

**MISR FOR
CLEARING,
SETTLEMENT AND
CENTRAL
DEPOSITORY**



**ANNUAL
REPORT**

2001

■ MORE OPENNESS TO THE MARKET .. AND MORE SERVICES ■

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2001

C O N T E N T S

- chairman's Letter	4
- Introduction	8
- Landmarks of 2001	10
- Strategic Development of The company	14
- Adapting to the new Depository Law and its Executive Regulations	16
- Goals for the Future	20
- Licensed Brokerage Companies	26
- Balance Sheet	27
- Statement of Income	28
- Statement of Changes in Equity	29
- Statement of Cash Flows	32
- Auditors' Report to the Shareholders	33
- Significant Accounting Policies	34
- Charts	

2001

BOARD OF DIRECTORS

Ali Mohamed Negm
Chairman and
Managing Director



Mohamed Abdel Salam
Deputy Chairman and
Managing Director



**Nasef Nazmi
Gerguis**
Board Member



**Sameh
El Torgoman**
Board Member



**Sherif Wahid
Raafat**
Board Member



**Amr Abdel Azim
Hosni**
Board Member



**Nadia Fayek
El Mankabadi**
Board Member



**Mohamed Adel
El Sanhoury**
Board Member



2001

Chairman's Letter



I am pleased to present our achievements for 2001, which genuinely reflect the extraordinary efforts of the Misr for Clearing, Settlement, and Central Depository (MCSD) team. The year culminated in the adoption of the Executive Regulations to the Central Securities Depository and Registry Law (93/2000) and recognition from major international institutions for the impressive development of the MCSD.

Most significantly, JPMorgan Chase granted the MCSD a near-perfect rating for its depository services. The evaluation criteria used by JPMorgan Chase conform to the rigorous and broad requirements of the U.S. Securities and Exchange Commission. Under U.S. law, the evaluation allows the MCSD to serve as a depository for securities owned by U.S.-registered mutual funds and their global custodians, which will attract more foreign investment to Egypt's capital market.

The MCSD was also granted the International Star Prize at the Gold Level by Business Initiative Directions (BID), as well as a Total Quality Management (TQM) certificate. Both awards recognize the MCSD's overall efficiency and the quality of the services it provides to capital market participants.

In another significant development for 2001, the MCSD concluded an agreement with Mellon Investor Services to assist with the implementation of a Central Registry Service. The service will run on state-of-the-art technology, using procedures similar to those found in advanced capital markets. It will provide a sophisticated and automated alternative for maintaining share ownership records.

In 2001, the number of MCSD participants continued to grow. By year-end, we had a total of 961 participants, including 730 issuers of securities. The issuers represent 69 percent of securities issues traded on the stock exchange, and 98 percent of total trading volume. MCSD members also include 146 brokerage companies and 78 bookkeeping companies. In the coming year, bookkeepers will be phased out to reemerge as custodians in accordance with the Executive Regulations to the Central Securities Depository and Registry Law. To better serve all its participants, the MCSD is adjusting its fees to include new services.

Throughout the year, the MCSD continued to improve its information technology systems, which are at the core of its operations. We bought two large capacity data storage systems — hardware that expands our capacity by more than 1,000 times. The new electronic storage space will allow the MCSD to better serve the needs of its growing number of participants and subscribers, as well as all securities traders.

To increase the speed of its computer systems, the MCSD is enhancing the capacity and efficiency of communication links, updating network security systems, and improving its network management system, which includes both hardware and software components. Changes to security systems and procedures will require training to allow employees and participants to reach higher performance levels.

During the transition from the elimination of bookkeeping companies to the introduction of custodians, the MCSD will assume responsibility for maintaining share ownership records for all securities traded on the stock exchange. This will require the MCSD to create new electronic systems and procedures to maintain and, in the case of sales, block securities balances for investors, a service formerly provided by bookkeeping companies. This system will be launched in early 2002.

In conclusion, I would like to express my profound thanks and appreciation to our staff and all those who have contributed to the MCSD's march forward. I am confident that our achievements in the coming year will match or exceed those of 2001, a year in which we made significant strides and received much-deserved international recognition for our efforts. ■

Ali Mohamed Negm

2001

Introduction



The year marked a turning point in the MCSD's history. Previous efforts had focused on establishing the company, assembling and training its staff, and launching the MCSD on the international scene. In 2001, this development process culminated in international awards and a positive evaluation from a leading financial institution. This new confidence from world-class institutions recognized the MCSD's high-quality services, its compliance with international standards and best practices, and its transparency and complete openness. Since its inception, the MCSD has not had a year so rich in achievement and success on the internal and external levels, as well as locally, regionally, and internationally.

At the internal and local levels, the MCSD launched an electronic archiving system for documents, including a restoration feature in case records are lost. In collaboration with Citibank, it also launched a new system to facilitate the transfer of proceeds from transactions, including dividend and interest payments, to both local and international investors.

In addition, the MCSD continued to implement state-of-the-art technology, including the installation of new data storage devices that have increased capacity by more than 1,000 percent. As a new service for investors, we launched systems that electronically notify owners of buy and sell trades in their securities by fax, telephone, e-mail, and messages over their cellular phones.

The MCSD team also developed and launched a website (www.mcscd.com.eg) and created a crisis management plan that was tested successfully at year-end. Finally, the Settlement Guarantee Fund, launched in 2000, continued to operate effectively during the year, eliminating unsettled trades in securities.

At the international level, the MCSD scored important successes, including hosting a delegation from Mellon Financial Services. After the tour, Mellon agreed to provide the technical assistance needed to create a world-class central registry service for the Egyptian capital market.

The MCSD received major awards and recognition for its efforts. In May, JPMorgan Chase awarded it near-perfect marks for its depository services. With the vast majority of its services given a "best practice" rating, the MCSD joined the ranks of world leaders in the securities depository field. The high evaluation resonated internationally, particularly because the MCSD has only been in operation for five years. In July, the Madrid-based Business Initiative Directions awarded the MCSD the International Star Prize at the Gold Level and the Total Quality Management (TQM) certificate, both of which were received by MCSD Chairman Ali Negm.

Finally, November 26 marked the promulgation of the Executive Regulations to the Central Securities Depository and Registry Law. Under the new law and regulations, the MCSD will become a self-regulatory organization. A special law grants the company the powers necessary to execute this new role, which reflects the principle of "power coupled with responsibility."

With the passage of the law and the issuance of executive regulations, the MCSD received a mandate to expand its services, dramatically expanding its role in the capital market. As a result of this development, we adopted a new slogan — "more openness to the market .. and more services" — to guide our way forward. ■

2001

Landmarks of 2001



February 2001 Installation of the Electronic Archiving System

The electronic archiving system is a major step in the development of the company's internal operations. It provides an automated means of maintaining and, if necessary, restoring data and information required in our day-to-day operations. In total, 121,500 pages of documents were converted to electronic form in 2001 — 66,500 related to participants and subscribers, 11,000 related to employee and personnel matters, and 44,000 related to securities in the Central Depository System. The system also includes all memoranda and minutes of the company's Board of Directors and General Assembly meetings.

Four MCSD departments currently benefit from the electronic document archiving system, which is being expanded to cover the company's entire operations.

April 2001 Creation of a New System to Transfer Proceeds to Investors
To facilitate the transfer of proceeds from securities, including dividend and interest payments, the MCSD launched a new system to deliver funds to securities holders and their agents both inside and outside Egypt. This system is being implemented in partnership with Citibank.

May 2001 Installation of Central Information Storing Units

May 2001 Receipt of JPMorgan Chase Rating

JPMorgan Chase rated the MCSD at 1.25 on a scale of 1 to 3, with "1" indicating best practice, "2" mid-range practice, and "3" worst practice. The rating represents a significant achievement for the company, especially in light of the relatively short period of time (five years) since its inception.

September 2001 Launch of the Automatic System to Notify Investors of Buy and Sell Transactions in their Securities

October 2001 Award of International Star Prize at the Golden Level and TQM Certificate

Madrid-based Business Initiative Directions (BID) awarded the MCSD the International Star Prize at the Gold Level for the quality of the services it provides to participants and the investing public. It also awarded the MCSD a Total Quality Management (TQM) certificate.

November 2001 Issuance of the Executive Regulation to the Central Securities Depository and Registration Law

The regulations provide a legal basis for the MCSD and its major service, and give it a mandate to conduct new activities to support the capital market.

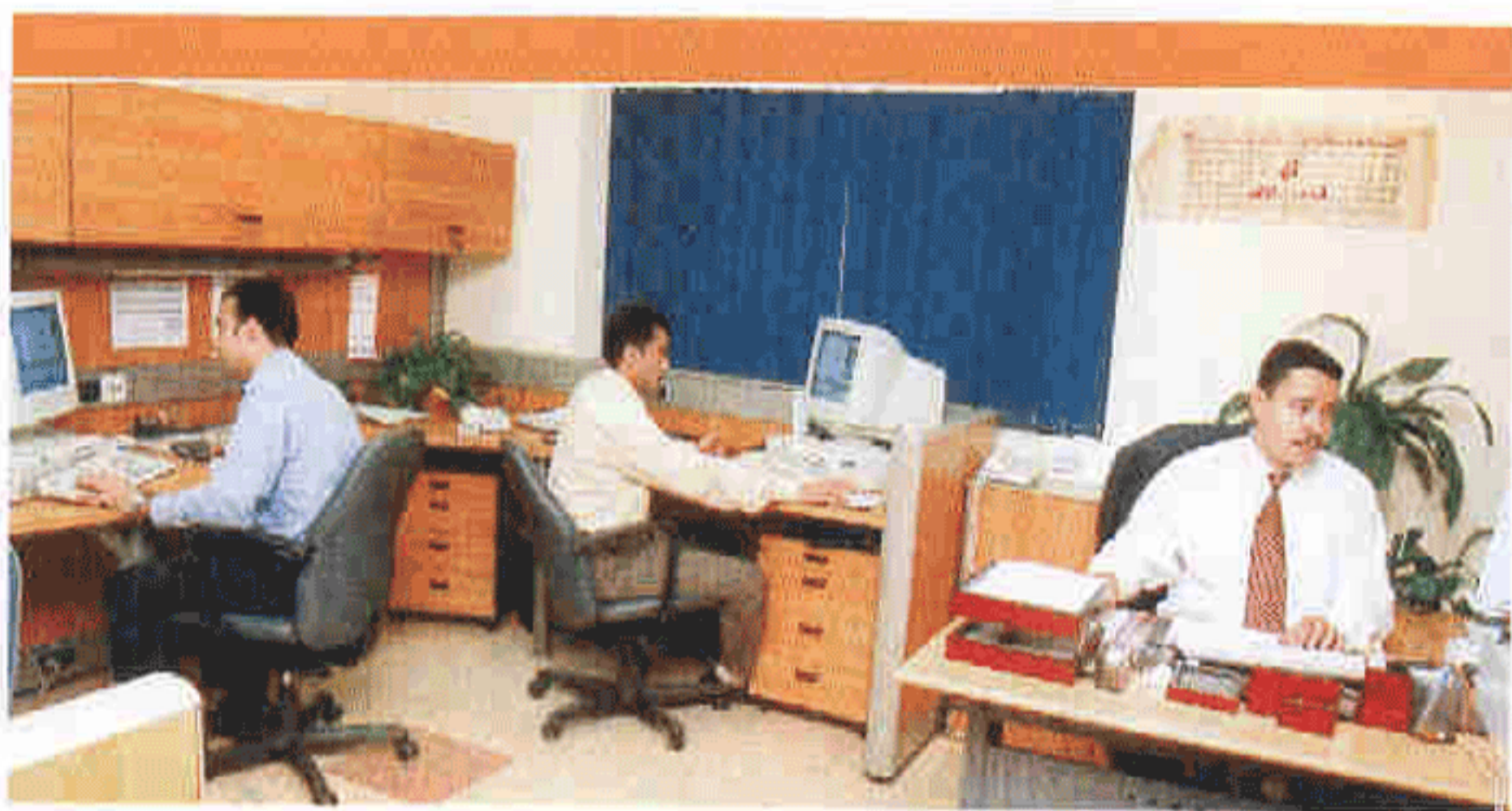
December 2001 Initial Test of the Crisis Management Plan

December 2001 Launch of the MCSD Web Site

The Web site provides market participants with access to new services over the Internet, including account statements for the Settlement Guarantee Fund, daily account statements, settlement statements, and information about the company and the capital market. The Web site is designed to increase transparency and openness, and to promote economic awareness among capital market participants and investors. ■

2001

Strategic Development of the Company



In a world governed by the value of time, competition, the drive to perfection, and openness and transparency, there is no room for mediocrity, delay, or introversion. One must adopt the global values of competition or totally withdraw from the world market. The MCSD has accepted this challenge, adopted the values and language of our age, and mastered its techniques.

With the promulgation of the Executive Regulations to Law 93/2000, it became incumbent on the MCSD to adjust itself to conform to the law. The company wasted no time in this endeavor, reflecting a results-oriented approach based on planning and developing strategies to effectively deal with unexpected events.

As part of institution-building in the wake of the Executive Regulations, a new organizational structure added a number of advisory committees, including a

Users' Advisory Group, a Risk Management Committee, and an Internal Audit Committee. These committees provide opinion and consultation to the Board of Directors, allowing them to make better decisions that serve the needs of market participants. The creation of these committees points to another MCSD core value — reliance on expertise and multiple voices in decision-making rather than on a single individual.

To keep pace with developments in local and world markets, the company has embarked on a number of strategic initiatives. These include:

- Full automation of work using new computer systems, limiting the possibility of human error
- Implementation of an effective internal audit system, enabling management to locate and address weaknesses in the company's operations
- Use of the most advanced technology to keep pace with international developments and standards
- Introduction of compliance officers to conduct regular reviews of adherence to the rules, procedures, and laws governing the capital market

Finally, the MCSD is fully committed to developing the skills and abilities of its staff. This is our most important strategic initiative. Consequently, the MCSD is "investing" in its staff in a number of ways, including:

- **Training Programs.** The MCSD organizes training programs for its employees in a wide range of areas related to their work. Staff development courses are conducted by leading Egyptian institutions. The MCSD also sends many of its employees abroad for training, allowing them to learn about the latest developments in their fields of expertise, including technology.
- **Higher Education.** The MCSD supports staff members engaged in advanced studies related to their work. Currently, 56 employees are pursuing advanced certification, diplomas, or Master's degrees locally, and five employees are enrolled in a Master's program at the Illinois Institute of Technology via the Internet. During the year, 21 employees completed their higher studies. In total, 82 employees, a majority of the MCSD team, were engaged in higher studies. We are proud of these numbers, which are highly unusual among local companies.
- **Other Programs.** The MCSD also sponsors a variety of social and sporting activities to promote teambuilding and maintain the health and social wellbeing of its staff.

These initiatives are allowing the MCSD to keep pace with current developments and promise a brighter future for the company and its staff. ■

2001

Adapting to the New Depository Law and its Executive Regulations



MCSA

As noted at the beginning of this report, passage of the Central Securities Depository and Registry Law and the promulgation of its Executive Regulation established a new regulatory foundation for the

MCSA.

Most importantly, the law mandates a reallocation of the company's capital. In accordance with the Executive Regulations, the MCSA's share capital must be divided among all its participants in proportion to the fees they pay for services. No participant will be able to hold more than 5 percent of total capital. New participants will initially pay a minimum subscription amount of one-sixteenth of total issued shares.

On another front, the company is taking steps to become a self-regulatory organization in its structure and activities by creating the competencies required to shoulder the new responsibilities that self-regulatory status will bring. In addition, the MCSA is expanding the services it offers to participants and shareholders, keeping pace with world developments in the field.

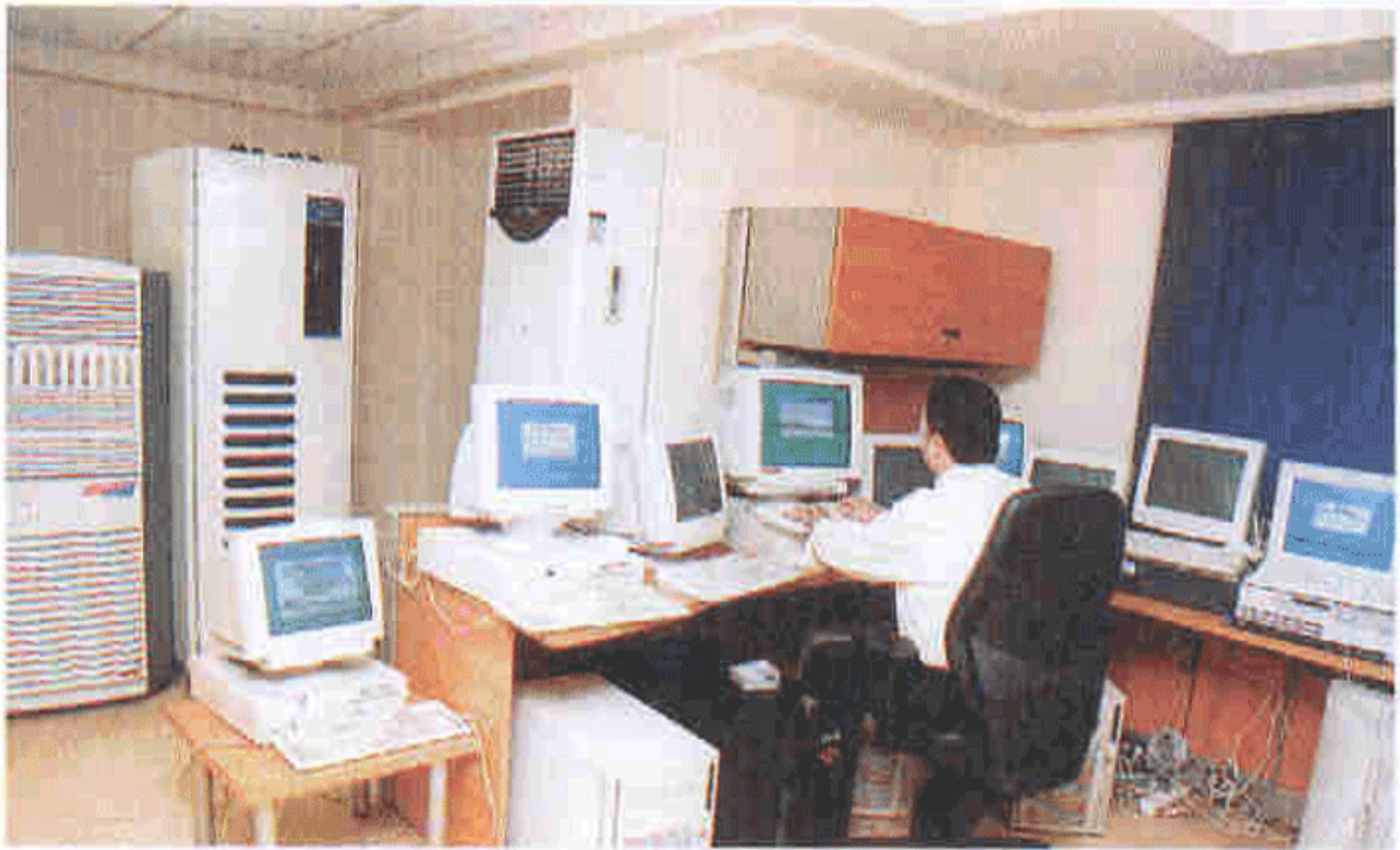
The new law also mandates the MCSA to handle all transfers of securities ownership for shares and bonds traded in the stock exchange, assigning the company responsibility for providing a registry service for all securities included in the Central Depository System. In the new Central Registry, share ownership data will be maintained for a minimum of five years, with other relevant records maintained for a minimum of three years.

The law breaks other new ground in the Egyptian capital market. The executive regulations allow institutions to serve as registered owners of shares, with an appropriate license from the Capital Market Authority. It also changes the date of ownership from the trade date to the settlement date. The MCSA will assist with the implementation of these requirements in the coming year.

Finally, the law and its executive regulations reorganize and redefine the activities of depository banks, as well as the relationship between trustees, their clients, and the MCSA with respect to rights and obligations. These changes are designed to ensure the integrity of client balances in the new Central Registry Service and to prevent inconsistencies that may damage client interests and adversely impact the reputation of the capital market.

2001

Goals for the Future



After restructuring of the MCSD, particularly following the promulgation of the Executive Regulations to Law 93/2000, the company has begun opening its doors to traders, participants, and subscribers in line with a new policy of complete transparency. Transparency and openness are required for the MCSD's transition to a self-regulatory organization, as mandated by the new law. The MCSD's capital will also be redistributed, turning all participants into shareholders. A capital increase is being implemented to accommodate the increase in the number of shareholders.

On the whole, the law establishes a solid legal framework for investment and makes increased transparency and disclosure key objectives. It also fills a need for stricter controls on activities in the capital market.

The MCSD is implementing several initiatives to implement the requirements of the new law, promote market efficiency, attract foreign investors, and transform short-term into long-term investment. Six key systems were developed in 2001, as presented below.

1. Automated Voting System

The MCSD plans to create a system that will allow shareholders in listed companies to vote in general assembly and other shareholder meetings over the Internet. This system will operate through the MCSD's new Web site. The site will also provide additional information allowing shareholders to make informed decisions. In addition, foreign investors will be able to access information.

The new system will make the Egyptian economy more open to local and international investors through increased transparency — an essential factor for all investors, be they individuals or institutions.

2. Smart Cards

The MCSD plans to introduce smart-card machines (similar to automated teller machines) that will allow users to issue instructions and check account balances electronically. This service is being implemented in several stages, with the first scheduled for completion by the end of 2002.

The first stage of the system will enable clients to issue buy and sell orders in their securities to brokers and to receive dividend and interest payments electronically. The second and third stages will allow shareholders to examine their balances, transaction history, and other information.

The primary purpose of the smart-card system is to provide maximum protection of the clients' securities accounts. It will ensure that operations are only executed at the direct instruction of the client. By tracking client orders and requests, the system also provides an accurate audit trail, increasing transparency and disclosure. With these features, the system will reinforce Egypt's pioneering role in the Arab world.

3. Registered and Beneficial Owners

The Central Securities Depository and Registry Law allows licensed firms to buy, sell, and hold securities on behalf of other beneficial owners. When implemented, this system will ensure a high level of confidentiality for those shareholders who desire it. It will also facilitate the work and procedures of financial institutions acting as registered owners, especially those dealing with large numbers of customers. The MCSD will maintain records on registered owners as well as beneficial owners to protect the interests of investors.



Registered owners will be able to vote on behalf of their clients in general assemblies, which is expected to increase shareholder participation in company decisions.

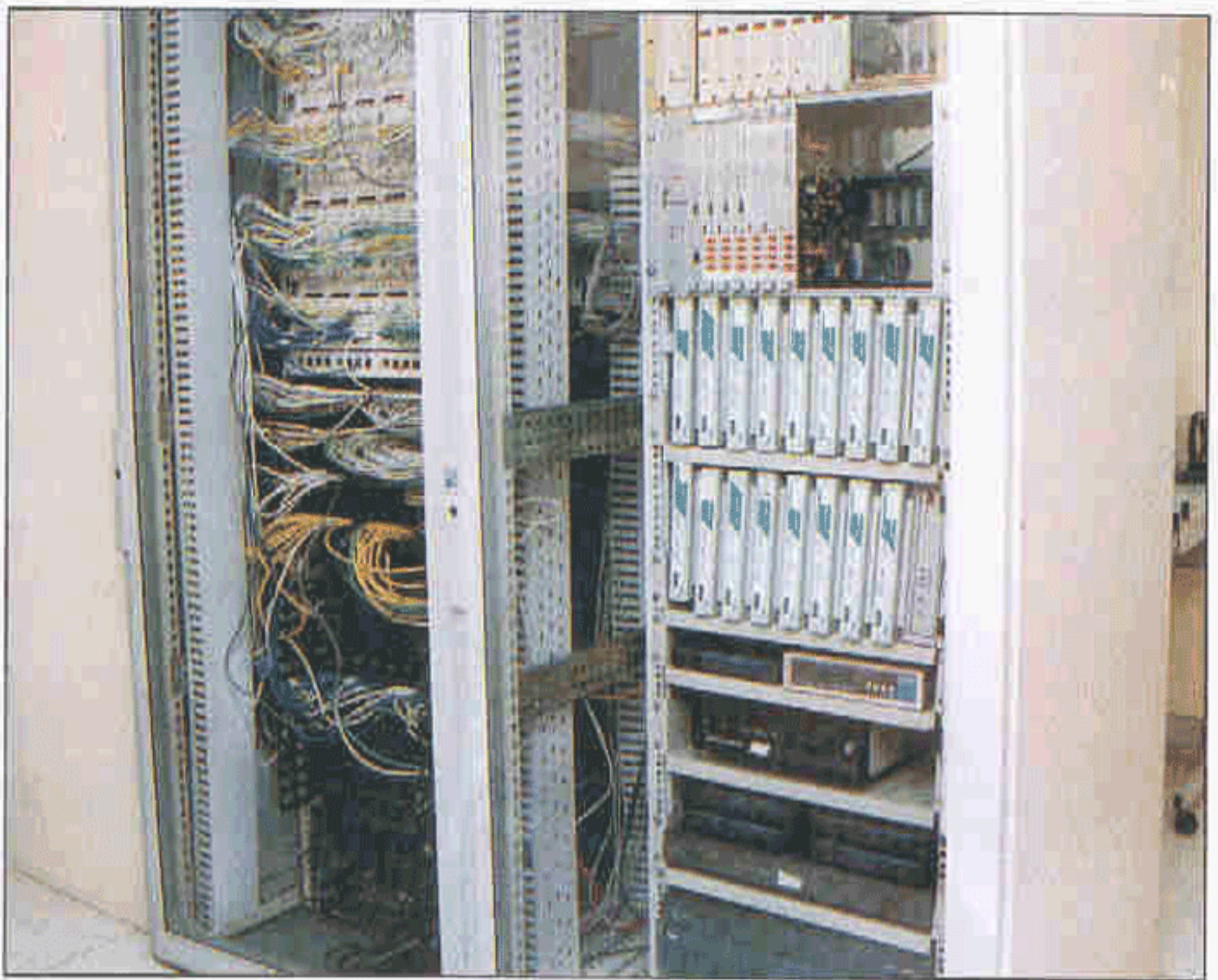
4. Securities Lending and Borrowing

The MCSD is creating a Securities Lending and Borrowing service that will support the operations of the Settlement Guarantee Fund by allowing participants to borrow securities to settle trades rather than relying on the Fund. Securities loans will be made through the balances of participants in the service. The service will also add a tool for investors to increase returns on their investments by lending securities to other participants, which will facilitate the timely settlement of securities trades, build confidence in the capital market, and attract more foreign investment. The outcome will be increases in market size and turnover.

The creation of a Securities Lending and Borrowing Service will mark the MCSD's implementation of another international standard for clearance and settlement organizations, reducing settlement risk in the Egyptian capital market. In accordance with these international standards, the service will operate transparently and with full disclosure to market participants and the investing public.

5. Creation of the Central Registry System

The new law obligates the MCSD to establish and maintain a Central Registry Service to electronically hold share ownership records for centrally deposited securities. To



help establish the service, the MCSD engaged U.S. experts from Mellon Investor Services, one of the world's leaders in transfer agency services. Mellon offers services to more than 1,500 securities issuers, operating approximately 21.9 million accounts for more than 6,400 issues. Mellon is providing technical assistance to the MCSD for the design and implementation of systems and procedures in par with international standards.

6. Disaster Recovery Plan

The MCSD's activities are central to the operation of the capital market. Most importantly, it must ensure that data and other investor and issuer information is protected in the event of crisis or disaster. To protect this information and provide continuity in times of crisis, the MCSD established a provisional crisis management center, equipping it with computers and other necessary tools to restore missing information, sustain operations, and provide a full range of services in the event of a crisis or disaster.

A disaster recovery plan was developed, implemented, and tested during the year, in conjunction with staff training. This activity was conducted in partnership with the Capital Markets Development project funded by the U.S. Agency for International Development (USAID).

As part of these crisis management efforts, MCSD is establishing a permanent back-up facility to ensure the integrity of data. The center will be built underground at a location outside Cairo. ■

2001

Licensed Brokerage Companies

31 December-2001

Serial	Name	Serial	Name	Serial	Name
1	Al Magmoaa Al Muleyu	50	Al Karma	99	Al Masreya Al Kuweiteyu
2	Al Arubeya	51	Al Masa	100	Nile Investments
3	Baraka	52	Tamro	101	Agriad
4	Al Ahram	53	Stars	102	Continental
5	Okaz	54	Al Maadi	103	Libon
6	Al Madina	55	Al Nil	104	HSBC
7	Al Salam	56	Prizma	105	3 Way
8	Tiba	57	Al Nasr	106	Global Capital
9	Al Oroubu	58	Mina	107	Bankers Group
10	Misr	59	Al Horreya	108	Magmoat Al Aswaq Al Araheya
11	Fleming Al Mansour	60	Al Lewaa	109	Al Nossour
12	Triple A	61	Al Sahm Al Zahabi	110	Al Karnak
13	Al Alameya	62	Link	111	Orbit Stock
14	Hermes	63	Al Qemma	112	Golden Hand
15	Giza	64	Natir Al Dawleya	113	Profit
16	AHN Amro Delta	65	Al Qahera 2	114	Misr Al Khalig
17	Al Pharuana	66	Al Magmoaa Al Swissreya	115	Helwan
18	Al Iman	67	Egypt Trust	116	Al Tadamon Al Arabi
19	Al Shorouk	68	Al Ahli	117	Taycoou
20	Al Shark Al Awsat	69	Metro	118	CIH
21	Al Rowad Al Ahleya	70	Al Hund	119	Al Dawleya - Al Qahera
22	Annun	71	Al Farh	120	Midland
23	Al Qahera Al Wataneya	72	Al Gozour	121	Al Magmoaa Al Europeya
24	HC	73	Axion Door	122	Honest
25	Al Bahr Al Motawaset	74	Premier	123	Al Alyaa
26	Al Magmoaa Al Iktisadeya	75	Wedian	124	Sinai
27	Fortune	76	International	125	Guarantee
28	Al Masreya Al Khaligeya	77	Al Magmoaa Al Motahida	126	Al Amaleqa
29	Al Pharaoneya	78	Al Mokatam	127	Phoenix
30	Al Etehad	79	Al Massriene	128	Sigma
31	Al Qahera Al Dawleya	80	Lotus	129	Al Wataneya
32	United	81	Al Masreya Al Amriceya	130	Al Sufa
33	Al Tawfik	82	Wall Street	131	Al Yaxmine
34	Al Masreya Al Canadeya	83	Al Mostakbal	132	Al Dawleya
35	Al Magmoaa Al Dawleya	84	Magmoat Trust	133	Al Kamal
36	Horus	85	Al Okhwa Al Motahidoun	134	Al Khaligia
37	Miracle	86	Al Magmoaa Al Masreya	135	Alexandria
38	Al Nour	87	Tropicana	136	Brokers
39	Correct Line	88	Al Fayrouz	137	Al Amal
40	Al Kenana	89	Al Etehad Al Dawli	138	Al Khobaraa
41	Optima	90	Fleming (CIIC)	139	Al Mahrousa
42	Al Manar	91	Universal	140	Team
43	Luxor	92	Al Kamal 2	141	Bah Al Molouk
44	Al Marwa	93	Champion	142	Misr Al Dawleya
45	Al Sufwa	94	Council	143	Al Takamol
46	Dynamic	95	Investia Misr Romania	144	Al Kheir
47	Al Magmoaa Al Istratigeya	96	Pioneers	145	Al Ombaa
48	Queen	97	Capital	146	Al Kenana C
49	Golden Way	98	Prime		

2001

BALANCE SHEET

31 December-2001

	2001 L.L.	2000 L.E.
ASSETS EMPLOYED		
PROPERTY, FURNITURE & EQUIPMENT	14,072,602	10,344,767
PROJECTS UNDER PROGRESS	4,318,211	5,673,038
CURRENT ASSETS		
Accounts receivable and prepayments	6,281,114	2,678,800
Bank balances and Cash	14,862,145	15,758,150
Dividends' coupons- at bank	108,111,518	101,735,754
	<u>129,254,777</u>	<u>120,172,704</u>
CURRENT LIABILITIES		
Accounts payable and accruals	12,845,989	10,145,961
Dividends' coupons payable	108,111,518	101,735,754
Dividends payable	2,577,658	2,012,625
Provision for claims	2,274,586	2,038,701
	<u>125,809,751</u>	<u>115,933,041</u>
NET CURRENT ASSETS	<u>3,445,026</u>	<u>4,239,663</u>
	<u>21,835,839</u>	<u>20,257,468</u>
FUNDS EMPLOYED		
SHAREHOLDERS' EQUITY		
Share capital	18,750,000	15,000,000
Dividends towards capital increase	-	3,750,000
Legal reserve	939,853	836,481
Retained earnings	57,105	670,987
	<u>19,747,258</u>	<u>20,257,468</u>
LONG-TERM LIABILITIES		
Fixed assets creditors	<u>2,088,581</u>	<u>-</u>
	<u>21,835,839</u>	<u>20,257,468</u>
CONTRA ACCOUNTS	64,336,423,727	88,820,063,621

2001

STATEMENT OF INCOME

For the year ended 31 December 2001

	2001 L.E.	2000 L.E.
REVENUE		
Services revenue	19,571,216	20,409,641
Cost of services	(16,664,127)	(13,352,317)
Gross profit	2,907,089	7,057,324
Other income	7,492,631	4,912,338
	<u>10,399,720</u>	<u>11,969,662</u>
EXPENSES		
General and administration	(6,896,015)	(6,127,165)
Amortization of deferred charges	-	(155,111)
Provisions	(1,436,227)	(922,913)
	<u>(8,332,272)</u>	<u>(7,205,189)</u>
NET PROFIT FOR THE YEAR	<u>2,067,448</u>	<u>4,764,473</u>

2001

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2001

	Share Capital	Dividends towards capital increase	Legal Reserve	Retained Earnings	Total
	L.E.	L.E.	L.E.	L.E.	L.E.
Balance at 31/12/1999	10,000,000	5,000,000	598,257	1,907,363	17,505,620
Net profit for the year	-	-	-	4,764,473	4,764,473
Increase in share capital (Bonus shares)	5,000,000	(5,000,000)	-	-	-
Transfer to legal reserve	-	-	238,224	(238,224)	-
Cash dividends	-	-	-	(2,012,625)	(2,012,625)
Bonus shares	-	3,750,000	-	(3,750,000)	-
Balance at 31/12/2000	15,000,000	3,750,000	836,481	670,987	20,257,468
Net profit for the year	-	-	-	2,067,448	2,067,448
Increase in share capital (Bonus shares)	3,750,000	(3,750,000)	-	-	-
Transfer to legal reserve	-	-	103,372	(103,372)	-
Cash dividends	-	-	-	(2,577,658)	(2,577,658)
Balance at 31/12/2001	18,750,000	-	939,853	57,405	19,747,258

2001

STATEMENT OF CASH FLOWS

For the year ended 31 December 2001

	2001 L.E.	2000 L.E.
OPERATING ACTIVITIES		
Net profit for the year	2,067,448	4,764,473
Adjustments for:		
Amortization of deferred charges	-	155,111
Depreciation of fixed assets	3,218,149	2,063,111
Transfer to expenses from project under construction	223,357	-
Adjustments of fixed assets	-	(9,696)
Provisions used	(2,430)	(82,964)
Provisions	1,436,227	922,913
Gain from selling of fixed assets	(179,500)	-
Operating profit before working capital changes		
Increase in other creditors	6,763,251	7,812,948
Increase in dividends coupons payables	2,700,028	7,368,886
Increase in other receivables	6,375,764	29,777,958
Tax paid	(4,363,314)	(703,048)
Net cash from operating activities	<u>(436,912)</u>	<u>(291,802)</u>
	11,038,817	43,964,942
INVESTING ACTIVITIES		
Projects under progress	-	(1,363,350)
Transfer of fixed assets to expenses	15,600	-
Disposal of fixed assets	3,931,341	37,390
Purchases of fixed assets	(9,581,955)	(5,274,773)
Fixed assets creditors	2,088,581	-
Net cash used in investing activities	<u>(3,546,433)</u>	<u>(6,600,733)</u>
FINANCING ACTIVITIES		
Dividends paid	<u>(2,012,625)</u>	<u>(1,404,569)</u>
Net cash used in financing activities	<u>(2,012,625)</u>	<u>(1,404,569)</u>
INCREASE IN CASH		
Cash at beginning of the year	117,493,904	81,534,264
Cash at end of the year	<u>122,973,663</u>	<u>117,493,904</u>

2001

AUDITORS' REPORT TO THE SHAREHOLDERS OF MISR FOR CLEARING, SETTLEMENT AND CENTRAL DEPOSITORY S.A.E.



We have audited the accompanying balance sheet of Misr for Clearing, Settlement and Central Depository S.A.E. as of 31 December 2001, and the related statements of income, changes in equity and cash flows for the year then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with International Standards, as well as, Egyptian Standards on Auditing issued to date and the requirements of relevant local laws and regulations. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We have obtained all the information and explanations which we considered necessary for the purpose of our audit. We believe that our audit provides a reasonable basis for our opinion on the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the company as of 31 December 2001, and the results of its operations and its cash flows for the year then ended in conformity with Egyptian Accounting Standards.

The company maintains proper books of accounts which comply with the requirements of the law and the company's Articles of Association, and the financial statements are in agreement therewith.

The financial information included in the Board of Director's report, which has been prepared in accordance with the requirements of Law 159 of 1981 and its Executive Regulations, is in agreement with the company's books, where applicable.

Taha M. Khaled
Chartered Accountant
R.A.A. 5136
Zarrouk, Khaled & Co.
Member of BDO International

2001

SIGNIFICANT ACCOUNTING POLICIES

31 December-2001



The financial statements are prepared in accordance with Egyptian Accounting Standards, which are substantially in agreement with International Accounting Standards. The significant accounting policies adopted are as follows:

a The accounting convention

The financial statements are prepared under the historical cost convention.

b Property, furniture and equipment

Property, furniture and equipment are recorded at cost.

c Depreciation

Depreciation is provided on all property, furniture and equipment by equal annual installments over their expected useful lives, using the same depreciation rates used during previous years.

The estimated useful lives of assets for the calculations of depreciation are as follows:

Properties 10 years

Furniture & office equipment 5 years

Computers 5 years

Motor vehicles 5 years

Equipment of American Aid 3 years

d Taxation

Taxation is provided for in accordance with Arab Republic of Egypt Fiscal Regulations.

e Revenue recognition

- Clearing and settlement services fees are accrued on all securities selling and buying transactions executed during the year in the Stock Exchange.
- Subscription fees are accrued on brokerage and bookkeeping companies on annual basis.

f Contra accounts-Central Depository

The company maintains central depository register where all shares maintained at the central depository system are recorded. The value of these shares are treated as contra accounts in the balance sheet.

g Foreign currencies

Foreign currencies transactions are recorded in Egyptian pounds at the rates of exchange prevailing at the time of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to Egyptian pound at the year end rate of exchange. All exchange differences are taken to the statement of income.

h Provision for Clearing and Central Depository risk

Provision is made at the balance sheet date for clearing and central depository risks at a rate of 2% as a percentage of total revenue to cover relevant financial positions.

i Provision for dividend's coupons distribution risks

Provision is made at the balance sheet date for dividend's coupons distribution risks at a rate of 0.35% as a percentage of dividends' coupons payable balance to cover relevant financial positions.

j Provision for decline in value of securities

Provision is made for decline in value of securities held in the name of the company pending exchange and settlement processes at the balance sheet date for the excess of cost over their market value.

k Debtors

Provision is made when the collection of accounts receivable is doubtful. The provision expense is charged to the statement of income.

l Donated assets

Donated assets received from the U.S. American Aid Authority (USAID) are capitalized at their fair value at the date of donation and are credited to unearned income (under other credit balance). The donated asset are depreciated over the expected useful life. The real earned income is accredited to period income using the same amount of depreciation (Notes 5, 11, 19).