VI. Financial Evaluation

A. General

111. The purpose of the financial evaluation is to appraise the financial viability of the operating entity (SBDA) and the profitability of the Short-term Development Project itself. Projected financial statements are used for the former analysis and the financial internal rate of return (FIRR) based on the discount cash flow method is used for the latter.

112. The financial analysis is conducted on the port and the industrial sectors, and the urban and the related infrastructures sectors are excluded, because the former does not have a direct connection with the production activities and the management and operation in the latter will not be conducted by SBDA.

113. As for the port sector, SBDA is assumed to cover the planning, construction and management of the port facilities and port services including cargo handling and storage which the Red Sea Port Authority and the national companies (the Suez Mechanical Stevedoring Co. and the General Silos and Storage Co.) respectively take responsibility for at present. The financial situation of these authority and firms is appraised to be sound in general.

114. As for the industrial sector, SBDA will take responsibility for the planning, construction, sales and management of the industrial estate and the industrial free zone. These items are currently handled by GOFI, MODANC, and GAIFZ. Financial management by these entities, especially for the industrial estate, does not seem to be appropriate. The key issue is the lack of government funds which has caused cost increases through the utilization of bank loans, rising land sales prices due to the cost increase, increased unsold land due to the higher price level, and finally increased governmental subsidies to promote the land sales. To lead the industrial sector portion of the Short-term Development Plan to success, it is necessary to rearrange the financial management policy.

115. In other words, the government should spend its funds in a reasonable manner, and SBDA should manage and operate the Project with an entrepreneucrial sense to ensure the effective use of government and borrowed funds.

116. Funds necessary to execute this Short-term Development Project are presumed to be raised under the following conditions:

	Foreign Currency Portion	Local Currency Portion
Fund Raising	Borrowing	Government Funds
Loan Period	30 Years	Free from Loan Repayment and Interest Payment
Grace Period	10 Years	
Interest Rate	4% per annum	
Repayment of the Principal	Fixed Amount Repayment	

B. Future Financial Performance

117. Projected revenues of the port sector are based on the traffic forecast presented in this study and the existing port tariffs. However, some adjustment (an approximately 65% increase of the tarrifs in terms of Egyptian pounds) is made so that SBDA can gain the same amount of revenue in terms of foreign currency (US$) under the changed L.E.-US$ exchange rate (from 0.82 L.E./US$ to 1.35 L.E./US$). This adjustment has already been made by the Egyptian shipping agents who collect the port charges from the shipping companies and pay them to the Port Authorities and to the cargo handling and storage companies.

118. The sales price of the land in the industrial estate and the industrial free zone is set as L.E. 35 per square meter. Although the industrial free zone seems to give greater advantages to the enterprises which will locate there, no price differential is set because the industries in the free zone, the export-oriented industries, will enjoy essentially the same operating conditions as the enterprises in the industrial estate. This sales price of the factory land is reasonable because it covers the necessary land sales cost (L.E. 21.7 per square meter) and is also not too expensive in comparison with prices in other competitive areas such as 10th of Ramadan, 15th of May, Sadat City, 6th of October, New Ameriya and so on.

119. As for the future financial performance of the SBDA's port sector, the working ratio and the operating ratio fluctuate within a range of 19.7% ~ 30.6% and 26.2% ~ 66.2%, respectively. Except for two years, the return on net fixed assets will be over 7% (5.7% ~ 62.8%), which is the standard usually used for appraising earning power. The debt service ratio will maintain a level far above 1.0 (4.0 ~ 31.8) during the entire project life. These ratios are satisfactory and seem to be rather too good owing to the above-mentioned revenue adjustment. Even if the loan conditions become substantially worse (interest rate: 4.0% → 8.5%), the financial viability of the SBDA's port sector will be maintained.

120. While, in the industrial sector, the land sales revenue will be gained during the ten years from 1989/90 to 1998/99 on the basis of six yearly installments, and thereafter SBDA's revenue will be comprised of only administrative charges. Accordingly, after 1999/2000, the net income and net operating income even before depreciation will become negative. However, this is not so serious an issue, because these deficits will be covered by the fund management income which will be generated from the deposit of the land sales revenue. In this case, financial indexes are not useful for the analysis, because they do not take the fund management income into account which the financial management of SBDA will deeply depend on. However, the soundness of the continuing operations, the earning power and the debt repayment ability are proved by the projected favorable cash flow balance. The SBDA's industrial sector would also be financially viable under the same worse loan conditions applied for the port sector.

121. Tables give the joint financial statements of both (port and industrial) sectors which show that SBDA's revenues will always exceed its expenditures throughout the project life. Even if the worse values of the financial indexes in the industrial sector are employed, the working ratio and the operating ratio fluctuate within a range of 16.8% ~ 24.6% and 22.0% ~ 52.2%, respectively. The return on net fixed assets always exceeds 7% (10.2% ~ 45.5%) and the debt service ratio will be over 1.0 (3.5 ~ 31.8) throughout the study period. Also, the worse loan conditions would not seriously affect the financial status of SBDA. Accordingly, it is concluded that the financial viability of SBDA is guaranteed.

C. Financial Internal Rate of Return (FIRR)

122. The estimated FIRR is summarized below:

(Unit: %)

Sector / Case \ Item	Port		Industry		Total	
	FIRR	L.L.	FIRR	L.L.	FIRR	L.L.
Cost Decrease by 10%	3.9		13.8		4.8	
Revenue Increase by 10%	3.8	(5.7)	13.3	(3.7)	4.6	(5.3)
Base Case	2.9	2.7	8.9	1.7	3.3	2.5
Cost Increase by 10%	1.9		4.2		2.1	
Revenue Decrease by 10%	1.8		3.7		2.0	

L.L. = Lower Limit = Weighted Average Annual Interest Rate for All the Project Funds
Rate of L.L. in parentheses = in the case of an 8.5% interest rate on the foreign currency portion funds
Rate of L.L. without parentheses = in the case of a 4.0% interest rate on the foreign currency portion funds.

The industrial sector project is very profitable, and a cost increase or revenue decrease of 10% would not damage its profitability even under the worse loan conditions. As for the port sector project, the FIRR of the base case exceeds the lower limit under the soft loan conditions. However, a 10% cost increase or revenue decrease would make this project financially unfeasible, and if the interest rate on the foreign currency portion funds rose to 8.5%, excessive cost reduction or revenue increase would be required to keep the project. Accordingly, SBDA should do its best to utilize soft loans and to increase revenues through the reasonable raise of tariffs based on the higher construction and operation costs of the new berths, especially the grain and coal berths, where the newest model of facilities and equipment are used.

Total situation is similar to that of the port sector because of its dominant share in the whole business scale.

D. Overall Financial Evaluation

123. From the viewpoint of the financial viability of SBDA and the profitability of the Project itself, it is concluded that this Short-term Development Project is feasible. However, SBDA will be required to minimize costs and to maximize revenues in order to maintain a comfortable profit margin.

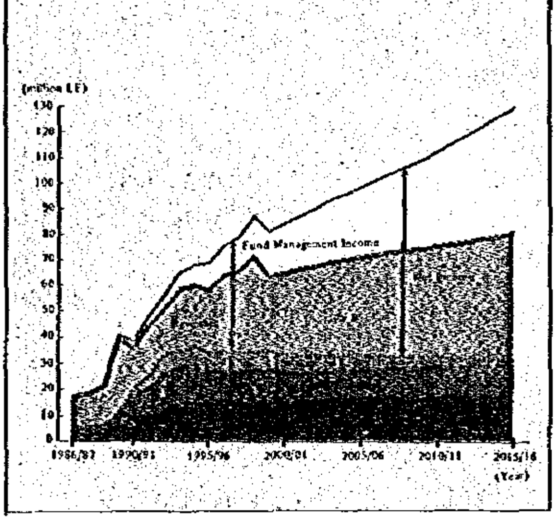
CARGO DEMAND FORECAST 1986/87–2015/16

Cargo Demand ('000Tons)

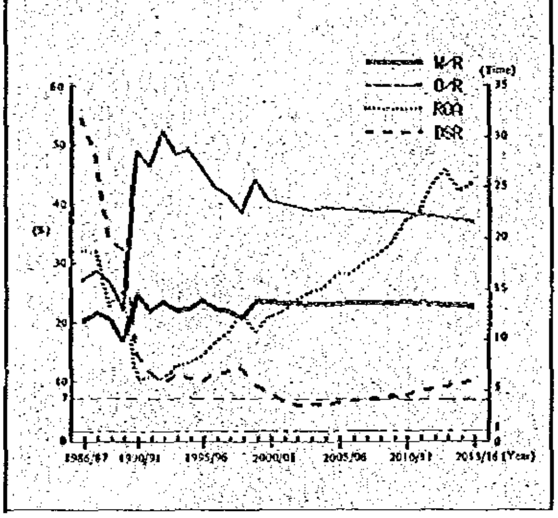
	1986/87	1987/88	1988/89	1989/90	1990/91	1991/92	1992/93	1993/94	1994/95	1995/96	1996/97	1997/98	1998/99
Cargo Throughput													
Wheat	687	669	737	811	897	993	1,030	1,202	1,335	1,462	1,516	1,571	1,629
Wheat (Bagging)	117	163	179	198	218	239	255	293	322	355	391	409	434
Fertilizer	51	45	40	34	29	23	17	11	6	0	0	0	0
Rice	5	5	6	8	9	11	13	15	18	21	23	24	26
Sugar	3	5	7	11	17	27	42	64	100	155	165	176	188
Salt/Sulphur	3	5	6	7	8	10	11	12	14	15	15	16	16
Cotton	4	5	5	6	7	7	8	9	11	13	12	12	12
Paper/Pulp	2	4	5	7	10	15	21	31	44	63	65	69	72
Iron Ore	109	152	196	240	283	327	370	414	457	501	518	535	553
Bulk Cargo Total	177	221	265	313	363	419	482	557	649	767	799	832	867
Coal	0	0	0	0	0	0	1,083	1,135	1,190	1,245	1,309	1,372	1,439
Timber	24	28	33	38	44	50	59	67	78	90	98	107	117
Iron & Steel	89	97	106	116	127	139	152	166	181	198	209	220	232
Heavy Equipment & Car	8	9	10	11	12	14	15	17	19	21	22	23	25
Special Cargo Total	121	134	148	165	183	203	225	250	278	309	329	350	373
General Cargo													
Import	484	515	548	582	619	659	701	745	793	843	898	956	1,018
Export	114	119	124	130	135	141	147	154	160	167	194	225	262
General Cargo Total	599	634	672	712	755	800	849	899	953	1,010	1,092	1,182	1,280
Container Cargo													
Containerization Ratio	16.4%	16.5%	17.5%	18.0%	18.5%	19.0%	19.5%	20.1%	20.6%	21.1%	21.6%	22.1%	22.7%
Full Container (TEU)	9,828	10,744	11,734	12,806	13,964	15,216	16,569	18,030	19,608	21,311	23,606	26,161	29,011
Empty Container (TEU)	6,071		7,389	8,139	8,956	9,846	10,815	11,870	13,017	14,264	15,216	16,180	17,143
Container Total (TEU)	15,899	10,744	19,123	20,944	22,920	25,062	27,384	29,899	32,624	35,575	38,822	42,341	46,154
Vanning	19	20	22	23	25	27	29	31	33	35	42	50	59
Devanning	79	87	96	105	115	125	137	149	163	178	191	212	231
General Cargo (ex. Container)	500	527	555	584	615	648	682	718	757	797	856	920	990
Grand Total	1,503	1,656	1,823	2,003	2,197	2,410	3,729	4,033	4,396	4,796	5,044	5,307	5,588

	1999/2000	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16
Wheat	1,689	1,751	1,815	1,881	1,950	2,022	2,096	2,173	2,253	2,335	2,421	2,510	2,602	2,697	2,796	2,899	3,005
Wheat (Bagging)	433	455	472	489	507	526	545	565	585	607	629	653	676	701	727	754	781
Fertilizer	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Rice	28	31	33	36	39	42	45	49	52	57	61	66	71	77	83	89	96
Sugar	201	214	228	243	259	277	295	315	336	358	382	407	434	463	494	526	561
Salt/Sulphur	16	16	17	17	17	18	18	18	19	19	19	20	20	20	21	21	22
Cotton	12	11	11	11	11	11	11	11	11	11	11	11	10	10	10	10	10
Paper/Pulp	76	79	83	87	91	95	100	105	110	115	120	126	132	138	145	152	159
Iron Ore	571	591	610	631	652	673	695	719	743	768	794	820	848	876	905	936	967
Bulk Cargo Total	904	942	983	1,025	1,069	1,116	1,165	1,216	1,270	1,327	1,387	1,449	1,515	1,585	1,658	1,734	1,815
Coal	1,508	1,581	1,657	1,737	1,821	1,910	2,002	2,099	2,200	2,307	2,419	2,536	2,658	2,787	2,922	3,063	3,212
Timber	128	139	152	166	181	197	215	235	256	279	305	332	363	395	432	471	514
Iron & Steel	244	257	271	286	301	317	334	352	371	391	412	434	457	482	507	535	563
Heavy Equipment & Car	26	27	29	31	32	34	36	38	40	42	45	47	50	53	55	58	62
Special Cargo Total	398	423	452	483	514	548	585	624	667	712	762	813	869	930	994	1,064	1,139
Import	1,085	1,155	1,230	1,310	1,396	1,486	1,583	1,686	1,796	1,912	2,037	2,169	2,310	2,461	2,621	2,791	2,973
Export	304	353	411	477	554	644	748	869	1,010	1,173	1,363	1,583	1,839	2,137	2,482	2,884	3,350
General Cargo Total	1,389	1,509	1,641	1,787	1,950	2,130	2,331	2,555	2,805	3,085	3,399	3,752	4,149	4,597	5,103	5,675	6,323
Containerization Ratio	23.2%	23.7%	24.2%	24.7%	25.3%	25.8%	26.3%	26.8%	27.3%	27.9%	28.4%	28.9%	29.4%	29.9%	30.5%	31.0%	31.5%
Full Container (TEU)	32,194	35,754	39,743	44,220	49,251	54,916	61,305	68,524	76,694	85,956	96,475	108,441	122,077	137,641	155,434	175,808	199,172
Empty Container (TEU)	18,090	19,502	19,854	20,616	21,253	21,719	21,960	21,914	21,490	20,603	19,133	16,941	13,863	9,699	4,214	2,874	11,899
Container Total (TEU)	50,284	54,756	59,597	64,836	70,504	76,635	83,266	90,435	98,184	106,558	115,607	125,382	135,939	147,340	159,648	178,682	211,070
Vanning	71	84	99	118	140	166	197	233	276	327	387	458	541	640	756	893	1,055
Devanning	251	274	298	324	353	383	416	452	491	533	578	627	680	737	798	865	936
General Cargo (ex. Container)	1,067	1,151	1,243	1,345	1,457	1,581	1,718	1,870	2,038	2,226	2,435	2,668	2,929	3,221	3,549	3,917	4,331
Grand Total	5,887	6,206	6,547	6,913	7,305	7,726	8,179	8,668	9,195	9,767	10,387	11,060	11,791	12,596	13,473	14,435	15,493

TOTAL REVENUE & EXPENDITURE



FINANCIAL RATIO



PROJECTED JOINT INCOME STATEMENT (4% INTEREST RATE FOR FOREIGN LOAN)

	1986/87	1987/88	1988/89	1989/90	1990/91	1991/92	1992/93	1993/94	1994/95	1995/96
Operating Revenues										
Port	17.614	18.641	21.188	21.118	27.091	27.909	37.240	35.134	39.445	44.698
I.E. & I.F.Z.	0	0	0	15.080	9.271	17.318	14.403	23.764	20.440	14.013
Operating Revenues Total	17.614	18.641	21.188	37.198	36.362	45.227	51.644	58.898	59.886	58.711
Operating Expenses										
Cash Expenses										
Port	3.551	3.800	4.176	5.465	7.692	8.304	10.342	10.759	11.165	11.621
I.E. & I.F.Z.	0	182	185	1.120	1.239	1.669	1.738	2.212	2.212	2.212
Cash Expenses Total	3.551	3.981	4.360	6.585	8.931	9.973	12.079	12.971	13.377	13.833
Non-Cash Charges										
Port	1.229	1.371	1.371	1.435	7.007	8.957	11.998	12.438	12.884	9.829
I.E. & I.F.Z.	0	0	0	596	1.859	2.000	2.904	2.991	3.074	3.300
Non-Cash Expenses Total	1.229	1.371	1.371	2.031	8.866	10.957	14.902	15.489	15.958	13.129
Operating Expenses Total	4.780	5.352	5.731	8.616	17.797	20.930	26.982	28.460	29.334	26.962
Net Operating Income (NOI)	12.834	13.288	15.457	30.582	18.555	24.297	24.662	30.438	30.551	31.750
NOI before Depreciation	14.063	14.659	16.828	32.613	27.431	35.254	39.564	45.927	46.509	44.878
Other Income & Expenses										
Fund Management Income	0	544	1.006	1.477	2.749	3.592	4.988	6.475	8.243	10.137
Interest on Loans										
Interest on Long-term Loans										
Port	443	459	790	1.646	2.454	4.351	5.612	5.782	5.782	5.760
I.E. & I.F.Z.	0	38	69	85	770	786	1.040	1.057	1.529	1.529
Sub-Total	443	528	859	1.731	3.224	5.140	6.652	6.839	7.311	7.289
Interest on Short-term Loans	0	0	0	0	0	0	0	0	0	0
Interest on Loans Total	443	528	859	1.731	3.224	5.140	6.652	6.839	7.311	7.289
Net Income	12.391	13.305	15.604	30.328	18.090	22.850	22.997	30.074	31.483	34.597
Tax	4.957	5.322	6.242	12.131	7.236	9.140	9.199	12.029	12.593	13.839
Net Income after Tax	7.435	7.983	9.363	18.197	10.854	13.710	13.798	18.044	18.890	20.758

	1996/97	1997/98	1998/99	1999/2000	2000/01	2005/06	2010/11	2015/16
Operating Revenues								
Port	49.480	51.858	60.392	61.612	63.079	68.910	73.500	78.810
I.E. & I.F.Z.	14.199	18.911	11.045	2.076	2.076	2.076	2.076	2.076
Operating Revenues Total	63.679	65.769	71.438	63.688	64.955	70.990	75.576	80.886
Operating Expenses								
Cash Expenses								
Port	11.907	12.207	12.567	12.783	13.016	14.214	15.439	16.032
I.E. & I.F.Z.	2.212	2.213	2.212	2.212	2.212	2.212	2.212	2.212
Cash Expenses Total	14.119	14.419	14.779	14.995	15.228	16.426	17.651	18.244
Non-Cash Charges								
Port	9.829	9.829	9.829	10.078	8.325	8.599	8.755	8.886
I.E. & I.F.Z.	3.300	2.961	2.961	2.961	2.735	2.735	2.735	2.735
Non-Cash Expenses Total	13.129	12.790	12.790	13.039	11.060	11.334	11.490	11.621
Operating Expenses Total	27.248	27.208	27.568	28.034	26.289	27.761	29.141	29.865
Net Operating Income (NOI)	36.431	38.561	43.870	35.654	38.666	43.229	46.434	51.021
NOI before Depreciation	49.560	51.350	56.659	48.693	49.727	54.563	57.924	62.642
Other Income & Expenses								
Fund Management Income	11.949	13.537	15.542	17.555	19.364	27.529	37.214	48.850
Interest on Loans								
Interest on Long-term Loans								
Port	5.738	5.716	5.691	5.652	5.569	4.360	2.906	1.533
I.E. & I.F.Z.	1.529	1.529	1.527	1.524	1.520	1.269	878	496
Sub-Total	7.267	7.245	7.218	7.175	7.089	5.629	3.785	2.029
Interest on Short-term Loans	0	0	0	0	0	0	0	0
Interest on Loans Total	7.267	7.245	7.218	7.175	7.089	5.629	3.785	2.029
Net Income	41.113	44.853	52.194	46.034	50.942	65.129	79.863	97.842
Tax	16.445	17.941	20.877	18.413	20.377	26.051	31.945	39.137
Net Income after Tax	24.668	26.912	31.316	27.620	30.565	39.077	47.918	58.705

PROJECTED JOINT CASH FLOW STATEMENT (4% INTEREST RATE FOR FOREIGN LOAN)

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	1986/87	1987/88	1988/89	1989/90	1990/91	1991/92	1992/93	1993/94
Cash Beginning	0	11,336	20,967	30,773	57,269	74,842	103,911	134,893
Cash Inflow								
Operating Revenues	17,614	18,641	21,188	33,198	36,362	45,227	51,644	58,808
Long-term Loans								
Port	1,170	7,322	21,398	20,182	44,988	34,528	4,806	548
I.E. & F.P.Z.	954	700	407	17,131	407	6,350	407	11,814
Long-term Loans Total	2,124	8,282	21,804	37,313	45,395	40,878	5,212	12,362
Government Funds								
Port	900	1,321	14,576	15,509	14,232	9,578	8,594	185
I.E. & F.P.Z.	371	7,220	8,322	13,444	10,334	10,337	5,877	6,253
Government Funds Total	1,271	8,540	22,899	28,954	24,566	19,915	14,471	6,438
Current Liabilities Increment	817	99	87	512	540	240	484	205
Current Liabilities Beginning	0	817	916	1,003	1,514	2,054	2,294	2,778
Current Liabilities Ending	817	916	1,003	1,514	2,054	2,294	2,778	2,983
Fund Management Income	0	544	1,000	1,477	2,749	3,592	4,988	6,475
Total Cash Inflow	21,820	36,106	66,985	107,453	109,612	109,852	76,750	84,378
Cash Outflow								
Cash Expenses	3,551	3,981	4,360	6,585	8,931	9,973	12,079	12,971
Addition to Assets								
Port	2,070	8,842	37,464	35,601	59,221	44,106	13,359	4,150
I.E. & F.P.Z.	1,325	2,886	4,139	25,608	6,495	11,471	3,723	15,506
Addition to Assets Total	3,395	11,728	41,603	61,209	65,716	55,577	17,082	19,656
Loan Repayment								
Port	0	0	0	0	0	200	200	200
I.E. & F.P.Z.	0	0	0	0	0	0	0	0
Loan Repayment Total	0	0	0	0	0	200	200	200
Interest on Loans	443	528	857	1,731	3,224	5,040	6,052	6,830
Tax	0	4,957	5,322	6,242	12,131	7,296	9,140	9,199
Current Assets Increment	3,101	187	444	3,128	-412	1,538	1,154	1,260
Current Assets Beginning	0	3,101	3,288	3,733	6,861	6,449	7,988	9,142
Current Assets Ending	3,101	3,288	3,733	6,861	6,449	7,988	9,142	10,402
Inventories Increment	0	5,094	4,590	1,973	2,449	1,159	-592	-2,646
Inventories Beginning	0	0	5,094	9,684	11,657	14,107	15,265	14,673
Inventories Ending	0	5,094	9,684	11,657	14,107	15,265	14,673	12,027
Total Cash Outflow	10,490	26,475	57,179	80,958	92,039	80,783	45,777	47,539
Cash Inflow-Outflow	11,336	9,631	9,806	26,495	17,573	29,069	30,983	36,838
Cash Ending	11,336	20,967	30,773	57,269	74,842	103,911	134,893	171,732
Cash Excess	11,336	20,967	30,773	57,269	74,842	103,911	134,893	171,732
Short-term Loan	0	0	0	0	0	0	0	0

	1994/95	1995/96	1996/97	1997/98	1998/99	1999/2000	2000/01	2005/06	2010/11	2015/16
Cash Beginning	171,732	211,181	248,933	282,027	324,705	365,733	403,418	579,512	775,282	1,017,711
Cash Inflow										
Operating Revenues	59,880	58,791	63,679	65,709	71,438	63,688	64,855	70,900	75,576	80,880
Long-term Loans										
Port	0									
I.E. & F.P.Z.	0	0	0	0	0	0	0	0	0	0
Long-term Loans Total	0	0	0	0	0	0	0	0	0	0
Government Funds										
Port	0									
I.E. & F.P.Z.	0	0	0	0	0	0	0	0	0	0
Government Funds Total	0	0	0	0	0	0	0	0	0	0
Current Liabilities Increment	93	105	66	69	83	50	54	53	54	28
Current Liabilities Beginning	2,983	3,077	3,182	3,247	3,316	3,399	3,449	3,725	4,006	4,169
Current Liabilities Ending	3,077	3,182	3,247	3,316	3,399	3,449	3,502	3,778	4,060	4,196
Fund Management Income	8,243	10,137	11,949	13,617	15,642	17,555	19,364	27,529	37,214	48,850
Total Cash Inflow	68,222	68,953	75,663	79,375	87,063	81,293	84,373	98,571	112,843	129,764
Cash Outflow										
Cash Expenses	13,377	13,803	14,110	14,419	14,779	14,995	15,228	16,426	17,054	18,244
Addition to Assets										
Port	0	0	8,849	0	4,064	0	3,463	0	0	10,596
I.E. & F.P.Z.	0	0	0	0	0	0	0	208	0	0
Addition to Assets Total	0	0	8,849	0	4,064	0	3,463	208	0	10,596
Loan Repayment										
Port	200	200	200	319	695	1,765	2,774	7,018	7,018	6,757
I.E. & F.P.Z.	0	0	0	48	86	106	963	1,911	1,911	1,911
Loan Repayment Total	200	200	200	367	781	1,871	3,737	8,929	8,929	8,669
Interest on Loans	7,311	7,289	7,267	7,245	7,218	7,175	7,089	5,629	3,785	2,029
Tax	12,929	12,393	13,839	16,445	17,941	20,877	18,413	25,011	30,640	37,778
Current Assets Increment	180	-186	851	364	975	-1,311	222	153	162	227
Current Assets Beginning	10,402	10,582	10,396	11,249	11,613	12,588	11,277	12,408	13,216	14,071
Current Assets Ending	10,582	10,396	11,249	11,613	12,588	11,277	11,499	12,561	13,377	14,298
Inventories Increment	-4,385	-2,589	-2,589	-1,252	-1,212	0	0	0	0	0
Inventories Beginning	12,027	7,641	5,053	2,464	1,212	0	0	0	0	0
Inventories Ending	7,641	5,053	2,464	1,212	0	0	0	0	0	0
Total Cash Outflow	28,773	31,204	42,590	37,667	45,125	43,606	48,152	56,416	61,166	77,542
Cash Inflow-Outflow	39,450	37,752	33,094	41,708	41,938	37,685	36,220	42,155	51,677	52,221
Cash Ending	211,181	248,933	282,027	324,705	365,733	403,418	439,638	615,066	826,959	1,069,932
Cash Excess	211,181	248,933	282,027	324,705	365,733	403,418	439,638	615,066	826,959	1,069,932
Short-term Loan	0	0	0	0	0	0	0	0	0	0

PROJECTED JOINT BALANCE SHEET (4% INTEREST RATE FOR FOREIGN LOAN)

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	1986/87	1987/88	1988/89	1989/90	1990/91	1991/92	1992/93	1993/94	1994/95	1995/96	1996/97	1997/98	1998/99	1999/200	2000/01	2005/06	2010/11	2015/16
Assets																		
Current Assets																		
Cash & Deposit																		
Cash Minimum	107	110	131	198	268	299	302	389	401	415	424	431	443	450	457	493	530	547
Cash Excess	11.336	20.967	30.773	57.209	74.842	108.914	134.893	171.732	211.181	248.533	282.027	324.795	365.733	403.418	430.638	615.666	820.959	1.060.932
Other Current Assets	2.994	3.169	3.002	6.884	6.182	7.680	8.779	10.013	10.181	8.581	10.825	11.181	12.144	10.627	11.042	12.066	12.846	13.751
Current Assets Total	14.437	24.256	34.506	64.100	81.204	111.650	144.035	182.155	221.763	259.320	293.276	335.408	378.321	414.095	451.137	628.227	840.336	1.084.230
Inventories	0	3.094	9.084	11.057	14.107	15.265	14.673	12.027	7.641	5.053	2.364	1.232	0	0	0	0	0	0
Fixed Assets																		
Non-Depreciable Assets																		
Land																		
Port	3.000	3.947	5.747	6.649	6.649	6.649	6.649	6.649	6.649	6.649	6.649	6.649	6.649	6.649	6.649	6.649	6.649	6.649
I.E. & I.F.Z.	0	1.830	1.830	2.805	2.805	3.753	3.753	3.753	3.753	3.753	3.753	3.753	3.753	3.753	3.753	3.753	3.753	3.753
Land Total	3.000	5.777	7.577	9.454	9.454	10.402	10.402	10.402	10.402	10.402	10.402	10.402	10.402	10.402	10.402	10.402	10.402	10.402
Construction in Progress																		
Port	0	463	18.093	13.330	7.422	5.048	0											
I.E. & I.F.Z.		0	3.471	0	1.968	0	465	0										
Sub-Total	0	463	22.163	13.330	9.390	5.048	465	0	0	0	0	0	0	0	0	0	0	0
Non-Depreciable Assets Total	3.000	6.240	29.740	22.784	18.844	15.450	11.267	10.402	10.402	10.402	10.402	10.402	10.402	10.402	10.402	10.402	10.402	10.402
Depreciable Assets																		
Depreciable Assets																		
Port	38.149	38.149	41.927	75.216	139.167	184.914	202.560	204.516	204.516	204.516	204.516	204.516	205.760	205.760	205.993	207.000	209.015	209.883
I.E. & I.F.Z.	0	0	103	27.642	31.604	43.530	45.824	61.630	61.630	61.630	61.630	61.630	61.630	61.630	61.630	61.630	61.630	61.630
Depreciable Assets Total	38.149	38.149	42.030	102.858	170.772	228.444	248.412	266.145	266.145	266.145	266.145	266.145	267.392	267.392	267.623	268.903	270.644	271.512
Accumulated Depreciation																		
Port	1.229	2.600	3.375	4.410	7.010	11.159	18.349	24.550	32.620	40.702	[illegible]	48.005	52.664	60.989	66.082	92.325	114.235	130.749
I.E. & I.F.Z.	0	0	0	7	1.277	2.687	4.663	6.720	9.461	12.106	14.873	17.666	20.401	23.136	25.871	33.120	41.681	33.866
Sub-Total	1.229	2.600	3.375	4.417	8.286	13.845	23.012	31.270	42.087	52.808	54.860	65.671	73.065	84.125	91.954	125.451	155.915	164.615
Net Depreciable Assets	36.920	35.549	38.655	98.441	162.486	214.598	225.400	234.870	224.059	213.248	211.286	200.475	194.027	183.267	175.669	143.543	114.725	106.897
Fixed Assets Total	39.920	41.789	68.396	120.825	181.329	230.048	236.667	245.272	234.461	223.650	221.688	210.877	204.730	193.669	186.071	153.945	125.131	117.299
Deferred Assets																		
Port	2.070	9.502	22.563	29.425	25.704	21.720	17.645	13.571	9.763	7.071	5.258	3.500	1.753	0	0	0	0	0
I.E. & I.F.Z.	1.325	2.381	2.940	3.122	2.898	2.873	2.510	2.147	1.808	1.240	678	452	226	0	0	0	0	0
Deferred Assets Total	3.395	11.883	25.500	32.547	28.602	24.593	20.156	15.718	10.571	8.254	5.936	3.956	1.979	0	0	0	0	0
Assets Total	57.753	83.022	138.895	228.950	305.419	381.806	415.530	455.150	474.437	490.285	523.364	551.475	585.029	608.364	637.209	782.172	965.468	1.201.520
Liabilities & Net Worth																		
Liabilities																		
Current Liabilities																		
Short-term Loans	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other Current Liabilities	817	916	1.003	1.514	2.054	2.204	2.778	2.883	3.077	3.182	3.247	3.316	3.309	3.449	3.502	3.778	4.000	4.190
Current Liabilities Total	817	916	1.003	1.514	2.054	2.204	2.778	2.883	3.077	3.182	3.247	3.316	3.309	3.449	3.502	3.778	4.000	4.190
Long-term Liabilities																		
Port	6.370	13.904	35.208	55.480	100.469	134.790	130.281	139.509	139.308	139.048	138.787	138.408	137.771	136.008	133.234	108.430	65.349	31.563
I.E. & I.F.Z.	954	1.714	2.121	19.252	19.659	26.009	26.416	38.290	38.230	38.290	38.230	38.182	38.099	37.990	37.028	29.601	20.043	10.488
Long-term Liabilities Total	7.333	15.618	37.420	74.732	120.128	160.745	165.697	177.799	177.538	177.378	177.017	176.651	175.870	173.998	170.262	138.037	85.392	42.049
Liabilities Total	8.150	16.531	38.422	76.247	122.182	163.030	168.475	180.782	180.615	180.459	180.265	179.967	179.269	177.448	173.765	133.845	89.451	46.245
Net Worth																		
Government Funds																		
Port	36.840	38.161	52.737	68.246	82.478	92.656	100.616	100.795	100.795	100.795	100.795	100.795	100.795	100.795	100.795	100.795	100.795	100.795
I.E. & I.F.Z.	371	7.591	13.918	29.157	39.692	50.029	55.900	62.159	62.159	62.159	62.159	62.159	62.159	62.159	62.159	62.159	62.159	62.159
Government Funds Total	37.211	45.751	66.656	97.403	122.170	142.685	156.516	162.954	162.954	162.954	162.954	162.954	162.954	162.954	162.954	162.954	162.954	162.954
Retained Earnings	0	7.405	15.418	24.780	42.077	59.691	67.541	81.340	99.464	118.274	139.082	168.700	190.012	221.926	249.548	420.274	693.198	894.488
Net Income	12.391	13.305	15.604	30.128	18.006	22.850	22.997	30.074	31.483	34.597	41.113	44.855	52.154	40.034	50.942	65.129	70.803	97.842
Net Worth Total	49.602	66.491	99.672	152.712	183.237	218.760	247.055	274.368	293.822	315.825	343.099	371.508	405.760	430.916	463.444	648.357	876.016	1.155.284
Liabilities & Net Worth Total	57.752	83.022	138.094	228.950	305.419	381.805	415.530	455.150	474.436	490.285	523.364	551.474	585.029	608.364	637.209	782.172	965.467	1.201.520

VII. Conclusions and Recommendations

A. Conclusions

124. The Plan relates to the Suez Canal Regional Development and the Sinai Regional Development. The main objective of the Plan is to provide adequate infrastructures for industries which will contribute to the decentralization of population and industry in Egypt, to promote rapid economic growth and to rectify the growing deficit of the country's balance of payments as well as to provide an adequate capacity for the ports of Suez to accommodate the traffic demand through the year 2005. The Plan, therefore, includes the following main components: (i) Ataqa-Adabiya Port, Ataqa industrial estates, Adabiya industrial free zones, Ataqa new town, Ataqa fishery port and other related facilities, (ii) Ain Sukhna industrial port, industrial estates, new towns and recreational facilities with a marina. (iii) Ras Sudr recreational facilities with a marina, new towns, Ras Sudr Port, and an industrual estate and related facilities.

125. The Short-term Development Project concentrates on the Ataqa-Adabiya Area. The Project includes the following components; (i) Phase I of the Ataqa commercial port development (ii) Phase I of the Adabiya commercial port development (iii) Ataqa fishery port (iv) Phase I of the Ataqa industrial estate (v) Phase I of the Adabiya industrial free zone (vi) Other related facilities including water supply system.

126. The total cost of the Project is estimated at L.E. 375 million of which L.E. 233.5 million (62 percent) is the foreign currency cost and L.E. 141.5 million is the local currency cost. The local currency cost is to be met using the government's own resources.

127. On the basis of readily quantifiable benefits, the EIRR of the project is estimated as 13.6 percent. The FIRR is estimated as 3.3 percent. Therefore, the Project is viable. There are no significant technical or environmental risks associated with the port development aspect of the Project. Industrial location, however, highly depends on well-managed administrative control, and therefore the industrial location aspect of the Project must be executed with the completed consensus of all related organizations and authorities after making adequate feasibility studies on the location of the proposed industries.

B. Recommendations

128. The following items are highly recommended for the smooth implementation of the Project:

129. As the entire Project will take a long time, the government should consider taking necessary measures to regulate land and sea area use and to control land prices to prevent random development and land speculation.

130. The related organizations should review and revise, if necessary, the implementation plan for infrastructural development in existing Suez, since it is closely related with the Project.

131. Since the Project consists of various infrastructures which are currently managed and operated by different authorities or agencies, the government should consider establishing a new institutional framework with the Suez Bay Coastal Area Development Authority (SBDA) as the central organ to lead the Project to success.

132. Since the effective operation & management of the port is an important prerequisite to attract export-oriented industries, cargo handling productivity should be improved and an effective management system should be developed.

133. The government should consider making a review of the current institutional framework for the location of industries and taking necessary steps to give foreign companies incentives to locate in the industrial zones such as:

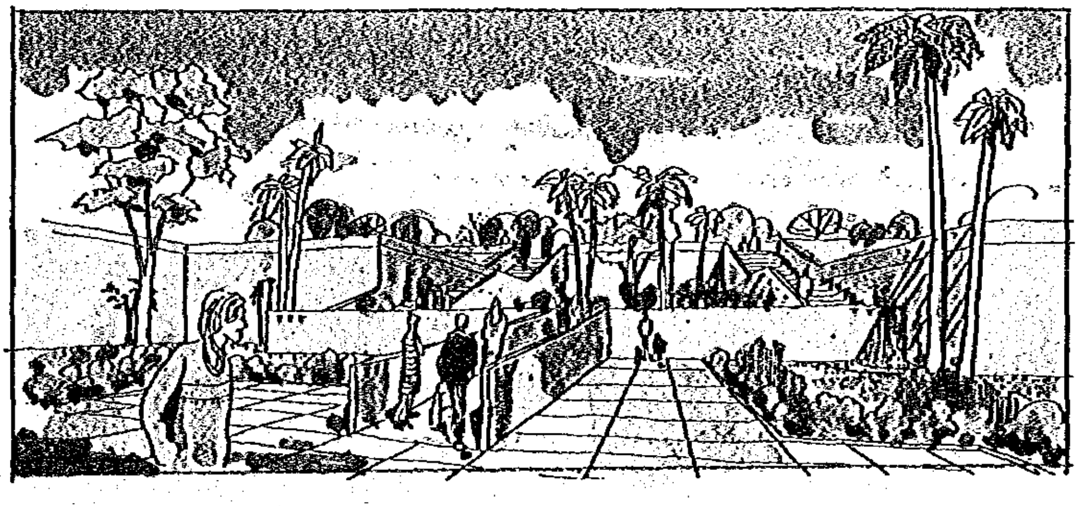
- Alleviation of exchange controls which are the most serious problem for foreign enterprises at present;
- Exemption or reduction of corporate income tax, fixed property tax and the individual income tax of the foreign employees at least for the first several years until the tenants' businesses are firmly established;
- Establishment of a system to provide highly skilled Egyptian laborers, or subsidizing the enterprises for their cost in training Egyptian employees;
- Establishment of a sales promotion system under the close cooperation between SBDA and its tenants;
- Relaxation of restrictions on trade;
- Exemption or reduction of customs duties for all or part of exported and imported goods;
- Exemption from as many customs procedures as possible; and
- Permitting the tenants to sell their products not only in foreign markets but also in the local market to a certain extent so that domestic industrial activities will not stagnate.

134. As for the navigation control in the inner Bay of Suez, necessary arrangements should be made to comply with S.C.A and Red Sea Port Authority rules and regulations taking into consideration the future prospects of the Canal expansion scheme.

135. As for the industrial location in the proposed industrial estate and industrial free zone, it is recommended to conduct the study on the privatization of industries which are currently owned by public entitites for the more effective and costsaving operation as well as to consult a potential private investors' wishes to locate to determine the exact size and type of factories to be included within the national industrial plan.

136. It is also recommended to study and discuss among the related organizations about the roles of these organizations and necessary revision of the rules and regulations needed to realize the project and the proposed industrial location.

CENTER OF THE ADABIYA INDUSTRIAL FREE ZONE



JAPAN INTERNATIONAL COOPERATION AGENCY