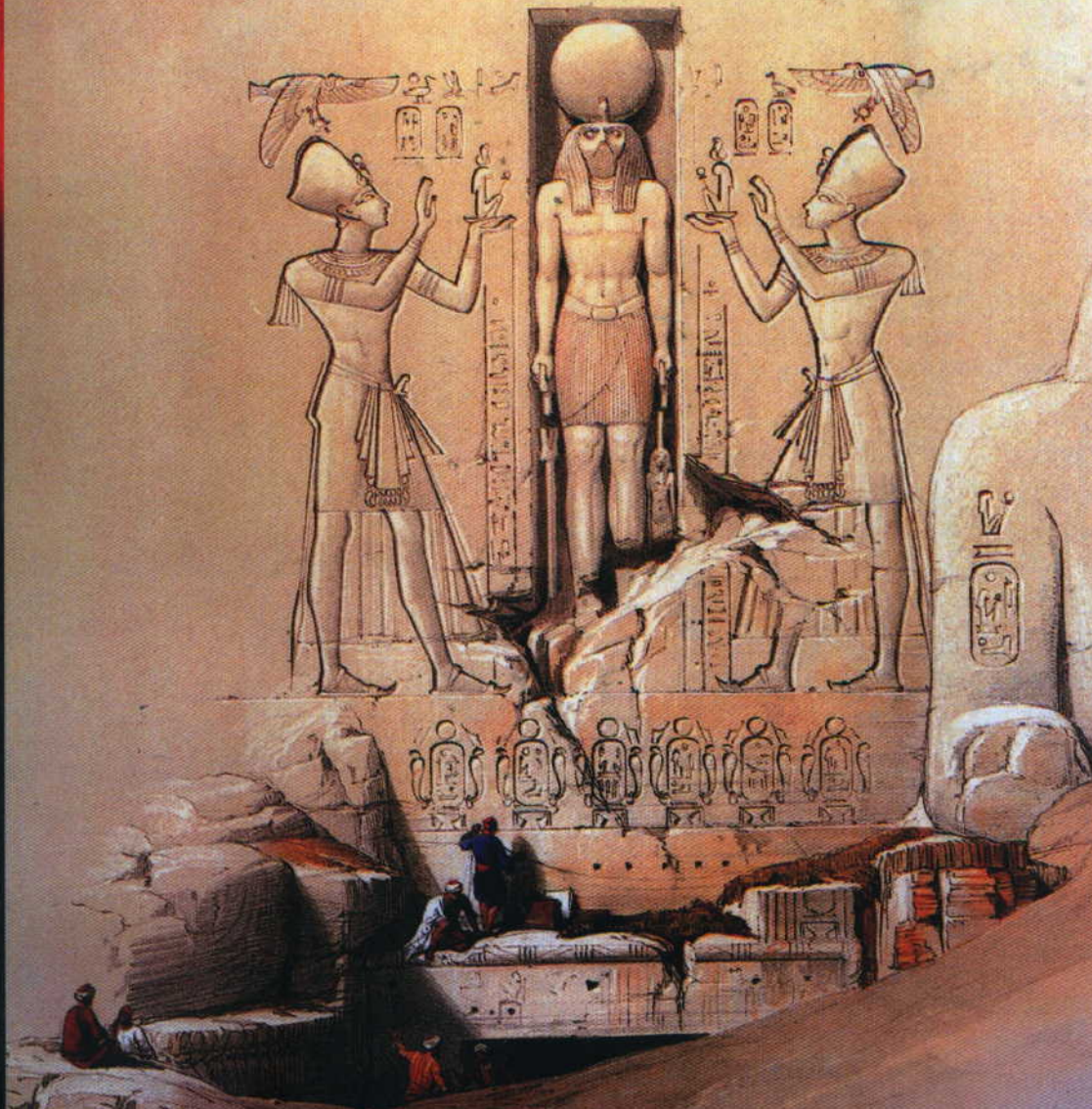




MISR FOR CLEARING, SETTLEMENT AND CENTRAL DEPOSITORY



2003
ANNUAL
REPORT



ANNUAL REPORT

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TEMPLE ON THE ISLAND OF PHILAE
■ 1838



TEMPLE OF KOM OMBO
■ 1838



TEMPLE OF KALABSHA
■ 1838



BOAT ON THE NILE
■ 1838



THE INTERIOR OF THE TEMPLE OF ISIS ON PHILAE
■ 1838



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BOARD OF DIRECTORS



Ali Mohamed Negr
Chairman and Managing Director.
(representing Egyptian Export development bank)



Mohamed Abdel Salam
Deputy Chairman and Managing Director.
(member with experience)



Nasef Nazmi Gerguis
Board Member.
(representing securities brokerage companies)



Amr Abdel Azim Hosni
Board Member.
(representing securities brokerage companies)



Mohamed Adel El Sanhour
Board Member
(representing Suez Canal bank)



Sameh El Torgoman
Board Member.
(representing Alexandria Stock Exchange)



Amr Mohamed Bahaa El Din.
Board Member.
(representing Egyptian commercial bank)



Mohamed El Abbasi El Gohari.
Board Member.
(representing Cairo Stock Exchange)

2003



شركة مصر للمقاصة والتسوية والحفظ المركزي
MISR FOR CLEARING, SETTLEMENT AND CENTRAL DEPOSITORY



CHAIRMAN'S STATEMENT

On behalf of myself and MCSD's Board and staff, it is an honor to present MCSD's annual report that outlines the activities and the achievements of the company, as well as, the financial statements of year 2003, and, the prospective visions concerning additional activities and services for all participants, members and investors in the Egyptian Capital market.

While MCSD celebrating its eighth anniversary, we should stop for seconds: where have we been? Where are we now? and where are we going to?

There is a great difference between what we have been eight years ago, and what we are now, especially after MCSD has its international ranking in the world's map.

MCSD started operations in 1996 by introducing the services of securities Clearing, Settlement and Central Depository in Egypt, through out concluding settlement on set dates. MCSD applies the DVP (Delivery Vs. Payment) principle, which increases both liquidity and the security turnover in order to convoy with the international standards.

As a result of the rapid development of MCSD's activities, the number of settled transactions in 2003 has been increased by 63.6% compared to those in 2002, and increase in number of traded securities by 78.2% and registered securities by 15.86% compared to year 2002.

320 issuers deposited 100% of their shares, while 219 issuers deposited more than 90% of their shares at the same time.

Number of securities in MCSD's Vault is 5 756 484 128 shares.

Worth mentioning that MCSD never missed developong its activities and deal with any insufficiencies and defects in such activities, such as adjusting the custody system to save time and efforts, as well as, achieving more security in the shareholder's balances and develop the cash dividends system, by initiating new means to overstep barriers preventing the investors from having their cash dividends in time. Moreover, MCSD has established the Settlement Guarantee Fund in order to guarantee settlement on set dates, also, the established the Lending and Borrowing system to add new instrument to increase liquidity, as a result of concluding settlement on set dates without delays. Thus, securities turn-over speed will increase, which will add more income for the investor in return of lending there securities which will eventually encourage long-term investments.

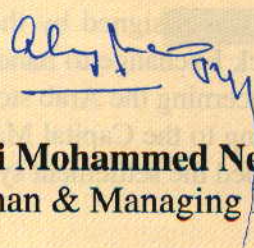
MCSD has almost set the fundamental rules and procedures for the Lending and Borrowing system in order to be authenticated by the Capital Market Authority (CMA) to start operation.

In year 2003, investors were MCSD's main priority, thus MCSD introduced new services through the Internet. Now investors are able to check their balances and follow the daily market values of their portfolio. In addition, they can check trades executed on their securities, as well as, settlement on a daily basis and historically since October 1996. The investors can also find all about their securities' corporate actions from dividends paid, free shares, redemption,...etc.

It is my pleasure to outline MCSD's leading role in the region as we provide training, guidance and technical support for all the emerged Arab clearing houses, which emphasized its effective presence in the region conferences related to capital markets. MCSD widely opened its doors to all Arab colleagues to benefit from MCSD's expertise, to share and exchange knowledge about the most advanced technologies and finally to effectively and efficiently provide market services.

As usual, MCSD does its best to give great concern to human factor as being the backbone of any successful organization, through continuous training and conveying with the most up-to-date applied systems in the international Capital markets.

In conclusion, I would like to thank all MCSD members for their trust in the company and its provided services for the Egyptian market. Also, I would like to thank all my colleagues in the Board and the employees for their exerted efforts that resulted in these achievements in such time. I look forward for more success to reach the international level in the near future.



Ali Mohammed Negm
Chairman & Managing Director



Basic features of year 2003

January 2003

- Introducing the Clearing and Settlement system to serve the Arab Stock exchanges that was discussed in the Union of Arab Stock Exchanges' meeting held in Beirut.

June 2003

- MCSD allows investors to follow the market value of their portfolio and any changes when done through the Internet.
- The ministerial decree of depositing the Egyptian treasury bonds according to Law no.4 of the year 1995 into the company's central depository.

July 2003

- MCSD concludes settlement between the two clearing banks in the Central Bank of Egypt (CBE) in order to become final and irrevocable.

September 2003

- MCSD allows investors to check their securities paid or whom decided to pay cash dividends through the internet.
- All historical data related to shareholders' traded securities were available since MCSD started business on October 1996 through the internet.

October 2003


- Examining all MCSD's systems on the substitutional server in Talaat Harb branch after switching off the main server in El-Gomhorya branch according to the Business contingency plan in case of emergency.
- MCSD guarantees the data to be on the internet through the ISS programs.

December 2003

- MCSD was assigned by the general assembly meeting of the Union of Arab Stock Exchange to handle the clearing, settlement and central depository concerning the Arab stock exchange at its preliminary stage.
- According to the Capital Market Authority (CMA) resolution, MCSD has amended the settlement system in order to settle treasury bonds on T+1.

Eight years of continuous work





Eight years of continuous work

According to the CMA resolution of August 21 1994, MCSD (an Egyptian joint-stock company) has been licensed to settle all executed trades in the stock exchange, as well as, applying the central depository system. MCSD, in co-operation with the French depository (Secovam), established the central securities custody through substituting physical shares with the book-entry form and ever since, MCSD works hard to continuously develop these activities, which can be seen from the following:

1996

- Launching the clearing, settlement and central depository system.
- Misr international Bank (MIB) was listed the first issuer in the depository system.

1997

- MCSD relocated from the basement of the stock exchange to its new headquarter in Sekket Al- Fadl St.

1998

- Establishing new mechanism concerning cash dividends for the registered securities in the central depository system through some banks and MCSD.
- Opening MCSD's new branch in Alexandria.

1999

- MCSD is electronically linked with all bookkeeping companies, as a new system replacing the French one, which used to enable each company to work separately. Thus establishing one data base for all shareholders.
- A decree was issued to establish the settlement guarantee fund to settle all transactions executed in the stock exchange on set times.

2000

- Launching the Settlement Guarantee Fund system.
- The issuance of the Central Depository and Registry Law no.93 of the year 2000.

Highlighting developments within eight years

- Opening MCSD's headquarters in 70 Ail Gomhoria St.-Cairo. 2001
- The issuance of Executive Regulation of the Central Depository and Registry law no.93 of the year 2000.

2002

- MCSD starts to accommodate its activities according to the Central Depository and Registry law no. 93 of the year 2000 and its Executive Regulation.
- JP Morgan Chase awarded MCSD near-perfect marks for its depository services as one of the best five international companies in the Central Depository system.
- MCSD has been given the Golden Star Prize in comprehensive quality from the international BID institution in Switzerland.

2003

- Developing the Settlement system in order to conclude transactions on four set times starting from (T+1) till (T+4).
 - Introducing query services regarding shareholders' portfolio through several alternatives (Internet - E-mail - Post - Fax - Cell phone - IVR).
- Looking forward to achieving more success through adopting the same method of hard work.**



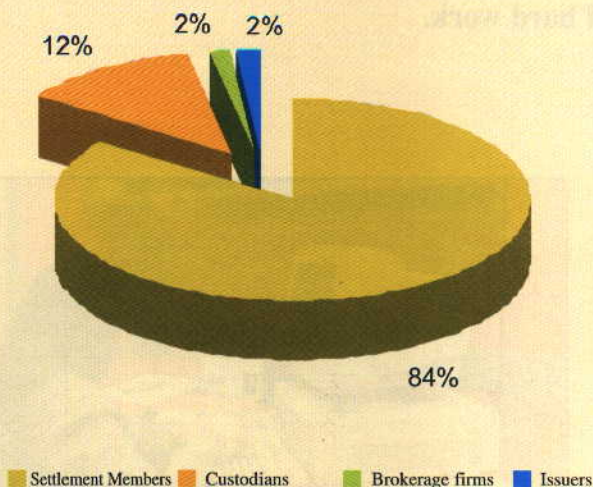
Highlighting developments within eight years

Securities registered through the Central Depository System

The Depository and Registry Law no. 93 of the year 2000 has a great effect in increasing number of listed securities in the central depository, as well as, the huge change in capital volume through the past few years, in addition to developing the capital infra-structure to serve all market participants. Besides, absorbing all MCSD services' beneficiaries which resulted in saving time & effort by eliminating most of the procedures starting from issuing the securities till it is being traded at the Stock Exchange.

As a result, the number of members and participants in the Central Depository system has increased through the current year by 13.6% more than that of the bygone year.

By the end of 2003, number of issuers listed in the Central depository system was 1008, number of brokerage firms was 145 as well as 18 banks licensed as custodian banks. In addition, number of entities with direct settlement account with MCSD was 18 entities.



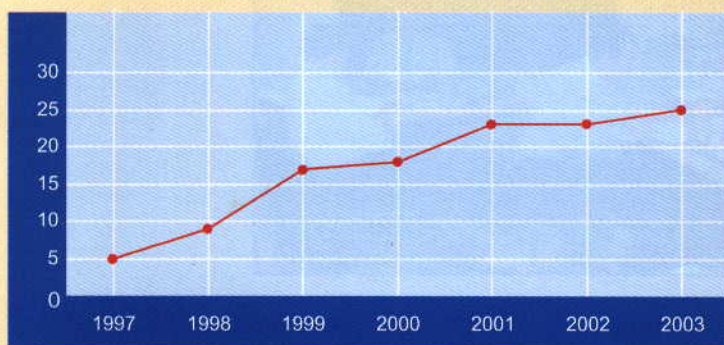
The development in the number of deposited shares since 1997 till the end of 2003.

Number of issuing companies deposited through the Central depository System has increased in year 2003 by 15.9% compared to the previous year.



The development in the number of deposited bonds since 1997 till the end of 2003

Number of bonds deposited through the Central Depository System has increased by 8.7% in year 2003 compared to the previous year.



Since the start of its activity on October 1996, MCSD witnessed several leaps in its services through its legislative frame.

MCSD worked in two parallel directions; firstly: the continuous development of its services. Secondly: the establishment of new mechanisms to serve the Capital Market according to laws applied, as well as, the implementation of the Capital Market Authority resolutions.

The main characteristic of the first direction is represented in the development of the Settlement system to conclude settlement within different times as follows:

T+1 settlement of executed transactions on treasury bonds. (●)

T+2 settlement of executed transactions on most active securities registered through the Central Depository system. (●)

T+3 settlement of executed transactions on securities registered through the Central Depository system.

T+4 settlement of executed transactions on securities which are not yet registered in the Central Depository system.

It is obvious that through year 2003, number of settled transactions of physical securities that are not yet registered in the central depository decreased by 2165 transactions with 2 814 985 238 shares & value 3 077 012 848 L.E, while number of settled transactions of deposited securities increased by 1 221 448 transactions with 1 365 935 449 shares and value 20 070 345 747 L.E.

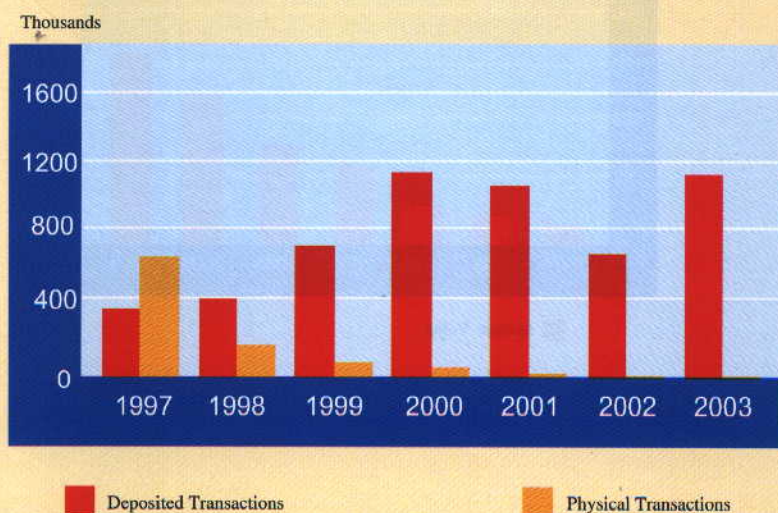


● T: Trade date.

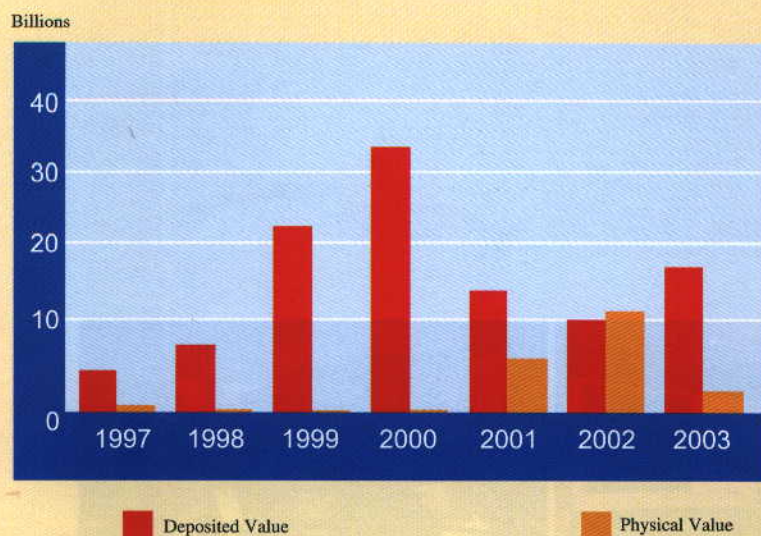
1\1\2004: Conclude settlement on treasury bonds in T+1.

● 18\7\2002: The Capital Market Authority issued a resolution to settle most active securities in T+2.

The development in the number of settled transactions of securities registered through the Central Depository System & number of settled transactions of non-deposited securities (physical) since 1997 till the end of 2003.



The development in the value of settled transactions of securities registered through the Central Depository System & value of non-deposited securities (physical) since 1997 till the end of 2003.



Market value of securities registered through the Central Depository System increased by 29.7% compared to 2002.

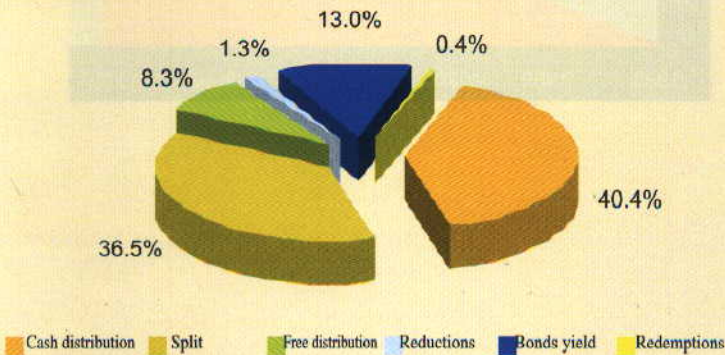


The Development of MCSD's systems.

After MCSD has set the primary rules of its basic activities, MCSD has acted on behalf of the issuers in managing their shareholders' records, executing corporate actions decided by the issuers' general assemblies such as cash dividends distribution, capital increase or decrease, change of nominal value, acquisitions, redemptions,...etc. all executed by MCSD's systems which reduce procedures involved, time and efforts.

Cash Dividends System

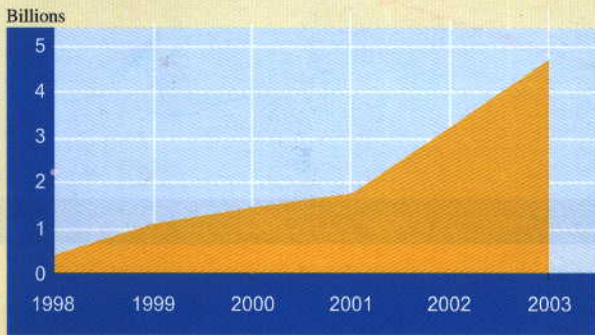
MCSD has executed 189 cash dividend distributions, 171 splits, 39 free shares distributions, 6 capital reductions, 61 bonds yield distributions and two bonds redemptions.



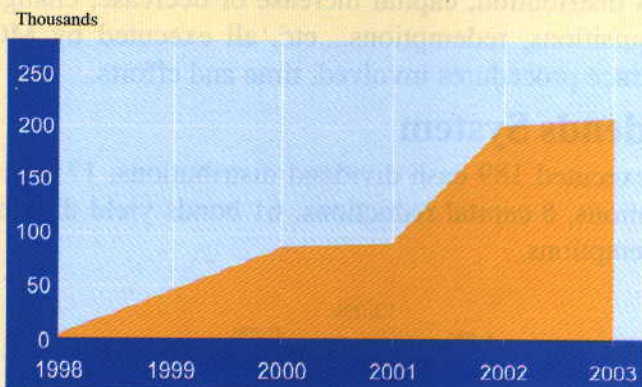
Now MCSD is developing these services beside adding new ones. The cash dividends system has been developed in order to allow shareholders to collect cash coupons directly through MCSD or through its opened windows in the banks. There are several means of cash coupons disbursement, either through participant banks in the cash payment system by directly paying the shareholder or through crediting his bank account with the coupon in and outside Egypt or through issuing a cheque by the amount of the coupon.

For more easiness, MCSD applied a new system called cash delivery, which allows shareholders to receive the cash coupons through delivering the coupon to their home\ work upon request of the shareholders.

The Development of the value of distributed cash dividends since 1998 up to the end of 2003.



The development in number of shareholders who received their cash dividends since 1998 up to end of 2003.



The increase in number of disbursement windows starting in 1998 up to the end of 2003.

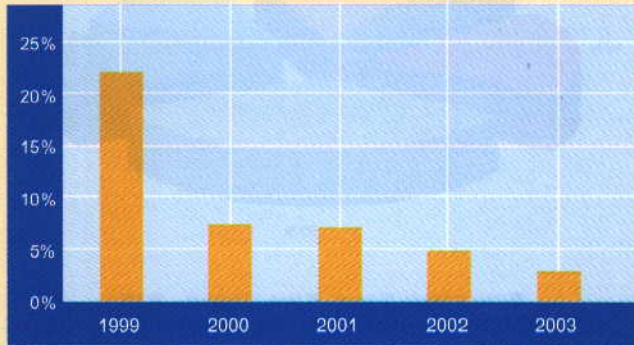


New mechanisms regarding the investors

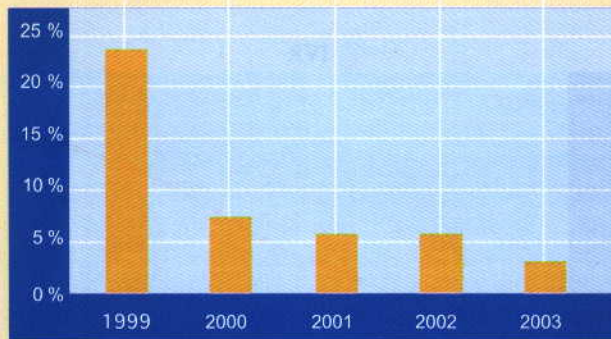
The resolution issued by the Capital Market Authority regarding the establishment of the Settlement Guarantee Fund represents a new mechanism which effectively obligates all the market's participants to conclude settlement in set time without any delay.

The positive role of the Settlement Guarantee Fund in the Capital Market can be seen in the reduction in volume and value of delayed settled transactions. Most importantly, in settling all transactions executed in the Stock exchange.

The decrease in the number of transactions covered by the Settlement Guarantee Fund.



The decrease in the value of transactions covered by the Settlement Guarantee Fund.



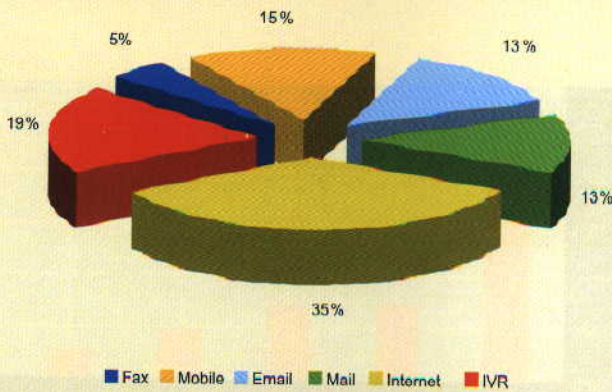
Achieving reliance and secure for investors.

In 2003, MCSD has witnessed great interest regarding investors, as MCSD has developed number of services that were introduced in December 2002 through allowing the investors to check the data of their portfolio and any related corporate actions in an easy way, as well as, all related selling and buying transactions.

Also investors can check the nominal and market value regarding their portfolio on a daily basis.

In addition, MCSD has provided various secure means for investors which enable them to check required information, such means are the IVR - Internet - Postal mail - E-mail - cell phone & Fax.

Investors are more interested in the internet service.

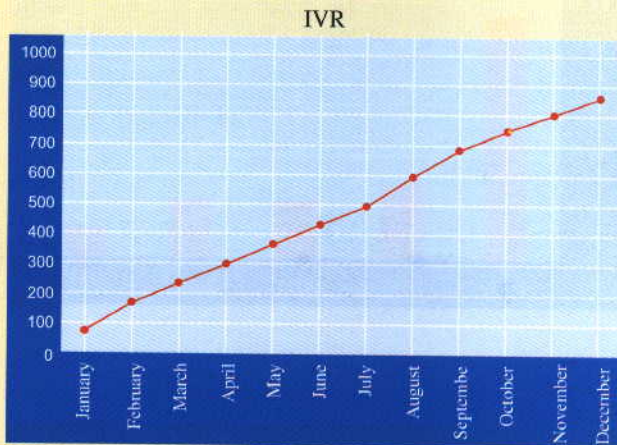


Query services provided to investors

First: IVR

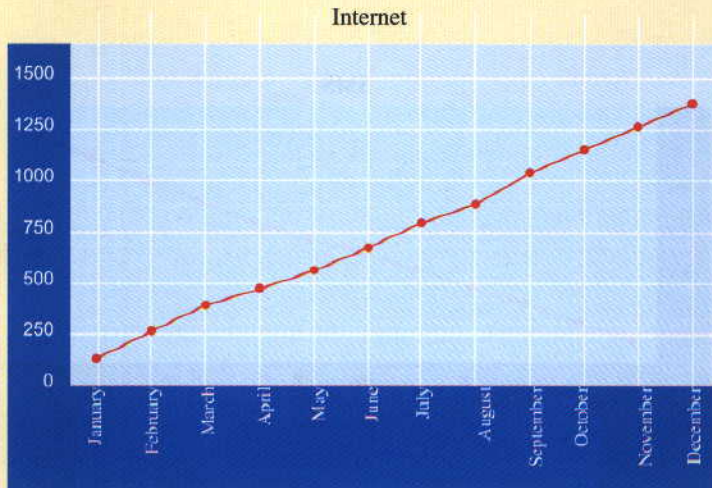
IVR: is a unique service that allows investors to inquire at any time during the 24 hours a day in and outside Egypt through an investor code entered through the phone.

By the end of 2003, Number of participants in the IVR service was 860 participants.



Second: Internet

MCS D has launched its site on the Internet so that the investor can visit the site and seek any information concerning his portfolio. By the end of 2003, number of participants in the Internet service was 1376 participants.



Third: E-mail

MCS D communicates with the investor by sending him e-mails directly to his e-mail address including all required information related to his portfolio, as well as, replying to any questions.

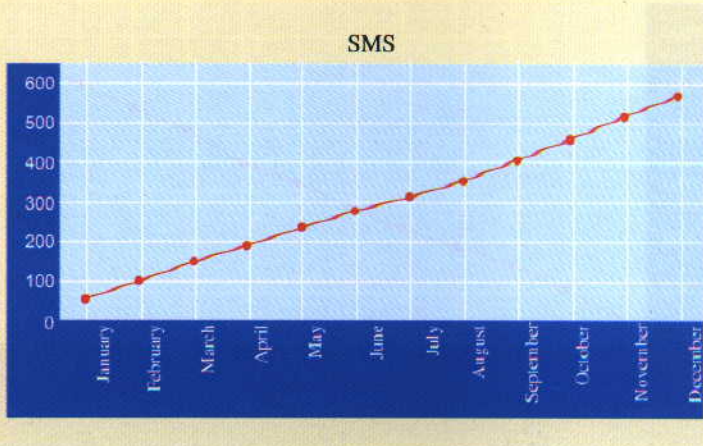
Number of participants in the E-mail service was 676 participants.



Fourth: SMS

MCS D sends SMS to the investor's cell phone through its electronic system with information related to his executed and settled transactions.

Number of participants in the SMS service was 568 participants.



Fifth: Fax

MCS D sends fax with all data related to his portfolio on his designated fax. Number of participants in this service was 392 participants.



Prospective visions of 2004

Looking for new ways to improve the health care system by using digital
and other tools, the Egyptian government has a long way to go.
The country is expected to spend billions of dollars in infrastructure
over the next few years, and it is expected to be a major player

in a number of global markets in the coming years. The
country is expected to be a major player in the
Middle East and Africa, and it is expected to be a major player
in the global market for oil and gas.



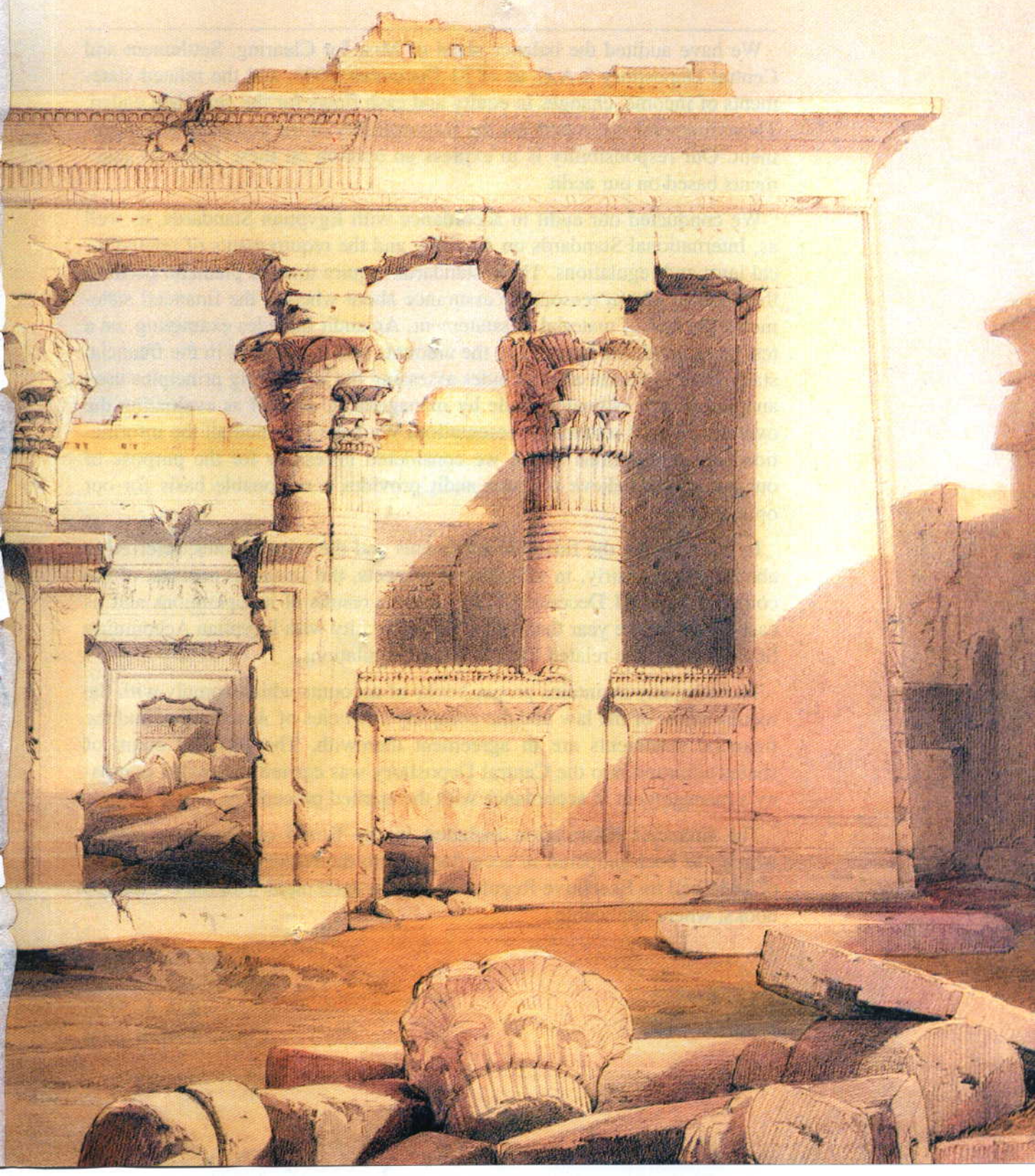


Prospective visions of 2004

- Adding a new mean regarding the cash coupon system by issuing cheques and paying them through the Egyptian American bank as a contribution from the company to assist shareholders in obtaining their dividends specially in case of large sums that are not preferred to be paid in cash.
- The increase in number of traded Egyptian securities in several Arab capital markets.
- Widespread the framework of the trible agreement between Egypt, Kuwait and Lebanon to include many other Arab countries.
- Adjusting the human resources by-law in accordance with the new labour law no.12 for year 2003.
- Allowing issuers who deposited their shares into the central depository to check data and obtain information through MCSD's web site on the Internet, such as the shareholders' structure, daily transactions, last owner,.....etc.
- Starting the securities lending and borrowing system after being discussed and authorized by the Capital Market Authority (CMA).
- Redistribution of the company's capital on all members in the Central Depository according to Registry and Depository law no.93 for year 2003 and its executive regulation.
- MCSD linkage with the Arab Central Depository companies.
- Concluding the depository of treasury bonds in MCSD's Central Depository system according to the financial Ministerial decree.
- Studying the establishment of the company crisis management center in Al Tagamo Al Khames-new Heliopolis.

AUDITORS' REPORT TO THE
SHAREHOLDERS OF

MILK FOR CHESTER, BOSTON AND CENTRAL RAILROADS, ETC.



AUDITORS' REPORT TO THE SHAREHOLDERS OF

MISR FOR CLEARING, SETTLEMENT AND CENTRAL DEPOSITORY S.A.E.

We have audited the balance sheet of Misr for Clearing, Settlement and Central Depository S.A.E. as of 31 December 2003, 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 Egyptian Standards, as well as, International Standards on Auditing and the requirements of related local laws and regulations. These 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.

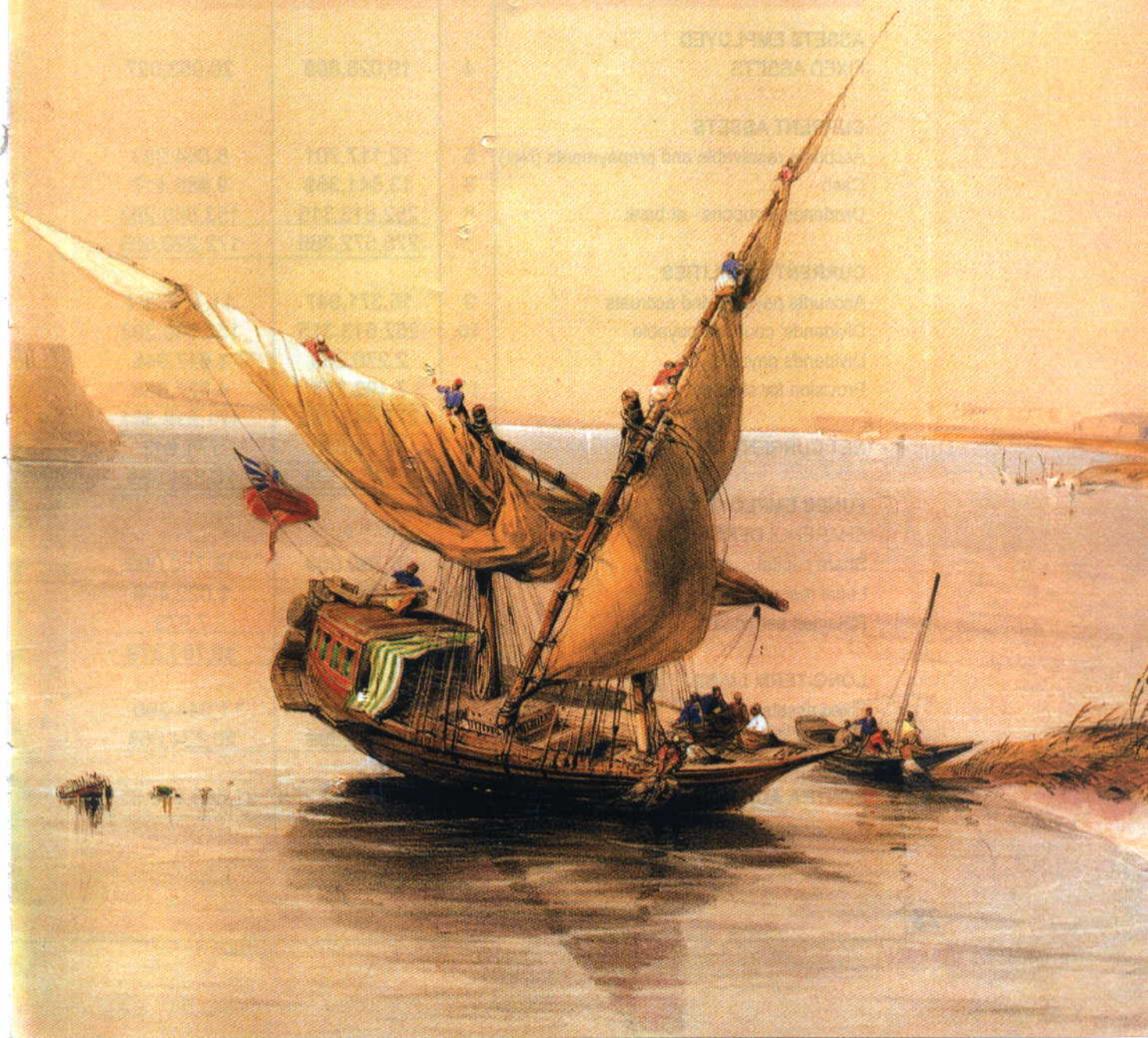
In our opinion, the financial statements and the related notes, referred to above, present fairly, in all material respects, the financial position of the company as of 31 December 2003, and the results of its operations and its cash flows for the year then ended in conformity with Egyptian Accounting Standards and the related local laws and regulations.

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 physical count of shares admitted into the Central Depository was carried out by the company's management in accordance with the applied procedures.

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 are in agreement with the company's books, where applicable.

Taha M. Khaled
Chartered Accountant
R.A.A. 5136
Cairo, 8 April 2004

BATAVIA SHEET
31 December 1803



BALANCE SHEET

31 December 2003

	Note	2003 L.E.	2002 L.E.
ASSETS EMPLOYED			
FIXED ASSETS	4	19,028,809	20,053,027
CURRENT ASSETS			
Accounts receivable and prepayments (Net)	5	12,117,701	8,864,293
Cash	8	13,841,369	9,865,417
Dividends' coupons - at bank	8	<u>252,613,315</u>	<u>153,560,293</u>
		278,572,385	172,290,003
CURRENT LIABILITIES			
Accounts payable and accruals	9	15,371,947	11,412,264
Dividends' coupons payable	10	252,613,315	153,560,293
Dividends payable		2,270,256	1,617,946
Provision for claims	11	<u>7,192,277</u>	<u>4,927,858</u>
		277,447,795	171,518,361
NET CURRENT ASSETS		<u>1,124,590</u>	<u>771,642</u>
		<u>20,153,399</u>	<u>20,824,669</u>
FUNDS EMPLOYED			
SHAREHOLDERS' EQUITY			
Share capital	12	18,750,000	18,750,000
Legal reserve	13	1,154,570	1,022,406
Retained earnings		248,829	7,973
		<u>20,153,399</u>	<u>19,780,379</u>
LONG-TERM LIABILITIES			
Fixed assets creditors		-	1,044,290
		<u>20,153,399</u>	<u>20,824,669</u>
CONTRA ACCOUNTS			
	21	<u>148,007,902,255</u>	<u>91,646,373,321</u>

STATEMENT OF INCOME

For the year ended 31 December 2003

	Note	2003 L.E.	2002 L.E.
REVENUE			
Services revenue	14	24,314,293	23,609,296
Cost of services	15	(23,634,304)	(22,976,748)
Gross profit		679,989	632,548
Other income	16	14,908,688	12,807,916
		15,588,677	13,440,464
EXPENSES			
General and administration	17	(8,119,316)	(7,911,324)
Provisions	18	(4,826,085)	(3,878,073)
		(12,945,401)	(11,789,397)
NET PROFIT FOR THE YEAR		2,643,276	1,651,067

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2003

	Share Capital L.E.	Legal Reserve L.E.	Retained Earnings L.E.	Total L.E.
Balance at 1 January 2002	18,750,000	939,853	57,405	19,747,258
Net profit for the year	-	-	1,651,067	1,651,067
Transfer to legal reserve	-	82,553	(82,553)	-
Cash dividends	-	-	(1,617,946)	(1,617,946)
Balance at 31/12/2002	18,750,000	1,022,406	7,973	19,780,379
Net profit for the year	-	-	2,643,276	2,643,276
Transfer to legal reserve	-	132,164	(132,164)	-
Cash dividends	-	-	(2,270,256)	(2,270,256)
Balance at 31/12/2003	18,750,000	1,154,570	248,829	20,153,399

STATEMENT OF CASH FLOWS

For the year ended 31 December 2003

	Note	2003 L.E.	2002 L.E.
OPERATING ACTIVITIES			
Net profit for the year		2,643,276	1,651,067
Adjustments for:			
Depreciation of fixed assets		4,167,183	4,563,969
Provisions used		(89,152)	(408)
Provisions		4,826,085	3,878,073
Loss from selling of fixed assets		-	181,730
Operating profit before working capital changes		11,547,392	10,274,431
Accounts payable and accruals		2,915,393	(1,433,725)
Dividends coupons payables		99,053,022	45,448,775
Accounts receivable and prepayments		(5,075,922)	(3,807,572)
Tax paid		(650,000)	-
Net cash from operating activities		107,789,885	50,481,909
INVESTING ACTIVITIES			
Projects in progress		-	(2,976,514)
Proceeds from selling of fixed assets		-	4,513,870
Purchases of fixed assets		(3,142,965)	(7,953,364)
Disposal of fixed assets		-	8,095
Fixed assets creditors		-	(1,044,291)
Net cash used in investing activities		(3,142,965)	(7,452,204)
FINANCING ACTIVITIES			
Dividends paid		(1,617,946)	(2,577,658)
Net cash used in financing activities		(1,617,946)	(2,577,658)
INCREASE IN CASH			
Cash at beginning of the year		163,425,710	122,973,663
Cash at end of the year	8	266,454,684	163,425,710

