

Eastern Company
(An Egyptian Joint Stock Company)

Statement of Financial Position as at 31 March 2019

	Note No.	3/31/2019 LE (000)	6/30/2018 LE (000)
<u>Assets</u>			
<u>Non Current Assets</u>			
Fixed Assets	(8)	4,913,871	4,822,260
Project in Progress	(9)	1,183,892	983,473
Real Estate Investments	(10)	9,303	9,303
Intangible Assets	(11)	3,311	6,917
Long-Term Investments	(12)	120,668	120,668
Other Assets	(13)	128	154
Total Non Current Assets		6,231,173	5,942,775
<u>Current Assets</u>			
Inventories	(14)	7,808,976	6,397,152
Trade, Notes Receivables, and Other Receivables	(15)	806,448	746,771
Suppliers (Debit)	(16)	45,159	69,220
Cash in hand & at banks	(18)	5,131,135	3,759,892
Total Current Assets		13,791,718	10,973,035
Total Assets		20,022,891	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)	459,035	452,895
Profit for the period		2,895,984	-
Total Equity		9,385,391	6,483,267
<u>Non Current Liabilities</u>			
Deffered tax liabilities	(22)	168,393	140,569
Total Non Current Liabilities		168,393	140,569
<u>Current Liabilities</u>			
Provision	(23)	965,085	1,034,882
Trade and Other Payables	(24)	9,071,632	8,143,040
Receivables (Credit)	(25)	29,163	178,441
Income Tax		403,227	935,611
Total Current Liabilities		10,469,107	10,291,974
Total Liabilities		10,637,500	10,432,543
Total Equity and Liabilities		20,022,891	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 period from 1/7/2018 to 31/3/2019

	Note No.	for the nine months ended		for the three months ended	
		3/31/2019 LE (000)	3/31/2018 LE (000)	3/31/2019 LE (000)	3/31/2018 LE (000)
Operating revenues	(26)	10,462,901	10,026,936	3,367,038	3,231,396
Operating cost	(27)	(6,533,704)	(5,941,971)	(2,147,358)	(1,935,773)
Gross Profit		3,929,197	4,084,965	1,219,680	1,295,623
Investment revenues		12,231	62,941	4,051	22,001
Other gains	(28)	7,185	7,842	3,504	2,261
Other losses		-	(2)	-	(2)
Other revenues	(29)	53,437	41,881	33,734	22,337
Selling and distribution expenses	(30)	(362,887)	(340,127)	(120,794)	(129,550)
Administrative expenses	(31)	(136,355)	(126,963)	(46,738)	(46,031)
Provisions		-	(87,969)	-	(68,969)
Expired Provisions		32,311	230,457	31,845	230,123
Other expenses	(32)	(14,781)	(16,463)	-	(8,445)
Finance income		305,509	670,843	67,392	173,167
Finance cost		(7,797)	(5,919)	(7,450)	(108)
Foreign exchange gain/loss	(33)	(89,717)	(47,980)	(62,140)	(11,370)
Profit before tax		3,728,333	4,473,506	1,123,084	1,481,037
Income tax	(34)	(832,349)	(1,035,147)	(256,040)	(365,062)
Profit for the financial period from continuing operations		2,895,984	3,438,359	867,044	1,115,975
Profit for the financial period from discontinuing operations		-	-	-	-
Profit for the financial period		2,895,984	3,438,359	867,044	1,115,975
Earning per share for the financial period (L.E./Share)	(35)	1.20	1.46	0.36	0.47

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Eastern Company
(An Egyptian Joint Stock Company)
Statement of Comprehensive Income for the period from 1/7/2018 to 31/3/2019

	<u>for the nine months ended</u>		<u>for the three months ended</u>	
	<u>3/31/2019</u>	<u>3/31/2018</u>	<u>3/31/2019</u>	<u>3/31/2018</u>
	<u>LE (000)</u>	<u>LE (000)</u>	<u>LE (000)</u>	<u>LE (000)</u>
Profit for the financial period	2,895,984	3,438,359	867,044	1,115,975
<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>2,895,984</u>	<u>3,438,359</u>	<u>867,044</u>	<u>1,115,975</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 from 1/7/2018 to 31/3/2019

	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)	-	-	-	-	-	-	6,140	-	6,140
Net Profit for the period from 1/7/2018 to 31/3/2019	-	-	-	-	-	-	-	2,895,984	2,895,984
Balance at 31/3/2019	2,250,000	616,106	1,673,498	529,911	960,857	3,780,372	459,035	2,895,984	9,385,391

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 from 1/7/2018 to 31/3/2019

	Note No.	<u>3/31/2019</u> <u>LE (000)</u>	<u>3/31/2018</u> <u>LE (000)</u>
<u>Cash Flows From Operating Activities</u>			
Cash Receipts from Sales and Trade Receivables		39,523,131	33,416,778
Cash Paid for Purchases & Suppliers		(5,805,648)	(6,337,829)
Cash Paid to Employees		(1,466,418)	(1,071,644)
Cash Receipts from Manufacturing Fees & Sundry Revenues		1,881,796	2,182,726
Cash Receipts (Interest received)		305,509	670,843
Cash Paid (Interest Paid)		(6,157)	(5,919)
Payments to Tax Authority		(29,773,023)	(27,713,780)
Cash Receipts (Export Aid / Aids & Grants)		548	1,507
Cash Receipts (Insurance Claims)		2,798	3,379
Other Payments		(20,284)	(13,756)
Net Cash Flow from Operating Activities		4,642,252	1,132,305
<u>Cash Flows From Investing Activities</u>			
Payments for Purchase of Fixed Assets (Project in progress)		(646,070)	(702,500)
Proceeds from Sales of Fixed Assets		1,659	-
Net Cash Flow from Investing Activities		(644,411)	(702,500)
<u>Cash Flow from Financing Activities</u>			
Payments for Employees (Profits)		(2,428,601)	(1,368,192)
Payments of Finance Lease Obligations		(85,983)	(86,304)
Payments of Installments of Long-Term Loans		-	(69,444)
Net Cash Flow from Financing Activities		(2,514,584)	(1,523,940)
Cash Paid (Foreign Exchange Loss/Gain)		(112,013)	(57,579)
Cash Paid (Investment in securities - Treasury Bills)		-	(1,828,773)
Cash Receipts (Investment in securities - Treasury Bills)		-	1,350,183
Net Decrease in Cash		1,371,244	(1,630,304)
Cash at the beginning of the period		3,759,891	7,067,839
Cash at the end of the period	(36)	5,131,135	5,437,535

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 March 31, 2019

1. Background

- [Eastern Company S.A.E – Giza –Egypt.](#)
Eastern Company, an Egyptian Joint Stock Company, a subsidiary to the Chemical Industries Holding Company.
- [Establishment Date & Domicile](#)
On 12/7/1920 at Giza– Arab Republic of Egypt.
Commercial register number: 4884
Company Headquarters: 450 Al Ahram St., Giza Governorate
- [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.).
- [Stock Trading](#)
The company's shares are traded on the Egyptian Exchange.
- [Term:](#)
Fifty (50) years as of 27/12/1992, the date of its re-registration in the commercial registry.
- [Issuance of the financial statements](#)
Issuance of the financial statements was approved by the Board of Directors on 24/4/2019.
- [Accounting period of the financial statements](#)
From 01/07/2017 to 31/3/2019.
- [The ownership percentage of the Holding Company decreased from 55% to 50.5%, due to the offering of 4.5% with a maximum of 101250000 shares for public and private placement.](#)
 - The percentage of the private placement is 95% of the total shares offered (96187500 shares at 17 pounds per share with a total value of 1635187500 pounds)
 - The percentage of the private placement is 5% of the total shares offered (5062500 shares at a price of 17 pounds for a total value of 86062500 pounds).
 - Coverage has been fully completed with a total value of 1721250000 pounds.
 - On 1/4/2019, the extraordinary general assembly resolution was issued to start the procedures of harmonizing the conditions of the company and the transfer of the company from the provisions of Law No. 203 of 1991 to the provisions of Law No. 159 of 1981, in view of the low ownership rate of the Holding Company, public legal persons and public sector banks less than 51%.

2. Basis for preparation of the financial statements

- [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).
 - Some of the Egyptian Accounting Standards issued by the Minister of Investment Decree No. 110 of 2015 have been amended by the Minister of Investment Decree No. 69 of 2019.
- [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.
- [Functional currency and presentation currency](#)
 - Functional currency is Egyptian pound.
 - Presentation currency is thousand Egyptian pound.
- [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 are recorded at 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 **14** months approx.
- Finished Goods cover the demand for **13.8** days.
- Inventories - Raw materials(tobacco) contains EGP **3883** 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

A. 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:
 - The enterprise has transferred to the buyer the significant risks and rewards of ownership of the goods ;
 - The enterprise retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold ;
 - The amount of revenue can be measured reliably ;
 - It is probable that the economic benefits associated with the transaction will flow to the enterprise ; and
 - 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:-
 - It is probable that the economic benefits associated with the transaction will flow to the enterprise ; and
 - The amount of revenue can be measured reliably.
- The minister of investment and international co-operation issued a decree no.69 for the year 2019 to modify some of the accounting standards that issued by decree no.110 for the year 2015 by the minister of investment . According to this decree, the Egyptian accounting standards no (11) that related to the revenue was replaced by the Egyptian accounting standard no.(48) " revenue from customers contracts ".This standard are going to be applicable starting from the financial periods beginning on or after 1/1/2020.

B. Manufacturing Fees

Manufacturing Fees is recognized as the terms indicated in the Egyptian Accounting Standard No. 11 as follows :

- The amount of revenue can be measured reliably ;
- It is probable that the economic benefits associated with the transaction will flow to the enterprise ;
- The stage of completion of the transaction at the balance sheet date can be measured reliably ; and
- The costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

C. Interest Income

- Company follows the effective interest method to recognize the interest income.
- Interest income is reported in the Income Statement "Finance income".

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

- According to the law, the share of workers in profits shall be paid no more than the total annual basic wages.

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' 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

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

- Holding Company for Chemical Industries holds **50.5 %** of the company's shares on **31/3/2019**
- 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 financial years 2014/2015 and 2015/2016 are being inspected now.

7.5. Real-Estate Tax

- Real estate tax due for the year 2019 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	24393	435275	11737	4977	13782	490164
Disposals	0	10	1833	0168	0	38	2049
Cost as at 31/3/2019	218103	3523012	4888959	340784	166819	785577	9923254

- 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	68286	252878	21940	9314	44222	396640
Disposals	0	0	0	98	0	38	136
Provision of Impairment	0	0	0	0	0	0	0
Balance as at 31/3/2019	0	773188	3230428	274606	147903	583258	5009383

- 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 31/3/2019	218103	2749824	1658531	66178	18916	202319	4913871

- Assets dead and still use equal to EGP 1239 million and include EGP 808 million of machinery and equipment.
- Fixed Assets include EGP 64.6 million represent net donated assets , they are as follows:

(In Million EGP)

Machinery - Production	56.0
Machinery - Services and production facilities	4.3
Tools	2.3
Fixture	1.5
Typewriters & Calculators	0.5
	<hr/>
	64.6

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.
- The minister of investment and international co-operation issued a decree no.69 for the year 2019 to modify some of the accounting standards that issued by decree no.110 for the year 2015 by the minister of investment . According to this decree, the Egyptian accounting standards no (20) " Finance Lease" was replaced by the Egyptian accounting standard no.(49) "Finance Lease Contracts ".This standard are going to be applicable starting from the financial periods beginning on or after 1/1/2020 .

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 (LE (000))	31/3/2019 (LE (000))
Investment Composition	553903	748580
Investment Expenditure	429570	435312
	983473	1183892

- Investment Composition includes:-

	30/6/2018 (LE (000))	31/3/2019 (LE (000))
Buildings	34558	23655
Machinery	345264	547297
Tools	3888	0
External Vehicles (local)	9266	8280
Internal Vehicles	8660	8660
Fixture	146087	155595
Typewriters & Calculators	6180	5093
	553903	748580

- Investment Expenditure includes:-

	30/6/2018 (LE (000))	31/3/2019 (LE (000))
Fixed Assets - Advance payments for purchase	43036.0	83278
Fixed assets - goods by road	232.0	-
Fixed assets - Documentary credits for purchase	386302.0	352034
	429570.0	435312

10. Real Estate Investments

	<u>30/6/2018</u> <u>(LE (000))</u>	<u>2019/3/31</u> <u>(LE (000))</u>
Land "Jazeret Alzahab" - Giza	8894	8894
Land "Salloum Factory" - Alex.	404	404
Land "Jan Maroshian" - Giza	5	5
	<u>9303</u>	<u>9303</u>

11. Intangible Assets

	<u>30/6/2018</u> <u>(LE (000))</u>	<u>31/3/2019</u> <u>(LE (000))</u>
Cost of update the licenses of the computer and H.R. programs.	33603	33622
value of depreciation until 31/3/2019	(26337)	(29962)
value of Partial reimbursement of sales tax	(349)	(349.0)
Net Value	<u>6917</u>	<u>3311</u>

12. Long-Term Investments

	<u>30/6/2018</u> <u>(LE (000))</u>	<u>31/3/2019</u> <u>(LE (000))</u>
✚ Deposit at the Central Bank (reserves are invested in government bonds)	20663	20663
Investments in Other Companies Shares	5	5
# Investment in foreign securities	23	23
* Investments in investment certificates	100000	100000
Total	<u>120691</u>	<u>120691</u>
Provision for impairment of securities	(23)	(23)
Net Value	<u>120668</u>	<u>120668</u>
✚ 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>31/3/2019</u> <u>(LE (000))</u>
Contribution in filling up, development, and covering Al Zomor Waterway	10537	10537
Connection of Natural Gas in industrial Complex in 6th of October City	16016	16016
Connection of Natural Gas in MoharamBaik in Alex	348	348
Benefit of some customers from the natural gas pipeline	(1403)	(1403)
Depreciation	(25344)	(25370)
Net Value	<u>154</u>	<u>128</u>

14. Inventory

	<u>30/6/2018</u> <u>(LE (000))</u>	<u>31/3/2019</u> <u>(LE (000))</u>
Inventories - Raw materials, Fuel & Spare parts	6023968	7103482
Inventories - road goods (smoke)	-	-
Inventories - Road Goods(Packaging & Spare parts)	3689	9477
inventories - Work In Progress	73273	112208
Inventories - Finished Goods	115880	406569
Letter of Credits (Goods & Services)	180857	177755
Total	<u>6397667</u>	<u>7809491</u>
Decrease in inventory	(515)	(515.0)
Net Value	<u>6397152</u>	<u>7808976</u>

Inventories - Raw materials include :-

	(LE (000))
Items under examination - tobacco	411481
Items under examination - Packing, packaging and mixing materials	35193
Total	446674

These items have been received final receipt. The examination is periodically for all items received.

15. Trade and Other Receivables

	30/6/2018	31/3/2019
	(LE (000))	(LE (000))
Trade Receivables	497426	213773
Due from Gov. & Institutions	185985	497613
Due Revenue	2156	3603
Prepaid Expenses	15080	9512
Other Debtors Accounts	60601	94936
Total	761248	819437
Impairment of Debtors Accounts	(14477)	(12989)
Net Value	746771	806448

• Trade Receivables

	30/6/2018	31/3/2019
	(LE (000))	(LE (000))
Foreign manufacturing customers	132448	160384
Joint manufacturing customers*	359601	52988
Foreign customers	5377	401
Total	497426	213773

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

• Due from Gov. & Institutions

	30/6/2018	31/3/2019
	(LE (000))	(LE (000))
Egyptian Tax Authority - VAT	154012	448828
Customs Authority	18883	17038
Other due from Gov. & Institutions	13090	31747
Total	185985	497613

• Due Revenue

	30/6/2018	31/3/2019
	(LE (000))	(LE (000))
Accrued export subsidy	343	1171
Accrued securities revenue	1441	1895
Others	372	537
Total	2156	3603

• Other Debtors Accounts

	30/6/2018	31/3/2019
	(LE (000))	(LE (000))
Insurance for others	9287	10740
Ancestor to employees	9368	9192
75Other receivables	41946	75004
Total	60601	94936

16. Suppliers (advance payment)

	30/6/2018	31/3/2019
	(LE (000))	(LE (000))
Public suppliers – works	1428	3703
Private suppliers	58108	34950
Public suppliers - services	9540	6506
Others	144	-
Total	69220	45159

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

	30/6/2018 (LE (000))	31/3/2019 (LE (000))
Banks –Current Accounts	3656157	5107850
Cash in hand	103735	23285
Total	3759892	5131135

- 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 **31/3/2019** reached EGP **6489407** thousands.

Capital Structure as at 31/3/2019

Company Name	No. of Shares	%
Chemical Industries Holding Company	1 136 250 000	50.5
Labor Union	134 968 235	5.99
Free Float	978 781 765	43.51
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.
- The labor union of the Eastern company purchased 680000 shares of the Eastern company shares ,so the number of shares owned by the labor union became 135648235 shares with a percentage of 6.029% till 17/4/2019

20. Provisions

	30/6/2018 (LE (000))	31/3/2019 (LE (000))
Legal Reserve	1116106	616106
Statutory Reserve	1673498	1673498
Capital Reserve	529911	529911
Reserve invested in Government Bonds	20662	20662
Reserve - Profit Balance	1190170	940170
Other Reserves	25	25
Total	4530372	3780372

Reserves and Retained Surplus:-

(In thousands pounds)

	Balance at 1/7/2018	Additions	Exclusions	Balance at 31/3/2019
Issued & paid-In Capital	1500000	750000	0	2250000
Legal Reserve	1116106	0	500000	616106
Reserve invested in government bonds	20662	0	0	20662
Capital Reserve	529911	0	0	529911
Reserve – Profit Balance	1190170	0	250000	940170
Statutory Reserve	1673498	0	0	1673498
Other Reserves	25	0	0	25
Retained Earnings	452895	6140	0	459035
Total	6483267	756140	750000	6489407

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

	30/6/2018	31/3/2019
	(LE (000))	(LE (000))
Deferred Tax Liabilities	322294	340829
Deferred Tax Assets	(181725)	(172436)
Net Deferred Tax Liabilities	140569	168393

- 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 31/3/2019
Provision of Disputed Tax	288623	0	69385	219238
Provision of Claims and Wages	184459	0	412	184047
Retirement Grant Provision	561800	0	0	561800
Total	1034882	0	69797	965085

- **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

	30/6/2018 (LE (000))	31/3/2019 (LE (000))
Suppliers	1288636	1503908
Gov.Institutions - Credit Accounts	3250840	6454644
Dividends Payable	2607202	190758
Accrued Expenses	621346	593082
Others	375016	329239
Total	8143040	9071631

• Suppliers

	30/6/2018 (LE (000))	31/3/2019 (LE (000))
Public suppliers	40563	32016
Private suppliers	128824	59725
External suppliers	1119249	1412167
Total	1288636	1503908

• Gov. & Institutions – Credit Accounts

	30/6/2018 (LE (000))	31/3/2019 (LE (000))
Egyptian Tax Authority - VAT	3220712	6366688
Tax Authority	5805	60886
Real estate Tax	2453	3168
National Authority of Social Insurances - current	21870	23902
Total	3250840	6454644

• Accrued Expenses

- EGP **593082** thousands is the accrued expenses for employees and others.

• Other Current Liabilities

	30/6/2018 (LE (000))	31/3/2019 (LE (000))
Third party insurance	54076	52006
Creditors to buy new fixed assets	6259	3775
Balance of the value of finance lease of equipments	14725	9203
Deferred revenues (donated assets)	49076	109811
Others	250880	154444
Total	375016	329239

25. Receivables (Credit)

	<u>30/6/2018</u> <u>(LE (000))</u>	<u>31/3/2019</u> <u>(LE (000))</u>
Receivables (Credit)	178323	29016
Receivables (Credit) - Waste	118	147
Total	178441	29163

Income Statement

- Operating cost includes EGP **59342** thousands pertaining to rent of Finance Lease (for the period from **1/7/2018** to **31/3/2019**, added to EGP **3151** thousands as maintenance expenses (spare parts) for those assets.

26. Operating revenues

	<u>31/3/2018</u> <u>(LE (000))</u>	<u>31/3/2019</u> <u>(LE (000))</u>
Net Sales - Finished Goods	8194796	8704954
Manufacturing Fees	1831490	1756571
Aids & Grants	650	1376
Total	10026936	10462901

27. Operating cost

	<u>31/3/2018</u> <u>(LE (000))</u>	<u>31/3/2019</u> <u>(LE (000))</u>
Materials	4587915	4926392
Depreciation and Amortization	299549	336153
Salaries	1175516	1319064
Adjustments	(121009)	(47904)
Total	5941971	6533704

Operating cost includes 19.7 million pounds represents the value of contribution at the comprehensive health insurance.

28. Other gains

	<u>31/3/2018</u> <u>(LE (000))</u>	<u>31/3/2019</u> <u>(LE (000))</u>
Capital Gain	7842	7185
Total	7842	7185

Capital gains from leasing contracts are equal to EGP **5522** thousands.

29. Other revenues

	<u>31/3/2018</u> <u>(LE (000))</u>	<u>31/3/2019</u> <u>(LE (000))</u>
Profit from raw materials sale	470	232
Sundry Revenues&	22654	33944
Profit from wastes sale	15812	17965
Credit Rent	967	1116
Credit Compensation	1978	180
Total	41881	53437

&Sundry Revenues item include EGP 8 millions of donated assets .

30. Selling and distribution expenses

	<u>31/3/2018</u> <u>(LE (000))</u>	<u>31/3/2019</u> <u>(LE (000))</u>
Salary	234700	279469
Depreciation and Amortization	2546	2373
Others	102881	81045
Total	340127	362887

31. Administrative expenses

	<u>31/3/2018</u> <u>(LE (000))</u>	<u>31/3/2019</u> <u>(LE (000))</u>
Salary	94309	106274
Depreciation and Amortization	24238	24094
Others	8416	5987
Total	126963	136355

32. other expenses

	<u>31/3/2018</u> <u>(LE (000))</u>	<u>31/3/2019</u> <u>(LE (000))</u>
Donation & Subsidies to others	11864	14756
Losses from raw materials sale	4599	25
Total	16463	14781

33. Foreign Exchange gain / Loss

	<u>31/3/2018</u> <u>(LE (000))</u>	<u>31/3/2019</u> <u>(LE (000))</u>
Foreign Exchange Gain	32525	33557
Foreign Exchange Loss	(80505)	(123274)
Total	(47980)	(89717)

34. Tax

Income Tax :

EGP **804525** thousands on 31/3/2019

Deferred Tax:

EGP **(27824)** thousands on 31/3/2019 as a result of:
(In thousands of EGP)

Deferred tax liabilities	(18535)
Deferred tax Assets	(9289)
Total	(27824)

35. Earnings per Share (LE / Share)

		<u>31/3/2018</u>	<u>31/3/2019</u>
Profit for the financial period (after excluding Employees Share, Directors Remuneration, and the share of Youth and Sport Authority)	Thousand pounds	3280195	2702088
÷ Average number of shares	Thousand shares.	2250000	2250000
Earning per share for the financial period (L.E./Share)	Pound	1.46	1.2

- 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 on 31/3/2019 has been adjusted in accordance with Egyptian Accounting Standards.

Cash Flow Statement

36. Cash and Cash Equivalents

Cash and Cash Equivalents amounting to EGP **5131135** thousands detailed as follows:
(In thousands of EGP)

Cash at banks	5107850
Cash in hand	23285
Cash at end of the period (31/3/2019)	5131135

- The credit facilities which is available for use in the future is EGP **10590**million.

37. Comparative figures

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

38. Other Information

- 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.

- 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.

- Insurance

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

A. 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).

B. Auto Insurance Policy

Covers all risks to the company's cars (comprehensive insurance - compulsory insurance)

C. Transportation Insurance Policy

Covers all the risks of land transport , maritime transport and air transport on the production requirements and finished goods.

D. Lifts Insurance Policy

Covers the civil liability resulting from its operation.

E. 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).

F. 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.

G. Carriers Insurance Policy"Betrayal of the Secretariat"

This policy covers drivers of carriers who have contracted with the company to transport their products.

- 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.