

**Accountability State Authority**

**Audit of Marine Transportation Department**

**6 Talaat Harb- Alexandria**

**AUDITOR'S REPORT**  
**On the Interim Financial Statements**  
**Of Alexandria Container and Cargo Handling Company**  
**At 31/12/2018**

**Messrs. Shareholders of Alexandria Container and Cargo Handling Company**

**Introduction:**

We have carried out a limited review of the accompanying financial statements of Alexandria Container and Cargo Handling Company (An Egyptian subsidiary joint stock company) subject to Law No. 203 of 1991) which comprise the statement of financial position as of 31/12/2018 with a total assets amounted to EGP 4031,865 Million and the statement of income for the year then ended with a net profit amounted to EGP 962,435 Million, as well as the statements of comprehensive income, changes in equity and cash flows for the six months then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of these financial statements in accordance with Egyptian Accounting Standards and based. Our responsibility is limited to expressing an opinion on these financial statements based on our limited review.

**Scope of Limited Review:**

We conducted our limited review in accordance with Egyptian Standard on Review Engagements no. 2410, "Limited Review of interim financial statements performed by the independent auditor of the Entity". A limited Review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A limited review is substantially less in scope than an audit conducted in accordance with Egyptian standards on Auditing and consequently we are unable to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on these financial statements.

**Basis of Qualified Opinion:**

1- The company did not express an explicit and did not present unconditional disclosure about its compliance with the Egyptian Accounting Standards in the notes to the financial statements in contrary to paragraph no. (16) from the Egyptian Accounting Standard no. (1) "The presentation of financial statements" and to be presented according to paragraph no. (114-A) of the same standard. Also the financial statements were not prepared in accordance with the forms accompanying to the Egyptian Accounting Standards **while the company's shares are traded in the Egyptian stock exchange market and is subject to the requirements of no. 95 for the year 1992 related to Capital Market Law and its executive regulations and their amendments.**

**It is necessary to comply with the Egyptian Accounting Standards in that regard.**

2- The notes to the financial statements disclosed that fair value of fixed assets is not materially different from their book value and the company did not provide us with supporting documents for this disclosure, additionally the revaluation model was cancelled (paragraphs from 31 to 42) according to Egyptian Accounting Standards 2015.

Also, some notes to the financial statements are not correct as the notes included the following:-

- **The Company Tax Policy "paragraph no. 6, page 12"** that the company works under free zone regulations and is not subject to applicable tax laws in The Arab Republic of Egypt, though the activity of company's Head Office is subject to tax and the income tax for the period is charged to the income statement is amounted to EGP 600,000.
- **Deferred Tax Note 23"** stated that Deferred Tax is settled upon completion of tax inspection for the financial year, then is settled in the income statement according to the final resolution from the tax committees in the income statement". However the company is required to calculate the deferred tax and carry out the accounting treatment annually according to the Egyptian Accounting Standard no. (24) regarding income taxes.

**The necessary change needs to be performed for these notes.**

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- 3- The Retained Earnings account includes an amount of EGP 3,809 Million resulted from netting prior years' revenue from prior years' expenses for the period from 1/7/2018 to 31/12/2018 and the accounts of past years' revenue and prior years' expenses included non-material amounts according to note no. 20/21 page 9 **in contrary to requirement** of paragraph no (42) of Egyptian Accounting Standard no. (5) "Accounting Policies and changes to accounting estimates and errors" which requires that the entity adjusts material prior years' errors retroactively in the first audited financial statements to be published after identification of these errors....etc.

**The necessary correction need to be performed based on requirements of this Standard.**

- 4- The company used to calculate the Investment Authority fee every six months by calculating the value of the dollar price as per exchange rate at the end of the financial period without calculating the value according to the transaction date or average price throughout the year according to paragraphs no. (39, 40) from the Egyptian Accounting Standard no. (13) "The effects of changes in foreign exchange rates".

It is noteworthy that the company calculated the dollar price against the Egyptian Pound for the year 2016/2017 based on the dollar price at 30/6/2017 of EGP 17.95 against dollar; however prices fluctuated throughout the financial year according to the following table:

Period	Dollar Price against Egyptian Pound
From 1/7/2016 to 2/11/2016	EGP 8.88
3/11/2016 the date of floating exchange rate	EGP 13.03
From 3/11/2016 to 31/12/2016	EGP 18.25
From 1/1/2017 to 31/3/2017	EGP 18.1
From 1/4/2017 to 30/6/2017	EGP 17.95

**It is required to comply with the standard provisions in this respect and recalculate the value according to the standard mentioned above throughout the mentioned year and identifying similar cases and settlement of the accrued amount to the General Investment Authority in this respect.**

- 5- The current activity revenue for the period from 1/7/2018 to 31/12/2018 amounted to EGP 1,408 Billion with a decrease of EGP 48,280 Million from the comparative period from the prior year. The company disclosed that the reason for this reduction is that the comparative period revenue included lost revenue by an amount of EGP 60.8 Million, due from Cosco shipping for Marine shipping agency for the ship that caused the accident of docks' cranes no. 2010, 2011 at Al Dekheila container terminal **amounted to EGP 243,825 Million (represents compensation for company's loss since the accident of 11/11/2017 for 12 and half months, which was included by error in the current revenue from operations for the year 2017/2018, while this should be classified as compensations and fines which led to the improper comparison between current activity revenue, Cost of activity revenue, gross profit, in addition to the company did not adequately disclose in the notes to the financial statements for the prior year about this treatment to current activity revenue account, as company disclosed it only in note 34 "Other Notes" lost revenue amounted to US\$ 13,854 equivalent to EGP 243,825 Million.**

**The above matter requires amending comparative figures according to the paragraph no. (42) of the Egyptian Accounting Standard no. (5) Accounting Policies, changes to accounting estimates and errors and taking into consideration the disclosure according to paragraph (49) of the same standard.**

- 6- The capital reserve was reduced by error with an amount of EGP 21,603 Million against reduction of capital expenditure by the same amount which represents the value of fixing the mentioned dock crane no. 2010, though the signed contract with Cosco shipping Lines Egypt as the shipping agent for the ship which caused the accident included compensations amounted to US\$ 33,754 Million

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collected by the company and did not include any specified amounts for the repairing but considered the crane is damaged as well as a 2011 crane, as the collected amounts represented as follows:-

Contract Number	Amount by Million dollar	Description
1	6,600	The value of damages of two cranes, electric cables, and a stopper.
2	13,300	The value of costs, expenses, expenditures, and other amounts related to the installation, fixation, replacement, setting, air shipping and also expenses, and costs resulted from the accident.
19,900		Total compensation for the two damaged cranes as follows: - US\$ 16.9 Million represents the value of two new cranes according to ZPMC price offer. - US\$ 3 Million value of two cranes insurance and lifting and disengaging the cranes.
3	13,854	The value of lost revenue as a result for damage of the two cranes and stopping work for 12 and half months from the accident date.

And the mentioned 2010 crane was received initially on 19/9/2018 according to inspection and receipt minutes by a committee formed by the company dated 2/10/2018 which includes the following points:-

- Received a letter from ZPMC Company that while Gantry movement trials it turned out that the crane boom was not straight, taking into consideration that it does not affect the crane.
- The crane was not tested on ships due to dock deepening till Beta 14.
- Continuance of guarantee for non-faulty parts and components according to the original contract for crane supply.

And the Minutes was not attached with the technical report concerning the estimated useful life for the crane and also the effect of faulty parts and components on the crane efficiency.

**It is necessary to consider the following”-**

- A- Cancellation of the adjustment and charge the amount to the fixed assets account crane No. 2010 according to the agreement, taking into consideration the effect on the related accounts.**
- B- Provide us with the technical report concerning crane efficiency and the effect of repairs performed on the useful life based on the committee minutes mentioned above.**
- C- The company should perform a study to assess whether there is an indication of impairment in the value of the crane according to paragraph no. 9 of the Egyptian Accounting Standard no. (31) The impairment of Fixed Assets especially in the existence of an indicator “internal information sources – availability of evidence to the occurrence of physical damage to the assets” paragraph 12 (H) of the same standard.**
- 7- Capital reserve included the value of what the company fully collected as compensation against the crane 2010 as capital gains, although the asset was not excluded from fixed assets account and accumulated depreciation till date in contrary to article 39 from the Executive Regulation for Law no. 203 for 1991 concerning public sector. Additionally the financial statements and the notes to the financial statements did not disclose financial information, according to paragraph no. 15 of the accounting standard no. (1) the presentation of financial statements, the company waiver of an amount of US\$ 449 thousands, the value of damages which occurred to the electric cables for the cranes no. 5, 7, 8 and damage to dock cranes' booms at the accident area and damage to the stopper against keeping the two damaged cranes, while the company disposed of 2011 crane only as clarified later.  
**This requires performing the required adjustments to dispose of the 2010 crane from the records and including the related compensation waived, taking into consideration its effect on the financial statements.**
- 8- The company included with an amount of EGP 27,221 Million under miscellaneous revenues – compensations and fines- for the year 2017/2018 by error, which represents the value of residual amount transferred to other credit balances amounting to EGP 52.8 Million equivalent to US\$ 3 Million, which includes compensations

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collected from the company that caused the accident by an amount of US\$ 9.9 Million according to the table above. It was required to include this amount in the retained earnings in order to be added to the capital reserve and not distributing it according to article (75) of the Executive Regulations for Law no. 203 for 1991 and article no. (39) relevant to the same regulation.

It is necessary to identify the responsibility and make the necessary adjustments.

- 9- Excluding an amount of US\$ 3,276 Million from fixed assets account – Transportation Means - represents the residual value for the disposed value of crane no. 2011 as per adjustments during the period from 8/9/2018 till 30/11/2018, while it had to be disposed of during the financial year 2017/2018 from the compensation value of the crane collected by the company according to the paragraph “34A” from Accounting Standard no. (1) “presentation of financial statements”, since this will affect the capital gains added to capital reserve.

**The necessary adjustment has to be done.**

- 10- The company usually did not include in the cost of giant cranes the cost necessary for dismantling and removal of the assets and returning it to the original form in contrary to paragraph no. (16) from the Egyptian Accounting Standard, fixed assets which has resulted in charging the company with an amount of EGP 4,011 Million being the value of customs procedures certificate no. 2318 dated 17/3/2018 to dispose of the mentioned earlier 2011 crane.

**It is necessary to identify the similar cases (yard cranes- giant dock cranes....etc.) and make the necessary adjustments in this respect thereof; taking into consideration its effects on the comparative figures in the financial statements and make necessary disclosure in the notes to the financial statements.**

- 11- The period was not charged with 2.5 per thousand from total period revenues being the value of solidarity contribution set in accordance with article (4) from law no. 2 for 2018 concerning the comprehensive health insurance system.

**The necessary adjustment need to be done based on the mentioned law provisions, since it will affect the financial statements of the company.**

- 12- The Egyptian company for shipping does not comply with the settlement of the non-interest bearing loan granted for them by an amount of US\$ 390 thousand equivalent to EGP 7,005 Million, despite the granted grace period had expired on 15/5/2018.

**The necessary procedures need to be performed to collect this amount.**

- 13- The value of lawsuits filed by third parties against the company amounted to EGP 191,244 Million according to the statement provided by the company dated 28/1/2019 with a percentage of 6.4% of company's total owners equity at 31/12/2018 amounting to EGP 3,006,762 Million and the company did not disclose this in the notes to financial statements in contrary to article no. (34 item H) from rules of addition and cancellation from the stock market exchange which requires disclosure of the value of lawsuits which value exceeds 2% of owners equity.

**It is necessary to disclose the value of these lawsuits according to the rules of addition and cancellation from the stock market exchange.**

- 14- The statement of income is not affected by the value of storage revenues for the received and stored containers till 31/12/2018 at company's yards.

- 15- The company did not reconcile the debit balances of company branches, which resulted in the elimination of an amount of EGP 1,641 Million from the debit balances account and suppliers account to settle the difference without providing us with the supporting documents.

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**Qualified Opinion**

Based on our limited review, except for the effect of matters referred to in previous paragraphs, nothing has come to our attention that causes us to believe that the accompanying interim financial statements do not present fairly, in all material respects, the financial position of Alexandria Container and Cargo Handling Company as of 31/12/2018, and its financial performance and its cash flows for the six months then ended in accordance with Egyptian Accounting Standard.

Without qualifying our opinion regarding the financial statements at 31/12/2018, we draw attention to the following:

The company did not provide us with updates towards applying the periodic book of the chairman central administration of the private free zones of the general authority for investment dated 4/12/2017 concerning the authority approval of the submitted application from the company to add the rented yards from Alexandria port authority to operate under the free zone system although we asked for it in writing on 20/1/2019.

**Undersecretary  
Accountant\ Gaber Gomaa Gaber**

**First Undersecretary  
Director manager  
Accountant/ Essam El-Dien Ibrahim El-Said**

On 5/2/2019

**Alexandria Container and Cargo Handling Company  
Head Quarter – Private Free Zone**

**Statement of financial position  
at December 31, 2018**

**EGP**

<b>Comparative 30/6/2018</b>	<b>Description</b>	<b>Note No.</b>	<b>Cost</b>	<b>Accumulated Depreciation</b>	<b>Net</b>
	<b><u>Non Current Assets</u></b>				
	<b>Fixed assets</b>	1			
63,838,570	Buildings and Constructions		89,603,439.70	27,733,126.39	61,870,313.31
8,602,671	Machinery and Equipment		17,220,164.29	7,482,843.39	9,737,320.90
912,172,847	Transportation and Transmission		1,505,061,459.83	629,773,001.40	875,288,458.43
938,914	Tools		2,600,243.93	1,654,408.92	945,835.01
10,429,653	Office Furniture and Fixture		21,070,471.48	10,898,317.69	10,172,153.79
995,982,655			1,635,555,779.23	677,541,697.79	958,014,081.44
	<b><u>Projects Under Construction</u></b>				
67,379,676	Construction in Progress	2	92,332,180.54		
83,545,178	Capital Expenditure	3	255,152,695.75		347,484,876.29
	<b><u>Long-term investments</u></b>	4			
2,412,898	Investments property		2,412,898.00		
11,544,000	Investments in Companies		11,544,000.00		13,956,898
	<b><u>Other assets</u></b>	5			
2,681,136	Capitalized Costs		2,106,332.93		2,106,332.93
3,385,306	Costs related to non owned assets		3,258,124.65		3,258,124.65
1,166,930,849	<b>Total Non Current assets</b>		2,002,362,011.10	677,541,697.79	1,324,820,313.31
	<b><u>Current Assets</u></b>				
	<b><u>Inventory</u></b>	6			
88,522,152	Stock of materials, fuel and spare parts		92,981,532.78		
375,521	Letter of credit for purchase of goods		372,702.70		93,354,235.48
	<b><u>Trade receivables, Notes receivable and debtors</u></b>				
142,566,503	Trade receivables (net of impairment of EGP 3,645,623.37)		172,019,903.58		
37,220,913	Accrued revenues		21,075,761.14		
2,963,223	Prepaid Expenses		6,425.80		
3,228,751	Suppliers		4,965,267.93		
342,815,241	Other debit balances	7	23,917,405.32		221,984,763.77
	<b><u>Current Investments</u></b>				
	Treasury Bills	8	73,376,385.00		73,376,385.00
	<b><u>Cash in banks and on hand</u></b>	9			
3,393,403,543	Time deposits in banks		1,602,794,634.51		
559,186,376	Deposits against letter of credit margin		410,561,554.31		
34,791,948	Letter of guarantee margin		35,270,694.63		
319,721,989	Bank Current accounts		269,138,741.24		
	Cash on hand		564,000.00		2,318,329,624.69
<b>4,924,796,160</b>	<b>Total Current Assets</b>				<b>2,707,045,008.94</b>
6,091,727,009	<b>Total Assets</b>				4,031,865,322.25

**Alexandria Container and Cargo Handling Company**

**Head Quarter – Private Free Zone**

EGP 74,907 million was collected from 1/1 till 10/1/2019

**Statement of financial position  
at 31/12/ 2018 – Continued**

EGP

<b>Comparative 30/6/2018</b>	<b>Description</b>	<b>Note No.</b>	<b>Cost</b>	<b>Accumulated Depreciation</b>	<b>Net</b>
	<b><u>Owner's equity</u></b>				
744,876,700	Paid-up Capital	13	744,876,700.00		744,876,700.00
	<b><u>Reserves</u></b>				
783,434,924	Legal Reserve		783,434,924.00		
617,605,868	Statutory Reserve		617,605,868.04		
374,704,167	Project expansion Reserve		374,704,167.11		
26,128,862	Other Reserves	14	26,128,861.76		
228,903,950	Capital Reserve		207,300,618.55		
31,343,872	Retained earnings/ (Accumulated losses)	21/20	35,153,156.56		
	Net Profit		962,434,809.66		
					3,006,762,405.68
2,806,998,343	<b>Total Owner's Equity</b>				3,751,639,105.68
	<b><u>Non Current Liabilities</u></b>				
-	Long-term Loans		-		
-	Long-term provisions		-		
-					-
-	<b>Total Non Current Liabilities</b>				-
	<b><u>Current Liabilities</u></b>				
	<b>Provisions</b>	10			
35,331,984	Tax Provision		28,794,434.04		
59,897,788	Claims and disputes provision		59,887,788.01		
33,617,660	Other Provisions		29,950,953.94		118,633,175.99
	<b><u>Trade payable and other credit</u></b>	11			
96,837,739	Trade payable		54,956,311.30		
19,085,888	Accounts payable for Bodies and Authorities		35,385,570.78		
2,845,343,247	Dividends payable		300,703.00		
144,602,862	Accrued expenses		46,424,456.16		
4,009,770	Advance from accounts receivables		2,105,786.69		
46,001,728	Other credit balances	12	22,420,212.65		161,593,040.58
3,284,728,666	<b>Total Current Liabilities</b>				280,226,216.57
6,091,727,009	<b>Total Owner's equity and Liabilities</b>				4,031,865,322.25

**Accountant\ Mamdouh Mohamed Abd El  
Halim  
Head of Financial Affairs**

**Vice-Admiral\ Mamdouh Tawfik Deraz  
Chairman of the Board of Director and Managing  
Director**

**Alexandria Container and Cargo Handling Company  
Head Quarter – Private Free Zone**

**Income Statement for the period  
from 1/7/2018 to 31/12/2018**

EGP

Comparative	Description	Note	Partial	Total
	<b>Activity's revenue</b>			
1,456,414,738	Services income	17/A	1,408,134, 939.78	
	<b>Add:</b>			
	Grants and subsidies	18		
	<b>Deduct Cost of activity revenues:-</b>			
394,245,952	Cost of production or purchase of goods sold		464,163,798.20	
1,062,168,786	<b>Gross Profit</b>			943,971,141.58
	<b>Add:</b>			
4,861,972	Interest of treasury bills		2,531,479.78	
	<b>Revenues and other income</b>			
	<b>Provisions no longer required</b>			2,531,479.78
	<b>Deduct:</b>			
	<b>Administrative expenses</b>			
237,421	Salaries and allowance for Board Of Directors		237,245.82	
83,083,825	Other administrative expenses		96,145,959.48	
	<b>Costs and losses</b>			
	Provisions other than depreciation			
2,568,218	Miscellaneous Costs and losses		4,397,420.81	
				100,780,626.11
981,306,294	<b>Net profit for the activity before financing expenses and credit interests</b>			845,721,995.25
(270,801)	<b>Financing expenses</b>		(271,522.17)	
150,767,041	<b>Credit interests</b>	17/B	109,038,178.09	
1,131,802,534	<b>Net profit from the activity</b>			954,488,651.17
	<b>Add (deduct):</b>			
	Gains / (losses) from foreign currency exchange	19	861,758.87	
	Prior years' revenue less prior years' expenses	21,20		
	Capital Gains / (Losses)		1,378,390.00	
76,657	Gains/ (losses) from scrap sales		703,749.48	
11,513,510	Miscellaneous Income	22	5,602,260.14	
1,352	Deduct extraordinary losses			8,546,158.49
1,143,391,349	<b>Net Income before Income Taxes</b>			963,034,809.66
6,000,000	<b>Income tax</b>			600,000.00
1,137,391,349	<b>Net profit after Income tax</b>			962,434,809.66
7.692374874	<b>Earnings per share</b>			0.646036324

The face value of the company share was split from EGP 5 per share to fifty piaster per share on 13/8/2018.

**Accountant\ Mamdouh Mohamed Abd El  
Halim  
Head of Financial Affairs**

**Vice-Admiral\ Mamdouh Tawfik Deraz  
Chairman of the Board of Director and Managing  
Director**

**Alexandria Container and Cargo Handling Company  
Head Quarter – Private Free Zone**

**Total separate comprehensive income statement  
for the period from 1/7/2018 to 31/12/2018**

<b>Description</b>	<b>Value in EGP thousands</b>	
	<b>from 1/7/2018 to 31/12/2018</b>	<b>from 1/7/2017 to 30/6/2018</b>
Profit for the period	962,435	1,137,391
<b><u>Other comprehensive income</u></b>	-	-
Foreign exchange of differences Resulting from floatation of Egyptian Pound	-	-
Foreign exchange of differences Resulting from floatation of Egyptian Pound	-	-
Financial assets available for sale	-	-
<b><u>Cash flow hedge</u></b>	-	-
Actuarial gains / (Losses) from defined benefit pension obligations	-	-
Company's share of other comprehensive income from investments in associates	-	-
Income tax related to other comprehensive income items	-	-
Total other comprehensive income for the period after tax deduction	-	-
Total comprehensive income of the period	962,435	1,137,391

**Accountant\ Mamdouh Mohamed Abd El Halim  
Head of Financial Affairs**

**Vice-Admiral\ Mamdouh Tawfik Deraz  
Chairman of the Board of Director and Managing Director**

**Alexandria Container and Cargo Handling Company**  
**Financial Affairs Sector**

**Head Quarter and Private Free Zone**  
**Cost of Production or Cost of goods sold**  
**for the period from 1/1/2018 to 31/12/2018**

Comparative figures 31/12/2017	Accounting Code	Description	Partial EGP P.T.	Total EGP P.T.	Comparative figures 31/12/2017	Accounting Code	Description	Partial EGP P.T.	Total EGP P.T.
394,245,952		Cost of production or Cost of goods sold (Re-classed to Trading account)		464,163,798.20	41,588,827 166,585,242  12,132,371 45,944,188 78,919,283 - 8,742,192 9,986,653  30,347,196	361 362  3631 3632 3634 3635	<b>Cost of production</b> Raw material, fuel and spare parts Wages  <b>Other Costs</b> Purchased Services Depreciation and amortization rent(land and building) Real estate tax Usufruct of licenses (decree 521) Charges and tax  GAFI Fees	37,094,584.55 187,996,548.01  17,334,657.80 59,626,443.38 100,056,027.02 - 10,402,616.69 22,805,792.87  28,847,127.88	225,091,132.56  239,072,665.64
394,245,952				464,163,798.20	394,245,952				464,163,798.20

## **Alexandria Container and Cargo Handling Company**

### **Financial Affairs Sector**

**Head Quarter and Private Free Zone**  
**Trading Account**  
for the period from 1/7/2018 to 31/12/2018

Comparative figures 31/12/2017	Accounting Code	Description	Partial EGP	Total EGP	Comparative figures 31/12/2017	Accounting Code	Description	Partial EGP	Total EGP
			P.T.	P.T.				P.T.	P.T.
1,456,414,738	41 414 42	<b>Trading activity revenues</b> Sold Services Grants and subsidies		1,408,134,939.78	394,245,952	371	<u>Cost of production or Cost of goods sold</u> Marketing costs Raw material, fuel and spare parts Wages	-	464,163,798.20
					-	3731	<u>Other costs</u> Purchased services	-	-
					1,062,168,786		Gross profit		943,971,141.58
1,456,414,738				1,408,134,939.78	1,456,414,738				1,408,134,939.78

**Alexandria Container and Cargo Handling Company**  
**Financial Affairs Sector**

**Head Quarter and Private Free Zone**  
**Profit And Loss**  
**For the period from 1/7/2017 to 30/11/2018**

Comparative figures 31/12/2017	Accounting Guide	Description	Partial EGP	Total EGP	Comparative figures 31/12/2017	Accounting Guide	Description	Partial EGP	Total EGP
			P.T.	P.T.				P.T.	P.T.
1,062,168,786		<b>Total carried forward gross profit</b>		943,971,141.58			<b>Administrative, finance and market expenses</b>		
-	43	Investments and interest income			2,972,323	381	Raw material, fuel and spare parts	2,728,824.98	
150,767,041	432	Investment in companies income			59,724,758	382	Wages	66,207,451.99	68,936,276.97
4,861,972	435	Credit interest	109,038,178.09				Other expenses		
	43	Treasury bills income	2,531,479.78	111,569,657.87	8,363,849	3831	Purchased services	9,831,044.17	
165,000	44	<b>Other income and revenue</b>			3,523,383	3832	Depreciation and amortization	4,926,392.23	
	441	Provisions no longer required			-	3833	Debit interest	-	
					2,687,197	3834	Real estate rent(lands and buildings)	6,820,772.98	
					5,338	3835	Real estate tax	-	
					6,315,199	3836	Indirect tax on activity	6,140,241.12	27,718,450.50
							<b>Costs and losses</b>		
1,217,962,799							Provisions other than depreciation		
							Miscellaneous costs and losses	4,397,420.81	4,397,420.81
1,131,802,534							Activity's revenue (Carried forward balance)		
-		Net activity profit (Carried forward balance)		1,055,540,799.45	1,217,962,799			954,488,651.17	
-	445	Foreign currency exchange gain							1,055,540,799.45
-	446	prior years revenue	861,758.87	954,488,651.17		356	prior years expenses	-	
-	447	Capital gain			1,352	358	Extraordinary losses	-	
11,513,510	447	Other income and profit	1,378,390.00			359	Capital losses	-	
	448	Miscellaneous revenue and profits	5,602,260.14				Deferred tax	-	
137,743		Gain on sale of scrap	840,051.50		6,000,000		Income tax	600,000	
							Foreign currency exchange losses		
							Loss on sale of scrap	-	
1,143,453,787							Net income	136,302.02	736,302.02
							Net profit		96,243,809.66
									963,171,111.68

Accountant\ Mamdouh Mohamed Abd El Halim  
**Head of Financial Affairs**

Vice-Admiral\ Mamdouh Tawfik Deraz  
**Chairman of the Board of Director and Managing Director**

**Alexandria Container and Cargo Handling Company  
Financial Affairs Sector**

**Change in Owner's Equity Statement  
for financial period ended at 31-12-2018**

**EGP**

Description	Capital	Legal reserve	Other reserves	Project Construction	Capital Reserve	Statutory reserve	Retained earnings	Net Profit	Total
<b>Beginning balance at 1/7/2018</b>	744,876,700.00	783,434,924.00	26,128,861.76	374,704,167.11	228,903,949.75	617,605,868.04	31,343,872.05	-	2,806,998,342.71
Changes during the period	-	-	-	-	21,603,331.20-	-	3,809,284.51	-	-17,794,046.69
Changes in accounting policies	-	-	-	-	-	-	-	-	-
The adjusted balance	-	-	-	-	-	-	-	-	-
Surplus from assets re-evaluation	-	-	-	-	-	-	-	-	-
Deficit from investments re-evaluation	-	-	-	-	-	-	-	-	-
Net profit and loss which did not affect the income statement	-	-	-	-	-	-	-	-	-
Net profit for the year	-	-	-	-	-	-	-	962,434,809.66	962,434,809.66
Transferred to reserves	-	-	-	-	-	-	-	-	-
Distributed profits	-	-	-	-	-	-	-	-	-
Issued shares	-	-	-	-	-	-	-	-	-
Deficit from assets re-evaluation	-	-	-	-	-	-	-	-	-
Surplus from investment re-Evaluation	-	-	-	-	-	-	-	-	-
Issued shares from reserves	-	-	-	-	-	-	-	-	-
<b>Ending balance at 31/12/2018</b>	744,876,700.00	783,434,924.00	26,128,861.76	374,704,167.11	207,300,618.55	617,605,868.04	35,153,156.56	962,434,809.66	3,751,639,105.68
<b>Comparative at 30/06/2018</b>	744,876,700.00	783,434,924.00	26,128,861.76	374,704,167.11	228,903,949.75	617,605,868.04	31,343,872.05	-	2,806,998,342.71

**Accountant\ Mamdouh Mohamed Abd El Halim  
Head of Financial Affairs**

**Vice-Admiral\ Mamdouh Tawfik Deraz  
Chairman of the Board of Director and Managing Director**

**Alexandria Container and Cargo Handling Company**

**Financial Affairs Sector**

<b>The Holding Company for Maritime and Land Transport</b>		<b>for the period from 1/7/2018 to 31/12/2018</b>	
<b>Alexandria Container and Cargo Handling Company</b>		<b>Alexandria Container and Cargo Handling Company</b>	
<b>Cash flow statement</b>		<b>Value in EGP</b>	
<b>Description</b>		<b>Actual</b>	<b>Comparative 2017</b>
<b>First: Cash flow from operating activity:</b>			
Proceeds from Trade receivables		1,556,393,111	1,622,156,510
Cash purchases and suppliers		242,130,640-	175,987,605-
Wages paid		387,168,077-	336,864,600-
Marketable securities revenue		-	8,740,339
Credit interest collected		127,712,399	154,931,655
Fees and taxes		179,600,532-	249,807,799-
Other proceeds		306,086,183	595,546,597
Other Payments		7,543,301-	372,515-
<b>Net cash flow from operating activity (1)</b>		1,173,749,143	1,618,342,582
<b>Second: Cash flow from investing activity</b>			
Payments for purchase of fixed assets		248,878,576-	178,619,697-
Proceeds from sale of fixed assets		3,618,290	-
Proceeds from contributions in marketable securities		-	256,509,662
Payments for acquisition of marketable securities (Treasury Bills)		73,376,385-	91,650,553-
<b>Net cash flow used in investment activity (2)</b>		318,636,671-	13,760,588
<b>Third: Cash flow from financing activity</b>			
Proceeds from long term loans			-
Proceeds from shares** (Cash)			-
Dividends paid		2,845,042,543-	1,410,711,591-
<b>Net cash flow used in financing activity (3)</b>		2,845,042,543-	1,410,711,591-
Changes in cash during the period (1+2+3)		1,989,930,071-	193,870,403
Foreign exchange differences		1,155,838	47,986,691-
Cash at the beginning of the period		4,307,103,856	3,431,915,851
<b>Total cash and cash equivalent at the end of the period</b>		2,318,329,624	3,577,799,563

Treasury bills equivalent to cash less than three months 73,376,385

Cash includes letters of credit equal to 500,015,067.05

Also it includes letters of guarantee equal to 34,791,948.28

**Accountant\ Mamdouh Mohamed Abd El  
Halim  
Head of Financial Affairs**

**Vice-Admiral\ Mamdouh Tawfik Deraz  
Chairman of the Board of Director and Managing  
Director**

**Holding Company For Land And Maritime Transport**  
**Alexandria Container and Cargo Handling Company**  
**An Egyptian joint stock company**

**Notes To Financial Statements as of 31/12/2018**

**Brief about the company:**

Company's name/ Alexandria Container and Cargo Handling  
One of the companies of the Holding Company for Maritime and Land transport

**Legal form:**

A subsidiary joint stock Egyptian company subject to the provisions of the Public Enterprises Company law No. 203 of year 91 and its Executive Regulation. On 16/1/2005, the Vice Chairman of the General Authority for Investment and Free Zones issued a resolution No. 460 for 2005, to license the transfer the company's branch for Alexandria Containers and Cargo Handling company, to operate under the free zone system at the Alexandria and Dekheila container terminals and the management of multi-purpose terminals.

**The company's activity in the articles of association:**

The purpose of the company is to handle containers and goods in Alexandria and Dekheila ports the at site assigned by the General Authority of Alexandria Port, transport of containers and goods to specific areas, transport to and from the port for such type, management and operation of multi-purpose terminals within different ports and outside of it, carrying out customs clearance activities, practicing investment property activity in all of its forms either by itself or through an agent, individually or in association with others to obtain the necessary licenses to carry out such activity, as well as, contracting with engineering consultancy offices, construction companies, and all companies in that regard. The company may invest in companies operating in other fields.

**Other Notes:**

The Company is committed to the environmental conditions in accordance with Law No. 4 of 1994 and amended by Law No. 9 of 2009, and the company is compliant with all environmental conditions in terms of:

- Keeping a record of the company's environmental footprint according to Annex (3) of the annexes to the Executive Regulation of Law No. 4 of 1994.
- The company's compliance with the standards and specifications of liquid waste when discharged into the sea according to Annex (1) of Annexes to the Executive Regulations of Law No. 4 of 1994 where:
  - The company owns 5 sewage treatment plants with a capacity of 170 cubic meters / day.
  - The company owns 2 industrial sewage treatment plants with a capacity of 24 cubic meters / day.
  - Safety disposal of solid waste and garbage through the General Authority for Sanitation and specialized companies.
  - Reduction of air pollutants by continuous maintenance of the company's equipment whether old or new.
  - Maintain the cleanliness of the floors and workshops and the use of relevant materials crucial to the removing the oil effects on the floors.
  - Usage of fire alarm system.
  - Maintaining safety and security measures in the protection of workers and work areas.
  - The company follows a self sufficient rodent and insect control system.

**In addition to the above, the company has three Types of ISO certificates:**

1. Quality Management System ISO 9001-2015 Valid until 12/7/2021.
  2. Occupational Health and Safety System ISO 18001-2007 OHSAS valid until 28/4/2019.
  3. The Environmental Management System ISO 14001-2015 is valid until 14/2/2019.
- The financial statements are prepared in accordance with the decree of the head of the Accountability State Authority No. 609 of 2016, which stipulates:
  - The issued Egyptian accounting standards declared by the decree of the Minister of Investment No. (110) for the year 2015 is considered as a framework complementary to the unified accounting system and is applied to the public sector and public enterprise companies. These standards are applied where no guidelines stated in the unified accounting system in that regard there is no mentioning in the unified accounting system which the companies are to apply.

Auditors of the company: Accountability State Authority-Audit of Marine Transportation Department- 6 Talaat Harb St. – Alexandria.

**Holding Company For Land And Maritime Transport**  
**Alexandria Container and Cargo Handling Company**  
**An Egyptian joint stock company**

**1- Fixed assets and its depreciation:**

**Policy for fixed assets recognition:**

Fixed assets are stated at the cost of acquisition of the asset and all expenses necessary to prepare the asset for operation, According to Standard No. (10), paragraph (10), the entity evaluates its assets at cost as they occur and includes the cost of acquisition and expenses subsequently incurred to add or replace part of the asset.

\*Lands: The Holding Company for Maritime and Land Transport replaced Alexandria Company for Container and Cargo Handling in contributing in the purchase of a plot of land in the city of Al Balina in Sohag Governorate for the establishment of a school complex, as the General Assembly of the Company approved on 27/4/2008 and the check no. 2595786 issued on 3/2/2009 by an amount of EGP 2,412,898. Total space of the plot of land was approximately 18,451.57 m<sup>2</sup> and then a contract of sale was signed from the Holding Company for Maritime and Land Transport to Alexandria Container and Cargo Handling. On 30/6/2016, the land was classified to investment property according to the Accountability State Authority advice (Egyptian Accounting Standard No. (34).

**Method used to calculate depreciation:**

Depreciation is calculated based on straight-line basis. Fully depreciated assets and still operational are not depreciated in accordance with accounting standards issued as an integral framework of the unified accounting system. In general, depreciation for the period is charged to the statement of income.

**Net historical value of fully depreciated assets:**

- Scrapped equipment and held until disposition, at a historical value amounted To EGP 20.547million.
- Fully depreciated equipment and still operational at a historical value amounted to EGP 146.635 million

**Estimated useful life of the major fixed asset classes disclosed in the financial statements**

According to Standard No (10) Article (57) the estimated useful life of an asset is determined by its expected use by the entity.

Estimated useful life of the major fixed asset classes:

Buildings and constructions	from 10 to 20 years
Machinery and equipment	from 6.7 to 10 years
Means of transportation	from 5 to 15 years
Furniture and office equipment	from 5 to 10 years

- The useful life is based on previous estimates of the useful life of the major classes.
- The fair value of fixed assets is not materially different from the book value.
- There are no restrictions on the assets of the company against loans.

**Impairment in the value of assets**

- The book value of the assets owned by the Company is reviewed at the balance sheet date to determine whether there is any indication of impairment. If such indicators exist, the necessary studies are performed to determine the expected recoverable amount.
- Impairment losses on assets are recognized if the book value of the asset or its cash-generating unit exceeds the recoverable amount. Impairment losses are recognized in the statement of income.
- In case of an increase in the recoverable amount of the asset, the impairment loss is reversed only to the limit of the book value of the asset, which is determined after deducting depreciation and amortization and without deducting the impairment of the asset.

**Holding Company For Land And Maritime Transport**

**Alexandria Container and Cargo Handling Company**

**An Egyptian joint stock company**

**Note for additions and disposals of fixed assets from 1/7/2018 until 31/12/2018**

**Value in EGP**

Description	Balance at 1/7/2018	Additions	Disposals	Balance at 31/12/2018	Accumulated Depreciation
Land					
Building and constructions	88,587,093	1,016,347	-	89,603,440	27,733,126
Machinery and equipment	15,576,771	1,781,651	138,258	17,220,164	7,482,843
Transportation Means	1,483,000,002	25,337,458	3,276,000	1,505,061,460	629,773,001
Tools	2,525,469	77,651	2,876	2,600,244	1,654,409
Furniture and office equipment	20,689,886	945,172	564,587	21,070,471	10,898,318
<b>Total</b>	<b>1,610,379,221</b>	<b>29,158,279</b>	<b>3,981,721</b>	<b>1,635,555,779</b>	<b>677,541,697</b>

\* Land valued at EGP 2,412,898 was transferred on 30/6/2016 to long term investments (investment property) in the Head Quarter.

**Accumulated Depreciation calculation at 31/12/2018**

**Value in EGP**

Description	Balance at 1/7/2018	Period's Depreciation	Accumulated Depreciation for disposed asset during the period	End of Period balance at 31/12/2018
Accumulated Depreciation for building and constructions	24,748,523	2,984,603	-	27,733,126
Accumulated Depreciation for machinery and equipment	6,974,100	647,001	138,258	7,482,843
Accumulated Depreciation for transportation Means	570,827,156	58,945,845	-	629,773,001
Accumulated Depreciation for tools	1,586,555	70,730	2,876	1,654,409
Accumulated Depreciation for furniture and office equipment	10,260,233	1,202,671	564,586	10,898,318
<b>Total</b>	<b>614,396,567</b>	<b>63,850,850</b>	<b>705,720</b>	<b>677,541,697</b>

**2- Construction in Progress:-**

A statement for the movement of construction in progress during the period from 1/7/2018 until 31/12/2018:

**Value in EGP**

Description	Balance at 1/7/2018	Additions	Disposals	Balance at 31/12/2018
Building and constructions	65,834,325	25,476,320	181,068	91,129,577
Machinery and equipment	-	1,706,917	1,706,917	-
Transportation Means	1,116,576	24,937,485	25,238,751	815,310
Tools	275,603	65,937	77,651	263,889
Furniture and office equipment	153,172	915,404	945,172	123,404
<b>Total</b>	<b>67,379,676</b>	<b>53,102,063</b>	<b>28,149,559</b>	<b>92,332,180</b>

### Holding Company For Land And Maritime Transport

### Alexandria Container and Cargo Handling Company

### An Egyptian joint stock company

#### **3- Capital Expenditure:-**

Charged with the amount invested in advance payments or letter of credit and be included in the executed investment plan by the payment made.

Analysis of Capital Expenditure balances as of 31/12/2018

		<b>Value in EGP</b>
<b>Description</b>		<b>Balance</b>
Advance Payments		99,787,704
Letters of credit		155,364,992
<b>Total</b>		<b>255,152,696</b>

#### **4- Long term investments:-**

**First: Investments in subsidiary: (Contribution percentage more than 50%)**

None.

**Second: Investments in associates: (Contribution percentage more than 20%)**

The following table illustrates financial investment movement in associate companies in which the company contributes and the number of shares as of 31/12/2018.

<b>Company Name</b>		<b>Beginning of Period at 1/7/2018</b>		<b>Changes</b>		<b>End of Period at 31/12/2018</b>	
		<b>Contribution percentage</b>	<b>Value</b>	<b>No. of Shares</b>	<b>Value</b>	<b>No. of Shares</b>	<b>Value</b>
Memephis for Shipping Agencies	44%	-	880,000	-	-	-	880,000
Amoun for Shipping Agencies	44%	-	880,000	-	-	-	880,000
Abou Simbel and Tiba For Shipping Agencies	44%	-	880,000	-	-	-	880,000
<b>Total</b>		<b>-</b>	<b>2,640,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,640,000</b>

**Third: investment in other companies: (Contribution percentage less than 20%)**

<b>Company Name</b>		<b>Beginning of Period at 1/7/2018</b>		<b>Changes</b>		<b>End of Period at 31/12/2018</b>	
		<b>Contribution percentage</b>	<b>Value</b>	<b>No. of Shares</b>	<b>Value</b>	<b>No. of Shares</b>	<b>Value</b>
Egyptian Company for Integrated Projects (Torgoman Group)	6.522%	11,544,000	1,300,000	-	-	11,544,000	1,300,000
Egyptian Navigation Co. – ENC	2%	-	200,000	-	-	-	200,000
<b>Total</b>		<b>11,544,000</b>	<b>1,500,000</b>	<b>-</b>	<b>-</b>	<b>11,544,000</b>	<b>1,500,000</b>

- \* An amount of EGP 652,200 was paid for the increase of the Company's share in the capital of the Egyptian Company for Integrated Projects and will be added to the investment account after the completion of the capital increase procedures of the Egyptian Company for Integrated Projects, as the company will re-submit the documents at the request of the Investment Authority.

**Holding Company For Land And Maritime Transport**  
**Alexandria Container and Cargo Handling Company**  
**An Egyptian joint stock company**

**Forth: Other investments:**

Land valued at EGP 2,412,898 was transferred on 30/6/2016 to long term investments (investment property) in the Head Quarter.

- \* The provision provided during the year 2014/2015 for Memphis for Shipping Agency by an amount of EGP 12,961,387 was used and the remaining value of investments was reduced by an amount of EGP 11,243,237 as extraordinary losses during the year 2014/2015.
- \* The value of contribution in Amoun Co. was reduced as a result of calculating the impairment of these investments and deducting it from the value during the financial year 2008/2009.
- \* The value of contribution in Abu Simbel Co. and Tiba Co. was reduced as a result of calculating the impairment of these investments and netting it from the investment value during the financial year 2014/2015 by an amount of EGP 15,404,623.
- \* The provision provided during the year 2014/2015 for Egyptian Marine Navigational Co. - ENC by an amount of EGP 7,214,272 was used and the remaining value of investments was deducted by an amount of EGP 2,500,000 as extraordinary losses.
- \* The value of the contribution in Egyptian Company for Integrated Projects (Torgoman Group) was reduced as a result of calculating the impairment of these investments and deducting them from the value during the financial year 2016/2017 by an amount of EGP 1,456,000.

**Investment Valuation:**

**Financial Investments:-**

Investments are disclosed in the financial statements at the cost of acquisition less impairment losses, if any.

**5- Other Assets:**

Description	Balance at 1/7/2018	Period's depreciation	Balance at 31/12/2018
Capitalized expenses (In exchange for the usufruct of the assets of Dekheila terminal)	2,681,136	574,803	2,106,333
<b>Non-owned assets</b>	<b>3,385,306</b>	<b>127,181</b>	<b>3,258,125</b>

- Capitalized expenses amounting to EGP 2,106 million represent the usufruct of the assets of the Dekheila terminal and are stated at cost less amortization.
- EGP 3,258 million represent expenses related to non-owned assets by the company (sewage and industrial works and software for the system) to serve their purposes and are recognize at cost less amortization.
- Treatment of the costs of research, development and its amortization in case of capitalization:  
There is none as the company did not perform any costs of research and development and in case of any costs charged, it will be charged to the income statement.

**6- Inventory pricing and Valuation :**

The Company values the commodity inventory on the basis of cost in accordance with Standard No. (2) Paragraph (9). Taking into consideration, the company's stock represents spare parts required for the maintenance and overhaul of the equipments which are specific equipments. These specified spare parts are imported from abroad. Also materials and fittings which are items necessary for cleaning operations and priced by the cost of purchase.

- The issues from the inventory are priced by the weighted average method on all different inventory items.
- The balance of the slow moving inventory at 31/12/2018 is amounted to EGP 1,370,370.

**7- Inventory pricing and Valuation - Continued :**

**Analysis of other debit balances as of 31/12/2018**

Description	Value in EGP
Other Debit Balance *	8,631,942
Accounts payable to Authorities and Bodies	12,372,657
Deposits for others	822,566
Investment Purchase Creditors	652,200
Fixed assets creditors	26,780
Other credit balance	1,410,967
Accrued expense	293
<b>Total</b>	<b>23,917,405</b>

\* Other debit balance consists of due amounts from the drivers against driving fines and damages, made by the drivers and due cost of training courses on some employees, taxes due on employees, and advances to employees which are settled monthly installments during the year.

**Holding Company For Land And Maritime Transport**

**Alexandria Container and Cargo Handling Company**

**An Egyptian joint stock company**

**8- Accounting policy regarding treasury bills:**

Treasury bills are used as a saving account for available cash balances at their rate of return as long as they are higher than the rate of return on time deposits in accordance with the available cash balances, Purchasing Treasury bills or time deposits is done often with the consideration of the appropriate date of payment of all obligations of the company.

**Basis for determining the book value of current investment:**

The book term is determined based on the cost of the acquisition.

**9- Cash at banks and on hand**

- The period of the time deposits at banks is 3 months.

**10- Provisions:**

Provisions are recognized in accordance with Standard No. 28, paragraph 14, of the Egyptian Accounting Standards, where it is expected to have an outflow of resources and economic benefits to settle an obligation.

**Statement for provision other than depreciation as of 31/12/2018:**

**Value in EGP**

Description	Balance at 1/7/2018	Provided	Used	No longer required	Balance at 31/12/2018
Trade receivable provision (deducted from Trade receivables accounts)	3,645,623	-			3,645,623
Tax provision	35,331,984		6,537,550		28,794,434
Legal disputes provision	59,897,788		10,000		59,887,788
<u>Other provisions:</u>					
Provision to meet the disputes with the Port Authority	24,719,089				24,719,089
End of service Provision	8,898,571		3,666,705		5,231,866
<b>Total</b>	<b>132,493,055</b>		<b>10,214,255</b>		<b>122,278,800</b>

Judgmental and absolute provision which is expected to generate an outflow of economic resources and has been reliably estimated.

**11- Current liability as of 31/12/2018:-**

**Value in EGP**

Description	Amount
Suppliers	54,956,311
Accounts payable to Authorities and Bodies	35,385,571
Dividends Payable	300,703
Accrued expenses	46,424,456
Advances from clients	2,105,787
Other credit balances	22,420,213
<b>Total</b>	<b>161,593,041</b>

\* Taking into consideration there are no short term loans or overdrafts.

## Holding Company For Land And Maritime Transport

### Alexandria Container and Cargo Handling Company

#### An Egyptian joint stock company

#### **12- Analysis of other credit balances in the financial position as of 31/12/2018:**

Description	Amount
Fixed assets creditors	5,261,328
Refundable Deposits to others	10,155,512
* Other Credit balances	6,967,014
Other debit balances	36,358
<b>Total</b>	<b>22,420,212</b>

\* The nature and components of the other credit balances item are amounts deducted from certain employees (trade unions, Alimony, penalties, and taxes due).

#### **Owner's Equity**

##### **13- Authorized Capital:-**

The authorized capital is amounted to EGP 1,000 million.

##### **The movement of issued and paid up capital and number of shares:**

The issued and paid up capital is amounted to EGP 744,876,700 pounds where the face value is (0. 500) EGP / share and the number of shares is 1,489,753,400shares Where the Ordinary General Assembly approved on 13/8/2018 to split the nominal value of the company's share from five pounds per share to 50 pence per share .

**Distributed as follows:**

Description	No. of Shares	Contribution percentage	Capital as of 31/12/2018	Comparative capital as of 30/6/2018
Holding Company for Maritime and Land Transport	824,865,720	55.369%	412,432,860	412,432,860
Alexandria Port Authority	590,400,000	39.631%	295,200,000	295,200,000
Free floating	74,487,680	5.00%	37,243,840	37,243,840
<b>Total</b>	<b>1,489,753,400</b>	<b>100%</b>	<b>744,876,700</b>	<b>744,876,700</b>

- Related parties transactions:**

Description	Nature of Relationship
Holding Company for Maritime and Land Transport	- Contribution in the capital of the company by 55.369%, There are financial transactions amounted to EGP 300 million were paid during July 2018.
Alexandria Port Authority	- Contribution in the capital of the company by 39.631%. There are financial transactions amounted to EGP 119 million affecting the financial statements, represent the usufruct of land and buildings and cleaning fees, taking into consideration that a provision has been provided to meet the points of disputes between the company and the port authority.
Egyptian Marine Navigational Co. – ENC	- There are financial transactions amounted to US \$ 390,000 equivalent to EGP 7,004,700.

#### **Objectives, policies and methods of managing capital:**

The company manages the capital in order to cover operating demands, shareholders' objectives and financing investments whether to cover replacements, or renewals or to strengthen its competitiveness by self financing without resorting to borrowing. The company undertakes studies and researches to add investments in new projects.

**Holding Company For Land And Maritime Transport**  
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**A brief description of the nature and purpose of each reserve in owner's equity:**

- Reserves are provided in accordance with applicable laws, regulations, governing decrees and adopted resolutions, and the approval of the General Assembly of what has been provided and the purpose of each reserve.
- **Legal reserve:** Transfer a portion of the net profit by a certain percentage which may be used to cover the losses of the company or increase its capital. The balance as of 30/6/2018 includes an amount of EGP 162,509,861.40 as a share premium for the increase of free floating shares to rectify the position.
- **Statutory reserve:** Transfer 20% to meet the increase in asset prices and strengthen the financial position of the company in accordance with Article (45) of the Articles of Association of the company.
- **Capital reserve:** The value of disposing of a company's fixed assets or compensation is allocated. This reserve is used to restore the assets of the company or purchasing new fixed assets.
- **Project support reserves:** Transfer a portion of the net profits of the company after legal and statutory reserve and allocating 5% of the capital to the shareholders and employees as a first profit share distribution and deducting no more than 5% for the Board of Directors. This reserve is to be transferred to support the projects. The project support reserve amounted to EGP 374,704,167.11 as of 31/12/2018.

**14- Analysis for other reserves:**

Description	Partial	Amount
Difference between face value and fair value due to increased contribution in Egyptian Marine Navigational Co. – ENC		6,997,952
Revaluation of foreign currencies in Egyptian pound (6,541,023.64)		6,541,023.64
The compensation value of the Ahlya insurance company for the Kalmar crane accident		117,711.00
Increase in investments in agencies against free shares issued by shipping agencies in 2004		3,300,000.00
Value of gift assets supplied by companies as well as the value of equipment and cranes supplied based on the letter of credit		1,027,843.47
The value of a gifted used Caravan which was supplied by Amco Consulting Office		3,000.00
Reserve of rise in prices of fixed assets (fully depreciated assets, before the application of the State Accountability Authority No. 204 of 2001 on the amendment of the accounting system)		8,141,331.65
<b>Total</b>		<b>26,128,861.76</b>

**15- Long term loans**

- **None**
- **Bonds:**
- **None**

**16- Other long term liability**

**None**

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**17- Accounting policy for revenue recognition:**

- a) Revenue is recognized, related to rendering of services to the extent of the carried out transactions at the end of the accounting period subject to preparation of the financial statements (percentage of completion standard 11) Where all the following conditions are met together:
  - The accuracy of the revenue measurement at the completion of the service.
  - Achieve economic benefits of the transaction.
  - The complete recording of costs related to the implementation of the service performed.
- b) As for the accounting policy used in the recognition of credit interest, it is recognized on an accrual basis for the related accounting period.

**18- Grants and aids treatment:**

- Grants are considered revenue for the entity during one or more accounting periods, if any.

**19- Translation of Foreign Currency:**

Foreign currency losses were recognized at 31/12/2018 by an amount of EGP 861,759 which was disclosed in the income statement.

**20- 21- Retained earnings (Accumulated losses)**

The balance of retained earnings as of 1/7/2018 amounted to EGP 31,343,872 in addition to an amount of EGP 13,121,381 represent prior years' revenue, less prior years expenses amounted to EGP 9,312,096 to reach a balance as of 31/12 /2018 amounted to EGP 35,153,157.

- Analysis for previous year's revenues as of 31/12/2018

<b>Description</b>	<b>Value in EGP</b>
Revenue from previous years	12,968,127
Judicial sentences in favor of the company	147,184
The company's share in the bonus of representatives of (Torgoman) Group and Memphis	2,500
Refund of wages	3,570
<b>Total</b>	<b>13,121,381</b>

- Analysis for prior year's expenses as of 31/12/2018

<b>Description</b>	<b>Value in EGP</b>
Cash Equivalent For the balance of holidays	321,375
Maintenance expenses	990,430
Clarks Rent	25,287
Company's share in the insurance	2,609,909
Storage and stevedoring expenses	3,614,005
Development fees for the stock market	421
Judicial sentences a against the company	28,150
Financial differences due	6,524
Compensation for accidents	5,000
Bonus difference	1,710,995
<b>Total</b>	<b>9,312,096</b>

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**22- Miscellaneous income analysis**

<b>Description</b>	<b>Partial</b>	<b>Total</b>	<b>Value in EGP</b>
<b>• Compensation and fines</b>			
Accident compensation (Cars, cranes, equipment)	150,385		
Supply and pollution fines	3,912,201		4,062,586
• Term of reference / floods / locks			1,221,674
• Rent income			318,000
<b>Total</b>			<b>5,602,260</b>

**23- Deferred tax**

- Deferred tax is the tax arising from the existence of temporary differences arising from the difference in the financial period in which the value of certain assets and liabilities is recognized as per the applicable tax rules and the accounting principles followed in the preparation of the financial statements. The deferred tax is calculated based on the method expected to recognize or settle the current value of those assets and liabilities using the tax rates prevailing at the balance sheet date.
- Deferred tax is recognized as an asset when there is a reasonable expectation that the asset may be used to reduce the tax due in future years. The deferred tax asset is reduced by the portion that will not be realized from the tax benefit expected in the following years, however, if the expected tax benefit increases, the tax assets will be increased, within the limit of amounts previously impaired.
- The deferred tax is settled upon completion of the tax examination for the fiscal year and then settled in the income statement in accordance in accordance with the final resolution of the tax committees.

**24- Accounting policies**

In accordance with Egyptian Accounting Standard No. (5), "Accounting Policies and Changes in Accounting Estimates and Errors", It was stated in the standard "consistency of Accounting Policies" (paragraph 13). The entity elects and consistently applies its accounting policies for similar transactions, events and other circumstances unless a standard or interpretation is required or permitting the classification of items in accordance with different appropriate policies and if such a standard or interpretation permits such a classification the appropriate accounting policy is chosen and applied consistently to each group.

- Cash flow statement presents Investments in securities which are included in the cash flows from investing activities.
- Gross profit is calculated by deducting the cost of production or cost of goods sold from activity's revenue.

**25- Cost of borrowing treatment:-**

It is charged to expenses upon having the equipments in operation. In accordance with Standard (14), paragraph (9), it is recognized as an expense over the period in which the entity incurs the cost unless it is capitalized in accordance with paragraph (10). The cost of borrowing directly related to the acquisition or construction of a qualifying asset is capitalized and charged as part of the cost of the asset. There are no contracted loans during the year.

**26- Rights, privileges and restrictions on dividends:-**

None.

**27- Delayed dividends of preferred stocks:-**

There are no preferred stocks.

**28- Dividends:**

Dividends are distributed at the end of the financial year after the approval of the General Assembly of the financial statements at the end of the financial year in accordance with the provisions of Law 203. The value of the coupon is calculated by dividing the shareholders' share by the number of shares (1,489,753,400shares). The standard is applied to distribute the net profits after the transfer to reserves and employees shares and the share of the Board of Directors in profits as the earnings per share represents the total distributable profit / number of actual shares.

The earnings per share:

The shareholders' share of the profits/number of actual shares, considering that the company's shares are common.

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**29- Changes in accounting policies:-**

- The distinction bonus was treated as a part of wages instead of being charged to prior year expenses in accordance with the instructions of the Accountability State Authority.  
The Company applies the principles of going concern, consistency and accruals in the accounting treatment of all income statement items in accordance with Egyptian Accounting Standard No. (1).
- The difference between the prior year revenues and expenses has been treated in the retained earnings (Accumulated losses) in the statement of financial position starting from the fiscal year ended 30/6/2017.
- Starting from the financial year ended 30/6/2016, the marketing expenses were included in the profit and loss account and not in the trading account in accordance with Egyptian Accounting Standard No. (1).

**30- General and administrative expenses:**

- Details are included in the profit and loss account in the financial statements notes.

**31- Current taxes:**

The due income tax is calculated in accordance with the laws, regulations and instruction effective in Egypt and is recognized in the income statement, while taking into consideration that the company is a free zone entity and is not subject to income tax. The provision for tax liabilities for previous years is made after the necessary study based on the tax claims. The Head Quarter is subject to tax in the case of recognizing profit.

**Tax position until 31/12/2018**

**First: Corporate tax:**

- The year of 2007/2008 The tax appeal committee for years from 2007/2008 till 2011/2012 has been completed
- Tax inspection Completed for 2012/2013 and currently under discussion in the internal committee.
- Tax inspection Completed for 2013/2014 and currently under discussion in the internal committee.
- Tax inspection Completed for 2014/2015 and currently under discussion in the internal committee.
- Tax inspection Completed for 2015/2016 and currently under discussion in the internal committee.
- The tax return for 2016/2017 has been submitted.
- The balance of the accounts payable of Authorities and Bodies (tax authority) was presented net of withholding tax to Debit balance (an irregular balance) by the amount of EGP 11,091,935.65 Since the tax appeal committees have been completed for tax years for the financial years of 2007/2008 to 2011/2012, The settlement is under way with the Tax Authority, and the internal committees are still deliberating for the financial years 2012/2013 Until 2015/2016. The Withholding tax will be settled immediately after the end of the final tax assessment due to the change of the tax pools where the withholding tax will be deducted from the tax due for each year.

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**Second: Salaries tax**

Years 2013/2014 are under inspection.

**Third: Stamp tax**

Tax inspection completed for the years from 1/7/2010 until 30/6/2015.

**Forth: Sales tax**

\*Tax inspection completed for the years 2012/2013, 2013/2014, 2014/2015.

**Fifth: Value added tax**

\*Tax inspection for the financial year 2015/2016 has been completed.

**Sixth: Tax Policy**

\*The company operates as a free zone entity and is not subject to the applicable fees and taxes in the Arab Republic of Egypt.

**32- Financial instruments risk:-**

**a) Market risk:**

The company works in the field of containers, where there is a competition from companies working in the same field, and accordingly the company is working to provide the credit facilities to customers and purchasing new equipment to provide exceptional services to attract new shipping lines.

**b) foreign currency risk:**

The company maintains its foreign currency balances to meet the financing requirements in the investment plan for purchase of new equipment from abroad in order to avoid the risk of foreign exchange fluctuations and deal with several banks to obtain the highest return on deposits as well as the credit facilities taking into consideration that the company revalues foreign currencies at the end of each quarter.

**c) Interest risk:**

Selection between banks is made to decrease the risk by opening deposits (Egyptian-dollar) for only three months at the highest available prices.

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**33- Capital commitments not recorded in books:**

**Amount in EGP Thousands**

<b>Description</b>	<b>Amount</b>
Supply of (4) crane loading full containers	33,544
Supply of (3) crane loading Empty containers	13,665
Supply of (8) bus + 2 car +(5) pickup + (1) Car Tipper	5,928
Supply of (11) Medium voltage cell of type vacuum	4,011
System update RDT	2,541
Construction of administrative building	6,257
No. (1) of dock forklift (5) tons	760
Tools for dock 96 length 750 meters	30,814
Two 1.6 Mega converters capacity 5.5 k 400 V	1,427
Major repairs to docks 49 -54	7,339
Supply of two giant dock cranes	90,652
Eight full cells TC1 medium pressure 11 V	1,458
2 Mega converters and two low pressure boards	2,860
Deepening and dredging of docks 96 (Suez Canal Authority)	14,957
Construction of yard for capacity increase for fridge containers	5,185
<b>Total</b>	<b>221,398</b>

**34- Other Notes:**

• **The process of deepening dock 96(Canal Harbor Company):**

The Canal Harbor and Great Projects Company (implementer of the project) is currently committed to carrying out the works of the operation. Where the number of 8 extracts was implemented with a total amount of 58.329 million from the total value of 74.794 million.

• **Real estate Tax**

The company used a portion of the provision to meet the real estate tax claim amounting to EGP 9,246,643.10 and the remaining amounted to EGP 5,886,156.90 until settlement with real estate taxes on 30/6/2018

• **Crane Repair Dock 2010**

The amount of EGP 21.306 million was deducted from the value of the repair of the 2010 dock crane zpmc in Dekhaila from the capital reserve included in the compensation for the incident in the fiscal year ended 30/6/2018.

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**Letters of guarantee against deposits a total amount of EGP 34,409,416:**

- An amount of EGP 10,000 letter of guarantee in favor of Telecom Egypt by the value of international communications. Expiry date 1/2/2019.
- An amount of EGP 40,000 Letter of Guarantee for Misr Petroleum Company by the Value of the coverage of oil withdrawals. Expiry date 28/4/2019.
- An amount of EGP 903,829 Letter of guarantee for the Alexandria Port Authority the value of 10% final insurance for the rent of sorting yard 3 years. Expiry date 9/10/2019.
- An amount of EGP 73,800 Letter of guarantee for the port of Alexandria port the Value of 25% Insurance of the minimum covered trading 3 years. Expiry date 9/10/2019.
- An amount of EGP 200,000 letter of guarantee for the benefit of the Customs Authority value of 5% of the customs taxes and the estimated taxes for the average storage power. Expiry date 28/11/2019.
- An amount of EGP 42,600 Letter of guarantee in favor of the Port Authority 25% of the minimum covered for the sorting area of 7,100 m<sup>2</sup>. Expiry date 2/9/2019.
- An amount of EGP 458,270 Letter of guarantee in favor of the Port Authority The value of the final insurance for the usufruct of 7,100 m<sup>2</sup>. Expiry date 14/11/2019.
- An amount of EGP 409,563 letters of guarantee for the port authority for the purpose of the usufruct of the sorting area of 5,060 m<sup>2</sup>. Expiry date 10/11/2019.
- An amount of EGP 33,900 letters of guarantee in favor of the Port Authority for the purpose of the usufruct of the sorting area of 5,060 m<sup>2</sup>. Expiry date 10/11/2019.
- An amount of EGP 200,000 Letter of guarantee in favor of the Customs Authority Value of taxes and estimated fees for the average storage value expected on an area of 7,100 m<sup>2</sup> and 565 m<sup>2</sup>. Expiry date 23/5/2019.
- An amount of EGP 900,000 Letter of guarantee for the Alexandria Port Authority (Licensing Department) for the shipping and unloading activity of container ships. Expiry date 15/5/2019.
- An amount of EGP 2,762,784.40 Letter of guarantee in favor of Alexandria Port Authority 10% of insurance against the use of the rent of the sorting yard Three years. Expiry date 17/9/2019.
- An amount of EGP 14,500,000 Letter of guarantee for the General Authority of Alexandria Port for final insurance for the areas assigned to the company. Expiry date 3/11/2019.
- An amount of EGP 1,464,000 is a letter of guarantee for the General Authority of Alexandria Port regarding the usufruct of an area of 7,257 m<sup>2</sup> in the third area and insurance covered by the annual trading date of completion 9/11/2019.
- An amount of EGP 1,778,000 is a letter of guarantee to the General Investment Authority for the amount due on the company as a private free zone from the obligations. Expiry date 5/1/2019.
- An amount of EGP 3,800,000 is letter of guarantee for the Customs of the Northern and Western Region; the value of final insurance to ensure the value of taxes and fees estimated to average storage capacity expected on an area of 12,300 m<sup>2</sup>. Expiry date 17/2/2019.
- An amount of EGP 1,616,157 Letter of guarantee for the Alexandria Port Authority the value of final insurance for the usufruct of 7100 m<sup>2</sup>, 5680 m<sup>2</sup> until 27/11/2019.
- An amount of EGP 3,800,000 Letter of guarantee for the Customs of the Northern and Western Region The value of taxes and estimated fees for the average storage capacity expected on sorting Yard of 5,650 m<sup>2</sup> and area of 7,100 m<sup>2</sup> Expiry date 30/4/2019.
- An amount of EGP 50,000 Letter of guarantee for the General Authority of the port of Alexandria the value of final insurance for the re-construction of the separation fence between the container terminal and the area and adjacent to the wall of the company area 5,942 m<sup>2</sup>. Expiry date 30/8/2019.
- An amount of EGP 908,913 letter of guarantee in favor of the General Authority of Alexandria Port of 10% of the value of the usufruct for 3 years which is the usufruct of the area of 5,942 m<sup>2</sup> in the second area of El-Dekheila and 25% to insure the minimum annual trading. Expiry date 5/7/2019.
- An amount of EGP 400,000 Letter of guarantee for Misr Petroleum Company value of coverage of petroleum products withdrawals. Expiry date 30/11/2019.
- An amount of EGP of 57,600 Letter of guarantee for the General Authority of the port of Alexandria Value of insurance for the usufruct of the area of 640 m<sup>2</sup> in the yard No. 68 Alexandria port. Expiry date 30/3/2019.