

MOSTAFA SHAWKI & CO

EGYPTIAN TRANSPORT
&
COMMERCIAL SERVICES CO.

(EGYTRANS)
S.A.E

AMENDED SEPERATE FINANCIAL STATEMENTS TOGETHER
WITH AUDITOR'S REPORT
FOR THE YEAR ENDED DECEMBER 31st, 2010

 MAZARS

Auditor's Report

To the shareholders of
Egyptian Transport & Commercial Services Co.
(Egytrans) " S.A.E "

Report on the amended separate financial statements

We have audited the accompanying amended separate financial statements of **Egyptian Transport & Commercial Services Co. (Egytrans) - S.A.E.** these financial statements have been amended according to the decision of general assembly meeting dated in April 2nd, 2011, those statements comprise the amended separate balance sheet as at December 31st, 2010, and the amended separate statements of income, changes in shareholders' 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 amended separate financial statements

Management is responsible for the preparation and fair presentation of these amended separate financial statements in accordance with Egyptian Accounting Standards and in light of governing laws. This 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, 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 amended separate financial statements based on our audit. We conducted our audit in accordance with Egyptian Auditing Standards and in light of governing laws. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Qualification

Based on the rescheduling agreement with NSGB the company reduced the loan obligation by L.E 3,2 million upon to compliance with the rescheduling conditions, accordingly the financing expenses and bank facilities were reduced by the same amount.

There are some limitations in the company's current computer system outputs regarding the calculation of fixed assets depreciation, which requires improvements.

The company recognized this year's investment revenues according to the owner's equity method instead of the cost method.

We recommend updating the provision study to evaluate its adequacy, we didn't obtain a reply for some confirmations sent to clients to confirm their balances as at December 31st, 2010.

Qualified opinion

In our opinion, except for the matters stated in preceding paragraph the amended separate financial statements referred to above present fairly in all material respects the separate financial position of the company as at December 31st, 2010, and of its financial performance and its cash flows for the year then ended in accordance with Egyptian Accounting Standards and in light of related governing laws.

Without qualifying our opinion, we draw attention to note (23) to the financial statements, there has been no information available to enable management of the company to disclose the impact of events that occurred after January 25th, 2011 on the values of some of the assets and liabilities and results of operations during the subsequent periods, as these values and results might vary substantially over the subsequent periods, the company's management has no reliable indicators to be able to determine the extent and magnitude of these events on the values of the assets and liabilities included in the balance sheet and it will continue evaluating their effects on the financial statements to take it into consideration.

Report on other legal and regulatory requirements

The company's accounting records were maintained as required by law and the statute of the company and are in agreement with the accompanying financial statements, inventory count was performed by the company's management and under its responsibility

The financial information included in the board of directors' report, prepared according to requirements of law No. 159 for 1981, and its executive regulations is in agreement with the company's records to the extent such information is normally recorded.

Auditor

Dr. Ahmed Shawki
MAZARS Mostafa Shawki
April 6th, 2011.

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Translation of financial statements
originally issued in Arabic

Amended separate balance sheet
as at December 31st, 2010


(Amounts expressed in Egyptian Pound)

| | Note | 2010 | 2009 |
|--|---------|--------------------|--------------------|
| Non-current assets | | | |
| Fixed assets (net) | (2c,3) | 20,022,125 | 11,035,524 |
| Projects under construction | (2d,4) | 3,633,987 | 1,094,836 |
| Long term investments | (2e,5) | 31,727,432 | 4,576,134 |
| Total non-current assets | | 55,383,544 | 16,706,494 |
| Current assets | | | |
| Inventory | (2f,6) | 14,761,834 | 29,628,370 |
| Clients and notes receivable | (2g,7) | 35,630,259 | 33,981,703 |
| Debtors and other debits | (8) | 37,264,686 | 28,627,420 |
| Clearance operations in process | (9) | 9,010,951 | 8,965,641 |
| Cash in hand and at banks | (10) | 66,691,981 | 4,018,980 |
| Total current assets | | 163,359,711 | 105,222,114 |
| Current liabilities | | | |
| Provisions | (2h,11) | 2,600,000 | 2,600,000 |
| Banks overdraft | (2j) | 6,401,620 | 6,028,946 |
| Short term loans installments | (2j,16) | 5,280,000 | 4,543,563 |
| Suppliers and notes payable | (12) | 3,352,188 | 2,833,056 |
| Distribution creditors | (13) | 2,684,739 | 14,118,891 |
| Creditors and other credits | (14) | 9,994,338 | 9,292,694 |
| Total current liabilities | | 30,312,885 | 39,417,150 |
| Working capital | | 133,046,826 | 65,804,964 |
| Total investment | | 188,430,370 | 82,511,458 |
| Shareholders' equity | | | |
| Issued and subscribed capital | (15) | 156,062,500 | 56,062,500 |
| Legal reserve | (2i) | 3,205,577 | 2,519,703 |
| Capital reserve | | 1,993,177 | 1,993,177 |
| Retained earnings | | 6,125,758 | (5,602,683) |
| Total shareholders' equity | | 167,387,012 | 54,972,697 |
| Non-current liabilities | | | |
| Long term loans | (2j,16) | 18,060,027 | 25,199,238 |
| Deferred tax liabilities | (2k) | 2,983,331 | 2,339,523 |
| Total non-current liabilities | | 21,043,358 | 27,538,761 |
| Total financing of working capital and non-current assets | | 188,430,370 | 82,511,458 |

- The accompanying notes are integral part of these separate financial statements.
- Auditor's report for the separate financial statement attached.



Eng. Hussam Wael Sedik Leheta
Chairman and CEO



Mr. Ahmed Mossad Behairy
Board member and Financial manager


Translation of financial statements
originally issued in Arabic


**Amended separate statement of income
for the year ended December 31st, 2010**

(Amounts expressed in Egyptian Pound)

| | Note | 2010 | 2009 |
|--------------------------------------|---------|---------------|---------------|
| Operations revenues | (2l,17) | 132,345,426 | 199,650,483 |
| Operations costs | (2f,18) | (120,624,484) | (176,532,292) |
| Gross profit | | 11,720,942 | 23,118,191 |
| General and admin. expenses | (19) | (12,256,566) | (12,051,557) |
| Selling and distribution expenses | | (332,834) | (410,260) |
| B.O.D attendance allowances | | (1,154,000) | (1,064,250) |
| Goods revaluation losses | (2f,6) | (1,500,000) | -- |
| Decline in clients value | (2,g) | (500,000) | -- |
| Fixed assets depreciation | (2c) | (860,291) | (968,893) |
| Operating (losses) profits | | (4,882,749) | 8,623,231 |
| Finance cost | (2j) | (1,683,590) | (1,975,061) |
| Provisions support | (2h) | -- | (250,000) |
| Investments revaluation losses | (2e) | -- | (510,000) |
| Investments revenues | (2e) | 15,795,646 | 5,043,468 |
| Credit interest | (2i) | 4,620,216 | 14,007 |
| Other revenues | (16) | 799,529 | -- |
| Gain on sale of fixed assets | (2b) | 11,374 | 10,485 |
| Foreign currency exchange difference | | (299,143) | -- |
| Net profit before tax | | 14,361,283 | 10,956,130 |
| Income tax | (2k) | -- | (877,038) |
| Deferred tax | (2k) | (643,808) | (206,325) |
| Income tax for the year | | (643,808) | (1,083,363) |
| Net profit for the year | | 13,717,475 | 9,872,767 |
| Earnings per share | (2m,20) | 0.98 | 1.37 |

- The accompanying notes are an integral part of these separate financial statements.


Eng. Hussam Wael Sedik Lehefa
Chairman and CEO



Mr. Ahmed Mossad Beheiry
Board member and Financial manager

Translation of financial statements
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Amended separate statement of changes in shareholders' equity
for the year ended December 31st, 2010
(Amounts expressed in Egyptian Pound)

| | Issued capital | Legal reserve | Capital reserve | Retained earnings | Net profit for the year | Total |
|---|--------------------|------------------|--------------------|----------------------|-------------------------------|--------------------|
| Balance as at Jan. 1 st , 2009 | 56,062,500 | 1,496,371 | 1,855,142 | 258,138 | 10,593,884 | 70,266,035 |
| Legal reserve | -- | 529,694 | 138,035 | -- | (667,729) | -- |
| Retained earnings 2008 | -- | -- | -- | 9,926,155 | (9,926,155) | -- |
| Adjustments | -- | -- | -- | (12,429,694) | -- | (12,429,694) |
| Net profit for the year 2009 | -- | -- | -- | -- | 9,872,767 | 9,872,767 |
| Legal reserve | -- | 493,638 | -- | -- | (493,638) | -- |
| Cash dividends 2009 | -- | -- | -- | (3,357,282) | (9,379,129) | (12,736,411) |
| Balance as at December 31st, 2009 | <u>56,062,500</u> | <u>2,519,703</u> | <u>1,993,177</u> | <u>(5,602,683)</u> | <u>--</u> | <u>54,972,697</u> |
| Balance as at Jan. 1 st , 2010 | 56,062,500 | 2,519,703 | 1,993,177 | (5,602,683) | -- | 54,972,697 |
| Increase in capital | 100,000,000 | -- | -- | -- | -- | 100,000,000 |
| Net profit for the year | -- | -- | -- | -- | 13,717,475 | 13,717,475 |
| Legal reserve | -- | 685,874 | -- | -- | (685,874) | -- |
| Cash dividends | -- | -- | -- | -- | (1,303,160) | (1,303,160) |
| Retained earnings | -- | -- | -- | 11,728,441 | (11,728,441) | -- |
| Balance as at December 31st, 2010 | <u>156,062,500</u> | <u>3,205,577</u> | <u>1,993,177</u> | <u>6,125,758</u> | <u>--</u> | <u>167,387,012</u> |


Eng. Hussam Wael Sedik Leheta
Chairman and CEO


Mr. Ahmed Mossad Beheiry
Board member and Financial manager

Translation of financial statements
originally issued in Arabic

**Amended separate statement of cash flows
For the year ended December 31st, 2010**

(Amounts expressed in Egyptian Pound)

| | <u>Note</u> | <u>2010</u> | <u>2009</u> |
|--|-------------|---------------------|--------------------|
| <u>Cash flows from operating activities</u> | | | |
| Net profit for the year before tax | | 14,361,283 | 10,956,130 |
| <u>Adjustments :</u> | | | |
| Depreciation | | 1,093,237 | 1,210,376 |
| Provisions support | | -- | 250,000 |
| Investments revenues | | (15,795,646) | -- |
| Investments revaluation losses | | -- | 510,000 |
| Projects under construction impairment losses | | -- | 165,185 |
| Gain on sale of fixed assets | | (11,374) | (10,485) |
| Foreign currency exchange differences | (2n) | (499,893) | (13,760) |
| Adjustments | (4) | 861,395 | -- |
| | | <u>9,002</u> | <u>13,067,446</u> |
| <u>Working capital changes</u> | | | |
| Decrease in inventory | | 14,866,536 | 1,201,854 |
| Increase in debtors and other debits | | (10,331,132) | (8,459,097) |
| Increase in creditors and other credits | | 1,220,776 | 1,653,413 |
| Net cash flows provided from operating activities | | <u>5,765,182</u> | <u>7,463,616</u> |
| <u>Cash flows from investing activities</u> | | | |
| Paid in purchase of fixed assets | | (10,176,466) | (965,896) |
| Proceeds from sale of fixed assets | | 108,002 | 21,802 |
| Paid in projects under construction | | (3,400,546) | (233,441) |
| Paid in long term investments | | (11,355,652) | (2,330,037) |
| Net cash flows used in investing activities | | <u>(24,824,662)</u> | <u>(3,507,572)</u> |
| <u>Cash flows from financing activities</u> | | | |
| Proceeds from capital increase | | 100,000,000 | -- |
| Payments of banking facilities | | (5,680,922) | (4,499,843) |
| Dividends payments | | (12,737,312) | (531,773) |
| Cash flows provided from (used in) financing activities | | <u>81,581,766</u> | <u>(5,031,616)</u> |
| Net changes in cash and cash equivalents | | 62,522,286 | (1,075,572) |
| Cash and cash equivalents, beginning of the Year | (2n) | 4,169,695 | 5,094,552 |
| Cash and cash equivalents, end of the Year | | <u>66,691,981</u> | <u>4,018,980</u> |



Eng. Hussam Wael Sedik Leheta
Chairman and CEO



Mr. Ahmed Mossad Beheiry
Board member and Financial manager

Translation of financial statements
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**Notes to the amended separate financial statements
for the year ended December 31st, 2010**

(Amounts expressed in Egyptian Pound)

1. The company :

Egyptian Transport & Commercial Services Co. (Egytrans) S.A.E was incorporated on September 13th, 1973 as a limited liability company. According to the extraordinary general assembly meeting held on January 1st, 1987 and according to law no. 159 for 1981 the company has changed its legal status to be a Joint Stock Company.

Company's purpose :

The company's purpose is to represent ship owners and shipping companies, air freight operations, shipping agency, stevedoring for dry, bulk and general cargo, transportation and general services, international transportation by land, sea or air, customs clearance and shipping, warehousing and storage, container handling and related activities, packing and exhibition services also storage and selling all kinds of goods through the company branch located at port said free zone area.

2. Significant accounting policies :

A summary of the significant accounting policies, is as follows :

a. Basis of accounting :

The accounts have been prepared according to historical cost and in conformity with Egyptian Accounting Standards and in light of governing laws, financial statements preparation require assumptions and estimates made by management that affect some assets, liabilities, revenues and expenses during fiscal year and the actual result might be different than these estimates.

b. Foreign currency :

-The company's functional and reporting currency is the Egyptian Pound the transactions in foreign currencies during the year are translated to Egyptian Pound at the rates ruling at the transaction date. At each period end, monetary assets and liabilities denominated in other currencies are translated to Egyptian Pounds at the rates ruling at that date. Translation differences are included in the statement of income.

-Concerning the company's branch at Port Said - free zone, the branch's functional and reporting currency is US Dollar, the branch financial statement translated at each period end at the rates ruling at that date. Translation differences are included in the statement of income

c. **Fixed assets :**

Fixed assets are recognized when it is probable that future economic benefits embodied with acquired assets will flow to the company and its cost can be reliably measured. Fixed assets are stated at historical cost less accumulated depreciation, and accumulated impairment losses (if there is any indication of impairment in its value) the book value of equipments is depreciated by days of operation method, other assets is depreciated by straight line method based on their estimated useful lives, using the following rates :

| <u>Assets</u> | <u>Dep. Rate</u> |
|--------------------------------|------------------|
| Buildings | 2% |
| Vehicles | 20% |
| Computers and software | 25% |
| Equipments and tools | 10% |
| Fittings | 20% |
| Furniture and office equipment | 10% |

Depreciation for acquired assets is calculated starting from one month after the date of acquisition or usage of the asset.

Any subsequent costs are capitalized to related fixed asset as a replacing part only if these costs are determinable and derive future economic benefits, other repairs and maintenance expenses are included in the statement of income as incurred.

d. **Projects under construction :**

Projects under construction include all expenditures directly attributable to acquire fixed assets. Projects under construction are transferred to fixed assets when completed and ready for intended use.

e. **Long term investments :**

Long term investments are stated at cost less accumulated impairment losses (if there are any indications of impairment in its value). Impairment loss is recognized in statement of income separately for each. According to the cost method, revenue is recognized due to cash dividends from investments after acquiring date.

During 2010, the company has changed the policy of revaluating long term investments from cost method to equity method, according to equity method the investment is recognized in any company at cost then its balance will increase or decrease to recognize the company's share in the investee's obtained profit or loss after acquisition in return of reporting it as an investment revenue (loss) in the statement of income, investment balance will decrease by the amount of dividends investee's obtained.

f. **Inventory :**

Inventory comprise goods available for sale which are located in company's branch at Port Said - Free Zone, Inventory is stated at cost or net realizable value whichever is less. Cost of issued items from texture, housing tools, vehicles, spare parts & leather are using first in, first out method.

g. **Clients and notes receivable :**

The clients and notes receivable balance is stated at the net realizable value after deducting the decline in clients and notes receivable value which is determined according to the management estimates; these estimates are reviewed at the end of each financial period to reflect the best current estimate.

h. **Provisions :**

A provision is recognized when an entity has a present legal obligation as a result of past event, the amount of the obligation can be reliably estimated, and it is probable that an outflow of economic benefit will be required to settle the obligation, provision is reviewed at the end of each period and restated to reflect management estimates. The amount recognized as a provision should represent the present value of the expected outflows to settle the obligation.

i. **Legal reserve :**

In accordance with corporate law 159 for 1981 and the company's articles of association 5% at least of the annual net income is required to be transferred to a legal reserve until this reserve equals at least 50% of issued capital, this reserve is not available for dividends.

j. **Finance cost :**

Finance cost is registered as an expense in statement of income as incurred.

k. **Income tax :**

Income tax on the profits or losses for the year, comprises current tax (calculated according to the laws and applicable regulations) and the deferred tax. The accrued income tax directly recorded in the statement of income.

The deferred tax resulting from time differences between the book values of the assets and liabilities according to the accounting base and their value according to the expected way to realize or settle the values of assets and liabilities. Deferred tax value is recognized according to the method used to verify and settle the current value of the assets and liabilities, deferred tax is recognized as an asset of the company if there is a strong probability that this asset could decrease the taxable profit of the company in the future years. The deferred tax is recognized as an asset and is reduced with its portion that will not result in future tax benefit.

l. **Revenue recognition :**

- Integrated transportation activity revenue is recognized according to accrual basis when services are rendered to the client, invoices are issued, it is probable that identifiable and measurable economic benefits will flow to the company and the cost of these benefits could be reliably measured.
- Sales revenue from goods available for sale in the free zone is recognized when all ownership risks, rewards and controls are transferred to customers, the actual delivery of sold goods, invoices were issued, it is probable that identifiable and measurable economic benefits will flow to the company and the cost of these benefits could be reliably measured.
- Expenses incurred by the company as result of clearance operations that weren't matched by revenues are recognized in clearance operation in process.
- The credit interest is recognized according to bank's declared interest rates

m. Earnings per share :

Earnings per share is calculated by dividing the net profit (loss) for the period attributable to ordinary shareholders of the company (reduced by board of directors' rewards and employees share in profit) by the weighted average of the registered shares during the financial period

n. Statement of cash flows :

Statement of cash flows is prepared according to indirect method, cash and equivalents comprise cash on hand, banks current accounts, and time deposits which have short maturity dates from the purchase date, cash and cash equivalents at the beginning and the end of each financial period are recognized by the amount of unrecognized profits and losses resulted from changes in foreign currencies exchange rate.

o. Impairment of assets :

The book values of company's assets reviewed at financial statements preparation date to determine whether there is any indications of impairment in its value, if such indications exists the asset residual value is estimated, and the asset is recorded by its estimated residual value and the difference between book value and the residual value of assets are included in statement of income.

When the redemption value of the assets increase the impairment loss is redeemed in the value of the asset limited to it's book value which is determined after discounting the accumulated depreciation and without discounting the impairment in the value of assets.

p. Social insurance :

The company contributes to the government social insurance system for the benefit of its personnel in accordance with the social insurance law no. 79 of 1975 and its amendment. Under this law, the employees and the employers contribute into the system on a fixed percentage of salaries basis. The company's liability is confined to the amount of its contribution. Contributions are charged to the statement of income according to the accrual basis.

q. Contractual agreements :

Any contractual agreements to acquire long term assets in which may result in an inflow of economic resources in the future are disclosed.

r. Related party transactions :

The related party transactions comprise the value of resources, services and obligations among the company and other related parties.

s. Comparative figures :

The comparative figures are reclassified whenever necessary, to conform to current year presentation.

3. Fixed assets (net) :

Net book value of fixed assets comprises the following :

| | <u>Buildings</u> | <u>Vehicles</u> | <u>Computers & software</u> | <u>Equipments & tools</u> | <u>Fittings</u> | <u>Furniture & office equipment</u> | <u>Total</u> |
|--|------------------|-----------------|-------------------------------------|-----------------------------------|-----------------|---|--------------|
| Cost as at Jan. 1 st , 2010 | 6,995,837 | 4,559,546 | 3,448,560 | 7,938,613 | 770,453 | 3,979,083 | 27,692,092 |
| Additions | -- | 81,562 | 807,649 | 8,905,842 | 36,367 | 345,046 | 10,176,466 |
| Disposals | -- | (333,865) | (1,487,886) | -- | -- | (668,041) | (2,489,792) |
| Adjustments | -- | -- | -- | 2,140 | -- | (2,140) | -- |
| Cost as at Dec. 31 st , 2010 | 6,995,837 | 4,307,243 | 2,768,323 | 16,846,595 | 806,820 | 3,653,948 | 35,378,766 |
| Acc. dep. as at Jan. 1 st , 2010 | 5,877,337 | 3,849,433 | 2,842,189 | 698,878 | 615,517 | 2,773,214 | 16,656,568 |
| Depreciation | 194,738 | 327,312 | 213,787 | 121,675 | 56,641 | 179,084 | 1,093,237 |
| Disposals acc. dep. | -- | (333,859) | (1,403,623) | -- | -- | (655,682) | (2,393,164) |
| Adjustments | -- | -- | -- | 1,338 | -- | (1,338) | -- |
| Acc. dep. as at Dec. 31 st , 2010 | 6,072,075 | 3,842,886 | 1,652,353 | 821,891 | 672,158 | 2,295,278 | 15,356,641 |
| N.B.V. as at Dec. 31 st , 2010 | 923,762 | 464,357 | 1,115,970 | 16,024,704 | 134,662 | 1,358,670 | 20,022,125 |
| N.B.V. as at Dec. 31 st , 2009 | 1,118,500 | 710,113 | 606,371 | 7,239,735 | 154,936 | 1,205,869 | 11,035,524 |

4. Projects under construction :

Projects under construction comprise the following:

| | 2010 | 2009 |
|--------------------------|------------------|------------------|
| Customs depot | 1,288,395 | -- |
| Buildings installments | 178,341 | 178,341 |
| * Computer installments | 2,167,251 | 55,100 |
| ** Ather El Naby Project | -- | 861,395 |
| | <u>3,633,987</u> | <u>1,094,836</u> |

* The company signed a contract with Kema Oracle Co. to develop its computer operating system with a total amount of L.E 5 million to acquire ERP system and OTM system, the company accomplished about 80% of the ERP system and didn't start in the OTM system.

**According to board of directors meeting, the company has charged Egytrans for river ports by 67% & Egytrans Barg link co. by 33% of the total amount paid for Ather El Naby project amounted L.E 861,395.

5. long term investments :

long term investments comprise the following :

| | Share percentage | 2010 | 2009 |
|---|---------------------|-------------------|------------------|
| <u>Investments in subsidiary companies :</u> | | | |
| Egyptian Transportation & Logistics Co. (ETAL) | 95% | 10,723,798 | 2,500,000 |
| Global Depot Solutions Co. | 74.97% | 4,349,832 | 419,832 |
| Egytrans For River Ports | 99.88% | 249,700 | 249,700 |
| Egytrans Barg Link Co. | 99.88% | 62,425 | 62,425 |
| | | <u>15,385,755</u> | <u>3,231,957</u> |
| <u>Investments in sister companies :</u> | | | |
| Damietta Feeder Terminal Co. (DFTC) | 20% | 885,000 | 885,000 |
| Barwil Egytrans Shipping Agencies Co. | 30% | 11,511,000 | 225,000 |
| Scan Arabia Shipping Agencies Co. | 30% | 3,921,000 | 225,000 |
| Barwil Arabia Shipping Agencies Co. | 1% | 15,500 | -- |
| | | <u>16,332,500</u> | <u>1,335,000</u> |
| <u>Other investments</u> | | | |
| | | <u>9,177</u> | <u>9,177</u> |
| | | <u>31,727,432</u> | <u>4,576,134</u> |

- During the year, Egyptian transportation & logistics co. (ETAL) increased its issued capital by an amount of L.E 7,672,000 to be L.E 8 million, this increase was registered in the commercial register.
- During 2009, 25% of the investments in global depot solutions co. was transferred to the favor of oversight inner prices limited, also during this year global depot solutions co. increased its capital by an amount of US \$ 900,000 to be US \$ 1 million, this increase was registered in the commercial register.
- During 2009, Egytrans For River Ports decided to increase its capital by an amount of L.E 1.6 million to be L.E 1.85 million, and the procedures of register this increase in the commercial register in progress.
- During the year, Barwil Egytrans Shipping Agencies Co. increased its capital by an amount of L.E 250,000 to be L.E 1 Million, this increase was registered in the commercial register.

6. **Inventory :**

Inventory balance comprises the following :

| | <u>2010</u> | <u>2009</u> |
|---------------------|-------------------|-------------------|
| Vehicles | 14,540,981 | 29,380,965 |
| Clothes and texture | 134,908 | 154,865 |
| Spare parts | 85,945 | 92,540 |
| | <u>14,761,834</u> | <u>29,628,370</u> |

- Developing new regulations by the administrative authorities which had a significant impact on the activities of Port Said Free Zone led to a significant decline in expected net realizable value of goods available for sale in the company's branch at Port Said – Free Zone, this decrease was recognized as goods revaluation losses which charged to operating profit.

7. **Clients and notes receivable :**

Clients and notes receivable comprise the following :

| | <u>2010</u> | <u>2009</u> |
|---------------------------|-------------------|-------------------|
| Clients | 34,064,398 | 31,983,888 |
| Checks under collection | 3,649,444 | 3,581,398 |
| | <u>37,713,842</u> | <u>35,565,286</u> |
| Decline in client's value | (2,083,583) | (1,583,583) |
| | <u>35,630,259</u> | <u>33,981,703</u> |

- According to client's balances committee, the decline in client's value on December 31st 2010 was estimated to be L.E. 2,083,583 with an increase of L.E. 500,000 than last year.

8. **Debtors and other debits:**

Debtors and other debits comprise the following:

| | <u>2010</u> | <u>2009</u> |
|----------------------------------|-------------------|-------------------|
| Due from related parties | 17,735,554 | 10,455,073 |
| Taxes withheld by others | 3,403,949 | 3,993,486 |
| Suppliers – debit balances | 134,486 | 234,801 |
| General authority for investment | 215,949 | 55 |
| Custom authority | 54,754 | 54,553 |
| Accrued revenues | 848,227 | 3,988,005 |
| Prepaid expenses | 1,464,842 | 1,270,999 |
| L/G cash cover | 1,421,961 | 1,407,912 |
| Insurance with others | 896,909 | 881,609 |
| Maritime agents – debit balances | 1,351,585 | 466,129 |
| Cash imprest | 214,217 | 236,870 |
| Employees advances | 226,623 | 276,821 |
| ASCO Co. | 1,016,245 | 1,016,245 |
| Agencies claims | 341,418 | – |
| Shipping lines | 1,771,229 | 1,771,229 |
| Lift sallab | 200,000 | 200,000 |
| Other debits | 5,966,738 | 2,373,633 |
| | <u>37,264,686</u> | <u>28,627,420</u> |

Clearance operations in process comprise the following :

| | <u>2010</u> | <u>2009</u> |
|-------------------|------------------|------------------|
| Alexandria branch | 7,708,520 | 6,368,690 |
| Cairo branch | (235,842) | 143,800 |
| Suez branch | 1,232,265 | 1,501,994 |
| Port said branch | 5,910 | 39,865 |
| Damietta branch | 300,098 | 910,017 |
| Merghem branch | -- | 1,275 |
| | <u>9,010,951</u> | <u>8,965,641</u> |

10. Cash at banks :

Cash at banks balance comprises the following:

| | <u>2010</u> | <u>2009</u> |
|---------------------------------------|-------------------|------------------|
| Banks current acc. – foreign currency | 1,224,431 | 1,862,352 |
| Banks current acc. – local currency | 1,085,545 | 1,255,872 |
| Time deposits – local currency | 64,000,000 | -- |
| Time deposits – foreign currency | 382,005 | 900,756 |
| | <u>66,691,981</u> | <u>4,018,980</u> |

11. Provisions :

Provisions balance on December 31st, 2010 represents tax provision with amount of L.E 2.6 million to meet tax differences that may result from the internal committee decision regarding the tax dispute for years from 1994 to 2003.

12. Suppliers and notes payable :

Suppliers and notes payable balance comprises the following:

| | <u>2010</u> | <u>2009</u> |
|---------------|------------------|------------------|
| Suppliers | 2,775,930 | 2,833,056 |
| Notes payable | 576,258 | -- |
| | <u>3,352,188</u> | <u>2,833,056</u> |

13. Distribution creditors :

Distribution creditors balance comprises the following :

| | <u>2010</u> | <u>2009</u> |
|---|------------------|-------------------|
| Distribution creditors (shareholders) | -- | 10,570,618 |
| Distribution creditors (Employees profit share) | 2,684,739 | 3,295,992 |
| Distribution creditors (B.O.D bonus) | -- | 252,281 |
| | <u>2,684,739</u> | <u>14,118,891</u> |

14. Creditors and other credits :

Creditors and other credit balances comprise the following:

| | 2010 | 2009 |
|--|------------------|------------------|
| Maritime agents – credit balances | 2,851,436 | 1,756,793 |
| Accrued expenses | 359,900 | 185,661 |
| Income tax for the year | -- | 877,038 |
| Taxes withheld from others | 36,990 | 42,368 |
| Income tax authority – current account | 1,719,124 | 1,719,124 |
| Insurance from others | 632,079 | 1,181,253 |
| Sales tax authority | 40,328 | 42,882 |
| Social insurance authority | 94,160 | 81,708 |
| Payroll tax authority | 11,196 | 10,120 |
| Due to relate parties | 1,785,919 | -- |
| Moving capital tax authority | 288,730 | -- |
| Kromi – Hitachi | 290,000 | 290,000 |
| Accrued compensations | 43,079 | -- |
| Other credits | 1,841,397 | 3,105,747 |
| | <u>9,994,338</u> | <u>9,292,694</u> |

15. Issued & subscribed capital :

Based on the extraordinary general assembly decision at 6th of December ,2009, the authorized capital has increased by an amount of L.E 900 million to be L.E 1 billion and the issued capital was suggested to increase by L.E 200 million to be L.E 256,062,500 divided into 25,606,250 shares of L.E 10 per value each, with delegating the board of directors to recall the capital increase according to projects schedule, the board of directors decided to call only L.E 100 million which was paid in full according to Arab African Bank letter, this increase was registered in the commercial register on 14th April ,2010 leading the paid up capital to be L.E 156,062,500.

16. Loans :

Loans balance comprises the following :

| | 2010 | | | 2009 | | |
|------------------------|---------------------------|----------------------------|-------------------|---------------------------|----------------------------|-------------------|
| | Long Term installments | Short Term installments | Total | Long Term installments | Short Term installments | Total |
| National bank of Egypt | 11,135,637 | 1,600,000 | 12,735,637 | 13,495,225 | -- | 13,495,225 |
| NSGB | 6,924,390 | 3,680,000 | 10,604,390 | 11,079,291 | 3,480,000 | 14,559,291 |
| Piraeus bank - Egypt | -- | -- | -- | 624,722 | 552,000 | 1,176,722 |
| Misr bank | -- | -- | -- | -- | 511,563 | 511,563 |
| | <u>18,060,027</u> | <u>5,280,000</u> | <u>23,340,027</u> | <u>25,199,238</u> | <u>4,543,563</u> | <u>29,742,801</u> |

- There is a commercial mortgage contract with amount of L.E 3 million and U.S \$ 500,000 in favor of NSGB (Misr International Bank – previously).
- There is a commercial mortgage contract with an amount of L.E 2 million and U.S \$ 450,000 in favor of National Bank of Egypt.
- During the year the company settled the debts of Misr Bank and Piraeus Bank – Egypt this settlement led to company's exemption from incurring finance costs amounted L.E 799,529 which was recognized as an other revenues in the statement of income.

17. **Operation revenues :**

Operation revenues for the year ended December 31st, 2010 comprise the following:

| Activity / branch | Cairo | Alexandria | Merghem | Port Said | Suez | Damietta | Free zone | Total |
|---------------------------------------|-------------------|-------------------|------------------|------------------|------------------|-------------------|-------------------|--------------------|
| Clearance - import | 4,769,542 | 29,985,114 | -- | 6,625,227 | 4,955,084 | 15,000,756 | -- | 61,335,723 |
| Clearance - export | 3,513,763 | 7,124,691 | -- | 134,343 | 397,880 | 696,111 | -- | 11,866,788 |
| Transportation | -- | -- | 7,050,063 | -- | -- | -- | -- | 7,050,063 |
| Projects | 1,031,639 | 11,774,955 | 1,944,310 | 155,285 | 3,261,955 | 436,577 | -- | 18,604,721 |
| Air freight clearance - import | 4,667,234 | 69,930 | -- | -- | -- | -- | -- | 4,737,164 |
| Air freight clearance - export | -- | 565,658 | -- | -- | -- | -- | -- | 565,658 |
| Transit | 415,855 | 1,382,907 | -- | 258,707 | 581,692 | 174,836 | -- | 2,813,997 |
| Storage | -- | -- | 337,974 | -- | -- | -- | -- | 337,974 |
| Commercial operations | -- | 399,089 | -- | 7,045 | 48,928 | 973,756 | -- | 1,428,818 |
| Consolidated bills of lading - import | 300,897 | 6,553,998 | -- | 329,884 | 17,299 | -- | -- | 7,202,078 |
| Consolidated bills of lading - export | 1,241,849 | 330,713 | -- | 44,963 | -- | -- | -- | 1,617,525 |
| Wrapping | 157,776 | -- | -- | -- | 21,000 | -- | -- | 178,776 |
| Insurance | 248,951 | 706 | -- | -- | 4,059 | 10,246 | -- | 263,962 |
| Showrooms | 1,103,600 | -- | -- | -- | -- | -- | -- | 1,103,600 |
| Rent equipment | -- | -- | -- | -- | 317,335 | -- | -- | 317,335 |
| Free zone - port said | -- | -- | -- | -- | -- | -- | 12,921,244 | 12,921,244 |
| Total | 17,451,106 | 58,187,761 | 9,332,347 | 7,555,454 | 9,605,232 | 17,292,282 | 12,921,244 | 132,345,426 |

Continue: Operation revenues :

Operation revenues for the year ended December 31st, 2009 comprise the following:

| Activity / branches | Cairo | Alexandria | Merghem | Port Said | Suez | Damietta | Free zone | Total |
|---------------------------------------|-------------------|-------------------|-------------------|------------------|------------------|-------------------|-------------------|--------------------|
| Clearance - import | -- | 19,498,371 | -- | 5,739,737 | 5,251,483 | 7,853,084 | -- | 38,342,675 |
| Clearance - export | -- | 5,839,391 | -- | 201,142 | 283,286 | 797,126 | -- | 7,120,945 |
| Transportation | -- | -- | 2,322,303 | -- | -- | -- | -- | 2,322,303 |
| Projects | 947,415 | 48,566,965 | 9,359,640 | 910,462 | 3,185,358 | 1,016,716 | -- | 63,986,556 |
| Air freight clearance - import | 4,487,204 | 62,636 | -- | -- | -- | -- | -- | 4,549,840 |
| Air freight clearance - export | 2,535,138 | 34,245 | -- | -- | -- | -- | -- | 2,569,383 |
| Transit | 383,566 | 866,402 | -- | 152,514 | 283,260 | 184,457 | -- | 1,870,199 |
| Storage | -- | -- | 631,709 | -- | -- | -- | -- | 631,709 |
| Commercial operations | 61,508 | 568,819 | -- | -- | 101,288 | 1,204,959 | -- | 1,936,574 |
| Consolidated bills of lading - import | 513,068 | 7,522,084 | -- | 473,064 | 14,579 | -- | -- | 8,522,795 |
| Consolidated bills of lading - export | 4,279,975 | 574,603 | -- | 73,705 | -- | -- | -- | 4,928,283 |
| Wrapping | 204,058 | -- | -- | -- | -- | -- | -- | 204,058 |
| Insurance | 163,275 | -- | -- | -- | 4,097 | 10,743 | -- | 178,115 |
| Showrooms | 224,400 | -- | -- | -- | -- | -- | -- | 224,400 |
| Rent equipment | -- | -- | -- | -- | 351,114 | -- | -- | 351,114 |
| Free zone - port said | -- | -- | -- | -- | -- | -- | 61,911,534 | 61,911,534 |
| Total | 13,799,607 | 83,533,516 | 12,313,652 | 7,550,624 | 9,474,465 | 11,067,085 | 61,911,534 | 199,650,483 |

18. Operation cost:

Operation cost for the year ended December 31st, 2010 comprise the following:

| Activity / branches | Cairo | Alexandria | Merghem | Port Said | Suez | Damietta | Free zone | Total |
|---------------------------------------|-------------------|-------------------|------------------|------------------|------------------|-------------------|-------------------|--------------------|
| Clearance - import | 3,983,507 | 29,986,839 | -- | 6,218,716 | 4,704,400 | 14,340,726 | -- | 59,234,188 |
| Clearance - export | 3,073,435 | 5,945,831 | -- | 120,832 | 299,819 | 563,583 | -- | 10,003,500 |
| Transportation | -- | -- | 6,982,559 | -- | -- | -- | -- | 6,982,559 |
| Projects | 890,747 | 11,097,617 | 1,550,233 | 148,864 | 2,665,005 | 399,935 | -- | 16,752,401 |
| Air freight clearance - import | 4,057,764 | 126,697 | -- | -- | -- | -- | -- | 4,184,461 |
| Air freight clearance - export | -- | 305,895 | -- | -- | -- | -- | -- | 305,895 |
| Transit | 91,992 | 290,587 | -- | 43,085 | 50,260 | 24,259 | -- | 500,183 |
| Storage | -- | -- | 318,092 | -- | -- | -- | -- | 318,092 |
| Commercial operations | -- | 295,710 | -- | 658 | 45,552 | 924,687 | -- | 1,266,607 |
| Consolidated bills of lading - import | 116,532 | 4,836,652 | -- | 226,547 | -- | -- | -- | 5,179,731 |
| Consolidated bills of lading - export | 1,196,495 | 282,129 | -- | 34,928 | -- | -- | -- | 1,513,552 |
| Wrapping | 78,692 | -- | -- | -- | 17,055 | -- | -- | 95,747 |
| Insurance | 177,583 | 480 | -- | -- | 3,998 | 6,608 | -- | 188,669 |
| Showrooms | 608,154 | -- | -- | -- | -- | -- | -- | 608,154 |
| Rent equipment | -- | -- | -- | -- | 12,444 | -- | -- | 12,444 |
| Free zone - port said | -- | -- | -- | -- | -- | -- | 13,478,301 | 13,478,301 |
| Total | 14,274,901 | 53,168,437 | 8,850,884 | 6,793,630 | 7,798,533 | 16,259,798 | 13,478,301 | 120,624,484 |

Continue: operation cost :

Operation cost for the year ended December 31st, 2009 comprises the following:

| Activity / branches | Cairo | Alexandria | Merghem | Port Said | Suez | Damietta | Free zone | Total |
|--------------------------------------|-------------------|-------------------|------------------|------------------|------------------|-------------------|-------------------|--------------------|
| Clearance - import | -- | 19,202,960 | -- | 5,347,655 | 5,002,102 | 7,417,977 | -- | 36,970,694 |
| Clearance - export | -- | 4,430,774 | -- | 166,656 | 235,383 | 686,597 | -- | 5,519,410 |
| Transportation | -- | -- | 2,398,241 | -- | -- | -- | -- | 2,398,241 |
| Projects | 831,749 | 42,596,085 | 7,006,058 | 784,342 | 1,780,790 | 861,935 | -- | 53,860,959 |
| Aerial clearance - import | 3,898,540 | 62,802 | -- | -- | -- | -- | -- | 3,961,342 |
| Aerial clearance - export | 2,150,536 | 16,220 | -- | -- | -- | -- | -- | 2,166,756 |
| Transit | 115,057 | 188,381 | -- | 65,671 | 44,957 | 30,996 | -- | 445,062 |
| Storage | -- | -- | 466,386 | -- | -- | -- | -- | 466,386 |
| Commercial operations | 51,662 | 392,430 | -- | -- | 96,465 | 1,151,509 | -- | 1,692,066 |
| Consolidated bill of lading -import | 390,207 | 5,240,595 | -- | 359,196 | -- | -- | -- | 5,989,998 |
| Consolidated bill of lading - export | 3,753,120 | 431,596 | -- | 68,210 | -- | -- | -- | 4,252,926 |
| Wrapping | 102,337 | -- | -- | -- | -- | -- | -- | 102,337 |
| Insurance | 122,672 | -- | -- | -- | 3,651 | 5,965 | -- | 132,288 |
| Showrooms | 160,492 | -- | -- | -- | -- | -- | -- | 160,492 |
| Rent equipment | -- | -- | -- | -- | 24,894 | -- | -- | 24,894 |
| Free zone - port said | -- | -- | -- | -- | -- | -- | 58,388,441 | 58,388,441 |
| Total | 11,576,372 | 72,561,843 | 9,870,685 | 6,791,730 | 7,188,242 | 10,154,979 | 58,388,441 | 176,532,292 |

19. General and administrative expenses :

General and administrative expenses for the year ended December 31st, 2010 comprise the following :

| | <u>2010</u> | <u>2009</u> |
|---------------------------------------|-------------------|-------------------|
| Salaries and wages | 7,437,810 | 6,968,449 |
| Vehicles expenses | 190,556 | 204,884 |
| Traveling expenses | 457,622 | 462,157 |
| Telephones and communication | 392,902 | 411,596 |
| Rent | 560,102 | 407,540 |
| Maintenance and securities expense | 215,340 | 198,796 |
| Utilities (water and electricity) | 114,416 | 93,983 |
| Bank charges | 77,352 | 50,817 |
| Mails and stamps | 102,443 | 111,524 |
| Subscriptions | 325,807 | 235,934 |
| Office supplies and printing expenses | 174,092 | 218,397 |
| Computers' expenses | 261,680 | 372,858 |
| Advertisement | 524,393 | 691,124 |
| Hospitality | 55,886 | 74,400 |
| Donations | 3,410 | 1,780 |
| Legal fees | 256,328 | 130,091 |
| Insurance installments | 134,190 | 185,311 |
| Consulting fees | 484,205 | 709,451 |
| Training | 113,307 | 179,095 |
| Central archive | 144,123 | 178,215 |
| Finance lease installment | 153,579 | 165,155 |
| Compensations | 43,079 | -- |
| Company's social responsibility | 33,944 | -- |
| | <u>12,256,566</u> | <u>12,051,557</u> |

20. Earnings per share :

Earnings per share is calculated as follows:

| | 2010 | 2009 |
|---------------------------------|-------------|-------------|
| Net profit for the year | 13,760,554 | 9,872,767 |
| Deduct : | | |
| Employees profit share | (1,307,253) | (1,913,512) |
| B.O.D Bonus | -- | (252,281) |
| Basic earnings for shareholders | 12,453,301 | 7,706,974 |
| No. of shares | 12,689,583 | 5,606,250 |
| Earnings per share | 0.98 | 1.37 |

21. The fair value of financial instruments :

The financial instruments of the company represent financial assets and liabilities, financial assets include cash at banks, clients, and some debit balances while financial liabilities include bank facilities, creditors and other credit accounts.

22. Related party transactions :

Transactions which have occurred within the year ended December 31st, 2010 with related parties are represented in current accounts and services between each other resulted into debit and credit balances as follows:

| | Transaction | Transaction volume | Balance as at Dec. 31 st , 2010 | Balance as at Dec. 31 st , 2009 |
|--|-------------------|--------------------|--|--|
| Due from related parties | | | | |
| Global Depot Solutions Co. | Current accounts | -- | 4,240,795 | 113,184 |
| Egytrans For River Ports | Current accounts | -- | 3,041,194 | 2,398,888 |
| Egytrans Barg Link Co. | Current accounts | -- | 605,817 | 325,963 |
| Egyptian Transportation and Logistics Co. (ETAL) | Current accounts | -- | 3,265,182 | 2,374,994 |
| | Services provided | 1,111,153 | -- | -- |
| Scan Arabia Shipping Agency Co. | Current accounts | -- | 6,112,526 | 4,048,491 |
| Damietta Feeder Terminal Co. (DFTC) | Current accounts | -- | 470,040 | 330,004 |
| Barwil Egytrans Shipping Agency Co. | Current accounts | -- | -- | 863,549 |
| | | 1,111,153 | 17,735,554 | 10,455,073 |
| Due to related parties | | | | |
| Barwil Egytrans Shipping Agency Co. | Current accounts | -- | 1,785,313 | -- |
| | | | 1,785,313 | -- |

23. Risk management :

a. Credit risk :

Credit risk represents the company's ability to collect notes receivable on due dates with whom the company deals, management observe the collection of these dues and improve its performance.

b. Foreign currencies risk :

Foreign currencies risk is represented in the changes of foreign exchange rates which affect payments and collections of foreign currencies and the evaluation of assets and liabilities in foreign currencies.

c. Interest rate risk :

The company depends basically on the bank facilities to provide the working capital. Interest rate risk represents the changes in rates of banks.

24. Tax situation :

a. Corporate tax :

The years from beginning of operation till 1993 :

The company's accounts were inspected by tax authority from the beginning of its operations till 1993, the company cleared and settled the accrued taxes for those years according to appeal committee decision.

The years from 1994 till 2003 :

The company's accounts were inspected by tax authority for the years 1994 till 2003, the company was informed by tax forms (18) and (19), the company appealed tax form (19) and the argument is subject to the appeal committee.

Year 2004 :

The company presented its tax return at the legal time the inspection is taking place by tax authority for this year.

Years from 2005 till 2009 :

The company presented its tax returns at the legal time according to the Law No.91 for the year 2005.

b. Payroll tax :

The company has settled and paid its due tax from inception till 2007.

c. Stamp tax :

The company has settled and paid its due tax from inception till 2008.

d. Sales tax :

The company has settled and paid its due tax from inception till 2008.

25. Contingent liabilities :

The banks have issued letters of guarantee for the company in favor of third party. The outstanding letters of guarantee as at Dec. 31st, 2010 amounts L.E 14 369 122 which are covered by an amount of L.E. 1,421,961.

26. Subsequent events :

The Arab Republic of Egypt has experienced events that had a significant impact on all economic sectors in general. It is very likely that this will lead to a significant decline in economic activities during the coming periods. It is therefore possible that these events might have a substantial impact on the elements of assets and liabilities and related recoverable values as well as the results of operations during the coming periods. It is currently hard to determine the magnitude of this impact on the assets and liabilities included in the financial statement of the company as it depends on the expected extend and duration of these events and their implications.