

*Translated & Originally
Issued in Arabic*

Egyptian Resorts Company
“Egyptian Joint Stock Company”

The Consolidated Financial Statements
&
Auditor’s Report
As at December 31, 2009

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Auditor's Report

To the Shareholders of Egyptian Resorts Company

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Egyptian Resorts Company (S.A.E), which comprise the consolidated balance sheet as at December 31, 2009, 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.

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, 2009, 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.

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 10, 2010

Egyptian Resorts Company
(Egyptian Joint Stock Company)

The Consolidated Balance Sheet of the Company and its Subsidiaries
As at December 31, 2009

	<u>Note No.</u>	<u>12/31/2009</u> L.E.	<u>12/31/2008</u> L.E.
<u>Long Term Assets</u>			
Fixed assets (Net)	(3-2,4)	179 801 602	36 667 932
Projects in progress	(3-3,5)	152 139 080	231 176 926
Accounts & notes receivable (Net)	(3-7,2-7)	73 960 889	211 707 130
Total Long Term Assets		405 901 571	479 551 988
<u>Current Assets</u>			
Work in process	(6 + 5-3)	373 426 041	351 218 574
Inventory	(4-3)	51 031	51 031
Accounts & notes receivable (Net)	(1/7 + 7/3)	393 515 821	328 991 121
Suppliers & contractors advance payments		7 582 582	13 504 155
Sundry debtors and other debit balances	(8)	7 423 436	5 575 572
Cash on hand & at banks	(9)	309 218 545	371 172 352
Total Current Assets		1091 217 456	1070 512 805
<u>Current Liabilities</u>			
Provision for claims	(10 + 11-3)	420 000	420 000
Receivables- advance payments	(11)	33 653 264	34 619 995
Sundry creditors and other credit balances	(12)	36 321 681	35 753 743
Dividends payable		393 499	393 499
Estimated cost for development of sold land	(6-3)	41 585 092	58 935 110
Due to Authority of Touristic Development-(due within one year)	(1/13)	25 880 322	23 765 355
Income tax provision		4 872 148	79 753 302
Total Current Liabilities		143 126 006	233 641 004
Working capital		948 091 450	836 871 801
Total Investments		1353 993 021	1316 423 789
<u>Financed as follows:</u>			
<u>Shareholders' Equity</u>			
Issued and fully paid in capital	(14)	1050 000 000	1050 000 000
Less: Treasury shares	(14)	-	(51 640 333)
Gains from sale of treasury shares		6 041 052	-
Legal reserve	(22)	123 986 754	113 279 929
Carried forward losses	(23)	(100 071 514)	(334 862 239)
Net (loss) profit for the year		(3 947 926)	264 601 632
Shareholders' Equity of holding company		1076 008 366	1041 378 989
Minorities' interest	(18)	78 476 536	77 899 579
Total Shareholders' Equity		1154 484 902	1119 278 568
<u>Long-term Liabilities</u>			
Purchase of land creditors		190 775 930	192 326 857
Due to Authority of Touristic Development- Long term	(14-2)	1 300 605	3 989 156
Deferred tax liability	(3-19,22)	7 431 584	829 208
Total Long-term Liabilities		199 508 119	197 145 221
Total shareholders' equity & Long-term Liabilities		1353 993 021	1316 423 789

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

- Auditor report attached.

Financial Controller
Mr. Moustafa Kamel

Managing Director
Mr. Mohamed Ibrahim Kamel

Chairman
Dr. Mahmoud Abd Allah

Egyptian Resorts Company
(Egyptian Joint Stock Company)

The Consolidated Income Statement of the Company and its Subsidiaries
For the financial year from January 1, 2009 till December 31, 2009

	<u>Note No.</u>	<u>For the financial year</u> <u>From 1/1/2009</u> <u>to 31/12/2009</u> L.E.	<u>For the financial year</u> <u>From 1/1/2008</u> <u>to 31/12/2008</u> L.E.
Net sales	(1/16)	15 503 472	338 158 387
Revenues from services rendered		10 278 184	9 621 653
Total revenues		25 781 656	347 780 040
Less:			
Cost of sales	(2/16)	-	(15 645 080)
Operating expenses		(9 969 028)	(6 468 477)
Depreciation of operating fixed assets	(4)	(4 363 807)	(1 654 483)
Gross profit		11 448 821	324 012 000
Other operating revenues		748 944	33 928 378
		12 197 765	357 940 378
Selling & marketing expenses		(1 670 115)	(1 907 066)
General and administrative expenses	(17)	(16 699 956)	(26 450 164)
Impairment in receivables		(6 000 000)	(10 421 691)
Fixed assets depreciation	(4)	(1 322 132)	(526 441)
Banks charges		(98 243)	(151 517)
(Losses) Profits resulted from operating activity		(13 592 681)	318 483 499
Interest income		23 898 558	21 544 512
Capital loss		-	(74 469)
Foreign exchange differences		(2 202 322)	5 971 392
		21 696 236	27 441 435
Net profit before income tax		8 103 555	345 924 934
Income tax provision	(18/3)	(4 872 148)	(79 753 302)
Deferred tax that results in a (liability)	(21 + 18/3)	(6 602 376)	(361 821)
Net (loss) profit after income tax		(3 370 969)	265 809 811
Holding company's shareholders' share in the year's profits		(3 947 926)	264 601 632
Minorities share in profits of subsidiary company for the year		576 957	1 208 179
		(3 370 969)	265 809 811
Earning per share	(15)	(0.004)	0.26

* 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)

Consolidated Statement of Changes in Shareholders' Equity for the company & its subsidiaries
For the financial year from January 1, 2009 till December 31, 2009

Description	Note No.	Paid in Capital L.E.	Treasury Shares L.E.	Gains from Sale of Treasury Shares L.E.	Legal Reserves L.E.	(losses) profits carried forward L.E.	Net Profit of the year L.E.	Periodical dividends L.E.	Minorities' interest L.E.	Total L.E.
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 Closing the periodical dividends as at June 30, 2007 in retained earnings		-	-	-	-	274 919 335	(274 919 335)	-	-	-
Amounts set aside from dividends for issued capital increase		-	-	-	-	(142 713 967)	-	142 713 967	-	-
Transferred to legal reserve		210 000 000	-	-	13 885 296	(210 000 000)	-	-	-	-
Shareholders' share in dividends		-	-	-	-	(13 885 296)	-	-	-	(168 000 000)
Employees' share in dividends		-	-	-	-	(168 000 000)	-	-	-	(1 591 535)
Board of directors' dividends		-	-	-	-	(1 591 535)	-	-	-	(505 579)
Purchasing Treasury shares		-	(51 640 333)	-	-	(505 579)	-	-	-	(51 640 333)
Minorities' interests		-	-	-	-	-	-	-	61 979 949	61 979 949
Adjustments on retained earnings		-	-	-	-	(91 980 627)	-	-	-	(91 980 627)
Net Profits for the year		-	-	-	-	-	264 601 632	-	-	264 601 632
Balance as at December 31, 2008		1050 000 000	(51 640 333)	-	113 279 929	(334 862 239)	264 601 632	-	77 899 579	1119 278 568
Transferred to retained earnings		-	-	-	-	264 601 632	(264 601 632)	-	-	-
Transferred to legal reserve		-	-	-	10 706 825	(10 706 825)	-	-	-	-
Sale of Treasury shares		-	51 640 333	6 041 052	-	-	-	-	-	57 681 385
Adjustments on retained earnings	(23)	-	-	-	-	(19 104 082)	-	-	-	(19 104 082)
Net profit for the year		-	-	-	-	-	(3 947 926)	-	576 957	(3 370 969)
Balance as at December 31, 2009		1050 000 000	-	6 041 052	123 986 754	(100 071 514)	(3 947 926)	-	-	1154 484 902

- 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, 2009 till December 31, 2009

	<u>Note No.</u>	<u>For the financial year</u> <u>From 1/1/2009</u> <u>to 31/12/2009</u> L.E.	<u>For the financial year</u> <u>From 1/1/2008</u> <u>to 31/12/2008</u> L.E.
<u>Cash Flows from Operating Activities</u>			
Net profit before income tax		8 103 555	345 924 934
<u>Adjustments to Reconcile Net Profit with Net Cash Flows from Operating activities</u>			
Impairment in receivables		6 000 000	10 421 691
Fixed assets depreciation	(4)	5 685 939	2 180 925
Capital losses		-	74 469
		<u>19 789 494</u>	<u>358 602 019</u>
<u>Change in working capital</u>			
Decrease (increase) in receivables (net)		70 119 092	(173 129 149)
Decrease (increase) in debtors & other debit balances		2 928 156	(8 255 256)
Decrease (increase) in suppliers advance payments		5 921 575	(3 977 951)
(Increase) decrease in work in process		(22 207 467)	34 854 037
Decrease in receivables advance payments		(966 731)	(3 965 380)
Increase (decrease) in creditors and other credit balances		809 150	(4 726 681)
Changes in estimated cost for development of sold land		(16 047 466)	24 528 524
(Decrease) in due to Authority of Touristic development		(567 752)	(1 269 129)
Decrease in purchase of land creditors		(29 875 197)	-
Paid income taxes		(79 753 302)	(2 232 949)
Net cash flow (used in) available from operating activities		<u>(49 850 448)</u>	<u>220 428 085</u>
<u>Cash Flows from Investing Activities</u>			
Payments for purchase of fixed assets		(5 691 687)	(4 122 119)
Payments for projects in progress		(64 093 057)	(146 306 114)
Net cash (used in) investing activities		<u>(69 784 744)</u>	<u>(150 428 233)</u>
<u>Cash Flows from Financing Activities</u>			
Paid for purchase of treasury shares		-	(51 640 333)
Paid dividends		-	(170 238 867)
Proceeds from treasury shares' sale		57 681 385	-
Minorities' share in capital increase		-	60 771 830
Net cash flow available (used in) financing activities		<u>57 681 385</u>	<u>(161 107 370)</u>
Net cash & cash equivalent used during the year		(61 953 807)	(91 107 518)
Cash & cash equivalent as at January 1, 2009		<u>371 172 352</u>	<u>462 279 870</u>
Cash & cash equivalent as at December 31, 2009	(9)	<u>309 218 545</u>	<u>371 172 352</u>

(*) The impact of transferring an amount of L.E 143 127 922 from projects in progress to fixed assets additions has been eliminated (Note-4) considering it as non cash transaction.

- 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 financial year ended December 31, 2009**

1- General Background

(A) General

- Egyptian Resorts Company - Egyptian joint stock Company – established under the provisions of Law No. 159 of 1981 and its executive regulations and also subject to the provisions of Law No. 95 of 1992 and its executive regulations. The company was registered in the commercial register under No. 6514 on 24/4/1996.
- The Company's duration is 50 years starting from the date of registration in the commercial registry.
- The financial year for the company starts from January 1st and ends at December 31st each year.
- The company's head office location is at Sahl Hasheesh – Hurghada – Red Sea, and the location of the company's branch at Cairo Governorate is at 4 A Aziz Abaza Street – Zamalek – Cairo.
- The Chairman of the board of directors is Mr. Mahmoud Abd Allah – and the Managing director is Mr. Mohamed Ibrahim Kamel Abu Eloyoon (and the board of directors approved these financial statements on 09/03/2010).

(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 unconsolidated financial statement

2-1 Basis for preparation

A- Statement of compliance

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

B- Basis of measurement

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

C- Functional and presentation currency

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 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 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
<u>Water treatment station and deflation station</u>	
Structural works	30 years
Mechanical works	10 years
Water tank	30 years
Warehouses	30 years
Gateway	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 progress

All Costs related to the land value and the cost 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 consolidated balance sheet.

The company concluded a contract with Ernst Body Corporate Management for providing consulting and administrative services for the management of the resort, As the management decided to develop a model for managing the services rendered to the clients of the resort, which allows the company to obtain fees from clients for services provided and for recovering the cost of managing the resort, 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 contribute in obtaining 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's eligibility charging clients with fees as long as the company implemented its contractual obligations towards them.

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.

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.
- 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 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 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.

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 consolidated balance sheet as at December 31, 2009 is represented as follows:-

Description	Cost as at	Additions during	Transferred from	Accumulated	Depreciation	Accumulated	Net book value as	Net book value as
	1/1/2009 L.E.	the year L.E.	during the year L.E.	1/1/2009 L.E.	of the year L.E.	31/12/2009 L.E.	at 31/12/2009 L.E.	at 31/12/2008 L.E.
Land	521 610	-	-	-	-	-	521 610	521 610
Buildings & caravans	6 607 386	175 976	6 623 934	1 084 932	214 287	1 299 219	12 108 077	5 522 454
Machinery & equipments	1 487 293	948 990	-	742 809	145 405	888 214	1 548 069	744 484
Furniture & fixtures	1 888 667	1 759 000	-	368 389	181 585	549 974	3 097 693	1 520 278
Transportation vehicles	1 286 841	276 850	-	1 215 636	46 673	1 262 309	301 382	71 205
Networks & facilities	-	-	80 321 239	-	2 008 031	2 008 031	78 313 208	-
Marketing signs & flags	-	-	4 561 305	-	38 011	38 011	4 523 294	-
Sunken city	-	-	6 093 653	-	50 780	50 780	6 042 873	-
Sewage treatment plant	11 514 253	-	10 047 311	1 191 306	621 551	1 812 857	19 748 707	10 322 947
Gateways	4 801 902	-	1 177 216	266 772	169 874	436 646	5 542 472	4 535 130
Water tank	2 177 545	-	6 724 011	108 207	128 618	236 825	8 664 731	2 069 338
Warehouses	1 514 767	-	-	1 514 767	50 492	126 232	1 388 535	1 439 027
Road networks	-	-	8 153 296	-	67 944	67 944	8 085 352	-
Water desalination plant	9 040 637	-	19 425 957	28 466 594	1 278 998	2 543 392	25 923 202	7 776 243
Electric equipments, computers & Air-conditions	3 619 652	2 330 871	-	1 474 436	683 690	2 158 126	3 992 397	2 145 216
Total	44 460 553	5 691 687	143 127 922	193 280 162	7 792 621	5 685 939	179 801 602	36 667 932

* Fixed assets included assets which are fully depreciated, its cost amounted to L.E. 2 803 903 as at December 31, 2009 as follows:

Transportation vehicles	1 158 741
Machinery & equipments	230 392
Furniture	4 048
Buildings (Caravans)	82 831
Computers	1 327 891
Depreciations were classified as follows:	2 803 903
Depreciation of operating fixed assets	4 363 807
Depreciation of administrative fixed assets	1 322 132
	5 685 939

5- Projects in Progress

The balance of this item shown in the consolidated balance sheet as at December 31, 2009 represented as the follows:

	<u>31/12/2009</u>	<u>31/12/2008</u>
	L.E	L.E
<u>Sahl Hasheesh Company</u>		
Land	31 479 030	31 479 030
Work processed by Sahl Hasheesh Company	46 045 508	33 054 934
Contractors' advance payments	278 794	12 466
<u>Egyptian Resorts Company</u>		
Public landscape & irrigation	21 568 249	14 609 299
Road networks	9 608 371	13 642 142
Electrical networks	159 465	11 723 723
Water Tank 500 m2	--	53 423
Water Tank 6000 m2	3 784	6 219 091
Hydraulic works	772 367	65 374 364
Main gate & security housing	30 152	546 649
Admin building	--	560 501
Arrival Piazza	20 711 681	13 811 156
Pharonic gate	--	904 622
Sunken City	7 559 558	13 507 244
Employees Housing	8 701 112	5 516 518
Water Desalination plant	353 313	5 859 207
Board Walk	3 240 359	5 570 246
STP phase 2 & 3	--	2 828 846
Water desalination plant Phase 3	49 365	--
Telecom Network	361 122	369 262
Marketing Signs & flags	458 165	3 071 013
Sundry projects in progress	758 685	2 463 190
Balance as at 31/12/2009	<u>152 139 080</u>	<u>231 176 926</u>

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

6- 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 allows the company to obtain fees from clients for services provided and for recovering the cost of managing the resort, 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 contribute in obtaining 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's eligibility charging clients with fees as long as the company implemented its contractual obligations towards them. Work in Process which has been reclassified and charged to projects in process amounted to L.E. 127 385 507 as at December 31, 2008 (Note – 6).

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. The cost per estimated square meter become L.E 22.36 and L.E 34.31 for both the first and second phases, respectively, instead of L.E 56.15 and L.E 40.91 for both the first and second phases respectively, while the cost per estimated square meter of the third phase amounted to LE 55.27 approximately, and we would like to draw your attention that there hasn't been any sales from the lands of this phase yet, though the cost of the land formerly sold from phase 1 & 2 in prior years has been modified, the impact of this adjustment on the consolidated financial statements amounted to LE 33 705 113 as described above. And this amount has been charged to sundry income included in the consolidated income statement during 2008.

The actual cost for the work in process account shown in the consolidated balance sheet as at December 31, 2009 is represented as follows:-

	<u>Balance as</u> <u>at</u> <u>31/12/2009</u>	<u>Balance as</u> <u>at</u> <u>31/12/2008</u>
	L.E.	L.E.
6-1 Cost of the project's lands haven't been sold yet 1 403 041 m ² - Phase 1	29 143 891	24 455 976
6-2 Cost of the project's lands haven't been sold yet 5 345 336 m ² -Phase 2	79 166 220	68 660 798
6-3 Cost of project's lands 28 312 296 million m ² – Phase 3	265 115 930	258 101 800
	373 426 041	351 218 574

- 6-1 The estimated cost for Phase 1 of the project as at December 31, 2009 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. 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 obtained 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:

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

The estimated cost as at December 31, 2009 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. 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 (6-1) 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 as per the main agreement with the Authority for Touristic Development on 24/10/1995.

On March 17, 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 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 process – 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.

(**) 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 Hasheesh 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 Hasheesh Community.

7- Accounts & Notes Receivable (Net)

The balance of accounts & notes receivable shown in the consolidated balance sheet as at December 31, 2009 is represented as follows:

	<u>31/12/2009</u>	<u>31/12/2008</u>
	L.E.	L.E.
<u>7/1 Accounts & Notes receivable - short term (Net)</u>		
Land receivables- first phase	121 659 886	129 683 657
Land receivables- second phase	270 378 543	194 706 917
Villas receivables- first zone	4 865 538	5 286 145
Villas receivables- second zone	8 050 012	11 141 120
Services rendered - receivables	9 076 154	6 453 996
	<u>414 030 133</u>	<u>347 271 835</u>
<u>Less:</u> Deferred interests -Short term	(3 514 312)	(7 280 714)
<u>Less:</u> Impairment in receivables	(17 000 000)	(11 000 000)
	<u>393 515 821</u>	<u>328 991 121</u>
<u>7/2 Accounts & Notes receivable (long term)</u>		
	<u>31/12/2009</u>	<u>31/12/2008</u>
	L.E.	L.E.
Land receivables- first phase	30 378 373	83 580 526
Land receivables- second phase	49 610 370	149 159 421
Villas receivables- first zone	--	678 744
	<u>79 988 743</u>	<u>233 418 691</u>
<u>Less:</u> Deferred interests – long term	(6 027 854)	(21 711 561)
	<u>73 960 889</u>	<u>211 707 130</u>

8- Sundry Debtors & Other Debit Balances

The balance of sundry debtors & other debit balances shown in the consolidated balance sheet as at December 31, 2009 represented as follows:

	<u>31/12/2009</u>	<u>31/12/2008</u>
	L.E.	L.E.
Letters of guarantee covers	50 000	50 000
Cash imprests and loans	124 939	81 850
Prepaid expenses	744 023	655 193
Deposits with others	279 165	177 514
Accrued interests	505 187	1 154 383
Contractors (debit balances)	591 020	2 125 246
Sundry debtors	294 972	555 486
Tax withheld at source -- Debit	15 788	4 582
Paid income tax for reversed sales	4 776 020	--
CEO current account	42 322	771 318
	<u>7 423 436</u>	<u>5 575 572</u>

9- Cash on hand and at banks

This item shown in the consolidated balance sheet as at December 31, 2009 is represented in the following:-

	<u>31/12/2009</u>	<u>31/12/2008</u>
	L.E	L.E
Cash on hand	414 207	489 932
Banks -- current accounts-L.E	51 612 021	33 600 416
Banks -- current accounts-US\$	44 631 776	44 147 044
Banks -- current accounts-EURO	290 605	289 818
Banks-time deposits-L.E	173 082 909	251 122 125
Banks-time deposits-US\$	39 187 027	39 313 197
Cheques under collection	--	2 209 820
	<u>309 218 545</u>	<u>371 172 352</u>

(*) 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 December 31, 2009 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- Receivables Advance Payments

Receivables advance payments shown in the consolidated balance sheet as at December 31, 2009 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 31 236 000 considering his delay in fulfilling his contractual obligations till this date and the legal procedures concerning this matter are currently being undertaken.	31 672 250
B- Advance payments from receivables – rentals of Sahl Hasheesh company (subsidiary company)	1 981 014
	33 653 264

12- Sundry Creditors & Other Credit Balances

The balance shown in the consolidated balance sheet as at December 31, 2009 is represented in the following:

	<u>31/12/2009</u>	<u>31/12/2008</u>
	L.E	L.E
Sundry creditors	16 654 096	17 570 403
Contractors' retention	6 443 179	6 880 790
Contractors & suppliers	550 347	--
Contractors-social insurance	3 359 474	2 974 738
Accrued expenses	588 208	275 363
Due to governmental authorities	7 042 698	5 261 210
Other credit balances	251 151	1 643 177
Unearned revenues	284 465	--
Villas' maintenance deposits	1 148 063	1 148 062
	36 321 681	35 753 743

13- Due to the General Authority for Touristic Development

This item shown in the consolidated balance sheet as at December 31, 2009 is represented as follows:

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

	<u>31/12/2009</u> L.E.	<u>31/12/2008</u> L.E.
Accrued rent due to the authority for the third phase	891 971	899 222
Dues to the authority for the sale of the project's land	24 988 351	22 866 133
	<u>25 880 322</u>	<u>23 765 355</u>

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 consolidated balance sheet as at December 31, 2009 are as follows:

	<u>31/12/2009</u> L.E.	<u>31/12/2008</u> L.E.
Due to General Authority for Touristic Development – Long Term	<u>1 300 605</u>	<u>3 989 156</u>

14- Capital

The company's authorized capital amounted to LE. 700 000 000 (only seven hundred million Egyptian ponds) 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.

• **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 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 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 LE. 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 (one hundred seventy five million 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. There was annotation in the commercial register on 17/7/2007.

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.

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 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.

15- Earning per share

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

	<u>From 1/1/2009</u> <u>to 31/12/2009</u>	<u>From 1/1/2008</u> <u>to 31/12/2008</u>
	L.E.	L.E.
Net profit for the period	(3 370 969)	265 809 811
<u>Less:</u>		
Employees' share in proposed appropriation profit	--	--
Board of directors remuneration	--	--
(*)Average number of shares during the period	1 031 250 000	1 031 250 000
Earning per share	L.E. (0.004)/share	L.E. 0.26/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 outstanding common stock shares were amended to be 1 031 250 000 shares after selling 25 million treasury stock share during year 2009 as if this event happened at the beginning of the financial period (1/1/2008) 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, Company's net sales can be analyzed as follows:

	<u>From</u> <u>1/1/2009 to</u> <u>31/12/2009</u> L.E.	<u>From</u> <u>1/1/2008 to</u> <u>31/12/2008</u> L.E.
<u>Revenues from sale of land</u>		
Phase one	-	46 378 685
Phase two	-	262 938 868
<u>Revenues from sale of villas *</u>		
First zone	-	-
Second zone	-	-
Total revenues from sale of land and villas	-	309 317 553
Interest due from deferred interests	15 503 472	28 840 834
Total	15 503 472	338 158 387

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

16-2 Cost of land

	<u>From</u> <u>1/1/2009 to</u> <u>31/12/2009</u> L.E.	<u>From 1/1/2008</u> <u>to 31/12/2008</u> L.E.
<u>Cost of land</u>		
Phase one	--	3 602 865
Phase two	--	12 042 215
Total	--	15 645 080

17- Administrative and General Expenses

	<u>From</u> <u>1/1/2009 to</u> <u>31/12/2009</u>	<u>From</u> <u>1/1/2008</u> <u>to</u> <u>31/12/2008</u>
	L.E.	L.E.
Salaries, wages and related expenses (*)	9 826 719	18 265 870
Consultancy & audit fees	890 594	350 745
Recruitment fees	126 524	473 819
Donations	100 000	108 932
Rentals	633 076	501 223
Stationary, printings & computer expenses	663 700	519 971
Telephone, Postage & Electricity	315 678	362 194
Employees' training fund	71 261	3 255 385
Subscriptions	8 997	254 412
Traveling & transportation expenses	1 072 226	207 083
Others	2 991 181	2 150 530
Total	<u>16 699 956</u>	<u>26 450 164</u>

(*) Salaries, wages, allowances and its related included 50 % from salary of chief executive officer for the period and the other 50% has been 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, 2009 is represented in their share in owners' equity in the subsidiary company by the percentage of 31.56% as follows:

Balance as at 1/1/2009	L.E 77 899 579
Add:	
Minority's share in the profits of the financial year ended as at December 31, 2009 for the subsidiary	576 957
Balance as at December 31, 2009	<u>78 476 536</u>

19- 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 31/12/2009 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 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 2005, 2006, 2007 and 2008 according to Law No.91 of 2005 in the due dates.

19-2 Salary tax

The salary tax for the company was inspected till year 2004 there has been tax assessment and the tax due and delay penalties amounted to L.E 214 915 after deducting payments. This assessment is as per form No.9 dated 14/6/2009

19-3 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.

19-4 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.

19-5 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, 2009 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 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 and 2008.

20- Financial Instruments and Risk Management

The Company's financial instruments are represented in financial assets (cash at banks and on hand, 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).

20-1 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.

20-2 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 530 060 582 and L.E 248 310 358 respectively. The Company's net balances in foreign currencies at the balance sheet date are as follows:-

<u>Foreign currencies</u>	<u>Surplus</u>
USD	51 361 284
Euro	36 757

20-3 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.

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

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

	<u>31/12/2009</u>	<u>31/12/2008</u>
	L.E.	L.E.
Fixed assets	(7 431 584)	(829 208)
Net tax that results in Liability	<u>(7 431 584)</u>	<u>(829 208)</u>

Unrecognized deferred tax that results in an asset

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

	<u>31/12/2009</u>	<u>31/12/2008</u>
	<u>L.E.</u>	<u>L.E.</u>
Temporary un-deductible tax differences (provisions)	<u>3 484 000</u>	<u>2 284 000</u>

22- 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.

23- Adjustments on Retained Earnings

The debit adjustments on retained earnings as at December 31, 2009 represented in the adjustments resulted from canceling the revenue of selling some lands to one of the clients which were recorded during 2008 because of existence of some problems concerning fulfilling the obligations of the contract by the customer and also he didn't pay the due installments till now, the revenues and costs related to this contract are illustrated as follows:

	<u>The debit effect on the retained earnings</u>
	<u>L.E</u>
Reverse of the sales recorded based on the contract	24 746 257
Reverse of the deferred interest income recorded during 2008	220 182
Reverse of the costs recorded based on the contract	(1 302 552)
Reverse of the evaluation differences for the balance of this client in USD recorded in 2008	463 259
Reverse of the evaluation differences for the balance in USD due to Authority of touristic development for the plot of land sold which was recorded in 2008	(5 832)
Reverse 1% employee training fund related to net profit from this contract which was recorded in 2008	(241 212)
Reverse of the paid income tax related to net profit from this contract	(4 776 020)
The impact of these adjustments on the retained earnings (debit)	<u>19 104 082</u>

24- Capital Commitments

The capital commitments as at December 31, 2009 amounted to L.E 24 710 million represented in completing the current concluded contracts to establish the projects in progress.

25- Comparative figures

The comparative figures have been reclassified to comply with the classification of the figures in the financial statements as at December 31, 2009 without affecting the results.