

**Central Auditing Organization**

**Department of Maritime Transport Accounts Control**

**6 Talaat Harb Street, Alexandria**

Seal

Date: 29-09-2020

**Mr. Marine General, Chairman**

**Alexandria Container & Cargo Handling Company**

**Greetings,**

We hereby refer to the letter No. 8748 dated 24/09/2020 to which the amended financial statements are attached after approval by the Company's Board of Directors on 22/09/2020.

Please find attached the following documents:

1. Auditor's report on the financial statements amended on 30/6/2020.
2. An independent verification report on the extent of the Company's implementation of corporate governance rules for the financial year ending on 30/06/2020.

Please take the necessary actions and let us posted with.

Best Regards

Date: 29/09/2020

Signed/ -----

مركز الترجمة المحترفة

رجب سليمان

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Senior Deputy Minister -Manager

Accountant Mohammed Ashraf Ahmed Hamza,

Alexandria Container & Cargo Handling  
Company  
Export and Import Department,  
Alexandria  
Number: 1498  
Date: 9/29/2020  
Time: 11:00 O'clock  
Attachments: 11

**The Auditor's report on the amended financial statements of  
Alexandria Container & Cargo Handling Company on 30/06/2020**

**To the shareholders of the Company**

**Report on financial statements:**

We have reviewed the financial statements "attached" on 30/06/2020 for the Alexandria Container & Cargo Handling Company (an Egyptian joint-stock Company subject to the provisions of Law 203 of 1991) exemplified by the list of financial position on June 30, 2020, the total assets of which amounts to about 4921,361 million pounds, with a list of income for the period ending on June 30, 2020, with a net profit after tax amounting to about 1,493,379 million pounds, as well as the comprehensive income statement, the two statements of cash flow, the change in ownership rights for the financial year ending on the same date, a summary of important accounting policies, and other clarifications.

**Management's responsibility for the financial statements:**

These financial statements fall under the responsibility of the Company's management. The management is responsible for preparing and presenting the financial statements fairly and clearly under the unified accounting code and its amendments and the Egyptian accounting standards issued by the Minister of Investment's decision No. 110 of 2015 issuing the Egyptian accounting standards, and in light of the

Egyptian laws in force. The Management's responsibility also includes the design, implementation, and maintenance of internal control related to the preparation and presentation of financial statements fairly and free from any significant and influential distortions, whether resulting from fraud or error. This responsibility further includes adopting the accounting policies which are appropriate to the current circumstances.

**Responsibility of the Auditor:**

Our responsibility is limited to expressing an opinion on these financial statements in light of our review thereof. Our auditing work has been done under the Egyptian auditing standards and in light of the Egyptian laws in force. These standards require the planning and performance of the audit to obtain appropriate assurance that the financial statements are free from any significant and influential errors. The audit work includes performing procedures to obtain audit evidence about the values and disclosures in the financial statements. The procedures chosen depend on the personal judgment of the Auditor. This includes the assessment of the risks of significant and influential misstatement of the financial statements, whether resulting from fraud or error. When assessing these risks, the Auditor shall take into account the internal control related to the establishment's preparation of the financial statements and their fair presentation to design audit procedures appropriate to the current circumstances rather than expressing an opinion on the efficiency of the internal control in the establishment. The review process also includes evaluating the appropriateness of accounting policies and the important

accounting estimates that have been prepared by the Management as well as the integrity of how the financial statements were presented. We believe that the audit evidence that we obtained is sufficient and appropriate and is a suitable basis for expressing our opinion on the financial statements.

**The basis for the conservative opinion:**

1. The total balance owed by clients on 30/6/2020 was about 165.085 million pounds, and we have come up with the following particulars:
  - The balance included about 2.736 million pounds being the value of suspended debts dating back to 1998, with cases filed in this regard according to the statement submitted by the Company, against a provision of 2.760 million pounds, i.e. with of about 24 thousand pounds increase.
  - Clients make advance payments, which results in the inability to identify the outstanding bills, which may evoke a dispute with the clients. These payments have not been disclose in the Company's accounts.
  - The Company did not enter into contracts regarding the handling of full containers with major clients to define the obligations and rights of each party. Examples of these clients include Arkas and Maersk.
  - The Company does not have a statement of credit specifying the grace periods granted by the Company to the clients to pay their

debts, as well as the late-charges due in the case of non-payment within the specified periods.

- The insufficient value of the letters of guarantee obtained by the Company from the clients to cover the value of the debts owed by these clients on 30/6/2019. Examples of this are:

Client's name	Due indebtedness	The percentage of debt to the total client balance	The value of the letters of guarantee	The percentage of the guarantee to the debt
Mediterranean Agency	62531298	38%	1500000LE	2,4%
Arkas	16126977	10%	250000LE	1,6%
Arabian Gulf	16799552	10,2%	713122LE	4,2%
Hapag Lloyd	18395012	11%	+LE 2000000 US\$ 100000	19,6%
CMA	13568645	8,2%	LE 1850000	13,6%
Barakat and Ghalib	10352055	6,3%	250000LE	2,4%

**The reasons for this must be studied with the necessity to set credit limits and define periods for collecting the Company's dues, taking into account the proportionality of letters of guarantee with the debts owed by clients.**

2. The client's account included a sum of 362008 pounds owed by the National Navigation Company on 30/06/2020. A confirmation of this matter was received from the client stating that the amount due

thereto was only 118381 pounds, with a difference of 243627 pounds.

**The reasons for this must be verified and the necessary settlement should be made in this regard.**

3. The investment balance in treasury bills on 30/06/2020 amounted to about 45.843 million pounds, representing the value paid for the purchase of treasury bills, while they had to be shown at their recoverable value on the date of the financial position amounting to about 47,626 million pounds according to Paragraph No. (46-b) of the Egyptian Accounting Standard No. 26 “Financial Instruments - recognition and measurement” with a difference amounting to about 1,783 million pounds. This was incorrectly shown by calculating receivable revenues.

**The necessary correction should be made, taking into account the detailed disclosure of this in the explanatory notes attached to the financial statements.**

4. No matching was made between the Company and the General Authority of Alexandria Port on the credit balance amounting to about 22,677 million pounds on 30/06/2020. The last match with the Authority made on 28/10/2019 has resulted in a difference of about 36,917 million pounds for which lawsuits have been filed with the General Authority of Alexandria Port. Besides, the Company has rejected to pay about 704 thousand pounds of debts owed on the site 32 on the basis that the Company delivered it to the General

Authority of Alexandria Port during the period from 01/04/2019 to 30/06/2019. An allocation of about 35,737 pounds was formed to confront these differences, and this was included in the allocation account for judicial disputes with other allocations.

**The necessary matching should be carried out, and resolving the disputes with the General Authority of Alexandria Port should be expedited.**

5. The fees owed to the General Investment Authority for the revenues of the free zone during the period from 01/07/2019 to 30/6/2020 which affected the income statement for this period were about 39,425 million pounds. It was evident that the Company has used to calculate the fees of the General Investment Authority every six months by calculating the value of the dollar according to the exchange rate at the end of the financial period and the settlement is done at the end of the financial year based on the exchange rate on 30/06 of each year without calculating the value according to the date of the transaction or the average price during the year according to paragraphs 39 and 40)of the Egyptian Accounting Standard No. (13). These changes have affected the foreign exchange rates.

**The necessary correction must be made in this regard.**

6. There were about 26,194 million pounds, a balance owed by the General Authority for Investment and Free Zones, not having been matched. Besides, there were about 1.52 million pounds, is the value of 1% of the revenue, which amounted to about 152.06 million



pounds, not having been settled as a result of the work of the committee formed under the Administrative Order No. 616 of 2019 to count the revenues of the head office for the years from 2013/2014 to 2017/2018.

**The settlement and the necessary matching should be done to verify the correctness of the balance on 30/06/2020.**

7. The balance of the provision for judicial disputes amounted to about 54,843 million pounds, and the study of the provision did not show the litigation levels that the cases have reached. The statement of lawsuits submitted by the Company guarantees that all cases are expected to be won without specifying the probability of winning or losing each case, as it is possible to verify the validity of the provision formed following the requirements stipulated in Paragraph No. (14) of the Egyptian Accounting Standard No. 28 “provisions, assets, and the potential liabilities”.

**We must be provided with a detailed study of the allowance to judge the sufficiency thereof.**

8. Our observation still exists regarding the severe weaknesses and shortcomings in the internal control system, financial audit, and the internal control procedures of the Company, as well as the absence of a cost system that serves as a tool of internal control.

**The main deficiencies were as follows:**

- Allowing residents' cars to enter the Alexandria and Dekheila stations, resulting in damage to some of the containers and the Company's equipment, and theft of the contents of some containers, including 19 Lipton tea cartons on 20/07/2019 at the Dekheila Container Terminal as a result of the lack of cameras to monitor the lanes of the station yards, a report of 3 cases was issued. On 21/07/2019, there was also a case of theft of 7 copper rolls on 11/06/2020 at Alexandria Container Terminal, and the report No. 542/2020 was issued on the incident by the misdemeanor of the Port.
- The theft of 32 black pepper sacks, each weighing 25 kg, from the container belonging to the Al-Rowad Company at the Dekheila Container Terminal. The incident was discovered on 13/06/2020 and a police report No. 621/2020 was issued by the Port Administrator on 16/06/2020.
- An incident of dispensing false prescriptions from a pharmacy with the names and codes of some of the Company's employees during January and February 2020 amounted to 103 prescriptions for a total amount of 16,457 pounds with the knowledge of a printing technician in the Company
- The purchase of some supplies and spare parts according to account statements in the Dekheila and Alexandria container terminals from the permanent loan while the purchase should inherently be made through a tax invoice under Article No. (12) of the Value Added Tax Law No. 67 of 2016, Article No. (13) of

the implementing regulations of the same law, Article 78 of Law 91 of 2005 pertaining the general income tax, and Articles 99 bis 1 and 99 bis 2 of the implementing regulations of the same law.

- Paying a sum of 8500 pounds/month for 17 drivers in the Company against the scratches afflicting the private cars and minibuses in garages outside the Company, without garage receipts supporting such a disbursement, which leads to the lack of tight control over the expenses and the failure to tighten control over the operation of these cars.

The Company has formed a committee to develop the Company's internal control system according to the decision No. 54 issued on 15/04/2020 by the Company's Board of Directors, as well as another committee to develop the cost system according to the decision No. 83 issued on 18/06/2020 by the Company's Board of Directors

**The necessary measures towards addressing the deficiencies and weaknesses should be urgently taken with the development of the internal control system and the cost system to achieve control and monitor performance.**

### **The conservative opinion**

Except for the impact of the foregoing on the financial statements, we perceive that the above-mentioned financial statements express fairness and clarity in all its important aspects regarding the financial position of Alexandria Container & Cargo Handling Company on June 30, 2020, and its financial performance and cash flows for the financial year ending on

that date, according to the Accounting Standards issued by Minister of Investment Decision No. 110 of 2015 and in light of the relevant Egyptian laws and regulations.

**While this is not considered a reservation, we make the following:**

The fixed assets and stocks have been subject to inventory and its results were matched to the records on 30/06/2020 with the supervision of the Company and under its responsibility and our test supervision within the limits of the available facilities. The depreciation was also calculated under the rules and rates and the Company's Board of Directors has issued the decision No. 165 dated 16/09/2019 approving the amendment of productivity terms and the shelf life of the assets and equipment under the proceeding No. 271 of the Committee in 2018, with the application thereof to take place as of 2019/2020 as is the case in previous years.

**The following are the most important notes:**

1. The Canal Company for Ports and the major projects undertaking the deepening the platform # 96 of Dekheila Container Terminal have not been claimed for the loss of any profits due to the delayed implementation of the project, which was scheduled to be completed on 29/10/2016.

**The Company executing the project should be required to pay the fines for the delayed implementation of the project and the loss of earnings, to reserve the Company's rights.**

2. The spare parts inventory included stagnant items since previous years, amounting to about 1.104 million pounds. This value was not estimated based on cost or net recoverable value, whichever is less, in violation of paragraphs (9, 28, and 34) of the Egyptian Accounting Standard No. 2 (The Stocks).

**The provisions of the standard in this regard must be adhered to with the economic disposition of these items so that they do not represent idle funds.**

3. The Company has incurred about 54.071 million pounds of currency difference losses during the financial year 2019/2020 as a result of the devaluation of the dollar. In this regard, we note that the Company has incurred a loss of currency differences of about 113.351 during 2018/2019 and 2017/2018.

**The necessary measures must be taken to limit the effects of the dollar's devaluation, given that the Company kept about 92.241 million dollars on 30/06/2020, due to its impact on business results.**

4. The revenues of the current activity during the period from 01/07/2019 to 30/6/2020 amounted to about 2.584 billion pounds compared to about 2.928 billion pounds during the same period of the previous year, i.e. there is a decrease of about 344 million pounds (11.7%) due to the decrease in some revenue items The most important of these items are storage, unloading, yard services, and the decrease in the dollar exchange rate from 16.65 pounds in the previous year to 16.07 pounds in the current

year, as well as the decrease in the number of containers by 6% compared to the previous year, with the resulting decrease in wages by 1.8% from the previous year, considering that the wages represent about 49% of total costs and expenditures and about 33% of the revenues of the current activity. We have come up with the following particulars:

- The wages included about 106.7 million pounds, which is the value of the incentive of the standard performance rate during the period from 01/07/2019 to 30/6/2020, calculated at 5% of the sum of 2.134 billion pounds, which represents the value of the increase in the revenues of the current activity on 30/06/2020 from the standard performance rate set by the Company at 450 million pounds annually based on the average revenues of current activity during the ten years from 2004/2005-2013/2014. This has taken place under the Company's Board of Directors' decision No. 161 dated 17/08/2016. The decision has prompted the Board of Directors to reconsider this rate in light of the various variables. This, however, did not happen despite the liberalization of the exchange rate on 03/11/2016, the increased tariff, and the great development in the Company's revenues, which represent 57.4% of the value of the standard performance rate set by the Company.

**We recommend reviewing this rate in light of the above.**

- The wages account was charged a sum of about 62,500 million pounds, **being the value of an incentive bonus (21 months) for the Company's workers** for the period from 01/07/2019 to 30/06/2020 under the entry No. 4013 dated 30/06/2019 with the approval of the Company's Board of Directors in session No. 7, memorandum No. 84 on 18/06/2020. This was similar to the previous year, where workers were granted an incentive bonus amounting to about 59,200 million pounds as per the deed No. 4433 dated 30/06/2019. The Company's administrative regulations did not include this, and the presented memorandum included granting a reward of 21 months to the Company's employees similar to the previous year and this was above the Company's budget to motivate them to exert more effort and maintain the same or better results during the year 2020/2021 **despite charging the wages account a sum of 71.7 million pounds as a reward for distinction for the year 2019/2020 and the decreased number of containers handled by 6.2 % compared to the previous year.**

**The matter should be presented to the general meeting of the Company for approval.**

5. The balance of the investment account in other companies on 30/6/2020 amounted to about 77.196 million pounds, and we have come up with the following particulars.

- The account included 78.014 million pounds, which is the value of investments in companies (Memphis Shipping Agencies, Amoun Shipping Agencies, Abu Simbel and Tiba Shipping Agencies, the Egyptian Company for Maritime Navigation, the Egyptian Company for Integrated Projects - El Torgoman Group) that were impaired in previous years.
- The account included about 12.196 million pounds of investments in the Egyptian Company for Integrated Projects (El Torgoman Group). The impairment of those investments has not been studied even though the total losses of the Company, according to its financial statements on December 31, 2017, amounted to 70.461 million pounds.
- A certificate was received from the Egyptian Company for Maritime Navigation on 26/8/2020, indicating that the investment value amounted to only 2 million pounds, while its true value reached about 9.714 million pounds, which was totally impaired in previous years, The following has been found:
  - a- The Extraordinary General Assembly of the Egyptian Navigation Company decided on 02/02/2020 to place the Company under liquidation as of 31/03/2020 and to appoint a liquidator. We have not been furnished with its financial statements on the date of the beginning of the liquidation, in violation of Article 142 of Law No. 159 of 1981 and its amendments.



b- The balance of the interest-free loan granted to the Company in installments with the approval of the Holding Company for Maritime and Land Transport without obtaining sufficient guarantees has amounted to about 11.075 million pounds, which has been completely depreciated.

c- The debit balance account included about 257 thousand pounds owed by the Egyptian Navigation Company, which is the value of the Company's share in the obligations owed by the Egyptian Navigation Company, exemplified by the wages of labor, social insurance, and others, according to the Company's Board of Directors decision No. 72 dated 16/05/2020, has been completely diminished.

- The Company did not achieve any contract from all investments.

**It is necessary to study the economic feasibility of these investments and to inform us of the financial statements of the Egyptian Company for Maritime Navigation at the date of the beginning of the liquidation under the provisions of the law in this regard, and determine the responsibility for granting a loan thereto without guarantees.**

6. The Company has not, to date, obtained from the General Authority of Alexandria Port a license to practice the storage activity despite the approval of the Company's extraordinary

general meeting on 11/11/2019 to amend the Company's purpose in the articles of association by adding the storage activity.

**We must be informed of the reasons for this.**

7. The registration of the Company's common share in the purchased land under the control of Al Balina, Sohag Governorate, has not been completed since 2008, and its value is listed in the real estate investment account at about 2.413 million pounds.

**We recommend the expedition of registering the land in the name of the Company.**

8. The Chairman of the Alexandria Free Zone has issued the decision No. (7) of 2020 on 17/07/2020 amending the text of Article No. (6) of the Resolution No. (460) of 2005 dated 16/01/2005 by adding the external yards of the headquarter to authorize activity practiced in the private free zone system, without having the activity of the common warehouse of the headquarter included in the decision

**We recommend the General Investment Authority to add the common warehouse activity to the free zone as a complementary activity to the original activity of the Company, pursuant to Article No. (49) of the Labor Code within the free zones issued by the Minister of Investment and International Cooperation Resolution No. 29 of 2019 dated 16/01/2019.**

9. The number of discarded containers inside the yards at Alexandria and Dekheila terminals during the period from 01/07/2019 to 30/6/2020 amounted to 2000 containers according to the Company statement, some of which date back to 1994. These data included the names of most agencies and stakeholders related to these containers. These agencies have not been withdrawn and the Company's dues thereof have not been collected. This was due to the failure to implement the provisions of Articles (126, 128, and 130) of Customs Law No. 66 of 1963 and its amendments, which resulted in the existence of unused storage yards for which the Company bears the usufruct value, in addition to the wages of the workers assigned to follow up the movement of these containers. It was also found that there are 7,791 discarded parcels inside the common store since 1997, occupying an area of about 5,000 square meters (31% of the total warehouse area of 16,000 square meters).

**It is necessary to withdraw those containers and parcels of the agencies and owners and to have the Company's dues paid, with the necessary measures to be taken for the speedy activation of the provisions of the Customs Law and its executive regulations in this regard.**

10. The net loss of the Headquarter on 30/06/2020 was about 46.388 million pounds, compared to a net profit after tax on 30/6/2019 of about 51.255 million pounds. This difference was attributed to:

- A decrease in the revenues of the Headquarter activity by about 53.480 million pounds compared to the previous year where they were decreased by only 21.4%, without knowing the reasons for that.
- Charging the income statement of the Headquarter with a sum of about 9,896 million as donations to third parties, without specifying the free zone share thereof.
- The values of the rents, storage expenses, sorting, and wages have been charged to the yards of the Headquarter during the financial year 2019/2020, amounting to about 159.675 million pounds (81.3% of the activity revenues of the Headquarter).
- The Company has included in the Headquarter expenses a sum of about 16.873 million pounds (15.86% of the total administrative and financing expenses at Alexandria station) in proportion to the number of the containers of the Headquarters of Alexandria to the total number of containers handled at the Alexandria station during the period from 01/07/2019 until 30/6/2020. The Company has ignored the Dekheila station's share of those expenses in and did not presented it to the Board of Directors as being the authority issuing the financial statements under the articles related to the implementing regulations of Law 203 of 1991 regarding the public business sector. This procedure was done for the first time on 30/06/2019 without study in light of the absence of a cost system in the Company.

- The Headquarter was charged with a sum of 21.714 million pounds, being the estimated value of the cost of cranes and tractors operating in the free zone on the basis that they operate in the Headquarter. These estimates relate to the period from 01/07/2019 to 30/06/2020 for the spare parts, maintenance expenses, oils, fuel, and the estimated wages of the drivers of these cranes and tractors. However, they do not reflect the actual direct expenses related to the Headquarter.

**We must be informed of the reasons for this, along with studying all the above-mentioned expenditures and making the necessary correction, taking into account their impact on the correctness of the calculation of the tax due to the activity of the Headquarter.**

11- The issuance of judgments in favor of the Company without knowing their effects on the financial statements of the Company on 30/06/2020. The amount that could be counted was about 583 thousand pounds plus the prescribed interests, in addition to about 979 thousand pounds for the value of tax lawsuits (30640/68 Judicial and 36320/69 Judicial- Liner Tax) in respect of which judgments were rendered in favor of the Company. These judgment are still pending to date.

**All necessary legal measures must be taken towards the implementation of these provisions to preserve the Company's rights.**

12. The Company has violated the provisions of Article (2) of the Decision No. (11), issued by Minister of Public Business Sector on May 9, 2016. That is, the Company has used some retired workers to perform some work without concluding contracts therewith. The total amount disbursed to them according to the Company statement was 199,300 pounds.

**The provisions of the decision of the Minister of Public Business Sector and the Social Insurance Law in this regard should be adhered to.**

13. We still notice that the Company incurs a sum of of about 12.191 million pounds, being the value of the incentive for exceeding the standard performance rate as decided by the Company's Board of Directors in its decision No. 161 dated 17/08/2016. The incentive amounted to 243.825 million pounds (total earnings) and was included by mistake in the current activity revenues of 2017/2018 while it should have been included as compensation and fines obtained by the Company as a result of the accident of two cranes at the platforms 2010 and 2011 of Al-Dekheila Container Terminal on 11/11/2017.

**Responsibility must be determined.**

14. The Company incurs a sum of 15838 pounds per month as a result of the Company delegating a legal advisor for some time from the State Litigation Authority upon the request of the General, Chairman of the Company, and the Managing Director

and after the approval of His Excellency the Minister of Justice, with such a delegation being renewed annually as of 10/11/2016 until 09/11/2020. We have come up with the following points:

- There is no provision for this in the Public Business Sector Law No. 203 of 1991 or the Joint Stock Companies Law No. 159 of 1981. Besides, the eleventh article of Law No. 203 of 1991 stipulates that “the companies may request the State Council, through the competent minister, to express a justified opinion on matters related to the affairs of its employees or members of its boards of directors, or other matters related to any of its affairs.
- There is a legal department in the organizational structure of the Company.

**We recommend that the matter be brought before the State Council to express a legal opinion in this regard.**

15. The Company has issued invoices to clients with the value of the storage service included over a “grace period” of zero, without charging the client with the value of VAT No. 67 of 2016 despite the Company’s issuance of the invoice in a way that creates the tax event under the provisions of Article (5) and Article (1).

**The opinion of the Tax Research Sector should be sought in this regard, with this matter to be reported to us.**

16. The credit accounts have included a sum of 301,993 pounds belonging to private-sector shareholders since 2009. Article No. 147 of Law No. 91 of 2005 regarding the income taxes requires that all amounts and values in which the right of their owners have been forfeited by the statute of limitations shall be transferred to the public treasury under a final statute of limitations described after the profits and returns resulting from negotiable shares and bonds issued by any Company, authority, or public or private body.

**The provisions of the law must be adhered to in this regard.**

17. The insurance account with third parties has included about 33 thousand pounds owed by the General Authority of Alexandria Port. It was found that the Authority has deducted this amount from the debts owed by the Company, according to the Authority's letter No. 6284 dated 13/07/2020.

**The necessary settlement should be made in this regard.**

18. A Volkswagen Passat Trend Plus car, model 2019, has been purchased from Misr Auto Trade Company, at 488,500 pounds. This indicates a lack of rationalization of spending, especially since the Company has purchased Nissan Sunny cars, model 2020, at 211 thousand pounds per car.

**Spending should be rationalized.**



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**Report on other legal and regulatory requirements:**

1. The amount disbursed to the sports committee according to the distribution account for the financial year 2018/2019 and approved by the ordinary general meeting of the Company on 11/11/2019 amounted to about 26.702 million pounds (1.5% of the distributable profit) in violation of Article No. (51) of the Sports Law No. (71) for the year 2017 which allocated this percentage only to the budget of the sports club and not the sports committee. In the fatwa of the general meeting of the Fatwa and Legislation sections of the State Council (File No. 58/1/461 issued to His Excellency the Minister of the Public Business Sector with No. 829 on 05/06/2018), it was concluded that it is unlawful to deduct the percentage in favor of the sports committee starting from the date of the implementation of Sports Law No. (71) for the year 2017, which has been into force as of 01/06/2017.

**The effect of this must be taken into account on the profit distribution account for the financial year ending on 30/06/2020 under the provisions of the Sports Law and in light of the fatwa issued in this regard.**

2. We did not compute the proposed adjusted profit distribution account. The balance of the loss account, which appears in the financial position statement on 30/06/2020, has reached a sum of 43.376 million pounds.

**The amount should be excluded from the balance of distributable profits, as this has an impact on the validity of the dividend distribution.**

3. Law No. 185 of 2020 for the Public Business Sector No. 203 of 1991 has been issued. Article (5) of this law stipulates that companies subject to the provisions of the aforementioned Public Business Sector Law should settle their conditions under the provisions of this law, including their articles of association, and form their general meetings and boards of directors within a period not exceeding one year from the date of enforcing this law. It was found that the legal period of the Company's Board of Directors had ended on December 31, 2018, and the Company's ordinary general meeting on 04/04/2019 has approved the decision of the Board of Directors of the Holding Company for Maritime and Land Transport in its meeting on 18/01 2019 regarding the approval of having the Company's Board of Directors practicing its work in its present formation until the new board is formed and presented to the Company's general meeting in a next session.
4. The provisions of the circular note No. (2) of 2019 issued by the Financial Supervisory Authority on May 26, 2019, regarding the regulation of the use of non-cash plans of payment in completing financial transactions for non-bank financial institutions, have not been implemented under the provisions of Law No. 18 of 2019

regarding the regulating of the use of non-cash plans of payment. It was found that about 122.554 million pounds have been collected in cash from the Alexandria station clients.

**The provisions of the law and the circular note referred to in this regard should be duly implemented.**

5. It was found that the Company has leased the yard # 66 from the Arab Shipping and Unloading Company in Alexandria Port in violation of Article No. (40, Paragraph 8) of the Minister of Transport Decision No. 800 of 2016 which stipulates that the licensee may not assign this license to third parties. The value of the rent charged to the income statement is for the period from 01/07/2019 to 30/6/2020 has amounted to about 6,347 million pounds.

**The decision of the Minister of Transport must be adhered to in this regard.**

6. The 'session minutes of the Company's Board of Directors have not included the discussions of the members of the board, but have included only the decisions issued, which violates the provisions of Articles (81 and 75) of Law No. 159 of 1981.

**The provisions of the law must be adhered to in this regard.**

7. The account balance on 30/06/2020 was about 139 thousand pounds, which is the surplus of the Company's Board of Directors' remuneration for the year 2018/2019.

**The surplus of the Board of Directors 'remuneration must be redistributed to the shareholders under the fatwa of the General Meeting of the Fatwa and Legislation Sections of the State Council, File No. 255/1/47 dated 05/03/2007.**

8. The Company's cost system does not fulfill its purpose and needs further development to monitor and evaluate performance and meet the Company's needs for the information necessary for monitoring, planning, and performance evaluation. The Company has formed a committee to develop the cost system according to the Company's Board of Directors decision No. 83 of 18/06/2020.

**The financial statements provided in the Company's Board of Director's report that was prepared under the law #159 for the year 1981 and its amendments and implementing regulations are in agreement with all that is contained in the books of the Company, within the limits in which such data are recorded in the books.**

Signed/ ----- Deputy Manager - Director-General Accountant / Jaber Juma Jaber	Signed/ ----- Senior Deputy Manager, Deputy Minister Accountant / Essam El-Din Ibrahim El- Sayed	Approved by/----- Senior Deputy Minister - Manager Accountant / Mohamed Ashraf Ahmed Hamza
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Date: 29/09/2020

**Alexandria Containers and Cargo Handling Company**

**Headquarter- Private free zone**

**Financial position statement as of 30/06/2020**

30/06/2020	30/06/2019	Explanation number	Items
			Non-movable assets:
		1	Fixed assets:
95340608,10	88788862		Buildings and Construction
16884988,82	11263173		Machinery and equipment
1086768858,98	1117277566		Means of transportation
994370,63	980866		Tools and supplies
12093661,95	12877744		Office furniture and equipment
1212082488,48	1231188211		Total fixed assets
			<u>Projects in progress</u>
11236206,40	101805514	2	Investment component
98155347,80	37109623	3	Investment tunnels
2412898,00	2412898	4	Real estate investment
5747863,53	1531530	5	Capitalized expenses
99238,16	71238		Deferred tax assets
141609953,21	10682312	5	Expenses related to assets not owned by the Unit
77196200,00	12196200	6	Investments in other companies
			Long term debt loans and balances
11074800,00	9004700	7	Loans for other entities
11074800,00			Total of loans depreciation
1548540195,58	1406002226		Total non-movable assets
			<u>Movable assets</u>
436000,00		8	Assets held for sale
		9	Stock
99979318,59	95175235		The stock of materials, fuel, and spare parts
			L/C for the purchase of goods and services

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			Clients, receivables, and debtors
162324864,87	187594214		Clients (after deducting the appropriation of 2759920,93
12130695,85	19928699		Revenues due for collection
568727,72	836227		Expenses paid in advance
357145,09	1202600		Suppliers
467800439,62	85315523	10	Other debit accounts
256728,00			Total of depreciation of debit accounts
45842763,75	189813707	11	Treasury bills
2583637954,63	3121341995	12	Cash and balances in the Banks
3372821182,12	3701208200		Total movable assets
4921361377,70	5107210426		Total assets

**Alexandria Containers and Cargo Handling Company**

**Headquarter- Private free zone**

**Financial position statement as of 30/06/2020 (Continued)**

31/12/2019	30/06/2019	Explanation number	Items
			Property rights
744876700.00	744876700	13	Paid capital
		14	Reserves
783434924.00	783434924		Legal reserve
795618342.27	617605868		Systematic reserve
374707167.11	374704167		Reserve for the support of projects
26128861.76	26128862	*	Other reserves
213136642.55	207300619		Capital reserve
(4060239.37)	(47331454)	15	Carry over profits (losses)
736060268.99	1833363458		Net profit
3669899667.30	4540083144		Total property rights
			<u>Non-current liabilities</u>
			Bank loans
	24783714	16	Contested tax appropriation
	79575441	16	Claims and disputes

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			appropriation
	16642950	16	Other appropriations
		17	Suppliers and payable accounts
	51526614		Suppliers
	41368885		Accounts payable to departments and agencies
	100,000		Distribution creditors
	249752215		Due expenses
	11669938		Clients
	91707525	18	Other credit accounts
	567127282		Total current liabilities
	5107210426		Total property rights and obligations

Signed/ -----

Naval General/ Mamdouh Tawfiq Draz

Chairman and Managing Director

Signed/ -----

Accountant/ Mohamed Yasser Sultan

Head of the Financial Sector

**Alexandria Containers and Cargo Handling Company**

**Headquarter- Private free zone**

**Income Statement**

**For the period from 01/07/2019 to 30/06/2020**

30/06/2020	30/06/2019	Explanation number	Items
2584009127,36	2928291874		Sales/ Revenue
1002990790,13	1008769387		Sales cost/ cost of obtaining the revenue
1581018337,23	1919522487		Gross profit
205341659,02	215055654	19	Investment income
53353592,90	92781315	20	Other gains and losses
9829397,30	8472808	21	Other revenue
216836923,44	190071565	22	Administrative and general expenses
31747,482,55	42908204	16	Component appropriations
10991142,49	31730067	16	Appropriations of no purpose
10617590,11	10946116	23	Other expenses
487118,91	493149		Financing expenses
			Income from investments in affiliated companies
1494137828,13	1837580667		Profits before tax
787110,00	4288447	24	Income tax expenses
1493350718,13	1833292220		Profit after tax
28000,21	71238		Deferred tax
1493378718,34	1833363458		Profit of the year
1,002414707	1,230648950	25	Profit sharing



**Signed/ -----**

**Naval General/ Mamdouh Tawfiq Draz**

**Chairman and Managing Director**

**Signed/ -----**

**Accountant/ Mohamed Yasser Sultan**

**Head of the Financial Sector**

**Alexandria Containers and Cargo Handling Company**

**Financial Affairs Sector**

**Headquarter- Private free Zone**

**Calculation of the cost of producing or buying the units sold over the period from 01/07/2019 to 30/06/2020**

Total Pound	Piaster	Item	Accounting index	Comparative numbers 30/06/2019	Total Pound	Piaster	Item	Accounting index	Comparative numbers 30/06/2019
		Cost of production							
	74619180.97	Raw materials, fuel, and spare parts	361	73819613					
524215123.01	449595942.04	wages	362	483751731					
		Other costs							
	32320130.30	Purchased services	3631	27212653					
	110033148.94	Depreciation and amortization	3632	132363341					
	175282308.85	Renting of real estate (lands and buildings)	3634	169878641					
	0.00	Real estate taxes	3635						
	23042024.43	Cost of using the licenses (Resolution 521)		21327370					
	98672829.51	Fees and taxes		71190426					
478775667.12	39425225.09	Investment Authority fees		29225612	1002990790.13		Cost of production or purchase of the units sold (carry- over for a trading account)		1008769387
1002990790.13				1008769387	1002990790.13				1008769387

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Alexandria Containers and Cargo Handling Company

Financial Affairs Sector

Headquarter- Private free zone

Trading account over the period from 01/07/2019 to 30/06/2020

Total Pound Piaster	Partial Pound Piaster	Item	Accounting index	Comparative numbers 30/06/2019	Total Pound Piaster	Partial Pound Piaster	Item	Accounting index	Comparative numbers 30/06/2019
1002990790.13		<u>The cost of the production or purchase of the units sold</u>		464163798			Business revenue	41	
		Marketing costs			2584009127.36		Sold services	414	2928291874
	0.00	Materials, fuel and spare parts	371		0,00		Grants and donations	42	
0.00	0.00	Wages							
		Other costs							
0.00	0.00	Purchased services	3731						
1581018337.23		Gross profit		1919522487					
2584009127.36				2928291874	2584009127.36				2928291874

Alexandria Containers and Cargo Handling Company

Financial Affairs Sector

Headquarter- Private free zone

Profit and loss account over the period from 01/07/2019 to 30/06/2020

Total Pound	Piaster	Item	Accounting index	Comparative numbers 30/06/2019	Total Pound	Piaster	Item	Accounting index	Comparative numbers 30/06/2019
		Administration, financing, and marketing expenses			1581018337.23		Total carryover surplus		1919522487
	7391462.45	Materials, fuel, and spare parts	381	5959345			Investments and interest revenues	43	0
159189027.67	151797565.22	Wages	382	128474649		0.00	Investment income from companies	432	0
		Other expenses				196565812.19	Payable interest	435	196751546
	18477503.71	Purchased services	3831	18425680	205341659.02	8775846.83	Treasury bills return	43	18304108
	11539883.25	Depreciation and amortization	3832	9547657			Other revenues and profits	44	0
	0.00	Debit interests	3833			10991142.49	Appropriations of no purpose	441	31730067
	13074014.36	Renting of real estate (lands and buildings)	3834	10337126			Deferred tax assets		
	1908369.00	Real estate taxes	3835						
	13135244.36	Indirect tax on the activity	3836	17820257					
58135014.68					10991142.49				
		Burdens and losses							
	31747482.55	Appropriations other than depreciation	351	42908204					
42360849.41	10613366.86	Miscellaneous burdens and losses	354	10915423					
				0					

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1537666246.98		Activity profits (carryover balance)		1921919867					
1797351138.74				2166308208	1797351138.74				2166308208
	0.00	Expenses of previous years	356	0	1537666246.98		Net activity profit (transferred balance)		1921919867
	4223.25	Unusual losses	358	30693		0.00	Profits of currency differences	445	0
	839.08	Capital losses	359	0		0.00	Previous year revenues	446	0
	0,00	Deferred tax		0		238742.98	Capital profits	447	5836024
	787110.00	Income taxes		4288447		9829397.30	Miscellaneous revenue and profits	448	8472808
	54070647.47	Currency difference losses		100419666		658689.12	Waste sale profits		1938629
	179538.45	Waste sale losses		136302		28000,21			
55042358.25									
		Net profits				10754829.61			
1493378718.34		Surplus		1833292220					
1548421076.59				1938167328	1548421076.59				1938167328

Signed/ -----

Naval General/ Mamdouh Tawfiq Draz

Chairman and Managing Director

Signed/ -----

Accountant/ Mohamed Yasser Sultan

Head of the Financial Sector

**Alexandria Containers and Cargo Handling Company**  
**Headquarter- Private free zone**

**Statement of changes in the ownership property for the financial period ending on 30/06/2020**

*Values are given in pounds*

statement	capital	Legal reserve	Other reserves	Support reserves for projects	Capital reserve	Statutory reserve	Retained earnings (losses)	Net profit	Total
Balance on 01/07/2018	744876700.00	783434924.00	26428861.76	374704167.11	228903949.75	617605868.04	31343872.05	0.00	2806998342.71
Changes during the period	0.00	0.00	0.00	0.00	21603331.20	0.00	78675326.01	1833363458.17	1733084800.96
Balance on 30/06/2019	744876700.00	783434924.00	264128861.76	374704167.11	207300618.55	617605868.04	47331453.96	1833363458.17	4540083143.67
Equity changes of ownership property from 01/07/2019 to 30/06/2020									
Balance on 01/07/2019	744876700.00	783434924.00	264128861.76	374704167.11	207300618.55	617605868.04	47331453.96	1833363458.17	4540083143.67
Changes during the period	-	0.00	0.00	0.00	-	-	-	-	0.00
Changes in accounting policies	-	-	-	-	-	-	-	-	0.00
Adjusted balance	-	-	-	-	-	-	-	-	0.00
The surplus of the re- evaluation of assets	-	-	-	-	-	-	-	-	0.00
Deficit of re- evaluation of investments	-	-	-	-	-	-	-	-	0.00
Net profits and losses, which was not affected by the income statement	-	-	-	-	-	-	43375670,03	-	43375670,03

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Net profit for the year	-	-	-	-	-	-	-	1493378718,34	1493378718,34
Carryover reserve	-	-	-	-	5836024,00	178012474,23	-	-	183848498,23
Dividend	-	-	-	-	-	-	47331453,96	1833363458,17	1786032004,21
Issuance of monetary shares	-	-	-	-	-	-	-	-	0.00
Deficit from revaluation of assets	-	-	-	-	-	-	-	-	0.00
Surplus from revaluation of investments	-	-	-	-	-	-	-	-	0.00
Issuance of shares from reserves	-	-	-	-	-	-	-	-	0.00
The balance on 30/06/2020	744876700,00	783434924,00	26128861,76	374704167,11	213136642,55	795618342,27	43375670,03	1493378718,38	4387902686,00
Explanation number	13	14	14	14	14	14	15		

Signed/ -----

Naval General/ Mamdouh Tawfiq Draz

Chairman and Managing Director

Signed/ -----

Accountant/ Mohamed Yasser Sultan

Head of the Financial Sector

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رجب سليمان

Alexandria Containers and Cargo Handling Company	For the period from 01/07/2019 to 30/06/2020	
Cash Flow Statement		
Item		Comparative 2019
<b><u>First: cash flows from operating activities:</u></b>		
Proceeds from clients	2909260781	3240784503
Reserved deposits against credits and letters of guarantee	-410381999	0
Cash purchases and suppliers	-491208741	-499742147
Paid wages	-632539426	-610995094
Securities revenues	10622963	18304108
Collected credit interest	202520197	217669948
Taxes and duties	-317037830	-352450508
Other proceeds	6342753	307767439
Other payments	-11189294	-13081256
Currency difference for cash balances	0	
Net cash flows from the plant Operation (1)	1266389402	2308256993
<b><u>Second: Cash flows from investment activities</u></b>		
Payments for the acquisition of fixed assets	-210890228	-362881708
Proceeds from selling fixed assets	238743	5909046
Proceeds from the recovery of financial contributions	482556038	303050880
Payments for the acquisition of financial investments (treasury bills)	-338585093	-492864589
Payments for the acquisition of shares in other facilities	-820000000	
Net cash flows from the investment activities (2)	-148680540	-546786371
<b><u>Third: Cash flows from financing activities</u></b>		
Proceeds from long-term loans		

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** Earnings from monetary shares		
Distribution of paid profits	-1602173379	-2845042543
Net cash flows from financing activities (3)	-1602173379	-2845042543
Cash movement change during the period	-484464517	-1083571921
Differential evaluation of the monetary balance currency	-53239523	-102189940
Cash balance at the beginning of the period	3121341995	4307103856
Total cash at the end of the period	2583637955	3121341995
Documentary credit in cash-equivalent		336459130
Letters of guarantee in cash-equivalent		47760225
Cash at the end of the period remaining after the reserved cash		2737122640
<b>Total cash at the end of the period</b>	<b>2583637955</b>	<b>3121341995</b>

Cash movement change includes 45842764,00 LE treasury bills less than three months from 30/06/2020

**Signed/ -----**

**Naval General/ Mamdouh Tawfiq Draz**

**Chairman and Managing Director**

**Signed/ -----**

**Accountant/ Mohamed Yasser Mohamed Lotfy**

**Head of the Financial Sector**

**Alexandria Container and Cargo Handling Company**

**Sectors of financial affairs**

**Profit distribution project proposal for the period from 01/07/2019 to  
30/06/2020**

Total	Partial	Description
Pound. Penny		
1494137828,13		Net profit before tax
43375670,03		deducted: Carryover losses
787110,00		deducted: - The tax due
238742,98		Deducted: - Capital profits
1449736305,12		Distributable Surplus
	144973630,51	0% statutory reserve
	21746044,58	10% Statutory reserve
		1.5% Sporting activity
1283016630,03		The remaining after deducting the statutory reserve, legal reserve, and the sporting activity
37243835,00		5% of the capital fund (first distribution)
1245772795,03		The remaining after deducting 5% of the capital fund (first distribution)
1300000,00		Deducted: the remuneration of

مركز الترجمة المحترفة

رجب سليمان

		the members of the Board of Directors
1244472795,03		the net after deducting the first distribution and the remuneration of the members of the Board of Directors
٠,٠٠		Project support reserve
٠,٠٠		Retained profits
1244472795,03		The remainder shall be distributed as an additional share
	37243835,00	First distribution
	1244472795,03	Second distribution
	1281716630,03	distributed as follows
	1153544967,03	90% for shareholders
	138888,89	The remaining share of the Board of Directors shall be added
	1153683855,92	Total shareholder share
	128171663,00	10% for the employees
	0,774319406	Coupon value = Share of the shareholders in the profit/ number of shares
	1489753400	number of shares

**The Holding Company for Maritime and Land Transportation  
Alexandria Containers and Cargo Handling Company  
Egyptian Joint- Stock Company**

**Complementary notes on the financial statements as of 30/06/2020**

**First: Company profile:**

Company's name / Alexandria Containers and Cargo Handling Company,  
One of the companies affiliated to the Holding Company for Maritime and  
Land Transportation.

**Legal form:**

An Egyptian subsidiary joint-stock company established under the  
provisions of the General Labor Sector Companies Law No. 203 of 91 and  
the implementing regulations thereof, registered in the commercial registry  
on 09/05/1984 under the number 111502. Company's age: 50 years from  
11/06/1984 to 10/06/2034, listed on a stock exchange on 16/08/1995.

On 16/01/2005, the Vice-President of the General Authority for Investment  
and Free Zones has issues the resolution No. 460 of 2005 authorizing the  
Alexandria Containers and Cargo Handling Company branch to operate

under the free zones system at two container plants, namely Alexandria and Al-Dekhaila and to undertake the management of multi-purpose plants. The license was renewed from 15/01/2020 to 15/01/2025 by resolution No. 7 dated 02/07/2019.

**The company's activity under its articles of association:**

The purpose of the Company is to handle containers and goods at Alexandria and Al-Dekhaila port at the site designated by the General Authority of Alexandria Port; to transport containers and goods to and from the port; to manage and operate the multi-purpose plants within and outside the different ports; and to do customs clearance and practice real estate investment activity in all forms either by itself, by agency, or jointly with others. In doing so, the Company may obtain the necessary licenses to practice such activities and to enter into contracts with engineering consulting offices, construction companies, and all companies operating in this regard. The Company may also contribute to companies operating in other fields. The license has been extended for 15 years from the end of the license on 24/06/2020. The storage has been added to the company activity. The financial statements are prepared yearly from 01/07 to 30/06.

- The Company adheres to the environment-related stipulations provided for in Law No. 4 of 1994, as amended by Law No. 9 of

2009, and should demonstrate its commitment to all environmental conditions in terms of:

- Maintaining a record of the Company's impact on the environment according to Annex No. (3) of the implementing regulations of Law No. 4 of 1994.
- The commitment of the Company to the standards and specifications for liquid waste when disposed into the sea in accordance with Appendix No. (1) of the implementing regulations of Law No. 4 of 1994, where:
  - The company has 5 wastewater treatment plants with a capacity of 170 cubic meters per day
  - The company has 2 industrial wastewater treatment plants with a capacity of 24 cubic meters per day
  - Safe disposal of solid waste and garbage by the General Wastewater Authority and specialized companies.
  - Reducing air pollutants through continuous maintenance of the Company's equipment, whether being old or new.
  - Maintaining the cleanliness of the floors of the yards and workshops, and using the necessary materials to remove the residual oils from the ground.
  - Using a fire alarm system.
  - Using safety and security methods to protect workers and work corridors.

- Adopting the rodent and insect control system by contracting with the Ministry of Health to carry out the control process on a monthly basis.

In addition to the above, the Company holds three types of ISO certificates:

- 1- Quality Management System ISO 9001 - 2015, valid until 12/07/2021.
- 1- Occupational Health and Safety System ISO 45001 – 2018, valid until 28/04/2022.
- 2- Environmental Management System ISO 14001 – 2015, valid until 14/02/2022.

**Signed/ -----**

**Company Auditor: the Central Auditing Organization, Maritime Transport Accounts Control, Talaat Harb St., Alexandria.**

**Second: The most important accounting policies used:**

**Principles of preparing the financial statements:**

The financial statements are prepared in accordance with the continuity assumption, the accounting accrual basis, and the historical cost principle.

**Compliance with accounting standards:**

The financial statements are prepared in accordance with the Egyptian Accounting Standards issued by Minister of Investment Decision No. (110) for the year 2015 and the applicable laws and regulations.

**Accounting policy changes:**

The accounting policy used since 2005 is to separate the Company into a free zone branch and a headquarters, with the latter to incur the operating expenses and some general and administrative expenses.

**Foreign currency translation**

The aggregate financial statements are prepared and presented in the Egyptian pound, which is the Company's functional currency.

Transactions in foreign currencies are documented in the Egyptian pound, and the profits and losses resulting from their re-evaluation are recorded in the income statement. Purchases are listed in foreign currency at the exchange rate in the date of purchase, and customer revenues are listed at an average exchange rate for the month, with the last period balances in foreign currency to be evaluated at the exchange rate on the date of the financial statements. The profits/ losses resulting from the currency differences are charged to the income statement.



**Taxation policy:**

The Company shall submit an annual tax declaration on the results of the headquarters business. The company also has a branch operating under the free zones system at Alexandria and Al-Dekhaila ports that are not subject to all taxes and fees in force in the Arab Republic of Egypt as postulated in Investment Law No. 72 of 2017. The tax declarations are provided on labor tax, stamps, and VAT which are paid for all the Company's transactions in the Headquarter and the free zone branch.

- **Income tax:**

The income taxes due for the accounts of the Headquarter shall be calculated in the light of Law No. 91 of 2005 and its implementing regulations and all subsequent decisions and periodic letters, and in accordance with the regulations and instructions in force in the Arab Republic of Egypt. These taxes shall be documented in the income statement of the Headquarter with the potential tax obligations to be established after conducting the necessary study and in the light of the tax claims.

- **Deferred taxes:**

The deferred tax is the tax that arises from the existence of some temporary differences resulting from the difference in the financial period in which the value of some assets and liabilities is accredited among the applicable tax rules and the accounting principles for which the financial statements are prepared.

The deferred tax was regarded as an asset because of the possibility that this asset can be used to reduce the taxes due to the Company during future years. The deferred tax shown here as an asset to the Company shall be reduced by the value of the portion that will not be achieved from the expected tax benefit during the following years. However, in the event of an increase in the expected tax benefit, the tax assets shall then be increased in proportion to what has already been reduced.

The deferred tax assets or tax liabilities shall be calculated at the end of the financial year and at the time when the budget is prepared.

**Fixed assets:**

The fixed assets are expressed as the historical cost after deducting the total depreciation and are listed at the acquisition cost thereof and all the expenses necessary to prepare the asset for operation. In accordance with Standard No. (10) Paragraph (10), the facility shall evaluate its assets on the basis of

the cost at the time of their occurrence, and the acquisition cost shall include the expenses that are spent later to add or replace part thereof.

The depreciation of fixed assets shall be calculated using the straight-line method where the asset is in its place and original condition, and where the use thereof can bring economic benefits to the facility. As for the depreciated assets which are still operating, no depreciation shall be accounted.

**The productive life of major groups of fixed assets shown in the financial statements:**

According to Standard No. (10) Clause (57), the estimated productive life of the asset is determined through the expected use thereof by the facility.

**The estimated productive life of the major groups:**

Buildings and structures	from 10 to 20 years
Machinery and equipment	from 6-7 to 10 years
Means of transportation	from 10 to 20 years
Office furniture and equipment	from 5 to 10 years

The productive life and the scrapping value of the Company's transportation means have been modified based on the committee's decision No. (271) of 2018 in cooperation with the College of Engineering and according to the Egyptian accounting standards. Depreciation expense decreased : 21 million LE due to the modification of the productive life.

- There are no restrictions on the Company's assets against loans.

**Devaluation of the assets:**

- The book value of the assets owned by the Company shall be reviewed at the budget date to determine whether there are any indications of a decrease in their value. In the case having these indications existed, the necessary studies shall then be prepared to determine the expected recovery value.
- The losses resulting from the devaluation of the assets shall be recorded if the book value of the asset and its cash-generating unit exceeds the recoverable value, and shall be included in the income statement.
- In the case of increasing the recoverable value of the assets, the losses resulting from the devaluation of the assets shall be refunded only to the extent that the book value thereof is not increased. This shall be

determined after deducting the depreciation and amortization, without deducting the devaluation of the assets.

- **Projects under implementation:**

- These are exemplified by the amounts that have been spent for the purpose of creating or purchasing fixed assets until they are ready for use in operation. They are then transferred to the fixed assets item and the projects are then valued on a cost basis.

- **Long-term investments:**

- The investments have been reported in the financial statements based on the acquisition cost minus any devaluation losses if any.

- **Stocks**

- The stocks consisting of fuel, spare parts, materials, and equipment shall be evaluated on a cost basis, and the expenses shall be calculated on the basis of the weighted average.

- **Traded investments and securities:**

- The book value of the traded investments shall be determined on the basis of the purchase cost and shall represent one of the investment assessments.
- **Cash and the like:**
  - For the purpose of preparing the cash flow statement, the cash value and its equivalents shall include the treasury cash value, the current bank accounts, and the deferred deposits that are due within three months.
- **Capital management goals and policies:**
  - The Company shall manage the capital so that it can cover the operating demands, shareholders 'goals, and finance investments, either by covering the replacements and renewals or by strengthening its competitiveness with self-financing without the need for loans. The Company is currently conducting studies and research to add investments in new projects.
- **Reserves:**

- These shall be set aside in accordance with the laws, regulations, and decisions in force subject to the approval thereof by the general assembly and the purpose of each reserve. The reserve shall be used based on a decision issued by the general assembly in accordance with the proposal of the Board of Directors.
  
- **Appropriations:**
  - The appropriations shall be accredited when the Company has a current legal obligation resulting from a previous event, which entails an outflow of economic resources to settle the obligation, with the possibility of making a reliable estimate of the amount of the obligation. The appropriations shall be reviewed at the date of each budget and shall be determined to show the best current estimate. They shall be accredited in accordance with the Egyptian accounting standard No. (28), paragraph (1).
  
- **Transactions with related parties:**
  - The related parties are exemplified by both the parent company and its subsidiaries as well as the major shareholders and companies to which the Company contributes. The transaction terms and policies shall be approved by the Board of Directors.

- **Recognition of the revenues:**

- The revenues from rendering services shall be recognized based on the extent to which the transaction was executed at the end of the financial period for which final accounts and financial position are required (Standard 11). The following aggregate conditions should be satisfied:

- ❖ Accuracy of revenue measurement when the service is fully implemented.
- ❖ Achievement of the economic benefits of the transaction.
- ❖ Full registration of the costs related to the implementation of the service performed.

**Expenses:**

All expenses, including operating expenses, general and administrative expenses, and other expenses, are accredited and shall be included in the income statement of the financial year in which they were incurred.



- **Dividend:**

Profits shall be distributed at the end of the financial year after having the financial statements approved by the General Assembly at the end of the financial year in accordance with the provisions of Law (203).

**Financial instruments risks:**

**a- Market Risks:**

The Company works in the field of containers, in which there is competition from companies working in the same field. For this purpose, the Company makes the necessary facilities for customers and buy new equipment to provide distinguished services to attract new shipping lines.

**b- Foreign exchange risk:**

The Company shall maintain its balances in foreign currency to meet the funding requirements of investment plan projects to purchase new equipment from abroad in order to avoid the risk of fluctuations in foreign exchange rates and deal with several banks to obtain the highest interest for the deposits with credit facilities in financing. It is to be known that the Company shall re-evaluate the foreign currencies by the end of each quarter.

c- **Interest Risks:**

The choice shall be made between several banks to be dealt with in order to reduce the risk by linking deposits (Egyptian dollars) for a period of 1-3 months only at the highest prices available.

• **Employee benefits:**

- *Social insurance:* The Company shall make contributions to the General Authority for Social Insurance, and these contributions shall be calculated as a percentage of the employee salaries. The Company's obligations shall be limited to these contributions, which are charged to expenses when they are due.
  
- *End-of-Service Grant:* The Company shall give an end-of-service grant to its employees. The right to obtain these benefits is calculated based on the last salary and the length of service for the employees equals two and a half months and an appropriation shall be made for this matter.
  
- *Share of profits:* The employees of the Company shall get a share of the distributed profits not less than 10%. An amount not exceeding the

annual basic wages shall be disbursed in cash, with the excess amount to be excluded and deposited in the account of the services committee in order to finance employee housing projects or other social services (Law 203 of the business sector companies). Employees' share of profits will be modified according to the amendments of the Law 203 and its executive regulation.

- **Cash flow statement:**

- The cash flow statement shall be prepared using the direct method.

- **Items used in estimates and assumptions:**

As a result of the conditions of uncertainty that characterize the business activities, many items in the financial statements cannot be measured accurately, but they can only be estimated. The estimation process involves provisions based on the latest available and reliable information. The use of estimates is an essential part of preparing the financial statements and does not reduce the level of reliance on them. For example bad debts, inventory obsolescence, appropriations, and expected lifetime of the future economic capacity contained in the depreciable assets or the expected depreciation of these facilities.

**Third: Detailed statements:**

**1- Fixed assets:**

**Statement on additions and exclusions for the fixed assets from  
01/07/2019 to 30/06/2020**

*Values are given in pounds*

Item	Balance 01/07/2019	Additions	Exclusions	Balance 30/06/2020	Total depreciation	Net assets
Buildings and constructions	120813760	15069004	0	135882764	40542156	95340608
Machinery and equipment	19435660	7345540	0	26781200	9896211	16884989
Means of transportation	1794378544	72130974	51524267	1814985251	728216393	1086768858
Tools	2701746	86695	0	2788441	1794070	994371
Furniture and office supplies	35131525	1542748	27688	26646585	14552923	12093662
Total	1962461235	96174961	51551955	2007084241	795001753	1212082488

**Calculation of depreciation allowance from 01/07/2019 to 30/06/2020**

*Values are given in pounds*

<b>Item</b>	<b>Balance 01/07 /2019</b>	<b>Depreciation of the period</b>	<b>Appropriation for the depreciation of assets excluded during the period</b>	<b>Balance of the last period 30/06/2020</b>
Appropriation for the depreciation of buildings and constructions	32024898	8517258	0.00	40542156
Appropriation for the depreciation of machinery and equipment	8172487	1723724	0.00	9896211
Appropriation for the depreciation of transportation and tools	677100979	102153681	51038267	728216393
Appropriation for the depreciation of machines and tools	1720880	73190	0.00	1794070
Appropriation for the depreciation of office furniture and supplies	12253781	2322607	23465	14552923
<b>Total</b>	<b>731273025</b>	<b>114790460</b>	<b>51061732</b>	<b>795001753</b>

**The net historical value of depreciated fixed assets:**

- Depreciated equipment (means of transportation) that are kept for eventual disposal, with the historical value of 1,980 million pounds
- Depreciated equipment (means of transportation) that are registered in books and still being used at a historical value of 171.456 million pounds.

**Projects under implementation:**

The accounts of the investment component and the investment expenditures shall include the following particulars:

**2- Investment component:**

A statement about the run of the investment component during the period from 01/07/2019 to 30/06/2020:

item	Balance 010/7/2019	Additions	Exclusions	Balance 30/06/2020
Buildings and constructions	100741059	58591222	148880480	10451801
Machinery and equipment	39,000	4295865	4334865	0
Means of transportation	493379	70859979	70882974	470384
Tools	263888	165946	169529	260305
Furniture and offices supplies	268188	2209661	2424133	53716
<b>Total</b>	<b>101805514</b>	<b>136122673</b>	<b>226691981</b>	<b>11236206</b>

### **3- Investment expenditures:**

These shall be charged with what has been invested in the advance payments or the documentary credits and shall be included in the investment plan implemented with what has been paid.

Statement of analyzing the balances of the investment spending account on 30/06/ 2020

*Values are given in pounds*

<b>Item</b>	<b>Balance</b>
Advance payments	93663087
Documentary credits	4492261
Total	98155348

### **4- Real estate investment:**

The value of the lands amounting to 2,412,898 pounds in 30/6/2016 has been converted into long-term investments (real estate investment) in the Headquarter.

### **5- Intangible assets:**

These shall be documented on a cost basis minus the depreciation (amortization is determined by the straight-line method), with the productive life to be estimated between 5 to 10 years. The intangible assets are exemplified by the following particulars:

- Capitalized expenditures: A sum of 5,748 million pounds in return for using the assets of the Al-Dekhaila plant.

- Non-unit assets: A sum of 141,610 million pounds to cover the expenditures related to sewer and industrial drainage works, software for the system, and increased safety works for platform 96 in Al-Dekhaila, deepening of platform 96, and to serve the purposes thereof.

Item	Balance 01/07/2019	Additions	Depreciation of the period	Balance 30/06/2020
Capitalized expenses (In return for using the assets of the Dekheila plant)	1531530	5420901	1204568	5747863
Non-owned assets	10682312	134875919	3948278	141609953
Total	12213842	140296820	5152846	147357816

**6- Investing in companies:**

**First: investments in subsidiary companies: (a shareholding rate of more than 50%).**

N/A

**Second: Investments in affiliated companies: (a shareholding rate of more than 20%).**

A statement clarifying the run of the financial investments in affiliated companies to which the Company contributes, and the number of shares as of 30/06/2020:



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The company's name	Contribution rate	Beginning of the period on 01/07/2019		The change		End of the period on 30/06/2020	
		Value	Number of Shares	Value	Number of Shares	Value	Number of Shares
Memphis Shipping Agencies	44%	0	880,000	0		0	880,000
Amoun Shipping Agencies	44%	0	880,000	0		0	880,000
Abu Simbel Shipping Agencies	44%	0	880,000	0		0	880,000
Total		0	2640000			0	2640000

**Third: Investments in other companies: (Contribution ratio of less than 20%)**

The Company's name	Contribution rate	First time on 1/7/2019		the change		The last time is on 30/06/2020	
		the value	Number of Shares	the value	Number of Shares	the value	Number of Shares
The Egyptian Garages Company (Turgeman Group)	6.544%	12196200	1635220			12196200	1365220
Egyptian Company for Maritime Navigation	2%	0	200,000	0	0	0	200,000
Egyptian Group for	13%	0	0	65000000	650000	065000000	650000

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Multi-Purpose Terminals							
Total		12196200	1,565,220	65000000	650000	77196200	2215220

- The Company's share in the capital of the Egyptian Garages Company (Al-Turjuman Group) was increased by 652,200 pounds in fiscal year 2018/2019.
- The appropriation made during 2014/2015 for Memphis Company at an amount of 12,961,387 pounds was used and the remainder of the investment value of 11,243,237 pounds was deducted as extraordinary losses during the year 2014/2015.
- The value of the shareholding in Amoun Company was deducted as a result of calculating the value of the impairment of these investments and deducting them from the value during the financial year 2008/2009.
- The value of the shareholding in Abu Simbel and Taibah Companies was deducted as a result of calculating the value of the impairment of these investments and deducting them from the value during the financial year 2014/2015 at 15,404,623 pounds.

- The appropriation made during 2014/2015 was used for the Egyptian Navigation Company in the amount of 7,214,272 pounds, and the rest of the investment value was deducted by 2,500,000 pounds as extraordinary losses.
- The value of the contribution in the Egyptian Company for Garages (El Torgoman Group) was deducted as a result of calculating the impairment value of those investments and deducting them from the value during the financial year 2016/2017 at a sum of LE 1,456,000.

A 13% contribution was made to the capital fund of the Egyptian Group for Multi-Purpose Terminals (650,000 shares with a nominal value of LE 100 per share) from the share of the Holding Company for Maritime and Land Transport. The Board of Directors of the Egyptian Group for Multipurpose Terminals has decided to increase the Company's capital fund from LE 500 million to LE 2.2 billion and the shareholders have all approved the self-finance at 30% with borrowing at 70%.

The self-contribution in the Company's capital fund required from all shareholders amounts to a sum of LE 2.2 billion according to the cash flow schedule, and the share of a Company for handling containers and goods amounts to a sum of LE 273 million, of which LE 65 million were paid before the Company's capital increased. The remaining LE 208 million is due during the period from June 2020 to

December 2021 and the Company has already paid LE 17 million, which were listed in the debit accounts, note No. (10).

**7- Long-term loans and receivables:**

A sum of LE 11074800 was granted as an interest-free loan to the Egyptian Company for Maritime Navigation. A comprehensive impairment list was made for this loan in February 2020.

**8- Assets held for sale:**

These are exemplified by the cranes for the platforms numbers 2004 and 2005 in Dekheila.

**9- Stock pricing and valuation:**

The Company measures the value of the commodity stock based on cost and under the Standard No. (2) Paragraph (9), noting that the nature of the Company's stock consists of spare parts needed to carry out the repair and maintenance of equipment, which are specialized equipment whose spare parts, materials, and supplies are imported from abroad and are required for cleaning operations, etc. The pricing is based on the cost of purchase.

The items disbursed from the warehouse are priced using the weighted average method on all the stocks which are not offered for sale.

- The stagnant stock on 30/06/2020 amounted to LE 1,104 thousand and is evaluated according to cost or recoverable value, whichever is less when it is offered for sale.

**10- Analysis of the balances of other debit accounts on 30/06/2020**  
**(values are given in pounds)**

Description	Amount
Other debit accounts	٤٤٣٣٢٩١٢٠
Credit accounts for agencies and organizations	٩٩٧٥٥٧
Insurances with third parties	١٩٤٢٢٦
** Accounts payable for investment	١٧٠٠٠٠٠٠
Payables to purchase of fixed assets	٦٣٠٤٣٤٤
Other credit accounts	٧٥٢٩٣
<b>Total</b>	

- The other debit accounts amount to LE 26194124 owed by the General Investment Authority, and the amount of LE 256728 owed by the Egyptian Navigation Company is LE 41081999 deposited against letters of guarantee. The remaining amounts are owed by workers in the form of offenses and damages, the most recent of which are those caused by the drivers and workers in the Company's equipment, and the costs of training courses due to some workers, the taxes owed by workers, and the loans paid to the employees, all of which are deducted from them in monthly installments during the year.

\*\* Accounts payable for the purchase of investments: A sum of LE 17 million was paid under the capital increase account of the Egyptian Multi-Purpose Terminals Company.

### **11- Treasury bills:**

The treasury bills are used as one of the savings assessments for the available cash balances according to the interest rate as long as they exceed the interest rate of the deposit in conformity with the size of the available cash balances. The treasury bills shall be recorded at the purchase price and the proceeds shall be charged to the income statement according to the principle of entitlement.

### **12- Cash in banks and treasury fund**

- The cash balance in the banks has reached a sum of 2583637955 pounds and includes:
  - Current bank: 112,094,471 LE
  - Treasury: 676,000 LE
  - Term bank deposits (Three month) 2,238,655,937 LE
  - For the purpose of liquidity, the L/C coverage shall be excluded with deposits against credits of 410381999 LE.

### **Property rights:-**

### **13- The authorized capital:**

The authorized capital amounts to 1,000 million pounds

### **Movement of issued and paid-up capital and number of shares:**

- The issued and paid-up capital amounts to 744,876,700 pounds and the nominal value amounts to 00.50 pounds per share, with the number of shares amounting to 1,489,753,400. The extraordinary general assembly has agreed on 13/08/2018 to divide the nominal value of the Company's share from five pounds per share to fifty piasters per share.

Distributed as follows:

Item	Number of shares	Contribution rate	Capital on 30/06/2020	Comparative capital on 30/06/2019
Holding Company for Maritime and Land Transportation	824865720	55.369%	412432860	412432860
Alexandria Port Authority	590400000	39.631%	295200000	295200000
Free trading	74487680	5.00%	37243840	37243840
Total	1489753400	100%	744876700	744876700

#### **14- Reserves:**

##### **- Legal reserve:**

A portion of the net profits shall be set aside at a rate of 5% of the net profit for the year in order to form a legal reserve. The General Assembly may suspend cessation of the appropriation of this legal reserve if it reached half of the issued capital. The legal reserve may be used to cover the Company's

losses and to increase the capital fund based on a decision by the General Assembly in accordance with the proposal made by the Board of Directors. The balance of 30/6/2018 has included a sum of 162,509,861.40 pounds being the value of the issuance premium on increasing the free trading shares to reconcile the situation.

- **Statutory reserve:**

A value of 20% shall be set aside to cope with the support the Company's financial position in accordance with the provisions of Article (45) of the company's articles of association.

- **Project Support Reserve:**

A portion of the net profits of the Company shall be set aside after the legal and statutory reserves, and a value of 5% of the capital fund shall be allocated to the shareholders and employees as an initial share, with a percentage of no more than 5% to be deducted for the members of the Board of Directors. This reserve shall be set aside to cover the support of the projects. The project support reserve has amounted to 374,704,167.11 pounds on 30/06/ 2020.

- **Capital reserve:**



The value of disposing of the fixed assets of the Company or compensating for it shall be allocated for bringing the assets of the Company back to their original conditions, or for buying new fixed assets.

❖ **Analytical statement of other reserves**

Item	Amount
The difference between the nominal value and the fair value as a result of the increase in the share in the Egyptian Navigation Company	6997952.00
Re-evaluation of foreign currency in Egyptian pounds (6541023.64)	6541023.64
The value of the compensation of the National Insurance Company for the Calmer winch accident	117711.00
Increasing investments in agencies against the free shares issued by shipping agencies in 2004	3300000.00
The value of the gift assets supplied from the companies, along with the value of the equipment and cranes supplied and charged to the documentary credits	1027843.47
The value of the used caravan supplied as a gift by AMCO Consulting Office	3000.00
Reserve for a rise in the prices of fixed assets (depreciated assets in the book prior to the application of the decision No. 204 of 2001 issued by the Central Organization with regard to the amendment of the accounting system)	8141331.65
<b>Total</b>	<b>26128861.76</b>

**15- Carried over profits (losses):**

- The difference between the income of previous years and the expenses of previous years has been addressed in the account of the profits (losses)

carried over in the financial position statement as of the financial year ending on 30/06/2017.

- The balance of profits (losses) carried over on 01/07/2009 has amounted to (47331454) pounds, and it was deducted from the distribution project under a decision issued by the Assembly on 11/11/2019. The revenue of the previous years (25897619 pounds) shall be added to this amount, with a sum of 69273289 pounds to be deducted in order to obtain a balance of 43375670 pounds on 30/06/2020.

**- Statement of the analysis of the revenue account of previous years, on 30/06/2020**

*Values are given in pounds*

Item	Amount
Cancellation of depreciation allowance (the process of increasing the safety of platform 96)	567162
Rejecting the transit resolution 800	5934
Difference for the excellence reward 2018/2019	1600917
Deferred tax profits	71238
Accounts payable balances regulation	1176662
Investment Authority fees from 01/07 to 30/06/2019	19680494
Reduction in favor of donations 30/06/2019	8000
Refund of board membership allowance (El Torgoman Group) 2018	2953
Income tax refund for previous years	2784259
<b>Total</b>	<b>25897619</b>

**- Analysis of the expense of previous years on 30/06/2020**

*Values are given in pounds*

Item	Amount
Differences due to police guards	39325
Insurance share of the companies	1846468
Resolution of 800 transit	741509
Losses of selling rubber	100,000
Due differences for water and electricity	245444
Fee due to the yard 36/65	280000
Minimum storage value for the port authority	1706158
Tax return difference 2018/2019	185607
Operating of winches	5100
Real estate tax paid	8287807
Discount from the source (treasury bills)	13872972
Income tax for previous years	41962899
<b>Total</b>	<b>69273289</b>

- **Other long-term obligations:**

Long-term loans:

N/A

Bonds:

N/A

Current liabilities:

**16- Appropriations:**

Statement of appropriations other than depreciation as of 30/06/2020:

*Values are given in pounds*

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Item	Balance 1/7/2019	Component	Used	Has no purpose	Balance 30/06/2020
Client allowance (deducted from client account)	3645623	286029		599673	2759921
Tax appropriation	24783714		16354217	4431940	3997557
Appropriation for judicial disputes	79575442	2674429	21447007	5959529	54843335
Appropriation to face the Port Authority's disputes	3200000	2703991			5903991
End of service benefit	13442950	15037534	13762389		14718095
Appropriation to the depreciation of the loans of the Egyptian Navigation Company		11074800			11074800
Appropriation to the depreciation of the debts of the Egyptian Navigation Company		256728			256728
<b>Total</b>	<b>124647729</b>	<b>31461453</b>	<b>51563613</b>	<b>10991142</b>	<b>93554427</b>

**17- Suppliers and accounts payable on 30/06/2020:**

*Values are given in pounds*

Item	Amount
Suppliers	63157811
Credit accounts payable to departments and agencies	95270250
Distributable creditors	138889
Expenses due for payment	219521272

Client	3655892
Other credit accounts	72251599
<b>Total</b>	<b>453995713</b>

- ❖ Note that there are no short-term loans or overdrafts
- ❖ Distributable creditors: Represented by 138 thousand pounds being the remaining share of the members of the board of directors for the previous financial year, distributed to the shareholders after the general assembly approval of the dividend distribution project 2019/2020.

**18- Analysis of other credit accounts appearing in the financial position statement on 30/06/2020:**

Item	Amount
Creditors buying fixed assets	31978522
Third-party insurances	10541801
Other creditor accounts	29727445
Other debit accounts	3831
<b>Total</b>	<b>72251599</b>

- ❖ The nature and components of the other credit accounts item are the amounts deducted from some employees (wives and children expenses, penalties, taxes due and amounts owned by the general investment authority).

- **Transactions with related parties**

*Values are given in thousands of pounds*

Item	Nature of the relationship	The transaction size in 30/06/2020
Holding Company for Maritime and Land Transportation.	Contribution to the company's capital by 55.369% with other financial transactions exemplified by allowances for attending committees, renting of Al-Beshri store, contribution to the advertisements and execution payment ERP.	6842
Alexandria Port Authority	Contributing to the company's capital by 390,631% with other financial transactions affecting the financial statements such as the utilization of lands and buildings and the related sanitary costs.	243182
Abu Simbel and Tiba Company for shipping agencies	The Company contributes to the capital of Abu Simbel and Tiba Company for Shipping Agencies (Affiliated Company) by 44% % with other financial transactions exemplified by the customs clearance in favor of the Company	522
Memphis Company for Navigational Agencies	The Company contributes to the capital of Memphis Company for Navigational Agencies (Affiliated Company) by 44% % with other financial transactions including reports on dismantling and fixing the containers, damages to the container, and rental of the containers.	14504
Amoun Company for Navigational Agencies	The Company contributes to the capital of Amoun Company for Navigational Agencies (Affiliated Company) by 44% % with other financial transactions consisting of rental of containers.	36

- **Revenues:**

The gross profit shall be calculated based on the outcome of subtracting the activity revenue from the costs of producing or buying the units sold.

**19- Income from investment:**

The credit interests shall be recorded on an accrual basis and all that related to the accounting period.

On 21/02 2019, Law No. 10 of 2019 and Minister of Finance Decision No. 335 of 2019 have been applied.

Returns on treasury bills as a separate assessment and the charge of the related cost thereto:

Item	Amount
Credit interests	196565812
Returns of the treasury bills	8775847
	205341659

## **20- Other gains and losses:**

Item	Amount
Capital profits	238743
Waste selling profits	658689
Capital losses	839
Currency difference losses	54070648
Waste selling losses	179538
<b>Total</b>	<b>53353593</b>

## **21- Other revenues and profits:**

*Values are given in pounds*

Item	Amount
Credit rentals	
Compensation and fines	4959677
Income from selling the specification manuals	4117623
<b>Total</b>	<b>9829397</b>

## **22- Administrative and general expenses:**

These are provided in detail in the profit and loss account in the financial position attachments, minus the financing expenses (bank commission).

*Values are given in pounds*

Item	Amount
Materials and spare parts	7391462
wages	151797565
Bought services	18477504
Depreciation and amortization	11539883
Rental of real estate	13074015
Indirect taxes on activity	13135244
Real estate taxes	1908369
Financing expenses (bank expenses)	487119
<b>Total</b>	<b>216836923</b>

The administrative and general expenses include the salary and the attendance allowance for members of the Board of Directors: 496912 LE.

The wages include 21 months bonus for employees.

### **23- Other expenses:**

*Values are given in pounds*

Item	Amount
Miscellaneous burdens losses	10613367
Unusual losses	4223
<b>Total</b>	<b>10617590</b>

### **24- A statement of the tax situation as of 30/06/2020**

#### **First: Joint-Stock Companies Tax:**

The works of the special committees for the years 2007/2008 to 2011/2012 have been completed and payment has been made.



For the years 2012/2013 to 2015/2016, the examination has been conducted. The Appeal Committee report include reexamine some items disputed in the internal committee a tax appropriation amounting to 3,000,000 pounds.

Law No. 10 of 2019 relating to tax treatment of treasury bills was issued. The company paid 787110 LE, despite of the headquarters losses.

The modified tax returns were prepared for the financial years 2013/2014 to 2017/2018. An amount of 41962899 LE was paid.

### **Second: Payroll tax**

The tax examination has been completed until 2012 along with accounting and payment. The examination of the years 2013, 2014, 2015, 2016 and 2017 is underway. The year 2018 is under examination.

The tax settlement has resulted in financial differences paid in excess for the years 2013 and 2018 in amounts of 1,413 thousand pounds and 2,241 thousand pounds, respectively. This was due to the amendment of the provisions of the income tax law, which gave the financiers an increase in personal exemptions, as well as an increase in the value of the tax deduction for each segment. These differences will be settled upon completion of the tax examination work for those years.

**Third: Stamp taxes**

The examination was completed until 30/06/2015 and there are no claims or violations. The examination of the years 2015/2016, 2016/2017, 2017/2018 is underway. The year 2018/2019 is under examination

**Fourth: Sales tax / VAT**

- 1- The examination and accounting of the sales tax were completed until 2015/2016, and the years from 2016/2017 until 2018/2019 are under examination.
- 2- Concerning the liner taxes, case No. 12520 for the financial years 2003/2007 is being handled before the State Council Court and the Administrative Judiciary, and it was referred to the Ministry of Justice Experts Office and postponed to the 07/10/2020 session until the experts' report is received.
- 3- The judgment number 30640 for the judicial year 68 is being followed up, along with judgment number 36320 for the judicial year 96 at the Administrative Court of Alexandria, which were rendered in favor of the Company.

**Fifth: Real estate tax**

All claims for previous years have been paid until 2019.

❖ **Rights, privileges, and restrictions on dividends:**

N/A

❖ **Late dividends for the preferred shares:**

N/A

**25- Dividends:**

Profits shall be distributed at the end of the financial year after having the General Assembly approved the financial statements at the end of the financial year in accordance with the provisions of Law 203. The coupon value shall be calculated by dividing the shareholder's share by the number of shares (1489753400 shares), and the standard shall be applied by distributing the net profits to shareholders after setting aside the necessary reserves and the profit shares of the employees and the Board of Directors. The share in the dividends shall be calculated by dividing the shareholder's share of the profits by the actual number of shares, knowing that the Company's shares are ordinary.

**26- Capital connections not recorded in books**

*Values are given in thousands of pounds*

Item	Amount
TOS system	22510
The process of deepening and dredging the platform 96 (Suez Canal Authority)	10718
Supply of (2) yard winches	39794
Enhancing the efficiency of the Company's fences and construction of a building for drivers	3703
Replacement and renewal of cranes tracks platform 49-54	14048

The process of deepening the platform 96, 350 meters long (second phase) (curtains & turnbuckle supply)	79457
Dredging the platform 96, 350 meters long	158400
<b>Total</b>	<b>358630</b>

**27- Other clarifications:**

- The Company's Board of Directors has approved the financial statements ending on 30/06/2020 on 22/09/2020
- As of the financial year ending on 30/06/2016, the marketing expenses were included in the profit and loss account and not in the trading account, under the Egyptian Accounting Standard No. (1).
- Real estate investment: The Wadi Cotton Ginning Company, which owns the Balina land, is currently registering the common interest in the name of the Marine and Land Transport Holding Company, under certificate No. 410/2018 issued by the Real Estate Registry Office on 03/12/2018, with the Holding Company to undertake the registration for the Company.

The process of deepening platform # 96 (The Canal Company for Ports):

The first stage has been completed with a length of 400 meters and the final extract is being received and the second stage is starting.

- Storage activity: This has been added to the Company's commercial register and tax card.

- The impact of the emerging coronavirus pandemic on the Company's business volume in the last quarter of the financial year 2019/2020
- The impact of the Coronavirus on the volume of the Company's business appeared in the last quarter of the financial year ending on 30/06/2020, as the number of containers has decreased compared to their counterparts in the same period of the previous year. The impact has increased in the first quarter of the beginning of the new financial year 2020/2021.
- The external yards were added to the free zone area as of 01/07/2020.
- The new Egyptian Accounting Standards will be amended under the decision No. (69) issued by the Minister of Investment and International Cooperation on 18/01/2019, starting from the next financial year. Among the most important amendments are the following:

New or revised standards	Summary of the most significant amendments	The potential impact on the financial statements
<ul style="list-style-type: none"> <li>• The new Egyptian Accounting Standard No. 48 for revenue from contracts with clients</li> </ul>	<p>1- The new Egyptian Accounting Standard No. 48 for revenue from contracts with clients replaces and repeals the following standards:</p> <ul style="list-style-type: none"> <li>• Egyptian Accounting Standard No. (8) - construction contracts</li> <li>• Egyptian Accounting Standard No. (11)- amended</li> </ul>	<p>Management shall evaluate the potential impact on the financial statements when applying the amendment to the standard.</p>

	<p>revenue 2015</p> <p>2- The control form was used for revenue recognition instead of the benefit-risk form.</p> <p>3- The additional costs of obtaining a contract with a client are recognized as an asset if the Establishment expects to recover those costs, as well as the costs of fulfilling a contract as an asset when specific conditions are met.</p> <p>4- The standard requires that the contract has a commercial essence for revenue to be recognized.</p> <p>5- Expanding disclosure and presentation requirements.</p>	
<ul style="list-style-type: none"> <li>New Egyptian Accounting Standard No. (49)- Lease Contracts</li> </ul>	<p>1- The new Egyptian Accounting Standard No. (49)- Lease Contracts shall replace and repeal the Egyptian Accounting Standard No. (20) for the accounting rules and standards related to the financial leasing operations 2015.</p> <p>2- The standard provides one accounting model for the lessor and lessee, whereby the lessee recognizes the usufruct right of the leased asset within the</p>	<p>Management shall evaluate the potential impact on the financial statements when applying the amendment to the standard.</p>

	<p>Company's assets and recognizes the commitment that represents the present value of unpaid lease value within the Company's obligations, taking into account that the lease contracts are not liquidated for the lessee in the case of the operating lease contract or when it is a finance lease contract.</p> <p>3- Concerning the lessor, the lessor must classify each of his lease contracts either as a finance lease contract.</p> <p>4- Concerning the financial lease, the lessor must recognize the assets held under a finance lease contract in the financial position statement and present them as receivable sums in an amount equal to the net investment in the lease contract.</p> <p>5- For the operating lease, the lessor must recognize the lease payments from the operating lease contracts as income, either on a straight-line basis or any other regular basis.</p>	
<ul style="list-style-type: none"> <li>• New Egyptian Accounting</li> </ul>	<p>Some paragraphs have been added</p>	<p>Management shall</p>

<p>Standard No. (38) - "Employee Benefits"</p>	<p>and amended for reducing and settling the employee benefits system</p>	<p>evaluate the potential impact on the financial statements when applying the amendment to the standard.</p>
<p>• Amended Egyptian Accounting Standard No. (42) - "Cumulative Financial Statements"</p>	<p>Some paragraphs have been added concerning excluding the investment establishments from consolidation. This amendment has entailed the amendment of some standards related to the subject of investment establishments. The following are the standards that have been amended:</p> <ul style="list-style-type: none"> <li>- Egyptian Accounting Standard No. (15) - "Disclosure of Related Parties"</li> <li>- Egyptian Accounting Standard No. (17) - "Independent Financial Statements"</li> <li>- Egyptian Accounting Standard No. (18) - "Investments in Associated Companies"</li> <li>- Egyptian Accounting Standard No. (24) - "income taxes"</li> <li>- Egyptian Accounting Standard No. (29) - "Business Combination"</li> </ul>	<p>Management is currently evaluating the potential impact on the financial statements when applying the amendment to the standard.</p>



	<p>- Egyptian Accounting Standard No. (30 - "Periodic Financial Statements"</p> <p>- Egyptian Accounting Standard No. (44) - "Disclosure of Shares in the other establishments"</p>	
<ul style="list-style-type: none"> <li>Issuing Egyptian Accounting Interpretation No. 1 - "Public Service Concession Arrangements"</li> </ul>	<p>This interpretation guides accounting by operators of public service concession arrangements for a public entity and a private entity, for the construction, operation, and maintenance of infrastructure for public utilities - such as roads, bridges, tunnels, hospitals, airports, water distribution facilities, power supply facilities, communication networks, etc.</p> <p>This interpretation gives the option to invest in the application of the previous treatment of public service concession arrangements existing before January 1, 2019, for the establishments that were recognizing and measuring the assets of these arrangements as fixed under the Egyptian Accounting Standard No. 10 - "Fixed assets and their depreciation" until the expiry of the term thereof.</p>	<p>Management is currently evaluating the potential impact on the financial statements when applying the amendment to the standard.</p>

<ul style="list-style-type: none"> <li>Egyptian Accounting Standard No. (22) - “Profits per share”</li> </ul>	<p>The scope of application of the standard has been amended to become binding on the independent, consolidated, or separate financial statements issued for all establishments.</p>	<p>The Company is committed to applying the standard.</p>
<ul style="list-style-type: none"> <li>Egyptian Accounting Standard No. (34) - “Real Estate Investment”</li> </ul>	<p>- the use of the fair value model option has been canceled for all establishments upon the subsequent measurement of their real estate investments. Commitment will be only to the cost model, with the real estate investment funds to use the fair value model when measuring the supplement to all their real estate assets. Accordingly, the amendment has been amended to:</p> <ul style="list-style-type: none"> <li>- The Egyptian Accounting Standard No. (32) - "Non-current assets held for sale and the discontinued operations."</li> <li>- The amended Egyptian Accounting Standard No. (31) - “Impairment of asset values”</li> </ul>	<p>Management is currently evaluating the potential impact on the financial statements when applying the amendment to the standard.</p>
<ul style="list-style-type: none"> <li>The amended Egyptian Accounting Standard No. (4) - “List of Cash Flows”</li> </ul>	<p>This Standard requires the entity to provide disclosures that enable users of financial statements to evaluate the changes in liabilities that arise</p>	<p>The Company is committed to applying the standard.</p>

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	from financing activities, including the changes arising from cash flows or the non-cash changes	
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### Letters of guarantee for total deposits amounting to 82,834,826 pounds.

No.	Client	Item	Amount	Bank	Letter of Guarantee No.	Expiration date
1	Telecom Egypt	Value of international calls	10,000	National Bank of Egypt	00357	01/02/2021
2	Misr Petroleum Company	Value of covering the oil withdrawals	40,000	Attijariwafa Bank	24199/24200	28/04/2021
3	Customs Authority	value of 5% of customs duties and estimated taxes for the average storage capacity	200,000	Commercial International Bank	11/47002/068	28/11/2020
4	Customs Authority	Value of taxes and estimated fees for the average expected storage capacity over areas of 7,100 m <sup>2</sup> and 565 m <sup>2</sup>	200,000	Commercial International Bank	13/68765	23/05/2021
5	Alexandria Port Authority (Licensing	Value of shipping and unloading activity of	900,000	Commercial International Bank	13/68141/068	15/05/2021

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	Department)	container ships				
6	Alexandria Port Authority	Final insurance for the areas allocated to the Company	14,500,000	Qatar National Bank	210570/109/14	03/11/2020
7	General Investment Authority (100,000 dollars)	Value of the obligations of the Company as a private area	1,607,000	Qatar National Bank	266354/109/17	05/01/2021
8	General Investment Authority (25,000 dollars)	Value of the obligations of the Company as a private area	401,750	Commercial International Bank	20/53102/068	19/06/2021
9	Customs of the northern and western regions	Value of final insurance to guarantee the value of taxes and fees for the average storage capacity expected in an area of 12,300 m <sup>2</sup>	3,800,000	Qatar National Bank	218942/109/15	17/02/2021
10	Customs of the northern and western regions in Alexandria	Value of taxes and estimated fees for the average storage capacity expected in Al-Mafrouza Yard with areas of 5,650 m <sup>2</sup> and 7,100 m <sup>2</sup>	3,800,000	Qatar National Bank	224366/109/15	30/04/2021
11	Misr Petroleum	Value of	400,000	Qatar	263019/109/16	30/11/2020

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	Company	covering the withdrawals of petroleum products		National Bank		
12	Alexandria Port Authority	Value of insurance for the right of using an area of 640 m <sup>2</sup> in the yard No. 68	57,600	Qatar National Bank	290891/109/17 1	30/03/2021
13	Customs of the northern and western regions in Alexandria	Value of guaranteeing taxes, customs fees, and other duties and all customs dues for goods and containers stored in the yard No. 68	150,000	Qatar National Bank	321184/109/19	07/04/2021
14	Customs of the northern and western regions in Alexandria	Value of guaranteeing taxes, customs fees, and other duties and all customs dues for goods and containers stored in the yard No.36	150,000	Qatar National Bank	321184/109/19	07/04/2021
15	Alexandria Port Authority	Final insurance for the license to practice storage activity	500,000	Qatar National Bank	339117	08/01/2021

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16	Alexandria Port Authority	Final insurance value of 1,350 m <sup>2</sup> in Al-Mafrouza Yard	37,125	Qatar National Bank	340101/109/20	22/01/2021
17	Alexandria Port Authority	Final insurance value of 2,000 m <sup>2</sup> in Al-Mafrouza Yard	100,000	Qatar National Bank	340102/109/20	22/01/2021
18	Alexandria Port Authority	Final insurance value of 5,650 m <sup>2</sup> in Al-Mafrouza Yard	282,500	Qatar National Bank	340103/109/20	22/01/2021
19	Alexandria Port Authority	Final insurance value of 7,100 m <sup>2</sup> in Al-Mafrouza Yard	355,000	Qatar National Bank	340105/109/20	22/01/2021
20	Alexandria Port Authority	Final insurance value of 12,270 m <sup>2</sup> in Al-Mafrouza Yard	613,500	Qatar National Bank	340106/109/20	22/01/2021
21	Alexandria Port Authority	Final insurance value of 2,240 m <sup>2</sup> the yard No. 68	201,600	Qatar National Bank	340107/109/20	22/01/2021
22	Alexandria Port Authority	Final insurance value of 3,000 m <sup>2</sup> the yard No. 68	270,000	Qatar National Bank	340109/109/20	22/01/2021
23	Alexandria Port Authority	Final insurance value of 1,300 m <sup>2</sup> the yard No. 68	78,000	Qatar National Bank	340110/109/20	22/01/2021
24	Alexandria Port Authority	Final insurance value for	48,727,496	Qatar National	340113/109/20	22/01/2021

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		completion of insurance for Alexandria and Dekheila stations (50% of value of usufruct)		Bank		
25	Alexandria Port Authority	Final insurance value of 7,257 m <sup>2</sup> the yard No. 36	181,425	Qatar National Bank	340120/109/20	22/01/2021
26	Alexandria Port Authority	Final insurance value of 5,028 m <sup>2</sup> the yard No. 32	308,295	Qatar National Bank	340124/109/20	22/01/2021
27	Alexandria Port Authority	Final insurance value of 20,376 m <sup>2</sup> the yard No. 22	1,225,710	Qatar National Bank	340126/109/20	22/01/2021
28	Maritime Transport Sector	Dredging the platform 96	3,737,825	Commercial International Bank	20/53128/068	24/06/2050
	Total		82,834,826			

*Signatures*

*The official seal of the Holding Company for Maritime and Land Transportation*