

EASTERN COMPANY (S.A.E)
FINANCIAL STATEMENTS
TOGETHER WITH LIMITED REVIEW REPORT
FOR THE FINANCIAL PERIOD ENDED MARCH 31, 2020

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Limited Review Report

To: The Board of directors of Eastern Company (S.A.E)

Introduction

We have reviewed the accompanying periodic financial position of Eastern Company (S.A.E) as of March 31, 2020 and the periodic related statements of income, periodic other comprehensive income, periodic cash flows and periodic changes in shareholders' equity for the financial period ended March 31, 2020 and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of this interim financial information in accordance with Egyptian Accounting Standards. Our responsibility is to express a conclusion on this interim financial information based on our review.

Limited review scope

We conducted our review in accordance with the Egyptian Standard applicable to review engagements No. 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Egyptian Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Qualified Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying financial statements do not present fairly, in all material respects, the financial position of **Eastern Company (S.A.E)** as of March 31, 2020, and its financial performance and cash flows for the period then ended in accordance with the Egyptian Accounting Standards and the prevailing Egyptian laws and regulations.

Cairo on: June 14, 2020

Auditor

Dr. Ahmed Shawki

MAZARS MOSTAFA SHAWKI

EASTERN COMPANY (S.A.E)
STATEMENT OF PERIODIC FINANCIAL POSITION
AS AT MARCH 31, 2020

(Amounts expressed in Thousands of Egyptian Pounds)

	<u>Notes</u>	<u>31/3/2020</u>	<u>30/6/2019</u>
<u>ASSETS</u>			
<u>Non - Current Assets</u>			
Property, plant and equipment	(8)	5 167 765	4 951 149
Projects under construction	(9)	908 451	1 249 540
Investments property	(10)	9 303	9 303
Intangible assets	(11)	2 003	2 989
Investments long-term	(12)	20 668	120 668
Right of use leased assets	(13)	80 959	107 944
Other assets	(14)	792	875
Total Non- Current Assets		6 189 941	6 442 468
<u>Current assets</u>			
Inventories	(15)	6 551 092	7 956 653
Trade and notes receivables	(16)	287 571	381 975
Debtors and other debit balances	(17)	702 979	511 395
Trade payables - advance payments	(18)	80 902	55 475
Cash and cash equivalent	(20)	7 311 709	6 029 005
Total Current Assets		14 934 253	14 934 503
Total Assets		21 124 194	21 376 971
 <u>Equity</u>			
Issued and paid capital	(21)	2 250 000	2 250 000
Reserves	(22)	3 985 819	3 985 819
Treasury shares	(23)	(71 928)	--
Retained earnings	(24)	1 490 161	1 540 289
Net profit for the period/ year		3 130 768	--
Total equity		10 784 820	7 776 108
<u>Non - Current Liabilities</u>			
Deferred tax	(25)	195 258	185 245
Long-term provisions - pension	(26)	571 535	571 535
Total Non-Current liabilities		766 793	756 780
<u>Current Liabilities</u>			
Provisions	(27)	512 995	393 137
Trade and notes payables	(28)	230 190	1 457 488
Creditors and other credit balances	(29)	8 291 335	10 458 668
Trade receivables - advance payments	(30)	104 627	56 351
Financial lease contract obligations	(31)	24 696	93 585
Income tax payable		408 738	384 854
Total current liabilities		9 572 581	12 844 083
Total liabilities		10 339 374	13 600 863
Total of equity and liabilities		21 124 194	21 376 971

- The accompanying notes are an integral part of these financial statements.
- Limited review report attached.

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

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

(Mr./ Mostafa Ahmed El-Mahdy)
Chief Financial Officer

(Mr./ Hany Aman)
Managing Director and Chief Executive
Officer

EASTERN COMPANY (S.A.E)
PERIODIC STATEMENT OF INCOME
FOR THE FINANCIAL PERIOD AS OF MARCH 31, 2020
(Amounts expressed in Thousands of Egyptian Pounds)

	<u>Notes</u>	<u>For nine months ended</u>		<u>For three months ended</u>	
		<u>31/3/2020</u>	<u>31/3/2019</u>	<u>31/3/2020</u>	<u>31/3/2019</u>
Sales/Revenue	(32)	11 367 681	10 559 079	3 677 479	3 404 261
Cost of goods sold	(33)	(6 743 936)	(6 534 980)	(2 203 101)	(2 147 878)
Gross profit		<u>4 623 745</u>	<u>4 024 099</u>	<u>1 474 378</u>	<u>1 256 383</u>
Other income	(34)	46 802	94 309	19 436	69 941
Sale and distribution expenses	(35)	(488 489)	(460 441)	(169 205)	(158 875)
General and administrative expenses	(36)	(174 488)	(135 079)	(60 477)	(46 218)
Other expenses	(37)	(152 870)	(14 781)	(100 677)	--
Result of operation activities		<u>3 854 700</u>	<u>3 508 107</u>	<u>1 163 455</u>	<u>1 121 231</u>
Financing cost / income	(38)	214 496	207 995	59 132	(2 198)
Other financial investments revenue	(39)	5 006	12 231	725	4 051
Profit before tax		<u>4 074 202</u>	<u>3 728 333</u>	<u>1 223 312</u>	<u>1 123 084</u>
Income tax and deferred tax expenses	(40)	(943 434)	(832 349)	(309 118)	(256 040)
Profit from continued operations		<u>3 130 768</u>	<u>2 895 984</u>	<u>914 194</u>	<u>867 044</u>
Profit from not continued operations		<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
Profit of the period		<u>3 130 768</u>	<u>2 895 984</u>	<u>914 194</u>	<u>867 044</u>
Earnings per share	(41)	<u>1.31</u>	<u>1.20</u>	<u>0.38</u>	<u>0.36</u>

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

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

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

(Mr./ Mostafa Ahmed El-Mahdy)
Chief Financial Officer

(Mr./ Hany Aman)
Managing Director and Chief Executive Officer

EASTERN COMPANY (S.A.E)
PERIODIC STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD AS OF MARCH 31, 2020

(Amounts expressed in Thousands of Egyptian Pounds)

	<u>For nine months ended</u>		<u>For three months ended</u>	
	<u>31/3/2020</u>	<u>31/3/2019</u>	<u>31/3/2020</u>	<u>31/3/2019</u>
Net profit of the period	3 130 768	2 895 984	914 194	867 044
Other Comprehensive Income	--	--	--	--
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 period after deduct tax	--	--	--	--
Total Comprehensive Income of the period	<u>3 130 768</u>	<u>2 895 984</u>	<u>914 194</u>	<u>867 044</u>

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

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

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

(Mr./ Mostafa Ahmed El-Mahdy)
Chief Financial Officer

(Mr./ Hany Aman)
Managing Director and Chief Executive Officer

EASTERN COMPANY (S.A.E)
PERIODIC STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE FINANCIAL PERIOD AS OF MARCH 31, 2020

(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>Treasury bills</u>	<u>Retained earnings</u>	<u>Net profit of the period</u>	<u>Total equity</u>
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
Transferred to reserves from profit dividends for the year 2018/2019	--	185 677	--	19 770	--	205 447	--	1 024 190	--	1 229 637
Balance as of June 30, 2019	2 250 000	801 783	1 673 498	549 681	960 857	3 985 819	--	1 540 289	--	7 776 108
Balance as of July 1, 2019	2 250 000	801 783	1 673 498	549 681	960 857	3 985 819	--	1 540 289	--	7 776 108
Treasury bills	--	--	--	--	--	--	(71 928)	--	--	(71 928)
Adjustment of expenses and revenues from previous years	--	--	--	--	--	--	--	(50 128)	--	(50 128)
Net profit for the period from 1/7/2019 to 31/12/2019	--	--	--	--	--	--	--	--	3 130 768	3 130 768
Balance as of 31/12/2019	2 250 000	801 783	1 673 498	549 681	960 857	3 985 819	(71 928)	1 490 161	3 130 768	10 784 820

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

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

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

(Mr./ Mostafa Ahmed El-Mahdy)
Chief Financial Officer

(Mr./ Hany Aman)
Managing Director and Chief Executive Officer

EASTERN COMPANY (S.A.E)
PERIODIC STATEMENT OF CASH FLOW
FOR THE FINANCIAL PERIOD FROM JULY 1, 2019 TO MARCH 31, 2020

(Amounts expressed in Thousands of Egyptian Pounds)

<u>Item</u>	<u>Notes</u>	<u>31/3/2020</u>	<u>31/3/2019</u>
<u>Cash flows from operating activities</u>			
Cash sales and collection from receivables		40 778 429	39 523 131
Cash purchases and payments to suppliers		(4 916 258)	(5 805 648)
Salaries paid		(1 507 293)	(1 466 418)
Revenue from operating for others and other revenues		1 994 206	1 881 796
Proceeds from interest received		289 702	305 509
Interest paid		(644)	(6 157)
Taxes and fees paid		(32 496 030)	(29 773 023)
Export subsidy / Grants and Subsidies		1 358	548
Proceeds from insurance claims		516	2 798
Other payments		(19 992)	(20 284)
Net Cash flows from operating activities		<u>4 123 994</u>	<u>4 642 252</u>
<u>Cash flows from investment activities</u>			
Disbursement for purchasing fixed assets (projects under construction)		(259 466)	(646 070)
Proceeds from sales of fixed assets		114	1 659
Net Cash flows from investment activities		<u>(259 352)</u>	<u>(644 411)</u>
<u>Cash flows from financing activities</u>			
Dividends paid		(2 394 855)	(2 428 601)
Disbursement for finance lease liabilities		(76 157)	(85 983)
Net Cash flows from finance activities		<u>(2 471 012)</u>	<u>(2 514 584)</u>
Foreign currency exchange differences losses and gain		(104 538)	(112 013)
Treasury Bills purchased		(49 097)	--
Treasury Bills sales		49 097	--
Investments in treasury bills		100 000	--
Treasury shares		(106 388)	--
Net cash for the period		<u>1 282 704</u>	<u>1 371 244</u>
Cash and cash equivalent at the beginning of the period		<u>6 029 005</u>	<u>3 759 891</u>
Cash and cash equivalent at the end of the period	(42)	<u>7 311 709</u>	<u>5 131 135</u>

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

(Accountant / Mohamed Khalil Khalil)
Head of current account and financing sector

(Mr./ Hany Aman)
Managing Director and Chief Executive
Officer

(Mr./ Mostafa Ahmed El-Mahdy)
Chief Financial Officer

EASTERN COMPANY (S.A.E)
NOTES TO THE PERIODIC FINANCIAL STATEMENTS AS OF March 31, 2020
(Amounts expressed in Thousands of Egyptian Pounds)

1- COMPANY

Company's commercial name:

Eastern Company (S.A.E) Located in Giza.

Establish date and location:

- The Company was established on 12/7/1920 in 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.

Purpose

- The Company main activities are 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.

Main shareholders

The Holding Company for Chemical Industries owner of 50.5% from the company's shares as at 31/3/2020.

Trading Shares on the Stock Exchange Market:

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

Company duration:

The Company's duration is Fifty years starting from 2/6/2019 till 1/6/2069 as from the date of registration in the commercial registration.

Date of issuing the financial statements:

The financial statements have been approved by the board of directors June 7, 2020

Company's financial year:

- From 1/7/2019 till 31/12/2019.
- 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.
- According to the Extra-ordinary General Assembly meeting held on 2 June 2019 the shareholders approved to transfer the company and its legal statue from the Public Business Sector Companies (Law no. 203 for the year of 1991) to be under the Corporate company Law no. 159 for the year of 1981, and its executive regulation.

This is a result of decreasing the shareholder participation of the Holding company for Chemical Industries percentage of shares to less than 51% of the share capital of Eastern Company.

The new article of association was approved and commercial register was amended accordingly as of 22 July 2019 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 Accounting Standards:

- 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 treatment regarding financial leasing according to the Egyptian Accounting Standard No. (49) instead of the Egyptian Accounting Standard No. (20) which was replaced according to the latest Egyptian Accounting Standards Modifications, which in compliance with Law no. 176 for the year of 2018 concerning "Financial Leasing and Factoring Activities".

The Egyptian Accounting Standards Committee convened to review the Egyptian accounting standard, limited review and other assurance services, the committee formed according to the Prime Minister decree No.909 for the year of 2011 headed by FRA Chairman Dr / Mohamed Omran to study the effect of Ministerial decision No.69 for the year 2019, which has been issued with the purpose of adding and amend some of the Egyptian Accounting Standards, to be applied at the beginning of the year 2020. Due to the current circumstances of the outbreak of COVID19 and its economic and financial implications, as well as the application of preventive procedures as a response to the Covide 19 spread, and the restrictions on the presence of human resources in its full capacity on a regular basis in companies.

The committee approve to postpone the application of the new Egyptian Accounting Standards and the accompanying amendments issued by the above resolution no. 69 on the periodic financial statements issued during the year 2020, the company's management have to comply with the amendments at year end 2020 taking in consideration the combined effect of amendments in the annual financial statements at the end of the year 2020.

2/2 Basis of Measurement:

- The financial statements have been prepared in accordance with the historical cost methods and based on the company 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 according to 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 Judgment:

- In the application of the company's accounting policies, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.
- 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 if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

2/5 Fair value measurement:

- The fair value for financial instruments is determined based on either the market value or similar financial instrument at the date of the financial statements without deducting any future selling costs.

- The financial assets value is determine based on the current purchase prices of these assets, while the financial liabilities value are determine based on the current prices which can settle these liabilities.
- In case of an active market to determine the fair value of financial instruments, the fair value will be estimated by the different evaluation methods considering the latest transaction's prices or other similar instruments are guided, use the discounted cash flows method or any other evaluation method that result a reliable values.
- Estimates of the future cash flows based on the best the management estimates when use the discounted cash flows as an evaluation method , and determine the used discounted rate according to the prevailing market price as at the financial statements date of similar financial instruments of their nature and conditions.

The following are main items that the company applied estimation and judgments:

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

3- SIGNIFICANT ACCOUNTING POLICIES:

The Significant Accounting Policies applied in a consistent base 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. Translation differences are included in the income statements.

3/2 Fixed Assets and Depreciation:

- Items of property plant and equipment are stated at cost and presented in the statement of financial position net of accumulated depreciation and accumulated impairment losses, if any. Cost includes all direct costs that are directly attributable to the acquisition of the asset.

3/2/1 Replacement cost:

- The replacement cost incurred for any component of the items of property recognized as part of the asset cost after disposing the carrying amount of that component, and it is probable that future economic benefits associated with the component will flow to the entity; and the cost of the component can be measured reliably. Other costs are charged to the income statement as incurred.

<u>Estimated useful live</u>	<u>Estimated useful lives (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:

- Investments property are recorded at cost however, when there is impairment, the book value should be adjusted with the impairment value and charge impairment to the income statement.
- Government bonds are recorded at cost and income from bond charged to the income statements.

3/5 Other assets:

- The other assets are represented in the licenses cost which expected to generate future economic benefits for the company and the company contribute in establishment of non-owned assets to serve its purposes.
- The other assets are recognized initially at cost after deduction amortization. Cost includes all expenditures directly attributable to bringing the asset to the working condition for its intended use.
- The amortization percentage for the non-owned assets 10%, J.D program amortization 25%, H.R program amortization 25%, and the Microsoft program amortization 25%,

3/6 Inventories:

- Inventories of raw materials and inputs materials are stated at cost, and the raw materials consumptions are evaluated based on weighted average cost.
- Inventories of finished goods are stated at lower of cost or net realizable value.
- The company follow the continuing count method.
- The inventories of Tobacco materials are sufficient for around 15 months.
- The inventories balance of finished goods is sufficient to meet the market needs 2.2 day.
- The raw materials inventory includes Tobacco in customs warehouses amounted to 3 260 million Egyptian pounds and the due customs duties must be paid upon receipt from warehouses.

3/7 Cash and cash equivalents:

- Cash and cash equivalents are comprised of cash on hands, at banks and time deposits with maturity of three months or less.

3/8 Provisions:

- Provisions are recognized when the company has a present or constructive obligation as a result of past events, and it is expected that the company will require to settle the obligation, and a reliable estimated be made for the amount of the obligation.
- The provisions balance are revised at financial statements date and adjusted according to the best estimates (if necessary)

3/9 Capital:

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

3/10 Employees benefits:

a. Short-term employee benefits:

The short-term employee benefits are recognized as expense when providing the related service, the expected payment is recognized as a liability when the Company has a legal or implicit obligation to pay this amount against a service which has been provided by the employee and the obligation can be reliably measured.

b. Share-Based Payments:

The fair value of shares-based payments paid as Equity instruments (at the grant date) is recognized as expense, and as a corresponding increase in equity during the maturity period, the amount recognized as an expense is adjusted to reflect the number of grants when the related services and performance conditions expected to be met, therefore the recognized amount has to be based on the number of granted equity instruments that met the relevant terms of service and non-market conditions of performance on the maturity date, regarding the granting instruments of equity on non-entitlement terms, the fair value of share-based payment (at the date of granted) is recognized on paid of equity instruments is measured to reflect these conditions and there is no subsequent adjustment to the differences between the expected and actual results.

c. Defined Contribution Plans:

Defined Contribution Plans are recognized as an expense when providing the relevant service, the prepaid contributions is recognized as an asset to the extent that the down payment leads to reduce the future payments or cashback. the company contribute in the government social insurance system for employees interest according to social insurance law no. 97 for the year 1975, both of employees and employers contribute according to this law by fixed percentage from the salaries, the company committed by its contribution, the company's

contributions are charged to the Company profits or losses according to the accrual basis.

d. Employee End of Service Benefits:

The company recognizes the Employee End of Service Benefits as an expense on one of the following two dates, whichever comes first, when the company can no longer cancel those benefits or when the company recognizes the costs of restructuring, and when it is not expected that the benefits will be fully settled within 12 months after the date of preparing the financial statements, It must be deducted at a discount rate - before taxes to reflect the time value of money.

3/11 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 based on approval from the general assembly upon the board of directors' request to be used in the benefit of the company.

3/12 Buy back shares or reissue ordinary shares (Treasury Stock):

When the shares of the issued capital are buyback, the amount paid for the buyback shares is recognized including all direct costs related to the buyback by reducing the equity, the buyback shares are classified as treasury stock and presented deducted from the equity, when selling or issuing the treasury shares, the collected amount is recognized as an increase in the shareholders' equity and the surplus or deficit resulting from the transaction has to be presented as a shares premium.

3/13 Borrowing Cost:

- Borrowing cost are initially recognized upon receipt the loans or credit facilities, current portion are classified in the current liabilities unless that the company has the right to reschedule the payment of loans for more than one year after the date of the financial position which will be classified as long-term loan in the long-term liabilities.

3/14 Revenue:

a. Revenue of Sales

- The revenue of sales is recognized according to the sales process and delivering the goods to the customers when the conditions in the Egyptian Accounting Standard no. (11) accomplished as follows:
 - 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 when the following conditions are occurred:
 - The flow of economic benefits from the transaction is highly expected.
 - 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 standards of the Egyptian Accounting Standards issued by the Minister of Investment Decree No. 110 for the year of 2015, The new Egyptian Accounting Standard no (48) revenues from contracts with customers replace the standards No. (8 & 11) starting from the financial year 2020.

b. Revenues from Operating for other parties:

- The operating services for others are recognized according to the conditions in the Egyptian Accounting standard no. (11) as follows:
 - 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 production and the costs needed to accomplish could be accurately measured.

c. Credit Interest Revenue:

- The Credit Interests revenue are recognized using the effective interest rate, the revenue of credit interest is recorded in the income statement.

3/15 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 rate as of the financial statements date.
- Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates and tax laws that have been enacted by the balance sheet date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

3/16 Accounting for grants and subsidies:

- The company recognized revenue from the export subsidy (grants and subsidies) in income statements and the donated assets recorded as grants in the fixed assets item and charge the depreciation related to income statement.

3/17 Financial leasing:

- The profit results from sales with lease back for machinery with financial lease are recognized 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 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 for financial leasing and factoring activities.

3/18 Operating lease:

- Total payments for operating lease contracts are distributed minus any deductions obtained from the lessor over the course of the contract period and the income statement for the period is incurred its share of the lease on a time distribution basis according to the accrual principle.

3/19 Dividends:

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

3/20 Employees' profits share:

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

3/21 Contingent liabilities:

<u>Company contingent liabilities</u>	<u>Amounts in Thousands of Egyptian Pounds</u>
letters of guarantee relevant to Cairo and Alexandria customs	253 794
Due customs to be paid by the company when tobacco raw materials received from custom' warehouses	353 100
Credit Letters	256 069
Total	862 963

4- FINANCIAL INSTRUMENTS

4/1 Credit Risk:

- The financial instruments risk represents the inability to pay due to liquidity issues of debtors with credit term and cash and deposit at banks except for cash at safe.
- The company management to control credit risk deals with reputable financial institution with high credit and stable rating.

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 the company management facing it through setting policies such as the value of what the company gets from the spare parts local manufacturing and capital equipment, purchasing from suppliers agents, etc.

The Foreign currencies balances as of March 31, 2020:

	<u>Assets</u>	<u>Liabilities</u>	<u>Net</u>
Dollars	114 060	17 274	96 786
Euro	729	2 085	(1 356)
Sterling	222	15	207
Swiss Franc	15	--	15

(b) Interest rate risk: The Company is dealing with various banks with 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 business 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 materially different from their carrying values at the end of the financial period.

4/4 Capital Management:

- The board of directors strategy is to maintain strong capital in order to keep the trust of 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- RELATED PARTIES DISCLOSURE:

- The Holding Company for Chemical Industries hold 50.5% from company's shares as of 31/12/2019.
- Related parties are treated on the same basis as others.
- The company during the period from 1/7/2019 till 31/12/2020 has incurred salaries, allowances, and bonuses for members of the high management and the company's board of directors.

- The General Company for Paper Industry (Rakta) with amount of 48 381 Thousand Egyptian pounds and Moharram Industrial Printing Co. with amount of 4 070 Thousand Egyptian pounds.
- The Holding Company for Chemical Industries did provide 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 1 470 Billion Egyptian pounds.

6- IMPAIRMENT OF FINANCIAL ASSETS:

- Periodically the company management at financial statement date assess 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. 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 have an impact on the estimated cash flows of a financial asset or group of financial assets that can be estimated reliably.

6/1 Non-derivative financial assets:

Non-derivative financial assets is valued at fair value through profit or loss, including shares that are accounted by the equity method, the company estimates at the end of each financial period whether there is indicators for impairment in the value of the asset.

Indicators of impairment of the asset includes:

- Non-payment or late payment by a debtor.
- Rescheduling amounts due to the group on conditions that the company would not have accepted in other circumstances.
- Indicators of bankrupt the debtor or issuer.
- Adverse changes in the repayment status of borrowers or issuers.
- The disappearance of the active market for the financial asset due to financial difficulties.
- the presence of clear data indicating a measurable decrease in the expected future cash flows from the group of financial assets.
- investment in the equity instrument includes objective evidence of important or continues impairment in fair value from cost.

Financial assets recognized at amortized cost

The company assesses whether there is objective evidence of an impairment in the value of these assets individually or at the aggregate level of all assets that represent relative importance on their own, they are evaluated in relation to individual impairment, and in the absence of evidence of the impairment of these assets individually, they are evaluated collectively with respect to any impairment a value has occurred and has not yet been identified on the individual assets, assets that are not individually considered as relatively important assets are assessed collectively for any impairment in value for the purposes of the aggregate assessment of assets, assets with similar risk characteristics are grouped together.

When assessing the impairment at the aggregate level of the assets, the company uses historical information on the timing of recovery for the loss arising from the

impairment and the value of the losses incurred, and makes adjustments if the current economic and credit conditions indicate that effective losses are more likely to be more or less than expected with historical indicators.

Impairment losses are calculated as the difference between the asset's carrying amount and the present value of expected future cash flows discounted by the effective interest rate of the financial asset, the amount of the loss is recognized in profit or loss, the accumulated impairment is deducted to the carrying amount of the asset.

If the company considers that there are no possibilities for reversing the loss resulting from the impairment of the asset's value, then write-off the related value.

In case of the subsequently decrease in impairment loss value , and the decrease can be related objectively to an event occurring after the impairment loss was recognized, then the previously recognized impairment loss is reversed through profit or loss.

Financial assets available for sale

Impairment losses are recognized in available-for-sale financial assets by reclassifying previously recognized losses under other comprehensive income items that are accumulated in the fair value reserve and recognized in profit or loss. The amount of accumulated loss excluded from equity and recognized in profit or loss is the difference between The acquisition cost (net of any amortization or payment of any amount of the principal) and the fair value less any loss of impairment for this financial asset that has previously been recognized in profit or loss.

When the fair value of the performance of a debt, which classified as available for sale are increased in the subsequent period, and this increase is related to an objective relation to an event that occurred after the recognition of the impairment loss in profit or loss, then this impairment loss is reversed in profit or loss.

Impairment losses recognized in profit or loss are not reversed for any investment in an equity instrument classified as available for sale in profit or loss.

Equity Method:

Impairment losses of financial investment which accounted using the Equity Method are measured by comparing the carrying amount with the recoverable amount, and the impairment losses are recognized in profit or loss, the impairment loss is reversed when detailed changes occur in the estimates used to determine the recoverable amount.

6/2 Non-Financial assets:

The carrying amounts of the company's assets, except inventory, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The recoverable amount of the asset is assessed if there is any indication to impairment.

The recoverable value of the good will and intangible assets which have indefinite useful lives or not available to be used should be assessed at the date of each financial statements.

An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognized in the income statement.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

The impairment losses of other assets recognized in the previous periods are reviewed at the date of each financial statements to determine the indication to the decrease of loss or that it does not exist. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

FINANCIAL INSTRUMENTS

The company classifies non-derivative financial assets among the following categories: Financial assets classified at fair value through profits or losses, Investments held to maturity, Loans, debts and financial assets available for sale. The company classifies non-derivative financial liabilities between the following categories:

Financial liabilities classified at fair value through profit or loss and a group of other financial liabilities.

a. Non-derivative financial assets and financial liabilities - recognition and derecognition:

The company initially recognizes the loans, debts and debt instruments issued on the date of its creation. All financial assets and other financial liabilities are initially recognized on the date of the transaction when the company becomes a party to the contractual provisions of the financial instrument.

The company derecognizes the financial asset when the contractual right to the cash flows from the financial asset expires, or it transfers the contractual right to receive cash flows from the financial asset in a transaction in which all the risks and rewards of ownership of the financial asset have been transferred substantially.

Or if the company does not transfer not retain substantially all the risks and rewards of owners of the financial asset and the company does not retain control of the transferred asset, it derecognize the financial assets and recognize separately as assets or liabilities any rights and obligations created or retained in the transfer.

The company remove a financial liability when, it is extinguished, the obligation specified in the contract is discharged or cancelled or expires.

A financial asset and liability is offset and the net offset is presented in the financial position when, and only when the company currently has the enforceable legal right to offset the recognized amounts and has the intention to either make a settlement on the basis of the net amounts or recognition of the asset and settlement of the liabilities simultaneously.

b. Non-derivative financial assets - measurement:

Financial assets held at fair value through profit or loss:

The financial asset is classified at fair value through profit or loss if it is classified as an asset held for trading or it is classified at initial recognition to be measured at fair value through profit or loss, the transaction cost directly related to the acquisition or issue of the financial asset is recognized directly within the profit or losses when incurred.

Financial assets measured at fair value are measured through profit or loss at fair value, and changes in fair value are recognized, including any rewards or dividends.

Investments held to maturity:

These assets are measured at the initial recognition by the fair value plus the cost of the transaction directly related to the acquisition or issue of the financial asset after the initial recognition, they are measured at the amortized cost using the effective interest method.

Loans and receivables:

These assets are measured at the initial recognition by the fair value plus the cost of the transaction directly related to the acquisition or issue of the financial asset after the initial recognition, they are measured at the amortized cost using the effective interest method.

Available-for-sale financial assets:

These assets are measured at initial by of the fair value in addition to the transaction cost directly related to the acquisition or issuance of the financial asset after the initial recognition. Changes in the fair value except for impairment losses and foreign exchange gain and losses are recognized in other comprehensive income.

c. Non-derivative financial liabilities - measurement:

The financial obligation is classified at fair value through profit or loss if it is classified as a liability held for trading purposes or is classified at initial recognition to be measured at fair value through profit or loss, the transaction cost directly related to the acquisition or issue of the financial obligation is recognized directly within the profit Or losses when incurred, Financial liabilities measured at fair value are measured through profit or loss at fair value, and changes in fair value are recognized, including any interest expense in profits or losses. Other non-derivative financial liabilities are initially measured at fair value, less any costs directly related to the acquisition or issue after the initial recognition, these liabilities are measured at amortized cost using the effective interest method.

7- TAX POSITION

7/1 Corporate Tax:

- The company was inspected till the financial year 2014/2015.
- The financial year 2015/2016 and 2016/2017 is under inspection.
- The company submit the tax return till 2018/2019 according to the income tax law no. 91 for 2005 om due dates.

7/2 Stamp Tax:

- The company was inspected till the financial year 2015/2016.
- The financial year 2016/2017 is under inspection.

7/3 Salary Tax:

- The company was inspected till the financial year 2012.
- The company has received Form no. (38) amounted to 209 237 939 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 financial years 2014/2015 and 2015/2016 and the notification was made with a form no. 15 dated 2/3/2020 and this form was contested on legal dates and transferred to the internal committee.
- The years of 2016/2017, 2017/2018 and 2018/2019 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 PERIODIC FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD ENDED MARCH 31, 2020

(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 1/7/2018	218 103	3 498 629	4 455 517	329 215	161 842	771 833	9 435 139
Additions during the period	--	39 204	563 873	20 365	5 467	16 844	645 735
Disposals during the period	--	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
Cost as of 1/7/2019	218 103	3 535 849	4 999 693	349 412	162 874	788 355	10 054 286
Additions during the period	*41 965	--	561 158	6 036	3 340	51 232	663 731
Disposals during the period	--	--	10	--	36	123	169
Total Cost as of 31/3/2020	260 068	3 535 849	5 560 841	355 448	166 178	839 464	10 717 848
<u>Accumulated depreciation and impairments movement:</u>							
Accumulated depreciation as of 1/7/2018	--	704 902	2 977 550	252 764	138 589	539 074	4 612 879
Additions during the period	--	90 496	341 855	27 912	12 232	58 959	531 454
Disposals during the period	--	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	--	772 246	3 306 085	280 578	146 516	597 712	5 103 137
Accumulated depreciation as of 1/7/2019	--	772 246	3 306 085	280 578	146 516	597 712	5 103 137
Additions during the period	--	73 165	287 630	20 124	8 735	51 342	440 996
Disposals of the period	--	--	--	--	36	23	59
Impairment of fixed assets	--	--	6 009	--	--	--	6 009
Accumulated depreciation and impairment as of 31/3/2020	--	845 411	3 599 724	300 702	155 215	649 031	5 550 083
Net fixed assets of 30/6/2019	218 103	2 763 603	1 693 608	68 834	16 358	190 643	4 951 149
Net fixed assets of 31/3/2020	260 068	2 690 438	1 961 117	54 746	10 963	190 433	5 167 765

On 24/11/2019 the company's board of director decided in its meeting the decision No. 10 for 2019, going through procedures to re-exploit the company's stores and factories of Al-Zumar Street and change its activities to a hospital and tourism services this is in exchange for paying the value of the improvement which amounted 83 930 Thousand Egyptian Pounds, to be paid in two installments:

- First installment 50% upon the issuance of the approval of the Chairman of Giza City Council.
- Second installment remaining 50% will pay 1/12/2020

On 5/12/2020 the company was have the approval of the Exceptions Committee of the Housing and Utilities Directorate in Giza was obtained and initial approvals of (water, sanitation, civil defense, traffic, electricity) were obtained and the approval to construction of the project was paid, and the first installment was paid upon obtaining this approval.

* The fully depreciated fixed assets as of March 31, 2020 is 2 046 063 Thousand Egyptian Pounds included fully depreciated fixed assets still in use amounted to 1 318 619 Thousand Egyptian Pounds (including machines and equipment amounted to 827 681 Thousand Egyptian Pounds), and fully carried depreciated fixed assets and others under scrap process amounted to 619 530 Thousand Egyptian Pounds.

* The fixed assets are including approximately 113 200 Thousand Egyptian Pounds representing net donated assets as following:

<u>Donated Assets</u>	<u>Amounts expressed in Thousands of Egyptian Pounds</u>
Production’s machinery	108 340
Production Utilities, equipment of Services	2 945
Transportation	23
Furniture	1 892
Total	<u>113 200</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 8 404 Thousand 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.

9- PROJECTS UNDER CONSTRUCTION

	<u>31/3/2020</u>	<u>30/6/2019</u>
Projects	819 102	916 612
Advance payments an LCs	89 349	332 928
Total	<u>908 451</u>	<u>1 249 540</u>

▪ **Projects investment Formation include:**

	<u>31/3/2020</u>	<u>30/6/2019</u>
Buildings	42 159	1 359
Machinery	636 593	746 917
Tools	626	--
Transportation	14 779	10 134
Office equipment and installations*	124 945	158 202
Total	<u>819 102</u>	<u>916 612</u>

* The amount 4 907 Thousand Egyptian Pounds has been deducted from the Projects account of typewriters and calculators for the impairment of the J.D Edwards program.

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

	<u>31/3/2020</u>	<u>30/6/2019</u>
Advance payments fixed assets	83 294	79 215
Goods in transit - fixed assets	4 681	49 671
LCs of fixed assets	1 374	204 042
Total	<u>89 349</u>	<u>332 928</u>

10- INVESTMENTS PROPERTY

	<u>31/3/2020</u>	<u>30/6/2019</u>
Land of Gizert Eldahb in Elbahr Elaazam - Giza	8 894	8 894
Land of Alsalom factory - Alexandria	404	404
Land of Jan Marchena	5	5
Total	<u>9 303</u>	<u>9 303</u>

* The plot of land owned by the company located at 41 Abu Al-Dardaa Street, El-Laban, Alexandria Governorate, was put up for sale by public bidding for the closed envelopes system on Thursday 30/1/2020.

As a total amount 51 743 Thousand Egyptian Pounds, the payment will be as follows:

- Supplying the initial insurance amount of 500 Thousand Egyptian Pounds to the company's treasury after an auction is awarded.
- The initial insurance amount must be completed up to 25% of the sale value within fifteen days from the date of award notification.
- 25% of the sale value shall be paid within 3 months from the date of award notification.
- The remaining 50% must be paid in 12 installments for a period of three years, in equal installments, provided that an interest equivalent to the interest of the Central Bank is added to the declared borrowing on the amounts of these installments as compensatory interest.
- The primary sale contract is released upon payment of 50% of the total value of the sale.

11- INTANGIBLE ASSETS

	<u>31/3/2020</u>	<u>30/6/2019</u>
Computes' program and H.R software modernization	33 755	33 755
Amortization	(31 403)	(30 417)
Refunded Sales tax	(349)	(349)
Net	<u>2 003</u>	<u>2 989</u>

* The estimate useful life of the intangible assets 4 years has been re-evaluated by the company technicians.

12- INVESTMENTS LONG-TERM

	<u>31/3/2020</u>	<u>30/6/2019</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 in investment documents*	--	100 000
Total	<u>20 691</u>	<u>120 691</u>
Less impairment in securities	23	23
Net	<u>20 668</u>	<u>120 668</u>

* 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 3.5% annually.

** Investments in foreign securities

* Represent a new Suez Canal investment certificates by returns of 15.5% annually, and the Sues Canal certificates which amounted 100 Million Egyptian Pounds were retrieved on September 2019.

13- RIGHT OF USE LEASED ASSETS

	<u>31/3/2020</u>	<u>30/6/2019</u>
Right of use leased assets	143 926	143 926
Accumulated depreciation right of use leased assets	62 967	35 982
Net	<u>80 959</u>	<u>107 944</u>

14- OTHER ASSETS

	<u>31/3/2020</u>	<u>30/6/2019</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	756
Retriever from some customers who benefit from gas delivery	(1 403)	(1 403)
Amortization to date	<u>(25 462)</u>	<u>(25 379)</u>
Net	<u>792</u>	<u>875</u>

15- INVENTORIES

	<u>31/3/2020</u>	<u>30/6/2019</u>
Raw materials	731 707	608 623
Raw materials (Tobacco) smoke under customs custody (unpaid custom yet)	3 259 535	4 284 172
Fuel storage	2 047	2 548
Spare parts storage	528 273	483 760
Packaging storage	1 784 116	2 271 943
Waste and scrap storage	734	1 875
Materials and spare parts under process storage	815	926
Production work in process	63 862	94 696
Finished goods	104 597	63 828
Consignment packing materials and spare parts	1 090	1 851
Goods in transit	24 719	11 165
Letter of Credit	<u>51 473</u>	<u>133 142</u>
Total	<u>6 552 968</u>	<u>7 958 529</u>
Less the impairment in inventory	<u>1 876</u>	<u>1 876</u>
Net	<u>6 551 092</u>	<u>7 956 653</u>

* The raw materials stock as of 3/31/2020 includes items under inspection (tobacco raw materials) and Items under inspection (packaging and mixing materials) with an amount 48 171 Thousand Egyptian pounds. The examination and final receipt are carried out periodically for all items received.

* It includes raw smoke at customs, fees not paid for items under inspection (tobacco raw materials) estimated at an amount 15 918 Egyptian pounds, while customs fees that were not paid are estimated at 353 100 Thousand Egyptian pounds.

16- TRADE AND NOTES RECEIVABLE

	<u>31/3/2020</u>	<u>30/6/2019</u>
Trade receivables (foreign production)	137 732	135 346
Trade receivables (co-production*)	149 489	244 785
Foreign Trade receivables	350	1 844
Total	<u>287 571</u>	<u>381 975</u>

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

17- DEBTORS AND OTHER DEBIT BALANCES

	<u>Note</u>	<u>31/3/2020</u>	<u>30/6/2019</u>
Holding company debit balance		--	567
Debtor Accounts to governmental Authorities	(17/1)	500 822	369 074
Accrued revenues	(17/2)	5 769	3 194
Prepaid expenses		19 693	11 545
Other debit balances	(17/3)	190 682	140 426
Total		<u>716 966</u>	<u>524 806</u>
Less impairment in debtors		13 987	13 411
Net		<u>702 979</u>	<u>511 395</u>

17/1 Debtor Accounts to governmental Authorities

	<u>31/3/2020</u>	<u>30/6/2019</u>
VAT tax authority	412 706	345 372
Custom authority	2 399	921
Debit balance for other governmental authorities	85 717	22 781
	<u>500 822</u>	<u>369 074</u>

Accounts receivable with other authorities include the following:

- 62 818 Thousand Egyptian pounds for Tax authority for salaries.
- 11 265 Thousand Egyptian pounds for Customs Department, Drupak Tobako.
- 8 776 Thousand Egyptian pounds for sales paid on imported goods.
- 1 059 Thousand Egyptian pounds for sales tax paid on investment goods
- 1 711 Thousand Egyptian pounds for Ministry of Finance - imported sales tax.
- 88 Thousand Egyptian Pounds others.

17/2 Accrued revenues

	<u>31/3/2020</u>	<u>30/6/2019</u>
Accrued export incentives	729	1 045
Securities accrued income	1 099	1 474
Debit rents accrued	962	635
Miscellaneous income accrued	57	40
Accrued interest payable	2 922	--
Total	<u>5 769</u>	<u>3 194</u>

17/3 Other debit balances:

	<u>31/3/2020</u>	<u>30/6/2019</u>
Guarantees for others	10 751	10 740
Employees loans	10 300	10 391
Other debit balances *	169 631	119 295
Total	<u>190 682</u>	<u>140 426</u>

* The other debit balance includes the follows:

	<u>Thousands</u> <u>Egyptian Pounds</u>
The General Company for Paper Industry (Rakta)	48 381
The unit local for Giza City which to exchange stock activities and Elzomor Factories which owned to the company from industry activity to management activity (Hospital)	42 550
Purchase of treasury shares that were not settled at the closing date of the financial position and settled on 1/4/2020 and the shares amounted 2 803 195 shares	34 460
Inventory for party production (Viceroy / Target / Pal Mal / West / LD)	11 991
Confiscated goods belonging to the company and fines payable to the company, as well as travel allowances abroad	7 646
Amounts deposited by customers who have not received their goods	6 736
A deposit for the mosque, and it has a similar credit card account	658

18- TRADE PAYABLES - ADVANCE PAYMENTS

	<u>31/3/2020</u>	<u>30/6/2019</u>
Public sector suppliers	1 249	6 807
Private sector suppliers	74 074	43 179
Public services sector suppliers	5 579	4 229
Other	--	1 260
Total	<u>80 902</u>	<u>55 475</u>

19- FINANCIAL INVESTMENTS- TREASURY BILLS

The daily collection form sales has been invested through treasury bills for a period of time from 10 to 90 days.

20- CASH AND CASH EQUIVALENT

	<u>31/3/2020</u>	<u>30/6/2019</u>
Banks time deposits	360 831	751
Banks current accounts	6 931 387	5 831 822
Cash on hand	19 491	196 432
Total	<u>7 311 709</u>	<u>6 029 005</u>

* The cash is including 5.9 Million Egyptian Pounds related to the social solidarity fund of the company's employees.

21- CAPITAL

The Authorized Capital amounted to 3 000 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 31/3/2020 amounted to 7 654 052 Thousand Egyptian Pounds, hereunder.

The Share Capital Structure as of 31/3/2020:

<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	138 035 692	6.14%
Treasury bills	5 983 267	0.27%
Free trading	969 731 041	43.09%
Total	<u>2 250 000 000</u>	<u>100.00%</u>

- 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 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 association of the Eastern company has bought number of 1 199 529 shares from the Eastern company shares, so, the company's shares will be 138 035 692 shares by contributions percentage up to 6.14%.

- The company's board of directors which held on 19/3/2020 decided that buy of treasury stock up to a maximum of 3% of the company's shares traded on the stock exchange, the purchasing process will be during a month start from 23/3/2020 till 22/4/2020 and notifying the shareholders that not perform any operations on it, The board of directors also decided to seek the assistance from (CI Capital company and EFG company).
- The company's board of directors which held on 23/4/2020 approved to complete the purchase of treasury shares start from 28/4/2020 till 27/7/2020 to complete the aforementioned percentage 3%, the number of treasury shares purchased amounted to 33 634 075 share as percentage 1.495% from the company's shares till 22/4/2020.

22- RESERVES

	<u>31/3/2020</u>	<u>30/6/2019</u>
Legal reserve	801 783	801 783
Regular /Statutory reserve	1 673 498	1 673 498
Capital reserve	549 681	549 681
Reserve to be invested in governmental bonds	20 662	20 662
Reserve of profits estimated budget	940 170	940 170
Other reserves	25	25
Total	<u>3 985 819</u>	<u>3 985 819</u>

Movement of share capital, reserves and retained earnings

	<u>Thousand Egyptian Pounds</u>			
	<u>Balance as of 1/7/2019</u>	<u>Additions</u>	<u>Exclusions</u>	<u>Balance as of 31/3/2020</u>
Paid and issued share capital	2 250 000	--	--	2 250 000
Legal reserve	801 783	--	--	801 783
Reserve to be invested in governmental bonds	20 662	--	--	20 662
Capital reserve	549 681	--	--	549 681
Reserve of profit estimated budget	940 170	--	--	940 170
Statutory reserve	1 673 498	--	--	1 673 498
Other reserves	25	--	--	25
Treasury shares	--	--	*71 928	(71 928)
Retained earnings	1 540 289	--	50 128	1 490 161
Total	<u>7 776 108</u>	<u>--</u>	<u>122 056</u>	<u>7 654 052</u>

* The purchase of approximately 5 983 thousand shares.

The legal reserves: according to the corporate law no .159 for 1981 and the company's article was conforming by percentage of 5% from the year net profit and to legal reserve account, and based on the suggestion of the Board of Directors, it is permissible to suspend part of the profits for the legal reserve account if the legal reserve reaches 50% of the issued capital the legal reserve is not available for distribution to shareholders.

The Other reserves: the remaining reserves in the financial statements its formation according to law no. 203 for 1991.

23- TREASURY SHARES

<u>Date</u>	<u>Number of shares purchased (share)</u>	<u>EGP</u>	<u>Average purchase price EGP</u>	<u>Settlement date</u>
24/3/2020	4 454 444	53 146 630	11 931	26/3/2020
26/3/2020	910 239	11 180 863	12 283	30/3/2020
29/3/2020	618 584	7 601 203	12 288	31/3/2020
Total	5 983 267	71 928 696		

24- 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.

25- DEFERRED TAX

	<u>31/3/2020</u>	<u>30/6/2019</u>
Deferred tax liabilities	371 913	361 579
Deferred tax assets	(176 655)	(176 334)
Net tax liabilities	195 258	185 245

- 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.

26- LONG-TERM PROVISIONS - PENSION

- 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- PROVISIONS:

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

- **Movement of provisions:**

	Thousand Egyptian Pounds			Balance as of 31/3/2020
	Balance as of 1/7/2019	Additions	Exclusions	
Provision of disputed taxes	209 238	130 000	--	239 238
Provision of legal claims and salaries	183 899	--	10 142	173 757
Total	393 137	130 000	10 142	512 995

- 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- TRADE AND NOTES PAYABLES

	31/3/2020	30/6/2019
Trade payables (public sector)	34 140	37 133
Trade payables (private sector)	78 370	104 698
Foreign Trade payables	117 680	1 315 657
Total	230 190	1 457 488

29- CREDITORS AND OTHER CREDIT BALANCES

	Note	31/3/2020	30/6/2019
Governmental authorities current account	(29/1)	7 138 722	6 832 929
Dividends creditors		264 265	2 687 250
Accrued expenses	(29/2)	598 300	624 020
Other credit balances	(29/3)	290 048	314 469
Total		8 291 335	10 458 668

29/1 Governmental authorities credit accounts

	<u>31/3/2020</u>	<u>30/6/2019</u>
VAT tax authority*	7 080 468	6 740 215
Health insurance contribution	29 258	34 999
Corporate tax authority	6 499	27 311
Real State tax authority	2 023	952
National organization for social insurance	20 474	29 452
Total	<u>7 138 722</u>	<u>6 832 929</u>

* The amount of value added tax includes two-months “November and December” because of the electronic payment system from March 2019 where tax payment will be first day of the next month instead of being at the previous month.

29/2 Accrued expenses

- 598 300 Thousand Egyptian Pounds representing accrued expenses for employees and other.

29/3 Other credit balances

	<u>31/3/2020</u>	<u>30/6/2019</u>
Deposits from others	48 789	52 982
Fixed assets supplies	45 053	71 606
Creditors amounts deducted from employees	8 789	7 396
Remaining accrued cost relevant to finance leased machines	1 841	7 363
Deferred revenue related to gifted fixed assets*	123 019	142 544
Other	62 557	32 578
Total	<u>290 048</u>	<u>314 469</u>

* The credit balance include 113 200 Thousand Egyptian Pounds related to net of gifted fixed assets in addition to 9 918 thousand tolls for tobacco.

* The other credit balance include 20 909 Thousand Egyptian Pounds the amounts deducted from employees and for the shareholders union and addition to 10 532 Thousand Egyptian Pounds in relation to the company’s social solidarity committee, and amount 10 449 Thousand Egyptian Pounds under the account of selling the plot of land located at 41 Abu El Dardaa Street - the frankincense section and addition to amount 6 817 Thousand Egyptian Pounds Permissible discount payable and accrued marketing expenses.

30- TRADE RECEIVABLES - ADVANCE PAYMENTS

	<u>31/3/2020</u>	<u>30/6/2019</u>
Credit trade receivables	104 344	56 085
Other receivables - scrap	283	266
Total	<u>104 627</u>	<u>56 351</u>

31- FINANCIAL LEASE CONTRACT OBLIGATIONS

- The financial lease contract obligations of represent amount of 24 696 Thousand Egyptian Pounds include the remaining obligations for the company and which about Financial lease contract.

- **The Income statement:**

- The cost of revenues of the activity includes an amount of 26 986 Thousand Egyptian Pounds related to the depreciation of finance leased assets (for the time period from 1/7/2019 till 31/3/2020), in addition to an amount of 4 531 Thousand Egyptian Pounds as maintenance expenses (spare parts) concerning to the rented assets.

32- SALES REVENUE

	<u>31/3/2020</u>	<u>31/3/2019</u>
Net sales	9 446 352	8 802 508
Revenue of operation for other	1 921 329	1 756 571
Total	<u>11 367 681</u>	<u>10 559 079</u>

33- COST OF GOODS SOLD

	<u>31/3/2020</u>	<u>31/3/2019</u>
Raw Materials	4 776 150	4 690 338
Depreciation and amortization	406 766	319 672
Wages	1 397 090	1 256 435
Maintenance	96 977	112 120
Miscellaneous service expenses	23 900	48 294
Insurance expenses	10 702	10 824
Lease of leased assets	--	59 342
Others	32 351	37 955
Total	<u>6 743 936</u>	<u>6 534 980</u>

34- OTHER INCOME

	<u>31/3/2020</u>	<u>31/3/2019</u>
Gain from materials sales	167	232
Other miscellaneous income*	23 065	33 944
Other miscellaneous income real estate investment	1 297	--
Gain from scrap sales	4 696	17 965
Rents income	1 569	1 116
Credit compensation	330	180
No-longer provisions	9 000	32 311
Capital profit**	5 636	7 185
Grants and subsidies ***	1 042	1 376
Total	<u>46 802</u>	<u>94 309</u>

* The miscellaneous revenues include an amount of 19 526 Thousand Egyptian Pound relevant to gifted assets. Thousand

** The capital revenues relevant which is amounted to 5 636 Thousand Egyptian Pounds includes 5 522 thousand relevant to financing leasing.

*** The other revenues include grants and subsidies for the time period from 1/7/2019 till 31/3/2020. Also the comparative period which has been transferred from operating revenue to other revenue item.

35- SALE AND DISTRIBUTION EXPENSES

	<u>31/3/2020</u>	<u>31/3/2019</u>
Salaries	296 804	279 469
Depreciation and amortization	3 895	2 373
Maintenances	2 671	1 506
Miscellaneous service expenses	3 544	3 116
Insurance expenses	3 087	3 138
Marketing expenses	37 548	27 859
Discount permitted	97 750	97 554
Full production transfer	17 808	15 417
Other	25 382	30 009
Total	<u>488 489</u>	<u>460 441</u>

36- GENERAL AND ADMINISTRATIVE EXPENSES

	<u>31/3/2020</u>	<u>31/3/2019</u>
Salaries	117 878	106 274
Depreciation and amortization	17 560	24 094
Maintenances	203	103
Miscellaneous service expenses	35 575	3 267
Other	3 272	1 341
Total	<u>174 488</u>	<u>135 079</u>

- The general and administrative expenses amount of 29 258 Thousand Egyptian Pound for takaful contribution or the period from 1/7/2019 till 31/3/2019.

37- OTHER EXPENSES

	<u>31/3/2020</u>	<u>31/3/2019</u>
Donations for other	11 168	14 756
From materials sales	--	25
Compensation and fines	4	--
Foreign currency exchange loss	10 916	--
Losses in impairments	130 000	--
Provision for potential liabilities	576	--
Losses in the price of raw materials	206	--
Total	<u>152 870</u>	<u>14 781</u>

* Provision for contingent liabilities relates to expected claims in relation to external parties in relation to the company's activities, and the management reviews these provisions periodically with the assistance of specialists periodically with the assistance of specialists and consultants if required, and the amount of the allowance is adjusted according to the latest developments, discussions and agreements with those parties.

The information that was usually published according to the requirements of the Egyptian accounting standards was not disclosed because the management of the company believes that doing so strongly affects the results of negotiations with those parties.

38- NET COST/ FINANCING REVENUE

	<u>31/3/2020</u>	<u>31/3/2019</u>
Credit interest	292 625	305 509
Gains revaluation differences on foreign currencies	37 418	33 557
Total finance revenue	<u>330 043</u>	<u>339 066</u>
Bank interest and bank expenses	(9 859)	(7 797)
(Losses) revaluation differences on foreign currencies	(105 688)	(123 274)
Total finance expenses	<u>(115 547)</u>	<u>(131 071)</u>
Net finance expenses	<u>214 496</u>	<u>207 995</u>

39- OTHER FINANCIAL INVESTMENTS REVENUE

- The financial investments revenue includes 3 111 Thousand Egyptian Pounds interest from investments in Suez Canal and 1 353 Thousand Egyptian Pounds from treasury bills revenue, 542 Thousand Egyptian Pounds for the return on government bonds.

40- TAX EXPENSES

- The income tax in the income statement as of 31/3/2020 was amounted to 933 421 Thousand Egyptian Pounds.
- The deferred tax in income statement as of 31/3/2020 was amounted to 10 013 Thousand Egyptian Pounds according the following:

	<u>Thousand Egyptian Pounds</u>
Deferred tax assets	10 334
Deferred tax liabilities	(321)
Total	<u>10 013</u>

41- EARNINGS PER SHARE

	<u>Unit</u>	<u>31/3/2020</u>	<u>31/3/2019</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	2 940 518	2 702 088
Number of shares	Thousand shares	2 244 017	2 250 000
Portion per share in net profit	Pounds	<u>1.31</u>	<u>1.20</u>

- The number of shares decreased by the value of treasury shares purchased during the period from 1/7/2019 to 31/3/2020, which amounted to approximately 5983 thousand shares.

The Cash Flows Statement:

42- CASH AND CASH EQUIVALENT

- The cash and cash equivalent balance amounted to 7 311 709 Egyptian Pounds as following:

	<u>Thousand Egyptian Pounds</u>
Time deposits with banks	360 831
Banks accounts	6 931 387
Cash on hand	19 491
Cash balance as of 31/3/2020	<u>7 311 709</u>

- The credit facilities which are available to be used in future are amounted to 7 320 Million Egyptian Pounds.
- These Include cash balance as of 31/3/2020 amounted to 3.17 Billion Egyptian Pounds for the favor of the Financial Ministry regarding the declaration of November which paid in first day of April 2020 instead of the last day of March 2020 because the company applied the electronic payment system.

43- COMPARATIVE FIGURES

- The comparative figures in income and cash flows statements for the financial period ended December 31, 2019.

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 facilities as health, educational, governmental departments, sports and social clubs, youth centers and all other places that the ministry of health determine. This law state penalties on those responsible for these places and on the smoker.

In addition the company is obliged to print a warning of smoking risk on at least the half of the two sides of the package accompanied with adding other warnings or publishing photos confirm damage of smoking, The company to comply with this law and the decree of minister of health and population no. 443 for the year of 2007, the company endured by additional burden cost as a result of the continuous adjustment in printing cylinders which resulting losses in the publications material 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. Most of company's activities were transferred to the industrial complex; the company will invest its current valuable locations the best investment to decrease the company's finance cost.

44/3 Insurance:

- The company have various insurance using insurance policies which covered all potential risks that company may face, such as:

a. Comprehensive Certificate/document:

- To cover risks of fire properties, risk of cash transfer, dishonesty, machinery malfunction, the common civil responsibility, loss revenues, and remove debris.

b. Cars Certificate/document:

- Cover all risks fleet of cars facing (comprehensive insurance - compulsory insurance).

c. Transportation Certificate/document:

- Cover risks of transportation, sea and air transportation for all production materials and finished goods.

d. Lifts Certificate/document:

- Cover the civil responsibility result from operation.

e. Political violence Certificate/document:

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

f. Personal accident violence Certificate/document:

- Cover the death, the full and partial disability result from accidents and the medical care expenses (10% from the insurance amount). Terrorism risk was added.

g. Certificate/document of Dishonesty:

- Cover the drivers who are working on contractual terms for transporting the company's' products.

44/4 Environmental responsibility:

- According to the Eastern company's continued efforts to achieve protecting environment and preserving the common health and as a commitment by the company to apply the environmental requirements of Environment Law No. 4 for the year of 94 and it's amendments and executive regulations through implementing and maintaining the internal environment in its factories and the external environment surrounding the company in the purpose of achieving sustainable compatibility of its environmental conditions, these points are representing in some projects as following:
 - The company has established and implemented the integrated industrial complex in the industrial zone at the City of 6th October to include all its locations. This procedure is an evidence of commitment towards the environmental laws and regulations.
 - The company has used the Natural Gas as a clean source of energy in operating boilers, generation power as a clean source of energy, and to reduce environmental pollutants from combustion.
 - The company established an environment friendly incinerator and the heat generated are used to generate ice water in a heat exchange to A/C factories.
 - The company has controlled the emissions of fine tobacco using cyclones with non-permeable filters to prevent dust of tobacco powder in the airspace in order to protect the environment from pollution and reuse and recycling through manufacturing natural tobacco flakes.
 - The company established a station of liquid waste treatment (industrial drainage) in the industrial complex of the company in the City of 6th October with total capacity of 610 m3/day and the company got the environmental approval for energy raising up to be 1220 m3/day. Installations and the station are currently in the testing phase to start operation.
 - The company has also implemented a project of central air conditioning operating by natural gas to one of its factories to avoid the impact of thermal stress knowing that there is no raise 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 collecting the manufacturing process outputs resulting from the company's production activities. Some items are sold and others are recycled in industries. Compost production from unusable dust of tobacco is also been studied.
- The company already bought a group of the environmental measuring devices to monitor pollutants and emissions of the work environment to determine the permissible limits in accordance with the requirements of the environmental law (number 4 for the year of 1994) and its executive regulation. In addition, the experts of the National Research Center had done the required regularly measurements and approved it in the environmental records for the different locations of the company. It is worth mentioning that the company spares no effort in supplying all personal protection tools to employees according to the nature of each activity.
- Extensive environmental approval was obtained for the project of establishing and extending a factory of roots plant (ESS) as space of 13350 m³ in the industrial complex of the company in the City of 6th October, the company has also planted green areas and windbreaks and ornamental plants inside the industrial complex zone , and that with the 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 of 14000 m² in the industrial complex of the company in the City of 6th October, the station has already been completed and it is currently in the testing phase for its service entry in order to reduce the burden on the electricity network in the industrial complex of the company in the City of 6th October. The company also is in the process stage of establishing additional electricity generating station 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 updated environmental records approved by the largest research and scientific bodies (National Research Center) and it has been reviewed by the Environmental Affairs Agency. Also, the company is committed to all environmental laws and regulations.

45- Subsequent events

The Corona Virus (COVID19) proliferation event took place at the beginning of the year 2020, and its spread in several geographical regions around the world, causing disturbances to economic activities and business. The company believes that this event is one of the events occurring after the period of the release of the financial position list, which does not require adjustments in this early stage of the event that witnesses continuous and rapid developments. The company has formed a work team to assess the expected effects on the company's business within the Arab Republic of Egypt in order to conduct a preliminary study with the aim of Review and evaluate the potential risks related to the supply chain of raw materials and human resources, current stock levels, Ensuring that the company's production facilities continue to operate without

interruption at this stage, as it is virtually difficult to provide any mathematical estimate of potential impacts, however given the official production levels in the past for the pre-Ramadan period, the company does not expect substantial impacts to its operations, which account for a large proportion of Total operations, in the event that things return to normal within a reasonable period of time.

The management and those responsible for governance will continue to monitor the situation in all geographical regions in which the company operates and provide stakeholders with developments as required by regulations and regulations, and in the event of any material changes in the current conditions, additional disclosures will be provided or amendments will be approved in the consolidated financial statements for subsequent periods during Fiscal year.

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

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

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Chef financial officer