Translated & Originally
Issued in Arabic

Egyptian Resorts Company
"Egyptian Joint Stock Company"

The Consolidated Financial Statements
&
As at December 31, 2008

Translated & Originally
Issued in Arabic

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, 2008, and the consolidated income statement, consolidated statement of changes in equity and consolidated 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.

Basis for Qualified Opinion

We have not audited the financial statements of the subsidiary company (Sahl Hasheesh for Touristic Investment) which have been audited by another auditor. The company's total assets' percentage of total assets in the consolidated financial statements is 11.28 %.

Opinion

Except for any likely adjustments which might have been determined to be necessary, had we audited the financial statements of the subsidiary company referred to above in the basis for Qualified 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, 2008, 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.

Hazem Hassan

Auditors' register
At the Money Market General Authority No. (8)
KPMG Hazem Hassan

Cairo, April 26, 2009

Translated & Originally
Issued in Arabic

Egyptian Resorts Company
(Egyptian Joint Stock Company)

The Consolidated Balance Sheet of the Company and its Subsidiaries
As at December 31, 2008

	Note No.	31/12/2008 L.E.	31/12/2007 L.E.
Long Term Assets			
Fixed assets (Net)	(3-2,4)	36 667 932	34 801 206
Projects in progress	(3-3, 5)	231 176 926	58 211 601
Accounts & notes receivable (Net)	(3-7, 7-2)	211 707 130	180 433 296
Total Long Term Assets		**479 551 988**	**273 446 103**
Current Assets			
Work in process	(3-5,6)	351 218 574	122 938 205
Inventory	(3-4)	51 031	51 031
Accounts & notes receivable (Net)	(3-7, 7-1)	322 537 125	328 989 621
Suppliers & Contractors advance payments		13 504 155	9 526 204
Sundry debtors and other debit balances	(8)	12 029 568	3 774 344
Advance payments-purchase of land		–	43 285 294
Reservations' advances		–	8 990 000
Cash on hand & at banks	(9)	371 172 352	462 279 870
Total Current Assets		**1070 512 805**	**979 834 569**
Current Liabilities			
Provision for claims	(3-11,10)	420 000	420 000
Receivables - advance payments	(11)	34 619 995	7 007 375
Reservations' advances	(23)	-	8 990 000
Sundry creditors and other credit balances	(12)	35 753 743	22 213 492
Dividends payable		393 499	535 251
Estimated cost for development of sold land	(3-6)	58 935 110	61 138 596
Due to Authority of Touristic development-(due within one year)	(13-1)	23 765 355	33 946 335
Income tax		79 753 302	2 232 949
Total Current Liabilities		**233 641 004**	**136 483 998**
Working capital		**836 871 801**	**843 350 571**
Total Investments		**1316 423 789**	**1116 796 674**
Financed as follows:			
Shareholders' Equity			
Issued and fully paid in capital	(14)	1050 000 000	840 000 000
Less: Treasury shares	(14)	(51 640 333)	-
Legal reserve	(23)	113 279 929	99 394 633
Retained earnings		(334 862 239)	18 895 430
Net profit of the year		264 601 632	274 919 335
Less: Distributed periodical dividends		-	(142 713 967)
Shareholders' Equity of holding company		**1041 378 989**	**1090 495 431**
Minorities' interest	**(18)**	**77 899 579**	**15 919 630**
Total shareholders' equity		**1119 278 568**	**1106 415 061**
Long-term Liabilities			
Purchase of land creditors		192 326 857	-
Due to Authority of Touristic development- Long term	(13-2)	3 989 156	9 914 226
Deferred tax liability	(22)	829 208	467 387
Total Long-term Liabilities		**197 145 221**	**10 381 613**
Total shareholders' equity & Long-term Liabilities		**1316 423 789**	**1116 796 674**

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

- Review report attached.

Financial Controller	Managing Director	Chairman
Mr. Stephen Hunter	Mr. Richard Turner	Dr. Ibrahim Kamel

Translated & Originally
Issued in Arabic

Egyptian Resorts Company
(Egyptian Joint Stock Company)

The Consolidated Income statement of the Company and its Subsidiaries
For the Financial period from January 1, 2008 till December 31, 2008

	Note No.	For the financial year From 1/1/2008 to 31/12/2008 L.E	For the financial year From 1/1/2007 to 31/12/2007 L.E
Net sales	(16-1)	338 158 387	348 912 549
Revenues from services rendered		9 621 653	2 647 350
Total revenues		**347 780 040**	**351 559 899**
Less:			
Cost of sales	(16-2)	(15 645 080)	(44 874 949)
Operating costs		(6 468 477)	(4 357 112)
Operating fixed assets depreciation		(1 654 483)	(1 176 197)
Gross profit		**324 012 000**	**301 151 641**
Other revenues	(19)	33 928 378	66 000
		357 940 378	**301 217 641**
Add/(Less):			
Selling & marketing expenses		(1 907 066)	(2 771 870)
General and administrative expenses	(17)	(26 450 164)	(12 038 095)
Impairment in receivables		(10 421 691)	
Fixed assets depreciation	(4)	(526 441)	(345 502)
Banks charges		(151 517)	(128 516)
Profits resulted from operating activity		**318 483 499**	**285 933 658**
Interest income		21 544 512	11 236 325
Capital loss		(74 469)	
Foreign exchange differences		5 971 392	(9 150 160)
Financial costs (net)		27 441 435	2 086 165
Net profit before income tax		**345 924 934**	**288 019 823**
Current income tax	(3-19, 24/1)	(79 753 302)	(2 232 949)
Deferred tax that results in an asset (Liability)	(3-19,22)	(361 821)	(492 444)
Net profit after income tax		265 809 811	285 294 430
Holding company's shareholders' share in year's profits		264 601 632	285 251 430
Minorities share in profits (losses) of subsidiary company for the year		1 208 179	(43 000)
		265 809 811	285 208 430
Earning per Share (L.E/share)	**(15)**	**0.29**	**0.30**

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

Egyptian Resorts Company
(Egyptian Joint Stock Company)

Statement of Changes in Shareholders' Equity
For the Financial period from January 1, 2008 till December 31, 2008

Description	Issued & Paid in Capital L.E.	Treasury shares L.E.	Legal Reserve L.E.	Profits (losses) carried forward L.E.	Net Profit of the year L.E.	Distributed periodical dividends L.E.	Minorities' interest L.E.	Total L.E.
Balance as at December 31, 2006	**262 500 000**	**-**	**11 627 163**	**(22 106 318)**	**235 840 930**	**-**	**15 876 630**	**503 738 405**
Transferred to Retained earnings	-	-	-	235 840 930	(235 840 930)	-	-	-
Transferred to capital increase	175 000 000	-	-	(175 000 000)	-	-	-	-
Transferred to legal reserve	-	-	11 810 375	(11 810 375)	-	-	-	-
Employees' share in dividends of year 2006	-	-	-	(2 891 198)	-	-	-	(2 891 198)
Board of directors remunerations	-	-	-	(1 478 995)	-	-	-	(1 478 995)
Amounts paid for issued capital increase	262 500 000	-	-	-	-	-	-	262 500 000
Issuance premium of capital increase shares	-	-	65 625 000	-	-	-	-	65 625 000
Transferred to legal reserve from periodical dividends	-	-	10 332 095	-	(10 332 095)	-	-	-
Minorities" interest	-	-	-	-	-	-	43 000	43 000
1/1/2007 till 30/6/2007	-	-	-	-	-	(1 823 304)	-	(1 823 304)
Board of directors remuneration	-	-	-	-	-	(890 663)	-	(890 663)
Adjustments on retained earnings balance	-	-	-	(3 926 307)	-	-	-	(3 926 307)
Adjustments resulting from consolidation	-	-	-	267 693	-	-	-	267 693
Capital increase from periodical dividends as of 30/6/2007	140 000 000	-	-	-	-	(140 000 000)	-	-
Net Profits of year 2007	-	-	-	-	285 251 430	-	-	285 251 430
Balance as at December 31, 2007	**840 000 000**	**-**	**99 394 633**	**18 895 430**	**274 919 335**	**(142 713 967)**	**15 919 630**	**1106 415 061**
Transferred to Retained earnings	-	-	-	274 919 335	(274 919 335)	-	-	-
retained earnings	-	-	-	(142 713 967)	-	142 713 967	-	-
Amounts set aside for issued capital increase	210 000 000	-	-	(210 000 000)	-	-	-	-
Transferred to legal reserve	-	-	13 885 296	(13 885 296)	-	-	-	-
Distributing cash dividends for shareholders	-	-	-	(168 000 000)	-	-	-	(168 000 000)
Employees' share in dividends distribution	-	-	-	(1 591 535)	-	-	-	(1 591 535)
Board of directors' remuneration		-		(505 579)				(505 579)
Purchasing treasury shares		(51 640 333)						(51 640 333)
Minorities' interests	-	-	-	-	-	-	61 979 949	61 979 949
Adjustments on retained earnings	-	-	-	(91 980 627)	-	-	-	(91 980 627)
Net profit for the period	-	-	-	-	264 601 632			264 601 632
Balance as at September 30, 2008	**1050 000 000**	**(51 640 333)**	**113 279 929**	**(334 862 239)**	**264 601 632**	**-**	**77 899 579**	**1119 278 568**

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

Egyptian Resorts Company
(Egyptian Joint Stock Company)

The Consolidated Cash Flows Statement for the Company and its Subsidiary
For the Financial period from January 1, 2008 till December 31, 2008

	Note No.	For the financial year From 1/1/2008 to 31/12/2008 L.E.	For the financial year From 1/1/2007 to 31/12/2007 L.E.
Cash Flows from Operating Activities			
Net profit before income tax		345 924 934	288 019 823
Adjustments to Reconcile Net Profit with Net Cash Flows from Operating activities			
Impairment in receivables		10 421 691	
Fixed assets depreciation	(4)	2 180 925	1 521 699
Capital losses		74 469	
		358 602 019	**289 541 522**
Change in working capital			
(Increase) in receivables (net)		(173 129 148)	(148 252 034)
(Increase) in inventory		-	(46 391)
(Increase) in debtors & other debit balances		(8 255 257)	(891 641)
(Increase) in suppliers advance payments		(3 977 951)	(2 268 370)
(Increase) decrease in work in process		34 854 037	32 021 479
(Decrease) in receivables advance payments		(3 965 380)	(6 003 556)
Increase in creditors and other credit balances		(4 726 681)	3 885 517
Increase (decrease) in estimated cost for development of sold land		24 528 525	(6 751 065)
(Decrease) increase in due to Authority of Touristic development		(1 269 130)	9 386 238
Payments under the account of land purchase		-	(32 474 494)
(Decrease) in purchase of land creditors		-	(34 320 000)
Paid income taxes		(2 232 949)	-
Change in minorities' interests		60 771 830	-
Net cash flow available from operating activities		**281 199 915**	**103 827 205**
Cash Flows from Investing Activities			
Payments for purchase of fixed assets		(4 122 119)	(1 104 547)
Payments for projects in progress		(146 306 114)	(38 037 118)
Net cash (used in) investing activities		**(150 428 233)**	**(39 141 665)**
Cash Flows from Financing Activities			
Paid for capital increase		-	262 500 000
Paid for purchase of treasury shares		(51 640 333)	-
Paid for issuance premium of capital increase shares		-	65 625 000
Paid dividends		(170 238 867)	(6 549 762)
Net cash flow (used in) provided by financing activities		**(221 879 200)**	**321 575 238**
Net cash available during the period		(91 107 518)	386 260 778
Cash & cash equivalent as at January 1, 2008		462 279 870	76 019 092
Cash & cash equivalent as at December 31, 2008	**(10)**	**371 172 352**	**462 279 870**

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

Egyptian Resorts Company
(Egyptian Joint Stock Company)

Notes to the Consolidated Financial Statements
For the twelve months ended December 31, 2008

1- General Background

(A) General

- Egyptian Resorts Company - Egyptian joint stock Company – established under the provisions of Law No. 159 of 1981 and its executive regulations and also subject to the provisions of Law No. 95 of 1992 and its executive regulations. The company was registered in the commercial register under No. 6514 on 24/4/1996.
- The Company's duration is 50 years starting from the date of registration in the commercial registry.
- The financial year for the company starts from January 1st and ends at December 31st each year.
- The company's head office location is at Sahl Hasheesh – Hurghada – Red Sea, and the location of the company's branch at Cairo Governorate is at 4 A Aziz Abaza street – Zamalek – Cairo.
- The Chairman of the board of directors is Dr. Ibrahim Kamel Abu Eloyoon – and the Managing director is Mr. Richard Turner (and the board of directors approved these financial statements on 23/4/2009).

(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 Consolidated Financial Statements

2-1 Basis for preparation

A- Statement of compliance

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

B- Basis of measurement

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

C- Functional and presentation currency

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

D- Use of estimates and judgments

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

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

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

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

- Cost of acquisition was classified as follows:

  (A) The fair value of owned assets and liabilities as at acquisition date which is equivalent in value to the book value and in the limit of the percentage the holding company obtained on that date.

  (B) What exceeds from the acquisition cost of the holding company's share in the fair value of subsidiary company's assets and liabilities – if any – it should be recorded as goodwill and to be amortized according to the expected usefulness of this goodwill.

3- Significant Accounting Policies

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

3-1 Foreign currencies translation

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

3-2 Fixed assets and depreciation

A- Recognition and measurement

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

B- Subsequent costs

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

C- 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
Water desalination station and sewage treatment plant	
Structural works	30 years
Mechanical works	10 years
Water tank	30 years
Warehouses	30 years
Gateway	30 years

3-3 Projects in progress

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

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

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

3-4 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 progress

All Costs related to the work in progress are recorded in the work in progress account and at sale this account shall be deducted from the estimated cost account according to the actual cost of the meters sold. Work in progress is recorded at cost or the net realizable value which is lower in the unconsolidated balance sheet. This account is charged by part of the chief executive salary, experts costs and consultancy costs considering that these costs are related to work in progress.

3-6 Estimated cost for development of sold land

The cost of development of sold land is recorded initially by the actual cost of the completed part in addition to estimated cost of the not completed part in order to reach the full cost of the accomplished of all the development and utilities works related to sold land for each phase separately, and it is restudied in the light of the technical study of the total estimated cost prepared annually by the technical department for each phase and approved by the project's consultant.

3-7 Receivables, debtors and other debit balances

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

3-8 Cash flow statement

Cash flow statement is prepared according to the indirect method.

3-9 Cash an cash equivalent

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

3-10 Impairment

A- Financial assets

- A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.
- An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.
- Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.
- All impairment losses are recognized in the income statement.
- An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. For financial assets measured at amortized cost the reversal is recognized in the income statement.

B- <u>Non-financial assets</u>

- 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 <u>Provisions</u>

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 <u>Creditors and other credit balances</u>

Creditors and other credit liabilities are recorded at cost.

3-13 <u>Employees' pension plan</u>

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 customer's balances are recognized as income over its accrual period. Thus and all land sold to customers are received with full utilities ready for construction.

Financial investments' Revenue

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

Interest income

The credit interest is recorded according to the accrual basis.

3-15 Expenses

Expenses are recognized on accrual basis.

3-16 Financial costs (net)

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

3-17 Interest expenses

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

3-18 Income Tax

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

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

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

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

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

3-19 Purchase of capital's shares

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

3-20 Dividends

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

3-21 Earning per share

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

4- Fixed Assets

The balance of this item shown in consolidated balance sheet as at December 31, 2008 is represented as follows:-

	Land	Buildings	Machinery & Equipment	Furniture & Fixtures	Transportation vehicles	Sewage treatement plant	Primary gateway	Water tank	Warehouses	Water desalination station	Computers & Air-conditioning	Total
	L.E.	L.E.	L.E.	L.E.	L.E.	L.E.	L.E.	L.E.	L.E.	L.E.	L.E.	L.E.
Cost as at 1/1/2008	521 610	6 430 056	942 004	705 269	1 286 841	11 514 253	4 801 902	2 177 545	1 514 767	9 040 637	1 559 442	40 494 326
Additions during the year	-	177 330	545 664	1 220 347	-	-	-	-	-	-	2 178 778	4 122 119
Disposals during the year			4 200	36 949							138 368	179 517
Cost as at 31/12/2008	**521 610**	**6 607 386**	**1 483 468**	**1 888 667**	**1 286 841**	**11 514 253**	**4 801 902**	**2 177 545**	**1 514 767**	**9 040 637**	**3 599 852**	**44 436 928**
Accumulated Depreciation as at 1/1/2008	-	955 724	643 813	331 344	1 186 459	569 755	106 709	35 622	25 248	464 111	1 374 335	5 693 120
Depreciation of the period	-	129 089	95 441	60 808	29 177	621 551	160 063	72 585	50 492	800 283	161 435	2 180 924
Accumlated depreciation of disposals			455	23 764							80 829	105 048
Accumulated Depreciation as at 31/12/2008	**-**	**1 084 813**	**738 799**	**368 388**	**1 215 636**	**1 191 306**	**266 772**	**108 207**	**75 740**	**1 264 394**	**1 454 941**	**7 768 996**
Net book value as at 31/12/2008	**521 610**	**5 522 573**	**744 669**	**1 520 279**	**71 205**	**10 322 947**	**4 535 130**	**2 069 338**	**1 439 027**	**7 776 243**	**2 144 911**	**36 667 932**
Net book value as at 31/12/2007	**521 610**	**5 474 332**	**289 192**	**373 925**	**100 382**	**10 944 497**	**4 695 193**	**2 141 923**	**1 489 519**	**8 576 526**	**185 107**	**34 801 206**

*** Fixed assets include assets fully depreciated, its cost amounted to L.E 2 815 697 as at December 31, 2008 as follows:**

	L.E
Transportation vehicles	1 158 741
Machinery & equipment	250 984
Buildings (Caravans)	82 831
Computers	1 323 141
	2 815 697

Depreciations were classified as follows:

Operating fixed assets depreciation	1 654 482
Administrative fixed assets depreciation	526 441
	2 180 923

5- **Projects in Progress**

The balance of this item shown in the consolidated balance sheet as at December 31, 2008 represented as the follows:

	31/12/2008	**31/12/2007**
	L.E	**L.E**
Sahl Hasheesh Company		
Land	31 451 948	30 802 254
Work processed by Sahl Hasheesh Company	33 082 016	22 159 455
Work processed by Katoo for contracting	-	5 237 426
Contractors' advance payments	12 466	12 466
Egyptian Resorts Company		
Public landscape & irrigation ph1	14 609 299	-
Road network	13 642 142	-
Electrical network	11 723 723	-
Water Tank 500 m2	53 423	-
Water Tank 6000 m2	6 219 091	-
Hydraulic network	65 374 364	-
Main gate & Guardhouse	546 649	-
Admin building	560 501	-
Arrival Piazza	13 811 156	-
Pharonic Gate	904 622	-
Pier & Sunken City	13 507 244	-
Employee Housing	5 516 518	-
Desalination plant	5 859 207	-
Board Walk	5 570 246	-
STP phase 2 & 3	2 828 846	-
Telecom Network	369 262	-
Marketing Signs & flags	3 071 013	-
Sundry projects in progress	2 463 190	-
Balance as at 31/12/2008	**231 176 926**	**58 211 601**

- Projects in progress are transferred to fixed assets as soon as it was executed.
- The company concluded a contract with KATO for contracting Co. (related party- the chairman of KATO for investments is also the chairman for ERC, and KATO for investments is the main investor in KATO for contracting).

6- Work in Progress

The actual cost for the work in progress account shown in the consolidated balance sheet as at December 31, 2008 is represented as follows:-

		Balance as at 31/12/2008	Balance as at 31/12/2007
		L.E.	L.E.
6-1	Cost of the project's lands haven't been sold yet 1 447 396 m²- Phase 1	24 455 976	24 633 015
6-2	Cost of the project's lands haven't been sold yet 5 345 336 m²-Phase 2	68 660 798	67 290 685
6-3	Cost of project's lands 28 312 296 million m² – Phase 3	258 101 800	31 014 505
		351 218 574	122 938 205

6-1 The estimated cost for Phase 1 of the project as at December 31, 2008 according to the study prepared by the company's experts amounted to L.E 125 310 470 (with estimated cost L.E 22.3576 / meter in which was 56.15 on December 31, 2007) and upon the sale of any of the project's lands, 7.5% of the selling price is due to the authority with minimum payment L.E 11.25/meter according to the contracts.

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

The project's first Phase is purchased from the Touristic development Authority.

6-2 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 balance of the work in progress includes an amount of L.E 46 134 750 equivalents to US$ 8 025 000 represented as follows:

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

- The estimated cost as at December 31, 2008 for the project's second phase according to the study prepared by the company's experts amounted to L.E 241 331 213 (with estimated cost L.E 34.3147 / meter which was 40.91 on December 31, 2007) and upon the sale of any of the project's lands, 7.5% of the selling price is due to the authority with minimum payment L.E 11.25/meter according to the contracts, applying the prime minister's decree No. 1026 of 2005 mentioned above in note (7-1) over the project's second phase.

6-3 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.

On March17, 2005 the company communicated the General Authority for Touristic Development to issue a letter confirming the company's rights in developing the project's third phase. On March 20, 2005 the Authority for Touristic Development replied that there are no restrictions on studying the company's proposal as long as the company fulfills the terms of the contract and the authority will notify the company with the results of the study then, according to the authority's letter dated February 26, 2007, the price of the meter was determined by $ 1.40/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 amounted to 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 amounted to USD 39 637 214 which is equivalent to L.E 226 734 178. This cost is included in Work In Progress – Phase 3, 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.

(*) During the period from July 2008 till December 2008 work in process included 50% of the Chief executive officer salary in return for his technical supervision on work done in Sahl Hasheesh at Hurghada, and also included cost administrative consultancy costs of Mr. Stephen Hunter (chief community administrator at Sahl Hasheesh).

7- Accounts & Notes Receivable (Net)

The balance of accounts & notes receivable shown in the consolidated balance sheet as at December 31, 2008 is represented as follows:

	31/12/2008 L.E.	31/12/2007 L.E.
7/1 Accounts & Notes receivable (short term)		
Land receivables- first phase	129 683 657	257 938 009
Land receivables- second phase	194 706 917	52 760 285
Villas receivables- first zone	5 286 145	7 144 067
Villas receivables- second zone	11 141 120	11 725 569
	340 817 839	**329 567 930**
Add: Short term – deferred interests	(7 280 714)	(23 748 537)
Less: Impairment in receivables	(11 000 000)	(578 309)
	322 537 125	305 241 084

7/2 Accounts & Notes receivable(Long term)	31/12/2008 L.E.	31/12/2007 L.E.
Land receivables- first phase	83 580 526	184 496 709
Land receivables- second phase	149 159 421	38 885 028
Villas receivables- first zone	678 744	3 529 894
Villas receivables- Second zone	--	5 393 918
	233 418 691	**232 305 549**
***Less:** Long term – deferred interests	(21 711 561)	(28 123 716)
	211 707 130	**204 181 833**

(*) the collection from receivables paid by post dated cheques (which were not deducted from receivables) in which deposited on hand and at banks amounted to L.E 39 212 382 as at December 31, 2008.

8- Sundry Debtors & Other Debit Balances

The balance of sundry debtors & other debit balances shown in the consolidated balance sheet as at December 31, 2008 is represented as follows:

	31/12/2008 L.E.	31/12/2007 L.E.
Letters of guarantee covers	50 000	50 000
Cash imprests and loans	81 850	151 256
Prepaid expenses	655 193	37 747
Withholding tax	4 582	1 419
Deposits with others	177 514	82 525
Accrued interest	1 154 383	399 621
Contractors (debit balances)	2 083 943	1 448 437
Sundry debtors	596 789	1 603 339
Debtors of utilities	6 453 996	--
CEO current account(*)	771 318	--
	12 029 568	3 774 344

The balance is represented in the amounts disbursed to the chief executive officer for his personal expenses and prepaid salaries. This balance is settled after adjusting what was previously deducted from his monthly salary during the financial year ended December 31, 2008.

9- Cash on Hand and at Banks

This item shown in the consolidated balance sheet as at December 31, 2008 is represented in the following:-

	31/12/2008 L.E	31/12/2007 L.E
Cash on hand	489 932	60 285
Banks – current accounts-L.E	33 600 416	29 149 008
Banks – current accounts-US$	44 147 044	8 822 374
Banks – current accounts-EURO	289 818	562 577
Banks-time deposit-L.E	251 122 125	344 785 646
Banks-time deposit-US$	39 313 197	52 732 447
Cheques under collection	2 209 820	26 167 533
Balance	371 172 352	462 279 870

(*) Time deposits at banks in L.E and USD are represented in time deposits due within three months.

10- Provision for Claims

This item shown in the consolidated balance sheet as at September 30, 2008 with an amount of L.E 420 000 out of which L.E 250 000 are formed to face the salaries tax inspection differences for year 2004.

11- Advance Payments from Receivables

Advance payments from receivables as at December 31, 2008 are represented as follows:

		L.E
A-	Deposits received from some of the customers of the holding company under the account of purchasing villa's lands in the project's first phase and lands in the second phase (compared to L.E 4 240 250 as at December 31, 2007).	31 926 185
B-	Advance payments from receivables – rentals of Sahl Hasheesh company (subsidiary company)	2 693 810
		34 619 995

12- Sundry Creditors & Other Credit Balances

The balance shown in the consolidated balance sheet as at December 31, 2008 is represented in the following:

	31/12/2008 L.E	31/12/2007 L.E
Sundry creditors	17 570 403	9 055 761
Contractors' retention	6 880 790	5 896 754
Contractors-social insurance	2 974 738	2 491 961
Accrued expenses	275 363	655 742
Due to governmental authorities	5 261 210	1 220 562
Other credit balances	1 643 177	2 232 712
Villas' maintenance deposits	1 148 062	660 000
	35 753 743	**22 213 492**

13- Due to the General Authority for Touristic Development

This item shown in the consolidated balance sheet as at December 31, 2008 is represented as follows:

13-1 Dues to the authority – due within one year

	31/12/2008 L.E.	31/12/2007 L.E.
Accrual rent for the third phase	889 222	865 928

Liabilities due to the authority for the sale of the project's land	22 866 133	33 080 407
Balance	23 765 355	33 946 335

13-2 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 unconsolidated balance sheet as at December 31, 2008 are as follows:

	31/12/2008	**31/12/2007**
	L.E.	**L.E.**
Due to General Authority for Touristic Development – Long Term	3 989 156	9 914 226

14- Capital

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

- **Reduction of the issued capital**

According to the extra ordinary general assembly meeting dated 28/11/2004 unanimously agreed upon the following:

1- reducing the issued capital from L.E 350 millions to L.E 210 millions, by reducing the par value of the shares from L.E 100 to L.E 60 for the same number of shares (3.5 million share) accordingly the company's issued capital is fully paid, to organize the company's position according to the procedures and continuation of the registration of the stocks in the stock exchange market.

2- Splitting the par value of the shares from L.E 60 to L.E 10 then the number of shares will be 21 million shares instead of 3.5 million shares, thus the company's issued and fully paid in capital amounted to L.E 210 millions divided over 21 million shares at a par value of L.E 10.

- **Increase of the issued and paid in capital**

As per the decision of General Assembly Meeting held on 11/5/2006 and the decision of the company's board of directors on 24/5/2006 which approved on retaining the shareholders share in dividends for the financial year ended 31/12/2005 under the account of increase of issued and paid in capital which amounted to L.E 52 500 000 (fifty two million five hundred thousand Egyptian pounds) which will be one free stock for each four owned stocks (these stocks amounted to 21,000,000) though the company's issued and paid in capital became L.E 262 500 000 represented in 26,250,000 shares in which the nominal value of the share is L.E 10. There was annotation in the commercial register on 18/7/2006.

- **Reduction of share's nominal value**

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

- **Authorized capital increase**

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

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

  - Increase in Issued and Paid in capital

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

  - Increase in Issued and Paid in capital

    Issued and paid in capital was increased by an amount of L.E 262.5 million (two hundred sixty two million and five hundred thousand Egyptian pounds) which was fully paid by the subscription of old shareholders in capital as per the decision of the board of directors on 25/3/2007. The share was issued by a nominal value of L.E 1 in addition to issuance premium of 25 piaster for each share. The total number of issued and subscribed shares is 262.5 million shares as per the certificate from Misr Iran bank dated June 20, 2007. There was annotation in the commercial register on 16/7/2007.

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

    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 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.

15- Earning per share

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

	From 1/1/2008 to 31/12/2008	**From 1/1/2007 to 31/12/2007**
	L.E.	**L.E.**
Net profit for the period	264 601 632	285 251 430
Less:		
Employees' share in proposed appropriation profit	--	(4 138 806)
Board of directors remuneration	--	(1 931 580)
(*)Average number of shares during the period	924 337 980	924 337 980
Earning per share	**0.29 L.E/share**	**0.30 L.E/share**

Earning per share was computed as follows:

1- Earning per share was not affected by the share of employees and board of directors in profits as its being determined by the appropriation profit proposed by the board of directors at the end of the year and till being approved by the General Assembly Meeting.

2- Average number of outstanding shares for comparative period was computed as follows:
The number of common stock shares which were outstanding before the capital increase during year 2007 was amended to be 924 337 980 shares as if this event happened at the beginning of the financial period (1/1/2007) as per the Egyptian Accounting Standards.

16- Net Sales and Costs of Sale

16-1 Net sales

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

	From 1/1/2008 to 31/12/2008	**From 1/1/2007 to 31/12/2007**
	L.E.	**L.E.**
Revenues from sale of land		
Phase one	46 378 685	277 633 703
Phase two	262 938 868	38 770 754
Revenues from sale of villas *		
First zone	-	4 017 349
Second zone	-	4 224 026
Total revenues from sale of land and villas	309 317 553	324 645 832
Accrued revenues from previously sold land	28 840 834	24 266 717
Total	**338 158 387**	**348 912 549**

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

(**) The revenues of first phase includes revenues of utilizing an area of 100 000 meter squared in favor of Alsharkya Company for Touristic Establishments as a Development of first phase lands, the price per meter squared is L.E 80 as per the contract concluded between both companies. An amount of L.E 2 000 000 was paid on June 28, 2008 and the remaining amount which is L.E 6 000 000 should be paid on semi annual installments ends on February 28, 2010.

16-2 Cost of land

	From 1/1/2008 to 31/12/2008	**From 1/1/2007 to 31/12/2007**
	L.E.	**L.E.**
Cost of land		
Phase one(*)	3 602 865	41 712 224
Phase two	12 042 215	2 261 903
Cost of sale of villas		
First zone	--	334 524
Second zone	--	566 298
Total	**15 645 080**	**44 874 949**

(*) The cost of first phase sales included an amount represented in the actual costs for utilizing an area of 100 000 meter squared which is owned by Alsharkya Company for Touristic Establishments in which it was agreed to utilize its lands by Egyptian resorts Company as a development of first phase lands as mentioned in note (16/1).

17- Administrative and General Expenses

	From 1/1/2008 to 31/12/2008	From 1/1/2007 to 31/12/2007
	L.E.	L.E.
Salaries, wages and related expenses	18 265 870	5 480 934
Consultancy & professional fees	350 745	230 957
Recruitment fees	473 819	--
Donations	108 932	159 263
Rentals	501 223	212 766
Stationary, printings & computer expenses	519 971	78 493
Telephone, postage & electricity	362 194	92 748
Employees' training fund	3 255 385	4 854 969
Subscriptions	254 412	39 917
Traveling & transportation expenses	207 083	108 166
Others	2 150 530	779 882
Total	26 450 164	12 038 095

(*) Salaries, wages, allowances and its related include 50 % from salary of chief executive officer for the period from July 1, 2008 till December 31, 2008 and the other 50% was charged to work in process considering that it is a direct cost on the projects.

18- Minority Interest

The balance shown in the consolidated balance sheet as at December 31, 2008 is represented in their share in owners' equity in the subsidiary company by the percentage of 31.56% as follows:

	L.E
Balance as at 1/1/2008	15 919 630
Less:	
Minority's share in the profits of the financial year ended as at December 31, 2008	1 208 179

Minority's share in capital increase	60 771 770
Balance as at December 31, 2008	**77 899 579**

19- Other operating revenues

Other operating revenues included in the income statement on 31/12/2008 are as follows:

	For the period from 1/1/2008 till 31/12/2008	For the period from 1/1/2007 till 31/12/2007
Decreasing cost of land sold in prior years(*)	33 705 113	--
Miscellaneous revenues	223 265	66 000
Total	33 928 378	66 000

Costs of land sold charged in prior years were decreased because of amending the estimated average cost of land sold per meter for both phase 1 and phase 2 during year 2008 which resulted from the following:

1- Amending the geographical survey for the land purchased from Authority for Touristic Development as per the contract concluded on October 24, 1995 by an area amounted to 32 million meter squared, this happened as a result of the area survey which was done by using some expertise in this field to determine the final area for the project during year 2008. The report prepared by these authorities on October, 2008 stated that the project's lands' area amounted to 40 949 989 meter squared as follows:

Phase	Total area before amendment Meter squared	Total area after amendment Meter squared
Phase 1	6 000 000	5 604 817
Phase 2	6 000 000	7 032 876
Phase 3	20 000 000	28 312 296
Total	32 000 000	40 949 989

Cost of sold land related to these phases was amended by the differences in areas as per the prices of purchasing the meter squared for each phase in which pre-agreed upon with the Authority for Touristic development.

2- And also the company concluded a contract with Ernst Body Corporate Management in order to provide management and consulting services for the Community who decided to develop the services presented to the community's customers which permits the company to receive fees in return for the services presented to them and also for cost recovery of the community's management, this made the finance department amend the accounting policy used for the work in process for amounts were classified and charged to the projects in process as an embark to capitalize it to the fixed assets when finished considering that these assets are providing services which will generate future revenues. This opinion is based on the company's legal consultant opinion dated April 14, 2009 who stated that the company is entitled to impose on the customers charges as the company executed its obligations towards them. The amount of Work In Process which has been classified and charged to Projects In Process amounted to L.E 127 385 507 as at December 31, 2008.

Based on the aforementioned, the estimated cost of sales per meter squared necessary for development of those phases in the light of the study prepared by company's expertise has been amended as for the cost per meter squared to be L.E 22.36 and 34.31 for both phase 1 and phase 2 respectively instead of 56.15 and 40.91 for both phase 1 and phase 2 respectively, the estimated cost of sales for the land for phase 3 amounted to L.E 55.27 but no lands were sold from this phase yet. And amending the cost of sold land in prior years resulted in an amendment of L.E 33 705 113 as mentioned above.

20- 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 31/12/2008 is represented in:

19-1 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 explanations which was stated previously in law no. 59/1979 concerning the new urban communities. The company's books were inspected by the Tax Authority of corporate companies since company's activity inception till year 2000 and there was an assessment as per the resolution of the appeal committee and tax due was fully paid. There was tax inspection for years from 2001 till 2004 and the company was informed by form (18) and the dispute was assigned to an internal committee by the Tax Authority which declared that there were no tax differences.

The tax returns were submitted for years 2005, 2006 and 2007 according to Law No.91 of 2005 in the due dates.

19-2 Salary tax

The salary tax for the company was inspected starting from the company's activity inception till year 2003 and there was an assessment as per the resolution of the internal committee and there were no disputes. There was Tax inspection for year 2004 and there was assessment as per the resolution of the internal committee which amounted to L.E 920 623 in which L.E 668 808 was paid and the company formed a provision by the difference.

19-3 Sales tax

The company was inspected by the Tax Authority from the activity inception till year 2005 and there was assessment by an amount of L.E 18 500 which was paid.

19-4 Stamp tax

The company was inspected by the Tax Authority from the activity inception till year 2005 and there was assessment by an amount of L.E 4 875 which was paid. The company was inspected for the period from January 1, 2006 till July 31, 2007 and there was an assessment by an amount of L.E 5 305 which was paid.

19-5 Movable tax

The company's books were inspected by the Tax Authority of corporate companies since company's activity inception till year 2000 and the dispute was assigned to estimate the tax pool by the Tax Authority and there was an assessment and all tax due were paid. There was tax inspection for years from 2001 till 2004 and the dispute was assigned to an internal committee by the Tax Authority which made a final assessment by an amount L.E 131 192 and this amount was paid.

Second: Tax position for the subsidiary company (Sahl Hasheesh for touristic investment) as per what was presented in the consolidated financial statements as at December 31, 2008 which complies with the tax system of Arab Republic of Egypt in practice

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

21- Financial Instruments and Risk Management

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

21-1 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.

21-2 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 588 761 618 and L.E 249 796 829 respectively.

The Company's net balances in foreign currencies at the balance sheet date are as follows:-

Foreign currencies	**Surplus (Shortage)**
USD	61 251 958
Euro	37 178

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

21-3 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.

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

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

	31/12/2008	**31/12/2007**
	L.E.	**L.E.**
Fixed assets	(829 208)	(515 387)
Provisions	--	48 000
Net tax that results in (Liability) Asset	**(829 208)**	**(467 387)**

23- 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.

24- Adjustments on Retained Earnings

Adjustments on retained earnings as at December 31, 2008 resulted from reversing sales and cost of sales which were recorded during year 2006 related to the contract of land sale to one of the clients considering that there are legal problems which hinder the company from executing its obligations towards the client as per the sales contract. These legal problems are represented mainly in the difficulty of obtaining the necessary licenses for the client from the sovereign authorities till this date as per the company’s legal consultant statement dated June 22, 2008 though it is necessary to take these difficulties into consideration before preliminary recording of sales and cost of sales of that contract. This affected on the accounts as follows:

	31/12/2008 Before sales reverse	31/12/2008 After sales reverse	Sales reverse effect (credit) debit
	L.E	L.E	L.E
Accounts and notes receivable	899 813 355	755 663 371	(144 149 984)
Deferred interests	(56 342 242)	(45 102 145)	11 240 097
Work in process	320 035 503	347 557 758	27 522 255
Receivables advance payments	(986 825)	(31 976 300)	(30 989 475)
Sundry creditors – training fund	(32 899 225)	(31 970 128)	929 097
Estimated cost for development of sold land	(62 350 864)	(35 618 854)	26 732 010
Due to Authority of Touristic Development (commission due on sales of land)	(40 164 094)	(25 327 174)	14 836 920
Income tax balance	(66 297 961)	(65 918 271)	379 690
Recalled deferred revenue	(34 721 127)	(30 087 272)	4 633 855
Foreign exchange differences (recorded during the period)	8 975 847	6 240 445	(2 735 402)
Income tax expense	66 297 961	65 918 271	(379 690)
Effect on Profits (losses) carried forward			91 980 627

25- Comparative figures

The comparative figures have been reclassified to agree with the classification of the figures in the financial statements as at December 31, 2008 without any effect on the income statement.