

EASTERN COMPANY (S.A.E)
FINANCIAL STATEMENTS
TOGETHER WITH AUDITOR'S REPORT
FOR THE YEAR ENDED 30 JUNE, 2019

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EASTERN COMPANY (S.A.E)
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2019

(Amounts expressed in Thousands of Egyptian Pounds)

	<u>Notes</u>	<u>30/6/2019</u>	<u>30/6/2018</u>
<u>ASSETS</u>			
<u>Non - Current Assets</u>			
Property, plant and equipment	(8)	4 951 149	4 822 260
Projects under construction	(9)	1 249 540	983 473
Investments property	(10)	9 303	9 303
Other intangible assets	(11)	2 989	6 917
Investments long-term	(12)	120 668	120 668
Right of use leased assets	(13)	107 944	--
Deferred tax assets	(14)	176 334	181 725
Other assets	(15)	875	154
Total Non- Current Assets		6 618 802	6 124 500
<u>Current assets</u>			
Inventories	(16)	7 956 653	6 397 152
Trade and notes receivables	(17)	381 975	497 426
Debtors and other debit balances	(18)	511 395	249 345
Trade payables - advance payments	(19)	55 475	69 220
Cash and cash equivalent	(20)	6 029 005	3 759 892
Total Current Assets		14 934 503	10 973 035
TOTAL ASSETS		21 553 305	17 097 535
<u>EQUITY AND LIABILITIES</u>			
<u>Equity</u>			
Issued and paid capital	(21)	2 250 000	1 500 000
Reserves	(22)	3 780 372	4 530 372
Retained earnings	(23)	516 099	452 895
Net profit for the year		3 733 304	--
Total equity		10 279 775	6 483 267
<u>Non - Current Liabilities</u>			
Deferred tax liabilities	(24)	361 579	322 294
Financial lease contract obligations	(25)	93 585	--
Long-term provisions	(26)	571 535	561 800
Total Non-Current liabilities		1 026 699	884 094
<u>Current Liabilities</u>			
Short-term provisions	(27)	393 137	473 082
Trade and notes payables	(28)	1 457 488	1 288 636
Creditors and other credit balances	(29)	7 955 001	6 854 404
Trade receivables - advance payments	(30)	56 351	178 441
Income tax payable		384 854	935 611
Total current liabilities		10 246 831	9 730 174
TOTAL OF EQUITY AND LIABILITIES		21 553 305	17 097 535

- The accompanying notes (from no. 1 to no. 44) are representing an integral part of the financial statements and to be read therewith.

(Accountant/ Osama Fouad Mohamed)
Chief of the financial sector

(Accountant/ Niveen Ali Hussein)
General Manager / Final accounts and
financial statements

(Hany Aman)
Managing Director

(Accountant/ Tarek Sharf Eldin Barakat)
Supervisor of the financial sector

EASTERN COMPANY (S.A.E)
STATEMENT OF INCOME
FOR THE YEAR FROM 1/7/2018 TO 30/6/2019
(Amounts expressed in Thousands of Egyptian Pounds)

	<u>Notes</u>	<u>30/6/2019</u>	<u>30/6/2018</u>
Sales/Revenues	(31)	13 893 535	13 410 010
Cost of goods sold	(32)	(8 793 307)	(8 233 625)
Gross profit		5 100 228	5 176 385
Other revenues	(33)	149 638	297 892
Sale and distribution expenses	(34)	(485 203)	(491 507)
General and administrative expenses	(35)	(192 412)	(172 202)
Other expenses	(36)	(160 909)	(245 684)
Result of operation activities		4 414 774	4 564 884
Financing income	(37)	417 261	873 550
Financing expenses	(38)	(34 119)	(9 720)
Net of financing income		383 142	863 830
Other financial investments income	(39)	16 255	87 433
Profit before tax		4 814 171	5 516 147
Income tax expense	(40)	(1 080 867)	(1 275 549)
Profit from continued operations		3 733 304	4 240 598
Profit of the year from discontinued operations		--	--
Profit of the year		3 733 304	4 240 598
Earnings per share	(41)	1.54	1.77

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EASTERN COMPANY (S.A.E)
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR FROM 1/7/2018 TO 30/6/2019
(Amounts expressed in Thousands of Egyptian Pounds)

	<u>2018/2019</u>	<u>2017/2018</u>
Net profit of the year	3 733 304	4 240 598
<u>Other Comprehensive Income</u>		
Exchange differences resulting from translating the foreign operations	--	--
Financial investments available for sale	--	--
Cash flow hedges	--	--
Remeasurements of defined benefit pension plans	--	--
Company share of other comprehensive income from associates	--	--
Income tax relating to other comprehensive income items	--	--
Total other Comprehensive Income of the Year	--	--
Total Comprehensive Income of the Year	<u>3 733 304</u>	<u>4 240 598</u>

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_____ (Hany Aman) Managing Director	_____ (Accountant/ Tarek Sharf Eldin Barakat) Supervisor of the financial sector

EASTERN COMPANY (S.A.E)
STATEMENT OF PROPOSED DIVIDENDS
FOR THE YEAR FROM 1/7/2018 TO 30/6/2019
(Amounts expressed in Thousands of Egyptian Pounds)

2018/2019		Item	2017/2018	
Total	Subtotal		Total	Subtotal
4 249 403	3 733 304	Profit of the year	4 524 035	4 240 598
	516 099	Adding retained earnings		283 437
		Distributable profit		
205 447		<u>Deduct</u>	1 562 612	
		<u>Reserves</u>		
	185 677	Legal reserve		422 996
	--	Statutory reserve		845 992
	19 770	Capital reserve		10 638
	--	Other reserves	282 986	
2 508 667		<u>Divided profit</u>	2 508 528	
	2 250 000	Shareholders' dividends		2 250 000
	230 000	Employees dividends		230 000
	10 000	Board of Directors bonuses		1 000
	18 667	Authority of youth and sport	27 528	
1 535 289		Profit transferred to retained earnings	452 895	
4 249 403			4 524 035	

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EASTERN COMPANY (S.A.E)
STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR FROM 1/7/2018 TO 30/6/2019
(Amounts expressed in Thousands of Egyptian Pounds)

	<u>Issued and Paid up capital</u>	<u>Legal reserve</u>	<u>Statutory reserve</u>	<u>Capital reserve</u>	<u>Other reserves</u>	<u>Total reserves</u>	<u>Retained earnings</u>	<u>Net profit of the year</u>	<u>Total equity</u>
Balance as at July 1, 2017	1 500 000	693 110	827 506	519 273	927 871	2 967 760	72 166	--	4 539 926
Adjustments of deferred and income tax for the year 2016/2017	--	--	--	--	--	--	43 843	--	43 843
Remaining balance from board remuneration	--	--	--	--	--	--	20 172	--	20 172
Adjustment of expenses and revenues from previous years	--	--	--	--	--	--	147 256	--	147 256
Transferred to reserves from profit dividends for the year 2017/2018	--	422 996	845 992	10 638	282 986	1 562 612	169 458	--	1 732 070
Balance as of June 30, 2018	1 500 000	1 116 106	1 673 498	529 911	1 210 857	4 530 372	452 895	--	6 483 267
Balance as of July 1, 2018	1 500 000	1 116 106	1 673 498	529 911	1 210 857	4 530 372	452 895	--	6 483 267
Transferred from legal and other reserves for capital increase	750 000	(500 000)	--	--	(250 000)	(750 000)	--	--	--
Adjustment of expenses and revenues from previous years	--	--	--	--	--	--	63 204	--	63 204
Net profit for the period from 1/7/2018 to 30/6/2019	--	--	--	--	--	--	--	3 733 304	3 733 304
Balance as at June 30, 2019	2 250 000	616 106	1 673 498	529 911	960 857	3 780 372	516 099	3 733 304	10 279 775

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EASTERN COMPANY (S.A.E)
STATEMENT OF CASH FLOW
FOR THE YEAR FROM 1/7/2018 TO 30/6/2019
(Amounts expressed in Thousands of Egyptian Pounds)

Total	Subtotal	Notes no.	Item	As of 30/6/2018
			<u>First: Cash flows from operating activities</u>	
	52 214 998		Cash sales and collected from receivables	46 157 001
	(7 667 408)		Cash purchases and paid to suppliers	(8 523 338)
	(1 943 049)		Salaries paid	(1 542 111)
	2 545 237		Operating of others revenue and other revenue	2 812 686
	372 153		Collection benefit payable	846 954
	(9 443)		Collection benefit	(6 023)
	(39 657 897)		Taxes and fees paid	(37 640 908)
	548		Export subsidy / Grants and Subsidies	1 751
	8 113		Proceeds from insurance claims	3 659
	(20 664)		Other payments	(16 229)
5 842 588			(1) Net Cash flows from operating activities	2 093 442
	(849 622)		<u>Second: Cash flows from investment activities</u>	
	12 404		Payments for fixed assets (projects under construction)	(934 911)
(837 218)			Receipt from sale fixed assets	3 275
			(2) Net Cash flows from investment activities	(931 636)
	(2 438 741)		<u>Third: Cash flows from financing activities</u>	
	(111 623)		Dividend	(4 270 752)
	--		Payments for finance lease liabilities	(103 460)
(2 550 364)			Payments for the loan installments long-term	(69 444)
(185 893)			(3) Net Cash flows from finance activities	(4 443 656)
--			(4) losses and profit different currencies	(26 097)
--			(5) Buy Treasury Bills	(1 828 773)
			(6) Sale Treasury Bills	1 828 773
2 269 113			Net cash from 1/7/2018 to 30/6/2019 (1+23+4+5+6)	(3 307 947)
3 759 892			Cash and cash equivalent at the beginning of the year	7 067 839
6 029 005		(42)	Cash and cash equivalent at the end of the year	3 759 892

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EASTERN COMPANY (S.A.E)
NOTES TO THE FINANCIAL STATEMENTS
AS OF JUNE 30th, 2019

(Amounts expressed in Thousands of Egyptian Pounds)

1- COMPANY

Company's commercial name:

Eastern Company (S.A.E) at Giza.

Establish date and location:

- The Company was established on 12/7/1920 at Giza city - the Arab Republic of Egypt.
- The Company was registered in the Commercial Register under No. 6069.
- The Company located at the sixth industrial zone – Oasis Road plots numbers 1 (87 to 98) - Fifth zone - 6th of October City – Giza- ARE.

Company's activities:

- The Company is working in manufacturing and trading of Tobacco, its products and modern smoking alternatives and accessories/ practicing any investment, financial, commercial, industrial, agricultural or service activities (except all relevant provisions of the capital market according to the Law no. 95 for the year of 1992 with the commitment of the company to adjust its situation in accordance with the provisions of the Law No. 120 for the year of 1982.
- Real estate Ownership and Construction, purchasing and dividing lands for the purposes of utilization, rental or sale, import, export and commercial agencies.
- Establish, participate in establishing, purchasing of companies, contribute to them even if these entities are practicing its activities or part of it inside or outside the Arab Republic of Egypt, in order to develop or achieve any of its goals in accordance to the provisions of the laws, regulations and current decisions. Taking into consideration issuing the necessary licenses to practice these activities. The Company may participate or cooperate in any way with other companies which have similar or non-similar activities.

Trading Shares on the Stock Exchange:

The Company's nominal shares are traded in the Egyptian Stock Exchange market.

Company's continuity duration:

Fifty years starting from 2/6/2019 (date of re-registering in the commercial register) till 1/6/2069.

Date of issuing the financial statements:

The financial statements have been approved by the board of directors on 1/9/2019.

Company's financial year:

- From 1/7/2018 till 30/6/2019.
- Shares Percentage of the Holding Company for Chemical Industries have been decreased from 55% to be 50.5%, after offering a percentage of 4.5% (maximum number of 101 250 000 shares for Public & Private Offering **IPO**).
- Private Placement percentage was 95% from the total offered shares with number of 96 187 500 shares, the share price was 17 EGP per share with total amount of EGP 1 635 187 500.
- Public Placement percentage was 5% from the total offered shares with number of (5 062 500 shares), the share price was 17 EGP per share with total amount of EGP 86 062 500.
- Public & Private Offering has been covered by total amount of EGP 1 721 250 000.
- Extra-ordinary General Assembly held on 2 June 2019 has been approved legalization of the company and moving it from the Public Business Sector Companies (Law no. 203 for the year of 1991) to the Corporate Law no. 159 for the year of 1981 and its executive regulation in the light of decreasing participant of the Holding company for Chemical Industries its percentage of shares to less than 51% of the share capital of Eastern Company.

And approving the new Articles of association which prepared in accordance with the Corporate Law no. 159 for the year of 1981 and its executive regulation as it was presented to the Extra-ordinary General Assembly.

- The Extra-ordinary General Assembly held on 2 June 2019 approved the company's New Articles of Association.

2- BASIS OF PREPARING FINANCIAL STATEMENT:

2/1 Applying Standards and Laws:

- The Financial Statements have been prepared in accordance with the Egyptian Accounting Standards (EAS) and according to the relevant laws and regulations.
- The Minister of Investment and International Cooperation issued Decree No. 69 for the year of 2019 to modify some provisions of the Egyptian Accounting Standards which issued by the Minister of Investment Decree No. 110 for the year of 2015.
- The company applied the accounting settlement regarding financial leasing according to the Egyptian Accounting Standard No. (49) instead of the Egyptian Accounting Standard No. (20) which was cancelled according to the latest Egyptian Accounting Standards Modifications, also this settlement/treatment agreed with Law no. 176 for the year of 2018 concerning "Financial Leasing and Factoring Activities".

2/2 Basis of Measurement:

- The financial statements have been prepared in accordance with the historical cost methods and according to the assuming of the continuity.
- The financial statements have been prepared according to the accrual basis except the cash flows which is prepared according to the cash basis.
- The cash flows statements have been prepared by direct method.

2/3 Functional and presentation currency:

- The company's financial statements presented in Thousand Egyptian Pound, while the transaction currency is the Egyptian Pound.

2/4 Use of Estimates and Personal Judgment:

The Financial statements were prepared according to the Egyptian Accounting Standards which requires using estimates and assumptions that affect the amounts of assets, liabilities, income, and expenses, disclosure of possible liabilities. Although the estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the final actual results may be different from those estimations. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and the future periods if it affects future periods.

The basic estimates and judgments that affect the financial statements are as follows:

- Useful life of fixed assets
- Provisions
- Deferred tax assets
- Deferred tax liabilities

3- SIGNIFICANT ACCOUNTING POLICIES:

The Significant Accounting Policies applied in a consistent way throughout the presented financial periods in these financial statements.

3/1 Foreign Currencies translation:

- The company's functional and reporting currency is the Egyptian pound.
- Transactions denominated in foreign currencies during the year are translated to Egyptian pounds at the prevailing rates as at the transaction date. At year-end, monetary assets and liabilities denominated in foreign currencies are translated to Egyptian pounds using the prevailing rates as at that date. Transaction differences are included in the income statements.

3/2 Fixed Assets and Depreciation:

- Fixed assets are recorded at historical cost less accumulated depreciation and accumulated impairment losses
- Fixed assets are depreciated using the straight-line method and charged to the income statement over the estimated useful life for each kind of assets.

3/2/1 Subsequent costs:

- The Company is recorded in the book value for the fixed asset by the cost of replacing part of this asset at the date that such cost is incurred and the carrying amount of the replaced parts is eliminated.

The useful lives for each asset as following:

	<u>The useful lives by year</u>
Buildings	25-50
Machines	10
Vehicles	5-8

Tools	5
Furniture	4-10

3/3 Projects under construction:

- Projects under construction are recognized initially at cost. Cost includes all expenditures directly attributable to bringing the asset to the working condition for its intended use. Projects under construction are transferred to the fixed assets at cost when they are completed and are available for the purpose for which they were acquired.

3/4 Investments:

- Real estate investments are valued at cost, when there is non-temporary impairment will be charged to the income statement.
- Government bonds investments are valued at acquisition cost, and this investments benefit is recorded in the income item from investments item in the income statement.

3/5 Other assets:

- The other assets represented in licenses cost which expected from that flow of future economic benefits for the company and the company's contribution in the establishment of non-owned assets and serve its purposes.
- The other assets appeared by the purchase cost which included any other expenses of assets to can be used for the purpose for which they were acquired minus the accumulate depreciation.
- The percentage of the non-owned assets depreciation which serve its purposes 10%, the percentage of the J.D program depreciation 25%, the percentage of the H.R program depreciation 25%, and the percentage of the Microsoft program depreciation 25%,

3/6 Inventory:

- Inventory are valued from the raw materials and the input of production at cost, and the expense are valued based on weighted average cost method, the inventory of goods in progress are stated at their manufacturing cost and the inventory of finished goods are stated at cost or net sale value which less.
- The company follows the continuing physical count work.
- The inventory of Tobacco raw materials is about 16 months.
- The inventory of complete production is enough to meet the market needs for 1.6 day.
- The raw materials inventory is including Tobacco in customs warehouses amounted to 4284 million Egyptian pounds and the due customs duties must be paid upon receiving it from these warehouses.

3/7 Cash and cash equivalent:

- Cash and cash equivalent include all cash on hands and at banks, as well short-term investments which can be converted easily into cash in three months or less.

3/8 Provisions:

- Provisions are proved when there is an obligation (legal, court decision) or evidence of past events, which might result in an economic outflow to settle this obligation and the obligation can reliably be estimated. In case of a significant

effect, the provision is estimated based on the discounted future cash flow at a pre-tax discount rate, reviewing the provisions in the date of the financial statement and its amendment (if necessary) to show the best estimate.

3/9 Capital:

- Paid and issued capital represent the nominal value per share multiplied by the number of shares on financial statements date.

3/10 Reserves:

- The company's reserves are formed by law or the company's article of association to support the company's financial position. These reserves are used by the approval of the general assembly upon a demand of the board of directors in the best interest of the company.

3/11 Borrowing and Borrowing Cost:

- Borrowing are initially recognition of the loans or credit facilities that the company receives based on the fair value minus expenses, and the due amounts for the year are recorded in the current liabilities, unless that the company has the right to postpone the payment of loans for more than one year after the date of the financial position and must present the balance of long-term loan in the long-term liabilities.

3/12 Revenue:

a. Sales Revenue

- The sales revenue are recognized according to the sales process and delivering the goods for the client where the conditions in the Egyptian Accounting Standard no. (11) are agreed according to following:
 - The entity must transfer the risks and basic returns of ownership of the goods to the buyer.
 - The entity shall not retain the right of continuous administrative intervention to the degree normally associated with ownership or effective control over the goods sold.
 - The revenue can be accurately measured.
 - Must have the forecasting for the flow of economic benefits for the transaction to the entity.
 - The possibility of determining the value of the costs incurred or to be borne by the entity in relation to the transaction accurately.
- The bonds revenue are recognized because the recognition conditions are agreed as following
 - Must have highly expected for the flow of economic benefits for the transaction to the entity
 - The revenue can be reliably measured.
 - **The Minister of Investment and International Cooperation issued Decree No. 69 for the year of 2019 to modify some provisions of the Egyptian Accounting Standards which issued by the Minister of Investment Decree**

No. 110 for the year of 2015, the new Egyptian Accounting Standard no (48) regarding revenues and contracts with clients must replace the standards Nos. (8&11) since the financial period starts on or after January 1st, 2020.

b. Revenues of Operating for other parties:

- The operating services for others are recognized according to the conditions in the Egyptian Accounting standard no. (11) as following:
 - The revenue can be accurately measured.
 - Must have high expectations of economic benefits flow to the entity.
 - The degree of completion of the transaction can be accurately measured at the financial statements date.
 - The costs incurred in the process and the costs needed to complete them can be accurately measured.

c. Interest Revenue:

- The benefits/interests revenue are recognized by using the current actual revenue method, the interest revenue in the income statement is recognized in the credit benefits.

3/13 Income tax:

- The income tax on the profit for the period comprises income tax for the period and deferred tax, and it should be recognized in the income statement, the income tax on the net profit is recognized by using the current tax price ratio on the financial statements date.
- The deferred tax which results from the different temporary periods between the book value of assets and liabilities according to the accounting basis and its value according to the tax basis. Determining the value of the deferred tax in the light of the way that assets or liabilities will be achieved, and by using the current tax ratios on the date of preparation the financial statements in addition to the latest period's tax differences.
- The deferred tax assets for the entity are recognized when there is a strong possibility that taxable profits will be realized in the future through which the asset can be utilized. The deferred tax assets are reduced by the amount of the portion of the expected tax benefit realized over the next periods.

3/14 Processing grants and subsidies:

- The company follows the entrance of revenues to handle the export subsidy (item of grants and subsidies) in income statements and processing the dedicated assets where the company recorded the dedicated assets as grants in the fixed assets item and record the depreciation in income statement.

3/15 Financial leasing:

- The profit results from sale are recognized with re-rental the tools financially over the term of the lease contract.
- The rental value and the maintenance expenses are recognized as an expense in the income statement till the financial year 2017/2018, and the accounting treatment was changed to comply with the Amended Egyptian Accounting Standards for 2019 and the Law no. 176 for the year of 2018 which organize financial leasing and factoring activities.

3/16 Dividends:

- Dividends are recognized when shareholders have the right to collect the amounts of these dividends.

3/17 Employees' profits share:

- Employees' profits share should be paid without exceeding their total annual basic salaries in accordance with the law.

3/18 Potential liabilities:

- The company's potential liabilities amounted to 1 901 Million Egyptian Pounds including letters of guarantee amounted to 254 Million Egyptian Pounds relevant to Cairo, Alexandria and Damietta Customs, 514 Million Egyptian Pounds as a due customs duties to be paid by the company when tobacco raw materials comes out from custom' warehouses, and credit letters amounted to 1 133 Million Egyptian Pounds.

4- FINANCIAL RISKS MANAGEMENT:

4/1 Credit Risk:

- Credit risk is the risk that one party of the financial instruments (receivables, due from a related party and balances at banks) fails to settle the due amounts and the other party is exposed to financial losses and this risk arises principally from other debtors. Also Credit risk can be the cash and cash equivalent except cash on hand and financial deposits when there is an unavailability of the liquidity to other party so he cannot be able to refund these balances and he cannot fulfill his financial commitments which were agreed upon before because of lack of liquidity. In order to control this risk, the company is dealing with financial and banking institutions that have a high credit rating and stability.

4/2 Liquidity Risk:

- The liquidity risk is the risk that when the company cannot settle its liabilities or financial commitments on due dates, the Company's approach regarding managing liquidity is to ensure that it has a sufficient liquidity to meet its liabilities on its due dates in both normal and critical circumstances without incurring unacceptable losses or damaging the Company's reputation, the company also ensures the cash is available on request to meet the expected operating expenses for an appropriate period of time including the financial obligations and disposal the potential impact of acute and unpredictable conditions such as natural disasters.

Also the company invests the available excess cash from daily cash receipts in the best aspects of short-term investment

4/3 Market Risk:

- Market risk represents in the changes in the market prices such as foreign exchange currencies and interest rate.
- The purpose of managing market risk is managing and controlling the market risk exposure within the acceptable parameters with maximizing revenue.
- (a) **Foreign currencies risk:** The foreign currency risk is represented in changes in foreign currency exchange rates, which affect the payments and receivables in foreign currencies, as well as evaluating assets and liabilities in foreign currencies which company facing it through a lot of policies such as the value of what the company gets from the spare parts local manufacturing and investment equipment, buying from suppliers agents, etc.
- (b) **Interest rate risk:** The Company is dealing with many banks at interest rates that enable it to reduce the risk of changes in interest rates, whether debit interest or credit interest through competition among banks in order to get the best rates based on the large handling size.
- Interest-bearing bank deposits during the financial time period referred to which are the total deposits in local and foreign currencies.
- The fair values for the financial instruments are not different from their carrying values at the end of the financial time period.

4/4 Capital Management:

- The policy of board of directors it to keep strong capital in order to keep the trust investors, creditors and the market, as well as to meet future developments of activity. The Company's Board of Directors is monitoring the return on capital and the level of dividends. There were no changes in the company's capital management strategy during the year; also the company is not subject to any external requirements imposed on its capital.

5- DISCLOSURE OF RELATED PARTIES:

- The Holding Company for Chemical Industries has 50.5% from company's shares as of 30/6/2019.
- Related parties are treated on the same basis as others.
- The General Company for Paper Industry (Rakta) with amount of 41 592 Thousand Egyptian pounds and Moharram Industrial Printing Co. with amount of 6 039 Thousand Egyptian pounds.
- The Holding Company for Chemical Industries was provided a set of banks guarantees and non-bank guarantees to some governmental agencies (Customs Authority - Customs Taxes - Egyptian Tax Authority "Value Added Tax") for the favor of company amounted to 1620 Billion Egyptian pounds.

6- IMPAIRMENT OF FINANCIAL ASSETS:

- In a periodical way at each financial statement date the company is determining if there is an objective evidence that a financial asset or a group of assets is impaired or not. Financial assets or a group of assets can be considered as an impairment asset. Also it is considered an asset impairment If there is any objective evidence referring to such impairment which results from one or more events occurring after the initial recognition of the asset and impact at the same time on the estimated cash flows of a financial asset or group of financial assets that can be estimated reliably.

7- TAX SITUATION

7/1 Corporate Tax:

- The financial year 2015/2016 is under inspection.

7/2 Stamp Tax:

- The financial year 2015/2016 has not been inspected yet.

7/3 Salary Tax:

- The company has received Form no. (38) amounted to 209 237 939.11 Egyptian Pounds and it has been objected upon the estimated inspection of the tax office on 3/8/2017 and the company required to re-inspecting the file.

7/4 Value Added Tax:

- The company is paying the monthly value added tax amount (VAT) according to the Law no. 67 for the year of 2016,
- The company was inspected till the financial year of 2013/2014.
- The years of 2014/2015 and 2015/2016 are under inspection.

7/5 Real State Tax:

- The company paid the accrued real state tax according to claims received from real state tax authorities for the year of 2019.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED JUNE 30, 2019

(Amounts expressed in Thousands of Egyptian Pounds)

8- Property, plant and equipment

(Amounts expressed in Thousands of Egyptian Pounds)

<u>Fixed assets movement statement:</u>	<u>Lands</u>	<u>Buildings</u>	<u>Machines and equipment</u>	<u>Vehicles</u>	<u>Tools</u>	<u>Furniture and office equipment</u>	<u>Total</u>
Cost as of 1/7/2017	218 103	3 482 670	4 126 109	285 320	155 842	743 378	9 011 422
Additions during the year	--	17 556	367 270	47 107	6 000	28 455	466 388
Disposals during the year	--	(1 597)	(37 862)	(3 212)	--	--	(42 671)
Total Cost as of 30/6/2018	218 103	3 498 629	4 455 517	329 215	161 842	771 833	9 435 139
Cost as of 1/7/2018	218 103	3 498 629	4 455 517	329 215	161 842	771 833	9 435 139
Additions during the year	--	39 204	563 873	20 365	5 467	16 844	645 753
Disposals during the year	--	(1 984)	(19 697)	(168)	(4 435)	(322)	(26 606)
Total Cost as of 30/6/2019	218 103	3 535 849	4 999 693	349 412	162 874	788 355	10 054 286
<u>Accumulated depreciation and impairments movement:</u>							
Accumulated depreciation as of 1/7/2017	--	616 548	2 708 302	229 798	127 630	481 002	4 163 280
Depreciation of the year	--	88 972	306 905	26 178	10 959	58 072	491 086
Accumulated depreciation of disposals	--	(618)	(37 657)	(3 212)	--	--	(41 487)
Accumulated depreciation as of 30/6/2018	--	704 902	2 977 550	252 764	138 589	539 074	4 612 879
Accumulated depreciation as of 1/7/2018	--	704 902	2 977 550	252 764	138 589	539 074	4 612 879
Depreciation of the year	--	58 959	12 232	27 912	12 232	58 959	531 454
Accumulated depreciation of disposals	--	(1 218)	(13 320)	(98)	(4 305)	(321)	(19 262)
Impairment of fixed assets	--	(21 934)	--	--	--	--	(21 934)
Accumulated depreciation as of 30/6/2019	--	77 246	3 306 114	280 578	146 386	597 678	5 106 666
Net fixed assets of 30/6/2018	218 103	2 793 727	1 477 967	76 451	23 253	232 759	4 822 260
Net fixed assets of 30/6/2019	218 103	2 763 603	1 693 608	68 834	16 358	190 643	4 951 149

* The fully depreciated fixed assets as of June 30, 2019 is 2006 Million Egyptian Pounds included fully depreciated fixed assets still in use amounted to 1387 Million Egyptian Pounds (including machines and equipment amounted to 895 Million Egyptian Pounds), and fully carried depreciated fixed assets amounted to 300 Million Egyptian Pounds and others under scrap process amounted to 319 Million Egyptian Pounds.

- * The fixed assets is including approximately 79 888 Thousand Egyptian Pounds representing gifted assets as following:

	<u>Thousand Egyptian Pounds</u>
Production's machinery	72 028
Production Utilities, equipment of Services	4 048
Internal transportation	31
Tools	1 590
Furniture	1 706
Office equipment	79
Office supplies	406
	<u>79 888</u>

Financial Leasing:

- The Decree of Minister of Investment and International Cooperation No. 69 of 2019 was issued to modify some provisions of the Egyptian Accounting Standards which issued by the Minister of Investment Decree No. 110 of 2015 by replacing the Financial Leasing Standard no. 20 (old one) by a new one numbered (49) covering the Financial Leasing Contracts.
- The financial leasing contracts were treated by the Egyptian Accounting Standard no. (49) according to the Amended Accounting Standards for the year of 2019.

This amended standard applied for the leasing contracts which were under the finance leasing law no. 95 for the year of 1995 and its amendments, these contracts were treated by the Egyptian Accounting Standard no. (20) which was stating that "the accounting rules and standards related to process of the finance leasing" and the finance leasing contracts which established under the law of organizing the finance leasing and the factoring activities no. 176 for the year of 2018 starting from the beginning of the annual report time period which in the law no. 95 for 1995 was canceled and instead of the law no. 176 for 2018 was issued.

- A contract was signed with QNB Company for Financial Leasing to sell and rent some machines with total cost of (398 324 153 Egyptian Pounds) by changing interest rate (average price of corridor + 1.2%) on 28/6/2012 for 6 years in addition to two years as an extra years, after that time period the total rental amount should be paid for 72 months amounting to almost 8 546 million Egyptian Pounds.
- The ownership of these machines will devolve to the company at the end of contract with a memorial amount of one Egyptian Pound.
 - The accrued liabilities from July 2019 till the financial year 2019/2020 are amounted as following:

	<u>Thousand Egyptian Pounds</u>	
	<u>Finance Lease Installments</u>	<u>Total</u>
2019/2020	102 557	102 557
Total	<u>102 557</u>	<u>102 557</u>

9- Projects under construction:

	<u>30/6/2019</u>	<u>30/6/2018</u>
Projects	619 612	553 903
Advance payments an LCs	332 928	429 570
Total	<u>1 249 540</u>	<u>983 473</u>

Projects investment Formation include:

	<u>30/6/2019</u>	<u>30/6/2018</u>
Buildings	1 359	34 558
Machinery	746 917	345 264
Tools	--	3 888
External transportation	1 474	9 266
Internal transportation	8 660	8 660
Installations	153 108	146 087
Office equipment	5 094	6 180
Total	<u>916 612</u>	<u>553 903</u>

- The value of machines amounted to 746 917 Thousand Egyptian Pounds including amount of 45 111 Thousand Egyptian Pounds is considered as an investment formation (machines) in Egyptian Pounds relevant to gifted assets.

- **Advance payments an LCs Investment Formation include:**

	<u>30/6/2019</u>	<u>30/6/2018</u>
Advance payments fixed assets	79 215	43 036
Goods in transit - fixed assets	94 671	232
LCs of fixed assets	204 042	386 302
Total	<u>332 928</u>	<u>429 570</u>

10- Investments property:

	<u>30/6/2019</u>	<u>30/6/2018</u>
Land of Gizert Eldahb in Elbahr Elaazam - Giza	8 894	8 894
Land of of Alsalom factory - Alexandria	404	404
Land of Jan Marchena	5	5
Total	<u>9 303</u>	<u>9 303</u>

11- Other intangible assets:

	<u>30/6/2019</u>	<u>30/6/2018</u>
Computes' program and H.R software modernization	33 755	33 603
Amortization	(30 417)	(26 337)
Deductible VAT	(349)	(349)
Total	<u>2 989</u>	<u>6 917</u>

12- Investments long-term:

	<u>30/6/2019</u>	<u>30/6/2018</u>
Deposit in the Central Bank of Egypt invested in government bonds*	20 663	20 663
Investments in other companies shares	5	5
Investments in foreign securities**	23	23
Investment certificate***	100 000	100 000
Total	120 691	120 691
Less impairment	23	23
Net	120 668	120 668

* Cash deposit in the Central Bank of Egypt to be invested in Governmental bonds and National Investment Bank against 5% of the surplus from the prior years of issuing the law no. 203 for the year of 1991, the cash deposit yields a return of 3% annually.

** Investments in foreign securities

*** Represent a new Sues Canal investment certificates by returns of 15.5% annually.

13- Right of use leased assets:

- The assets represented as a finance leasing amount equals to 107 944 Thousand Egyptian Pounds consists of net assets of residual value from the finance leasing assets.

14- Deferred tax assets:

	<u>30/6/2019</u>	<u>30/6/2018</u>
Deferred tax assets	176 334	181 725
	176 334	120 668

15- Other assets:

	<u>30/6/2019</u>	<u>30/6/2018</u>
The company's contribution to the project of filling, improvement and coverage of the El Zomor Canal	10 537	10 537
Expense of providing Gas to the new industrial complex in 6th October city	16 016	16 016
Expense of providing Gas to Moharem Bek	348	348
Expense for to external roads	756	--
Retriever from some customers who benefit from gas delivery	(1 103)	(1 403)
Amortization to date	(35 379)	(25 344)
Net	875	154

16- Inventory:

	<u>30/6/2019</u>	<u>30/6/2018</u>
Raw materials, fuel and spare parts*	7 655 698	6 023 968
Goods in transit (packaging and spare parts)	11 165	3 689
Production work in process	94 696	73 273
Finished goods	63 828	115 880
LCs	133 142	180 857
Total	7 958 529	6 397 667
Less the impairment in inventory	1 876	515
Net	<u>7 956 653</u>	<u>6 397 152</u>

• **Inventory of raw materials includes:**

	<u>30/6/2019</u>
Items under inspection (tobacco raw materials)	351 927
Items under inspection (packaging and mixing materials)	40 620
Total	<u>392 247</u>

The inspection is carried out periodically for all received items

* The inventory includes about 4 284 Million Egyptian Pounds under customs Authority.

17- Customers and Notes receivable:

	<u>30/6/2019</u>	<u>30/6/2018</u>
Domestic trade receivables	135 346	132 448
Trade receivables (co-production*)	244 785	359 601
Foreign Trade receivables	1 844	5 377
Total	<u>381 975</u>	<u>497 426</u>

* The trade receivables (co-production) will be paid in the next month, although the company does not give credit in the domestic sales.

18- Debtors and other receivables:

	<u>30/6/2019</u>	<u>30/6/2018</u>
Holding company debit balance	567	--
Debtor Accounts to governmental Authorities	369 074	185 985
Accrued revenues	3 194	2 156
Prepaid expenses	11 545	15 080
Other debit balances	140 426	60 601
Total	<u>524 806</u>	<u>263 822</u>
Less impairment	13 411	14 477
Net	<u>511 395</u>	<u>2495</u>

18/1 Governmental authorities debit balance (Debtor Accounts to governmental Authorities)

	<u>30/6/2019</u>	<u>30/6/2018</u>
VAT tax authority	345 372	154 012
Custom authority	921	18 883
Debit balance for other governmental authorities	22 781	13 090
Total	<u>369 074</u>	<u>1855</u>

18/2 Accrued revenues

	<u>30/6/2019</u>	<u>30/6/2018</u>
Accrued export incentives	1 045	343
Securities accrued income	1 474	1 441
Other	675	372
Total	<u>3 194</u>	<u>2 156</u>

18/3 Other debit balances:

	<u>30/6/2019</u>	<u>30/6/2018</u>
Insurance Amounts	10 740	9 287
Employees loans	10 391	9 368
Other debit balances*	119 295	41 946
Total	<u>140 426</u>	<u>60 601</u>

*The other debit balances are including private investment funds in the social solidarity fund of the company's employees amounted to 28 Million Egyptian Pounds.

19- Trade payables - Advance payments:

	<u>30/6/2019</u>	<u>30/6/2018</u>
Public sector suppliers - works	6 807	1 428
Private sector suppliers	43 179	58 108
Public sector suppliers - services	4 229	9 540
Other	1 260	144
Total	<u>55 475</u>	<u>69 220</u>

20- Cash and cash equivalent:

	<u>30/6/2019</u>	<u>30/6/2018</u>
Banks time deposits	751	--
Banks current accounts	5 831 822	3 656 157
Cash on hand	169 432	103 735
Total	<u>6 029 005</u>	<u>3 759 892</u>

* The cash is including 3.1 Million Egyptian Pounds related to the social solidarity fund of the company's employees.

21- Capital money:

The Authorized Capital amounted to 3000 Million Egyptian Pounds (Three Billion Egyptian Pounds) and the Paid and Issued Capital amount is 2 250 Million Egyptian Pounds (Two Billion and two hundred and fifty Million Egyptian Pounds) divided to 2 250 Million Shares with nominal amount of one Egyptian Pound.

The paid and issued capital, reserves, and the retained earnings balance as of 30/6/2019 amounted to 6 546 471 Thousand Egyptian Pounds, hereunder **the Share Capital Structure as of 30/6/2019:**

<u>Company name</u>	<u>Shares number</u>	<u>Percentage</u>
The holding company for Chemical industries	1 136 250 000	50.5%
Employees associations	136 836 163	6.08%
Free trading	976 913 837	43.42%
Total	2 250 000 000	100.00%

- On 29/5/2018 the Extra-ordinary General Assembly increased the company's issued and paid capital from 1.5 Billion Egyptian Pounds to 2.25 Billion Egyptian Pounds (with total increasing amount of 750 Million Egyptian Pounds) divided to 450 million shares as nominal shares amounted to five Egyptian Pound per share financed from the legal reserves and other reserves appeared in financial statements for the financial year ended on 30/6/2017, and the securities committee issued a decision to approve this increase on 1/8/2018.
- The nominal share was divided for the favor of Eastern Company Share by percentage of 1:5 to be one Egyptian Pound instead of five Egyptian Pounds with keeping the company's capital as it is amounted to 2.25 Billion Egyptian Pounds to be divided to 2.25 Billion Shares, and the necessary approval has been obtained from the concerned authorities according to the decision of the extra-ordinary general assembly for the Eastern company which held on 29/8/2018.
- The employee's union of the Eastern company purchased number of 1 867 928 shares from the Eastern company shares, so, the company's shares will be (136 836 163) shares by contributions percentage up to 6.082%.

22- Reserves:

	<u>30/6/2019</u>	<u>30/6/2018</u>
Legal reserve	616 106	1 116 106
Regular /Statutory reserve	1 673 498	1 673 498
Capital reserve	529 911	529 911
Reserve to be invested in governmental bonds	20 662	20 662
Reserve of profits estimated budget	940 170	1 190 170
Other reserves	25	25
Total	3 780 372	4 530 372

• **Movement of share capital, reserves and retained earnings**

	<u>Thousand Egyptian Pounds</u>			
	<u>Balance as</u>			<u>Balance as</u>
	<u>of 1/7/2018</u>	<u>Additions</u>	<u>Exclusions</u>	<u>of 30/6/2019</u>
Paid and issued share capital	1 500 000	750 000	0.0	2 250 000
Legal reserve	1 116 106	0.0	500 000	616 106
Reserve to be invested in governmental bonds	20 662	0.0	0.0	20 662
Capital reserve	529 911	0.0	0.0	529 911
Reserve of profit estimated budget	1 190 170	0.0	250 000	940 170
Statutory reserve	1 673 498	0.0	0.0	1 673 498
Other reserves	25	0.0	0.0	25
Retained earnings	452 895	63 204	0.0	516 099
Total	<u>6 483 267</u>	<u>813 204</u>	<u>750 000</u>	<u>6 546 471</u>

The reserves: was conformed according to the company's basic article of regulation.

The legal reserves: was conforming by percentage of 5% from net profit and can used to cover the company's losses and in increase capital.

The Other reserves: according to the board of directors' suggestion the general assembly can decided to compose any other reserves.

23- Retained earnings:

The expenses accounts and revenues of previous years' and the deferred tax have been settled according to the Egyptian Accounting Standard no. (5) regarding the accounting policies, the changes in accounting estimates, mistakes and the residual amount of rewards of the board of directors' in retained earnings account according to the company's general assembly decision.

24- Deferred tax liabilities:

	<u>30/6/2019</u>	<u>30/6/2018</u>
Deferred tax liabilities	361 579	322 294
	<u>361 579</u>	<u>322 294</u>

- The deferred tax which result from temporary time differences between book value for assets and liabilities according to the account basic and its value according to the tax basic are recognized, the amount of deferred tax was determined according to what expected to achieve or settle values of assets and liabilities by using current tax price on the financial statements date, the deferred tax assets will be recognized when having a strong probability to achieve profits that may be taxed in the future where the assets can be used and the value of deferred tax assets can be decreased by the value of the part which will not achieve any tax benefits through the future years.
- Clearing was performed between the deferred tax assets and deferred tax liabilities.

25- Finance lease contract obligations/ liabilities:

- The liabilities result from contract of right to use the financial leasing contracts represented the amount of 93 585 thousand Egyptian Pounds which represent the remaining liabilities relevant to the financial leasing contracts.

26- Long-term provisions:

- The provisions included in the intangible liabilities are representing an amount of 571 535 Thousand Egyptian Pounds which expressing the end of service grant for all company's employees.

27- Short-term provisions:

- The provisions are composing according to the Egyptian Accounting Standard No. (28).

- **Movement of provisions:**

	<u>Thousand Egyptian Pounds</u>			<u>Balance as of 30/6/2019</u>
	<u>Balance as of 1/7/2018</u>	<u>Additions</u>	<u>Exclusions</u>	
Provision of disputed taxes	288 623	0.0	79 385	209 238
Provision of legal claims and salaries	184 459	0.0	560	183 899
Total	<u>4 730 822</u>	<u>0.0</u>	<u>79 945</u>	<u>393 137</u>

- The provision of disputed taxes: composed to meet the tax liabilities.
- The provision of legal claims, salaries, and other: the company's lawyer prepared lists from his point of view according to the prospect liabilities.

28- Notes payables and Suppliers:

	<u>30/6/2019</u>	<u>30/6/2018</u>
Suppliers /Trade payables (public sector)	37 133	40 563
Suppliers /Trade payables (private sector)	104 698	128 824
Suppliers /Trade payables (operations for other)	1 315 657	1 119 249
Total	<u>1 457 488</u>	<u>1 288 636</u>

29- Creditors and Other payables

	<u>30/6/2019</u>	<u>30/6/2018</u>
Governmental authorities current account	6 832 929	3 250 840
Dividends	183 583	2 607 202
Accrued expenses	624 020	621 346
Other credit balances	314 469	375 016
Total	<u>7 955 001</u>	<u>6 854 404</u>

29/1 Governmental authorities credit accounts

	<u>30/6/2019</u>	<u>30/6/2018</u>
VAT tax authority*	6 775 214	3 220 712
General tax authority	27 311	5 805
Real State tax authority	952	2 453
National organization for social insurance	29 452	21 870
Total	<u>6 832 929</u>	<u>3 250 840</u>

* The amount of value added tax includes two-months "May and June" because of the electronic payment system where tax payment will be one day only during the month instead of being at the previous month (starting from March 2019)

29/2 Accrued expenses

- 624 020 Thousand Egyptian Pounds representing accrued expenses for employees and other.

29/3 Other credit balances

	<u>30/6/2019</u>	<u>30/6/2018</u>
Guarantees for others	52 982	54 076
Fixed assets supplies	71 606	6 259
Remaining accrued cost relevant to finance rent machines	7 363	14 725
Deferred revenue related to gifted fixed assets	142 544	49 076
Other	39 974	250 880
Total	<u>314 469</u>	<u>375 016</u>

30- Trade receivables - advance payments:

	<u>30/6/2019</u>	<u>30/6/2018</u>
Trade receivables	56 085	178 323
Other receivables - scrap	266	118
Total	<u>56 351</u>	<u>178 441</u>

- **The Income statement:**

- The cost of revenues of the activity includes an amount of 35 982 Thousand Egyptian Pounds related to the depreciation of finance rented assets (for the time period from 1/7/2018 till 30/6/2019), in addition to an amount of 2 645 Thousand Egyptian Pounds as maintenance expenses (spare parts) concerning to the rented assets.

31- Revenues:

	<u>30/6/2019</u>	<u>30/6/2018</u>
Net sales of complete production	11 553 659	11 087 443
Revenue of operation for other	2 339 876	2 322 567
Total	<u>13 893 535</u>	<u>13 410 010</u>

32- Cost of goods sold:

	<u>30/6/2019</u>	<u>30/6/2018</u>
Raw Materials	6 221 203	5 979 869
New depreciation and amortization	485 967	403 808
Wages	1 751 738	1 626 254
Adjustments	330 967	223 694
Total	<u>8 789 875</u>	<u>8 233 625</u>

- The cost of goods sold includes an amount of 35 Million Egyptian Pounds representing the comprehensive medical insurance

33- Other income:

	<u>30/6/2019</u>	<u>30/6/2018</u>
Materials of scrap	286	562
Other miscellaneous income*	62 410	31 107
Profit of scrap sale	22 106	20 077
Rents income/ credit rents	1 663	1 212
Credit compensation	246	2 114
Capital profit**	19 770	10 638
No longer required provisions	41 906	23 948
Grants and subsidies ***	1 251	934
Total	<u>149 638</u>	<u>267 892</u>

* The miscellaneous revenues includes an amount of 10.7 Million Egyptian Pound relevant to gifted assets, an amount of 21 Million Egyptian Pound adds from Trans Business Company, and an amount of 19 Million Egyptian Pound representing the value of supplying 4 sent from machines value.

** The capital revenues relevant to the finance leasing are amounted to 7 363 Thousand Egyptian Pounds, beside the amount of 12 407 Thousand Egyptian Pounds which expressing assets that have been compensated by insurance.

*** The other revenues include grants and subsidies for the time period from 1/7/2018 till 30/6/2019. Also the comparative period which has been transferred from operating revenue to other revenue item.

34- Sale and distribution expenses:

	<u>30/6/2019</u>	<u>30/6/2018</u>
Salaries	370 534	330 906
Depreciation and amortization	2 834	3 222
Other	111 835	157 379
Total	<u>485 203</u>	<u>491 507</u>

35- General and administrative expenses:

	<u>30/6/2019</u>	<u>30/6/2018</u>
Salaries	147 343	129 014
Depreciation and amortization	33 162	32 026
Other	11 907	11 162
Total	<u>192 412</u>	<u>172 202</u>

36- Other expenses:

	<u>30/6/2019</u>	<u>30/6/2018</u>
Donations for other	34 700	12 179
Scrap materials losses	6 576	6 463
Unusual losses	600	2
Capital losses	--	11
Compensation and fines	10	--
End of service for disability and death expenses	9 735	125 000
Doubted provision	422	174
Disputed taxes provision	--	79 385
Foreign currency exchange profit and loss	108 866	22 470
Total	<u>160 909</u>	<u>245 684</u>

*** Different currencies profit and losses:**

	<u>30/6/2019</u>	<u>30/6/2018</u>
Foreign current exchange profit	73 152	64 311
Foreign current exchange losses	(182 018)	(86 781)
Total	<u>(108 866)</u>	<u>(22 470)</u>

37- Financing revenue:

- The credit interests include an amount of 54 108 Thousand Egyptian Pounds relevant to revenue results from advanced payments for Egyptian Tax Authority.

38- Financing expenses:

	<u>30/6/2018</u>
Finance leas	24 676
Operating lease	9 443
Total	<u>34 119</u>

39- Other financial investments revenue:

- The financial investments revenue amounted to 16 255 Thousand Egyptian Pounds includes an amount of 15 532 Thousand Egyptian Pounds results from investments in Suez Canal, and amount of 723 Thousand Egyptian Pounds which represents the interest from governmental bonds.

40- Tax Expenses:

- The income tax in the income statement as of 30/6/2019 was amounted to 1 036 191 Thousand Egyptian Pounds.
- The deferred tax in income statement as of 30/6/2019 was amounted to 44 676 Thousand Egyptian Pounds according the following:

	<u>Thousand Egyptian Pounds</u>
Deferred tax liabilities	(39 285)
Deferred tax assets	(5 391)
Total	<u>(44 676)</u>

41- Earnings per share:

	<u>Unit</u>	<u>30/6/2019</u>	<u>30/6/2018</u>
Net profit of the period after deducting the dividends for employees , Youth and sport Authority, and rewards of Board of Directors Members.	Thousand Egyptian Pounds	3 474 637	3 982 070
Portion per share in net profit	Thousand shares	2 250 000	2 250 000
Total	Pounds	<u>1.54</u>	<u>1.77</u>

- Number of shares were divided to 2 250 Million shares according to the extraordinary general assembly held on 29/8/2018 and numbers of shares for the compared period as of 30/6/2019 was modified according to the Egyptian Accounting Standards.

• **The Cash Flows Statement:**

42- Cash and cash equivalent:

- The cash and cash equivalent balance amounted to 6 029 005 Egyptian Pounds as following:

	<u>Thousand Egyptian Pounds</u>
Deposits for local currencies	751
Banks accounts	5 831 822
Cash on hand	196 432
Cash balance as of 30/6/2019	<u>6 029 005</u>

- The credit facilities which are available to be used in future are amounted to 10 590 Thousand Egyptian Pounds. These Include cash balance as of 30/6 amounted to 2.7 Billion Egyptian Pounds for the favor of the Financial Ministry regarding the declaration of May which paid in first day of July 2019 instead of the last day of June 2019 because the company applied the electronic payment system.

43- Comparative figures:

- The comparative figures have been reclassified to conforming to the presentation of the financial statements for this period.

44- Other data:

44/1 Fight smoking:

- On 21/6/2007 the law no. 154 for the year of 2007 issued a modification of some provisions of the law no. 52 for the year of 1981 about the protection from the damage of smoking which prevents smoking completely in all various places/ facilities as health, educational, governmental departments, sports and social clubs, youth centers and other places which applied this decision issued by the ministry of health. This law determined varying penalties for those responsible for these places and for the smoker in it.

In addition to obligating company to print a warning of smoking on at least the half of the two sides of the package accompanied with adding other warnings or publishing photos confirm damage of smoking, In compliance from the company with this law and the decree of minister of health and population no. 443 for the year of 2007, the company endured by additional burdens as a result of the continuous adjustment in printing cylinders and the resulting losses in the publications related to products.

In addition, the company is obliged to change the photo each six months according to the decision of ministry of health and population.

44/2 The industrial complex project in the City of 6th October:

- The industrial complex project in 6th October was finished on total area equals to 353 acres with a total project cost amounted to 5.8 Billion Egyptian Pounds. The most of company's activities were transferred to the industrial complex; the company will invest its current valuable locations by the best investment way to decrease the company's finance burdens.

44/3 Insurance:

- The company is making assets and properties insurance through a lot of Insurance Certificates which covered all potential risks that company can faces, such as:

a. Comprehensive Certificate/document:

- Which covered a lot of risks like fire and additional risks for all the company's properties, risk of cash transfer, dishonesty, machinery malfunction, the common civil responsibility, loss revenues, and remove debris.

b. Cars Certificate/document:

- Covered all risks which the company's fleet of cares facing (comprehensive insurance - compulsory insurance).

c. Transportation Certificate/document:

- Covered risks of land transportation, sea and air transportation for all production and complete production requirements.

d. Lifts Certificate/document:

- Covered the civil responsibility result from operation.

e. Political violence document:

- Covered terrorism, vandalism, willful acts, riots, civil unrest, armed insurrection, revolution, rebellion, military coup and costs of elimination.

f. Political violence document:

- Covered the death, the full and partial disability the end of service for and provision result from accident and the treatment expenses (10% from the insurance valuable), and addition the terrorism risk.

g. Dishonesty of carriers document:

- Covered the drivers of transporters contracted with the company to transport their products.

44/4 Their environmental responsibility:

- According to the Eastern company's continues efforts to achieve preserve the environment and preserve the general health aims and the company is obliged to apply the environmental conditions for the environmental law no. 4 for 94 and it's modifications and executive regulations that during the implementation of the

system to preserve the internal environment in its factories and the surrounding external which achieve the sustaining the compatibility of its environmental conditions, which representing in some projects as following:

- The company has implemented and established the integrated industrial complex in industrial area at 6th October to include all their locations and this expenditure to make sure that the environmental compliance with environmental laws and regulations.
- The company has used the Gas as a clean source of energy to operate the boilers and generation power as a clean source of energy and to reduce environmental pollutants from combustion products.
- The environment is an environmentally friendly incinerator and the heat generated is used to generate ice water in a heat exchange to some factories are adapted.
- The company has controlled the emissions of fine smoke using cyclones with non-permeable filters for the caster to prevent the drift of the caster in the airspace to protect the environment from pollution and reuse and recycling through the manufacture of natural smoke flakes.
- The company established a station for the treatment of liquid waste (industrial drainage) in the industrial complex of the company in 6th October with a capacity of 610 m³/day and have an environmental approval for energy expansion has been extracted of 1220 m³/day, the installations and the plant are currently in the testing phase of the second phase in preparation to enter the service.
- The company has also implemented a project of central air conditioning natural gas to one of its factories to avoid the impact of thermal stress knowing that there is no rise in the temperature of the working environment as a result of various industrial processes more than allowed rates according to the executive decisions and regulations, through the monitoring carried out at the facility.
- The company established a central station for the collection of manufacturing outputs resulting from the company's production activities. some items are sold and others are recycled in industries. Compost production from unusable smoke dust residues is also studied.
- Extensive environmental approval was obtained for the project of establishing a roots plant (ESS) as space of 13350 m³ in the industrial complex of the company in 6th October, the company has also planted green areas and windbreaks and ornamental plants inside the industrial complex, in implementation of the construction requirements and green spaces in the general plan for the industrial complex approved by the Urban Communities Authority as well as green areas around the eastern side of the industrial complex.
- Environmental approval was obtained for the construction of a 1 MW solar power station with an area 1400 m³ in the industrial complex of the company in 6th October, the station has already been completed and is currently in the testing phase in preparation for its entry into service to reduce the burden on the electricity grid in the industrial complex of the company in 6th October and the

company is also in the process of establish a station to generated the electricity an additional by (BOT) system and 2 MW power.

- The soiled thinner is recovered and reused by an organic solvent separator. The company has all the environmental approvals and has modern environmental records approved by the largest research and scientific bodies (National Research Center) it has been consulted by Environmental Affairs Agency as well as the company is committed to all environmental laws and regulations.

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