

Accountability State Authority
Audit of Marine Transportation Department
6 Talaat Harb- Alexandria

AUDITOR'S REPORT
On the Amended Financial Statements
Of Alexandria Container & Cargo Handling Company
At 30/6/2018

Messrs. Shareholders

Report on the Financial Statements:

We have audited 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 30/6/2018 with a total assets amounted to EGP 6.074 billion and the statement of income for the year then ended with a net profit amounted to EGP 2.447 billion, as well as the statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the Financial Statements:

These financial statements are the responsibility of the Company's Management as Management is responsible for the preparation and fair presentation of the financial statements in accordance with Egyptian Accounting Standards and in the light of relevant Egyptian laws and regulations. The Management's responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error. This responsibility also includes selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility:

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Egyptian Standards on Auditing and in the light of relevant Egyptian laws and regulations. Those standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the financial statements.

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Basis of Qualified Opinion:

- 1- Provision for legal disputes amounted to approximately EGP 59.898 million according to the statement submitted to us by the company, the statement did not present the litigation degree for each claim separately along with the potential for gain and loss for each claim in order to validate the provided provisions in accordance with the requirements of paragraph (14) of the Egyptian Accounting Standard No. (28).
- 2- The credit balance in the company's books as of 30/6/2018 was not confirmed with the General Authority of Alexandria Port amounted to approximately EGP 48.169 million and it has been found that there were disputed amounts by the company amounted to approximately EGP 32.952 million of which an amount of approximately EGP 24.719 million was provided for as a provision in other provisions accounts, noting that the required confirmations were not made with the Authority since 2013.

Qualified Opinion

Except for the effect of matters referred to in the basis of qualified opinion paragraph, in our opinion, the financial statements mentioned above, present fairly, in all material respects, the financial position of Alexandria Container and Cargo Handling Company as of 30, June 2018, and its financial performance and its cash flows for the year then ended in accordance with Egyptian Accounting Standards as a complementary framework of the unified accounting system and in the light of relevant Egyptian laws and regulations.

Without qualifying our opinion it has been shown that:

- 1- The fixed assets physical count was carried out and matched the records on 30/6/2018 by the company and under our supervision "on a sample base" within the available resources and these assets were depreciated on the same bases as in previous years.
- 2- We recommend reviewing the estimated useful lives of the fixed assets, which should be carried out periodically at least at the end of each financial year due to its effect on the depreciation expense for the current period and future periods as required by Standard No. (10) of the Egyptian Accounting Standards as a complementary framework of the unified accounting system, especially that the fixed assets include fully depreciated assets and still in use amounted to approximately EGP 150 million.
- 3- Fixed assets included scraped assets "scraped transportation means and equipment" which amounted to approximately EGP 127.220 million, this is in addition to scraped assets "machinery, transportation means, tools and furniture"- not sold amounted to approximately EGP 130.359 million has not been disclosed, and the company stated that it will offer to sell these assets in auctions without specifying the period of sale whether within one year or more along with the consequent accounting treatment of these assets as fixed assets or assets held for sale.

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- 4- Long-term investments balance as at 30/6/2018 included investments with an amount of approximately EGP 11.5 million that the company did not realize any profit during the current year. These investments represent the investment in the share capital of the Egyptian Company for Integrated Projects (Torgoman Group), the latest financial statements for the investee were not provided.

It is worth mentioning that there was an amount paid by EGP 652 thousand on 29/12/2016 to increase the company's share in the Torgoman Group's capital in accordance with the Board of Directors decree No. 89 dated 14/5/2016 and the legal proceedings for this increase did not take place yet.

- 5- The commodity inventory count was carried out on 30/6/2018 and count results matched with the company records under our supervision "on a sample base" within the available resources, and we were not provided with the realizable value for the inventory in accordance with paragraph (9) of the amended Egyptian Accounting Standard issued by the Minister of Investment Decree No. 110 of 2015 regarding the measurement of inventory whether at cost or net realizable value, whichever is lower.
- 6- Trade, notes receivables and debit balances amounted to approximately EGP 510.669 million net of impairment amounted to EGP 3.646 million. The company did not send any confirmations to the credit balances nor did it provide us with any certificates for deposits to others.

The company has sent confirmations to debit balances and only 4 responses were received, and some differences were noted as follows:

Client	Balance according to company's books		Balance according to customer's Confirmation	
	Debit	Credit	Debit	Credit
National Navigation Company	EGP 691,596.78	-	-	-
Marina	EGP 7,279.11	EGP 541.46	EGP 1,055.95	(US\$ 139 Equivalent to) EGP 2,471.42

- 7- The company granted the Egyptian Maritime Navigation Company a loan amounted to US\$ 390 thousand equivalent to approximately EGP 7.005 million. Despite the company's approval on the request of the Egyptian Maritime Navigation Company dated 9/7/2017 to pay an amount of US\$ 200 thousand on installments starting from 15/12/2017 until 15/5/2018 and to pay an amount of US\$ 190 thousand maximum by 31/10/2017, but it turned out that the company did not adhere to the payment schedule up to date. Also, the company did not adopt the Egyptian Accounting Standard No. (26) clauses related to Financial Instruments and standard No. (40) related to Financial Instruments –Disclosure- when recording the loan granted to the Egyptian Maritime Navigation Company.

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- 8- The continuance decrease (in-kind production) in the number of containers handled from year another as follows:

Description	2015/2016	2016/2017	2017/2018
Foreign trade fee	966,000	872,350	858,407
Transit fee	12,000	14,360	12,133

It is worth mentioning that there is a mistake in the numbers of these containers, as they included the movement number of Shift and Hatch, represented in 39 thousand equivalent containers.

However, the revenue recognized from this production continued to increase as follows:

Description	2015/2016	2016/2017	2017/2018
Foreign trade fee	1,792,566,741	2,706,421,404	3,009,811,051
Transit fee	3,041,217	6,638,957	5,596,938
Surplus after tax	1,360,732,559	2,192,426,077	2,446,881,582

The compensation for the company's loss resulted from cranes accident amounted to EGP 243,825 million was a major reason for the increase in revenues recognized.

- 9- The company mentioned in its reply that it was agreed to submit to the Egyptian Council of State the issue of subjecting Alexandria and El Dekhila terminals to the ministerial degrees related to storage services and the utilization of license, sorting and stevedoring which resulted in financial obligations to the company due to others according to the meeting dated 28/12/2016 with the Alexandria Port Authority and the Egyptian Warehouses Company.
- 10- The company is charged with a fine amounted to EGP 755 thousand as a result of breaching the amended customs law No. 66 for the year 1963 articles No. 1,2,3,4,5,12,30,118/ first paragraph, and second paragraph from article 118 reiterated (breaching transit systems, warehouses, free zones, temporary admission,...). The company was fined by the value of one quarter of the tax due as the company has been storing containers in the 25 thousand meters area without a license, or obtaining any approvals or even notifying the customs, In addition, the Egyptian Customs Authority has lodged five lawsuits against the company in the same context. The value of the tax due in these cases was amounted to EGP 4.714 million. The company is expected to pay fines amounted to EGP 1.178 million other than the previously charged amounts.
- 11- The inadequacy of the adopted costing system, as it does not achieve the optimal economic operation at the level of production units to measure its profitability.
- 12- We have not been provided with the report regarding the compliance with the governance rules in accordance with the clauses of Article (40) of the listing and delisting rules of marketable securities issued by decree No. (11) for year 2014 amended on 27/3/2018 in order to express an opinion in this regard.

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Report on Other Legal and Regulatory Requirements

The Company maintains proper books of accounts that include all that is required by the Law and the Company's Articles of Association, and the amended financial statements are in agreement therewith.

The financial information included in the Board of Directors' report, which has been prepared in accordance with the requirements of Law No. 159 of 1981 and its Executive Regulations, is in agreement with the relevant information in the Company's books.

Auditor
Accountant\ Ahmed Farouk Badawy

Undersecretary
Accountant\ George Nabil Aziz

General Manager
Accountant\ Ahmed Fouad
Mansour

Approve,,,,,
First Undersecretary
Director manager
Accountant/ Hoda Abd Rabo Meneisy

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

Statement of financial position
At 30 June 2018

EGP

Comparative 30-6-2017	Description	Note No.	Cost	Accumulated Depreciation	Net
	Non Current Assets				
	Fixed assets	1			
29,187,238	Buildings and Constructions		88,587,092.82	24,748,522.81	63,838,570.01
7,329,549	Machinery and Equipment		15,576,770.79	6,974,099.93	8,602,670.86
791,478,604	Transportation and Transmission		1,483,000,002.03	570,827,155.53	912,172,846.51
763,439	Tools		2,525,468.96	1,586,555.22	938,913.74
10,396,841	Office Furniture and Fixture		20,689,886.43	10,260,233.59	10,429,652.84
839,155,671			1,610,379,221.03	614,396,567.08	995,982,653.95
	Projects Under Construction				
18,484,746	Construction in progress	2	67,379,676.64		
136,634,830	Investment Expenditures	3	83,545,178.40		150,924,855.04
	Long-term investments	4			
2,412,898	Investment property		2,412,898.00		
11,544,000	Investments in Companies		11,544,000.00		13,956,898.00
	Other assets	5			
3,830,741	Capitalized Expenses		2,681,135.73		2,681,135.73
3,639,668	Expenses related to non owned assets		3,385,305.87		3,385,305.87
1,015,702,554	Total Non Current assets		1,781,327,415.67	614,396,567.08	1,166,930,848.59
	Current Assets				
	Inventory	6			
85,666,293	Raw materials, fuel and spare parts		88,522,152.23		
628,941	Letter of credit for purchase of goods and service		375,520.80		88,897,673.03
	Trade receivables, Notes payable and debtors				
226,773,523	Trade receivables (After deducting doubtful debts amounted to EGP 3,645,623.37)		142,566,502.83		
47,722,191	Accrued revenues		37,220,913.67		
6,527,983	Prepaid Expenses		2,963,222.75		
2,385,939	Suppliers		3,228,750.95		
26,808,920	Other debit balances	7	342,815,240.99		528,794,631.19
	Current Investments				
164,859,109	Treasury Bills	8			
	Cash in banks and on hand	9			
2,971,815,641	Time deposits in banks		3,393,403,543.03		
390,458,312	Deposits against letter of credit cover		559,186,375.78		
34,733,223	Letter of guarantee cover		34,791,948.28		
34,908,675	Current accounts		319,721,989.04		
	Cash on hand				4,307,103,856.13
3,993,288,750	Total Current Assets				4,924,796,160.35
5,008,991,304	Total Assets				6,091,727,008.94

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

Statement of financial position
At 30 June 2018 – Continued

EGP

Comparative 30-6-2017	Description	Note No.	Cost	Accumulated Depreciation Depreciation	Net
	Owner's equity				
739,297,920	Paid-up Capital	13	744,876,700.00		744,876,700.00
	Reserves				
507,833,322	Legal Reserve		783,434,924.00		
715,238,904	Statutory Reserve		617,605,868.04		
293,508,929	Project Support Reserve		374,704,167.11		
26,128,862	Other Reserves	14	26,128,861.76		
43,857,187	Capital Reserve		228,903,949.75		
791,014,045	Retained earnings/ (Accumulated losses)	21/20	31,343,872.05		
	Net Profit		-		
					2,062,121,642.71
3,116,879,169	Total Owner's Equity				2,806,998,342.71
	Non Current Liabilities				
-	Long-term Loans		-		
-	Long-term provision		-		
			-		-
-	Total Non Current Liabilities		-		-
	Current Liabilities				
	Provisions	10			
26,578,627	Disputed taxes Provision		35,331,984.04		
34,261,070	Claims and disputes provision		59,897,788.01		
32,715,820	Other Provisions		33,617,659.82		128,847,431.87
	Trade payable and other credit	11			
45,377,830	Trade payable		96,837,738.62		
42,673,749	Accounts payable for Bodies and Authorities		19,085,888.65		
1,508,532,116	Dividends payable		2,845,343,246.93		
136,765,057	Accrued expenses		144,602,861.91		
2,985,251	Advance from accounts receivables		4,009,769.99		
62,222,615	Other credit balances	12	46,001,728.26		3,155,881,234.36
1,892,112,135	Total Current Liabilities				3,284,728,666.23
5,008,991,304	Total Owner's equity and Liabilities				6,091,727,008.94

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 1/7/2017 to 30/06/2018

EGP

Comparative 30-6-2017	Description	Note No.	Partial	Total
2,713,060,361	Activity's revenue			
	Services sold	17/A	3,015,407,988.65	
	Add:			
	Grants and subsidies	18		
	Deduct Cost of activity revenues:-			
622,377,959	Cost of production or cost of goods sold		842,192,499.61	
2,090,682,402	Gross Profit			2,173,215,489.04
	Add:			
26,686,169	Interest on treasury bills		4,861,971.73	
	Revenues and other profits			
2,807,406	Provisions no longer required		6,612,650.51	
				11,474,622.24
	Deduct:			
	Administrative expenses			
473,921	Salaries and allowance for Board Of Directors members		474,725.40	
181,906,809	Other administrative expenses		203,887,724.78	
	Burdens and losses			
37,218,604	Provision other than depreciation		63,067,669.66	
1,805,867	Miscellaneous Burdens and losses		6,960,772.06	
				274,390,891.90
1,898,770,776	Net profit for the activity before financing expenses and credit interests			1,910,299,219.38
(396,861)	Financing expenses		(496,833.93)	
166,148,945	Credit interests	17/B	323,683,123.92	
2,064,522,860	Net profit for the activity			2,233,485,509.37
	Add (deduct):			
125,395,118	Gains / (losses) from foreign currency exchange	19	(12,799,908.20)	
	Revenues from previous years after deducted previous years expenses	20, 21		
6,595,745	Capital Gains / (Losses)		185,046,762.25	
703,436	Gains/ (losses) from selling remnants		777,372.61	
6,757,557	Miscellaneous Income	22	46,291,763.08	
14,946	Deduct extraordinary losses		1,352.41	
				219,314,637.33
2,203,959,770	Net Income before Income Taxes			2,452,800,146.70
11,533,693	Income tax			5,918,564.25
2,192,426,077	Net profit after Income tax			2,446,881,582.45
14.82775765	The share of the Stock from profit			16.42474239

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

Proposed dividends distribution for the period
from 1/7/2017 to 30/6/2018

Value in EGP

Description	2017/2018	
	Partial	Total
Distributable profit before tax		2,452,800,146.70
Deduct: Income tax		-5,918,564.25
Deduct: Capital gains		-185,046,762.25
Distributable profit		2,261,834,820.20
5% Legal Reserve	113,091,741.01	
20% Statutory Reserve	452,366,964.04	
1.5% Sports Activity	33,927,522.30	
		599,386,227.35
The remaining after deducted Legal reserve, Statutory, reserve and Sports Activity:		1,662,448,592.85
5% From Capital(First distribution)		37,243,835.00
The remaining after deducted 5% from Capital (First distribution):		1,625,204,757.85
Deduct: Board Of Directors bonus		1,300,000.00
The Net after deducted First distribution and Board Of Directors bonus:		1,623,904,757.85
5% Project support reserve		81,195,237.89
Retained Earnings		-
Second distribution		1,542,709,519.96
Add:		
Surplus from Board Of Directors bonus for financial year 2015/2016		86,666.67
The remaining (Second distribution for employees and shareholders		1,542,796,186.63
First distribution	37,243,835.00	
Second distribution	1,542,709,519.96	
Surplus from Board Of Directors bonus for financial year 2015/2016	86,666.67	
Distributed as follows:	1,580,040,021.63	
90% holders share	1,422,036,019.46	
10% Share employees	158,004,002.16	
	1,580,040,021.63	

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 1/7/2017 to 30/6/2018

Comparative figures 30/6/2017	Accounting Guide	Description	Partial		Total		Comparative figures 30/6/2017	Accounting Guide	Description	Partial		Total	
			EGP	P.T.	EGP	P.T.				EGP	P.T.	EGP	P.T.
									<u>Cost of production</u>				
						47,590,373	361	Raw material, fuel and spare parts	78,007,361.44				
						335,412,982	362	Wages	376,378,139.41			454,385,500.85	
						18,895,264	3631	<u>Other Costs</u> Purchased Services	22,028,215.81				
						61,093,193	3632	Depreciation and amortization	109,876,956.16				
						95,830,583	3634	Real state rent(land and building)	143,309,928.37				
						10,521	3635	Real estate tax	-				
						11,981,755		For usufruct of licenses (decree 521)	18,039,327.32				
						22,092,976		Charges and tax	26,640,862.74				
622,377,959		Cost of production or Cost of goods sold (Re-classed to Trading account)			842,192,499.61			Fees of GAFI	67,911,708.36			387,806,998.76	
622,377,959					842,192,499.61		622,377,959					842,192,499.61	

Alexandria Container and Cargo Handling Company
Financial Affairs Sector

Head Quarter and Private Free Zone
Trading Account
For the period from 1/7/2017 to 30/6/2018

Comparative figures 30/6/2017	Accounting Guide	Description	Partial		Total		Comparative figures 30/6/2017	Accounting Guide	Description	Partial		Total	
			EGP	P.T.	EGP	P.T.				EGP	P.T.	EGP	P.T.
2,713,060,361	41	Trading activity revenues					622,377,959		<u>Cost of production or Cost of goods sold</u>			842,192,499.61	
	414	Sold Services			3,015,407,988.65			371	Marketing costs				
	42	Grants and subsidies			-		-		Raw material, fuel and spare parts	-			
							-	3731	Wages	-			
									<u>Other costs</u>				
									Purchased services	-			
						2,090,682,402			Gross profit			2,173,215,489.04	
2,713,060,361					3,015,407,988.65	2,713,060,361						3,015,407,988.65	

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 30/6/2018

Comparative figures 30/6/2017	Accounting Guide	Description	Partial		Total		Comparative figures 30/6/2017	Accounting Guide	Description	Partial		Total	
			EGP	P.T.	EGP	P.T.				EGP	P.T.	EGP	P.T.
2,090,682,402		Total carried forward surplus			2,173,215,489.04				Administrative, finance and market expenses				
	43	Investments and interest revenue				5,532,726	381	Raw material, fuel and spare parts	5,911,839.88				
-	432	Investment in companies revenue	-			133,660,024	382	Wages	147,965,216.50			153,877,056.38	
166,148,945	435	Credit interest	323,683,123.92			22,712,672	3831	Other expenses	29,189,441.84				
26,686,169	43	Treasury bills income	4,861,971.73		328,545,095.65	4,582,957	3832	Purchased services	8,270,836.77				
	44	Other income and profits						Depreciation and amortization					
	441	Provisions no longer required	6,612,650.51			-	3833	Debit interest	-				
2,807,406						8,760,919	3834	Real estate rent(lands and buildings)	4,979,428.11				
						325	3835	Real estate tax	16,234.00				
						7,527,968	3836	Indirect tax on activity	8,526,287.01			50,982,227.73	
					6,612,650.51			Burdens and losses					
						37,218,604	351	Provisions other than depreciation	63,067,669.66				
						1,805,867	354	Miscellaneous burdens and losses	6,960,772.06			70,028,441.72	
						2,064,522,860		Activity's revenue (Carried forward balance)				2,233,485,509.37	
2,286,324,922					2,508,373,235.20	2,286,324,922						2,508,373,235.20	
2,064,522,860		Net activity income (Carried forward balance)			2,233,485,509.37	-	356	Previous years expenses	-				
125,395,118	445	Foreign currency exchange gain	131,836.34			14,946	358	Extraordinary losses	1,352.41				
-	446	Previous years revenue	0.00			1,456,000	359	Capital losses	-				
8,051,745	447	Capital gain	185,046,762.25			-		Deferred tax	-				
6,757,557	448	Other income and profit	46,291,763.08			11,533,693		Income tax	5,918,564.25				
		Miscellaneous income and profits	838,458.86			-		Foreign currency exchange losses	12,931,744.54				
718,200		Gain on sale of remnants				14,764		Loss on sale of remnants	61,086.25			18,912,747.45	
					232,308,820.53			Net income					
						2,192,426,077		Surplus				2,446,881,582.45	
2,205,445,480					2,465,794,329.90	2,205,445,480						2,465,794,329.90	

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 30-06-2018

Description									EGP
	Capital	Legal reserve	Other reserves	Project Construction Reserves	Capital Reserve	Statutory reserve	Retained earnings (losses)	Net Profit	Total
balance at 1/7/2017	739,297,920.00	507,833,321.59	26,128,861.76	293,508,929.22	43,857,187.50	715,238,904.00	791,014,044.78	-	3,116,879,168.85
Changes during the period	5,578,780.00	275,601,602.41	-	81,195,237.89	185,046,762.25	-97,633,035.96	-759,670,172.73	-	-309,880,826.14
Changes in accounting policies	-	-	-	-	-	-	-	-	-
The amended 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	-	-	-	-	-	-	-	-	-
Transferred to reserves	-	-	-	-	-	-	-	-	-
Distributed dividend	-	-	-	-	-	-	-	-	-
Issued monetary stocks	-	-	-	-	-	-	-	-	-
deficit from assets re-evaluation	-	-	-	-	-	-	-	-	-
surplus from investment re-evaluation	-	-	-	-	-	-	-	-	-
Issued stocks from reserves	-	-	-	-	-	-	-	-	-
Ending balance at 30/06/2018	744,876,700.00	783,434,924	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
Comparative at 30/06/2017	739,297,920.00	507,833,321.59	26,128,861.76	293,508,929.22	43,857,187.50	715,238,904.00	791,014,044.78	-	3,116,879,168.85

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

Total separate comprehensive income statement
for the period from 1/7/2017 to 30/6/2018

Value in EGP thousands

Description	Value in EGP thousands	
	from 1/7/2017 to 30/6/2018	from 1/7/2016 to 30/6/2017
Profit for the period	2,446,882	2,192,426
<u>Other comprehensive income</u>	-	-
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	-	-
<u>Cash flow coverage</u>	-	-
Actuarial gains / (Losses) from defined benefit pension systems	-	-
Company's share of other comprehensive income 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	2,446,882	2,192,426

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

The Holding Company for Maritime and Land Transport	for the period from 1/7/2017 to 30/6/2018	
Alexandria Container and Cargo Handling Company	<u>Alexandria Container and Cargo Handling Company</u>	
<u>Cash flow statement</u>		Value in EGP
Description	Actual	Comparative 2017
<u>First: Cash flow from operating activity:</u>		
Proceeds from Trade receivables	3,169,135,431	2,918,795,994
Cash purchases and suppliers	(1,194,813,877)	(300,016,506)
Paid wages	(539,721,517)	(438,347,848)
Marketable securities revenue	8,740,339	28,004,137
Proceeds from credit interest	331,176,659	135,858,799
Fees and taxes	(436,996,834)	(334,178,619)
Other proceeds*	572,908,344	7,234,336
Other Payments	(4,047,661)	(1,650,682)
Foreign exchange from valuation of currency for monetary balances	22,987,614	(2,243,396)
Net cash flow from operating activity (1)	1,929,368,498	2,013,456,216
<u>Second: Cash flow from investment activity</u>		
Payments for purchase of fixed assets	(417,279,924)	(539,817,008)
Proceeds from sale of fixed assets	(457,700)	7,595,556
Proceeds from retrieval of contributions in marketable securities	256,509,662	660,821,463
Payments for acquisition of marketable securities (Treasury Bills)	(91,650,553)	(476,599,387)
Net cash flow used in investment activity (2)	(252,878,515)	(347,999,376)
<u>Third: Cash flow from financing activity</u>		
Proceeds from long term loans	-	-
Proceeds from stocks** (Cash)	168,088,641	-
Paid dividends	(1,578,369,747)	(937,160,265)
Net cash flow used in financing activity (3)	(1,410,281,106)	(937,160,265)
Changes in cash during the period (1+2+3)	266,208,877	728,296,575
Cash at the beginning of the period	4,040,894,979	1,785,445,292
Total cash and cash equivalent	4,307,103,856	2,513,741,867

Alexandria Container and Cargo Handling Company

Financial and commercial sectors

Notes to the Financial Statement

As of 30/6/2018

Notes to the Financial Statements as of 30/6/2018

Brief about the company:

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

Legal form:

A subsidiary joint stock Egyptian company subject to 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 transfer the company's branches, at the Alexandria and Dekheila container terminals and the management of multi-purpose terminals, to operate under the free zone system.

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 at the 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 real-estate investment activity in all 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 public 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 complies 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 is declared by the decree of the Minister of Investment No. (110) for the year 2015, is considered a complementary framework to the unified accounting system and is applied to the public sector and public enterprise companies, unless mentioned otherwise in the unified accounting system.

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

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 appointed Alexandria Company for Container and Cargo Handling instead of itself 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 number 2595786 issued on 3/2/2009 by an amount of EGP 2,412,898. Total contribution of the plot of land was approximately 18,451.57 m² and then a contract of sale was signed from the Holding Company for Maritime and Land Transport to Alexandria Container and Cargo Handling and on 30/6/2016, then it was converted into an investment property according to the Accountability State Authority advice (Egyptian Accounting Standard No. (34).

Method used to calculate depreciation:

Depreciation is calculated based on a 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:

- Scraped equipment and held until disposition, at a historical value amounted To EGP 127.220 million.
- Fully depreciated equipment and still operational at a historical value amounted to EGP 149.819 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

- 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 the 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 in the event that the book value of the asset is not increased, which is determined after deducting depreciation and amortization and without deducting the impairment of the asset.

Note for additions and disposals of fixed assets from 1/7/2017 until 30/6/2018

Description	Value in EGP				
	Balance at 1/7/2017	Additions	Disposals	Balance at 30/6/2018	Accumulated Depreciation
Land					
Building and constructions	49,340,041	39,247,052	-	88,587,093	24,748,523
Machinery and equipment	13,452,287	2,235,652	111,168	15,576,771	6,974,100
Transportation Means	1,262,311,727	350,754,587	130,066,312	1,483,000,002	570,827,156
Tools	2,264,296	294,118	32,945	2,525,469	1,586,555
Furniture and office equipment	18,583,534	2,254,722	148,370	20,689,886	10,260,233
Total	1,345,951,885	394,786,131	130,358,795	1,610,379,221	614,396,567

1- Fixed assets and its depreciation - Continued:

* 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 30/6/2018

Value in EGP				
Description	Balance at 1/7/2017	Period's Depreciation	Depreciation provision for disposed asset during the period	End of Period balance at 30/6/2018
Accumulated Depreciation for building and constructions	20,152,802	4,595,721	-	24,748,523
Accumulated Depreciation for machinery and equipment	6,122,737	962,532	111,169	6,974,100
Accumulated Depreciation for means of transportation	470,833,124	115,046,922	15,052,890	570,827,156
Accumulated Depreciation for tools	1,500,857	118,644	32,946	1,586,555
Accumulated Depreciation for furniture and office equipment	8,186,694	2,220,556	147,017	10,260,233
Total	506,796,214	122,944,375	15,344,022	614,396,567

1- Construction in Progress:-

A statement for the movement of construction in progress during the period from 1/7/2017 until 30/6/2018.

Value in EGP				
Description	Balance at 1/7/2017	Additions	Disposals	Balance at 30/6/2018
Building and constructions	17,906,462	69,392,286	21,464,423	65,834,325
Machinery and equipment	8,278	2,221,524	2,229,802	-
Transportation Means	362,293	284,492,147	283,737,864	1,116,576
Tools	176,775	392,946	294,118	275,603
Furniture and office equipment	30,937	2,384,116	2,261,881	153,172
Total	18,484,745	358,883,019	309,988,088	67,379,676

2- Capital Expenditures:-

Capital Expenditures is charged with the amount invested in advance payments or letters of credit and be included in the executed investment plan by the payment made.

Analysis of capital expenditures balances as of 30/6/2018

Value in EGP	
Description	Balance
Advance Payments	82,770,762
Letters of credit	774,416
Total	83,545,178

3- Long term investments:-

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

None.

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

A statement illustrates financial investment movement in associate companies in which the company contributes and the number of shares as of 30/6/2018.

Company Name	Contribution percentage	Beginning of Period at 1/7/2017		Changes		End of Period at 30/6/2018	
		Value	No. of Shares	Value	No. of Shares	Value	No. of Shares
Memphis 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
Total		-	2,640,000	-	-	-	2,640,000

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

Company Name	Contribution percentage	Beginning of Period at 1/7/2017		Changes		End of Period at 30/6/2018	
		Value	No. of Shares	Value	No. of Shares	Value	No. of Shares
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
Total		11,544,000	1,500,000	-	-	11,544,000	1,500,000

- * 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, Where the company will re-submit the documents at the request of the Investment Authority.

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 deducted 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 was reduced as a result of calculating the impairment of these investments and impairing 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 Navigation Co. - ENC by an amount of EGP 7,214,272 was used and the remaining of investments was reduced 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 cost of acquisition, net of impairment losses, if any.

4- Other Assets:

Description	Balance at 1/7/2017	Period's depreciation	Balance at 30/6/2018
Capitalized expenses (In exchange for the usufruct of the assets of Dekheila terminal)	3,830,741	1,149,605	2,681,136
Non-owned assets	3,639,668	254,362	3,385,306

- Capitalized expenses amounting to EGP 2.681 million represent the usufruct of the assets of the Dekheila terminal and are stated at cost less amortization.
- EGP 3.385 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 depreciation 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.

5- Inventory pricing and Valuation :

The Company measures the value of the commodity inventory based on the lower of cost, or net realizable value in accordance with Standard No. (2) Paragraph (9). Taking into consideration that company's stock represents the spare parts required for the maintenance and overhaul of the equipments which are specific equipments. These related spare parts are imported from abroad. Also materials and fittings are items necessary for cleaning operations and priced are 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 30/6/2018 amounted to EGP 468 thousand and is valued on the lower of cost or the realizable value.

6- Analysis of other debit balances as of 30/6/2018

Description	Value in EGP
	Amount
Other Debit Balance *	327,739,776
Accounts payable to Authorities and Bodies	13,767,159
Deposits for others	656,106
Investment Purchase Creditors	652,200
Total	342,815,241

* Other debit balance consists of amounts from the drivers against driving fines and damages, 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.

7- Accounting policy regarding treasury bills:

Treasury bills are used as saving accounts for available cash balances at their rate of return and 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 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 value is determined based on the cost of the acquisition

8- Cash at banks and on hand

- The period of the time deposits at banks is 3 months.
- (The balance of the bank as of 30/6/2018 amounted to EGP 4307 million, of which an amount of EGP 1230 million was disbursed in July 2018, which represents the shareholders' dividends according to the General Assembly resolution held on 23/5/2018).

9- 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 30/6/2018:

Value in EGP

Description	Balance at 1/7/2017	Provided	Used	No longer required	Balance at 30/6/2018
Trade provision (deducted from Trade receivables accounts)	3,670,089	(24,466)			3,645,623
Tax provision	26,578,627	18,000,000	9,246,643		35,331,984
Legal disputes provision	34,261,070	36,062,010	3,812,642	6,612,650	59,897,788
Other provisions:					
Provision to meet the disputes of the Port Authority	24,719,089				24,719,089
End of service Provision	7,996,731	9,005,660	8,103,820		8,898,571
Total	97,225,606	63,043,204	21,163,105	6,612,650	132,493,055

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

10- Current liability as of 30/6/2018:-

Value in EGP

Description	Balance
Suppliers	96,837,739
Accounts payable to Authorities and Bodies	19,085,888
Dividends Payable	1,230,162,370
Accrued expenses	144,602,862
Advances from clients	4,009,770
Other credit balances	27,876,482
Total	1,522,575,111

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

11- Analysis of other credit balances in the financial position as of 30/6/2018:

Description	Amount
Fixed assets creditors	11,110,145
Refundable Deposits to others	10,969,791
Other Credit balances	5,796,546
Clearing between the head quarter and the free zone branch	18,125,246
Total	46,001,728

* 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

12- Authorized Capital:-

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

The movement of issued and paid up capital is amounted to EGP 744,876,700 pounds where the face value is 5 EGP / share and the number of shares is 148,975,340 shares distributed as follows:

Description	No. of Shares	Contribution percentage	Capital as of 30/6/2018	Comparative capital as of 30/6/2017
Holding Company for Maritime and Land Transport	82,486,572	55.369%	412,432,860	412,432,860
Alexandria Port Authority	59,040,000	39.631%	295,200,000	295,200,000
Free floating	7,448,768	5%	37,243,840	31,665,060
Total	148,975,340	100%	744,876,700	739,297,920

• **Related parties transactions:**

Description	Nature of Relation
Holding Company for Maritime and Land Transport	Contribution to 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 to the capital of the company by 39.631%. There are financial transactions amounted to EGP 170 million affecting the financial statements, which is the usufruct of land and buildings and cleaning fees for them, knowing that a provision has been provided to meet the points of disputes between the company and the port authority
Egyptian Navigation 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 operational needs, shareholders' objectives and financing investments whether to cover replacement or renewal operations or to strengthen its competitiveness by self financing without resorting to borrowing. The company undertakes studies and researches to add investments in new projects.

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 decrees, 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 an issuance premium for the increase of free floating shares to amend the situation.
- **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 avoided to support the projects. The project support reserve amounted to EGP 293,508,929 as of 30/6/2018.

13- Analysis for other reserves:

Description	Partial	Amount *
Difference between face value and fair value due to increased contribution in Egyptian Navigation Co. – ENC		6,997,952.00
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 decree No. 204 of 2001 on the amendment of the accounting system)		8,141,331.65
Total		26,128,861.76

14- Long term loans

- None
- Bonds:
None

15- Other long term liability

None

16- Accounting policy for revenue recognition:

- a) Revenue is recognized, which is rendering of services to the extent of the carried out transactions at the end of the accounting period requiring the preparation of the final accounts and financial position (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 and for the related accounting period.

17- Grants and aids treatment:

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

18- Translation of Foreign Currency:

Foreign currency losses were recognized at 30/6/2018 by an amount of EGP 12,799,908 which was disclosed in the income statement.

19- 21- Retained earnings (Accumulated losses)

The balance of retained earnings as of 1/7/2017 amounted to EGP 791,014,045 and an amount of EGP 750 million was distributed by the resolution of the General Assembly held on 23/5/2018, which includes previous year's revenues and previous years' expenses from amounted to EGP (9,670,173) where the balance as of 30/6 /2018 amounted to EGP 31,343,872.

- Analysis for previous year's revenues as of 30/6/2018

Value in EGP

Description	Amount
Refund of previous years' wages	1,316
Refund of tax differences	455,355
Refund of expenses for the construction of living rooms in Dekheila	488,523
Refund checks not submitted by their owners for withdrawal	82,455
Settlement of adoption (6) Cranes	1,510,425
The company's share in the bonus of representatives of Torgoman Group and Memphis	13,275
Settlement supply order No. (87) for the supply of wireless devices	109,200
Total	2,660,549

- Analysis for prior year's expenses as of 30/6/2018

Value in EGP

Description	Amount
Cash Equivalent For the balance of holidays	829,262
Maintenance expenses	51,324
previous years' Wages	76,086
Company's share in the social insurance	749,566
The value of the increase of the power capacity during the year 2016/2017 and the consumption of electricity and water	60,807
Disregarded containers expenses	17,721
North and West sector custom fees	150,000
Income tax difference	325,435
Compensation in favor of judicial decrees	195,695
Value of supply orders and refund of Delay penalties	364,772
Loss of sale of lots and scrap spare parts	2,651,748
Compensation in favor of the license to practice the activity	635,455
Letter of credit to repair a crane 2003/2002	6,205,010
Additional tax payable by the company for sales taxes from 1/7/2014 to 30/6/2015	17,841
Total	12,330,722

22- Miscellaneous income analysis

Value in EGP

Description	Partial	Total
<ul style="list-style-type: none"> Compensation and fines 		
Accident compensation (Cars, cranes, Equipment)	42,256,753	
Supply and pollution fines	1,019,105	43,275,858
<ul style="list-style-type: none"> Term of reference / floods / Locks 		2,291,209
<ul style="list-style-type: none"> Rent income 		724,697
Total		46,291,764

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 with the final decree of the tax committees.

24- Accounting policies

In accordance with the 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 marketable 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 clauses of Law 203. The value of the coupon is calculated by dividing the shareholders' value by the number of shares (148,975,340 shares). 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.

Earnings per share:

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

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 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 in light of the tax claims. The Head Quarter is subject to tax in the case of recognizing profit.

Tax position until 30/6/2018

First: Corporate tax:

- The year of 2007/2008 and the points of disagreement as per the tax inspection report with a total amount of EGP 20,097,701 and are currently under discussion in the internal committee.
- The year of 2008/2009 and the points of disagreement as per the tax inspection report with a total amount of EGP 18,185,202 and are currently under discussion in the internal committee.
- The year of 2009/2010 and the points of disagreement as per the tax inspection report with a total amount of EGP 9,829,385 and are currently under discussion in the internal committee.
- The year of 2010/2011 and the points of disagreement as per the tax inspection report with a total amount of EGP 4,730,852 and are currently under discussion in the internal committee.
- The year of 2011/2012 and the points of disagreement as per the tax inspection report with a total amount of EGP 28,858,323.13 (EGP 13,025,639 for the financial year 2011/2012 + EGP 15,832,684.13 for the external yard) and the tax linked to the amount of EGP 6,269,744 (EGP 2,756,410 for the fiscal year 2011/2012 + EGP 3,513,334 for the external yards), which is currently under discussion in the internal committee, taking into consideration that provision has been provided by an amount of EGP 10,448,270 for the years 2007/2008 until 2011/2012 for the Tax Authorities claims.
- Completion of the 2012/2013 tax inspection and currently under discussion in the internal committee.
- Completion of the 2013/2014 tax inspection and currently under discussion in the internal committee.
- Completion of the 2014/2015 tax inspection and currently under discussion in the internal committee.
- Completion of the 2015/2016 tax inspection 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 irregularity) by the amount of EGP 12,769,601.45 as it is currently under discussion in front of the internal and appeal committees for the financial years from 2007/2008 to 2011/2012 and are under discussion in front of the internal committee for the financial years of 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.

Second: Salaries tax

Years 2013/2014 are currently 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 and awaiting the inspection report.

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.

33- Capital commitments not recorded in books:

Description	Amount in thousands EGP	
	Amount	
Major repairs dock 49-54		8,720
The process of injecting dock 96 in Dekheila necessary to deepen the dock		1,510
Supply of 2 giant dock crane at Dekheila Container Terminal		241,738
Supply of 3M power adapter		1,321
Supply of 1.6M power adapter		552
A number of (8) full cell average pressure TC		1,422
Extension for the track of the yard cranes		2,607
Supply of (11) crane		17,927
The outstanding amount of the deepening and dredging of dock 96 in Dekheila (represent the outstanding work by an amount of EGP 22,623 after deducting the advance payment an amount of EGP 5,656)		16,967
Total		292,764

34- Other Notes:

• **Investment property:**

The purpose of the company at the stock exchange was amended by adding investment property activities to the company's activities. The Securities Listing Committee decided to approve the amendment in its meeting held at 11/7/2017.

• **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. A total of (5) progress billing were carried out with a total amount of EGP 52.170 million out of the total amount of EGP 74.794 million and expected to be completed at December 2018.

• **The accident of dock's cranes in Dekheila:**

A comprehensive and final settlement agreement has been concluded for the collision of the vessel "cscl yellow sea" with two cranes on docks 2010, 2011 at El-Dekheila terminal with Cosco Shipping Company for an amount of US \$33,753,700 equivalent to an amount of EGP 594,065,120 and was used as follows:

- Opportunity loss of earning an amount of US\$ 13,853,700 equivalent to an amount of EGP 243,825,120.
- The work of assigning and insuring the disengagement of the two cranes for an amount of US \$ 3,000,000 equivalent to an amount of EGP 52,800,000 (an amount of EGP 26,085,220.71 was used and the remaining amount of EGP 26,714,779.29 compensation and fines).
- Compensation for the value of the two crane for an amount of US \$ 16,900,000, equivalent to an amount of EGP 297,440,000, of which an amount of EGP 114,987,721.75 of one crane's depreciation and the rest was added to capital gains by an amount of EGP 182,452,278.25 (Capital gains are transferred to a capital reserve after the approval of the General Assembly). One of the cranes was retired and processed for sale as a scrap and a repair study for repairing the other one, Opening a letter of credit for a new supply of two cranes.

34- Other Notes - Continued:

Increase capital to reconcile the situation

- On 9/1/2018 the Extraordinary General Assembly approved the increase of issued and paid-up capital from an amount of EGP 739,297,920 to an amount of EGP 744,876,700, by an increase amounted to EGP 5,578,780 distributed over 1,115,756 shares at a fair value by the amount of EGP 150.65 per share and an issuance premium by the amount of EGP 145.65 per share, In order to reconcile the situation and increase the free circulation to 5% of the company's capital.
- On 28/5/2018 the approval of Financial Regulatory Authority approved the capital increase.
- Dated 10/6/2018 approval of Misr For Central Clearing, Depository and Registry to accept the increase by an amount of EGP 5,578,780 distributed over 1,115,756 shares with a face value of EGP 5 per share paid in full and the issued and paid up capital became amounted to EGP 744,876,700 distributed to 148,975,340 shares.
- On 13/6/2018 was added to Misr for Central Clearing, Depository and Registry.
- The legal reserve was increased by the amount of the issue premium by an amount of EGP 162,509,861.40 (EGP 145.65 * 1,115,756 shares).

Dividends and statutory reserve

At 23/5/2018 the Ordinary General Assembly decided to distribute an amount of EGP 750 million of the retained earnings and a portion of the statutory reserve by an amount of EGP 700 million pounds and distributed to shareholders at July 2018.

Real state 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 is outstanding until the settlement with the real estate taxes.

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 9/10/2018.
- 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 9/10/2018.
- 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 29/11/2018.
- 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 m². Expiry date 10/9/2018.
- 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 m². Expiry date 14/11/2018.
- An amount of EGP 409,563 pounds guarantee letter for the port authority for the purpose of the usufruct of sorting area of 5,060 m². Expiry date 8/11/2018.
- An amount of EGP 33,900 pounds letter of guarantee in favor of the Port Authority for the purpose of the usufruct of the sorting area of 5,060 m². Expiry date 14/11/2018.
- 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 m² and 565 m². 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 17/9/2018.
- 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 3/11/2018.
- 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 m² in the third area and insurance covered by the annual trading date of completion 9/11/2018.
- 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.
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35- Other Notes - Continued:

- 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 m². 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 m², 5680 m² until 14/11/2018
 - 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 m² and area of 7,100 m² 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 m². Expiry date 30/8/2018
 - 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 rights for 3 years which is the usufruct of the area of 5,942 m² 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 30/11/2018
 - 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 m² in the yard No. 68 Alexandria port. Expiry date 30/3/2019.
- **Subsequent events**
The Extraordinary General Assembly approved on 13/8/2018 to split the nominal value of the company's share from five Egyptian pounds per share to 50 piaster per share