

Eastern Company
(An Egyptian Joint Stock Company)
Statement of Financial Position as at 31 December 2018

	Note No.	31/12/2018 LE (000)	30/06/2018 LE (000)
<u>Assets</u>			
<u>Non Current Assets</u>			
Fixed Assets	(8)	4,984,688	4,822,260
Project in Progress	(9)	834,059	983,473
Real Estate Investments	(10)	9,303	9,303
Intangible Assets	(11)	4,050	6,917
Long-Term Investments	(12)	120,668	120,668
Other Assets	(13)	136	154
Total Non Current Assets		5,952,904	5,942,775
<u>Current Assets</u>			
Inventories	(14)	6,918,920	6,397,152
Trade, Notes Receivables, and Other Receivables	(15)	773,543	746,771
Suppliers (Debit)	(16)	48,864	69,220
Cash in hand & at banks	(18)	2,676,371	3,759,892
Total Current Assets		10,417,698	10,973,035
Total Assets		16,370,602	16,915,810
<u>Equity</u>			
Issued & Paid-In Capital	(19)	2,250,000	1,500,000
Reserves	(20)	3,780,372	4,530,372
Retained Earnings	(21)	461,070	452,895
Profit for the period		2,028,940	-
Total Equity		8,520,382	6,483,267
<u>Non Current Liabilities</u>			
Deffered tax liabilities	(22)	156,966	140,569
Total Non Current Liabilities		156,966	140,569
<u>Current Liabilities</u>			
Provision	(23)	997,056	1,034,882
Trade and Other Payables	(24)	6,251,245	8,143,040
Receivables (Credit)	(25)	80,256	178,441
Income Tax		364,697	935,611
Total Current Liabilities		7,693,254	10,291,974
Total Liabilities		7,850,220	10,432,543
Total Equity and Liabilities		16,370,602	16,915,810

The attached notes are an integral part of these financial statements.

Eastern Company
(An Egyptian Joint Stock Company)
Income Statement for the six months ended 31 December 2018

	Note No.	for the six months ended		for the three months ended	
		31/12/2018 LE (000)	31/12/2017 LE (000)	31/12/2018 LE (000)	31/12/2017 LE (000)
Operating revenues	(27)	7,095,863	6,795,540	3,703,405	3,618,131
Operating cost	(28)	(4,386,346)	(4,006,198)	(2,281,703)	(2,053,786)
Gross Profit		2,709,517	2,789,342	1,421,702	1,564,345
Investment revenues		8,180	40,940	4,092	3,932
Other gains	(29)	3,681	5,581	1,841	2,144
Other revenues	(30)	19,703	19,544	10,310	(2,292)
Selling and distribution expenses	(31)	(242,093)	(210,577)	(120,491)	(107,850)
Administrative expenses	(32)	(89,617)	(80,932)	(47,962)	(41,989)
Provisions		-	(19,000)	-	(19,000)
Expired Provisions		466	334	466	334
Other expenses	(33)	(14,781)	(8,018)	(13,646)	(7,056)
Finance income		238,117	497,676	109,413	262,283
Finance cost		(347)	(5,811)	(209)	(1,119)
Foreign exchange gain/loss	(34)	(27,577)	(36,610)	(31,254)	(1,589)
Profit before tax		2,605,249	2,992,469	1,334,262	1,652,143
Income tax	(35)	(576,309)	(670,085)	(296,510)	(371,197)
Profit for the financial period from continuing operations		2,028,940	2,322,384	1,037,752	1,280,946
Profit for the financial period from discontinuing operations		-	-	-	-
Profit for the financial period		2,028,940	2,322,384	1,037,752	1,280,946
Earning per share for the financial period (L.E./Share)	(36)	0.84	0.99	0.42	0.55

The attached notes are an integral part of these financial statements.

Eastern Company
(An Egyptian Joint Stock Company)
Statement of Comprehensive Income for the six months ended 31 December 2018

	<u>for the six months ended</u>		<u>for the three months ended</u>	
	31/12/2018	31/12/2017	31/12/2018	31/12/2017
	<u>LE (000)</u>	<u>LE (000)</u>	<u>LE (000)</u>	<u>LE (000)</u>
Profit for the financial period	2,028,940	2,322,384	1,037,752	1,280,946
<u>Other Comprehensive Income Items</u>				
Foreign exchange translation differences	-	-	-	-
Available-for-sale financial investments	-	-	-	-
Cash flow hedge	-	-	-	-
Actuarial gains (losses) on defined benefit pension schemes	-	-	-	-
Entity's share of the other comprehensive income of associates	-	-	-	-
Income tax on items of other comprehensive Income	-	-	-	-
<u>Total Other Comprehensive Income, net of tax</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>Total Comprehensive Income for the Financial Period</u>	<u>2,028,940</u>	<u>2,322,384</u>	<u>1,037,752</u>	<u>1,280,946</u>

The attached notes are an integral part of these financial statements.

Eastern Company
(An Egyptian Joint Stock Company)
Statement of Changes in Equity for the financial period ended 31 December 2018

	Issued & Paid- In Capital	Legal Reserve	Statutory Reserve	Capital Reserve	Other Reserves	Total Reserves	Retained Earning	Net Profit	Total Equity
	LE (000)	LE (000)	LE (000)	LE (000)	LE (000)	LE (000)	LE (000)	LE (000)	LE (000)
Balance at 1/7/2017	1,500,000	693,110	827,506	519,273	927,871	2,967,760	72,166	-	4,539,926
Adjustments (Deferred taxes and Income taxes for fiscal year 2016/2017)	-	-	-	-	-	-	43,843	-	43,843
Remaining of the Directors Remuneration	-	-	-	-	-	-	20,172	-	20,172
Adjustments (Revenues/Expenses- Previous Years)	-	-	-	-	-	-	147,256	-	147,256
Transferred to reserves from Dividends for the financial year 2017/2018	-	422,996	845,992	10,638	282,986	1,562,612	169,458	-	1,732,070
Balance at 30/6/2018	1,500,000	1,116,106	1,673,498	529,911	1,210,857	4,530,372	452,895	-	6,483,267
Balance at 1/7/2018	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 Reserve and Other Reserves to Issued & Paid-In Capital	750,000	(500,000)	-	-	(250,000)	(750,000)	-	-	-
Adjustments (Revenues/Expenses- Previous Years)	-	-	-	-	-	-	8,175	-	8,175
Net Profit for the period from 1/7/2018 to 31/12/2018	-	-	-	-	-	-	-	2,028,940	2,028,940
Balance at 31/12/2018	2,250,000	616,106	1,673,498	529,911	960,857	3,780,372	461,070	2,028,940	8,520,382

The attached notes are an integral part of these financial statements.

Eastern Company
(An Egyptian Joint Stock Company)
Statement of Cash Flows for the financial period ended 31 December 2018

	Note No.	31/12/2018 LE (000)	31/12/2017 LE (000)
<u>Cash Flows From Operating Activities</u>			
Cash Receipts from Sales and Trade Receivables		26,897,644	21,934,015
Cash Paid for Purchases & Suppliers		(3,724,411)	(4,206,922)
Cash Paid to Employees		(807,972)	(590,460)
Cash Receipts from Manufacturing Fees & Sundry Revenues		1,289,628	1,636,583
Cash Receipts (Interest received)		238,117	497,676
Cash Paid (Interest Paid)		(347)	(5,811)
Payments to Tax Authority		(22,239,141)	(18,550,911)
Cash Receipts (Export Aid / Aids & Grants)		114	1,066
Cash Receipts (Insurance Claims)		1,938	3,107
Other Payments		(18,921)	(4,766)
Net Cash Flow from Operating Activities		1,636,649	713,577
<u>Cash Flows From Investing Activities</u>			
Payments for Purchase of Fixed Assets (Project in progress)		(244,988)	(352,580)
Net Cash Flow from Investing Activities		(244,988)	(352,580)
<u>Cash Flow from Financing Activities</u>			
Payments for Employees (Profits)		(2,387,068)	(1,318,438)
Payments of Finance Lease Obligations		(60,229)	(60,030)
Payments of Installments of Long-Term Loans		-	(69,444)
Net Cash Flow from Financing Activities		(2,447,297)	(1,447,912)
Cash Paid (Foreign Exchange Gain/Loss)		(27,884)	(43,534)
Cash Paid (Investment in securities - Treasury Bills)		-	(383,135)
Net Decrease in Cash		(1,083,520)	(1,513,584)
Cash at the beginning of the period		3,759,891	7,067,839
Cash at the end of the period	(36)	2,676,371	5,554,255

The attached notes are an integral part of these financial statements.

Eastern Company
(An Egyptian Joint Stock Company)

Notes to the Financial Statements
for the financial period ended December 31, 2018

1. Background

1.1. Eastern Company S.A.E – Giza –Egypt.

Eastern Company, an Egyptian Joint Stock Company, a subsidiary to the Chemical Industries Holding Company.

1.2. Establishment Date & Domicile

On 12/7/1920 at Giza– Arab Republic of Egypt.

1.3. Company's Activity and its Legal Form

- The manufacturing and trade of tobacco, its products and requirement/ Practice of any investment, financial, commercial, industrial, agriculture or service activities/ Owning and building of real estates / Purchasing and division of lands for investments, renting, reselling / Importation, exportation and commercial agencies / incorporation, taking part in incorporation, purchase of, or shareholding in companies involved in or may help achieve or develop any of EC objectives after approval from (Holding Co.).
- Under the law No. 203/1991 on public enterprises companies and its executive regulation.

1.4. Stock Trading

The company's shares are traded on the Egyptian Exchange.

1.5. Term:

Fifty (50) years as of 27/12/1992, the date of its re-registration in the commercial registry.

1.6. Issuance of the financial statements

Issuance of the financial statements was approved by the Board of Directors on 29/1/2019.

1.7. Accounting period of the financial statements

From 01/07/2017 to 31/12/2018.

2. Basis for preparation of the financial statements

2.1. The commitment to accounting standards and laws

- Financial statements have been prepared according to Egyptian Accounting Standards issued as a complementary framework to consolidated accounting system (decision no.609/2016 of the president of the Central Auditing Organization).

2.2. Measurement Bases

- Financial statements are prepared according to historical cost and continuity assumption.
- Financial statements are prepared according to the accrual basis except Cash Flow Statement which is made according to cash basis.
- The Company applies Direct Method in preparing Cash Flow Statement.

2.3. Functional currency and presentation currency

- Functional currency is Egyptian pound.
- Presentation currency is thousand Egyptian pound.

2.4. Use of estimates and judgments

- The preparation of the financial statements is in accordance with Egyptian Accounting Standards which requires the use of estimates and assumptions that affect value of assets, liabilities, disclosing the likely liabilities and revenues & expenses, although these estimations are based on the best information available about current circumstances and actions, the final results may be different. However, The effect of a change in an accounting estimate should be included in the determination of net profit or loss in the period of the change, if the change affect the period only; or the period of the change and future periods, if the change affects both.
- The following are the most important items for which estimates and judgments are used:-
 - Useful lives for fixed assets.
 - Provisions.
 - Deferred tax assets.
 - Deferred tax liabilities.

3. Significant Accounting Policies Applied

3.1. Foreign -Currencies Transactions

- Accounts of Eastern Co. are prepared in Egyptian pound .
- Transactions in Foreign Currencies arerecordedat the declared exchange rates at the transactions date. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to functional currency at applicable exchange rate at that date.
- The exchange differences are recognized in the Income statement .

3.2. Fixed Assets and Depreciation

- Fixed assets are recognized on the basis of the cost of acquisition after excluding accumulated depreciation and impairment.
- Fixed Assets are depreciated using the straight – line method system under the Unified Accounting System (Depreciation will be charged to Income Statement Based on the estimated useful life for each type of assets).
- Costs subsequent to acquisition
The cost of replacing a part of an item of a fixed asset is recognized in the carrying amount of it. The carrying amount of those parts that are replaced is derecognized.
- Estimated useful life for each type of assets :-

Item	Estimated Useful Life (year)
Buildings	25-50
Machinery	10
Vehicles	5-8
Tools & Devices	5
Furniture	4-10

3.3. Projects in progress

- Projects in progress are recorded at cost. Cost includes all costs associated with the assets to become ready for use. When the asset is completed and placed into service, the projects in progress will transfer to fixed asset.

3.4. Investments

- Real-Estate Investments are evaluated by cost, and in case of non provisional decrease, it will be charged to Income Statement.
- Investment in Government Bonds evaluated at acquisition cost, as these investment returns within investments income item in Income Statement.

3.5. Other assets

- Include:
Licenses cost which is expected to lead to flow of future economic benefits.
Company's contribution in establishing non-possessed assets.
- Other assets appear at the cost of purchase, which include any other expenses until they are used less accumulated depreciation.
- Depreciation percentage of non-possessed assets:10%.
- Depreciation percentage of J.D, HR and Microsoft programs is 25%.

3.6. Inventory

- Inventories are valued at cost, the outputs are measured on the basis of the weighted average method for costs. The unfinished goods are measured by cost until the last industrial phase, but finished goods are measured at the lower of cost or recoverable amount.
- Eastern Co. adopts the continuous stocktaking.
- Raw material (tobacco) covers **12** months approx.
- Finished Goods cover the demand for **7.4**days.
- Inventories - Raw materials(tobacco) contains EGP **3157** million.

3.7. Cash in hand & at banks

- Includes Banks – current accounts, Cash in hand and Banks - time deposits (less than or equal 3 months).

3.8. Provisions

- A provision is a liability recorded in the statement of financial position, where there is uncertainty over the timing or amount that will be paid, and is therefore often estimated.
- Provisions are reviewed at each balance sheet date and adjusted if necessary to reflect the current best estimate.

3.9. Capital

- Issued capital and Paid-in capital represent par value multiplied by the number of shares at the date of preparation of financial statements.

3.10. Reserves

- Reserves are created for strengthening the financial position of the business in accordance with the Law and the Company's articles.
- Reserve is used according to the decision of the General Assembly upon the proposal of the Board of Directors.

3.11. Borrowing Cost

- Borrowings are recognized initially in the amounts received. Amounts due within a year are classified under current liabilities. But long term loans balance are classified under long-term liabilities if the company has the right to postpone the repayment of the loan balance for more than a year after the date of the financial position.

3.12. Revenue

3.12.1. Operating revenues

- Revenue is recognized in accordance with the realization of sale and the goods delivered to customer, as the terms indicated in the Egyptian Accounting Standard No. 11 as follows:
3.12.1.1. The enterprise has transferred to the buyer the significant risks and rewards of ownership of the goods ;

- 3.12.1.2. The enterprise retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold ;
- 3.12.1.3. The amount of revenue can be measured reliably ;
- 3.12.1.4. It is probable that the economic benefits associated with the transaction will flow to the enterprise ; and
- 3.12.1.5. The costs incurred or to be incurred in respect of the transaction can be measured reliably .
- Bonds Returns are recognized as the following conditions are available:-
- A. It is probable that the economic benefits associated with the transaction will flow to the enterprise ; and
 - B. The amount of revenue can be measured reliably.
- 3.12.2. Manufacturing Fees
 Manufacturing Fees is recognized as the terms indicated in the Egyptian Accounting Standard No. 11 as follows :
1. The amount of revenue can be measured reliably ;
 2. It is probable that the economic benefits associated with the transaction will flow to the enterprise ;
 3. The stage of completion of the transaction at the balance sheet date can be measured reliably ; and
 4. The costs incurred for the transaction and the costs to complete the transaction can be measured reliably.
- 3.12.3. Interest Income
- Company follows the effective interest method to recognize the interest income.
 - Interest income is reported in the Income Statement.
- 3.13. Income Tax
- Income tax on the profit for the period includes all of the income tax for the period and deferred tax. It is recognized directly in the income statement. Tax rates applicable at the date of preparation of the financial statements are used to recognize Income tax.
 - The recognition of deferred taxes arising from temporary differences of time between the book value of assets and liabilities according to the basis of accounting and their value according to the tax basis. Determine deferred taxes would be through what is expected of realization or settlement of the values of assets and liabilities, using tax rates applicable at the date of preparation of financial statements, as the deferred assets tax of the facility in case there is a strong potential to make profits subject to the tax in the future in which through the asset can be utilized, and the value of the deferred tax assets is decreased equal to the value of item which will not being achieved of expected tax utilization during the forthcoming periods.
- 3.14. Donation & Subsidies
- The Company adopts income approach to handle Export subsidy (Donation & subsidies item) in Income Statement. The Company recognizes donated fixed assets as grants under fixed assets, and carries their depreciation in income statement ,and also what is equivalent to this depreciation of revenue.
- 3.15. Finance Lease
- The profits of finance lease are recognized throughout the term of lease contract.
 - Lease payments and maintenance expenses are reported in the Income Statement during each financial period.
- 3.16. Dividends
- Dividends are recognized when share holder has the right to collect them.
- 3.17. Employees share in profit
- The company distributes 12 months of basic salary for workers (Law 203/1991).

4. Financial Risk Management

4.1. Credit risk

- Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur financial loss. This risk is mainly associated with other receivables. The credit risk related to cash and deposits is the lack of liquidity of the other party and therefore not being able to return those balances. To control the risk, the company deals with the financial and banking institutions that got the degree of high credit solvency.

4.2. Liquidity risk

- Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The Company ensures that it has sufficient cash on demand to meet expected operational expenses for an appropriate period including the cost of servicing financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. The Company also invests the excess of cash (short-term investment).

4.3. Market risk

- Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates. The objective of market risk management is to manage and control market risk exposure within acceptable parameters, while optimizing the return.

(A) Foreign Exchange Rate Risk:- The risks of Foreign Currency is represented in the fluctuations in Exchange rates which has an effect on Payables and Receivables in foreign currencies, and on value assets and liabilities as well, therefore, EC management has faced these risks through several policies such as value of receipts from local manufacturing of spare parts, investment equipment and purchase from supplier's agents... etc.

(B) Interest Rate Risk:- Eastern Co. deals with many banks in interest rates enabling it to mitigate change risks in interest rate irrespective whether interest received or interest paid within emulation between banks in order to get the best rates based on the big range of dealing.

- Bank Deposits during the relevant financial period are the total deposits in foreign & local currency.
- Fair value of financial instruments has no essential difference from its Book-value at the end of financial period.

4.4. Capital management

4.4.1. The Company's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors of the Company monitors the return on capital, which the Company defines as net profit for the period /year divided by total equity. The Board of Directors of the Company also monitors the level of dividends to ordinary shareholders. There were no changes in the Company's approach to capital management during the period/ year. The Company is not subject to externally imposed capital requirements.

5. Disclosure of Related Parties

- The company is a subsidiary to the Holding Company for Chemical Industries which hold **55%** of the company's shares on **31/12/2018**.
- The relevant parties are dealt in the same fundamentals which are being dealt with third party.
- Holding Company for Chemical Industries has provided some government entities (Customs Authority - Customs taxes –Egyptian Tax Authority"Value-added tax "VAT") a set of bank guarantees (EGP 1620 million).

6. Impairment of Assets

- At the balance sheet date, the company assesses If there is any indications that an asset may be impaired (i.e. its carrying amount may be higher than its recoverable amount).
- If the asset's recoverable amount is lower than its carrying amount, then the company must recognize an impairment loss as a difference between these 2 amounts and is recognized in the income statement.
- The company assesses at the end of each reporting period whether there is any indication that an impairment loss recognized in prior periods for an asset may no longer exist or may have decreased.
- If there is an indication, the decrease value is re-evaluated, and the decrease value which was recorded in prior periods is reversed, and the carrying value of these assets does not exceed their original net book value.

7. Tax Position

7.1. Tax on the Profits of Legal Persons

- Tax accounts under the law No. 91 of 2005 and its amendments.
- The company pays taxes annually based on Tax Return (Form).
- Tax Inspection was made till the financial year 2014/2015.
- The financial year 2015/2016 is being inspected now.

7.2. Stamp Tax

- Tax was estimated for the period from 1/7/2013 until 30/6/2016 for EGP 10000000, and the company asked tax inspection again.

7.3. Salaries Tax

- Tax Inspection was made until 31/12/2012.
- Tax was estimated for the period from 1/1/2013 until 31/12/2015 for EGP 209294586, and the company asked tax inspection again.

7.4. Value-added tax (VAT)

- Paid monthly under and law No. 67 of 2016.
- The financial year 2011/2012 was inspected.
- The financial years 2012/2013 and 2013/2014 have been inspected. The company is awaiting the appeal committee on 6/11/2018.
- The financial years 2014/2015 and 2015/2016 are being inspected now.

7.5. Real-Estate Tax

- Real estate tax due for the year 2018 has been paid based on claims received from Real-Estate Tax Directorates.

8. Fixed Assets

- Fixed Assets: -

(In thousands EGP)

Description	Land	Buildings	Machinery & Equipment	Vehicles	Tools & Devices	Furniture & Office-equipment	Total
Cost as at 1/7/2017	218103	3482670	4126109	285320	155842	743378	9011422
Additions	0	17556	367270	47107	6000	28455	466388
Disposals	0	1597	37862	3212	0	0	42671
Cost as at 30/6/2018	218103	3498629	4455517	329215	161842	771833	9435139
Cost as at 1/7/2018	218103	3498629	4455517	329215	161842	771833	9435139
Additions	0	11525	389276	7394	4413	9719	422327
Disposals	0	0	198	0	0	38	236
Cost as at 31/12/2018	218103	3510154	4844595	336609	166255	781514	9857230

- Total Depreciation and Provision of Impairment :-

(In thousands EGP)

Description	Land	Buildings	Machinery & Equipment	Vehicles	Tools & Devices	Furniture & Office-equipment	Total
Balance as at 1/7/2017	0	616548	2708302	229798	127630	481002	4163280
Additions	0	88972	306905	26178	10959	58072	491086
Disposals	0	618	37657	3212	0	0	41487
Provision of Impairment	0	0	0	0	0	0	0
Balance as at 30/6/2018	0	704902	2977550	252764	138589	539074	4612879
Balance as at 1/7/2018	0	704902	2977550	252764	138589	539074	4612879
Additions	0	45258	164353	14553	6217	29320	259701
Disposals	0	0	0	0	0	38	38
Provision of Impairment	0	0	0	0	0	0	0
Balance as at 31/12/2018	0	750160	3141903	267317	144806	568356	4872542

- Net Fixed Asset: -

(In thousands EGP)

Description	Land	Buildings	Machinery & Equipment	Vehicles	Tools & Devices	Furniture & Office-equipment	Total
Balance as at 30/6/2018	218103	2793727	1477967	76451	23253	232759	4822260
Balance as at 31/12/2018	218103	2759994	1702692	69292	21449	213158	4984688

- Assets deadly and still use equal to EGP 1350 million and include EGP 920 million of machinery and equipment.
- Fixed Assets include EGP 97 million represent the remaining of donated assets.

Finance Lease Contracts:-

Finance Lease contracts are handled according to the Egyptian Accounting Standard No. (20).

- On 28/6/2012, Eastern Co. concluded a contract with QNB for Finance Lease Co. for the purpose of sale and leaseback some equipments with a total cost of EGP 398324153 with a variable interest rate of (price average of the corridor +1.2%), this contract effective for the term of six years and grace period for 2 years. After the grace period, a lease value of approx EGP 8.693 Million (for 72 months) will be paid.
- The ownership of equipments will be transferred to Eastern Co.

Obligations from July 2018 until the financial year 2019/2020

(In thousands EGP)

Financial Year	Finance Lease Installments	Total
2018/2019	103249	103249
2019/2020	103249	103249
Total	206498	206498

9. Projects in progress

	30/6/2018	31/12/2018
	(LE (000))	(LE (000))
Investment Composition	553903.0	477539.0
Investment Expenditure	429570.0	356520.0
	983473.0	834059.0

- Investment Composition includes:-

	30/6/2018	31/12/2018
	(LE (000))	(LE (000))
Buildings	34558.0	36456.0
Machinery	345264.0	265120.0
Tools	3888.0	27.0
External Vehicles (local)	9266.0	9266.0
Internal Vehicles	8660.0	8660.0
Fixture	146087.0	152916.0
Typewriters & Calculators	6180.0	5094.0
	553903.0	477539.0

- Investment Expenditure includes:-

	30/6/2018	31/12/2018
	(LE (000))	(LE (000))
Fixed Assets - Advance payments for purchase	43036.0	44993.0
Fixed assets - goods by road	232.0	282.0
Fixed assets - Documentary credits for purchase	386302.0	311245.0
	429570.0	356520.0

10. Real Estate Investments

	30/6/2018	31/12/2018
	(LE (000))	(LE (000))
Land "Jazeret Alzahab" - Giza	8894.0	8894.0
Land "Salloum Factory" - Alex.	404.0	404.0
Land "Jan Maroshian" - Giza	5.0	5.0
	9303.0	9303.0

11. Intangible Assets

	30/6/2018	31/12/2018
	(LE (000))	(LE (000))
Cost of update the licenses of the computer and H.R. programs.	33603.0	33755.0
value of depreciation until 31/12/2018	(26337.0)	(29356.0)
value of Partial reimbursement of sales tax	(349.0)	(349.0)
Net Value	6917.0	4050.0

12. Long-Term Investments

	30/6/2018	31/12/2018
	(LE (000))	(LE (000))
✚ Deposit at the Central Bank (reserves are invested in government bonds)	20663.0	20663.0
Investments in Other Companies Shares	5.0	5.0
# Investment in foreign securities	23.0	23.0
* Investments in investment certificates	100000.0	100000.0
Total	120691.0	120691.0
Provision for impairment of securities	(23.0)	(23.0)
Net Value	120668.0	120668.0

✚ Deposits in the Egyptian Central Bank and National Investment Bank constitutes 5% of surplus over the preceding years of the law 203/1991 is being enacted, the said deposits are received income of 3.5% annually to meet a reserve of investment of government bonds.

Investment in foreign securities.

* Investments in Suez Canal Investment Certificates (Interest Rate equals 15.5% annually).

13. Other Assets

	<u>30/6/2018</u> <u>(LE (000))</u>	<u>31/12/2018</u> <u>(LE (000))</u>
Contribution in filling up, development, and covering Al Zomor Waterway	10537.0	10537.0
Connection of Natural Gas in industrial Complex in 6th of October City	16016.0	16016.0
Connection of Natural Gas in Moharam Baik in Alex	348.0	348.0
Benefit of some customers from the natural gas pipeline	(1403.0)	(1403.0)
Depreciation	(25344.0)	(25362.0)
Net Value	<u>154.0</u>	<u>136.0</u>

14. Inventory

	<u>30/6/2018</u> <u>(LE (000))</u>	<u>31/12/2018</u> <u>(LE (000))</u>
Inventories - Raw materials, Fuel & Spare parts	6023968.0	6492032.0
Inventories - Road Goods (Packaging & Spare parts)	3689.0	35551.0
Inventories - Work In Progress	73273.0	125423.0
Inventories - Finished Goods	115880.0	241011.0
Letter of Credits (Goods & Services)	180857.0	25418.0
Total	<u>6397667.0</u>	<u>6919435.0</u>
Decrease in inventory	(515.0)	(515.0)
Net Value	<u>6397152.0</u>	<u>6918920.0</u>

Inventories - Raw materials include :-

	<u>(LE (000))</u>
Items under examination - tobacco	55283.0
Items under examination - Packing, packaging and mixing materials	56623.0
Total	<u>111906.0</u>

The examination is periodically for all items received.

15. Trade and Other Receivables

	<u>30/6/2018</u> <u>(LE (000))</u>	<u>31/12/2018</u> <u>(LE (000))</u>
Trade Receivables	497426.0	405077.0
Due from Gov. & Institutions	185985.0	293389.0
Due Revenue	2156.0	3102.0
Prepaid Expenses	15080.0	4890.0
Other Debtors Accounts	60601.0	80172.0
Total	<u>761248.0</u>	<u>786630.0</u>
Impairment of Debtors Accounts	(14477.0)	(13087.0)
Net Value	<u>746771.0</u>	<u>773543.0</u>

15.1. Trade Receivables

	<u>30/6/2018</u> <u>(LE (000))</u>	<u>31/12/2018</u> <u>(LE (000))</u>
Foreign manufacturing customers	132448.0	140663.0
Joint manufacturing customers*	359601.0	259242.0
Foreign customers	5377.0	5172.0
Total	<u>497426.0</u>	<u>405077.0</u>

*This amount will be paid in the next month. Eastern Co. does not apply credit sale for the account in local sales.

15.2. Due from Gov. & Institutions

	<u>30/6/2018</u> <u>(LE (000))</u>	<u>31/12/2018</u> <u>(LE (000))</u>
Egyptian Tax Authority - VAT	154012.0	264772.0
Customs Authority	18883.0	8502.0
Other due from Gov. & Institutions	13090.0	20115.0
Total	<u>185985.0</u>	<u>293389.0</u>

15.3. Due Revenue

	<u>30/6/2018</u> <u>(LE (000))</u>	<u>31/12/2018</u> <u>(LE (000))</u>
Accrued export subsidy	343.0	747.0
Accrued securities revenue	1441.0	1722.0
Others	372.0	633.0
Total	2156.0	3102.0

15.4. Other Debtors Accounts

	<u>30/6/2018</u> <u>(LE (000))</u>	<u>31/12/2018</u> <u>(LE (000))</u>
Insurance for others	9287.0	10736.0
Ancestor to employees	9368.0	9232.0
Other receivables	41946.0	60204.0
Total	60601.0	80172.0

16. Suppliers (advance payment)

	<u>30/6/2018</u> <u>(LE (000))</u>	<u>31/12/2018</u> <u>(LE (000))</u>
Public suppliers – works	1428.0	3378.0
Private suppliers	58108.0	39274.0
Public suppliers - services	9540.0	6212.0
Others	144.0	0.0
Total	69220.0	48864.0

17. Investment in Securities (Treasury Bills)

Money generated from the daily proceeds of sales is invested in Investments in Securities (Treasury Bills) for periods ranging from 10 days to 90 days.

18. Cash in hand & at banks

	<u>30/6/2018</u> <u>(LE (000))</u>	<u>31/12/2018</u> <u>(LE (000))</u>
Banks – Current Accounts	3656157.0	2662482.0
Cash in hand	103735.0	13889.0
Total	3759892.0	2676371.0

- Cash in hand Includes EGP 3.095 million belonging to social solidarity fund for the company's employees.

19. Capital

- **Authorized Capital** is EGP **3000** million (Three billion pounds).
- **Issued and Paid-In Capital** is EGP **2250** million (Two billion, two hundred and fifty million pounds) divided into **2250** million shares, with a par value of EGP **1** per share.
- The balances of Issued and Paid-In Capital, reserves and surplus retained on **31/12/2018** reached EGP **6491442** thousands.

Capital Structure as at 31/12/2018

Company Name	No. of Shares	%
Chemical Industries Holding Company	1 237 500 000	55.00
Labor Union	134 968 235	5.99
Free Float	877 531 765	39.01
Total	2 250 000 000	100.00

- Extraordinary General Assembly held on 29/5/2018 decided to increase the issued and paid-up capital of the company from LE 1.500 billion to LE 2.250 billion, an increase of LE 750 million, distributed over 450 million shares with a nominal value of LE 5. This increase is funded from the balance of the statutory reserve and other reserves as at 30/6/2017. On August 1, 2018, the decision of the Securities Registration Committee approved the increase.
- Extraordinary General Assembly held on 29/8/2018 decided to split the Company's stocks (Par value becomes 1 pound instead of 5 pounds). Issued and paid-up capital of the company is LE 2.250 billion, distributed over 2.250 billion shares with a nominal value of LE 1. Approvals have been obtained from the concerned authorities.

20. Provisions

	30/6/2018	31/12/2018
	(LE (000))	(LE (000))
Legal Reserve	1116106.0	616106.0
Statutory Reserve	1673498.0	1673498.0
Capital Reserve	529911.0	529911.0
Reserve invested in Government Bonds	20662.0	20662.0
Reserve - Profit Balance	1190170.0	940170.0
Other Reserves	25.0	25.0
Total	4530372.0	3780372.0

Reserves and Retained Surplus:-

(In thousands pounds)

	Balance at 1/7/2018	Additions	Exclusions	Balance at 31/12/2018
Issued & paid-In Capital	1500000.0	750000.0	0.0	2250000.0
Legal Reserve	1116106.0	0.0	500000.0	616106.0
Reserve invested in government bonds	20662.0	0.0	0.0	20662.0
Capital Reserve	529911.0	0.0	0.0	529911.0
Reserve – Profit Balance	1190170.0	0.0	250000.0	940170.0
Statutory Reserve	1673498.0	0.0	0.0	1673498.0
Other Reserves	25.0	0.0	0.0	25.0
Retained Earnings	452895.0	8175.0	0.0	461070.0
Total	6483267.0	758175.0	750000.0	6491442.0

Reserves :- are formed under the law 203/1991 and bylaw of the company.

Legal Reserve:- formed from net profit at the rate of minimum 5%, it may be employed to cover the company's losses and to increase its capital.

Statutory Reserve:- formed from net profit at the rate of 20% which it may be employed to yield benefits on the Company and shareholders as well.

Other Reserves:- It is permissible for the General Assembly upon the proposal of the Board of Directors to decide other reserves shall not exceed 10% and be fully used in the interests of the company.

21. Retained Earnings

- Accounts of (Revenues - previous years ,Expenses - previous years ,and Deferred Tax) have been Settled according to the Egyptian Accounting Standard No. (5) "Accounting Policies, Changes in Accounting Estimates and Errors",and the rest of Directors Remuneration in Retained Earnings Account According to the resolutions of the Ordinary General Assembly.

22. Deferred Tax Liabilities

	<u>30/6/2018</u> <u>(LE (000))</u>	<u>31/12/2018</u> <u>(LE (000))</u>
Deferred Tax Liabilities	322294.0	337606.0
Deferred Tax Assets	<u>(181725.0)</u>	<u>(180640.0)</u>
Net Deferred Tax Liabilities	140569.0	156966.0

- The recognition of deferred taxes arising from temporary differences of time between the book value of assets and liabilities according to the basis of accounting and their value according to the tax basis. Determine deferred taxes would be through what is expected of realization or settlement of the values of assets and liabilities, using tax rates applicable at the date of preparation of financial statements, as the deferred assets tax of the facility in case there is a strong potential to make profits subject to the tax in the future in which through the asset can be utilized, and the value of the deferred tax assets is decreased equal to the value of item which will not being achieved of expected tax utilization during the forthcoming years.
- A clearing between deferred tax assets and deferred tax liabilities was made.

23. Provisions

Provisions are composed according to Egyptian Accounting Standards No (28).

(In thousands pounds)

Item	Balance at 1/7/2018	Additions	Exclusions	Balance at 31/12/2018
Provision of Disputed Tax	288623.0	0.0	37638.0	250985.0
Provision of Claims and Wages	184459.0	0.0	188.0	184271.0
Retirement Grant Provision	561800.0	0.0	0.0	561800.0
Total	1034882.0	0.0	37826.0	997056.0

- **Provision of Disputed Tax:** - for tax obligations.
- **Provision of Claims and Wages:** - a component from EC lawyer's view under predicted obligations.
- **Retirement Grant Provision:-**to meet the payment of two months for each year of service to retirees.

24. Trade and Other Payables

	<u>30/6/2018</u> <u>(LE (000))</u>	<u>31/12/2018</u> <u>(LE (000))</u>
Suppliers	1288636.0	1270750.0
Gov.Institutions - Credit Accounts	3250840.0	3596844.0
Dividends Payable	2607202.0	193895.0
Accrued Expenses	621346.0	865697.0
Others	375016.0	324059.0
Total	8143040.0	6251245.0

24.1. Suppliers

	<u>30/6/2018</u> <u>(LE (000))</u>	<u>31/12/2018</u> <u>(LE (000))</u>
Public suppliers	40563.0	40493.0
Private suppliers	128824.0	124045.0
External suppliers	1119249.0	1106212.0
Total	1288636.0	1270750.0

24.2. Gov. & Institutions – Credit Accounts

	<u>30/6/2018</u> <u>(LE (000))</u>	<u>31/12/2018</u> <u>(LE (000))</u>
Egyptian Tax Authority - VAT	3220712.0	3578031.0
Tax Authority	5805.0	8966.0
Real estate Tax	2453.0	5258.0
National Authority of Social Insurances - current	21870.0	4589.0
Total	<u>3250840.0</u>	<u>3596844.0</u>

24.3. Accrued Expenses

- EGP **865697** thousands is the accrued expenses for employees and others.

24.4. Other Current Liabilities

	<u>30/6/2018</u> <u>(LE (000))</u>	<u>31/12/2018</u> <u>(LE (000))</u>
Third party insurance	54076.0	58097.0
Creditors to buy new fixed assets	6259.0	4341.0
Balance of the value of finance lease of equipments	14725.0	11044.0
Deferred revenues (donated assets)	49076.0	97291.0
Others	250880.0	153286.0
Total	<u>375016.0</u>	<u>324059.0</u>

25. Receivables (Credit)

	<u>30/6/2018</u> <u>(LE (000))</u>	<u>31/12/2018</u> <u>(LE (000))</u>
Receivables (Credit)	178323.0	80164.0
Receivables (Credit) - Waste	118.0	92.0
Total	<u>178441.0</u>	<u>80256.0</u>

Income Statement

- Operating cost includes EGP **39561** thousands pertaining to rent of Finance Lease (for the period from **1/7/2018** to **31/12/2018**, added to EGP **3193** thousands as maintenance expenses (spare parts) for those assets.

26. Operating revenues

	<u>31/12/2017</u> <u>(LE (000))</u>	<u>31/12/2018</u> <u>(LE (000))</u>
Net Sales - Finished Goods	5495819.0	5927117.0
Manufacturing Fees	1299264.0	1168228.0
Aids & Grants	457.0	518.0
Total	6795540.0	7095863.0

27. Operating cost

	<u>31/12/2017</u> <u>(LE (000))</u>	<u>31/12/2018</u> <u>(LE (000))</u>
Materials	2990175.0	3312517.0
Depreciation and Amortization	192933.0	218406.0
Salaries	765646.0	849785.0
Adjustments	57444.0	5638.0
Total	4006198.0	4386346

28. Other gains

	<u>31/12/2017</u> <u>(LE (000))</u>	<u>31/12/2018</u> <u>(LE (000))</u>
Capital Gain	5581.0	3681.0
Total	5581.0	3681.0

Capital gains from leasing contracts are equal to EGP **3681** thousands.

29. Other revenues

	<u>31/12/2017</u> <u>(LE (000))</u>	<u>31/12/2018</u> <u>(LE (000))</u>
Profit from raw materials sale	237.0	198.0
Sundry Revenues &	7012.0	6050.0
Profit from wastes sale	9779.0	12917.0
Credit Rent	736.0	430.0
Credit Compensation	1780.0	108.0
Total	19544.0	19703.0

- &Sundry Revenues item includes :-
- EGP 5 million of donated assets .

30. Selling and distribution expenses

	<u>31/12/2017</u> <u>(LE (000))</u>	<u>31/12/2018</u> <u>(LE (000))</u>
Salary	149206.0	180080.0
Depreciation and Amortization	2276.0	1568.0
Others	59095.0	60445.0
Total	210577.0	242093.0

31. Administrative expenses

	<u>31/12/2017</u> <u>(LE (000))</u>	<u>31/12/2018</u> <u>(LE (000))</u>
Salary	61114.0	67604.0
Depreciation and Amortization	15748.0	16518.0
Others	4070.0	5495.0
Total	80932.0	89617.0

32. other expenses

	<u>31/12/2017</u> <u>(LE (000))</u>	<u>31/12/2018</u> <u>(LE (000))</u>
Donation & Subsidies to others	5669.0	14756.0
Losses from raw materials sale	2349.0	25.0
Total	8018.0	14781.0

33. Foreign Exchange gain / Loss

	<u>31/12/2017</u> <u>(LE (000))</u>	<u>31/12/2018</u> <u>(LE (000))</u>
Foreign Exchange Gain	29473.0	11227.0
Foreign Exchange Loss	(66083.0)	(38804.0)
Total	(36610.0)	(27577.0)

34. Tax

Income Tax :

EGP **559911** thousands.

Deferred Tax:

EGP **(16398)** thousands as a result of:

(In thousands of EGP)

Deferred tax liabilities	(15312.0)
Deferred tax Assets	(1086.0)
Total	(16398.0)

35. Earnings per Share (LE / Share)

		<u>31/12/2017</u>	<u>31/12/2018</u>
Profit for the financial period (after excluding Employees Share, Directors Remuneration, and the share of Youth and Sport Authority)	Thousand pounds	2 246 942	1 899 676
÷ Average number of shares	Thousand shares.	2 250 000	2 250 000
Earning per share for the financial period (L.E./Share)	Pound	0.99	0.84

- Extraordinary General Assembly held on 29/8/2018 decided to split the Company's stocks to become 2.250 billion shares. The number of shares in the comparative year has been adjusted in accordance with Egyptian Accounting Standards.

Cash Flow Statement

36. Cash and Cash Equivalents

Cash and Cash Equivalents amounting to EGP **2676371** thousands detailed as follows:
(In thousands of EGP)

Cash at banks	2662497.0
Cash in hand	13874.0
Cash at end of the period (31/12/2018)	2676371.0

- The credit facilities which is available for use in the future is EGP **9630** million.

37. Comparative figures

- Reclassifications were made to comparative figures to conform to the current presentation.

38. Other Information

38.1. Anti-Smoking Campaigns:

By enacting law No. 154/2007 on 21/6/2007 for amending some provisions of the law No. 52/81 on prevention from smoking damages; the said law absolutely bans all types of smoking in educational & health institutions, governmental bodies, sports & social clubs, youth centers and the other places where the Ministry of Health may ban smoking in. The law also stated graded penalties on the people in charge of these places and the smoker.

In addition, Eastern Co. has been compelled to put a half-size-pack warning on both sides, and put other warnings and pictures stressing on the side effects of smoking .This was done according to the said law and decree No 433/2007 issued by the Minster of Health .This leads to additional burdens on the company as it has to continuously modify the printing Cylinders which results in waste in the printing materials of products. Furthermore, the Company is compelled to change the graphic warning every six months under the Ministry of Health decree.

38.2. Industrial Complex - 6th of October City

Industrial Complex Project in 6th of October City, which its area equals **353**feddan has been completed at an actual cost equals EGP **5.8** billion.Most of the activities of the company moved to the industrial complex.The company is going to invest its valuable locations to reduce the cost of financing.

38.3. Insurance

There are many insurance policies that Eastern Co. follow them . These policies cover all risks like :

- Comprehensive Insurance Policy
Covers many risks (such as fire, additional risks , the risks of transfer of cash , dishonesty, Machines crash, general civil liability , loss of revenue , debris removal).
- Auto Insurance Policy
Covers all risks to the company's cars (comprehensive insurance - compulsory insurance)
- Transportation Insurance Policy
Covers all the risks of land transport , maritime transport and air transport on the production requirements and finished goods.
- Lifts Insurance Policy
Covers the civil liability resulting from its operation.
- Political Violence Insurance Policy
A new policy was released before the revolution, June 30 , 2013 due to the events, which covers the risks (terrorism, vandalism , riot , civil disturbance , insurrection , revolution , rebellion , military coup , debris removal costs).
- Personal Accident Policy
This policy covers death, total and partial disability as a result of an accident. Treatment costs are 10% of the insurance value. Terrorism coverage has been added.
- Carriers Insurance Policy"Betrayal of the Secretariat"
This policy covers drivers of carriers who have contracted with the company to transport their products.

38.4. Environment

- In the framework of the continuous efforts exerted by EC on the way to achieve its goals represented in environmental protection and maintaining public health, and in compliance by the company with the application of environmental provisions of law No 4/1994, its amendments and its executive regulation through executing the environmental conservation system either internally, in its factories, or externally, in the neighboring areas. This aims at achieving the goal of its environmental compliance sustainability. The said environmental conservation system includes several projects, the most important of which are the following:
 - The company established the integrated industrial complex in the industrial zone/6th of October city to include all its current locations. This implies the environmental compliance with environmental laws and regulations.
 - The company made use of natural gas as a source of clean energy in operating boilers and power generation units. This aims at cutting down environmental pollutants emitting from combustion process.
 - The company has set up an environment-friendly incinerator, where the resulting heat is used to generate frozen water by way of heat exchange and conditioning some factories.
 - The company controlled the smoke-free emissions by using cyclones with filters to prevent airborne volatilities to protect the environment from pollution, reuse and recycling by manufacturing natural smoke flakes.
 - The company established the wastewater treatment plant (industrial drainage) at the company's industrial complex in 6th of October city with a capacity of 610 m³ / day. The environmental approval has been obtained for 1220 m³ / day. The company is currently taking the necessary procedures to tender for the supply, installation and operation of the second phase with a capacity of 1220 m³ / day.
 - The company implemented the central air conditioning project with natural gas for one of its factories to avoid the effect of heat. The temperature in the working environment resulting from industrial processes is within the limits permitted by the executive decisions and regulations, through monitoring in the company.
 - The company has set up a central station for the collection of manufacturing waste resulting from the production activities of the company. Some of the items are sold for sale and others are recycled in other industries. The company is studying the establishment of a project for recycling the waste of smoke dust and converting it to thermal energy "WOOD PELLET".
 - The Company has purchased a set of environmental measuring devices to monitor pollutants and emissions of the working environment to determine the permissible limits in accordance with the requirements of the Environment Law (No. 4 of year 1994) and its Executive Regulations. The National Research Center specialists do the periodic measurements and approve them in the environmental records of the company's various locations. It is worth mentioning that the company does not spare any effort in supplying all the personal protective tasks for the employees according to the nature of each activity.
 - The environmental approval for the expansion of the project for the construction of the Expanded Shredded Stem (ESS) in Industrial Complex in 6th of October with an area of 13350 m² has been extracted.
 - The environmental approval for the establishment of a power plant using solar power 1 megawatts with an area of 14000 m² at the industrial complex on 6th of October, to reduce the burden on the electricity network in the 6th of October Industrial City. The company is currently taking the necessary procedures to tender for the implementation of the project.
 - The ink-stained tanner is reused again by the organic solvent separation machine.
 - The company has an environmental record for each of its various locations and which is updated annually in cooperation with the National Research Center.