristic project, US$ 1.75 is due to the authority per meter sold.

The company take the final settlement procedures 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, an agreement has been made to account the Authority's share for first phase on the basis 7.5% for the conductance or EGP 11.25 / meter squared from the date of first agreement which is higher.

- As per the company agreement with the General Authority for Touristic Development and as per the general outline for the first phase and its updates approved by the authority , the total area for this phase amounted to 6 million meter squared and the areas to be sold in this phase amounted to 4 891 316 meter squared.
- The total cost estimated for development as at December 31, 2015 for the execution of the first phase of the project based on the revised study prepared by the company's experts amounted to EGP 298 600 607 in which the estimated cost per meter amounted to EGP 61.05.
- The actual cost of utilization for this stage amounted to EGP 227 296 208 till 31 December 2015 by an average actual cost EGP 46.47 / meter and the remaining salable land area of this stage amounted to EGP 857 211 approximately per meter squared .

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 m^2). A decision no.(82) dated 5/6/2006 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.
- As per the company agreement with the General Authority for Touristic Development and as per the general outline for the first phase and its updates approved by the authority , the total area for this phase amounted to 6 021 805 meter squared and the areas to be sold in this phase amounted to 4 793 657 meter squared.
- The estimated cost as at December 31, 2015 for the project's second phase according to the study prepared by the company's experts amounted to EGP 445 832 089 with estimated cost of EGP 93.
- The actual cost of utilization for this stage amounted to EGP 240 867 832 till 31 December 2015 by an average actual cost EGP 50.25 / meter and the remaining salable land area of this stage amounted to EGP 2 520 370 approximately per meter squared .

7-3 Third phase lands

- The company rented the third phase's lands (20 million m^2) 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.

  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 December 31, 2015. The remaining amount due to the Authority based on the aforementioned is EGP 273 465 537 equivalent to USD 34 925 909 and included in purchase of land creditors.
- Cost of works done in this phase as of December 31, 2015 amounted EGP 73 627 594 against EGP 72 390 887 as at December 31,2015.
- 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. 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 May 18, 2015. In that hearing the company requested to reserve the lawsuit then the court decided to reserve the lawsuit and notes within two weeks by the TDA , the TDA didn't present the documentation and the report and the position is currently being follow as detailed in the legal position for the company note No. (29-4).

7-4 Cost of work in progress (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).

In this framework the company has requested for re-demarcation of the second phase finally devoted to add area amounted to 391 thousand meter squared in the direction of the southern extension to include part of the marina actually project within the scope of the third stage and deduct that area from the western border of the second phase in preparation for starting the implementation of Sawary project. TDA issued its book in the May 15, 2015 to approve the company's application with the company's commitment to the requirements associated

7-5 Cost of work in progress (Jamaran 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.

7-6 The cost of work in progress - the subsidiary company - Hotel apartments project (Twaya)

The balance amounted to EGP 41 269 669 represented in the disbursements during the financial year ended December 31, 2015 for the partnership contract and development agreement between Sahl Hasheesh Company for Tourism Investment "subsidiary," and Palm Hills Co. under the terms of the contract, which states that Palm Hills co. markets and sales of luxury apartments project in the old town and recharges the employees' salaries working for marketing and sales and to be committed to sell the units within two years (renewable) in return for a commission of 25% of the total profits, this commission calculated from project's revenue after deducting its costs and Sahl Hasheesh Co. for Tourism Investment committed to finance the development process before the start of selling with an amount of $ 1.5 million however these expenses back to the company from the project account before any other expenses. The cost of work in progress aforementioned are as follows: -

	31/12/2015 EGP	31/12/2014 EGP
Works executed after the decision of development Old Town (Twaya project)	11 734 843	-
Net assets transferred at 1/1/2015 from property investments to works in progress of Twaya project (note no. 5)	29 534 826	-
	41 269 669	-

8- Inventory

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

	31/12/2015 EGP	31/12/2014 EGP
The Egyptian Resorts Company		
Maintenance supplies & spare parts in the location	2 208 034	2 485 870
Sahl Hasheesh Company For Touristic Development		
Food store	44 109	39 811
Beverage store	119 317	111 449
	2 371 460	**2 637 130**

9- Accounts & Notes Receivable (Net)

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

	31/12/2015 EGP	31/12/2014 EGP
Land receivables	601 297 270	332 115 492
Accounts and notes receivable of Jomran project	71 111 432	76 098 151
Receivables – services and managing the resort	38 559 860	32 549 798
Sold real estate – receivables	29 251 299	–
	740 219 861	**440 763 441**
Less: Deferred interest	(49 238 799)	(11 817 815)
Less: Impairment in receivables (**)	(71 509 037)	(86 981 572)
	619 472 025	**341 964 054**

For presentation purposes, the accounts & notes receivable as at December 31, 2015 are classified as follows:

	31/12/2015 EGP	31/12/2014 EGP
Accounts & notes receivable – long term assets	283 359 189	65 113 252
Accounts & notes receivable – current assets	336 112 836	276 850 802

(**) 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	**86 981 573**
Impairment in value of receivables during the year	31 055
Reverse the impairment in accounts receivable during the year	(15 503 591)
Used from the balance during the year (*)	-
Ending Balance	**71 509 037**

(*) The used balance includes an amount of EGP 2 666 161 concerning clients balances related to the settlement of piece of land No. (2- phase one) and includes an amount of EGP 9 525 884 concerning delaying penalties balances due from this client mentioned in note no (3_19) of the accompanying notes to the financial statements.

10- Sundry Debtors & Other Debit Balances

Sundry debtors & other debit balances item shown in the consolidated balance among current assets is represented in the following:

	31/12/2015 EGP	31/12/2014 EGP
Letters of guarantee covers	-	50 000
Cash imprests and loans	210 609	25 454
Prepaid expenses	1 238 491	1 231 402
Deposits with others	555 026	426 170
Sale of fixed assets debtors	-	227 405
Accrued revenue	1 161 967	436 980
Contractors & suppliers-advance payments	4 437 509	4 422 470
Sundry debtors	673 234	738 555
Withholding Tax – Debit	522 412	432 219
Income Tax paid for reversed sales (*)	1 452 839	5 105 072
	10 252 087	**13 095 727**
Less: Impairment in sundry debtors & other debit balances	(2 383 747)	(1 450 932)
	7 868 340	**11 644 795**

(*) The balance is represented in the rest of paid in excess to the tax authority amounting EGP 6 408 966 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 4 956 127 according to tax claim received from tax authority on December 8, 2015 (reservation form A) to become the balance on December 31, 2015 an amount of EGP 1 452 839. 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

This item shown in the Consolidated balance sheet among current assets is represented in the following:-

	31/12/2015 EGP	31/12/2014 EGP
Cash on hand	285 231	264 510
Banks – current accounts – Egyptian pounds	81 423 640	8 828 984
Banks – current accounts – USD	9 194 710	1 210 411
Banks – current accounts – Euro	911 298	359 126
Banks – current accounts – Sterling pound	204 804	–
Banks – time deposit – EGP (less than three months)	21 285 988	10 000 000
Banks – time deposit – EGP (more than three months) (*)	1 474 930	–
Banks – time deposit _USD (less than three months)	–	35 750 000
Banks – time deposit - USD (more than three months)	–	14 300 000
Cheques under collection – Twaya project	635 871	–
Investment funds in fund market tools –Jaman (**)	20 186 664	27 430 204
Balance	**135 603 136**	**98 143 235**

(*) The balances of time deposits in EGP (more than three months) which due during periods ranging between more than three months and less than one year from the balance sheet date with an interest of 9.25%.

(**) The item is represented in the market value for 114 896 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 175.70 as of December 31, 2015 (EGP 161.71 as of December 31, 2014). The value of change in investment's market value recognized in the income statement during the year has amounted to EGP 1 756 689.

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

	31/12/2015 EGP	31/12/2014 EGP
Cash on hand & bank	135 603 136	98 143 235
Deducted:		
Time deposit (more than three months)	(1 474 930)	(14 300 000)
Cash & cash equivalent according to cash flow statement	**134 128 206**	**83 843 235**

12- Bank time deposits – long term

This item represents in the following :-

	31/12/2015 EGP	31/12/2014 EGP
Banks – Time deposits – USD (more than one year) (*)	39 150 500	-
	39 150 500	-

The time deposits at banks balances in US dollars (more than one year) mentioned above amounted to USD 5 million due at 2022 with 5% interest rate. This balance includes an amount of EGP 19 575 250 equivalent to USD 2.5 million allocated as a guarantee for current overdraft from the Arab African International Bank in favor of Sahl Hasheesh Co. for Touristic Investment (subsidiary), which expires during May 2016.

13- Claims Provision

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

	31/12/2015 EGP	31/12/2014 EGP
Beginning Balance	**13 757 323**	**12 526 294**
Formation during the year	2 056 671	1 251 029
Used during the year	(3 677 232)	(20 000)
Ending Balance	12 136 762	13 757 323

(*) 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. (26) 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.

14- Advance Payments from clients

Receivables advance payments shown in the consolidated balance sheet among current liabilities represented as follows:

	31/12/2015 EGP	31/12/2014 EGP
Advances lands reservations	23 337 785	11 883 199
Advances lands reservations-Sawary project units	1 688 483	1 648 979
Advances lands reservations-Jamran project units	109 534	213 553
Advances shops reservations using rental system – subsidiary company	347 144	387 944
Advances land contracting and reservations-Twaya project units	44 804 750	-
	70 287 696	14 133 675

15- Sundry Creditors & Other Credit Balances

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

	31/12/2014 EGP	31/12/2013 EGP
Suppliers and contractors	6 942 630	8 778 758
Contractors' retention	1 075 844	953 915
Contractors-social insurance	1 816 374	1 781 393
Due to governmental authorities	18 921 487	19 877 666
Accrued expenses	2 264 809	665 580
Retentions-Contracts of distributing electricity	25 000	428 000
Maintenance deposits	2 631 447	2 259 873
Deposits from others (shops-subsidiary company)	2 474 408	2 728 525
Dividends payable	393 499	393 499
Deferred revenues(*)	54 901 590	44 383 997
Other credit balances (**)	44 631 570	43 881 000
Sundry Creditors	11 630 525	14 001 725
	147 709 183	**140 133 931**

(*) Deferred revenue includes an amount of EGP 45 155 712 which is the value of building paid in advance from Jamran project's clients which will be recognized once their receipt by the clients upon execution of building villas.

(**) The balance includes an amount of USD 5.7 million equivalent to EGP 44 631 570 paid from one of the company's customers as a contractual payment or purchasing land in phase 2. Thus , the company has sued to terminate the contract with the customer and refund the contractual amount due to customer's delay to fulfill his commitments up to date. The company has provided all legal documents that support its situation through its legal advisory as shown in details in note (29-1) legal status.

16- 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 73 066 760 (EGP 62 110 587 as of December 31, 2014) 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 the 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 No. (7) Works in process.

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 decision of the Extraordinary General Assembly Meeting held on 28/11/2004 unanimously agreed upon reducing the issued capital from EGP 350 million to EGP 210 million, 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 million divided over 21 million shares at a par value of EGP 10.

Based on the decision of the Extraordinary General Assembly Meeting held on 11/5/2006 and the decision of the company's board of directors on 24/5/2006 which agreed on increasing 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.

Based on 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 splitted 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.

Based on the decision of the Extraordinary 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 then the issued capital becomes EGP 840 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- Operating Revenue

18-1. Land Sales

	2015 EGP	2014 EGP
Sales of lands – Phase 1 (*) – The parent company	123 543 931	33 743 592
Land sales – Jomran Project (phase 1)	788 872	32 800 865
Sales of lands – Phase 2 – The parent company	244 199 277	–
Add:		
Subsidiary Company's operating revenues		
Shops & hostelry apartments rentals	590 363	1 481 404
Maintenance revenues	738 093	714 756
Restaurant & beach revenues	2 633 107	2 912 392
Other operating revenues	203 060	233 530
	372 696 703	**71 886 539**

(*) The sales of parent company in land (phase 1) during the year included the sales amount of the primary contract for lot (9/A- 6) with Capital House Co. for Touristic Investment and appendix of transfer triple contract in favor of the client El-Makksed Co. for establishment and Touristic villages dated January 21, 2015 with an area of 2915 m^2 with an amount of USD 1 311 750 Equivalent to EGP 9 956 051 and the primary contract for lot 9A-1/7 concluded on January 21, 2015 with Capital House Company for touristic investment with an area of 3279 m^2 with an amount of USD 1 311 750 equivalent to EGP 9 956 051 and the primary contract for lot (9/A-1/7) concluded on June 2, 2015 with an area of 9 840 m^2 with a total amount of USD 3 936 000 equivalent to EGP 30 032 072.

18-2. Sales Returns –Land

	2015 EGP	2014 EGP
Sales return land- phase 1 (*)	17 345 839	–
Sales return land- phase 2	–	62 122 967
Sales return land- Villas	1 459 397	–
Area settlement differences – phase 1	–	192 800
	18 805 236	**62 315 767**

(*) Sales return of land shown in the income statement for the financial year ended December 31,2015 is represented in returning the sale contract of land no.(2) from one of the customers with a total area of 50630 m^2 in phase 1 which was previously sold by an **initial** contract dated 14/2/2007 amended by contract dated 28/6/2007 by an amount of USD 3 037 800 equivalent to EGP 17 345 838 at that date. On 30/6/2015, an agreement to terminate the contract and return sales between the company and the customer against calculating what paid as advances as per the primary contract for this lot as a part of the payment due for lot of land 26 second phase which bought by this customer during the previous years.

18-3. Revenue from services rendered

	2015 EGP	2014 EGP
Revenue from water supplied	10 127 795	9 079 559
Revenue from electricity supplied	25 920 780	20 045 658
Revenue from irrigation water supplied	1 968 261	3 048 479
Revenue from communication services supplied	189 194	139 707
Revenue from resort services (*)	8 300 342	9 433 527
Total	**46 506 372**	**41 746 930**

(*) Revenue from resort services shown above is represented in the value of due from the company's clients as of the financial year ended December 31, 2015 valuing 2.76 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. And as per board of directors' decision on 20/5/2015 the clients will be accounted for the year 2015 with the same prices of the year 2014 without annual increase.

19- Operating Cost

19-1 Cost of sales

	2015 EGP	2014 EGP
Cost of lands sales – Phase 1 (*)	23 509 235	24 346 561
Cost of sales- Jomran project – phase 1	52 500	2 783 561
Cost of sales– phase 2	30 892 773	-
TDA Commision	10 610 251	4 426 861
	65 064 759	**31 556 983**
Added:		
Cost of sales- Subsidiary company (**)	11 690 682	9 872 547
Total	**76 755 441**	**41 429 530**

(*) Cost of sold lands and other operating income (Note 20) till December 31, 2015 are reclassified after the exclusion the amount of compensation according to the partial terminated contract amounted to EGP 33 million in relation to the lands property investments between the company and its subsidiary.

(**) Cost of activity for the subsidiary company mentioned above is represented in expenses of beach and restaurant & operating activity of renting units owned by the subsidiary company in the old town region in Sahl Hasheesh resort in Hurghada. The following is a description of these costs on December 31, 2015:

	2015 EGP	2014 EGP
Cost of beach & restaurant	2 365 520	2 141 053
Cost of maintenance, cleaning, security & guard	1 886 331	1 181 903
Operating depreciations	5 814 000	5 155 751
Salaries, wages & their equivalents	1 324 670	1 121 103
Others	300 161	272 737
	11 690 682	**9 872 547**

19-2 Cost of lands sales returns

	2015 EGP	2014 EGP
Cost of land sales return –phase one (*)	3 216 265	–
Cost of lands sales returns- Sawary project	–	7 825 684
	3 216 265	**7 825 684**

(*) Cost of land sales return phase 1 which amounted EGP 3.090 approximately million represented in the amount of refunding cost of sales no.2 – phase 1 which was previously sold for one of the customers and it is recorded during the last years and that in light of signing a comprehensive agreement contract dated in 30/6/2015 between the company and all the client according to what is mentioned above in note (18-2).

19-3 Loss from reversed land previously sold

Loss from reversed land previously amounted to EGP 13 364 121 which in the income statement for the year ended December 31, 2015 include an amount of EGP 3 838 237 represented in the value of loss of revenue reverse credit exchange rate differences related to evaluation of dollar balance due from land piece 2 – phase 1 during the period from the date of contract concluded on year 2007 till the date of contract annulment and settling the related balances in 30/6/2015 (Note 18-2). What was previously recognized as an impairment in the value of receivables balances related to this piece during the previous year amounted to USD 437 219 equivalent to EGP 2 666 161 on that date note -9 was reversed also it includes reverse of the amount recognized during previous year as of this lot with an amount of EGP 9 525 884 what was previously recognized as an impairment in the value of receivable balances during the previous year and related to these lots amounted to EGP 9 525 884was reversed.

19-4 Cost of operating services rendered

Cost operating services rendered shown in the consolidated income statement is represented in the following:-

	2015 EGP	2014 EGP
Electricity cost	30 556 611	24 545 753
Water cost	3 562 253	3 482 598
Water irrigation cost	738 000	713 783
Operating fixed assets depreciation	19 383 006	19 087 121
Salaries, wages & their equivalents	9 867 928	8 272 019
Temporary labor contracts	11 717 686	9 369 747
Cleaning expenses	1 985 902	1 978 758
Other expenses	7 192 930	6 142 485
	85 004 316	**73 592 264**
Less: Transferred during the year to works in process as of the share of unsold lands	–	(7 175 998)
Total	**85 004 316**	**66 416 266**

These costs were distributed as follows :

	2015 EGP	2014 EGP
Cost of electricity, water, water irrigation & communication services	56 612 396	47 332 634
Cost of managing the resort service	28 391 920	19 083 632
Total	**85 004 316**	**66 416 266**

20- Other operating revenues

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

	2015 EGP	2014 EGP
Capital gains (*)	1 333 888	–
Extension of facilities to clients' lands	1 237 160	123 795
Revision of graphical drawings	101 991	320 817
Lands rental for communication towers	1 638 077	1 406 643
Pier rental	300 000	240 000
Beach rental	935 684	311 199
Rental of arrival piazza	25 000	218 200
Miscellaneous	110 638	354 412
	5 682 438	**2 975 066**

(*) Capital gains amounted to EGP 1 333 888 realized from selling hostelry apartment owned by the subsidiary company with area of 75 meters square in building (D) in the Old Town to one of the Company's clients with a total value of USD 200 thousand equivalent to amount of EGP 1 520 760. Net cost of building and furnishing these hostelry apartments amount to EGP 186 872 in date of completing sales process as follows :

	EGP
Net cost of sold apartments' buildings	114 254
Net cost of sold apartments' furniture	47 331
Sold apartments' share in lands sold with buildings built upon	25 287
Total	**186 872**

21- Selling and marketing expenses

Selling and marketing expenses classified among the consolidated income statement presented in the following:

	2015 EGP	2014 EGP
Salaries & wages	1 776 353	1 393 568
Promotion and advertising expenses	14 371 730	4 992 789
Land sale commissions	3 512 288	4 096 361
Others	19 393	31 581
	19 679 764	**10 514 299**

22- General and Administrative Expenses

General and administrative expenses among the consolidated income statement are represented in the following:

	2015 EGP	2014 EGP
Salaries, wages, allowances and its related expenses (*)	13 162 962	12 287 740
Attendance allowances of board of directors & executive committees	1 124 250	1 647 458
End of service benefits	783 013	70 734
Donations	202 406	69 122
Consultancy fees	3 187 667	2 423 730
Legal fees expenses	3 454 409	4 650 057
Administrative fixed assets depreciation	930 374	1 440 460
Banking fees	137 953	65 081
Rentals	1 662 969	1 570 988
Stationary, printings & computer expenses	256 615	386 705
Traveling & transportation expenses	1 063 797	811 031
Subscriptions	594 611	285 950
Others	3 523 079	2 681 303
	30 084 105	**28 390 359**

(*) Salaries, wages, allowances and its related expenses a percentage 50% of the managing director's salary for the year as the other 50% recharged to work in progress considering it as a direct cost to the projects.

23- Financing revenues (costs) (net)

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

	2015 EGP	2014 EGP
Burden of financing bank credit facilities	(12 507)	(1 182 508)
Credit Currency evaluation differences	2 748 271	897 800
Interest revenue from bank deposits	5 959 745	1 768 978
	8 695 509	**1 484 270**

24- Income tax expense

24-1 Income tax expense shown in the consolidated income statement is represented in the following :

	2015 EGP	2014 EGP
Current tax	4 032 160	-
	4 032 160	-

24-2 The value of deferred tax benefit (expense) shown in the income statement is represented in the following:

	2015 EGP	2014 EGP
Deferred tax – income (expense)	4 855 256	(969 356)
	4 855 256	**(969 356)**

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

	31/12/2014		Movement of the year		31/12/2015	
	Assets	Liabilities	Asset	Liability	Asset	Liability
	EGP	EGP	EGP	EGP	EGP	EGP
Fixed assets and intangible assets	–	(15 717 158)	6 475 127	–	–	(9 242 031)
Provisions	11 217 593	–	–	(1 619 871)	9 597 722	
Total	**11 217 593**	**(15 717 158)**	**6 475 127**	**(1 619 871)**	**9 597 722**	**(9 242 031)**
Balance		**(4 499 565)**	**4 855 256**		**355 691**	

24-3 Unrecognized deferred tax which results in an asset

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

	31/12/2015
	EGP
– Provisions & impairment in receivables and debtors	9 743 698
– Carried forward tax losses – subsidiary	28 001 438

- 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.

25- Minority Interest

The balance shown in the consolidated balance sheet as at December 31, 2015 is represented in their share in owners' equity in the subsidiary company as follows:

	EGP
Balance as at 1/1/2015	**45 156 547**
Add:	
Minority's share in the losses for the financial year ended December 31, 2015 for the subsidiary	(394 202)
Balance as at December 31, 2015	**44 762 345**

26- Tax Position

26-1 Tax position for the holding company (Egyptian Resorts Company) as per what was presented in the separate financial statements as of December 31, 2015 which complies with the tax system of Arab Republic of Egypt in practice

Corporate tax

The company is subject to tax law provisions no.157 for year 1981 till date of issuance of new tax law no.91 for year 2005. The company enjoys an exemption form income tax for ten years starting from the first financial year subsequent to activity inception on January 1,1998 till December 31,2007 according to fourth subject of law No. 43 for year 1981 related to deserted lands owned by the State amended by law no.72 for year 1996 with the same explanations noted in law no.59 for year 1979 related new urban societies.

- On June 4,2014 , law no.44 for year 2014 was issued in which an additional annual temporary tax is imposed for years starting from the current tax period with a percentage of 5% over what exceeds one million Egyptian Pounds in terms of tax base on natural and judicial persons according to income tax law. They can be assessed and collected according to provisions of this law. The law is applied starting from June 5, 2014.
- The tax returns are submitted as of years from 2005 till 2014 according to law provisions no.91 for year 2005 in the legal 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 and payment was made.

Years 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 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 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.

Years from 2009 till 2014

- The company submitted the tax returns in its legal dates based on the provisions of law No. 91/2005.
- The financial year 2009 is has been inspected and the company has received form no 19 which includes the authority estimates and the company appealed on the due date and the analysis and the documentations relates to internal committee are currently being reared to solve the dispute items .

Payroll tax

Years from start of activity till year 2004

- The payroll tax for the company was inspected until year 2004. Payment and assessment from the credit balance has been made at 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 2013

The company pays under the account of salary tax due monthly and the authority has inspected the company in estimated base by form 38 estimated and the company appealed on the legal date and the company preparing for the actual inspection.

Year 2014

The company deduct and pay the tax on the due dates and the company didn't expected yet.

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.
- Years from 2008 till 2010 have been inspected. The due tax has reached EGP 359 793. An offset has been made with the credit balance for the company from the authority.
- Years from 2011 till 2013 have been inspected. The Company supplied with forms (15) specific to the Authority inspection results. and appealed on the due dates and the dispute is solved in front of committee with tax differences EGP 279 086 other than additional cost.
- The company present the tax returns during year 2014 on the due dates and the company didn't inspected yet.

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.
- The authority didn't inspect the company for the period from 2007 till 2014.

(*) The tax authority settled the due inspection differences as per the authority claim on December 28,2015 by form (reservation A) deducting from the due credit balance to the company during the year with an amount of EGP 3 652 233 as detailed in note 10 of the accompanying notes to the financial statements

Second: Tax position for the subsidiary company (Sahl Hasheesh for touristic investment) as per what was presented in the consolidated financial statements as at December 31, 2015 which complies with the tax system of Arab Republic of Egypt in practice

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

Inspection has been made till year 2004.

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 inspection differences have amounted EGP 441 543. Payment of due tax to the company has been done taking into consideration that there is a material error in the inspection result represented in losses of 2006 which were not carried forward amounted EGP 692 343. The error was corrected resulting with a credit balance to the Company with an amount of EGP 192 909.

Year 2009

Year 2009 has been inspected and claimed tax differences have amounted EGP 686 302 an internal committee is currently made.

Years from 2010 till 2012

These years have been inspected by tax authority. And the tax differences amounted to EGP 144 590 as per form no. 19 and the company appealed on the due dates.

Years 2011-2012 have been inspected and the results are losses amounted to EGP 2 663 631 & 8 559 237 respectively and independent tax pool EGP 630 & 400 respectively as per form No. 19 and the company appealed on the legal dates.

Year 2013 & 2014

The authenticated tax return was submitted in the legal dates in light of law provisions No. 91 for year 2005.

Payroll tax

Years form activity inception till year 2009

Inspection for year 2009 has been made. Payment of differences resulting from inspection has been made.

Years from 2010 till December 31, 2011

Inspection for Years from 2010 until 2011 have been made. There is a credit balance carried forward to the company from the authority's side amounting EGP 132 274.

Years 2012, 2013

Taxes on salaries paid to the employees are deducted. Year 2012 is under current inspection.

Stamp Tax

Years form activity inception until year 2009

The company was accounted and paid all tax differences due to the Authority.

Years from 2010 till December 31,2012

These years were inspected. The inspection result is currently received from Tax Authority. And the company notified with form (no 19 stamp) with tax differences EGP 173 205 and the company appealed on the legal dates and an amount of EGP 25 000 has been paid under the account during April 2015

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. Tax years are under current inspection until year 2014 in Hurghada tax authority.

- On August 20, 2015 a Presidential decision has been issued Decree-Law No. (96) for the year 2015 amending some provisions of the Income Tax Law No. (91) of 2005 and Resolution No. 44 for the year 2014 to impose a temporary income tax, that works of this decision with effect from the next day.

For publishing, and the following are the most significant changes contained decision: -

1- Reduce the income tax rate to be 22.5% of the annual net profit.
2- Amendment for the imposition of temporary tax of 5%.
3- Modifying the tax on dividends.
4- Suspend the imposition of a capital tax on the output of the equalizer in restricted stock the stock exchange for a period of two years starting from 05/17/2015.

27- 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).

27-1 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.

27-2 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 599 008 104 and EGP 379 907 994 respectively. The Company's net balances in foreign currencies at the balance sheet date are as follows:-

Foreign currencies	Surplus
USD	27 848 404
Euro	108 658
Sterling Pound	18 052

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.

27-3 Credit Risk

Credit risk is represented in the credit granted to the customers and the inability of those customers 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.

28- 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.

29- 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. 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 was postponed to the session dated June 26,2014 due to receipt of the expert's report then to December 25,2014 for decision. The expert has deposited his report in the session dated March 26, 2015, which was not in the Company's favor. The Company has applied for a request for postponement in this session to oversee the expert's report and submit a memo with objections over this report. A postponement has been made a session of May 7,2015 then to a session of June 18,2015 then to a session of September 3,2015 . In this session, the lawsuit was postponed administratively to a session of November 5, 2015 and it was postponed to a session of November 12,2015 and it was postponed to a session of January 12,2016. In this session, the court has ruled for postponement to a session of March 8, 2016. In this session , the Company has presented a memorandum with its defense in which it originally requested – annulment of contract and reserve – the delegation of a tripartite committee to evaluate the extent of the defendant Company's commitment towards its obligations. The court has ruled over the reserve of the lawsuit for ruling with a session of March 29,2016. The Company's legal consultant sees according to his report in this matter the validity of the Company's legal position according to law provisions. The lawsuit has a gain probability in favor of Egyptian Resorts Company. This does not compromise what has been mentioned in the expert's report since that it is a subject of material and gross objections from the Company's side supported by documents to be submitted to the court with a request of resubmitting the lawsuit to the experts and mandating a tripartite committee. It is probable that this report will be amended.

2- There is a lawsuit raised in front of the administrative court against the General Authority for Touristic Investment from one of the law lawyers for the annulment of allocation contract of all the lands of The Egyptian Resorts Company 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 a session of June 12, 2014. In this session, the lawsuit was reserved due to receipt of state commissioners' report, which was received subsequently. It ended with the halt of this lawsuit until the decision over another lawsuit raised against Supreme Constitutional Court with the unconstitutional of The President's decision number 32 for year 2014 specific to the organization of some dispute procedures over the contracts concluded by the State. In a session of June 9, 2015, the Company has requested later to comment over the state commissioners' report. The lawsuit was postponed to a session of November 24, 2015 for reply and comment. The lawsuit was postponed administratively to a session of January 12, 2016. In this session, the court has ruled the reserve of the lawsuit for ruling with a session of March 22, 2016. Concerning to the lawsuit of non-constitutional of President's decision related to above, it was not decided upon by the Supreme Constitutional Court till the issuance of the Company's financial statements.

3- Pyramisa Resorts Company has raised a lawsuit against state council in which it demanded for the annulment of 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 state commissioner has postponed the lawsuit to session of April 2, 2015 for overseeing and reply from the Company's side over the documents' portfolio submitted from Pyramisa Company's side. The lawsuit is reserved for ruling. The state commissioners' report was received which ended with the halt of this lawsuit until the decision over another lawsuit raised against Supreme Constitutional Court with the unconstitutional of The President's decision number 32 for year 2014 specific to the organization of some dispute procedures over the contracts concluded by the State and reserve with the no acceptance due to its raise without subject . A session was fixed for pleading in front of the court with a date of January 12,2016. In this session , the court ruled the reserve of the lawsuit to April 5 ,2016 for viewing and decision . The Company's management and its legal consultant see the validity of the Company's legal position in light of the legal defenses submitted.

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 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 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 and extracting the documents from the Authority. 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 this session, it was judged by unacceptance of Pyramisa Company's interference according to law No. 32 for year 2014 after licensing in a session of December 16, 2013 for Pyramisa Company to interfere in the lawsuit and extract the documents from the Authority. In this session, postponement has been made to January 19, 2015 according to request by the General Authority Of Touristic Development to submit the documents. In this session, documents portfolio has been submitted requested later by Pyramisa Company for viewing. The state commissioner has decided to postpone to the session of April 20,2015 for viewing. In this session , the lawsuit was postponed to May 18,2015 and in the Company has submitted documents' portfolio scanned over a photo copy from the claims gazette number 64928 for year 67 K raised by Pyramisa Company interfering against Prime Minister and others requesting the annulment of sales contract of Sahl Hasheesh region and a certificate from the court's schedule related to this lawsuit which informs the lawsuit's entry. It has presented a memorandum with its defense and requested the non-acceptance of the interference request from the interfering Company due to its raise of an independent lawsuit with these requests and the reserve of the lawsuit for decision. Also, an attorney on behalf of General Authority For Toursitic Development attended and requested the reserve of the lawsuit for decision with the authorization by memorandums. Also, an attorney on behalf of Pyramisa Company the interfering in the lawsuit attended , presented a memorandum with his defense and requested the reserve of the lawsuit for decision. As a result , the court has ruled the reserve of the lawsuit for decision with the authorization of presenting the memorandums within two weeks from the lawsuit parties' side. No session was fixed in front of the court up till now . Also , no notification with deposit of the report from the court was submitted to the Company. The Company's management sees that in light of the legal consultant's report submitted from it support the Company's legal position in light of the contract provisions concluded between the Company and the Authority date October 24,1995 in which the Company has executed its items. In addition to keeping ERC's rights concerning the resort to court , The Egyptian Company has made a second appeal to the General Authority for Touristic Development dated July 22, 2013 in an another attempt to avert its decision to revoke the land. It is not probable currently to determine what will the state commissioners' authority's report will conclude in this dispute and also the judgment 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 ruling without naming another ruling. The company has appealed over this ruling on March 20,2014 due to a mistake in applying the law. The client has raised a new lawsuit to request the employment of an arbitrator from ERC. It has been postponed to a session of May 22,2014 and then to a session of June 5,2014. In this session , a sub lawsuit has been raised to annul the formation of arbitrary authority. It has been postponed to session of June 26, 2014 for the sub lawsuit and declaration. The court has decided to reserve the sub lawsuit with a session of July 24, 2014. In this session, postponement has been made to November 13, 2014 to interrogate the sides of the lawsuit. The sessions were successive relating to this lawsuit then postponement was made to December 28, 2014. The court has ruled in this session the halt of the lawsuit till the deciding over the dispute in the cassation presented from the Company . The client has appealed over this ruling and the appeal lawsuit was reserved to a session of June 3, 2015 for ruling. The court has ruled over the acceptance of the appeal submitted from the client in its form and rejection in its object and support of first degree court's verdict which rules over the halt of the original lawsuit submitted from the client till the decision over the dispute presented from ERC over the court of cassation's verdict with the annulment of the correction ruling previously issued by naming the likely verdict without the naming of the other verdict . Since that the dispute from the legal aspect is considered to be in its beginning , therefore it can not be predicted what will the arbitrary authority decide over a ruling . The Company sees that the defenses submitted by it supports its legal position in light of the estimated authority for the court.

30- Prior year modifications

The Company management has made modifications over the financial statements for year 2014 and the years before during the current year because of what was resulted from the restudy of the estimated cost prepared with the knowledge of one of the specialized consulting firms according to what is shown in note no. (7) "Work in progress". Based on the above, errors that could be aroused were corrected. Therefore, balances of December 31, 2014 for the elements of assets , liabilities & owners' equity were reproved to correct these errors .

The adjustments resulting from the study related to above charged to the retained losses have reached EGP 108 680 383 including adjustments amounted EGP 5 708 990 were charged to year 2014 losses. These adjustments are the following:

Item	**31/12/2014 (before modification) EGP**	**Adjustments to the balance Debit (Credit) EGP**	**31/12/2014 (after modification) EGP**
First: Consolidated Balance Sheet			
Fixed assets (Net)	138 726 945	18 428 815	157 155 760
Real estate investment	179 094 631	21 082 606	200 177 237
Work in process	538 265 306	(46 303 153)	491 962 153
Due to Authority of Touristic Development	(35 741 768)	(26 368 819)	(62 110 587)
Estimated cost for development of sold land	(67 856 496)	(81 925 603)	(149 782 099)
Carried forward losses	410 766 580	102 971 393	513 737 973
Net loss for the year	37 474 611	5 708 990	43 183 601
Purchase of land creditors	(256 118 876)	6 405 771	(249 713 105)
		-	

	Comparative Figures as of year 2014 (before modification) EGP	**Adjustments EGP**	**Comparative Figures as of year 2014 (after modification) EGP**
Second: Consolidated Income Statement			
Cost of sales	36 140 652	5 288 878	41 429 530
Cost of returned sold land	(5 049 001)	(2 776 683)	(7 825 684)
Operating cost of rendered services	63 673 245	2 743 021	66 416 266
Selling & marketing expenses	9 879 999	634 300	10 514 299
Financing revenue (costs) (net)	(1 303 744)	(180 526)	(1 484 270)
		5 708 990	

31- Contractual Commitments

The Company has made several Company's customers amounted USD 29 938 112 equivalent to amount of EGP 234 418 411. The payments collected from the value of these contracts amount USD 1 907 561. The delivery procedures and the collection of the value of remaining down payments from those customers are expected to continue during 2016.