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Egyptian Resorts Company
"Egyptian Joint Stock Company"

The Consolidated Financial Statements for the financial year ended December 31, 2010
&
Modified Auditor's Report

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Modified 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, 2010, and the 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 financial statements referred to above present fairly, in all material respects, the financial position of Egyptian Resorts Company (SAE) as of December 31, 2010, and of its financial performance and its cash flows for the year then ended in accordance with the Egyptian Accounting Standards and the Egyptian laws and regulations relating to the preparation of these financial statements.

Emphasis of matter

Without considering the following a qualification:

1- As disclosed in detail in note no. 28 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 contracts of all lands allocated to Egyptian Resorts Company at Sahl Hasheesh, and On February 28, 2011 the company's management decided to become a part of this lawsuit in order to undertake the legal procedures and submit the documents supports the company's position. The company's legal consultant believes that the lawsuit before council of state is still in its very early stages and the company intervened in the lawsuit since the prior court hearing only and nevertheless the company submitted a request to the state attorneys' authority in order to prepare for the lawsuit considering that there are documents should be submitted to them before being handed over to be reported, then it would be impossible for the time being to predict the results of the lawsuit it this early stage of dispute. Though the extent of the negative effects on the company's economics and financial position that may result because of this lawsuit is not yet determined.

2- On April 11, 2011 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 meter squared. This action is in response of TDA's decision dated March 31, 2011 which is subsequent to the date of our report on the financial statements for the financial year ended December 31, 2010 dated March 29, 2011 knowing that Work in process in connection with this phase amounted to L.E 54.94 million. The company is currently taking the legal procedures to appeal the decision of the General Authority of Touristic Development related to withdrawal of it consent aforementioned or raising a lawsuit before the administrative court of law to cancel this decision. Based on the company's legal consultant's opinion issued April 21, 2011, its too soon to predict the results of those procedures in the dispute. Our procedures to audit the subsequent events for the date of our report dated March 29, 2011 is limited only for the event of TDA decision without considering any other events.

3- As disclosed in note no. 30 of the notes to the financial statements, the company has no available information which enables it to disclose the impact of the subsequent events to the date of the balance sheet on the reported amounts of assets, liabilities and the business results during the upcoming financial periods, as these values and results may materially differ in the upcoming periods if the company's management obtained trust worthy indications and evidences, and then the company can use these indications and evidences to determine the impact of the subsequent events to the date of the balance sheet on the reported amounts of assets and liabilities included in the balance sheet.

Report on Other Legal and Regulatory Requirements

The Company maintains proper books of account, which include all that is required by law and by the statutes of the Company, the financial statements are in agreement thereto, the inventory was counted by management in accordance with methods in practice.

The financial information included in the Board of Directors' report, prepared in accordance with Law No. 159 of 1981 and its executive regulation, is in agreement with the Company's books of account but in the limit of the data which has been recorded in the books.

Ahmed Mohamed Mohamed Salem

Auditors' register
At the Money Market General Authority No. (94)
KPMG Hazem Hassan

Cairo, March 29, 2011

Cairo, April 26, 2011

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Egyptian Resorts Company
(Egyptian Joint Stock Company)

The Consolidated Balance Sheet of the Company and its Subsidiaries
As at December 31, 2010

	Note No.	12/31/2010 L.E.	(Adjusted) 12/31/2009 L.E.
Long Term Assets			
Fixed assets (Net)	(3-2,4)	163 097 550	140 064 967
Projects in progress	(3-3,5)	199 320 499	130 653 517
Utilization rights of trade marks	(6)	5 941 526	-
Accounts & notes receivable (Net)	(3-7,8/1)	81 128 399	73 960 889
Deferred tax assets (Net)	(3-18,24)	2 805 906	4 314 899
Total Long Term Assets		**452 293 880**	**348 994 272**
Current Assets			
Work in process	(3-5,7)	441 830 266	403 984 538
Inventory	(3-4)	1 001 221	51 031
Accounts & notes receivable (Net)	(3-7,8/2)	250 755 203	369 577 104
Sundry debtors and other debit balances	(9)	11 953 034	2 647 416
Cash on hand & at banks	(10)	273 767 389	309 218 545
Total Current Assets		**979 307 113**	**1085 478 634**
Current Liabilities			
Provision for claims	(3-11,11)	15 043 508	5 292 148
Receivables - advance payments	(12)	40 092 803	33 653 264
Sundry creditors and other credit balances	(3-12,13)	40 328 469	36 451 678
Due to Authority of Touristic Development-(due within one year)	(14-1)	23 771 254	25 573 446
Estimated cost for development of sold land	(3-6)	119 366 716	147 147 093
Total Current Liabilities		**238 602 750**	**248 117 629**
Working capital		740 704 363	837 361 005
Total Investments		**1192 998 243**	**1186 355 277**
Financed as follows:			
Shareholders' Equity			
Issued and fully paid in capital	(15)	1050 000 000	1050 000 000
Gains from sale of treasury shares		6 041 052	6 041 052
Legal reserve	(25)	123 986 754	123 986 754
Carried forward losses	(26)	(264 225 600)	(268 325 606)
Net (loss) profit for the year	(27)	(3 856 953)	4 100 006
Shareholders' Equity of holding company		**911 945 253**	**915 802 206**
Minorities' interest	(21)	**72 975 518**	**78 476 536**
Total Shareholders' Equity		**984 920 771**	**994 278 742**
Long-term Liabilities			
Purchase of land creditors	(3-7)	206 979 363	190 775 930
Due to Authority of Touristic Development- Long term	(14-2)	1 098 109	1 300 605
Total Long-term Liabilities		**208 077 472**	**192 076 535**
Total shareholders' equity & Long-term Liabilities		**1192 998 243**	**1186 355 277**

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

- Auditor report attached.

Financial Controller	Managing Director	Chairman
Mr. Ahmed Amer	Mr. Mohamed Ibrahim Kamel	Dr. Samir Makary

Egyptian Resorts Company
(Egyptian Joint Stock Company)

The Consolidated Income Statement of the Company and its Subsidiarie
For the Financial year from January 1, 2010 till December 31, 2010

	Note No.	From 1/1/2010 to 31/12/2010 L.E.	(Adjusted) From 1/1/2009 to 31/12/2009 L.E.
Net sales	(3-14,17/1)	189 615	-
Deferred interest (Net)	(3-14,17/2)	(25 789)	15 503 472
Sales return	(3-14,17/3)	(1 162 038)	-
Revenues from services rendered	(3-14,17/4)	15 918 515	10 278 184
Total revenues		**14 920 303**	**25 781 656**
Less:			
Cost of sales	(3-15,18/1)	(981 955)	-
Cost of sales return of land	(3-15,18/2)	2 443 417	-
Operating costs	(3-15)	(11 267 590)	(9 969 028)
Depreciation of operating fixed assets	(3-2,4)	(10 906 736)	(3 704 806)
Gross profit		**(5 792 561)**	**12 107 822**
Other operating revenues	(9)	8 198 077	748 944
		2 405 516	**12 856 766**
Add/(Less):			
Selling & marketing expenses	(3-15)	(4 392 470)	(1 670 115)
General and administrative expenses	(3-15,19)	(24 250 660)	(16 699 956)
Depreciation of assets	(3-2,4)	(1 854 651)	(1 322 132)
Banks charges		(92 389)	(98 243)
Impairment in receivables		-	(6 000 000)
Reverse of impairment in receivables	(8)	7 124 780	-
Provision for claims	(11)	(18 203 279)	(4 872 148)
Provisions no longer required	(11)	4 206 045	-
(Loss) Profits resulted from operating activity		**(35 057 108)**	**(17 805 828)**
Capital gain		424 750	-
Interest income	(20)	18 400 359	23 898 558
Foreign exchange differences		8 383 021	(2 202 322)
		27 208 130	**21 696 236**
Net profit before income tax	(3-18)	**(7 848 978)**	**3 890 408**
Deferred tax that results in a liability	(3-18)	(1 508 993)	786 555
Net (loss) profit for the year after tax		(9 357 971)	4 676 963
Holding company's shareholders' share in the year's (losses) profits		(3 856 953)	4 100 006
Minorities share in (losses) profits of subsidiary company for the year	(21)	(5 501 018)	576 957
Net profit after income tax		**(9 357 971)**	**4 676 963**
Earning per Share	(16)	**0.0040**	**0.0040**

* The accompanying notes from represent an integral part of these financial statements and are to be read with them.

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Egyptian Resorts Company
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Consolidated Statement of Changes in Shareholders' Equity for the company & its subsidiaries
For the Financial year from January 1, 2010 till December 31, 2010

Description	Note No.	Issued & Paid in Capital L.E.	Treasury Shares L.E.	Gains from Sale of Treasury Shares L.E.	Legal Reserve L.E.	Carried Forward Losses L.E.	Net Profit (loss) of the year L.E.	Minorities' interest L.E.	Total L.E.
Balance as at December 31, 2008 before adjustments		**1050 000 000**	**(51 640 333)**	**-**	**113 279 929**	**(334 827 119)**	**264 601 632**	**77 899 579**	**1119 313 688**
Adjustments on retained earnings	**(26)**	-	-	-	-	(168 289 212)	-	-	(168 289 212)
Balance as at December 31, 2008 - Adjusted		**1050 000 000**	**(51 640 333)**	-	**113 279 929**	**(503 116 331)**	**264 601 632**	**77 899 579**	**951 024 476**
Transferred to carried forward losses		-	-	-	-	264 601 632	(264 601 632)	-	-
Transferred to legal reserve		-	-	-	10 706 825	(10 706 825)	-	-	-
Sale of treasury shares	**(15)**		51 640 333	6 041 052	-	-	-	-	57 681 385
Adjustments on retained earnings		-	-	-	-	(19 104 082)	-	-	(19 104 082)
Net loss for the year		-	-	-		-	(3 947 926)	576 957	(3 370 969)
Balance as at December 31, 2009 before adjustments		**1050 000 000**	-	**6 041 052**	**123 986 754**	**(268 325 606)**	**(3 947 926)**	**78 476 536**	**986 230 810**
Adjustments on losses of year 2009	**(27)**	-	-	-	-	-	8 047 932		8 047 932
Balance as at December 31, 2009 - adjusted		**1050 000 000**	**-**	**6 041 052**	**123 986 754**	**(268 325 606)**	**4 100 006**	**78 476 536**	**994 278 742**
Tranferred to carried forward losses		-	-	-	-	4 100 006	(4 100 006)	-	-
Net loss of the year		-	-	-	-	-	(3 856 953)	(5 501 018)	(9 357 971)
Balance as at December 31, 2010		**1050 000 000**	**-**	**6 041 052**	**123 986 754**	**(264 225 600)**	**(3 856 953)**	**72 975 518**	**984 920 771**

The accompanying notes 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 Subsidiary
For the Financial year from January 1, 2010 till December 31, 2010

	Note No.	For the financial year From 1/1/2010 to 31/12/2010 L.E.	(Adjusted) For the financial year From 1/1/2009 to 31/12/2009 L.E.
Cash Flows from Operating Activities			
Net (loss) profit before income tax		(7 848 978)	3 890 408
Adjustments to Reconcile Net Profit with Net Cash Flows from Operating activities			
Fixed assets' depreciation	(4)	12 761 386	5 026 938
Amortization for utilization rights of trade marks		58 474	-
Impairment in receivables		-	6 000 000
Reverse of impairment in receivables		(7 124 780)	-
Provision for claims formed		18 203 279	4 872 148
Provisions no longer required		(4 206 045)	-
Other income		(7 078 664)	-
Capital gain		(424 750)	-
Foreign currency exchange differences		(8 458 258)	1 353 263
		(4 118 336)	**21 142 757**
Change in working capital			
Decrease in receivables		76 471 611	65 171 589
(Increase) in inventory		(950 190)	-
(Increase) decrease in debtors and other debit balances		(2 226 955)	2 928 156
Payments for acquiring utilization rights of trade marks		(2 000 000)	-
(Increase) in work in process		(37 845 728)	(22 207 467)
Increase in receivables advance payments		4 672 539	(712 796)
(Decrease) increase in creditors and other credit balances		(123 208)	809 150
Changes in estimated cost for development of sold land		(27 780 377)	(16 047 466)
(Decrease) dues to Authority of Touristic Development		(787 307)	(361 209)
Used form provision for claims	(11)	(3 579 771)	-
Increase in purchase of land creditors		5 411 366	(26 741 435)
Paid income tax		(666 103)	(79 753 302)
Net cash flow available from (used in) operating activities		**6 477 541**	**(55 772 023)**
Cash Flows from Investing Activities			
Payments for purchase of fixed assets, projects in progress and property investments	(4)	(42 353 447)	(63 863 169)
Proceeds from sale of fixed assets		424 750	-
Net cash available from investing activities		**(41 928 697)**	**(63 863 169)**
Cash Flows from Financing Activities			
Proceeds from treasury shares' sale		-	57 681 385
Net cash flow available from financing activities		-	**57 681 385**
Net cash (used) during the year		(35 451 156)	(61 953 807)
Cash & cash equivalent as at January 1, 2010		309 218 545	371 172 352
Cash & cash equivalent as at December 31, 2010	(10)	**273 767 389**	**309 218 545**

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

(*) The impact of adjusting the beginning balance of the retained earnings and balances in relation mentioned in detail in notes to the financail statements (note no. 26) has been eliminated considering it as non cash transaction

Egyptian Resorts Company
(Egyptian Joint Stock Company)

Notes to the Consolidated Financial Statements
For the financial year from January 1, 2010 till December 31, 2010

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 1^{st} and ends at December 31^{st} each year.
- The company's head office location is at Sahl Hashish – Hurghada – Red Sea, and the location of the company's branch at Cairo Governorate is at 4 A Aziz Abaza Street – Zamalek – Cairo.
- The Chairman of the board of directors is Mr. Samir Makary – and the Managing director is Mr. Mohamed Ibrahim Kamel Abu Eloyoon (and the board of directors approved these financial statements on 28/03/2011).

(B) Company's purpose

B-1 Egyptian Resorts Company

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

B-2 Sahl Hasheesh Company for Touristic Investment

The purpose of the company is establishing 30 hostelry apartments consists of 200 rooms of a 5 stars level, fully completed with its complementary utilities and entertainment services which represented in restaurants, cafeterias, health club, swimming pools, tennis, golf, squash playgrounds, entertainment hall and disco, meeting rooms, wedding halls, gardens and playgrounds for kids, entertainment center, medical unit, marine and all kinds of marine sports. Egyptian Resorts Company owns 69.38 % of Sahl Hasheesh Company for Touristic Investment.

It was worth mentioning that Sahl Hasheesh Company for touristic did not start its activity yet.

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

2- Basis of preparation of the Separate financial statement

2-1 Basis for preparation

A- Statement of compliance

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

B- Basis of measurement

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

C- Functional and presentation currency

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

D- Use of estimates and judgments

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

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

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

- All balances and transactions between the companies of the group were eliminated.
- Minority interest from Owners' equity and companies' results which the holding company controls so it was classified in a separate item in the consolidated financial statements. The percentage of the minority interest in assets and liabilities of the subsidiary companies were computed when acquired.

Cost of acquisition was classified according to the fair value of owned assets and liabilities as at acquisition date which is equivalent in value to the book value and in the limit of the percentage the holding company obtained on that date.

3- Significant Accounting Policies

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

3-1 Foreign currencies translation

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

More over the non monetary assets and liabilities which are stated at historical cost of the foreign currency are retranslated as per the prevailing exchange rate on the date of the transaction.

3-2 Fixed assets and depreciation

A- Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation (3-2-C) and impairment losses (3-10).

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

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

B- Subsequent costs

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

C- Depreciation

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

Buildings	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	30 years
Water tank	30 years
Warehouses	30 years
Gateways	30 years
Sunken City	30 years
Lights & Marketing Signs	30 years
Networks & Facilities	10 years
Internal Road Networks	30 years

3-3 Projects in progress

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

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

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

3-4 Inventory

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

3-5 Work in process

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

The company concluded a contract with Ernst Body Corporate Management for providing consulting and administrative services for the management of the community, As the management decided to develop a model for managing the services rendered to the clients of the community, which permits the company to obtain fees from clients for services provided and for recovering the cost of managing the community, which resulted in amending the accounting treatment of some work in process costs, and reclassifying them to projects in progress to be capitalized as fixed assets when completed ,considering them as assets provide services which will generate income in future. This treatment has been made based on the company's legal consultant's opinion dated April 14, 2009 which stated the company is entitled to impose charges on clients with fees as long as the company implemented its contractual obligations towards them.

3-6 Estimated cost for development of sold land

This item includes the estimated cost necessary to complete the development of land sold and supplying facilities for these lands.
Primary measurement: the cost of sold land is recorded initially based on the share of meters sold from the total cost estimated for the development and supplying facilities to the lands for each phase and then the estimated cost shall be adjusted by the work in process which includes the actual cost development of lands for each phase as per the share of meters sold (3-5) in order to reach the cost for development and supplying facilities' works for the remaining sold land for each phase. And the estimated cost shall be studied all over again based on the technical study of the total estimated cost for each phase prepared annually by the technical department and this study shall be approved by the project consultant. The differences results from the re-estimation shall be charged to the income statement.

Based on the aforementioned concerning the contract with Ernst Body Corporate Management for providing consulting and administrative services for the management of the community, the estimated costs necessary to develop these phases have been modified based on the study prepared by the company's experts in 2008.

3-7 Receivables, debtors and other debit balances
Receivables, debtors and other debit balances are stated at nominal value less any amounts expected to be uncollected which is estimated when its probable not to collect all the amount and the balances of receivables and debtors are reduced by the amount of bad debts when identified. These balances are recorded at cost less impairment losses (Note No. 3-10), long –term receivables are measured by present value of expected cash flows which is computed by using actual return rate.

3-8 Cash flow statement
Cash flow statement is prepared according to indirect method.

3-9 Cash and cash equivalent
For the purpose of preparing the cash flow statement, cash and cash equivalents comprise cash at banks and on hand, call deposits, balance of bank overdrafts that are pre-payable on demand and form an integral part of the company's cash management.

3-10 Impairment
A- Financial assets
- A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

- 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 that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

3-11 Provisions

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

3-12 Creditors and other credit balances

Creditors and other credit liabilities are recorded at cost.

3-13 Employees' pension plan

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

3-14 Revenue recognition

Activity's revenues

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

Financial investments' Revenue

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

Interest income

Interest income is recorded according to the accrual basis.

3-15 Expenses

Expenses are recognized on accrual basis.

3-16 Financial costs (net)

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

3-17 Interest expenses

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

3-18 Income Tax

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

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

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

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

3-19 Purchase of capital's shares

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

3-20 Dividends

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

3-21 Earning per share

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

3-22 Transaction with related parties

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

4- Fixed Assets

The balance of fixed assets (net) shown in the balance sheet as at December 31, 2010 is represented as follows:-

Description	Cost as at 1/1/2010 L.E.	Adjustments on the beginning balance of cost L.E.	Cost as at 1/1/2010 - adjusted	Additions of the year	Transfers among assets L.E.	Disposals of the year	Cost as at 31/12/2010 L.E.	Accumulated Depreciation as at 1/1/2010 L.E.	Adjustments to the beginning balance for accumlated depreciation	Accumulated Depreciation as at 1/1/2010 - adjusted	Depreciation of the year L.E.	Accumulated depreciation of the assets tranferred	Accumulated Depreciation of disposals	Accumulated Depreciation as at 31/12/2010 L.E.	Net book value as at 31/12/2010 L.E.	Net book value as at 31/12/2009 - adjusted L.E.
Land	521 610		521 610	-	-	-	521 610	-	-	-	-	-	-	-	521 610	521 610
Buildings	13 407 296	(3 876 561)	9 530 735	23 330 268	-	-	32 861 003	1 299 219	(32 416)	1 266 803	250 354	-	-	1 517 157	31 343 846	8 263 932
Machinery & equipments	2 436 283		2 436 283	518 711	(883 345)	-	2 071 649	888 214	-	888 214	119 019	(28 632)	-	978 601	1 093 048	1 548 069
Furniture & fixtures	3 647 667		3 647 667	792 836	10 424	-	4 450 927	549 974	-	549 974	259 768	(18 321)	-	791 421	3 659 506	3 097 693
Transportation vehicles	1 563 691		1 563 691	132 000	-	(905 454)	790 237	1 262 309	-	1 262 309	89 786	-	(905 454)	446 641	343 596	301 382
Networks & facilities	80 321 239	(11 998 475)	68 322 764	9 642 036	692 002	-	78 656 802	2 008 031	(299 976)	1 708 055	6 937 712	-	-	8 645 767	70 011 035	66 614 709
Marketing signs & flags	4 561 305	(4 561 305)	-		-	-	-	38 011	(38 011)	-	-	-	-	-	-	-
Sunken City	6 093 653	(6 093 653)	-		-	-	-	50 780	(50 780)	-	-	-	-	-	-	-
Sewage Treatment Plant	21 561 564		21 561 564	13 500	-	-	21 575 064	1 812 857	-	1 812 857	956 850	-	-	2 769 707	18 805 357	19 748 707
Primary gateway	5 979 118	(5 979 118)	-		-	-	-	436 646	(436 646)	-	-	-	-	-	-	-
Water tank	8 901 556		8 901 556	17 598	-	-	8 919 154	236 825	-	236 825	296 971	-	-	533 796	8 385 358	8 664 731
Warehouses	1 514 767		1 514 767		-	-	1 514 767	126 232	-	126 232	50 526	-	-	176 758	1 338 009	1 388 535
Road networks	8 153 296	(8 153 296)	-		-	-	-	67 944	(67 944)	-		-	-	-	-	-
Water desalination plant	28 466 594		28 466 594	183 143	-	-	28 649 737	2 543 392	-	2 543 392	2 715 203	-	-	5 258 595	23 391 142	25 923 202
Computers & Air-conditioning	6 150 523		6 150 523	1 163 878	180 919	-	7 495 320	2 158 126	-	2 158 126	1 085 198	46 953	-	3 290 277	4 205 043	3 992 397
Total	**193 280 162**	**(40 662 408)**	**152 617 754**	**35 793 970**		**(905 454)**	**187 506 270**	**13 478 560**	**(925 773)**	**12 552 787**	**12 761 387**		**(905 454)**	**24 408 720**	**163 097 550**	**140 064 967**

* Fixed assets included assets which are fully depreciated, its cost amounted to L.E 2 398 116 as at December 31, 2010 as follows:

	L.E
Transportation vehicles	253 287
Machinery & equipments	729 560
Furniture	4 547
Buildings (Caravans)	82 831
Computers	1 327 891
	2 398 116

Depreciations were classified as follows:

Depreciation of operating fixed assets	10 906 736
Depreciation of administrative fixed assets	1 854 651
	12 761 387

(*) Adjustments on beginning balance of accumlated depreciation has been classified as follows:

	L.E
Depreciation of operating fixed assets included in income statement (Comparative figures of year 2009)	659 001
Adjustments on the beginning balance of carried forward losses (Note no. 26)	266 772
	925 773

5- Projects in progress

Projects in progress shown in the consolidated balance sheet as at December 31, 2010 are represented in the following:

	31/12/2010	31/12/2009
	L.E	L.E
Sahl Hasheesh Company		
Lands	116 152 096	49 803 326
Work done by Sahl Hasheesh	61 218 060	46 045 508
Supplies of furniture for apartments' samples	37 853	--
Air conditioning works	9 179 538	--
Elevators works	2 686 934	--
Electrical circuit boards and convertors	2 473 189	--
Supplies of apartments' samples and supplies for the kitchen of main restaurant	537 486	--
Advance payments to suppliers	1 088 730	278 794
Egyptian Resorts Company		
Public landscape & irrigation	--	4 294 112
Water Tank 6000 m2	--	3 784
Hydraulic works	--	772 367
Arrival Piazza	--	20 711 681
Water Desalination plant	183 052	353 313
Water Desalination plant Phase 3	--	49 365
Sundry projects in progress	556 968	758 686
Advance payments to suppliers	5 206 593	7 582 581
Balance as at 31/12/2010	**199 320 499**	**130 653 517**

- Projects in progress are transferred to fixed assets as soon as it is completed.

6- Utilization rights of Trademarks

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

7- Work in Progress

The company concluded a contract with Ernst Body Corporate Management for providing consulting and administrative services for the management of the community, As the management decided to develop a model for managing the services rendered to the clients of the community, which permits the company to obtain fees from clients for services provided and for recovering the cost of managing the community, which resulted in amending the accounting treatment of some work in process costs, and reclassifying them to projects in progress to be capitalized as fixed assets when completed ,considering them as assets provide services which will generate income in future. This treatment has been made based on the company's legal consultant's opinion dated April 14, 2009 which stated the company is entitled to impose charges on clients with fees as long as the company implemented its contractual obligations towards them.

Based on the aforementioned the estimated costs necessary to develop the lands of the community have been modified based on the study prepared by the company's experts in 2008.The cost per estimated square meter become L.E 22.36 and L.E 34.31 for both the first and second phases, respectively. The study of development costs for the third phase is still in progress and there has not been any lands sold from this phase yet.

Based on the periodic study carried out by the company for the elements of the estimated cost based on the operation, it has been clear for the company's experts that such measurements and studies were not accurate and there should be significant amendments to be considered when calculating estimated cost of both first and second phases which are represented in reducing the land areas available for sale to both phases based on the geographical survey and the master plan for both phases, which was prepared in 2008, though the experts believed that the company should reclassify some of the projects to be included in the costs of work in progress rather than fixed assets or projects in progress based on the nature of these assets and its contact to the facilitation activity (Note 4), as the company has re-measured non-direct contact to the facilitation activity based on any updates in the current or the future operating conditions. The differences results from this amendments in the measurement aforementioned shall be charged to the retained earnings - note (26).

The company has concluded a contract with a specialized consultancy firm to assess all elements of the estimated cost of the company's project in light of the expected amendments to the master plan of the project and expected to be completed accurately during the second half of the financial year of 2011.

The actual cost for the work in progress account shown in the separate balance sheet as at December 31, 2010 is represented as follows:-

		Balance as at 31/12/2010	Balance as at 31/12/2009
		L.E.	L.E.
7-1	Cost of the project's lands haven't been sold yet 732 440 m²- Phase 1	26 484 217	21 961 706
7-2	Cost of the project's lands haven't been sold yet 4 925 955 m²-Phase 2	128 400 124	108 515 685
7-3	Cost of project's lands 28 312 296 million m² – Phase 3	286 392 710	273 507 147
7-4	Cost of Sawry Project	553 215	--
		441 830 266	403 984 538

7-1 First Phase Lands

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

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

The total cost estimated for development as at December 31, 2010 of the first phase of the project based on the revised study prepared by the company's experts amounted to L.E 251 742 815 in which the estimated cost per meter amounted to LE 51.773 approximately.

- Based on the geographical survey for phase 1 made on 2008, which was prepared by the company's experts, the total area of that phase is 5 604 817 meter square in which the sold area is 4 862 347 meter square. These differences were included in purchase of land creditors as at December 31, 2010.

7-2 Second Phase Lands

- The company rented the second phase's lands 6 million meters as an extension to the touristic development of phase one,
  On March 30, 2003 the company got an initial approval from the General Authority for touristic development (Ministry of Tourism) to sell the area allocated from the touristic center for the second phase (6 million m²).

- The estimated cost as at December 31, 2010 for the project's second phase according to the study prepared by the company's experts amounted to L.E 392 607 701 with estimated cost L.E 60. And upon the sale of any of the project's lands, 7.5% of the selling price is due to the authority with minimum payment L.E 11.25/meter and increase by 10% yearly according to the contracts, applying the prime minister's decree No. 1026 of 2005 mentioned above in note (8-1) over the project's second phase.

- Based on the geographical survey for the second phase made on 2008 which is mentioned in (8-1), the total area of that phase is 7 032 867 meter square and the area to be sold from this phase is 6 542 922 meter square. These differences were included in purchase of land creditors as at December 31, 2010.

7-3 Third phase lands

The company rented the third phase's lands (20 million m²) as an extension to touristic development of the first and second phase as per the main agreement with the Authority for Touristic Development on 24/10/1995.

On March17, 2005 the company communicated the General Authority for Touristic Development to issue a letter confirming the company's rights in developing the project's third phase and On March 20, 2005 the Authority for Touristic Development replied that there are no restrictions on studying the company's proposal as long as the company fulfills the terms of the contract and the authority will notify the company with the results of the study then, according to the authority's letter dated February 26, 2007, the price of the meter was determined by USD 1.40/m.

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

And as per the geographical survey prepared by the company aforementioned, the cost of land purchased from the Authority of Touristic Development (including the contractual and allocation expenses) amounted to USD 42 411 819 which is equivalent to L.E 231 450 740. This cost is included in Work In Progress – Phase 3 and the total payments was USD 7 567 359 as at 31 December 2010 and the remaining amount due to the Authority based on the aforementioned is L.E 201 749 423 equivalent to USD 34 844 460 and included in purchase of land creditors, knowing that there are no allocation contracts for phase 3 have been concluded because the company did not submit a master plan for this phase to the Authority of Touristic Development yet. Subsequently the company did not receive a final time schedule determining payment installments, its dates and its interests till this date. That master plan for this phase is currently being prepared by the company to be submitted to the General Authority for Touristic Development .

(**)Work in process of the period included 50% of the Chief executive officer salary in return for his technical supervision on work done in Sahl Hashish at Hurghada, and also included the administrative consultancy costs of the representative of Ernst Body Corporate Management whom the company concluded a contract with for rendering consultancy and administrative services for management of Sahl Hashish Community.

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

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

- Egyptian Resorts Company (the owner) provides Orascom Co. for Development and Management the right to lease two plots of project's lands (no. 37 and 38) for an amount of $ 100 annually for the duration of the contract in order to ensure the rights of the developer of this contract.
- The developer shall execute all works in which he is entitled for through his own staff and his own expenditure where he shall receive his fees as follows:

First: sales commission

- Subject to the terms of contract (from 6 / 12 until 6 / 14), the developer shall receive 6% from all realized sales due based on the contracts concluded and after payment of a part from the advance payment from the total sales amount, and the remaining amount shall be obtained via cheques or any trusted way of payment.
- If the Owner shall acquire the remaining units or shall give it to one of its shareholders or its subsidiaries or its associates, this shall be excluded from the commission of 6% on the condition that these units shall not exceed 50 units.
- If it is necessary to use experts other than the developer's experts, the two parties agreed that the commission shall be charged s follows:
  • up to 2% shall be charged to the developer. Above 2% to 4% it would be charged as follows: 2% to the developer and the other 2% shall be charged to the owner. Above 4% it would be charged as follows: 2% shall be charged to the owner and the remaining shall be charged to the developer on condition that the commission rate to be charged to the Owner shall not exceed 8% from all sales including the developer's commission.

Second: Incentive management fees:

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

8- Accounts & Notes Receivable (Net)

The balance of accounts & notes receivable shown in the Consolidated balance sheet as at December 31, 2010 is represented as follows:

8/1 Accounts & Notes receivable - long term (Net)	31/12/2010	31/12/2009
	L.E.	L.E.
Land receivables- first phase	21 452 693	30 378 373
Land receivables- second phase	66 428 303	49 610 370
Villas receivables- first zone	--	--
Villas receivables- second zone	350 000	--
	88 230 996	**79 988 743**
Less: Deferred interest – long term	(7 102 597)	(6 027 854)
	81 128 399	**73 960 889**

	31/12/2010	31/12/2009
	L.E.	L.E.
8/2 Accounts & Notes receivable -short term (Net)		
Land receivables- first phase	101 401 581	121 659 886
Land receivables- second phase	142 590 151	246 439 826
Villas receivables- first zone	4 816 808	4 865 538
Villas receivables- second zone	6 499 999	8 050 012
Service rendered – receivables	5 428 208	9 076 154
	260 736 747	**390 091 416**
Less: Deferred interest -Short term	(1 964 544)	(3 514 312)
Less: Impairment in receivables	(8 017 000)	(17 000 000)
	250 755 203	**369 577 104**

(*) Land receivables includes balances which are against notes receivable amounted to L.E 67.148 million deposited at banks and on hand in the company as at December, 31 2010, and shall be deducted from the balance when collected.

(**) impairment in receivables is represented in the following:

	Balance as at 1/1/2010	Transferred during the year	Reverse of impairment in receivables	Used during the year	Balance as at 31/12/2010
	L.E	L.E	L.E	L.E	L.E
Land receivables	17 000 000	(877 000)	(7 124 780)	(1 858 220)	7 140 000
Rendering services	-	877 000	-	-	877 000

Balance in December 31,2010	17 000 000	-	(7 124 780)	(1 858 220)	8 017 000

9- Sundry Debtors & Other Debit Balances

The balance of sundry debtors & other debit balances shown in the Consolidated balance sheet as at December 31, 2010 are represented as follows:

	31/12/2010	31/12/2009
	L.E.	L.E.
Letters of guarantee covers	50 000	50 000
Cash imprests and loans	170 865	124 939
Prepaid expenses	914 823	744 023
Deposits with others	241 329	279 165
Accrued interest	2 886 922	505 187
Contractors (debit balances)	174 475	591 020
Sundry debtors	156 107	294 972
Withholding Tax – Debit	212 171	15 788
Income Tax Authority– debit balances	7 078 664	--
Other debit balances	67 678	42 322
	11 953 034	**2 647 416**

(*) Income Tax Authority balance (debit) amounted to L.E 7 078 664 is represented in the differences due to the company resulted from tax inspection for the years from 2005 to 2007 as per the tax inspection forms while the tax claims based on the tax pool of these years have been charged to provision for claims as at December 31, 2010.

10- Cash on Hand and at Banks

This item shown in the Consolidated balance sheet as at December 31, 2010 is represented in the following:-

	31/12/2010	31/12/2009
	L.E	L.E
Cash on hand	154 494	414 207
Banks – current accounts-L.E	37 712 052	51 612 021
Banks – current accounts-US$	35 705 448	44 631 776
Banks – current accounts-EURO	35 697	290 605
Banks-time deposit-L.E	31 663 223	173 082 909
Banks-time deposit-US$	51 685 525	39 187 027
Treasury Bills (*)	116 810 950	--
	273 767 389	**309 218 545**

(*) This item is represented in the following:
- purchase of treasury bills from Arab African International bank due on 6/7/2011 with an amount of L.E 30 million at a rate of 9.7%.
- purchase of treasury bills from Misr Iran bank due on 5/7/2011 with an amount of L.E 95 million at a rate of 10%.

11- Provision for Claims

	Balance 1/1/2010	Formed during the year	Provisions no longer required	Used during the year	Balance as at 31/12/2010
	L.E	L.E	L.E	LE	LE
Provision For claims – receivables	420 000	12 873 279	--	(3 579 771)	9 713 508
Provision For claims	4 872 148	5 330 000	(4 206 045)	(666 103)	5 330 000
Total	**5 292 148**	**18 203 279**	**(4 206 045)**	**(4 245 874)**	**15 043 508**

12- Receivables Advance Payments

Receivables advance payments shown in the consolidated balance sheet as at December 31, 2010 are represented as follows:

		L.E
A-	Amounts received from some of the clients of the holding company as a reservation paid under the account of purchasing project's lands and the company terminated a contract with one of the clients and paid him back the contracting advance payment amounting to USD 5 700 000 equivalent to LE 33 003 000 considering his delay in fulfilling his contractual obligations till this date and the legal procedures concerning this matter are currently being undertaken.	38 913 549
B-	Advance payments from receivables – rentals of Sahl Hasheesh company (subsidiary company)	1 179 254
		40 092 803

13- Sundry Creditors & Other Credit Balances

The balance shown in the Consolidated balance sheet as at December 31, 2010 is represented in the following:

	31/12/2010 L.E	31/12/2009 L.E
Sundry creditors	23 208 603	16 425 714
Contractors' retention	3 923 441	6 443 179
Suppliers	447 409	550 347
Contractors-social insurance	2 135 259	3 359 474
Accrued expenses	300 519	588 208
Due to governmental authorities	8 194 437	7 042 698
Other credit balances	-	216 031
Villas' maintenance deposits	1 118 063	1 148 063
Deposits from others (shops)	125 750	--
Dividends payable	393 499	393 499
Unearned revenues	481 489	284 465
	40 328 469	**36 451 678**

14- Due to the General Authority for Touristic Development

This item shown in the Consolidated balance sheet as at December 31, 2010 is represented as follows:

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

	31/12/2010 L.E.	31/12/2009 L.E.
Accrued rent due to the authority for the third phase	942 429	891 971
Dues to the authority for the sale of the project's land	22 828 825	24 988 351
	23 771 254	25 880 322

14-2 Dues to the authority – Long Term

The classifications of the short and long term dues to the authority is according to the customers' payments of the installments of the lands sold, thus the amounts due to the authority (long term) shown in the consolidated balance sheet as at December 31, 2010 are as follows:

	31/12/2010 L.E.	31/12/2009 L.E.
Due to General Authority for Touristic Development – Long Term	1 098 109	1 300 605

15- Capital

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

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

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

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

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

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

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

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

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

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

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

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

16- Earning per share

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

	From 1/1/2010 to 31/12/2010	From 1/1/2009 to 31/12/2009
	L.E.	L.E.
(*) Net profit for the period	(3 856 953)	4 100 006
(**) Average number of shares during the period	1 050 000 000	1 050 000 000
Earning (loss) per share	**L.E. (0.004)/share**	**L.E. 0.004/share**

(*) Earnings per share of the comparative figures has been adjusted to be L.E 0.004 instead of LE (0.004) before adjustment due to the adjustments mentioned in note no. (27).

(**) Average number of outstanding shares for comparative period was computed as follows:

The number of outstanding common stock shares were amended to be 1 050 000 000 shares after selling 25 million treasury stock share during year 2009 as if this event happened at the beginning of the financial period (1/1/2009) as per the Egyptian Accounting Standards.

17- Sales

17-1 Net sales

	From 1/1/2010 to 31/12/2010	From 1/1/2009 to 31/12/2009
	L.E.	L.E.
First zone	888 870	--
Second zone	--	--
Total revenue from sale of land	888 870	--
Less: Adjustments resulted from the geographical survey	(699 255)	--
	189 615	

17-2 Net Deferred income

	From 1/1/2010 to 31/12/2010	From 1/1/2009 to 31/12/2009
	L.E.	L.E.
Interest recalled from deferred income	8 247 042	15 503 472
Less:		
Differences resulted from rescheduling of receivables' installments	(8 272 831)	--
	(25 789)	15 503 472

(*) Differences resulted from rescheduling of receivables' installments included in the separate income amounted to L.E 8 272 831 as at December 31, 2010 are represented in the differences resulted from revaluation of deferred income balance related to installments due on some of the clients of phase 1 and 2. The revaluation concerns the rescheduling of the balance due on clients and it has been made based on the approval of the board of directors on June 27, 2010 and also based on the agreements concluded with these clients for rescheduling their installments.

17-3 sales Return

Sales returns which is included in the income statement by an amount of L.E 1 162 038 is represented in the partial reverse of an area of 46 482 meter square from a piece of land allocated for one of the clients of phase 1 and 2 Which was previously sold to the client on prior years based on the agreement concluded between the two parties on February 16, 2010.

17-4 Revenue from services rendered

	From 1/1/2010 to 31/12/2010	From 1/1/2009 to 31/12/2009
	L.E.	L.E.
Revenue from water and electricity supplied	13 447 878	9 577 241
Revenue from irrigation water supplied	895 791	609 152
Revenue from communication services supplied	1 574 846	91 791
	15 918 515	**10 278 184**

18- Cost

18-1 Cost of sales

	From 1/1/2010 to 31/12/2010	From 1/1/2009 to 31/12/2009
	L.E.	L.E.
Cost of sales villa land		
First zone	51 774	--
	51 774	--
Add:		
Cost of indemnified areas – phase one	930 181	--
	981 955	**--**

18-2 Cost of sales return

	From 1/1/2010 to 31/12/2010	From 1/1/2009 to 31/12/2009
	L.E.	L.E.
Cost of recoverable areas during the year – phase one (Note no. 19-3)	(2 406 513)	--
Less: Adjustments resulted from geographical survey – phase two	(36 904)	--
	(2 443 417)	**--**

19- Administrative and general expenses

	From 1/1/2010 to 31/12/2010	From 1/1/2009 to 31/12/2009
	L.E.	L.E.
Salaries, wages and related expenses	10826 841	6 024 045
Salaries and allowances for Board of directors (*)	2 781 031	3 802 674
Consultancy & audit fees	4 146 069	890 594
Recruitment fees	378 839	126 524
Donations	200 000	100 000
Rentals	625 791	633 076
Stationary, printings & computer expenses	385 730	663 700
Employees' training fund	147 782	71 261
Subscriptions	441 964	8 997
Traveling & transportation expenses	1 663 693	1 072 226
Publishing and advertising fees	781 542	1 651 182
Others	1 871 378	1 655 677
Total	**24 250 660**	**16 699 956**

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

20- Interest income

Interest income shown in the consolidated income statement as at December 31, 2010 is represented in the following:

	From 1/1/2010 to 31/12/2010	From 1/1/2009 to 31/12/2009
	L.E.	L.E.
Interest income from bank deposits	13 759 584	14 320 210
Interest resulted from delay in payment of installments	4 640 775	9 578 348
	18 400 359	**23 898 558**

21- Minority Interest

The balance shown in the consolidated balance sheet as at December 31, 2010 is represented in their share in owners' equity in the subsidiary company by the percentage of 30.62% as follows:

	L.E
Balance as at 1/1/2010	78 476 536
Add:	
Minority's share in the losses for the financial year ended	(5 501 0180

December 31, 2010 for the subsidiary	
Balance as at December 31, 2010	**72 975 518**

22- Tax Position

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

The tax position of the company as at 31/12/2010 is represented in the following:

22-1 corporate tax

The Company is subject to the provisions of tax law no. 157/1981 till the issuance of the new tax law no. 91/2005. The company enjoys income tax exemption for ten years starting from the first financial year subsequent to the activity inception on January 1, 1998 till December 31, 2007 in application of the provisions of article no. 4 of law no. 143/1981 concerning desert land owned by the state. This law was amended by Law No. 72/1996 with the same explanation which was stated previously in Law No. 59/1979 concerning the new urban communities. The company's books were inspected by the Tax Authority of corporate companies since company's activity inception till year 2000 and there was an assessment as per the resolution of the appeal committee and tax due was fully paid. There was tax inspection for years from 2001 till 2004 and the company was informed by form (18) and the dispute was assigned to an internal committee by the Tax Authority which declared that there were no tax differences.

The tax returns were submitted for years from 2005 to 2009 according to Law No.91 of 2005 in the due dates.

2005, 2006.2007

- 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.

Year 2008

- The tax inspection has been made for year 2008 but the company did not receive any tax forms till this date.

Year 2009

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

22-2 Salary tax

- The salary tax for the company was inspected till year 2004 and there has been tax assessment and the tax due and delay penalties amounted to L.E 214 915 after deducting payments. This assessment is based on form No.9 dated 14/6/2009.
- For the years from 2005 till 2008 is currently being inspected.

22-3 Sales tax

There has been an inspection from the date of activity's inception till year 2007 by the Tax Authority and there has been an assessment and it has been paid.

22-4 Stamp tax

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

22-5 Movable tax

There has been an inspection for the company's books from the date of activity's inception till year 2004 by the Tax Authority for corporate companies and there has been an assessment and it has been paid.

Second: Tax position for the subsidiary company (Sahl Hasheesh for touristic investment) as per what was presented in the consolidated financial statements as at December 31, 2010 which complies with the tax system of Arab Republic of Egypt in practice

- The company is subject to the provisions of law no. 8/1997 related to the issuance of guarantee and incentive investments law and its executive regulations. 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.
- The tax inspection and the final assessment for the movable taxes and salary tax were made and the due amounts paid till year 2005.
- The company also submitted its tax returns for the years 2004, 2005, 2006, 2007, 2008 and 2009.

22-7 Salary tax

There has been an inspection for the salary tax of the company till December 31, 2006 and there has been tax assessment and the resulting tax differences have been paid.

23- Financial Instruments and Risk Management

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

23-1 Fair Value

Fair value of the financial instruments reflects the reciprocal value of the asset or settlement of a liability between parties has the desire and the capability to trade with a free will, the book value of the financial instruments as at the balance sheet date is almost equivalent to its fair value other than the financial investments not registered in the Stock exchange market which are recorded at cost and its difficult to determine its fair value.

23-2 Foreign Currency Fluctuation Risk

Foreign currency risk represents the risk of fluctuation in exchange rates, which in turn affects the company's cash inflows and outflows in foreign currency as well as the value of its foreign monetary assets and liabilities as of the date of the financial position the company has foreign currency assets & liabilities equivalent to L.E 405 789 078 and L.E 263 662 333 respectively. The Company's net balances in foreign currencies at the balance sheet date are as follows:-

Foreign currencies	Surplus
USD	24 540 753
Euro	4 647

23-3 Credit Risk

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

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

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

	31/12/2010	31/12/2009
	L.E.	L.E.
Fixed assets and intangible assets	(8 940 577)	(7 431 584)
Carried forward losses	11 746 483	11 746 483
Net tax that results in (Asset) Liability	2 805 906	4 314 899

Unrecognized deferred tax that results in an asset

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

	31/12/2010	31/12/2009
	L.E.	L.E.
Provisions	5 715 511	3 484 000

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

25- Legal Reserve

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

26- Adjustments on retained earnings

Adjustments to the beginning balance of retained earnings shown in the shareholders' equity are represented in the following:

	L.E	L.E
Balance of retained earnings as per the consolidated financial statements for year 2009 (before adjustments)		(100 036 394)
Less : adjustments to the beginning balance of retained earnings are represented in the following:		
The tax related to sales reversed on year 2009 has been adjusted as per the adjusted tax return of year 2009 - Note No. (9)	(4 776 020)	
The debit adjustments resulted from correction of accounting basis measurement for the land area prepared for sale. And also	(146 349 759)	

the cost of some projects which were included in the cost of facilitating the land in which the experts used by the company on 2008 to determine the estimated cost of development and facilitating of first and second phases and considering the possibility of capitalizing these projects to be fixed assets which will generate revenues in the future. Based on the periodic study for the estimated costs till the end of year 2010 prepared by the experts used by the company, the areas of land prepared for sale shall be modified based on the current master plan for the site. And also the adjustments related to the error in the study resulted from including capitalization of some of costs to fixed assets in prior periods which should have been included in work in process instead of fixed assets in that time as these costs are directly related to the infrastructure of the project and these costs amounted to L.E 91 096 368 (note 4)		
Reversal of depreciation related to fixed assets that have been reclassified to cost of work in process, which were included in the income statement till December 31, 2008 (Note - 4).	266 772	
Adjustments resulting from the cancellation of revenue and costs related to the sale of a piece of land in phase 2, which was recorded during year 2008, as the General Authority for Touristic Development disapproved the drawings submitted to it by the client because it does not match the master plan for phase 2. This decision was based on the letter received from the General Authority for Touristic Development on September 13, 2010 (*)	(21 787 757)	
Settlement of deferred tax arising from the carried forward losses resulted from cancellation revenue and costs related to the sale of a piece of land in phase 2 (aforementioned) which were recorded during year 2008	4 357 552	
Net adjustments on the beginning balance		(168 289 212)
Adjusted beginning balance		**(268 325 606)**

(*) The debit adjustments on retained earnings as at December 31, 2010 resulting from the cancellation of revenue recognized and costs related to the sale of a piece of land in phase 2 are represented in the following: -

	Debit adjustments on the retained earning **L.E**
- Reversal of net sales based on the contract concluded with the client	22 628 401
- Reversal of deferred income recorded till year 2009	954 104
- Reversal of delay interests during year 2009	163 836
- Reversal of cost of sales related to this land	(1 920 157)

- Reversal of the revaluation of the client's balances in USD	192 376
- Reversal for the revaluation of the dues to the General Authority for Touristic Development balances in USD related to this land recorded on year 2009.	(2 421)
- Reversal for 1% from net profit recorded for the employees' training fund during year 2008	(228 382)
The impact of adjustments on retained earnings (debit)	**(21 787 757)**

27- Adjustments to the results for the comparative figures

The adjustments to the results of the financial year ended December 31, 2009 (comparative year) are represented in the following:

- Reversal of depreciation related to fixed assets that have been reclassified to work in process which were previously included in the income statement for year 2009 amounted to L.E 659 001 (note no. 4).
- The tax differences that arises an asset resulted from the carried forward losses for year 2009 that should have been recorded in yea 2009 by an amount of L.E 7 388 931.

28- Legal Position

1- A company has filed a lawsuit in order to annul a contract concluded with on the clients as the client has breached the contract terms, and the legal consultant of the company believes t hat there will be no probable obligations results from this lawsuit aforementioned.

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

First- Proceedings :

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

   (1) to cease the resolution made by the defendant to be put into action which is related to allocation and contracting for sale of 41 million meter square of lands at Sahl Hasheesh to ERC. ERC is obligated to execute the jurisdiction and without declaration.

   (2) to cancel and annul the aforementioned contract and any associated impacts as it breaches the law and also obligates the authority to pay any fees or expenses. There was no hearing set for this lawsuit before the administrative court of law till now.

- The prosecutor relied in his lawsuit on that the General Authority for Touristic Development (TDA) has allocated that land at Sahl Hasheesh by direct order which breaches the law of bids no. 9/1983 (old law of bids) considering that it is the prevailing law when contracting and also considering law no. 143/1981 of desert lands which organizes the conditions for selling lands in which the authority breaches when selling some lands lots.

- The prosecutor also relied in his lawsuit on that the General Authority for Touristic Development (TDA) did not take into consideration the public interest when signing the contract of Sahl Hasheesh, as the Authority did not follow the rules of competition rules set by old bids' law as he pointed out that the authority sold the land to ERC for a very law price and that ERC only paid a quarter of the lands price and he mentioned that there only 4 hotels have been established on that land, he also relied on that the land hasn't been developed since 1993 till now.

- As detailed above the prosecutor has appealed the sales and rental contract of desert lands at Sahl Hasheesh dated October 24, 1995 which were intended for touristic development, this contract was concluded between the authority and ERC (under establishment). It has been agreed that ERC will start pursuing its obligations from the date of execution of the aforementioned contract which is March 19, 1997, this is based on the addendum of the contract dated December 31, 2011.

- On February 28, 2011 ERC has decided to be a part of this lawsuit in order to take the legal procedures and prepare the documents that supports the company's positions. These documents which defends the company's position has been prepared.

The company's legal consultant believes that the lawsuit before council of state is still in its very early stages and the company intervened in the lawsuit since the prior court hearing only and nevertheless the company submitted a request to the state attorneys' authority in order to prepare for the lawsuit considering that there are documents should be submitted to them before being handed over to be reported, then it would be impossible for the time being to predict the results of the lawsuit it this early stage of dispute.

3- There are two arbitration lawsuits raised from two clients who purchased lands from the company, these lawsuits were concerned with the contracts concluded with ERC as they refused to commit with the company's right to collect the fees for the services of community management other than their commitment to pay maintenance expenses agreed upon in their contract. The hearing for this lawsuit has not been appointed yet.

29- Comparative figures

the financial statements has been adjusted and reclassified for the financial year ended December 31, 2009 in order to reflect the impact of the following adjustments:

Amount	**Item**
	L.E.
Decrease in fixed assets (net).	39 736 635
Decrease projects in process.	29 068 145
Increase in work in process	30 558 497
Decrease in Accounts & notes receivable – Short term	23 938 717
Decrease in Sundry debtors and other debit balances.	4 776 020
Decrease in Sundry creditors and other credit balances.	228 382
Decrease in dues to the Touristic Development Authority (due within a year).	306 876
Increase in estimated cost for development of sold land	105 562 001
Increase in deferred tax assets.	11 746 483
Decrease in retained earnings (note no. 27).	168 289 212
Increase in net profit for year 2009 (note no. 28).	8 048 932

30- Subsequent events to the date of the balance sheet

The Arab Republic of Egypt has encountered certain events that have a significant impact on the economic sectors in general, a matter which may lead to a substantial decline in the economic activities in the foreseeable future.
Therefore, there is a possibility that the above mentioned events will have a significant impact on the Company's assets, liabilities, their recoverable/settlement amounts and the results of operations in the foreseeable future.
It is difficult in the time being to determine the impact on the company's assets and liabilities included in the current financial statements as the impact for the aforementioned events relies on the expected extent and the period awaiting till the end these events and the related resulting impacts.