

**Accountability State Authority**

**Audit Marine Transportation Department**

**6 Talaat Harb- Alexandria**

## **AUDITOR'S REPORT**

### **On the Amended Financial Statements**

### **Of Alexandria Container & Cargo Handling Company**

**At 30/6/2016**

### **Messrs. Shareholders of Alexandria Container & Cargo Handling Company**

#### **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 30/6/2016 with a total investment amounted to EGP 2,586 billion and the statement of income for the year then ended with a net profit amounted to EGP 1,361 billion, as well as the statements of changes in equity and change in 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- We recommend that the estimated useful lives and estimated residual values of the fixed assets should be reviewed periodically, at least at the end of each financial year, as it has an impact on the depreciation expense for the current and future periods, as required by Standard No. (10) of the Egyptian Accounting Standards as an integral part of the unified accounting system, especially fixed assets include assets of about EGP 168,231 million, which is fully depreciated and still used in production.
- 2- Provision for legal disputes amounted to EGP 28,082 million, representing 100% of the value of the claims filed against the company in accordance with the report submitted by the Company .The litigation degrees for each individual claim are not shown together with the potential for gain or loss to verify the validity of the provision provided in accordance with the requirements of paragraph No. (14) of the Egyptian Accounting Standards No. (28). The study also did not include appeal case No. 1621/64 Judicial, in which the report of experts of the Ministry of Justice entitled the defendant an amount of US \$ 2,219 million.
- 3- The company didn't record amounts due to others with regard to storage services and utilization of license, sorting and stevedoring as a result of not adhering with the ministerial decrees issued in this regard.
- 4- The salary account included an amount of EGP 32,518 million as an incentive bonus for employees for the financial year 2015/2016, pursuant to Board of Directors resolution No. 172 on 17/8/2016, after the date of approval of the financial statements without adhering to the Egyptian Accounting Standards on the recognition of expenses at the date of issuance of the resolution for accrual.
- 5- No confirmation was made for the credit balance in the company's books as of 30/6/2016 with the General Authority of Alexandria Port amounted to EGP 11,864 million, in addition to disputed financial claims between the two parties amounted to EGP 28,197 million.
- 6- The slow moving inventory as of 30/6/2016 according to the report prepared by the company amounted to EGP 4,293 million without taking into consideration the application of Egyptian Accounting Standards No. (2) Inventories.

**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 2016, 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 further qualification we refer to the following:**

- 1- The fixed assets physical count was carried out and matched with the records on 30/6/2016 by the company and under our supervision "on a sample base" within the available resources and these assets were depreciated on the same basis as in previous years.

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### **Audit of Marine Transportation Department**

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- 2- Fixed assets included scrapped assets "scrapped transportation and equipment" with a cost of EGP 12,750 million. No proper action took place regarding these assets.
- 3- The long-term investment account included investments properties of EGP 2,413 million representing the company's share in the plot of land purchased by Al Balina - Sohag Governorate, registration under process the name of the company has not yet been completed.
- 4- The company did not generate any profits during the current year from its long term investment amounting to EGP 13 Million as at 30/6/2016. This investment represents the company's contribution in the share capital of the Egyptian Company for Integrated Projects (Torgoman Group). The investee company sustained loss in 31/12/2015 amounted to EGP 4.6 Million.
- 5- The commodity inventory count was carried out by the company's management and under its responsibility on 30/6/2016, under our supervision "on a sample base", within the available resources and the inventory was valued using the same basis followed in previous years.
- 6- The company has a balance of trade, notes receivables and debit balances amounted to EGP 134,422 million net of impairment of doubtful accounts amounted to EGP 1,648 million. The company sent confirmations under our supervision to trade customers, suppliers and deposits with others, however, only four confirmations received with differences in confirmed balances.
- 7- The company increased the tariff by a percentage ranging from 6.25% to 88.9%, which contributed to the maximization of the company's revenues.
- 8- The rise in the price of the US Dollar from EGP 7.63 on 30/6/2015 to EGP 8.88 on 30/6/2016 by a percentage of 16.4%, led to an increase in foreign currency exchange gain from an amount of EGP 26,056 million to an amount of EGP 130,895 million pounds by a percentage of evolution by about 402%.
- 9- The company did not maintain adequate costing system.

#### **Report on Other Legal and Regulatory Requirements**

- 1- The company violated its administrative regulation which was approved by the decree of the Minister of Public Sector No. 221 of 1995 for Article 42 of Law 203 of 1991 concerning public sector companies "The Company shall, in conjunction with the competent general union, establish the regulations relating to the employees' system. These regulations shall include, in particular, the system of wages, allowances, bonus and vacations in accordance with the regulations of each company. These regulations shall be approved by the concerned minister. However, the company has amended some of the articles of this regulation without coordination with the concerned general union, and without the approval of the concerned minister.
- 2- The revenues of the current activity included an amount of EGP 65,776 million for the external yards "storage" except for sorting yard, and an amount of EGP 12,037 million the value of storage revenues for general goods in the common containers at Dekheila station. The Company did not settle amounts due to third parties as we noted the following:

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- a) The Company did not implement Ministerial decree No. 394 of 2003 and its amendments regarding the storage services fee in the Egyptian ports in the outer yards in which the company carries out its activities except for sorting yard, where it is committed to implement the said decree. the rest of the external yards either taken by the company through auction (such as the third area yard or Dekheila yard) or the temporary yards granted to the company by the port authority (such as behind the radar tower, the 68 yard with an area of 3000 m<sup>2</sup>, the 68 yard with an area of 2,240 m<sup>2</sup> and sorting yard with an area of 3,350 m<sup>2</sup>). The Company does not fulfill its obligations stated in the decree to The General Egyptian Warehouses Company to settle the related liability of the Port Authority and as currently followed in sorting yard.
  - b) The Company's didn't implement the decree of the Ministry of Transport No. 126 of 2004, amended by Decree No. 138 of 2007 concerning sorting and stevedoring in the same yards mentioned above, and also except for sorting yard, in which the Company is committed to implement the decree.
  - c) The Company didn't comply with the decree of the Ministry of Transport No. 521 of 2003 regarding the utilization of licenses where the company is engaged in the storage activity of general cargos in the port of Dekheila and the storage of filled and empty containers in the port of Alexandria in the outer yards without obtaining licenses to practice storage activity from Alexandria Port Authority and without adding this activity in the company's article of associations.
  - d) The Company didn't comply with the clauses of the Customs Law No. 66 of 1963 and its amendments and its executive regulation No. 10 of 2006 regarding the fee of the royalties.
- 3- The Company didn't comply with the decree of the Financial Regulatory Authority No. 11 of 2014 regarding the Audit Committees of the Company, and what should be included in the report of the Board of Directors the General Assembly stated in Articles 37 (h), 40 (b).

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, its amendments, and its Executive Regulations, is in agreement with the relevant information in the Company's books.

	Auditor Accountant/ Ahmed Farouk Badawy General Managers	
Accountant/ Adel Mohamed Abd El Salam Undersecretary Accountant/ George Nabil Azez		Accountant/ Ahmed Fouad Mansour Undersecretary Accountant/ Hassan Abd El Bary Aly
	Approve,,,,, First Undersecretary Director manager Accountant/ Magdy Elyas Ameen	

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

**Statement of financial position for the year ended**  
**June 30, 2016**

<b>Comparative 30-6-2015</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><u>Fixed assets</u></b>	1			
2,412,898	Land				
13,931,724	Buildings & Construction		36,667,883.78	17,707,101.02	18,960,782.76
4,230,005	Machinery & Equipment		10,177,003.72	5,863,292.21	4,313,711.51
363,288,223	Transportation & Transmission		768,987,789.97	449,799,368.22	319,188,421.75
538,106	Tools		1,911,695.74	1,441,660.28	470,035.46
2,307,147	Office Furniture & Fixtures		10,039,732.33	7,888,624.71	2,151,107.62
386,708,104			827,784,105.54	482,700,046.44	345,084,059.10
	<b><u>Projects Under Construction</u></b>				
1,660,322	Construction in Progress	2	4,206,149.87		
20,823,158	Capital Expenditure	3	79,789,088.31		83,995,238.18
	<b><u>Long-term investments</u></b>	4			
	Real estate Investments		2,412,898.00		
13,000,000	Investments in Companies		13,000,000.00		15,412,898.00
	<b><u>Other assets</u></b>	5			
6,129,952	Capitalized Expenses		4,980,346.93		4,980,346.93
4,160,159	Expenses related to non owned assets		3,896,916.75		3,896,916.75
432,481,695	<b>Total non-current assets</b>		936,069,505.40	482,700,046.44	453,369,458.96
	<b><u>Current Assets</u></b>				
	<b><u>Inventory</u></b>	6			
53,296,913	fuel and spare parts		50,822,528.20		
73,524	Letter of credit		25,581.24		50,848,109.44
	Trade receivables, Notes payable and debt balances				
92,175,779	Trade receivables ( After deducting doubtful debts amounted to EGP 1,647,867.82)		134,421,813.43		
8,562,070	Accrued revenues		18,529,208.18		
3,102,807	Prepaid Expenses		5,270,828.75		
3,393,722	Suppliers		4,598,626.99		
21,698,680	Other debit balances	7	16,634,852.87		179,455,330.22
	<b><u>Current Investments and financial securities</u></b>				
39,890,664	Treasury Bills	8	349,081,184.25		349,081,184.25
	<b><u>Cash in banks and on hand</u></b>	9			
1,227,948,061	Time deposits in banks		1,458,489,788.30		
	Deposits against letters of credit		221,210,086.38		
	Deposit against letters of guarantee		33,325,266.00		
67,331,890	Current accounts		72,420,150.83		
139,434	Cash on hand				1,785,445,291.51
<b>1,517,613,544</b>	<b>Total Current Assets</b>				<b>2,364,829,915.42</b>

\* Based on instructions from the Accountability State Authority (ASA assets (land) were reclassified to the investment account (property).

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

**Statement of financial position for the year ended  
 June 30, 2016 – Continued**

Comparative 30-6-2015	Description	Note No.	Cost	Accumulated Depreciation	Net
	<b><u>Current Liabilities</u></b>				
	<b><u>Provisions</u></b>	10			
13,033,709	Disputed taxes Provision		11,445,827.14		
20,459,988	Claims and disputes provision		28,081,566.44		
27,963,628	Other Provisions		28,719,315.60		68,246,709.18
	<b><u>Trade payable and other credit balances</u></b>	11			
22,662,930	Trade payable		26,511,059.11		
25,352,379	Accounts payable for Bodies and Authorities		37,895,603.35		
576,191,541	Dividends payable		300,298.36		
35,189,462	Accrued expenses		93,203,626.66		
1,180,727	Advance from accounts receivables		1,058,067.79		
8,962,305	Other credit balances	12	4,886,593.63		
					163,855,248.90
730,996,669	<b>Total Current Liabilities</b>				232,101,958.08
786,616,875	<b>Working capital</b>				2,132,727,957.34
1,219,098,570	<b>Total Investment financed as follows:-</b>				2,586,097,416.30
	<b><u>Owner's equity</u></b>				
123,216,320	Paid-in Capital	13	123,216,320.00		123,216,320.00
	<b><u>Reserves</u></b>				
241,975,367	Legal reserve		241,975,366.88		
622,365,958	Statutory reserve		622,365,958.13		
169,940,783	Project finance reserve		169,940,782.93		
26,128,862	Other reserves	14	26,145,171.76		
35,471,280	Capital Reserve		35,471,280.36		
	Retained earnings (Accumulated losses)		6,249,976.82		
	Net Profit		1,360,732,559.42		
					2,462,881,096.30
1,219,098,570	<b>Total Owner's Equity</b>				2,586,097,416.30
	<b><u>Non Current Liabilities</u></b>				
	Long-term Loans from banks	15			
	Other credit balances (long term)	16			
	<b>Total noncurrent liabilities</b>				
1,219,098,570	<b>Total financed investment</b>				2,586,097,416.30

Vice-admiral / Mamdouh Tawfik Deraz  
 Chairman of the Board and Managing Director

Accountant/ Mamdouh Mohamed Abd El  
 Gelem  
 Head of Financial Affairs

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

**Income Statement from 1/7/2015 until 30/06/2016**

<b>Comparative 30-6-2015</b>	<b>Description</b>	<b>Note No.</b>	<b>Partial</b>	<b>Total</b>
	<b>Activity's Revenues</b>			
1,261,040,079	services sold	17/A	1,795,607,957.76	
	<b>Add:</b>			
	Grants and subsidies	18		
	<b>Deduct Cost of activity revenues:-</b>			
379,380,870	Cost of production or Cost of goods sold		496,698,061.57	
954,757	Cost of marketing			
880,704,452	<b>Gross profit</b>			1,298,909,896.19
	<b>Add:</b>			
7,638,172	Interest on treasury bills		9,389,757.62	
	<b>Revenues and other profits</b>			
24,879,760	<b>Provisions no longer required</b>		6,262,036.20	
				15,651,793.82
	<b>Deduct:</b>			
	<b>Administrative expenses</b>			
442,792	Salaries and allowance for Board Of Directors members		445,777.83	
98,414,617	Other administrative and marketing expenses		132,960,228.97	
	<b>Burdens and losses</b>			
44,710,336	Provision other than depreciation		17,702,982.27	
251,145	Miscellaneous Burdens and losses		1,715,027.05	
				152,824,016.12
769,403,594	<b>Net profit for the activity before financing expenses and credit interests</b>			1,161,737,673.89
(541,215)	<b>Financing expenses</b>		(430,835.19)	
45,229,386	<b>Credit interests</b>	17/B	66,225,145.39	
814,091,765	<b>Net profit for the activity</b>			1,227,531,984.09
	<b>Added/ (deduct):</b>			
26,056,702	Gain/ (loss) from foreign currency exchange	19	130,895,002.77	
(501,215)	Revenues from previous years after deducted previous years expenses	20,21		
29,674,065	Capital Gains/ (losses)		334,162.00	
4,998,655	Miscellaneous income	22	3,252,226.18	
(13,743,236)	Deduct unusual losses		(1,280,815.62)	
	Deferred tax	23		133,200,575.33
860,576,736	<b>Net Income before Income Taxes</b>			1,360,732,559.42
	<b>Income tax</b>			
860,576,736	<b>Net profit after Income tax</b>			1,360,732,559.42
	<b>* Earning per share from profit</b>			55,2172,212

Alexandria Container and Cargo Handling Company  
Financial and Trading Affairs Sector

**Head Quarter and Private Free Zone**  
**Cost of production or cost of goods sold**  
**For the period from 1/7/2015 until 30/6/2016**

Comparative figures 30/6/2015	Accounting Guide	Description	Partial	Total	Comparative figures 30/6/2016	Accounting Guide	Description	Partial	Total
							<b>Cost of production</b>		
					37,145,137	361	Raw material, fuel and spare parts	44,010,430.24	
					210,208,814	362	Wages	273,439,385.02	317,449,815.26
							<b>Other Costs</b>		
					8,975,195	3631	Services purchased	12,150,528.30	
					49,249,506	3632	Depreciation and amortization	47,873,541.13	
					46,598,869	3634	Real estate rent(land and building)	83,081,580.91	
					-	3635	Real estate tax	-	
					6,593,023		In exchange for the use of licenses (decree 521)	6,208,256.23	
					7,842,672		Fees and tax	12,169,688.20	
379,380,870		Cost of production or Cost of goods sold (Re-classed to Trading account)		496,698,061.57	12,767,655		Fees of GAFI	17,764,651.54	179,248,246.31
379,380,870				496,698,061.57	379,380,870				496,698,061.57

Alexandria Container and Cargo Handling Company  
Financial and Trading Affairs Sector

**Head Quarter and Private Free Zone**  
**Trading account**  
**For the period from 1/7/2015 until 30/6/2016**

Comparative figures 30/6/2015	Accounting Guide	Description	Partial	Total	Comparative figures 30/6/2016	Accounting Guide	Description	Partial	Total
1,261,040,079	41	Trading activity revenue		1,795,607,957.76	379,380,870		<b><u>Cost of production or Cost of goods sold</u></b>		496,698,061.57
	414	Sold services					Marketing cost	-	
	42	Grants and subsidies					Raw material, fuel and spare parts	-	
							Wages	-	
					954,757	3731	<b><u>Other costs</u></b>		
							Purchased services	-	-
					880,704,452		Gross Profit		1,298,909,896.19
1,261,040,079				1,795,607,957.76	1,261,040,079				1,795,607,957.76

Alexandria Container and Cargo Handling Company  
Financial and Trading Affairs Sector

**Head Quarter and Private Free Zone**  
**Profit And Loss**  
**For the period from 1/7/2015 until 30/6/2016**

Comparative figures 30/6/2015	Accounting Guide	Description	Partial	Total	Comparative figures 30/6/2016	Accounting Guide	Description	Partial	Total
880,704,452		<b>Total carried forward surplus</b>		1,298,909,896.19			<b>Administrative, finance and market expenses</b>		
	42	<b>Investments and interest revenue</b>			3,411,397	381	Raw material, fuel and spare parts	3,146,585.11	
-	432	Investment in companies revenue	-		75,363,080	382	Wages	108,263,336.48	111,409,921.59
45,229,386	435	Credit interest	66,225,145.39		9,926,672	3831	<b>Other expenses</b>	12,167,104.44	
7,638,172	43	Treasury bills income	9,389,757.62	75,614,903.01	3,469,822	3832	Purchased services	3,498,975.85	
	44	<b>Other income and profits</b>			-	3833	Depreciation and amortization	-	
24,879,760	441	Provisions no longer required	6,262,036.20		2,604,502	3834	Debit interest	-	
					10,728	3835	Real state rent(land and building)	2,352,331.32	
					5,612,422	3836	Real state tax	11,528.45	
				6,262,036.20			Indirect tax on activity	4,396,980.34	22,426,920.40
					44,710,236	351	<b>Burdens and losses</b>		
					251,145	354	Provisions other than depreciation	17,702,982.27	
							Different burdens and losses	1,715,027.05	19,418,009.32
					814,091,766		Activity's revenue (Carried forward balance)		1,227,531,984.09
958,451,770				1,380,786,835.40	958,451,770				1,380,786,835.40
814,091,766		Net activity income (Transferred balance)		1,227,531,984.09					
26,056,701	445	Foreign currency exchange gain	130,895,002.77		3,884,549	356	Previous years expenses	-	
3,383,334	446	Previous years revenue	-		13,743,236	358	Extraordinary losses	1,280,815.62	
29,674,428	447	Capital gain	334,162.00		363	359	Capital losses	-	
		Miscellaneous income and profits	3,252,226.18		-		Deferred tax	-	
4,998,655	448				-		Income tax	-	
					-		Foreign currency exchange loss	-	
				134,481,390.95			<b>Net income</b>		1,280,815.62
					860,576,736		Surplus		1,360,732,559.42
878,204,884				1,362,013,375.04	878,204,884				1,362,013,375.04

vice-admiral / Mamdouh Tawfik Deraz  
Chairman of the Board and Managing Director

Accountant/ Mamdouh Mohamed Abd El Gelem  
Head of Financial Affairs

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

**Change in owner equity statement of the financial period ended in 30-06-2016**

Description	Capital	Legal reserve	Other reserves	Project Construction Reserves	Capital Reserve	Statutory reserve	Retained earnings (losses)	Net Profit	Total (LE)
<b>Begging balance in 1/7/2015</b>	123,216,320.00	241,975,366.88	26,128,861.76	169,940,782.93	35,471,280.36	622,365,958.13	-	-	1,219,098,570.06
Changes during the period	-	-	16,310.00	-	-	-	6,249,976.82	-	6,266,286.82
Changes in accounting policies	-	-	-	-	-	-	-	-	-
The adjusted balance	-	-	-	-	-	-	-	-	-
Surplus from assets re-evaluation	-	-	-	-	-	-	-	-	-
deficit from investments re-evaluation	-	-	-	-	-	-	-	-	-
Net profit & loss which didn't affect the income statement	-	-	-	-	-	-	-	-	-
Net profit for the year	-	-	-	-	-	-	-	1,360,732,559.42	1,360,732,559.42
Transferred to reserves	-	-	-	-	-	-	-	-	-
Distributed dividend	-	-	-	-	-	-	-	-	-
Issued monetary stocks	-	-	-	-	-	-	-	-	-
deficit from assets re-evaluation	-	-	-	-	-	-	-	-	-
surplus from investment re-evaluation	-	-	-	-	-	-	-	-	-
Issued stocks from reserves	-	-	-	-	-	-	-	-	-
<b>Ending balance in 30/06/2016</b>	123,216,320.00	241,975,366.88	26,145,171.76	169,940,782.93	35,471,280.36	622,365,958.13	6,249,976.82	1,360,732,559.42	2,586,097,416.30
<b>Comparative in 30/06/2015</b>	123,216,320.00	241,975,367.00	26,128,862.00	169,940,783.00	35,471,280.00	622,365,958.00	-	-	1,219,098,570.00

vice-admiral / Mamdouh Tawfik Deraz  
Chairman of the Board and Managing Director

Accountant/ Mamdouh Mohamed Abd El Gelem  
Head of Financial Affairs

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

**Statement of cash flow**  
**From 1/7/2015 until 30/06/2016**

Description	Actual	Comparative 30/6/2015	Note No.
<b><u>First: Cash flow from operating activity:</u></b>			
Proceeds from customers	1,919,742,225	1,333,826,309	36
Cash purchases and suppliers	-175,634,784	-119,411,165	37
Paid Wages	326,621,222	-281,210,218	38
Income of financial securities	4,419,711	10,947,177	39
Collected credit interest	61,269,094	41,173,554	40
Fees and tax	-171,846,457	-100,143,409	41
Other proceeds	1,756,010	4,361,174	42
Other Payment	-1,615,916	-283,566	43
Foreign currency exchange for monetary balance**	-	25,982,006	44
<b>Net cash flow from operating activity (1)</b>	<b>1,311,468,661</b>	<b>915,241,863</b>	
<b><u>Second: Cash flow from investment activity</u></b>			
Payments for purchase of fixed assets	-65,886,521	-30,085,789	45
Proceeds from sale of fixed asset	540,764	29,674,428	46
Proceeds from retrieval of contributions in financial securities	205,530,830	578,110,215	47
Payments for acquisition of financial securities (Treasury Bills)	-514,721,351	-449,454,242	48
<b>Net cash flow used in investment activity (2)</b>	<b>-374,536,278</b>	<b>128,244,612</b>	
<b><u>Third: Cash flow from financing activity</u></b>			
Proceeds from long term loan	-	-	
Payment of long term loan installments	-	-	
Paid dividends	-575,891,243	-364,226,340	49
<b>Net cash flow used in financing activity (3)</b>	<b>-575,891,243</b>	<b>-364,226,340</b>	
Changes in cash during the period (1+2+3)	361,041,139	679,260,135	
Cash at the beginning of period	1,295,419,384	616,159,249	
<b>Cash at the end of period</b>	<b>1,656,460,523</b>	<b>1,295,419,384</b>	
Foreign currency exchange for monetary balance*	128,984,768		44
Cash at the end of period according to the statement of financial position	1,785,445,292		
Treasury bills as a cash equivalent ( Less than three months)	16,974,417	23,992,013	
<b>Total cash and cash equivalent</b>	<b>1,802,419,709</b>	<b>1,319,411,397</b>	<b>50</b>

\* Except for an amount of EGP 332,106,767 investments in treasury bills more than three months.

Foreign currency exchange has been treated with in accordance with the Accountability State Authority's opinion in accordance with Standard No. (1) of paragraph (100). Knowing that, foreign currency exchange stated in the statement do not include the foreign currency exchange of trade receivables amounted to EGP 1,910,234.88.

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

**Proposed dividends distribution for the period**  
**from 1/7/2015 until 30/6/2016**

Description	Partial	Total
Distributable surplus before tax		1,360,732,559.42
Income tax		-
Surplus after tax		1,360,732,559.42
<u>Deducted from it:</u>		
Capital gains		334,162.00
The remaining and deduct from it:		1,360,398,397.42
7.5% Legal Reserve	102,029,879.81	
1.5% Sports Activity	20,405,975.96	
20% Statutory Reserve	272,079,679.48	
Capital Reserve		
The remaining and deduct from it:		965,882,862.17
5% From Capital		6,160,816.00
The remaining and deduct from it:		959,722,046.17
Board Of Directors bonus		1,000,000.00
		958,722,046.17
Deduct: Project support reserve	47,936,102.31	
Deduct: Retained Earnings	6,249,976.82	
Add : remaining of the Board Of Directors share	99,595.36	
The remainder is to be distributed as an additional share		904,635,562.40
First share	6,160,816.00	
Second share	904,635,562.40	
Distributed as follows:	910,796,378.40	
For shareholders	819,716,740.56	
For employees	91,079,637.84	

33.26331855

Coupon Value = Shareholder shares in income /Total number of shares

24,643,264

Number of Shares

Alexandria Container and Cargo Handling Company  
Financial and commercial sectors

**Notes To The Financial Statement**

**As of 30/6/2016**

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

**Notes Complementary To Financial Statement as of 30/6/2016**

**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 stations 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 cargos 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 stations within different ports and outside of it, carrying out customs clearance activities.

**Other Notes:**

The Company is committed to the environmental requirements in accordance with Law No. 4 of 1994 and amended by Law No. 9 of 2009, and the company is compliant with all environmental requirements 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 disposed of 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.
  - Safe 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 necessary materials for 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 rodent and insect control system with its own efforts.

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

1. Quality Management System ISO 9001-2008 Valid until 9/2018.
  2. Occupational Health and Safety System ISO 18001-2007 OHSAS valid until 28/4/2019.
  3. The Environmental Management System ISO 14001-2004 is valid until 15/9/2018.
- The financial statements are prepared in accordance with the decree of the head of the Accountability State Authority No. 1570 of 2006, 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 it is mentioned otherwise in the unified accounting system.

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

Holding Company For Land And Maritime Transport  
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**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 on behalf of the Holding Company in contributing in the purchase of a plot of land in the city of Al Balina in Sohag Governorate for the establishment of a schools complex, as the General Assembly of the Company approved on 27/4/2008 and the check number 2595786 was 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 m<sup>2</sup> and then a contract of sale from the Holding Company for Maritime and Land Transport to Alexandria Container and Cargo Handling was signed and on 30/6/2016 it was converted into a investment property according to the Accountability State Authority opinion (Egyptian Accounting Standard No. (34)).

**Method used to calculate depreciation:**

Depreciation is calculated based on a straight-line basis. Fully depreciated assets and still operating 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:**

- Scrap equipment and held until disposal at historical value amounted To EGP 12.750 million.
- Fully depreciated equipment and still operating at historical value amounted to EGP 168.231 million.

**Estimated useful life of the major fixed asset classes shown 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
Transportation Means	from 5 to 15 years
Furniture and office equipment	from 5 to 10 years

- This 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 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.

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**Note for additions and disposals for fixed assets from 1/7/2015 until 30/6/2016**

Value in EGP

Description	Balance at 1/7/2015	Additions	Disposals	Balance at 30/6/2016	Accumulated Depreciation
Land	2,412,898	-	2,412,898	-	-
Buildings and constructions	30,327,658	6,340,226	-	36,667,884	17,707,101
Machinery and equipment	9,638,852	650,382	112,230	10,177,004	5,863,292
transportation Means	771,256,115	2,810,057	5,078,382	768,987,790	449,799,368
Tools	1,896,917	40,201	25,422	1,911,696	1,441,660
Furniture and office equipment	11,048,767	530,019	1,539,054	10,039,732	7,888,625
<b>Total</b>	<b>826,581,207</b>	<b>1,0370,885</b>	<b>9,167,986</b>	<b>827,784,106</b>	<b>482,700,046</b>

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

**Accumulated Depreciation calculation on 30/6/2016**

Value in EGP

Description	Balance at 1/7/2015	Period's Depreciation	Accumulated Depreciation for disposed asset during the period	End of Period balance 30/6/2016
Accumulated Depreciation for building and constructions	16,395,934	1,311,167	-	17,707,101
Accumulated Depreciation for machinery and equipment	5,408,846	566,676	112,230	5,863,292
Accumulated Depreciation for means of transportation	407,967,893	46,909,857	5,078,382	449,799,368
Accumulated Depreciation for tools	1,358,811	108,271	25,422	1,441,660
Accumulated Depreciation for furniture and office equipment	8,741,620	686,059	1,539,054	7,888,625
<b>Total</b>	<b>439,873,104</b>	<b>49,582,030</b>	<b>6,755,088</b>	<b>482,700,046</b>

**2- Construction in Progress:-**

A statement for the movement of Construction in Progress during the period from 1/7/2015 until 30/6/2016

Value in EGP

Description	Balance at 1/7/2015	Additions	Disposals	Balance at 30/6/2016
Building and constructions	953,211	8,401,100	5,894,366	3,459,945
Machinery and equipment	-	650,382	650,382	-
transportation Means	566,592	2,810,057	2,810,057	566,592
Tools	103,591	114,294	40,201	177,684
Furniture and office equipment	36,928	518,086	553,086	1,928
<b>Total</b>	<b>1,660,322</b>	<b>12,493,919</b>	<b>9,948,092</b>	<b>4,206,149</b>

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**3- Capital Expenditures:-**

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

Analysis of capital expenditures balances as of 30/6/2016

Value in EGP

Description	Balance
Advance Payments	57,223,133
Letters of credit	22,565,955
<b>Total</b>	<b>79,789,088</b>

**4- Long term investments:-****First: Investments in subsidiary: (Contribution percentage more than 50%)**

None.

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

Statement illustrates financial investment movements in associate companies in which the company contributes and the number of shares as of 30/6/2016

Company Name	Contribution percentage	Beginning of Period at 1/7/2015		Changes		End of Period at 30/6/2016	
		Value	No. of Shares	Value	No. of Shares	Value	No. of Shares
Memphis for Shipping Agency	44%	-	880,000	-	-	-	880,000
Amon Shipping for Agencies.	44%	-	880,000	-	-	-	880,000
Abou Simbel & Tiba For Shipping Agencies	44%	-	880,000	-	-	-	880,000
<b>Total</b>		-	<b>2,640,000</b>	-	-	-	<b>2,640,000</b>

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

Company Name	Contribution percentage	Beginning of Period at 1/7/2015		Changes		End of Period at 30/6/2016	
		Value	No. of Shares	Value	No. of Shares	Value	No. of Shares
Egyptian Company for Integrated Projects (Torgoman Group)	6.522%	13,000,000	1,300,000	-	-	13,000,000	1,300,000
Egyptian Navigation Co. - ENC	2%	-	200,000	-	-	-	200,000
<b>Total</b>		<b>13,000,000</b>	<b>1,500,000</b>	-	-	<b>13,000,000</b>	<b>1,500,000</b>

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**Forth: Other investments:**

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

- \* 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 amounted of EGP 11,243,237 was reduced 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 impairing it 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 Navigation Co. - ENC by an amount of EGP 7,214,272 was used and the remaining value of investments was reduced by an amount of EGP 2,500,000 as extraordinary losses.

**Investment valuation:**

**Financial Investments:-**

- \* Investments are disclosed in the financial statements at cost of acquisition, as the market value net of impairment losses could not be determined.

**5- Other Assets:**

Description	Balance at 1/7/2015	Period's depreciation	Balance at 30/6/2016
Capitalized expenses (In exchange for the usufruct of the assets of Dekheila station)	6,129,952.53	1,149,605.60	4,980,346.93
Non-owned assets	4,160,159.19	263,242.44	3,896,916.75

- Capitalized expenses amounted to EGP 4.980 million represent the usufruct of the assets of the Dekheila station and are stated at cost less amortization.
- EGP 3.897 million represent expenses related to non-owned assets by the company (sewage and industrial works and soft ware for the system) to serve their purposes and are recognized at cost less amortization.
- Treatment of the costs of research, development and its amortization method 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 is be charged to the income statement.

**6- Inventory pricing and valuation :**

- According to standard No. (2) Paragraph (9) the value of the commodity inventory is measured based on the lower of the cost or net realizable value, Knowing that, company's inventory nature represent spare parts required for the maintenance and overhaul of the equipments which are specific equipments, Where these specified spare parts are imported from abroad.
- The issues from the inventory is priced by the weighted average method on all different inventory items
- The balance of slow moving inventory on 1/7/2015 amounted to EGP 1,473 thousand, an amount of EGP 1,178 thousand were impaired during the year and considered extraordinary losses.
- Increasing the slow moving inventory by an amount of EGP 3,998 thousand by the Board of Directors decree No. (76) for the balance of slow moving inventory to become on 30/6/2016 an amount of EGP 4,293 thousand.

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**7- Analysis of other debit balances as of 30/6/2016**

Description	Value in EGP
	The amount
Other Debit Balance *	3,603,307
Accounts payable to Authorities and Bodies	12,019,091
Deposits to others	633,291
Other credit Balance	334,654
Fixed assets creditor	44,510
<b>Total</b>	<b>16,634,853</b>

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

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

Treasury bills are used as a 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, where 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

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

- Deposits at 30/6/2016 amounted to EGP 1,713,025,140.68.
- 3 month deposits amounted to EGP 1,540,925,690.16.

**• Letters of guarantee against deposits with a total amount of EGP 33,325,266 Included in deposits:**

- An amount of EGP 10,000 letter of guarantee in favor of Telecom Egypt represents the value of international communications, Expire on 1/2/2017.
- An amount of EGP 40,000 Letter of Guarantee for Misr Petroleum Company represents the Value of the coverage of oil withdrawals, Expire on 28/4/2017.
- An amount of EGP 903,829 Letter of guarantee for the Alexandria Port Authority represents the value of 10% final insurance for the rent of sorting yard 3 years, Expire on 17/9/2017.
- An amount of EGP 73,800 Letter of guarantee for the port of Alexandria port represents the Value of 25% Insurance of the minimum covered trading 3 years, Expire on 17/9/2017.
- An amount of EGP 200,000 letter of guarantee for the benefit of the Customs Authority represents value of 5% of the customs taxes and the estimated taxes for the average storage power, Expire on 5/12/2016.
- An amount of EGP 42,600 Letter of guarantee in favor of the Port Authority represents 25% of the minimum covered for the sorting yard area of 7,100 m<sup>2</sup>, Expire on 10/9/2018.
- An amount of EGP 458,270 Letter of guarantee in favor of the Port Authority represents the value of the final insurance for the right of exploitation of 7,100 m<sup>2</sup>, Expire on 14/11/2018.
- An amount of EGP 409,563 pounds guarantee letter for the port authority for the purpose of the right to exploit the sorting yard area of 5,050 m<sup>2</sup>, Expire on 10/11/2016.
- An amount of EGP 33,900 pounds letter of guarantee in favor of the Port Authority for the purpose of the right to exploit the area of 5,050 m<sup>2</sup>, Expire on 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 m<sup>2</sup> and 565 m<sup>2</sup>, Expire on 29/5/2017.
- 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, Expire on 15/5/2017.
- An amount of EGP 263,450 Letter of guarantee for Misr Petroleum Company the remaining value of the insurance for the supply of petroleum products, Expire on 31/8/2016.
- 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, Expire on 17/9/2017.
- An amount of EGP 14,500,000 Letter of guarantee for the General Authority of Alexandria Port for final insurance for the areas specified to the company, Expire on 3/11/2016.
- An amount of EGP 1,464,000 is a letter of guarantee for the General Authority of Alexandria Port regarding the right to exploit an area of 7,257 m<sup>2</sup> in the third area and insurance covered by the annual trading date of completion 9/11/2017.

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- An amount of EGP 888,000 is a letter of guarantee to the General Investment Authority for the amount due on the company as a special free zone from the obligations, Expire on 4/1/2017.
- An amount of EGP 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>, Expire on 17/2/2017.
- An amount of EGP 1,616,157 pounds Letter of guarantee for the Alexandria Port Authority the value of final insurance for the right to exploits of 7100 m<sup>2</sup>, 5680 m<sup>2</sup> 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 Area of 5,650 m<sup>2</sup> and area of 7,100 m<sup>2</sup>, Expire on 30/4/2017.
- 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 rented area and adjacent to the wall of the company area 5,942 m<sup>2</sup>, Expire on 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 right for 3 years for an area of 5,942 m<sup>2</sup> in the second area of El-Dekheila and 25% to insure the minimum annual trading, Expire on 5/7/2016.

**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 30/6/2016:**

Value in EGP

Description	Balance at 1/7/2015	Provided	Used	No longer required	Balance at 30/6/2016
Doubtful debts provision (deducted from Trade accounts)	1,647,868				1,647,868
Tax provision	13,033,709			1,587,882	11,445,827
Legal disputes provision	20,459,988	12,331,405	70,405	4,639,422	28,081,566
<b>Other provisions:</b>					
Provision to meet the disputes with the Port Authority	24,719,089				24,719,089
Egyptian Warehouses Co. Claims	626,341		591,609	34,732	-
End of service Provision	2,618,198	5,371,577	3,989,549		4,000,226
<b>Total</b>	<b>63,105,193</b>	<b>17,702,982</b>	<b>4,651,563</b>	<b>6,262,036</b>	<b>69,894,576</b>

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

**11- Current liability as of 30/6/2016:-**

Value in EGP

Description	Balance
Suppliers	26,511,059
Accounts payable to Authorities and Bodies	37,895,603
Dividends Payable	300,298
Accrued expenses	93,203,627
Advances from clients	1,058,068
Other credit balances	4,886,594
<b>Total</b>	<b>163,855,249</b>

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

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**12- Analysis of accounts payable in the financial position as of 30/6/2016:**

Description	The amount
Fixed assets creditors	610,839
Refundable Deposits to others	2,934,094
Other Credit balances *	1,340,845
Other debit balances	816
<b>Total</b>	<b>4,886,594</b>

\* The nature and components of the other credit balances are amounts deducted from certain employees (trade unions - alimony of wives and children - penalties and taxes due).

**Owner's Equity****13- Authorized Capital:-**

The authorized capital is amounted to EGP 200 million.

The movement of issued, paid up capital, and number of shares:

The issued and paid up capital is amounted to EGP 123,216,320 where the face value is EGP 5 / share and the number of shares is 24,643,264 shares distributed as follows:

Description	No. of Shares	Contribution percentage	Capital as of 30/6/2016	Comparative capital as of 30/6/2015
Holding Company for Maritime and Land Transport	13,747,762	55.787%	68,738,810	68,738,810
Alexandria Port Authority	9,840,000	39.930%	49,200,000	49,200,000
Free floating	1,055,502	4.283%	5,277,510	5,277,510
<b>Total</b>	<b>24,643,264</b>	<b>100%</b>	<b>123,216,320</b>	<b>123,216,320</b>

- Related parties transactions:**

Description	Nature of Relation
Holding Company for Maritime and Land Transport	Contribution to the capital of the company by 55.787%, There are no financial transactions affecting the financial statements.
Alexandria Port Authority	Contribution to the capital of the company by 39.930%, There are financial transactions amounted to EGP 97.498 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 disagreement between the company and the port authority.
Misr For Foreign Trade Co.	Misr For Foreign Trade Co. was granted an amount of EGP 22,007,204 and an amount of EGP 20,507,204 was paid and The remaining an amount of EGP 1,500,000 is being claimed through a guarantee by the holding company.

**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 replacements, renewals or to strengthen its competitiveness by self financing without resorting to borrowing.

**A brief description of the nature and purpose of each reserve in 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

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- **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 to this reserve; this reserve is used to return the assets of the company to its natural state 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 169,940,782.93 as of 30/6/2016. Taking into consideration, that it was included by an amount of EGP 140,791,791.82 within other reserves on 30/6/2013 and was transferred to the Project support reserves as a separate item in the financial position.

**14- Analysis for other reserves:**

Description	Partial	The amount
Reserve the increase in prices of fixed assets (fully depreciated assets, before the application of the Accountability State Authority decree No. 204 of 2001 on the amendment of the accounting system)		8,141,331.65
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 depending on the letter of credit		1,021,843.47
The value of a gifted used Caravan which was supplied by Amco Consulting Office		3,000.00
The value of the compressor and (2) air gun gift from Alexandria Tire Co. – Pirelli		16,310.00
<b>Total</b>		<b>26,145,171.76</b>

**15- Long term loans**

There is none.

- **Bonds:**  
There is none.

**16- Other long term liability**

There is none.

**17- 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.

**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:**

The company records its Transactions in Egyptian pound according to the rate ruling at the date of the transaction and announced by the free financial market. Differences arising from changes in exchange rates at the end of each period are treated either by (profit) or (loss of foreign currency exchange) where it is charged to gain and loss of (foreign currency exchange) in the income statement.

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

An amount of EGP 6,249,976.82 represents the difference between previous years' revenues and previous years' expenses that are included in the retained earnings (accumulated losses) account in the statement of financial position and not in the income statement in accordance with Egyptian Accounting Standard No. (1), (5), and in accordance with the proposed distribution plan presented to the Ordinary General Assembly and its statement as follows:

- Analysis for prior year's revenues as of 30/6/2016

Description	The amount
Trade revenue from previous years	8,450,647
Disregarded containers storage expenses	18,840
Juridical sentences in favor of the company	149,673
<b>Total</b>	<b>8,619,160</b>

- Analysis for prior year's expenses as of 30/6/2016

Description	The amount
Cash Equivalent For the balance of holidays	689,185
Visit expenses to the Suez Canal Project	7,350
Electricity consumption for Sorting yard	2,091
Maintenance expenses	32,112
Differences of Wages for previous years	34,462
Adjusting sales tax 99/2002	516,746
Company's share in the insurance	73,896
Compensation for 2606 crane accident	6,893
The police guard duty of the company from 1/4/2015 until 30/6/2015	102,211
The value of capacity increase during 2014/2015	589,669
Publication of an advertizing in Shipping News magazine	4,212
Accidents compensation for crane 2111	278,001
Juridical sentences for Soliman Al Mahdy	32,355
<b>Total</b>	<b>2,369,183</b>

**21- Analysis statement for Unusual Losses:**

- Unusual Losses stated in income statement represents:
  - An amount of EGP 102,643.99 Destruct loss of filters from floods and rains.
  - An amount of EGP 1,178,171.63 loss of slow-moving inventory.

**22- Miscellaneous income analysis**

Description	Partial	Total
• <b>Compensation and fines</b>		
Accident Compensation	919,688	
Supply and pollution fines	730,962	1,650,650
• Term of reference / floods / Locks		1,112,970
• Rent income		486,000
• Revenue from remnants sales		2,606
<b>Total</b>		<b>3,252,226</b>

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**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 financial year and then settled in the income statement in accordance with the final decree 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" in 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 clauses of Law 203. The value of the coupon is calculated by dividing the shareholders' value by the number of shares (24,643,264 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 all 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, in accordance with the proposed distribution presented to the Ordinary General Assembly (in accordance with Egyptian Accounting Standard No.1).
- 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.

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**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.

**Statement of tax position until 30/6/2016**

**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 squares) and the tax linked to the amount of EGP 6,269,744 (EGP 2,756,410 for the financial year 2011/2012 + EGP 3,513,334 for the external squares), which are currently under discussion in internal committee, knowing that it a provision has been provided by an amount of EGP 10,448,270 for the years 2006/2007 until 2011/2012 for the Tax Authorities claims.
- The tax return has been submitted for the year 2012/2013 and under inspection.
- The tax return has been submitted for the year 2013/2014 and under inspection.
- The tax return has been submitted for the year 2014/2015.
- Concerning the debit balances due from tax authority by an amount of EGP 9.829 million tax on the return of treasury bills from 2008/2009 to date and deducted from the taxes due on the company not exceeding the tax due on the accrued revenue and will be settled once the completion of the internal committees for the years 2008/2009 To date.

**Second: Payroll tax**

- 1- Currently under discussion in the internal committee for the years from 2005 until 2012.
- 2- Years 2013 and 2014 are under inspection.

**Third: Stamp tax**

Years from 1/7/2010 until 30/6/2015 are under tax inspection, and awaiting the inspection report.

**Forth: Sales tax**

Years 2012/2013, 2013/2014 are under discussion in the grievance committee.

**Fifth: Tax Policy**

The company has branches in (Alexandria and Dekheila) as free zones and is not subject to tax, and the Head Quarter is subject to tax.

**Sixth: Tax on treasury bills**

The tax deducted on the purchase of treasury bills until 30/6/2016 amounted to EGP 933,771.50.

**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.

Foreign currency gain as of 30/6/2016 amounted to EGP 130,895,002.77 due to the increase in the exchange rate from 7.15 to 8.88 on 30/6/2016.

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

Description	The amount
Value of repair and development of dock crane 2002,2003	27,456
The remaining of the value of the deepening and embankment of dock 96 in Dekheila	56,096
The remaining Supply of 6 crane with 40 ton capacity	60,757
The value of the process of raising the efficiency of lighting in the yards	2,073
The rest of the OCR system in addition to the process of supplying and installing internal surveillance cameras	4,516
Supply of auxiliary crane 3 tons	462
Supply of (2) dock crane zpmc at Alexandria station	120,661
The remaining of the value of supply 2 lathe purchase order No. 49	253
The remaining supply of 10 Crane Mall	7,697
Supplying 8 heavy forklifts 45 ton Cooney Crane Co.	32,162
Supplying 4 light forklifts 16 ton Cooney Crane Co.	7,686
Supplying kemter engine 11 QSM to secure forklifts	284

- All of the projects previously mentioned in the above table have been contracted with the payment of an amount EGP 46.7 million as an advance payment and it is expected to pay an amount of EGP 340 million during the financial year 2016/2017.

**34- Subsequent events “after 30/6/2016”**

On 4/8/2016, the authorized capital of the company increased to an amount of EGP 1,000 million and the issued and paid up capital increased by distributing (5) free shares for each share (coupon No. 21), financed from the Statutory reserve on 30/6/2015, accordingly the issued and paid up capital became as of 4/8/2016 an amount of (EGP 739,297,720) for (147,859,584 shares) with a face value (EGP 5) per share.

**35- Other events:**

- The dividends have not been included in the statement of financial position as at 30/6/2016 in accordance with paragraphs 12 and 13 of the Egyptian Accounting Standard No. 7.
- The number of containers at 30/6/2016 is 978,281 containers including 50,688 movements of the shift and hatch according to the tariff in force.

**Analysis of statement of cash flow as of 30/6/2016**

36- Receipts from customers amounted to (EGP 1,919,742,225.00).

37- Purchases / cash and suppliers (private, companies and services) amounted to EGP 175,634,784.00.

38- Paid wages:-

Description	Payments
Payroll tax	25,831,368.03
Social insurance	31,989,067.02
Creditors deducted amount	21,802,978.61
Head quarter salaries	12,373,058.32
Paid wages	234,624,749.52
<b>Total</b>	<b>326,621,221.50</b>

39- Financial securities revenue: - Proceeds from return on Treasury bills amounted to (EGP 4,419,711.00).

40- Credit interest received:- Return on time deposit and current account amounted to (EGP 61,269,094.00).

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## 41- Taxes and fees:-

Description	Payments
Stamp	1,755,408.60
Sales tax	145,801,389.33
Commercial and industrial	597,675.63
Real state	38,491.65
Treasury bills tax –withholding tax	755,691.40
General Authority For Investment fees	15,072,513.43
Northern and Western Customs	193,307.87
Alexandria Port Authority	7,631,979.09
<b>Total</b>	<b>171,846,457.00</b>

## 42- Other receivables:-

Description	Payments
Compensation and fines	609,266.84
Miscellaneous	243,986.29
Previous year revenue	457,256.74
Rent	445,500.00
<b>Total</b>	<b>1,756,009.87</b>

43- Other payments:- All donations amounted to EGP 1,615,916.00.

44- The treatment of foreign currency exchange was according to Accountability State Authority's opinion and that is according to standard No. (1), paragraph (100), knowing that the Foreign currency exchange disclosed in the financial statements do not include foreign currency exchange of trade receivables amounted to EGP 1,910,234.88.

45- Payment to acquire Fixed Assets:

Description	Payments
Emas for engineering	1,107,350.70
Port Authority	904,325.00
Cargotec Iberia S.A.	5,894,398.32
Shanghai zhenua company	29,645,980.00
Noil company	15,088,576.73
Ditch lake & others	13,245,890.25
<b>Total</b>	<b>65,886,521.00</b>

46- Proceeds from sale of fixed assets amounted to EGP 540,764.00.

47- Proceeds from treasury bills of the current year from the beginning balance of the period amounted to EGP 205,530,830.00.

48- Payments for purchasing treasury bills amounted to EGP 514,721,351.00.

49- Dividends are as follows:-

Description	Payments
Free floating	21,621,448.22
Marine Transport Company	281,616,258.59
Alex Port Authority	203,400,113.30
Employees share	56,089,483.33
BOD bonus	700,404.64
Sports Commission	12,463,534.61
<b>Total</b>	<b>575,981,243.00</b>

50- Cash flows statement was prepared using the direct method and cash balance includes cash and cash equivalents cash at hand, banks, deposits, and treasury bills on call and short-term investments.