

# MOSTAFA SHAWKI

**EASTERN COMPANY (S.A.E)**

**FINANCIAL STATEMENTS**  
**TOGETHER WITH LIMITED REVIEW REPORT**  
**FOR THE FINANCIAL PERIOD ENDED SEPTEMBER 30, 2020**

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*Translation of Auditor's Report*  
*Originally Issued in Arabic*

**Limited Review Report**

**To: The Shareholders of Eastern Company (S.A.E)**

**Introduction**

We have reviewed the accompanying financial position of Eastern Company (S.A.E) as of September 30, 2020 and the related statements of income, other comprehensive income, changes in shareholders' equity and cash flows for the financial period ended September 30, 2020 and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of these interim financial information in accordance with Egyptian Accounting Standards. Our responsibility is to express a conclusion on these interim financial information based on our review.

**Limited review scope**

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

**Basis for Qualified Conclusion**

- The company's management has not prepared an actuarial study by expert to calculate the employee benefits end of service amount, which affect the accuracy of employee benefits balance in the financial statements as of September 30, 2020 (Note - 25).
- During the previous fiscal year 2019/2020, the company's management has recorded a debit quantity adjustments to the tobacco stock by approximately 2 500 tons, which has led to decrease the tobacco unit value and the consequent impact on the income statement due to reducing cost of goods sold and increasing the net profit, without any documents supports those adjustments and the necessary appropriations from the concerned authorities in violation of the company's financial regulations, which stipulates that "it is prohibited to adjust in accounts the inventory differences except after verifying their reasons and presenting the matter to the head of the cost sector for research and presenting it to the competent authorities to express their opinion and then notifying the sector which is the store belongs to." The Company's management in process to preparing a study to identify the reasons which has been led to these differences and adjustments. (Note- 15).

- We could not match the tobacco inventory weights reported in the Custom Authority certificate of Cairo and Alexandria warehouses to the Company books balances as of September 30, 2020 where there are a difference in weights. The Company's management did not prepare the necessary study to justify the differences reasons, which lead to our inability to conduct alternative audit procedures to determine the necessary adjustments for the tobacco inventory balance.

#### **Qualified Conclusion**

Based on our review, except for the effects of the matters described in the basis for qualified Conclusion paragraph, nothing has come to our attention that causes us to believe that the accompanying financial statements do not present fairly, in all material respects, the financial position of Eastern Company (S.A.E) as of September 30, 2020, and its financial performance and cash flows for the period then ended in accordance with the Egyptian Accounting Standards and the prevailing Egyptian laws and regulations.

Cairo: November 12, 2020

Auditor

Dr. Ahmed Shawki

MAZARS MOSTAFA SHAWKI



**EASTERN COMPANY (S.A.E)**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT SEPTEMBER 30, 2020**

(Amounts expressed in Thousands of Egyptian Pounds)

	<u>Notes</u>	<u>30/9/2020</u>	<u>30/6/2020</u>
<b>ASSETS</b>			
<b>Non - Current Assets</b>			
Property, plant and equipment	(8)	5 042 566	5 236 863
Projects under construction	(9)	779 346	804 710
Investments property	(10)	114 099	9 303
Intangible assets	(11)	3 198	1 674
Investments long-term	(12)	20 668	20 668
Right of use leased assets	(13)	70 028	79 665
Other assets	(14)	737	765
<b>Total Non- Current Assets</b>		<b>6 030 642</b>	<b>6 153 648</b>
<b>Current assets</b>			
Inventories	(15)	5 362 713	5 928 230
Trade and notes receivables	(16)	270 597	267 098
Debtors and other debit balances	(17)	729 824	445 112
Trade payables - advance payments	(18)	47 063	47 498
Cash on hand and at banks	(19)	11 438 906	7 438 434
<b>Total Current Assets</b>		<b>17 849 103</b>	<b>14 126 372</b>
<b>Total Assets</b>		<b>23 879 745</b>	<b>20 280 020</b>
<b>Equity</b>			
Issued and paid capital	(20)	2 250 000	2 250 000
Reserves	(21)	4 176 665	4 176 665
Treasury stocks	(22)	(569 930)	(432 343)
Retained earnings	(23)	1 554 366	1 567 139
Net profit for the period / year		1 163 392	--
<b>Total equity</b>		<b>8 574 493</b>	<b>7 561 461</b>
<b>Non - Current Liabilities</b>			
Deferred tax liability	(24)	205 548	210 198
Long-term employees benefits	(25)	562 124	562 124
<b>Total Non-Current liabilities</b>		<b>767 672</b>	<b>772 322</b>
<b>Current Liabilities</b>			
Provisions	(26)	644 939	644 945
Trade and notes payables	(27)	443 990	412 616
Creditors and other credit balances	(28)	12 673 911	10 357 256
Trade receivables - advance payments	(29)	127 104	156 537
Short term employees benefits	(25)	40 358	50 887
Income tax payable		607 278	323 996
<b>Total current liabilities</b>		<b>14 537 580</b>	<b>11 946 237</b>
<b>Total liabilities</b>		<b>15 305 252</b>	<b>12 718 559</b>
<b>Total of equity and liabilities</b>		<b>23 879 745</b>	<b>20 280 020</b>

- Limited review report attached
- The accompanying notes (from No. 1 to No. 46) are an integral part of these financial statements and read therewith.

**Niveen Ali Hussein**  
**General Manager / Final accounts and financial statements**

**Osama Fouad Mohamed**  
**Chief of the financial sector**

**Tarek Sharaf Elden Barakat**  
**Supervisor of financial sectors business**

**Hany Aman**  
**Managing Director and Chief Executive Officer**

**EASTERN COMPANY (S.A.E)**  
**STATEMENT OF INCOME**  
**FOR THE FINANCIAL PERIOD ENDED SEPTEMBER 30, 2020**  
(Amounts expressed in Thousands of Egyptian Pounds)

	<b><u>Notes</u></b>	<b><u>30/9/2020</u></b>	<b><u>30/9/2019</u></b>
Sales/Revenue	(33)	3 954 393	3 714 674
Cost of goods sold	(34)	(2 343 394)	(2 226 853)
<b>Gross profit</b>		<b>1 610 999</b>	<b>1 487 821</b>
Other income	(35)	9 532	8 427
Sale and distribution expenses	(36)	(165 751)	(150 378)
General and administrative expenses	(37)	(52 520)	(50 538)
Other expenses	(38)	(46)	(8 257)
<b>Result of operating activities</b>		<b>1 402 214</b>	<b>1 287 075</b>
Financing cost / income	(39)	100 366	68 921
Other financial investments revenue	(40)	181	3 291
<b>Profit before tax</b>		<b>1 502 761</b>	<b>1 359 287</b>
Income tax and deferred tax expenses	(41)	(339 369)	(300 286)
<b>Profit from continued operations</b>		<b>1 163 392</b>	<b>1 059 001</b>
<b>Profit from discontinued operations</b>		<b>--</b>	<b>--</b>
<b>Profit for the period</b>		<b>1 163 392</b>	<b>1 059 001</b>
<b>Earnings per share (EGP/share)</b>	(42)	<b>0.48</b>	<b>0.44</b>

- The accompanying notes (from No. 1 to No. 46) are an integral part of these financial statements and read therewith.

\_\_\_\_\_  
**Niveen Ali Hussein**  
**General Manager / Final accounts and financial statements**

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**Supervisor of financial sectors business**

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**Hany Aman**  
**Managing Director and Chief Executive Officer**

**EASTERN COMPANY (S.A.E)**  
**STATEMENT OF PERIODIC COMPREHENSIVE INCOME**  
**FOR THE FINANCIAL PERIOD ENDED SEPTEMBER 30, 2020**  
(Amounts expressed in Thousands of Egyptian Pounds)

	<u>30/9/2020</u>	<u>30/9/2019</u>
Net profit for the year	1 163 392	1 059 001
<b><u>Other Comprehensive Income</u></b>		
Exchange differences resulting from translating the foreign operations	--	--
Financial investments available for sale	--	--
Cash flow hedges	--	--
Remeasurements of defined benefit pension plans	--	--
Company share of other comprehensive income from associates	--	--
Income tax relating to other comprehensive income items	--	--
<b>Total other Comprehensive Income of the year after deduct tax</b>	--	--
<b>Total Comprehensive Income for the year</b>	<u>1 163 392</u>	<u>1 059 001</u>

- The accompanying notes (from No. 1 to No. 46) are an integral part of these financial statements and read therewith.

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**Niveen Ali Hussein**  
General Manager / Final accounts and financial statements

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Chief of the financial sector

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Supervisor of financial sectors business

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**Hany Aman**  
Managing Director and Chief Executive Officer

**EASTERN COMPANY (S.A.E)**  
**STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**  
**FOR THE FINANCIAL PERIOD ENDED SEPTEMBER 30, 2020**  
(Amounts expressed in Thousands of Egyptian Pounds)

	Issued and <u>Paid up capital</u>	<u>Legal reserve</u>	<u>Statutory reserve</u>	<u>Capital reserve</u>	<u>Other reserves</u>	<u>Total reserves</u>	<u>Treasury stocks</u>	<u>Retained earnings</u>	<u>Net profit of the year</u>	<u>Total equity</u>
Balance as of July 1, 2019	2 250 000	801 783	1 673 498	549 681	960 857	3 985 819	--	1 540 289	--	7 776 108
Adjustment of expenses and revenues from previous years	--	--	--	--	--	--	--	(28 597)	--	(28 597)
Net profit for the period from 1/7/2019 till 30/9/2019	--	--	--	--	--	--	--	--	1 059 001	1 059 001
<b>Balance as of 30/9/2019</b>	<b>2 250 000</b>	<b>801 783</b>	<b>1 673 498</b>	<b>549 681</b>	<b>960 857</b>	<b>3 985 819</b>	<b>--</b>	<b>1 511 692</b>	<b>1 059 001</b>	<b>8 806 512</b>
Balance as of July 1, 2020	2 250 000	991 495	1 673 498	550 815	960 857	4 176 665	(432 343)	1 567 139	--	7 561 461
Treasury stocks	--	--	--	--	--	--	(137 587)	--	--	(137 587)
Adjustment of expenses and revenues from previous years	--	--	--	--	--	--	--	(12 773)	--	(12 773)
Net profit for the period from 1/7/2020 till 30/9/2020	--	--	--	--	--	--	--	--	1 163 392	1 163 392
<b>Balance as of 30/9/2020</b>	<b>2 250 000</b>	<b>991 495</b>	<b>1 673 498</b>	<b>550 815</b>	<b>960 857</b>	<b>4 176 665</b>	<b>(569 930)</b>	<b>1 554 366</b>	<b>1 163 392</b>	<b>8 574 493</b>

- The accompanying notes (from No. 1 to No. 46) are an integral part of these financial statements and read therewith.

Niveen Ali Hussein

General Manager / Final accounts and financial statements

Osama Fouad Mohamed  
Chief of the financial sector

Tarek Sharaf Elden Barakat

Supervisor of financial sectors business

Hany Aman

Managing Director and Chief Executive Officer



**EASTERN COMPANY (S.A.E)**  
**STATEMENT OF CASH FLOW**  
**FOR THE FINANCIAL PERIOD ENDED SEPTEMBER 30, 2020**  
(Amounts expressed in Thousands of Egyptian Pounds)

	<u>30/9/2020</u>	<u>30/9/2019</u>
<b><u>Cash flows from operating activities:</u></b>		
Cash sales and collection from receivables	14 566 206	13 642 315
Cash purchases and payments to suppliers	(990 014)	(2 031 631)
Salaries paid	(426 760)	(415 223)
Revenue from operating for others and other revenues	653 987	676 431
Proceeds from credit interest	141 767	96 960
Interest paid	(7)	(581)
Taxes and fees paid	(9 723 114)	(10 526 473)
Export subsidy / Grants and Subsidies	284	547
Proceeds from insurance claims	1 310	52
Other payments	(2 570)	(8 859)
<b>Net Cash flows from operating activities</b>	<u>4 221 089</u>	<u>1 433 538</u>
<b><u>Cash flows from investing activities</u></b>		
Disbursement for purchasing fixed assets (projects under construction)	(28 650)	(158 016)
Proceeds from sales of fixed assets	--	52
<b>Net Cash flows from investing activities</b>	<u>(28 650)</u>	<u>(157 964)</u>
<b><u>Cash flows from financing activities</u></b>		
Dividends paid	(11 175)	(10 724)
Disbursement for finance lease liabilities	--	(25 576)
<b>Net Cash flows from financing activities</b>	<u>(11 175)</u>	<u>(36 300)</u>
Foreign currency exchange differences losses and gain	(43 205)	(47 657)
Investment in investment certificates	--	100 000
Treasury Stocks purchased	(137 587)	--
<b>Net cash for the period</b>	<u>4 000 472</u>	<u>1 291 617</u>
<b>Cash and cash equivalent at the beginning of the period</b>	<u>7 438 434</u>	<u>6 029 005</u>
<b>Cash and cash equivalent at the end of the period (Note No. 43)</b>	<u>11 438 906</u>	<u>7 320 622</u>

- The accompanying notes (from No. 1 to No. 46) are an integral part of these financial statements and read therewith.

Mohamed Khalil Khalil  
Head of current account and financing sector

Tarek Sharaf Elden Barakat  
Supervisor of financial sectors business  
Hany Aman  
Managing Director and Chief Executive Officer

*Translation of Notes to Financial Statements  
Originally Issued in Arabic*

**EASTERN COMPANY (S.A.E)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AS OF SEPTEMBER 30, 2020**

**1- COMPANY**

**1.1 Company's commercial name:**

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

**1.2 Establish date and location:**

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

**1.3 Purpose**

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

**1.4 Main shareholders**

The Holding Company for Chemical Industries owner of 50.5% from the company's shares as at 30/6/2020.

**1.5 Trading Shares on the Stock Exchange Market:**

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

**1.6 Company duration:**

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

**1.7 Date of issuing the financial statements:**

The financial statements have been approved by the board of directors on November 12, 2020.

### **1.8 Company's financial period:**

- From 1/7/2020 till 30/9/2020.
- Shares Percentage of the Holding Company for Chemical Industries have been decreased from 55% to be 50.5%, after offering a percentage of 4.5% (maximum number of 101 250 000 shares for Public & Private Offering IPO.
- Private Placement percentage was 95% from the total offered shares with number of 96 187 500 shares, the share price was 17 EGP per share with total amount of EGP 1 635 187 500.
- Public Placement percentage was 5% from the total offered shares with number of (5 062 500 shares), the share price was 17 EGP per share with total amount of EGP 86 062 500.
- Public & Private Offering has been covered by total amount of EGP 1 721 250 000.
- According to the Extra-ordinary General Assembly meeting held on June 2, 2019 the shareholders approved to transfer the company and its legal statue from the Public Business Sector Companies (Law no. 203 for the year of 1991) to be under the Corporate Company Law no. 159 for the year of 1981, and its executive regulation.

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

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

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

## **2- BASIS OF PREPARING FINANCIAL STATEMENT:**

### **2/1 Accounting Standards:**

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

The Egyptian Accounting Standards Committee convened to review the Egyptian accounting standard, limited review and other assurance services, the committee formed according to the Prime Minister decree No.909 for the year of 2011 headed by FRA Chairman Dr / Mohamed Omran to study the effect of Ministerial decision No.69 for the year 2019, which has been issued with the purpose of adding and amend some of the Egyptian Accounting Standards, to be applied at the beginning of the year 2020.

Due to the current circumstances of the outbreak of COVID-19 and its economic and financial implications, as well as the application of preventive procedures as a response to the COVID-19 spread, and the restrictions on the presence of human resources in its full capacity on a regular basis in companies.

The committee agreed to postpone the application of the new Egyptian accounting standards and the accompanying amendments issued by Resolution No. 69 above to the periodic financial statements that will be issued during the year 2020 provided that companies apply these standards and these amendments to the annual financial statements of these companies at the end of 2020 and include the accompanying effect for the whole year in the end of 2020 year

Decision No. (1871) for the year 2020 was issued to postpone the application of the new Egyptian accounting standards and the accompanying amendments with effect from January 1, 2021.

**2/2 Basis of Measurement:**

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

**2/3 Functional and presentation currency:**

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

**2/4 Use of Estimates and Judgment:**

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

**2/5 Fair value measurement:**

- The fair value for financial instruments is determined based on either the market value or similar financial instrument at the date of the financial statements without deducting any future selling costs.
- The financial assets value is determine based on the current purchase prices of these assets, while the financial liabilities value are determine based on the current prices which can settle these liabilities.

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

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

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

**3- SIGNIFICANT ACCOUNTING POLICIES:**

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

**3/1 Foreign Currencies translation:**

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

**3/2 Fixed Assets and Depreciation:**

- Items of property plant and equipment are stated at cost and presented in the statement of financial position net of accumulated depreciation and accumulated impairment losses, if any.
- The items of property plant and equipment are depreciated according to the straight line method and the depreciation cost is charged to income statement over the useful life for each item.

**3/2/1 Replacement cost:**

- The replacement cost incurred for any component of the items of property recognized as part of the asset cost after disposing the carrying amount of that component.

**Estimated useful live**

**Estimated useful lives (year)**

Buildings	25-50
Machines	10
Vehicles	5-8
Tools	5
Furniture	4-10

**3/3 Projects under construction:**

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

**3/4 Investments:**

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

**3/5 Other assets:**

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

**3/6 Inventories:**

- Inventories of raw materials and production's inputs are stated at cost, and the raw materials consumptions are evaluated based on weighted average cost.
- Inventories of finished goods are stated at lower of cost or net realizable value.
- The company follow the continuing count method.
- The inventories of Tobacco leaf materials are sufficient for around 10 months.
- The inventories balance of finished goods is sufficient to meet the market needs for 1.5 day.
- The raw materials inventory includes Tobacco leaf in customs warehouses amounted to 2 283 million Egyptian pounds and the due customs duties must be paid upon receipt from these warehouses.

**3/7 Cash on hand and at banks:**

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

**3/8 Provisions:**

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

**3/9 Capital:**

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

**3/10 Employees benefits:**

**a. Short-term employee benefits:**

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

**b. Share-Based Payments:**

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

**c. Defined Contribution Plans:**

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

**d. Employee End of Service Benefits:**

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

**3/11 Reserves:**

- The company's reserves are formed by law or the company's article of association to support the company's financial position. These reserves are used based on approval from the general assembly upon the board of directors' request to be used in the benefit of the company.

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

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

**3/13 Borrowing Cost:**

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

**3/14 Revenue:**

**a. Revenue of Sales**

- The revenue of sales is recognized according to the sales process and delivering the goods to the customers when the conditions in the Egyptian Accounting Standard no. (11) accomplished as follows:
  - The entity must transfer the risks and basic returns of ownership of the goods to the buyer.
  - The entity shall not retain the right of continuous administrative intervention to the degree normally associated with ownership or effective control over the goods sold.
  - The revenue can be accurately measured.
  - Must have the forecasting for the flow of economic benefits for the transaction to the entity.
  - The possibility of determining the value of the costs incurred or to be borne by the entity in relation to the transaction accurately.
- The bonds revenue are recognized when the following conditions are occurred:
  - The flow of economic benefits from the transaction is highly expected.
  - The revenue can be reliably measured.
  - The Minister of Investment and International Cooperation issued Decree No. 69 for the year of 2019 to modify some standards of the Egyptian Accounting Standards issued by the Minister of Investment Decree No. 110 for the year of 2015, The new Egyptian Accounting Standard no (48) revenues from contracts with customers replace the standards No. (8 & 11).



**b. Revenues from Operating for other parties:**

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

**c. Credit Interest Revenue:**

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

**3/15 Income tax:**

- The income tax on the profit for the period comprises income tax for the period and deferred tax, and it should be recognized in the income statement, the income tax on the net profit is recognized by using the current tax price rate as of the financial statements date.
- Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates and tax laws that have been enacted by the balance sheet date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.
- Deferred tax assets are recognized for the entity when there is a proven probability to achieving profit subject to tax in the future, and can get a right of this asset, and the value of the deferred tax assets is reduced by the value of the part from which the expected tax benefit is achieved during the following periods.

**3/16 Accounting for grants and subsidies:**

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

**3/17 Financial leasing:**

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

**3/18 Operating lease:**

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

**3/19 Dividends:**

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

**3/20 Employees' profits share:**

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

**3/21 Contingent liabilities:**

<b><u>Company contingent liabilities</u></b>	<b><u>Amounts in Thousands of Egyptian Pounds</u></b>
letters of guarantee relevant to Cairo and Alexandria customs	253 794
Letter of credits	507 991
<b>Total</b>	<b>761 785</b>

**4- FINANCIAL INSTRUMENTS**

**4/1 Credit Risk:**

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

**4/2 Liquidity Risk:**

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

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

**4/3 Market Risk:**

- Market risk represents in the changes in the market prices such as foreign exchange currencies and interest rate.
- The purpose of managing market risk is managing and controlling the market risk exposure within the acceptable parameters with maximizing revenue.

- (a) **Foreign currencies risk:** The foreign currency risk is represented in changes in foreign currency exchange rates, which affect the payments and receivables in foreign currencies, as well as evaluating assets and liabilities in foreign currencies which the company management facing it through setting policies such as the value of what the company gets from the spare parts local manufacturing and capital equipment, purchasing from suppliers agents, etc.

**The Foreign currencies balances as of September 30, 2020 (amount in Thousands Egyptian pounds) :**

	<u>Assets</u>	<u>Liabilities</u>	<u>Net</u>
Dollars	119 234	44 802	74 432
Euro	707	3 723	(3 016)
Sterling pound	179	281	(102)
Swiss Franc	58	--	58

- (b) **Interest rate risk:** The Company is dealing with various banks with interest rates that enable it to reduce the risk of changes in interest rates, whether debit interest or credit interest through competition among banks in order to get the best rates based on the large business size.

- Interest-bearing bank deposits during the financial time period referred to which are the total deposits in local and foreign currencies.
- The fair values for the financial instruments are not materially different from their carrying values at the end of the financial period.

#### **4/4 Capital Management:**

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

#### **5- RELATED PARTIES DISCLOSURE:**

- The Holding Company for Chemical Industries hold 50.5% from company's shares as of 30/9/2020.
- Related parties are treated on the same basis as others.
- The company during the period from 1/7/2020 till 30/9/2020 has incurred salaries, allowances, and bonuses for members of the high management and the company's board of directors.
- The General Company for Paper Industry (Rakta) with amount of 47 381 Thousand Egyptian pounds and Moharram Industrial Printing Co. with amount of 4 070 Thousand Egyptian pounds.
- The Holding Company for Chemical Industries provided a set of banks guarantees and non-bank guarantees to some governmental authorities (Customs Authority - Customs Taxes - Egyptian Tax Authority "Value Added Tax") for the favor of Eastern company amounted to 1 470 000 thousand Egyptian pounds.

## **6- IMPAIRMENT OF FINANCIAL ASSETS:**

- Periodically the company management at financial statement date assess if there is an objective evidence that a financial asset or a group of assets is impaired or not. Financial assets or a group of assets can be considered as an impairment asset. If there is any objective evidence referring to such impairment which results from one or more events occurring after the initial recognition of the asset and have an impact on the estimated cash flows of a financial asset or group of financial assets that can be estimated reliably.

### **6/1 Non-derivative financial assets:**

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

Indicators of impairment of the asset includes:

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

### **Financial assets recognized at amortized cost**

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

When assessing the impairment at the aggregate level of the assets, the company uses historical information on the timing of recovery for the loss arising from the impairment and the value of the losses incurred, and makes adjustments if the current economic and credit conditions indicate that effective losses are more likely to be more or less than expected with historical indicators.

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

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

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

#### **Financial assets available for sale**

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

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

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

#### **Investments accounted for using Equity Method:**

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

### **6/2 Non-Financial assets:**

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than biological assets, investment property, inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

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

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized..

### **FINANCIAL INSTRUMENTS**

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

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

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

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

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

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

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

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

**b. Non-derivative financial assets - measurement:**

**Financial assets held at fair value through profit or loss:**

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

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

**Investments held to maturity:**

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

**Loans and receivables:**

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

**Available-for-sale financial assets:**

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

**c. Non-derivative financial liabilities - measurement:**

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

**contingent assets**

The potential assets represent the compensation values issued in favor of the company according to the following statement:

	Value (in millions)
A judgment was issued in Case No. 9869 of 1994 (total civil) Cairo appeals to compensate the company, and that was during the 10/5/2017 hearing and until this date, the judgment has not been implemented.	12
A judgment was issued in Case No. 3650 for the year 2000 Civilians, College of Giza, on December 25, 2019, and to date, the judgment has not been implemented	42
<b>Total</b>	<b>54</b>

**7- TAX POSITION**

**7/1 Corporate Tax:**

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

**7/2 Stamp duty fees:**

- The company was inspected till the financial year 2015/2016.
- The financial year 2016/2017 is not inspected

**7/3 Payroll Tax:**

- The company was inspected till the financial year 2012.
- The company has received for years 2013, 2014 and 2015 form no. (38) amounted to 209 238 thousand Egyptian Pounds and it has been objected upon the estimated inspection of the tax office on 3/8/2017 and the company required to re-inspecting the file.

**7/4 Value Added Tax:**

- The company is paying the monthly value added tax amount (VAT) according to the Law no. 67 for the year of 2016, and the company was inspected till the financial year 2013/2014.
- The company was inspected till financial years 2014/2015 and 2015/2016 and the notification was made with a form no. 15 dated 2/3/2020 and this form was contested on legal dates and transferred to the internal committee.
- The years of 2016/2017, 2017/2018 and 2018/2019 are under inspection.

**7/5 Property Tax:**

- The company paid the accrued property according to claims received from real state tax authorities for the year of 2020.



## 8- PROPERTY, PLANT AND EQUIPMENT

(Amounts expressed in Thousands of Egyptian Pounds)

<u>Fixed assets movement statement:</u>	<u>Lands</u>	<u>Buildings</u>	<u>Machines and equipment</u>	<u>Vehicles</u>	<u>Tools</u>	<u>Furniture and office equipment</u>	<u>Total</u>
Cost as of 1/7/2019	218 103	3 535 849	4 999 693	349 412	162 874	7 88 355	10 054 286
Additions during the year	83 930	48	676 872	7 809	3 793	70 282	842 734
Disposals during the year	--	--	(5 778)	--	(36)	(123)	(5 937)
<b>Total Cost as of 30/6/2020</b>	<b>302 033</b>	<b>3 535 897</b>	<b>5 670 787</b>	<b>357 221</b>	<b>166 631</b>	<b>858 514</b>	<b>10 891 083</b>
Cost as of 1/7/2020	302 033	3 535 897	5 670 787	357 221	166 631	858 514	10 891 083
Additions during the period	--	--	44 432	7 171	--	776	52 379
Disposals during the period	(86 283)	(39 460)	(63 089)	(10 832)	--	(21 622)	(221 286)
<b>Total Cost as of 30/9/2020</b>	<b>215 750</b>	<b>3 496 437</b>	<b>5 652 130</b>	<b>353 560</b>	<b>166 631</b>	<b>837 668</b>	<b>10 722 176</b>

### Accumulated depreciation and impairments movement:

Accumulated depreciation as of 1/7/2019	--	772 246	3 306 085	280 578	146 516	597 712	5 103 137
Additions during the year	--	95 015	365 526	16 495	8 282	65 583	550 901
Disposals during the year	--	--	(5 768)	--	(36)	(23)	(5 827)
Impairment of fixed assets	--	--	6 009	--	--	--	6 009
Accumulated depreciation and impairment as of 30/6/2020	--	867 261	3 671 852	297 073	154 762	663 272	5 654 220
Accumulated depreciation as of 1/7/2020	--	867 261	3 671 852	297 073	154 762	663 272	5 654 220
Additions during the period	--	22 797	95 823	4 246	1 216	17 912	141 994
Disposals of the period	--	(21 062)	(63 089)	(10 832)	--	(21 621)	(116 604)
Accumulated depreciation and impairment as of 30/9/2020	--	868 996	3 704 586	290 487	155 978	659 563	5 679 610
Property, plant and equipment assets of 30/9/2020	215 750	2 627 441	1 947 544	63 073	10 653	178 105	5 042 566
Property, plant and equipment assets of 30/6/2020	302 033	2 668 636	1 998 935	60 148	11 869	195 242	5 236 863

Based on the company board of director resolution No. 10 for 2019 dated November 24 , 2019 the management is going to re-exploit the company's stores and factories of Al-Zumar Street and change its activities to a hospital and tourism services this is in exchange for paying the value of the improvement which amounted 83 930 Thousand Egyptian Pounds, to be paid in two installments:

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

On 15/2/2020 the company has obtained an approval from the Exceptions Committee of the Housing and Utilities Directorate in Giza and obtained an initial approvals of (water, sanitation, civil defense, traffic, electricity) were obtained and the approval to construction of the project was paid, and the first installment was paid upon obtaining this approval. And the board of director on section no. 16 for 2020 as of 6/9/2020 approved to transfer all assets of Elzomor Site and Elmansterly Site from fixed assets to real estate investments.

\* The fully depreciated property, plant and equipment as of September 30, 2020 is 2 728 712 Thousand Egyptian Pounds include:

1. Fully depreciated property, plant, and equipment still in use amounted to 2 076 317 Thousand Egyptian Pounds (including machines and equipment amounted to 1 294 397 Thousand Egyptian Pounds)
2. Fully carried depreciated and scraped fixed assets amounted to 558 857 Thousand Egyptian Pounds.
3. The fixed assets are including approximately 105 609 Thousand Egyptian Pounds representing net donated assets as follow:

<u>Donated Assets</u>	<u>Amounts expressed in Thousands of Egyptian Pounds</u>
Production's machinery	101 640
Utility's machinery	2 258
Vehicles	19
Furniture and fixture	1 692
<b>Total</b>	<b>105 609</b>

\* Deduct amount 6 009 Thousand Egyptian Pounds from Production Utilities, equipment which represent impairment in line in Talbieh.

	Book value in million
The Manesterly buildings are used partially, and the necessary licenses are being extracted for its use as a commercial mall.	20
Giza buildings, and optimization study in process.	4
Al-Zomor buildings and stores are currently in process obtain the necessary licenses for their use as a hospital.	0.9
<b>Total book value</b>	<b>24.9</b>

**Financial Leasing:**

- The Decree of Minister of Investment and International Cooperation No. 69 of 2019 was issued to modify some provisions of the Egyptian Accounting Standards which issued by the Minister of Investment Decree No. 110 of 2015 by replacing the Financial Leasing Standard no. 20 (old one) by a new one numbered (49) covering the Financial Leasing Contracts.
- The financial leasing contracts were treated by the Egyptian Accounting Standard no. (49) according to the Amended Accounting Standards for the year of 2019, This amended standard applied for the leasing contracts which were under the finance leasing law no. 95 for the year of 1995 and its amendments, these contracts were treated by the Egyptian Accounting Standard no. (20) which was stating that "the accounting rules and standards related to process of the finance leasing" and the finance leasing contracts which established under the law of organizing the finance leasing and the factoring activities no. 176 for the year of 2018 starting from the beginning of the annual report time period which in the law no. 95 for 1995 was canceled and instead of the law no. 176 for 2018 was issued.
- A contract was signed with Al-Ahly Company for Financial Leasing to sell and rent some machines with total cost of (398 324 153 Egyptian Pounds) by changing interest rate (average price of corridor + 1.2%) on 28/6/2012 for 6 years in addition to two years as an extra years, after that time period the total rental amount should be paid for 72 months amounting to almost 8 404 Thousand Egyptian Pounds.
- The ownership of these machines will devolve to the company at the end of contract with a memorial amount of one Egyptian Pound.
- The last installment of the lease value has been paid to QNB Al-Ahly (Financial Leasing Company) on 28/6/2020.

**9- PROJECTS UNDER CONSTRUCTION**

	<b><u>In thousands</u></b>	
	<b><u>30/9/2020</u></b>	<b><u>30/6/2020</u></b>
Projects	700 218	719 110
Advance payments an LCs	79 128	85 600
<b>Total</b>	<b><u>779 346</u></b>	<b><u>804 710</u></b>
<b>▪ <u>Projects investment Formation include:</u></b>		
	<b><u>30/9/2020</u></b>	<b><u>30/6/2020</u></b>
Buildings	65 649	59 103
Machinery	521 700	540 735
Tools	626	626
Transportation	8 690	15 831
Office equipment and installations*	103 553	102 815
<b>Total</b>	<b><u>700 218</u></b>	<b><u>719 110</u></b>

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

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

	<b><u>30/9/2020</u></b>	<b><u>30/6/2020</u></b>
Advance payments fixed assets	78 682	82 480
Goods in transit - fixed assets	--	640
LCs of fixed assets	446	2 480
<b>Total</b>	<b><u>79 128</u></b>	<b><u>85 600</u></b>

**10- INVESTMENTS PROPERTY**

	<b><u>30/9/2020</u></b>	<b><u>30/6/2020</u></b>
Land of Gizert Eldahb in Elbahr Elaazam - Giza	8 894	8 894
Land of Alsalom factory - Alexandria *	404	404
Elzomor Site	84 406	--
Elmansterly Site	20 390	--
Land of Jan Marchena	5	5
<b>Total</b>	<b><u>114 099</u></b>	<b><u>9 303</u></b>

\* According to the board of director minutes no. 16 for 2020 held on 6/9/2020 which decide to reclassify the assets of Elzomor Site and Elmansterly site to properties investment instead of fixed assets

\* The plot of land owned by the company located at 41 Abu Al-Dardaa Street, El-Laban, Alexandria Governorate, was put up for sale by public bidding for the closed envelopes system on Thursday 30/1/2020, as a total amount 51 743 Thousand Egyptian Pounds, the payment will be as follows:

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

### **11- INTANGIBLE ASSETS**

	<u>30/9/2020</u>	<u>30/6/2020</u>
Computes' program and H.R software license update	35 730	33 755
Amortization	(32 183)	(31 732)
Refunded Sales tax	(349)	(349)
<b>Net</b>	<u><b>3 198</b></u>	<u><b>1 674</b></u>

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

### **12- INVESTMENTS LONG-TERM**

	<u>30/9/2020</u>	<u>30/6/2020</u>
Deposit in the Central Bank of Egypt invested in government bonds*	20 663	20 663
Investments in other companies shares	5	5
Investments in foreign securities**	23	23
<b>Total</b>	<u><b>20 691</b></u>	<u><b>20 691</b></u>
Less impairment in securities	23	23
<b>Net</b>	<u><b>20 668</b></u>	<u><b>20 668</b></u>

\* Cash deposit in the Central Bank of Egypt to be invested in Governmental bonds and National Investment Bank against 5% of the surplus from the prior years of issuing the law no. 203 for the year of 1991, the cash deposit yields a return of 3.5% annually.

\*\* Investments in foreign securities

### **13- RIGHT OF USE LEASED ASSETS**

	<u>30/9/2020</u>	<u>30/6/2020</u>
Right of use leased assets	159 330	159 330
Accumulated depreciation right of use leased assets	(89 302)	(79 665)
<b>Net</b>	<u><b>70 028</b></u>	<u><b>79 665</b></u>

#### **14- OTHER ASSETS**

	<b><u>30/9/2020</u></b>	<b><u>30/6/2020</u></b>
The company's contribution to the project of filling, improvement and coverage of the El Zomor Canal	10 537	10 537
Expense of providing Gas to the new industrial complex in 6th October city	16 016	16 016
Expense of providing Gas to Moharem Bek	348	348
Expense for to external roads	756	756
Retriever from some customers who benefit from gas delivery	(1 403)	(1 403)
Amortization to date	(25 517)	(25 489)
<b>Net</b>	<b><u>737</u></b>	<b><u>765</u></b>

#### **15- INVENTORIES**

	<b><u>30/9/2020</u></b>	<b><u>30/6/2020</u></b>
Raw materials *	778 937	645 248
Raw materials (Tobacco leaf) under customs custody (unpaid custom yet) **	2 282 702	2 912 310
Fuel inventory	1 020	1 312
Spare parts	567 702	583 298
Packaging	1 555 911	1 641 177
Waste and scrap	1 143	2 356
Materials and spare parts under process storage	818	757
Production work in process	73 358	63 290
Finished goods	111 806	81 290
Consignment packing materials and spare parts	631	937
Goods in transit	16 580	5 298
Letter of Credit	43 344	62 196
<b>Total</b>	<b><u>5 433 952</u></b>	<b><u>5 999 469</u></b>
Less the impairment in inventory ***	71 239	71 239
<b>Net</b>	<b><u>5 362 713</u></b>	<b><u>5 928 230</u></b>

- in previous years The company's management used to record the incoming inventory of tobacco leaf raw material (under custom custody) at the lower of, either cost per supplier invoice or the actual quantities weight as per customs authority.
- The Egyptian Custom Authority select a sample from tobacco leaf raw material shipment to be weighted. Customs make adjustment to increase weights in case of the sample selected from tobacco leaf cartons is lower than standard weight recorded on

the cartons. According to the Minister of Finance decree No. (189) for year 2008 amending some of the executive regulation articles from custom Law issued by the Minister of Finance No. (10) for year 2006. "The tobacco leaf imported weight recorded with estimated custom taxes, other taxes and fees should be recorded for custom tax purpose based on the higher weight of the actual weight performed by the custom upon storing in customs warehouse or weight stated in shipment documents".

- Upon release of tobacco leaf shipment from customs warehouse to the factory warehouse the imported tobacco leaf should be recorded for customs tax purpose based on weights approved from custom (Higher weight) the related customs taxes and other taxes are settled based on the approved customs weights.
- Due to the incorrect accounting treatment in previous years which lead to a difference in inventory book value with approximately 2 600 ton from different tobacco leaf grades initially amounted to 111 5 Million EGP representing 2.6% from inventory opening balance and 1.3% from current year cost of sales.

Adjustments booked on inventory quantities during current year was without supporting documents and necessary authentication.

Currently the company management perform studies to identify and settle variance causes in coordination with external parties.

- The company management taken the necessary action towards modifying the recording method of tobacco leaf raw material inventory (in and out) to prevent recurrence of errors in the future.
- \* The raw materials stock as of 30/9/2020 includes items under inspection with an amount 239 Thousand Egyptian pounds, and Items under inspection ((packaging and mixing materials) with an amount 30 157 Thousand Egyptian pounds. The examination and final receipt are carried out periodically for all items.
- \*\* Raw tobacco leaf material at customs balance include items under inspection (tobacco leaf raw materials) with estimated amounted to 121 814 Egyptian pounds, and unpaid customs fees are estimated at 254 913 Thousand Egyptian pounds., The total unpaid fee for the development of the state's financial resources is estimated at 52 815 thousand Egyptian pounds.
- \*\*\* The inventory impairment represented in spare parts and gear by 70,000 Thousand Egyptian Pound, and finished goods by 1 239 Thousand Egyptian Pound.

#### **16- TRADE AND NOTES RECEIVABLE**

	<b><u>30/9/2020</u></b>	<b><u>30/6/2020</u></b>
Trade receivables (foreign production)	197 692	204 352
Trade receivables (co-production*)	72 373	62 746
Foreign Trade receivables	532	--
<b>Total</b>	<b><u>270 597</u></b>	<b><u>267 098</u></b>

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

## 17- DEBTORS AND OTHER DEBIT BALANCES

	<u>Note</u>	<u>30/9/2020</u>	<u>30/6/2020</u>
Holding company debit balance		--	502
Debtor Accounts to governmental Authorities	(17/1)	598 176	349 916
Accrued revenues	(17/2)	2 948	2 600
Prepaid expenses		9 221	3 800
Other debit balances	(17/3)	131 332	100 147
<b>Total</b>		<b>741 677</b>	<b>456 965</b>
Less impairment in debtors		11 853	11 853
<b>Net</b>		<b>729 824</b>	<b>445 112</b>

### 17/1 Debtor Accounts to governmental Authorities

	<u>30/9/2020</u>	<u>30/6/2020</u>
VAT tax authority	536 286	282 587
Custom authority	1 029	36
Debit balance for other governmental authorities	60 861	67 293
	<b>598 176</b>	<b>349 916</b>

Accounts receivable with other authorities include the following:

- 36 716 Thousand Egyptian pounds for Tax authority for salaries.
- 11 707 Thousand Egyptian pounds for Customs Department, Drupak Tobako.
- 8 973 Thousand Egyptian pounds for sales paid on imported goods.
- 1 651 Thousand Egyptian pounds for sales tax paid on investment goods
- 1 727 Thousand Egyptian pounds for Ministry of Finance - imported sales tax.
- 87 Thousand Egyptian Pounds others.

### 17/2 Accrued revenues

	<u>30/9/2020</u>	<u>30/6/2020</u>
Accrued export incentives	973	832
Securities accrued income	744	709
Debit rents accrued	759	550
Miscellaneous income accrued	472	509
<b>Total</b>	<b>2 948</b>	<b>2 600</b>



**17/3 Other debit balances:**

	<u>30/9/2020</u>	<u>30/6/2020</u>
Guarantees for others	10 795	10 795
Employees loans	12 980	11 027
Other debit balances *	107 557	78 325
<b>Total</b>	<b>131 332</b>	<b>100 147</b>

\* The other debit balance includes the follows:

47 381 thousand pounds for the State Company for Paper Industry (Racta)

7 080 thousand pounds for stock for others joint production (Viceroy / pal mal)

7 912 thousand pounds for confiscated goods belonging to the company and fines owed to the company, as well as a travel allowance abroad.

3 255 thousand belonging to the treasury of the Rusafa factory, which is registered with Misdemeanor No. 4900/2016.

3 508 thousand pounds for insurance claims under settlement and for cars

664 thousand pounds belong to the mosque deposit, and it has a charge in other credit accounts of the same value.

30 000 Sums that were deducted from the company's account on the methods of Banque Misr on 30/09/2020 and transferred to the Arab Bank on 1/10/2020.

**18- TRADE PAYABLES - ADVANCE PAYMENTS**

	<u>30/9/2020</u>	<u>30/6/2020</u>
Public sector suppliers	4 800	2 198
Private sector suppliers	36 516	40 296
Public sector services suppliers	5 747	5 004
<b>Total</b>	<b>47 063</b>	<b>47 498</b>

**19- CASH ON HAND AND AT BANKS**

	<u>30/9/2020</u>	<u>30/6/2020</u>
Banks time deposits	6 000	--
Banks current accounts	11 417 021	7 419 268
Cash on hand	15 885	19 166
<b>Total</b>	<b>11 438 906</b>	<b>7 438 434</b>

\* The cash is including 6 Million Egyptian Pounds related to the social solidarity fund of the company's employees Against a commitment confirmed in other credit balances of the same amount

## **20- ISSUED AND PAID-UP CAPITAL**

The Authorized Capital amounted to 3 000 Million Egyptian Pounds (Three Billion Egyptian Pounds) and the Paid and Issued Capital amount is 2 250 Million Egyptian Pounds (Two Billion and two hundred and fifty Million Egyptian Pounds) divided to 2 250 Million Shares with nominal amount of one Egyptian Pound.

<b><u>Company name</u></b>	<b><u>Shares number</u></b>	<b><u>Percentage</u></b>
The holding company for Chemical industries	1 136 250 000	50.5%
Employees associations	138 035 692	6.14%
Treasury bills	47 023 418	2.09%
Free trading	928 690 890	41.27%
<b>Total</b>	<b>2 250 000 000</b>	<b>100%</b>

### **The Share Capital Structure as of 30/9/2020:**

- On 29/5/2018 the Extra-ordinary General Assembly increased the company's' issued and paid capital from 1.5 Billion Egyptian Pounds to 2.25 Billion Egyptian Pounds (with total increasing amount of 750 Million Egyptian Pounds) divided to 450 million shares as nominal shares amounted to five Egyptian Pound per share financed from the legal reserves and other reserves appeared in financial statements for the financial year ended on 30/6/2017, and the securities committee issued a decision to approve this increase on 1/8/2018.
- The nominal share was divided by percentage of 5:1 to be one Egyptian Pound instead of five Egyptian Pounds with keeping the company's' capital as it is amounted to 2.25 Billion Egyptian Pounds to be divided to 2.25 Billion Shares, and the necessary approval has been obtained from the concerned authorities according to the decision of the extra-ordinary general assembly for the Eastern company which held on 29/8/2018.
- The employee's association of the Eastern company has bought number of 1 199 529 shares from the Eastern company shares During the period from 1/7/2019 to 31/3/2020, so, the company's shares will be 138 035 692 shares by contributions percentage up to 6.14%.
- The company's board of directors which held on 19/3/2020 decided that buy of treasury stock up to a maximum of 3% of the company's shares traded on the stock exchange, the purchasing process will be during a month start from 23/3/2020 till 22/4/2020 and notifying the shareholders that not perform any operations on it, The board of directors also decided to seek the assistance from (CI Capital company and EFG company).
- The company's board of directors which held on 23/4/2020 approved to complete the purchase of treasury shares start from 28/4/2020 till 27/7/2020 to complete the aforementioned percentage 3%, The company's board of directors, held on 7/28/2020, decided to extend the completion of the purchase of treasury shares, provided that the purchase process starts on 7/29/2020 and ends on 10/28/2020, and what was purchased reached until 9/14/2020. 47 023 418 shares, or 2.09% of the company's shares.

## **21- RESERVES**

	<b><u>30/9/2020</u></b>	<b><u>30/6/2020</u></b>
Legal reserve	991 495	991 495
Regular /Statutory reserve	1 673 498	1 673 498
Capital reserve	550 815	550 815
Reserve to be invented in governmental bonds	20 662	20 662
Reserve of profits estimated budget	940 170	940 170
Other reserves	25	25
<b>Total</b>	<b><u>4 176 665</u></b>	<b><u>4 176 665</u></b>

- The capital balance of the issuer, the payer, the reserves, and the surplus carried forward on 30/9/2020 amounted to 7 411 101 thousand Egyptian pounds. The following is the movement of capital accounts, reserves and carry-over surplus:

	<b><u>Thousand Egyptian Pounds</u></b>			
	<b><u>Balance as of 1/7/2020</u></b>	<b><u>Additions</u></b>	<b><u>Exclusions</u></b>	<b><u>Balance as of 30/6/2020</u></b>
Paid and issued share capital	2 250 000	--	--	2 250 000
Legal reserve	991 495	--	--	991 495
Reserve to be invested in governmental bonds	20 662	--	--	20 662
Capital reserve	550 815	--	--	550 815
Reserve of profit estimated budget	940 170	--	--	940 170
Statutory reserve	1 673 498	--	--	1 673 498
Other reserves	25	--	--	25
Treasury shares	(432 343)	(137 587)	--	(569 930)
Retained earnings	1 567 139	--	(12 773)	1 554 366
<b>Total</b>	<b><u>7 561 461</u></b>	<b><u>(137 587)</u></b>	<b><u>(12 773)</u></b>	<b><u>7 411 101</u></b>

\* The purchase of approximately 47 023 418 shares.

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

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

## **22- TREASURY STOCKS**

The total bought treasury stocks is 47 023 418 share amounted 569 930 081 EGP with average price 12.12 EGP/share during the period from March 24, 2020 till September 14, 2020.

## **23- RETAINED EARNINGS**

The charge on retained earnings during the fiscal year 2019/2020 amounted to 12 773 thousand pounds, which is the adjustments of previous years expenses and previous years revenues and deferred taxes in accordance with Egyptian Accounting Standard No. (5) The Board of Directors in calculating the retained earnings according to the decisions of the general assembly of the company

## **24- DEFERRED TAX**

	<b><u>30/9/2020</u></b>	<b><u>30/6/2020</u></b>
Deferred tax liabilities	403 589	411 822
Deferred tax assets	(198 041)	(201 624)
<b>Net tax liabilities</b>	<b><u>205 548</u></b>	<b><u>210 198</u></b>

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

## **25- EMPLOYEE BENEFITS**

- The total employee benefits is representing an amount of 562 124 Thousand Egyptian Pounds which expressing the end of service grant for the permanent employees of the company on 30/9/2020
- The expected value of the end-of-service grant for graduates during the fiscal year 2020/2021, amounting to 40 358 thousand pounds, has been separated and included in current liabilities and the rest has been included in long-term liabilities.

## **26- PROVISIONS:**

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

• **Movement of provisions:**

	<b><u>Thousand Egyptian Pounds</u></b>		
	<b><u>Balance as of 1/7/2020</u></b>	<b><u>Provided</u></b>	<b><u>No longer needed/ used***</u></b>
Provision of disputed taxes *	209 238	--	--
Provision of contingent liabilities	262 000	--	--
Provision of legal claims **	173 707	--	6
<b>Total</b>	<b>644 945</b>	<b>--</b>	<b>6</b>

\* The provision of disputed taxes: composed to meet the tax liabilities.

\*\* The provision of legal claims, salaries, and other: the company's lawyer prepared lists from his point of view according to the prospect liabilities and the usage value reached 6 thousand pounds

The provisions have been created against expected claims from third parties related to The Company activities.

The Company's management did not disclose provisions details as per Egyptian Accounting Standard No. (28) article No. (92) due to the Company management's consider that such disclosure may extremely negatively impact the negotiations results with external parties, the company management reviews the provisions periodically and adjusts their value according to the latest updates, discussions and agreements with those parties.

**27- TRADE AND NOTES PAYABLES**

	<b><u>30/9/2020</u></b>	<b><u>30/6/2020</u></b>
Trade payables (public sector)	35 299	48 616
Trade payables (private sector)	77 349	149 899
Foreign Trade payables	289 377	172 136
Notes Payable *	41 965	41 965
<b>Total</b>	<b>443 990</b>	<b>412 616</b>

\* The amount of notes payables represent the due installment to re-exploit the company's stores and factories of Al-Zumar Street and change its activities to a hospital.

## **28- CREDITORS AND OTHER CREDIT BALANCES**

		<b><u>30/9/2020</u></b>	<b><u>30/6/2020</u></b>
Governmental authorities current account	(28/1)	7 896 221	5 673 729
Dividends payable		3 529 314	3 540 634
Accrued expenses	(28/2)	762 070	628 899
Other credit balances	(20/3)	486 306	513 994
<b>Total</b>		<b><u>12 673 911</u></b>	<b><u>10 357 256</u></b>

### **28/1 Governmental authorities credit accounts**

		<b><u>30/9/2020</u></b>	<b><u>30/6/2020</u></b>
VAT tax authority*		7 818 212	5 606 129
Health insurance contribution		47 589	37 325
General Tax Authority (withheld from others at source)		7 511	4 621
Property tax authority		613	1 018
National organization for social insurance		22 296	24 636
<b>Total</b>		<b><u>7 896 221</u></b>	<b><u>5 673 729</u></b>

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

### **28/2 Accrued expenses**

\* 762 070 Thousand Egyptian Pounds representing accrued expenses for employees and other.

### **28/3 Other credit balances**

		<b><u>30/9/2020</u></b>	<b><u>30/6/2020</u></b>
Deposits from others		54 654	55 517
Fixed assets supplies		46 766	53 296
Creditors amounts deducted from employees		8 462	7 748
Deferred revenue related to gifted fixed assets*		115 204	118 975
Sums set aside for the benefit of workers - social services**		204 998	216 006
Other***		56 222	62 452
<b>Total</b>		<b><u>486 306</u></b>	<b><u>513 994</u></b>

\* Credit balances include deferred revenue

105 609 thousand Egyptian pounds, pertaining to the net gifted fixed assets

9 595 thousand Egyptian pounds for equipment against tobacco leaf raw materials.

\*\*The amounts withheld for the benefit of social services workers are the value of the remaining profits to be distributed at least 10% of these profits and not more than the total annual wages of the employees, where the company was subject to the provisions of Law No. 203 of 1991, where article 33 of that law stipulates that "the employees of the company shall have a share in the profits to be distributed determined by the Association based on the proposal of the Board of Directors at least 10% of these profits.

The workers total cash distribution of these profit must not exceed total them yearly basic salaries, executive regulations shows how to distribute what it exceed total yearly basic salary that benefit the company's employees

When the company became under the Law No. 159 of 1981 by the decision General Assembly of the Company on 2/6/2019, article 41 of the same law stipulates that "the employees of the company shall have a share in the profits to be distributed determined by the General Assembly on the proposal of the Board of Directors at least 10% of these profits and does not exceed the total annual wages of the employees of the company and the executive regulations show how to distribute more than 10% of the profits indicated by the employees and services that come to them.

\*\*\* Includes other credit balances

10,662 EGP is deducted from employees, especially for the Shareholders Union

10 449 EGP thousand under the account of selling the plot of land at 41 Abu Darda Street - Laban Division

11 605 Egyptian pounds for joint production stocks (Target / LD)

2 172 thousand pounds pertaining to checks whose owners did not come forward to cash them

5 660 thousand pounds of due marketing expenses

657 thousand pounds for the deposit of the mosque

4 412 for the special insurance fund for company employees, etc.

## **29- TRADE RECEIVABLES - ADVANCE PAYMENTS**

	<u>30/9/2020</u>	<u>30/6/2020</u>
Receivables - other credit balances	126 765	156 267
Receivables credit balances - scrap	339	270
<b>Total</b>	<b><u>127 104</u></b>	<b><u>156 537</u></b>

## **30- FINANCIAL LEASE CONTRACT OBLIGATIONS**

The last installment of the rental value of the financial leasing contract was paid with QNB Al-Ahly Financial Leasing Company on 28/6/2020.

### **31- CAPITAL COMMITMENTS**

The capital commitments represented in accrued customs fees on the company which the company paid after the smoke out from the custom warehouses and the development resources fees amounted 307 728 Thousand Egyptian Pounds.

### **32- THE INCOME STATEMENT:**

The cost of revenues includes an amount of 9 637 Thousand Egyptian Pounds related to the depreciation of finance leased assets (for the financial year from 1/7/2020 till 30/9/2020), in addition to an amount of 10 809 Thousand Egyptian Pounds as maintenance expenses (spare parts) related to the leased assets.

### **33- SALES REVENUE**

	<b><u>30/9/2020</u></b>	<b><u>30/9/2019</u></b>
Net sales	3 349 320	3 135 566
Revenue of operation for other	605 073	579 108
<b>Total</b>	<b><u>3 954 393</u></b>	<b><u>3 714 674</u></b>

### **34- COST OF GOODS SOLD**

	<b><u>30/9/2020</u></b>	<b><u>30/9/2019</u></b>
Raw Materials	1 722 793	1 617 815
Depreciation and amortization	132 869	125 853
Wages	447 784	420 501
Maintenance	32 159	29 107
Miscellaneous service expenses	32 523	3 940
Insurance expenses	6 938	3 616
Others	(31 672)	26 021
<b>Total</b>	<b><u>2 343 394</u></b>	<b><u>2 226 853</u></b>

### **35- OTHER INCOME**

	<b><u>30/9/2020</u></b>	<b><u>30/9/2019</u></b>
Gain from materials sales	67	62
Other miscellaneous income*	5 685	4 679
Gain from scrap sales	803	864
Rent income	558	550
Credit compensation	125	58
Capital gain**	1 869	1 893
Grants and subsidies ***	425	321
<b>Total</b>	<b><u>9 532</u></b>	<b><u>8 427</u></b>



- \* The miscellaneous revenues include an amount of 3 829 Thousand Egyptian Pound relevant to gifted assets.
- \*\* The capital gain is an amount 1 869 Thousand Egyptian pound.
- \*\*\* The other revenues includes the grants and subsidies related to the financial period from 1/7/2020 till 30/9/2020. Also the comparative period which has been transferred from operating revenue to other income item.

### **36- SALE AND DISTRIBUTION EXPENSES**

	<b><u>30/9/2020</u></b>	<b><u>30/9/2019</u></b>
Wages	94 652	89 473
Depreciation and amortization	1 266	1 171
Maintenances	685	468
Miscellaneous service expenses	1 094	826
Insurance expenses	1 043	1 022
Marketing expenses	19 770	11 442
Permitted Discount	31 379	32 299
Finished product transfer	6 017	5 092
Other	9 845	8 585
<b>Total</b>	<b><u>165 751</u></b>	<b><u>150 378</u></b>

### **37- GENERAL AND ADMINISTRATIVE EXPENSES**

	<b><u>30/9/2020</u></b>	<b><u>30/9/2019</u></b>
Wages	35 474	31 485
Depreciation and amortization	4 292	7 014
Maintenances	103	37
Miscellaneous service expenses	10 957	10 333
Other	1 694	1 669
<b>Total</b>	<b><u>52 520</u></b>	<b><u>50 538</u></b>

- The general and administrative expenses includes amount of 10 265 Thousand Egyptian Pound related to health insurance contribution for the financial period from 1/7/2020 till 30/9/2020.

### **38- OTHER EXPENSES**

	<b><u>30/9/2020</u></b>	<b><u>30/9/2019</u></b>
Donations for other	25	8 020
Raw materials sales losses	--	233
Compensation and fines	21	4
<b>Total</b>	<b><u>46</u></b>	<b><u>8 257</u></b>

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

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

### **39- NET FINANCING COST/ REVENUE**

	<b><u>30/9/2020</u></b>	<b><u>30/9/2019</u></b>
Credit interest	141 767	96 960
Gains revaluation differences on foreign currencies	2 297	24 694
<b>Total finance revenue</b>	<b><u>144 064</u></b>	<b><u>121 654</u></b>
Bank interest and bank expenses	(410)	(5 002)
(Losses) revaluation differences on foreign currencies	(43 288)	(47 731)
<b>Total finance expenses</b>	<b><u>(43 698)</u></b>	<b><u>(52 733)</u></b>
<b>Net finance expenses</b>	<b><u>100 366</u></b>	<b><u>68 921</u></b>

### **40- OTHER FINANCIAL INVESTMENTS REVENUE**

The financial investments revenue includes 181 Thousand Egyptian Pounds for the return on government bonds.

### **41- TAX EXPENSES**

- The income tax in the income statement as of 30/9/2020 was amounted to 341 778 Thousand Egyptian Pounds.
- The deferred tax in income statement as of 30/9/2020 was amounted to 2 409 Thousand Egyptian Pounds according the following:

	<b><u>Thousand Egyptian Pounds</u></b>
Deferred tax assets	5 992
Deferred tax liabilities	(3 583)
<b>Total</b>	<b><u>2 409</u></b>

- It includes amount of 5.2 Million Egyptian Pound for the taxes of financial year 2018/2019.

#### **42- EARNINGS PER SHARE**

	<b><u>Unit</u></b>	<b><u>30/9/2020</u></b>	<b><u>30/9/2019</u></b>
Net profit for the year after deducting the dividends for employees, Youth and sport Authority, and rewards of Board of Directors Members.	Thousand Egyptian Pounds	1 068 649	995 584
Weighted average number of common shares	Thousand shares	2 205 413	2 250 000
<b>Portion per share in net profit</b>	Egyptian Pounds	<b><u>0.48</u></b>	<b><u>0.44</u></b>

- The weighted average number of ordinary shares was calculated according to standard (22) weighted by the number of days after the reduction of treasury stocks.

#### **The Cash Flows Statement:**

#### **43- CASH AND CASH EQUIVALENT**

- The cash and cash equivalent balance amounted to 11 438 906 Thousand Egyptian Pounds are as following:

	<b><u>30/9/2020</u></b>	<b><u>30/9/2019</u></b>
Banks - time deposits	6 000	337 878
Banks - current accounts	11 417 021	6 970 826
Cash on hand	15 885	11 918
<b>Total</b>	<b><u>11 438 906</u></b>	<b><u>7 320 622</u></b>

- The credit facilities which available to be used in future amounted to 7 320 Million Egyptian Pounds.
- Cash balance as of 30/9/2020 include an amount of 3.758 Billion Egyptian Pounds for the favor of the Ministry of finance regarding the declaration of August which was paid in first day of October 2020 instead of the last day of September 2020 because the company applied the electronic payment system.

#### **44- COMPARATIVE FIGURES**

Some comparative figures have been reclassified to conform to the presentation of the financial statements for the current year.

## **45- OTHER DATA**

### **45/1 Fight smoking:**

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

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

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

### **45/2 Industrial complex in the 6<sup>th</sup> of October:**

- Industrial complex in the 6<sup>th</sup> of October was established on 353 acre and the actual cost amounted to 5.8 billion Egyptian pound and most of the company activities transferred to the industrial complex and the company will invest its appreciated premises to decrease the finance cost incurred.

### **45/3 Insurance:**

- The company have various insurance using insurance policies which covered all potential risks that company may face, such as:
  - a. **Comprehensive Certificate/document:**
    - To cover risks of fire properties, risk of cash transfer, dishonesty, machinery malfunction, the common civil responsibility, loss revenues, and remove debris.
  - b. **Cars Certificate/document:**
    - Cover all risks fleet of cars facing (comprehensive insurance - compulsory insurance).
  - c. **Transportation Certificate/document:**
    - Cover risks of transportation, sea and air transportation for all production materials and finished goods.
  - d. **Lifts Certificate/document:**
    - Cover the civil responsibility result from operation.
  - e. **Political violence Certificate/document:**
    - Cover terrorism, vandalism, willful acts, riots, civil unrest, armed insurrection, revolution, rebellion, military coup, and costs of rubble elimination.

**f. Personnel accident violence Certificat/document :**

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

**g. Dishonesty Certificate/document:**

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

**45/4 Environmental responsibility:**

- According to the Eastern company's continued efforts to achieve protecting environment and preserving the common health and as a commitment by the company to apply the environmental requirements of Environment Law No. 4 for the year of 94 and it's amendments and executive regulations through implementing and maintaining the internal environment in its factories and the external environment surrounding the company in the purpose of achieving sustainable compatibility of its environmental conditions, these points are representing in some projects as following:

- The company has established and implemented the integrated industrial complex in the industrial zone at the City of 6<sup>th</sup> October to include all its locations. This procedure is an evidence of commitment towards the environmental laws and regulations.
- The company has used the Natural Gas as a clean source of energy in operating boilers, generation power as a clean source of energy, and to reduce environmental pollutants from combustion.
- The company established an environment friendly incinerator and the heat generated are used to generate ice water in a heat exchange to A/C factories.
- The company has controlled the emissions of fine tobacco leaf using cyclones with non-permeable filters to prevent dust of tobacco leaf powder in the airspace in order to protect the environment from pollution and reuse and recycling through manufacturing natural tobacco leaf flakes.
- The company established a station of liquid waste treatment (industrial drainage) in the industrial complex of the company in the City of 6<sup>th</sup> October with total capacity of 610 m3/day and the company got the environmental approval for energy raising up to be 1220 m3/day. Installations and the station are currently in the testing phase to start operation.
- The company has also implemented a project of central air conditioning operating by natural gas to one of its factories to avoid the impact of thermal stress knowing that there is no raise in the temperature of the working environment as a result of various industrial processes more than allowed rates according to the executive decisions and regulations, through the monitoring carried out at the facility.

- The company established a central station for collecting the manufacturing process outputs resulting from the company's production activities. Some items are sold and others are recycled in industries. Compost production from unusable dust of tobacco leaf is also been studied.
- The company already bought a group of the environmental measuring devices to monitor pollutants and emissions of the work environment to determine the permissible limits in accordance with the requirements of the environmental law (number 4 for the year of 1994) and its executive regulation. In addition, the experts of the National Research Center had done the required regularly measurements and approved it in the environmental records for the different locations of the company. It is worth mentioning that the company spares no effort in supplying all personal protection tools to employees according to the nature of each activity.
- Extensive environmental approval was obtained for the project of establishing and extending a factory of roots plant (ESS) as space of 13350 m<sup>3</sup> in the industrial complex of the company in the City of 6<sup>th</sup> October, the company has also planted green areas and windbreaks and ornamental plants inside the industrial complex zone , and that with the implementation of the construction requirements and green spaces in the general plan for the industrial complex approved by the Urban Communities Authority as well as green areas around the eastern side of the industrial complex.
- Environmental approval was obtained for the construction of a 1 MW solar power station with an area of 14000 m<sup>2</sup> in the industrial complex of the company in the City of 6<sup>th</sup> October, the station has already been completed and it is currently in the testing phase for its service entry in order to reduce the burden on the electricity network in the industrial complex of the company in the City of 6<sup>th</sup> October. The company also is in the process stage of establishing additional electricity generating station by (BOT) system and 2 MW power.
- The soiled thinner is recovered and reused by an organic solvent separator. The company has all the environmental approvals and has updated environmental records approved by the largest research and scientific bodies (National Research Center) and it has been reviewed by the Environmental Affairs Agency. Also, the company is committed to all environmental laws and regulations.

#### **46- SIGNIFICANT EVENT**

The second half of March witnessed the beginning of the impact of the spread of the Corona virus in the Egyptian market, and the Egyptian government announced unprecedented measures to combat the virus infection and its spread. In the company's operations, all risks have already been studied and evaluated, and a series of measures have been taken to reduce the risks to the work team and to ensure the continuation of the operational, manufacturing, sales and collection operations in this period and there is no effect on the company's current economic position (its financial position, business results and cash flows)

In view of the lack of clarity of the effects that could result from the development of the situation related to the impact of the spread of the virus (Covid-19) in the future, it is not possible to precisely determine the impact of these developments on the company's activity.

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**Niveen Ali Hussein**  
**General Manager / Final accounts and**  
**financial statements**

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**Osama Fouad Mohamed**  
**Chief of the financial sector**

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**Tarek Sharaf Elden Barakat**  
**Supervisor of financial sectors business**