

Mostafa Shawki

EASTERN COMPANY (S.A.E)

FINANCIAL STATEMENTS
TOGETHER WITH AUDITOR'S REPORT
FOR THE FINANCIAL YEAR ENDED JUNE 30, 2021

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Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of Eastern Company (S.A.E), which comprise the statement of financial position as of June 30, 2021, the statements of income, comprehensive income, changes in shareholders' equity and cash flows for the year ended June 30, 2021, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

These financial statements are the responsibility of the company's management. Management is responsible for the preparation and fair presentation of these financial statements in accordance with the Egyptian Accounting Standards and the prevailing Egyptian laws. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Egyptian Standards on Auditing and the prevailing Egyptian laws. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the financial statements.

Basis for Qualified Opinion

According to the employee's retirement benefits plan study prepared by an Actuarial Expert, the provision needed to be provided 1.4 billion Egyptian Pounds. The company management provided for 500 million Egyptian Pounds as of June 30, 2021, in contradict with Egyptian Accounting Standards (28 and 38), provisions, contingent liabilities and contingent assets standard and employee benefits standard. (Note No. 50).

Qualified Opinion

In our opinion, except for the effects of the matters described in the basis for qualified opinion paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of Eastern Company (S.A.E) as of June 30, 2021, and its financial performance and cash flows for the year then ended, in accordance with the Egyptian Accounting Standards and the prevailing Egyptian laws and regulations.

Explanatory Paragraph

The company's management based on the board of directors' recommendation decreased the issued and paid-up capital with the acquired treasury shares (52 303 418 share) amounted to EGP 626 500 043 with average purchase price EGP 11.98 per share, within the period from March 24, 2020 to November 30, 2020. In addition to the decrease of (30 650 708 share) amounted to EGP 367 139 867 with average purchase price EGP 11.98, within the period from March 24, 2021 to May 26, 2021.

According to the board of directors' decision dated June 29, 2021, the issued and paid-up capital will be decreased from 2.250 billion shares to 2.230 billion shares, and they delegate the board chairman to call for General Assembly meeting to discuss the capital decrease and write off 20 million treasury shares and amendment of article (6,7) from the company article of association. (Note No. 24)

The company is in the process of preparing the expected credit loss allowance model to comply with The Egyptian Accounting Standard No. (47) Financial Instruments.

Report on other Legal and Regulatory Requirements

The company maintains its accounting records as required by the Law and the company legal, which agree with the accompanying financial statements. The company is in the process of upgrading and automating its accounting and costing system. The management conducted the inventory physical count according to normal practices and under its responsibility.

The financial information included in the Board of Directors' Report which are prepared according to the requirements of Law No. 159 for the year of 1981, and its executive regulations, is in agreement with the company's records to the extent that such information normally recorded.

The company's articles of association are in process to be amended in line with the amendments to law No. 159 for 1981 and its executive regulations and amendments approved by Law No. 4 for the year 2018.

Cairo: October 16, 2021



Mazars Mostafa Shawki

EASTERN COMPANY (S.A.E)
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2021

(Amounts expressed in Thousands of Egyptian Pounds)

	<u>Notes</u>	<u>30/6/2021</u>	<u>30/6/2020</u>
<u>ASSETS</u>			
<u>Non - Current Assets</u>			
Property, plant, and equipment	(8)	4 984 748	5 236 863
Projects in progress	(9)	448 045	804 710
Investment's property	(10)	129 749	9 303
Intangible assets	(11)	2 999	1 674
Investments available for sale	(12)	5 332 441	--
Investment held to maturity date	(13)	20 668	20 668
Right of use leased assets	(14)	273 688	79 665
Other assets	(15)	25 654	765
Total Non- Current Assets		11 217 992	6 153 648
<u>Current assets</u>			
Inventories	(16)	4 325 387	5 928 230
Trade receivables and notes receivables	(17)	409 307	267 098
Debtors and other debit balances	(18)	488 276	445 112
Trade payables - advance payments	(19)	129 370	47 498
Treasury bills / Financial investments	(20)	4 200 920	--
Cash and cash equivalent	(21)	1 063 604	7 438 434
Total Current Assets		10 616 864	14 126 372
Total Assets		21 834 856	20 280 020
<u>Equity</u>			
Issued and paid-up capital	(22)	2 250 000	2 250 000
Reserves	(23)	4 176 665	4 176 665
Treasury stocks	(24)	(259 360)	(432 343)
Retained earnings	(25)	1 938 548	1 567 139
Net profit for the period		4 280 184	--
Reserve for remeasurement of investment available for sale	(26)	(87 020)	--
Total equity		12 299 017	7 561 461
<u>Non - Current Liabilities</u>			
Deferred tax liability	(27)	135 490	210 198
Long-term employees 'pension	(28)	468 475	562 124
Total Non-Current liabilities		603 965	772 322
<u>Current Liabilities</u>			
Provisions	(29)	1 630 846	644 945
Trade and notes payables	(30)	696 038	412 616
Creditors and other credit balances	(31)	5 636 240	10 357 256
Trade receivables - advance payments	(32)	130 804	156 537
Short term employee's pension	(28)	60 307	50 887
Current income tax payable		777 639	323 996
Total current liabilities		8 931 874	11 946 237
Total liabilities		9 535 839	12 718 559
Total of equity and liabilities		21 834 856	20 280 020

- The accompanying notes (from No. 1 to No. 50) are an integral part of these financial statements and read therewith.

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

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

(Mr./ Tarek Sharaf Elden Barakat)
Chief Financial Officer

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

Translation of Financial Statements
Originally Issued in Arabic

EASTERN COMPANY (S.A.E)
STATEMENT OF INCOME
FOR THE FINANCIAL YEAR ENDED JUNE 30, 2021
(Amounts expressed in Thousands of Egyptian Pounds)

	<u>Notes</u>	<u>30/6/2021</u>	<u>30/6/2020</u>
Sales/Revenue	(33)	16 022 112	14 464 795
Cost of goods sold	(34)	(9 252 202)	(8 701 587)
Gross profit		<u>6 769 910</u>	<u>5 763 208</u>
Other income	(35)	133 122	60 770
Sale and distribution expenses	(36)	(727 293)	(655 689)
General and administrative expenses	(37)	(250 448)	(235 759)
Other expenses	(38)	(1 076 036)	(360 186)
Result of operation activities		<u>4 849 255</u>	<u>4 572 344</u>
Financing cost / income (net)	(39)	285 850	376 108
Other financial investments revenue	(40)	523 546	5 187
Profit before tax		<u>5 658 651</u>	<u>4 953 639</u>
Income tax expenses	(41)	(1 378 467)	(1 159 390)
Profit from continued operations		<u>4 280 184</u>	<u>3 794 249</u>
Profit from not continued operations		<u>--</u>	<u>--</u>
Profit of the period		<u>4 280 184</u>	<u>3 794 249</u>
Earnings per share	(42)	<u>1.75</u>	<u>1.52</u>

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

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Chief of the financial sector

(Mr./ Tarek Sharaf Elden Barakat)
Chief Financial Officer

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

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EASTERN COMPANY (S.A.E)
PERIODIC STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED JUNE 30, 2021
(Amounts expressed in Thousands of Egyptian Pounds)

	<u>30/6/2021</u>	<u>30/6/2020</u>
Net profit of the period	4 280 184	3 794 249
<u>Other Comprehensive Income</u>		
Financial investments available for sale	(112 284)	--
Cash flow hedges	--	--
Actuarial re-measurements of defined benefit pension plans	--	--
Company shares of other comprehensive income from associates	--	--
Income tax relating to other comprehensive income items	--	--
<u>Add</u>		
Other comprehensive income tax	25 264	--
Total other Comprehensive Income of the period after deduct tax	<u>(87 020)</u>	<u>--</u>
Total Comprehensive Income of the period	<u>4 193 164</u>	<u>3 794 249</u>

- The accompanying notes (from No. 1 to No. 50) are an integral part of these financial statements and read therewith.

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

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

(Mr./ Tarek Sharaf Elden Barakat)
Chief Financial Officer

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

EASTERN COMPANY (S.A.E)
STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE FINANCIAL YEAR ENDED JUNE 30, 2021
(Amounts expressed in Thousands of Egyptian Pounds)

	<u>Issued and Paid up capital</u>	<u>Legal reserve</u>	<u>Statutory reserve</u>	<u>Capital reserve</u>	<u>Other reserves</u>	<u>Total reserves</u>	<u>Treasury stocks</u>	<u>Retained earnings</u>	<u>Net profit of the year</u>	<u>Reserve for remeasurement of investment available for sale</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
Treasury stocks	--	--	--	--	--	--	(432 343)	--	--	--	(432 343)
The Remaining of the remuneration of members of the board of directors	--	--	--	--	--	--	--	7 000	--	--	7 000
Adjustment of expenses and revenues from previous years	--	--	--	--	--	--	--	(54 582)	--	--	(54 582)
Transferred to reserves from dividends for 2019/2020	--	189 712	--	1 134	--	190 846	--	74 432	--	--	265 278
Balance as of June 30, 2020	2 250 000	991 495	1 673 498	550 815	960 857	4 176 665	(432 343)	1 567 139	--	--	7 561 461
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	--	--	--	--	--	--	(194 157)	--	--	--	(194 157)
Treasury stocks sale	--	--	--	--	--	--	367 140	(366)	--	--	366 774
Adjustment of deferred tax for the year (2020/2021)	--	--	--	--	--	--	--	(54 458)	--	--	(54 458)
Adjustment of expenses and revenues from previous years	--	--	--	--	--	--	--	426 233	--	--	426 233
Net profit for the year	--	--	--	--	--	--	--	--	4 280 184	--	4 280 184
Other comprehensive income	--	--	--	--	--	--	--	--	--	(87 020)	(87 020)
Balance as of 30/6/2021	2 250 000	991 495	1 673 498	550 815	960 857	4 176 665	(259 360)	1 938 548	4 280 184	(87 020)	12 299 017

- The accompanying notes (from No. 1 to No. 50) are an integral part of these financial statements and read therewith.

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

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

(Mr./ Tarek Sharaf Elden Barakat)
Chief Financial Officer

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

Translation of Financial Statements
Originally Issued in Arabic

EASTERN COMPANY (S.A.E)
PERIODIC STATEMENT OF CASH FLOW
FOR THE FINANCIAL YEAR ENDED JUNE 30, 2021

(Amounts expressed in Thousands of Egyptian Pounds)

	<u>Note</u>	<u>30/6/2021</u>	<u>30/6/2020</u>
<u>Adjustments for net cash flows from operating activities:</u>			
Cash sales and collection from receivables		59 737 129	51 969 038
Cash purchases and payments to suppliers		(4 719 699)	(5 439 641)
Salaries paid		(2 041 193)	(1 912 222)
Revenue from operating for others and other revenues		2 783 421	2 461 601
Proceeds from interest received		341 879	374 216
Interest paid		(9 041)	(657)
Taxes and fees paid		(49 109 497)	(42 861 495)
Export subsidy /Grants and Subsidies		1 129	1 472
Proceeds from insurance claims		3 840	557
Notes payable		(41 965)	41 965
Other payments		(32 554)	(34 601)
Net Cash flows from operating activities		6 913 449	4 600 233
<u>Cash flows from investment activities</u>			
Disbursement for purchasing fixed assets (projects under construction)		(108 757)	(302 491)
Proceeds from sales of fixed assets		587	114
Treasury Bills purchases		(21 638 228)	(49 097)
Bonds purchases		(6 095 423)	--
Purchase investments in investment documents		(400 790)	--
Sales of treasury bills		17 825 426	49 097
Sales of bonds		650 697	--
Sale investments in investment documents		23 000	100 000
Net Cash flows (used in) investment activities		(9 743 488)	(202 377)
<u>Cash flows from financing activities</u>			
Dividends paid		(3 546 804)	(2 395 013)
Payments of financial leasing		--	(101 299)
Treasury Stock purchases		(194 156)	(432 343)
Treasury stock sales		264 778	--
Net Cash flows (used in) finance activities		(3 476 182)	(2 928 655)
Foreign currency exchange differences losses and gain		(68 609)	(59 772)
Net cash for the year from 1/7/2020 to 30/6/2021		(6 374 830)	1 409 429
Cash and cash equivalent at the beginning of the year		7 438 434	6 029 005
Cash and cash equivalent at the end of the year	(21)	1 063 604	7 438 434

- The accompanying notes (from No. 1 to No. 50) are an integral part of these financial statements and read therewith.

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

(Mr./ Tarek Sharaf Elden Barakat)
Chief Financial Officer

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

EASTERN COMPANY (S.A.E)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED JUNE 30, 2021

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 - 6th 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 30/6/2021.

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 re registration in the commercial register.

1.7 Date of issuing the financial statements:

The financial statements have been approved by the board of directors on 16/10/2021

1.8 Company's financial year:

- From 1/7/2020 till 30/6/2021.
- 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.
- IPO 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.

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 Judgments:

- The financial statements have been prepared in accordance with the Egyptian Accounting Standards and this requires the use of estimates and assumptions that affect the values of assets and liabilities and the disclosure of potential liabilities, as well as on revenues and expenditures. Although these estimates are based on the best information available to management on current conditions and events, the final results are they may differ from these estimates, and changes in the accounting estimate are included in the period in which this change occurred and in any future periods affected.

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

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

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 values 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 using the fair value of other similar instruments in a substantial way use the discounted cash flows method or any other evaluation method that result a reliable value.
- 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.

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.

<u>Estimated useful live</u>	<u>Estimated useful lives (year)</u>
Buildings	25-50
Machines	10
Vehicles	5-8
Tools	5
Furniture	4-10

3/2/1 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.

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 Investment property:

- Investments property are valued at cost, and in case of a permanent decline, it will be charged to the income statement. Investment property are represented in lands and properties held to earn rental or capital appreciation or both or increase in their value. Investment property were measured initially at cost and were subsequently measured at cost minus the accumulated depreciation and impairment losses, and depreciation expense and impairment losses are charged to income statement.
- Investment property is depreciated according to the straight-line method, over the estimated useful productive life of each item of investment property. Land is not depreciated, and depreciation rates for buildings in investment property ranges from 2% to 3.75%.
- Profits or losses from disposing are calculated as the difference between the net proceeds from disposal of the property and the net book value which charged to income statement.

3/5 Investments:

3/5/1-Financial investments available for sale:

- Financial investments available for sale are measured later at fair value through the statement of comprehensive income. Interest income is calculated at amortized cost using the effective interest method, and foreign exchange gains and losses are included in profit or loss. Upon exclusion, the accumulated profits, and losses in the statement of comprehensive income are reclassified as profit and losses.

3/5/2- Financial investments held-to-maturity:

- Investments in government bonds are valued at acquisition cost and the return on these investments is recognized under the income from investment item in the income statement.

3/5/3- Investments in Treasury bills/ funds:

- Treasury bills are measured at cost through profits and losses, and investment funds are measured at fair value through profits and losses.

3/6 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%,

3/7 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 non-finished goods are estimated by the cost of the last production stage. Inventories of finished goods are stated at lower of cost or net selling value
- The company follow the perpetual continuing count method.
- The inventories of Tobacco leaf materials are sufficient for almost 6 months.
- The inventories balance of finished goods is sufficient to meet the market needs for 12.7 days.
- The raw materials inventory includes Tobacco leaf in customs warehouses amounted to 1 137 million Egyptian pounds and the due customs duties must be paid upon receipt from these warehouses.

3/8 Cash and cash equivalent:

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

3/9 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 is revised at financial statements date and adjusted according to the best estimates (if necessary)

3/10 Capital:

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

3/11 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. 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, 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.

c. 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 audit 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.

3/12 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.

3/13 Buyback 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.

3/14 Borrowing Cost:

- Borrowing cost are initially recognized upon receipt the loans or, 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.

3/15 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 as 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 with credit interest.

3/16 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 a result of the difference between book value assets and liabilities in accordance with accounting basis and assets and liabilities in accordance with tax basis and 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.
- 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.

3/17 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 This revenue is being offset against this depreciation.

3/18 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 were recognized as an expense in the income statement till the year 2017/2018, and the accounting treatment is 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.
- The company applied the accounting treatment for financial leasing in accordance with the Egyptian Accounting Standard No. (49) Instead of the Egyptian Accounting Standard No. (20) according to the latest amendments to the Egyptian Accounting Standards, which is in compliance to Law No. 176 of 2018 for "Regulating Financial Leasing Activities And factoring

3/19 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.

3/20 Dividends:

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

3/21 Employees' profits share:

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

3/22 Contingent liabilities:

<u>Company contingent liabilities</u>	<u>Amounts in Thousands of Egyptian Pounds</u>
letters of guarantee relevant to Cairo and Alexandria customs	258 794
Letter of credits	1 083 776
Total	1 342 570

4- FINANCIAL RISK

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 and cash deposits. in the absence of liquidity for the other side. And so he's unable to pay liabilities that have been agreed upon as a result of a lack of liquidity.
- 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 June30, 2021: (In Thousands)

	<u>Assets</u>	<u>Liabilities</u>	<u>Net value</u>
Dollars	8 036	77 516	(69 480)
Euro	116	6 700	(6 584)
Sterling pound	4	323	(319)
Swiss Franc	9	--	9

- (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 dividend distributions to shareholders. 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 in 30/6/2021.
- Related parties are treated on the same basis as others.
- The company during the period from 1/7/2020 till 30/6/2021 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) wit amount of 25 651 Thousand Egyptian pounds.
- The Holding Company for Chemical Industries did provide a set of banks guarantees and non-bank guarantees to some governmental agencies (Customs Authority - Customs Taxes - Egyptian Tax Authority "Value Added Tax") for the favor of company amounted to 1 470 000 Thousand Egyptian pounds.

6- IMPAIRMENT OF FINANCIAL ASSETS:

- Periodically the company management at financial statement date assess if there is 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 the end of each financial period, the company reviews the financial book values of the non-cash assets to determine whether there is impairment's indications or not, and if in case there is already asset's impairment then the company makes an estimation for the recoverable value of the assets, and an impairment test is conducted for the annual goodwill.

To perform an impairment test for an asset, the assets are collected together into the smallest group of assets that includes the asset, which generates cash inflows from continuous use, away from the cash inflows from other assets or groups of assets - cash-generating units. The acquired goodwill is distributed upon business combination, whether on the cash-generating units or combinations of these units in the acquiring company and expected to get benefit from the collection process.

- The recoverable value of the asset or the unit generating cash is it's fair value minus the sale costs or the usage value (considering the larger value), the usage value of the assets is the current value of the expected future cash flows discounted at a pre-tax discount rate that reflects the current market estimations of the time value of money and the specific risks of the asset or the cash generation unit.

The impairment loss is recognized if the book value of the asset or the cash generating unit is higher than its recovery value.

The impairment losses are recognized in profit and losses and distributed first to reduce book value to goodwill that is distributed in the cash generation unit. Then reduce other assets in the unit proportionately to the value of each asset in the unit based on book value.

The loss resulting from the impairment of the goodwill value is not reversed in a later period, but for other assets, impairment losses are reversed to the extent that does not exceed the carrying amount that would have been determined, which is net of depreciation and amortization, unless the loss resulting from the impairment is recognized for the asset in the previous years.

6/3 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.

6/4 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 of 2000 Civilians, College of Giza, on December 25, 2019, and to date, the judgment has not been implemented	42
Total	54

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.

7/2 Stamp duty tax:

- 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 and there are no due requirements from the company.
- 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 financial years 2014/2015 and 2015/2016 were inspected 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)

Fixed assets movement statement:

	<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							
Additions during the period	218 103	3 535 849	4 999 693	349 412	162 874	788 355	10 054 286
Disposals and transfers during the period	83 930	48	676 872	7 809	3 793	70 282	842 734
	--	--	(5 778)	--	(36)	(123)	(5 937)
Total Cost as of 30/6/2020	302 033	3 535 897	5 670 787	357 221	166 631	858 514	10 891 083
Cost as of 1/7/2020							
Transfers	302 033	3 535 897	5 670 787	357 221	166 631	858 514	10 891 083
Additions during the period	--	--	2 414	--	(2 414)	--	--
Transfer to investment property	--	69 428	341 350	7 260	1 291	23 314	442 643
Disposals and transfers during the period	103 515	42 025	--	3 966	--	21 178	170 684
	(3)	(10 191)	(381 925)	(4 993)	(4)	(17)	(397 133)
Total Cost as of 30/6/2021	198 515	3 553 109	5 632 626	355 522	165 504	860 633	10 765 909
Accumulated depreciation and impairments movement:							
Accumulated depreciation as of 1/7/2019							
Additions during the period	--	772 246	3 306 085	280 578	146 516	597 712	5 103 137
Transfer to investment property	--	95 015	365 526	16 495	8 282	65 583	550 901
Impairment of fixed assets	--	--	(5 768)	--	(36)	(23)	(5 827)
	--	--	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							
Transfers	--	867 261	3 671 852	297 073	154 762	663 272	5 654 220
Additions during the period	--	--	2 414	--	(2 414)	--	--
Transfer to investment property	--	94 558	386 439	16 238	4 510	70 799	572 544
Disposals and transfers during the period	--	24 250	--	3 966	--	21 178	49 394
Fixed assets impairment	--	(2 277)	(381 925)	(4 993)	(4)	(16)	(389 215)
	--	262	658	--	--	--	920
Disposals of impairment	--	7 914	--	--	--	--	7 914
Accumulated depreciation and impairment as of 30/6/2021	--	927 640	3 679 438	304 352	156 854	712 877	5 781 161
Net 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
Net property, plant and equipment assets of 30/6/2021	198 515	2 625 469	1 953 188	51 170	8 650	147 756	4 984 748

An amount of 97 550 Thousand pounds related to Al-Zumar site, as well as 53 337 Thousand pounds for the Manesterly site, as well as 19 797 Thousand pounds for the Niaza site, was transferred from fixed assets to investments property in accordance with the company's Board of Directors Decision No. 16 of 2020

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

- First installment 50% and it was paid upon the issuance of the approval of the Chairman of Giza City Council.
- Second installment the 50% remained was paid on 1/12/2020

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED JUNE 30, 2021
(Amounts expressed in Thousands of Egyptian Pounds)

On 15/2/2020 the company was have the approval of the Exceptions Committee of the Housing and Utilities Directorate in Giza was obtained and initial approvals of (water, sanitation, civil defense, traffic, electricity) were obtained and the approval to construction of the project was paid, and the first installment was paid upon obtaining this approval, and on 6/9/2020 The Board of Directors decided, in a session No. 16 of 2020, to approve the conversion of all the assets of Al-Zumar site as well as the Manesterly site from fixed assets to investments property

- * The fully depreciated property, plant and equipment on June 30, 2021 is 2 734 567 Thousand Egyptian Pounds include:
- * Fully depreciated property, plant and equipment still in use amounted to 2 220 352 Thousand Egyptian Pounds (including machines and equipment amounted to 1 502 065 Thousand Egyptian Pounds)
- * Fully carried depreciated fixed assets and others under scrap process amounted to 331 501 Thousand Egyptian Pounds.
- * The fixed assets reincluding approximately 94 163 Thousand Egyptian Pounds representing net donated assets as following:

<u>Donated Assets</u>	<u>Amounts expressed in Thousands of Egyptian Pounds</u>
Production's machinery	91 608
Production Utilities, equipment of Services	1 150
Vehicles	11
Furniture	1 394
Total	94 163

- *Deducted amount of 6 667Thousand Egyptian Pounds from Machines and, equipment which represent impairment in line in Talbieh and packing machine (El Koli).
- * The buildings include a value of EGP 4 million related to Giza buildings, and an optimization study is underway
- * The amount of 262 thousand pounds was deducted from the value of the buildings and represents the value of the impairment of the building of the power station in Muharram Bey, and the amount of 7 914 thousand pounds was excluded from the impairment allowance for the resort of Al-Asafra to demolish the building.
- * The General Assembly held on 25 October 2020 decided to Waiver the company's land in the city of Al-Arish to a sovereign side due to the expiry of the license and the impossibility of using it under the security conditions in the region

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED JUNE 30, 2021
(Amounts expressed in Thousands of Egyptian Pounds)

- The leasing contracts were treated by the Egyptian Accounting Standard no. (49) according to the Amended Accounting Standards for the year of 2019, This amended standard applied for the leasing contracts which were under the finance leasing law no. 95 for the year of 1995 and its amendments, these contracts were treated by the Egyptian Accounting Standard no. (20) which was stating that "the accounting rules and standards related to process of the finance leasing" and the finance leasing contracts which established under the law of organizing the finance leasing and the factoring activities no. 176 for the year of 2018 starting from the beginning of the annual report time period which in the law no. 95 for 1995 was canceled and instead of the law no. 176 for 2018 was issued.
- A contract was signed with QNB 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 year, 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 of the financial leasing contract was paid with QNB Al-Ahly Financial Leasing Company on 28/6/2020.

9- PROJECTS IN PROGRESS

	<u>In Thousands</u>	
	<u>30/6/2021</u>	<u>30/6/2020</u>
Investments provided	404 484	719 110
Payment	43 561	85 600
Total	<u>448 045</u>	<u>804 710</u>

9.1 Projects investment provided includes:

	<u>30/6/2021</u>	<u>30/6/2020</u>
Buildings	1 101	59 103
Machines	293 129	540 735
Tools	--	626
Vehicles	9 348	15 831
Furniture and office equipment installations*	100 906	102 815
Total	<u>404 484</u>	<u>719 110</u>

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

9.2 Advance payments an LCs Investment provided include:

	<u>30/6/2021</u>	<u>30/6/2020</u>
Advance payments fixed assets	33 436	82 480
Goods in transit - fixed assets	--	640
LCs of fixed assets	10 125	2 480
Total	43 561	85 600

10- INVESTMENTS PROPERTY

The net investments property in June 30, 2021 amounted to 129 749 Thousand Egyptian pounds. The following is the movement of investments property during the period:

Cost on 1/7/2019	9 303
Additions during the year	--
Cost on 30/6/2020	9 303
Cost on 1/7/2020	9 303
Transfer from assets	170 684
Cost on 30/6/2021	179 987
Accumulated Depreciation on 1/7/2019	--
Depreciation of the year	--
Accumulated Depreciation on 30/6/2020	--
Accumulated Depreciation on 1/7/2020	--
Depreciation during the period	844
Transfer Accumulated Depreciation on 30/6/2021	49 394
The net book value on 30/6/2021	129 749

The items of investments property represented as follows:

	<u>30/6/2021</u>
Land of Gezerat Eldahab at Al-Bahr Al-Azam Street - Giza	8 894
Land of Salloum Factory - Alexandria	404
El Zommor site*	97 550
El Manisterly site *	53 337
El Niaza site	19 797
Gan Marshan land	5
Total	179 987

- Al-Zumar and Al-Manisterly sites have been reclassified to investments property according to the approval of Board of Directors meeting no. 16 for 2020, held on 6.9.2020, based on the memorandum presented on 2.9.2020 to convert of all the assets of Al-Zumar site as well as the Manisterly site from fixed assets to investments property it was also approved to convert Niaza factory site to investment property.

- The plot of land owned by the company located at 41 Abu Darda Street, Laban Division, Alexandria Governorate, was announced for sale by public bidding in the closed envelopes system on Thursday, 30/1/2020, with a total value approximately 51,743 Thousand pounds, where the payments will be as follows: -
 - Receiving the guarantee payment amounted 500 Thousand pounds to the company's treasury after the auction has been awarded.
- The remaining 25% of the guarantee value has to be paid within fifteen days from the date of notification of the award.
- 25% of the sale value should be paid within 3 months from the date of notification of the award.
- The remaining 50% should be paid in 12 installments over three years, considering adding an interest equal to the declared lending interest of the central bank as a compensatory interest.
 - The preliminary sales contract will be released upon paying 50% of the total sale value, in addition to that the land still belongs to the company's properties.
- The sales procedures were not completed because one of the partners failed to pay a share in the next payment of the initial insurance amount to complete the first 25% of the total sale value and exit and waive its share and the solidarity of the rest of the partners in paying the dues of that partner after the approval of the Board of Directors of session No. 12 for the year 2020 on 25 June 2020. To date, however, only 14049 million pounds of land value has been paid without the rest of the partners completing the 50% of the sale value and are committed to paying it within 3 months of the date of notification of the gearing until the sale contract is released and the procedures are completed.

11- INTANGIBLE ASSETS

	<u>30/6/2021</u>	<u>30/6/2020</u>
Computes' program and H.R software license update	37 113	33 755
Amortization	(33 765)	(31 732)
Refunded Sales tax	(349)	(349)
Net	2 999	1 674

Amortization statement as follows:

	<u>30/6/2021</u>	<u>30/6/2020</u>
Beginning balance	1 674	2 988
Additions	3 359	--
Amortization	(2 034)	(1 314)
Ending balance	2 999	1 674

*The economic life of intangible assets was reassessed by technicians, which was estimated at four (4) years.

12- INVESTMENTS AVAILABLE FOR SALE

	<u>30/6/2021</u>
Investments in bonds	4 482 055
Investments in dollars bonds	962 670
Total	5 444 725
Less impairment in securities*	(112 284)
Net	5 332 441

* The financial investments available for sale and offered in financial statements are debt instruments measured at fair value through other comprehensive income where assets are subsequently measured at fair value and interest income calculated using actual interest, foreign exchange profits and losses, profit or loss are recorded profits and other losses in the other comprehensive income list when excluded, profits and accumulated losses, impairment in are applied in the income-to-profit list. And the losses.

13- LONG TERM INVESTMENT

	<u>30/6/2021</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
Total	20 691	20 691
Less impairment in securities	23	23
Net	20 668	20 668

* Cash deposit in the Central Bank of Egypt against reserve 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 against surplus the reserve invested in governmental bonds.

** Investments in foreign securities

14- RIGHT OF USE LEASED ASSETS

	<u>30/6/2021</u>	<u>30/6/2020</u>
Right of use leased assets	507 561	159 330
Accumulated depreciation right of use leased assets	(233 873)	(79665)
Net	273 688	79 665

- The company's financing leases (sale and lease back), which expired before the issuance of The Egyptian Accounting Standard No. 49, which still have a productive age, were processed in accordance with the requirements of Annex C of the standard, which consists of the company's buildings, which range in age from 40 , 50 years, which were sold and re-leased during fiscal year 2009, where the date of operation in the fiscal year 2007 and includes these buildings (building of the preparation factory - building of Workshops - Power plant building) which its historical cost of 348 million pounds, in addition to the previous treatment of the assets of the right of use and for machinery, which costs about 159 million pounds

15- OTHER ASSETS

	<u>30/6/2021</u>	<u>30/6/2020</u>
The company's contribution to the project of filling, improvement and coverage of the El Zomor Canal	654	765
Long term prepaid expense *	25 000	--
Total	<u>25 654</u>	<u>765</u>

* The 25 million pounds represents the value of the non-rolling and prepaid part of the electricity consumption project for the construction of a B.O.T power plant in the industrial complex on October 6th.

16- INVENTORIES

	<u>30/6/2021</u>	<u>30/6/2020</u>
Raw materials *	810 446	645 248
Raw materials (Tobacco leaf) under customs custody (unpaid custom yet) **	1 136 671	2 912 310
Fuel inventory	2 475	1 312
Spare parts	534 441	583 298
Packaging	1 351 607	1 641 177
Waste and scrap	739	2 356
Materials and spare parts under process storage	1 071	757
Production work in process	56 094	63 290
Finished goods	405 429	81 290
Consignment packing materials and spare parts	841	937
Goods in transit	5 929	5 298
Letter of Credit	66 302	62 196
Total	<u>4 372 045</u>	<u>5 999 469</u>
Less the impairment in inventory ***	46 658	71 239
Net	<u>4 325 387</u>	<u>5 928 230</u>

* The raw materials stock as of 30/6/2021 includes items under inspection mixed materials with an amount 1 767 thousand Egyptian pounds, and Items under inspection (packaging materials) with an amount 42 909 Thousand Egyptian pounds. The examination and final receipt are carried out periodically for all items received.

** Raw tobacco leaf material at customs balance includes items under inspection (tobacco leaf raw materials) with estimated amounted to 434 994 thousand Egyptian pounds, and unpaid customs fees are estimated at 123 203 Thousand Egyptian pounds., The total unpaid fee for the development of the state's financial resources is estimated at 26 798 Thousand Egyptian pounds.

*** The inventory impairment represented in spare parts and gear by 46 246 Thousand Egyptian Pound, and finished goods by 412 thousand Egyptian Pound.

- The company refunded the reduction in inventory value of 8 749 million pounds, which included 7 922 million pounds for the replacement of unused machine parts, replaced by Sasip Italia, and a refund of 827 000 pounds for the complete production of Moassel sold.
- Production work in process inventory included 8.4 million pounds worth of goods by road that were unrivalled inside the company and held by others.

17- TRADE AND NOTES RECEIVABLE

	<u>30/6/2021</u>	<u>30/6/2020</u>
Trade receivables (foreign production)	249 161	204 352
Trade receivables (co-production) *	159 935	62 746
Foreign Trade receivables	211	--
Total	409 307	267 098

* The trade receivables foreign production and co-production will pay in the next month, although the company does not give credit in the domestic sales.

18- DEBTORS AND OTHER DEBIT BALANCES

	<u>Note</u>	<u>30/6/2021</u>	<u>30/6/2020</u>
Holding company debit balance*		567	502
Debtor Accounts to governmental Authorities	(18/1)	164 506	349 916
Accrued revenues	(18/2)	253 079	2 600
Prepaid expenses		12 954	3 800
Other debit balances	(18/3)	71 574	100 147
Total		502 680	456 965
Less impairment in debtors		14 404	11 853
Net		488 276	445 112

* The due of the holding company was collected in 4/7/2021

18/1 Debtor Accounts to governmental Authorities

	<u>30/6/2021</u>	<u>30/6/2020</u>
VAT tax authority	148 266	282 587
Custom authority	501	36
Debit balance for other Governmental Authorities	15 739	67 293
	164 506	349 916

Accounts receivable with other authorities include the following:

- 8 233 Thousand Egyptian pounds for Customs Department, Drupak Tobacco.
- 2 231 Thousand Egyptian pounds for sales paid on return goods.
- 1 135 Thousand Egyptian pounds for sales tax paid on investment goods
- 4 041 Thousand Egyptian pounds for Ministry of Finance - imported sales tax.
- 99 Thousand Egyptian Pounds others.

18/2 Accrued revenues

	<u>30/6/2021</u>	<u>30/6/2020</u>
Accrued export incentives	724	832
Securities accrued income	250 911	709
Debit rents accrued	772	550
Miscellaneous income accrued	672	509
Total	253 079	2 600

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED JUNE 30, 2021
(Amounts expressed in Thousands of Egyptian Pounds)

18/3 Other debit balances:

	<u>30/6/2021</u>	<u>30/6/2020</u>
Guarantees for others	10 980	10 795
Employees loans	12 320	11 027
Other debit balances *	48 274	78 325
Total	71 574	100 147

* The other debit balance includes the follows:

	<u>Amount</u> <u>EGP</u>
The State Company for Paper Industry (Racta)	25 651
Stock for others joint production (Viceroy / pal mal)	3 442
Forfeited merchandise belongs to the company, fines due to the company, and foreign dues (Misr International Hospital), as well as travel allowances abroad	7 373
The treasury of the Rusafa factory, which is registered with Misdemeanor No. 4900/2016.	3 255
Insurance claims under settlement and for cars	2 156
The mosque deposit, and it has a charge in other credit accounts of the same value.	684

19- TRADE PAYABLES - ADVANCE PAYMENTS

	<u>30/6/2021</u>	<u>30/6/2020</u>
Public sector suppliers	111 347	2 198
Private sector suppliers	13 041	40 296
Public sector services suppliers	4 982	5 004
Total	129 370	47 498

20- TREASURY BILLS / FINANCIAL INVESTMENTS

	<u>Thousand pounds</u>
Treasury bills investments	3 823 130
Investment of investment deposits*	377 790
	4 200 920

* An amount of 55 million Egyptian pounds was recovered in 12/7/2021 from Investment of investment deposits.

21- CASH AND CASH Equivalent

	<u>30/6/2021</u>	<u>30/6/2020</u>
Banks current accounts	1 041 434	7 419 268
Cash on hand	22 170	19 166
Total	1 063 604	7 438 434

22- 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.

The Capital Structure as of 31/3/2021 as follow:

<u>Company name</u>	<u>Shares number</u>	<u>Percentage</u>
The holding company for Chemical industries	1 136 250 000	50.50%
Employees associations	138 135 692	6.14%
Treasury bills	21 652 710	0.96%
Free trading	953 961 598	42.40%
Total	2 250 000 000	100.00%

- On 29/5/2018 the Extra-ordinary General Assembly increased the company's 'issued and paid capital from 1.5 Billion Egyptian Pounds to 2.25 Billion Egyptian Pounds (with total increasing amount of 750 Million Egyptian Pounds) divided to 450 million shares as nominal shares amounted to five Egyptian Pound per share financed from the legal reserves and other reserves appeared in financial statements for the financial year ended on 30/6/2017, and the securities committee issued a decision to approve this increase on 1/8/2018.
- The nominal share was divided by percentage of 1:5 to be one Egyptian Pound instead of five Egyptian Pounds with keeping the company's' capital as it is amounted to 2.25 Billion Egyptian Pounds to be divided to 2.25 Billion Shares, and the necessary approval has been obtained from the concerned authorities according to the decision of the extra-ordinary general assembly for the Eastern company which held on 29/8/2018.
- In 25/3/2021, the Union of Shareholders Workers of the Eastern Company "Eastern Company" purchased 100,000 shares of the shares of the Eastern Company, bringing the number of shares owned by it to 138 135 692 shares with a contribution rate of 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 28/7/2020, decided to extend the completion of the purchase of treasury shares, provided that the purchase process starts on 29/7/2020 and ends on 28/10/2020, and the Board of Directors decided on 24/11/2020 as well. By extending the completion of the purchase of treasury shares from 25/11/2020 until 24/2/2021 until the full quantity is implemented, and what has been purchased has reached until 30/11/2020, 52 303 418 shares, or 2.324% of the company's shares.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED JUNE 30, 2021
(Amounts expressed in Thousands of Egyptian Pounds)

- The company's board of directors decided, in its session held on January 27, 2021, to stop the purchase of treasury shares, and the company's board of directors decided in its passing session held on 3/3/2021 to approve the sale of treasury shares owned by the company and purchased during the period from 24/3/2020 until 31/5/2020, of which there are 35 382 492 shares, at the market price on the day of execution.
- On 3/3/2021 the Board of Directors decided has been completed, as 30,650,708 shares were sold out of a total of 35,382,492 shares.
- The number of treasury stock that have been purchased for more than a year without being disposed of is 4,731,784 shares that the company could not sell during the sale notification period ending on May 6, 2021.
- The company's board of directors decided in its session No. (12) for the year 2021 held on June 29, 2021, to approve the execution of 20 million shares of the company's treasury shares, and thus the issued and paid-in capital will be reduced from 2,250 billion Egyptian pounds to 2.230 billion.
- The Board authorized the Chairman of the Board of Directors to invite the Ordinary General Assembly to discuss reducing the capital through the execution of 20 million treasury shares and the amendment of Articles 6 and 7 of the company's articles of association.

23- RESERVES

	<u>30/6/2021</u>	<u>30/6/2020</u>
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
Total	4 176 665	4 176 665

The balance of the issued and paid-up capital and reserves retained earnings in June 30, 2021, amounted to 8 018 833 Thousand Egyptian pounds. The following is the movement of capital accounts, reserves and retained earnings: -

	<u>Thousand Egyptian Pounds</u>			
	<u>Balance as of 1/7/2020</u>	<u>Additions</u>	<u>Exclusions</u>	<u>Balance as of 30/6/2021</u>
Issued and paid-up 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)	172 983	--	(259 360)
Retained earnings	1 567 139	426 233	54 824	1 938 548
Reserve for revaluation investment	--	(87 020)	--	(87 020)
Total	7 561 461	512 196	54 824	8 018 833

* The purchase of shares are approximately 30 650 708 Thousand.

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.

24- TREASURY STOCKS

The total bought treasury stocks is 52 303 418 share amounted 626 500 043 EGP with average price 11.98 EGP/share during the period from March 24, 2020 till November 30, 2020, and reduce share 30 650 708 with amounted 367 139 867 EGP from the shares sale during the period from March 24, 2021 till May 6, 2021.

25- RETAINED EARNINGS

The charge on retained earnings during the financial period from 1/7/2020 till 30/6/2021 amounted to 426 233 Thousand pounds, which is the adjustments of previous years expenses and previous year's revenues and 54 458 Thousand pounds which is a deferred taxes in accordance with Egyptian Accounting Standard No. (5) accounting policies changes in Accounting Estimates and Errors.

26- RESERVE FOR INVESTMENT AVAILABLE FOR SALE

This account represents differences in recognition of the fair value of financial investments available for sale through other comprehensive income.

27- DEFERRED TAX

	<u>2021/6/30</u>	<u>30/6/2020</u>
Deferred tax liabilities	(464 506)	(411 822)
Deferred tax assets	329 016	201 624
Net tax (liabilities) / Assets	135 490	210 198

- 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.

28- EMPLOYEE BENEFITS

- According to the actuarial expert study the total employee benefits amounted to 528 782 thousand Egyptian Pounds represent the end of service for the permanent employees of the company as of 30/6/2021.
- The expected value of the employees to be retired within the financial year 2020/2021 amounted to EGP 60 307 thousand pounds, are recorded in short term liabilities and the remaining balance in the long term liabilities.
- The company assigned the actuary / Marwa Hisham Salah El-Din Zaki - companion of the Actuarial Experts Association in the United States of America to assess the obligations of the end-of-service grant, and the actuarial study ended with:
- The company pays the end-of-service to the employees at the end of their service, where the employee will receive two months' wages for each working year at the company, which is calculated on the basis of the last basic wage at the end of the service date with a maximum of 200 thousand Egyptian pounds.
- This grant is due at the end of the employee service for one of the following reasons:
 - 1- Reaching the legal age of retirement.
 - 2- Early retirement cases for those who over 55 years old.
 - 3-Partial or total service disability.
 - 4- Case of death during service.

The company will finance the amount of the grant due completely, at the employee end of service.

- The company's data was reviewed by the actuary to ensure the reasonableness and consistency of the data, on the basis of which actuarial study was conducted, in order to ensure that:
- The absence of any rights that are not available in the data or are illogical.
- The reasonableness of the dates of birth and dates of employment by ensuring that the age of the worker at the time of employment and upon evaluation is limited to the age limits accepted by the Labor Law.
- The reasonableness of salaries values.
- Summary of the company's employees' statistics:

<u>Item</u>	
Number of employees	12,872
Average of age	43,54
Average of wage	1,154
Average periods of previous service	16,643

The guidelines and requirements of the study performed according to Egyptian Accounting Standard No. (38) employee benefits, where unbiased actuarial assumptions were used that are consistent with the experience of the Egyptian market, taking into account the company's actual experience and what is expected in the future.

The method used for estimation:

Defined benefit obligation which is the present value of the expected future payments required to settle the obligation resulting from the employee's service in the current and prior periods.

The current service cost which is the increase in the present value of the defined benefit obligations resulting from the employee's service in the current period.

The interest cost of the obligation which is the increase during the year to the present value of the obligation as a result of the approaching settlement period.

Actuarial assumptions used in the estimation:

The study was conducted using the following actuarial bases:

1- The life table used: A double decrement table was used, where 130% of the 52/49A death table was used to represent the probabilities of death and disability, and a standardized resignation rate of 0.05% was used to represent the probabilities of resignation and termination of the contract.

2- Discount rate used: 11.5% annually.

3- The pay scale rate: 10%.

The provision to be set aside by the company to meet future end-of-service benefits obligations has been estimated as follows:

<u>Custom defined benefits</u>	<u>30/6/2021</u>
Custom contract benefits	475 087 099
Provision for death and disability benefits	51 448 715
Provision for Resignation Benefits - Early Pension	2 246 461
Total provision for the year	528 782 275

Sensitivity analysis on 30/6/2021:

This part shows the extent to which the value of the end-of-service benefit obligation is affected by the event of a change in actuarial assumptions:

<u>Assumption</u>	<u>Liability</u>	<u>Percentage</u>
Without changing the assumptions	528 782 275	--
0.5% Increase in discount rate	511 630 075	%3.2-
0.5% Decrease in discount rate	547 092 646	%3.5
0.5% Increase in pay scale rate	542 122 057	%2.5
0.5% Decrease in pay scale rate	515 220 975	%2.6-
10% increase in death rate	533 618 100	%0.91
10% Decrease death rate	523 893 927	%0.92-
10% increase in resignation rate	528 989 162	%0.04
10% Decrease resignation rate	528 575 259	%0.04-

29- PROVISIONS:

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

• Movement of provisions:

	Thousand Egyptian Pounds			
	<u>Balance as of 1/7/2020</u>	<u>Provided</u>	<u>No longer needed/used</u>	<u>Balance as of 30/6/2021</u>
Provision of disputed taxes *	209 238	763 000	--	972 238
Provision of legal claims **	173 707	41	(15 140)	158 608
Provision of contingent liabilities	262 000	--	(262 000)	--
Provision of early pension ***	--	500 000	--	500 000
Total	<u>644 945</u>	<u>1 263 041</u>	<u>(277 140)</u>	<u>1 630 846</u>

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

** The provision of legal claims, salaries, and other: the company's lawyer prepared lists from his point of view according to the prospect liabilities and the value of used provision equal 15 140 Thousand pounds

*** Early pension obligations provision: It was formed to meet early pension obligations.

30- TRADE AND NOTES PAYABLES

	<u>30/6/2021</u>	<u>30/6/2020</u>
Trade payables (public sector)	75 326	48 616
Trade payables (private sector)	167 339	149 899
Foreign Trade payables	453 373	172 136
Notes Payable *	--	41 965
Total	<u>696 038</u>	<u>412 616</u>

* 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.

31- CREDITORS AND OTHER CREDIT BALANCES

		<u>30/6/2021</u>	<u>30/6/2020</u>
Governmental authorities current account	(31/1)	4 561 648	5 673 729
Dividends payable		2 398	3 540 634
Accrued expenses	(31/2)	601 596	628 899
Other credit balances	(31/3)	470 598	513 994
Total		<u>5 636 240</u>	<u>10 357 256</u>

31/1 Governmental authorities credit accounts

	<u>30/6/2021</u>	<u>30/6/2020</u>
VAT tax authority	4 468 254	5 606 129
Health insurance contribution	42 451	37 325
General Tax Authority (withheld from others at source)	21 957	4 621
Property tax authority	1 119	1 018
National organization for social insurance	27 867	24 636
Total	<u>4 561 648</u>	<u>5 673 729</u>

31/2 Accrued expenses

* 601 596 Thousand Egyptian Pounds representing accrued expenses for employees and other.

31/3 Other credit balances

	<u>30/6/2021</u>	<u>30/6/2020</u>
Deposits from others	61 707	55 517
Fixed assets supplies	34 513	53 296
Creditors amounts deducted from employees	7 774	7 748
Deferred revenue related to gifted fixed assets*	99 259	118 975
Sums set aside for the benefit of workers – social** services	193 783	216 006
Other***	73 562	62 452
Total	<u>470 598</u>	<u>513 994</u>

* Credit balances include deferred revenue.

94 163 thousand Egyptian pounds, pertaining to the net gifted fixed assets.

5 096 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 show how to distribute what it exceeds total yearly basic salary from profit on services 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 by benefit.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED JUNE 30, 2021
(Amounts expressed in Thousands of Egyptian Pounds)

*** Includes other credit balances.

12 371 Egyptian pounds for the company's Social Solidarity Committee, of which 10 697 Egyptian pounds are treasury bills and their benefits, which due at the end of November 2021.

6 234 Pertaining to the union workers shareholders.

14 049 EGP Thousand under the account of selling the plot of land at 41 Abu Darda Street - Laban Division.

15 979 Egyptian pounds for joint production stocks (target / LD).

6 279 thousand Pounds for marketing expenses due and others.

684 thousand pounds for the deposit of the mosque.

32- TRADE RECEIVABLES - ADVANCE PAYMENTS

	<u>30/6/2021</u>	<u>30/6/2020</u>
Receivables - other credit balances	128 799	156 267
Receivables credit balances - scrap	2 005	270
Total	130 804	156 537

*** 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 150 002 Thousand Egyptian Pounds.

*** THE INCOME STATEMENT:**

The cost of revenues includes an amounted 48 013 Thousand Egyptian Pounds related to the depreciation of finance leased assets (for the financial year from 1/7/2020 till 30/6/2021), in addition to an amount of 2 539 Thousand Egyptian Pounds as maintenance expenses (spare parts) related to the leased assets. Also, the income statement does not include any expenses related to investment property, except for the depreciation of investment property, as there are no maintenance expenses or any other likes, and no income is generated from these investments until the date of preparing the financial statements.

33- SALES REVENUE

	<u>30/6/2021</u>	<u>30/6/2020</u>
Net sales	13 659 595	11 956 465
Revenue of operation for other	2 362 517	2 508 330
Total	16 022 112	14 464 795

34- COST OF GOODS SOLD

	<u>30/6/2021</u>	<u>30/6/2020</u>
Raw Materials	6 700 582	6 028 934
Depreciation and amortization	543 161	518 563
Wages	2 025 250	1 803 391
Maintenance	165 943	138 453
Miscellaneous service expenses	72 083	50 844
Insurance expenses	29 214	26 061
Decline in inventory value	1 736	205
Decreased value in inventory	--	70 000
Refund the value of the decrease in inventory	(8 749)	(637)
Change in stock	(316 943)	--
Others	39 925	65 773
Total	<u>9 252 202</u>	<u>8 701 587</u>

35- OTHER INCOME

	<u>30/6/2021</u>	<u>30/6/2020</u>
Gain from materials sales	138	197
Other miscellaneous income*	41 454	30 297
Other miscellaneous income investment property	--	1 297
Gain from scrap sales	7 626	7 685
Rents income	1 439	2 020
Credit compensation	1 095	351
Capital profit**	24 314	1 134
No-longer provisions	56 035	16 530
Grants and subsidies ***	1 021	1 259
Total	<u>133 122</u>	<u>60 770</u>

* The miscellaneous revenues include an amount of 19 774 Thousand Egyptian Pound relevant to gifted assets.

** The capital revenues relevant which is amounted to 24 314 Thousand Egyptian Pounds

*** The other revenues include grants and subsidies for the time period from 1/7/2020 till 30/6/2021. Also, the comparative period which has been transferred from operating revenue to other revenue item.

36- SALE AND DISTRIBUTION EXPENSES

	<u>30/6/2021</u>	<u>30/6/2020</u>
Salaries	454 327	404 929
Depreciation and amortization	4 863	4 101
Maintenances	2 136	3 249
Miscellaneous service expenses	4 879	5 834
Insurance expenses	3 952	2 258
Marketing expenses	66 183	47 337
Discount permitted	132 934	133 120
Full production transfer	23 121	22 125
Other	34 898	32 736
Total	<u>727 293</u>	<u>655 689</u>

37- GENERAL AND ADMINISTRATIVE EXPENSES

	<u>30/6/2021</u>	<u>30/6/2020</u>
Salaries	167 169	162 398
Depreciation and amortization	17 259	20 160
Maintenances	259	237
Miscellaneous service expenses	47 243	45 866
Other	18 518	7 098
Total	<u>250 448</u>	<u>235 759</u>

The miscellaneous service expenses include amount of 42 452 thousand Egyptian Pound contribution insurance for the financial year from 1/7/2020 ended in 30/6/2021.

38- OTHER EXPENSES

	<u>30/6/2021</u>	<u>30/6/2020</u>
Donations for other	25 060	19 592
Capital loss	3	--
Unusual losses	41 784	20 226
Provision for potential liabilities	--	262 000
Assignment of doubtful debts	3 128	5 972
Disputed tax assignment	501 000	--
Allocate early pension obligations	500 000	--
End grant allocation service for disability and death	--	41 476
Impairment's loss	920	10 916
Compensation and fines	4 141	4
Total	<u>1 076 036</u>	<u>360 186</u>

39- NET FINANCING COST/ REVENUE

	<u>30/6/2021</u>	<u>30/6/2020</u>
Credit interest	357 611	415 582
Gains revaluation differences on foreign currencies	11 550	82 487
Total finance revenue	369 161	498 069
Bank interest and bank expenses	(11 972)	(10 634)
(Losses) revaluation differences on foreign currencies	(71 339)	(111 327)
Total finance expenses	(83 311)	(121 961)
Net finance /Income	285 850	376 108

40- OTHER FINANCIAL INVESTMENTS REVENUE

Revenue from other financial investments includes an amount of 233 549 Thousand Egyptian pounds related to the returns of treasury bills, as well as an amount of 272 760 Thousand Egyptian pounds related to bond returns, and an amount of 15 366 Thousand Egyptian pounds related to the return on dollar bonds, and an amount of 1 148 Thousand Egyptian pounds related to investment documents, as well as 723 Thousand Egyptian pounds related to government bond returns.

41- TAX EXPENSES

- The income tax in the income statement on 30/6/2021 was amounted to 1 482 369 Thousand Egyptian Pounds.
- The deferred tax in income statement on 30/6/2021 was amounted to 103 902 Thousand Egyptian Pounds according the following:

	<u>Thousand Egyptian Pounds</u>
Deferred tax assets	102 129
Deferred tax liabilities	1 773
Total	103 902

The average actual tax rate is 24%.

42- EARNINGS PER SHARE

	<u>Unit</u>	<u>30/6/2021</u>	<u>30/6/2020</u>
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	3 867 392	3 415 278
Weighted average number of common shares	Thousand shares	2 208 438	2 241 641
Portion per share in net profit	Egyptian Pounds	1,75	1,52

- 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 1 063 604 Thousand Egyptian Pounds are as following:

	<u>30/6/2021</u>	<u>30/6/2020</u>
Banks accounts	1 041 434	7 419 268
Cash on hand	22 170	19 166
Cash balance	1 063 604	7 438 434

- The credit facilities which available to be used in future amounted to 7 320 Million Egyptian Pounds.

44- CONTRACTUAL COMMITMENTS

- Contractual commitments are 6 gauges for box cellophane welding, 3 gauges for weight and drag resistance of the filter, 9 gauges for weight and diameter, 6 hygrometers for cigarettes and smoke density, and 1 new gas burner unit for the Boiler Roots Factory valued at 1,365 Thousand Sterling Pounds.
- 4 smoke hygrometers, ovens, 2 sifting devices, 1 diameter measuring device, 1 drag resistance measuring device, 3 filling capacity measuring devices, and 6 mouth stability measuring devices, with a value of 485 Thousand Euros.

45- COMPARATIVE FIGURES

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

46- SUBSEQUENT EVENT AFTER THE FINANCIAL STATEMENT DATE

The Board of Directors of the company decided at its meeting held on 26 August 2021 to approve the application of the early pension system, and the company has hired an actuarial expert to assess the estimated cost of the early pension system proposed by the company and expected to be implemented from 1/10/2021, where this cost amounted to about 1,495 million pounds

47- OTHER DATA

47/1 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.

47/2 Insurance:

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

a. Political violence Certificate/document:

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

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. Breach of trust the carrier's Certificate/document

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

e. the elevators Certificate/document

- Cover the civil responsibility result from operation.

f. Cash transportation Certificate/document:

- To cover risks of fire, property, and cash transfer (treasurer, teller, armed robbery). Alternatively, the person transferring the money could be threatened with a gun and vandalism.

g. Breach of trust Certificate/document:

- covers the owners of the covenant in cash and in kind in the company from the material losses that befall it or its property because of a threatening accident or embezzlement committed by the insured workers.

h. Lifts Certificate/document:

- Life insurance for workers to cover the risk of death from any cause

i. Personnel accident violence Certificat/document:

- Covers the risks that the company's employees are exposed to over 24 hours because of an accident and the resulting cases (death, total and partial disability).

47/3 Environmental responsibility:

- According to the Eastern company's continued efforts to achieve protecting environment and preserving the common health and as a commitment by the company to apply the environmental requirements of Environment Law No. 4 for the year of 94 and it's amendments and executive regulations through implementing and maintaining the internal environment in its factories and the external environment surrounding the company in the purpose of achieving sustainable compatibility of its environmental conditions, these points are representing in some projects as following:
 - The company has established and implemented the integrated industrial complex in the industrial zone at the City of 6th October to include all its locations. This procedure is 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 6th October with total capacity of 610 m³/day and the company got the environmental approval for energy raising up to be 1220 m³/day. Installations and the station are currently in the testing phase to start operation.
- The company has also implemented a project of central air conditioning operating by natural gas to one of its factories to avoid the impact of thermal stress knowing that there is no raise in the temperature of the working environment as a result of various industrial processes more than allowed rates according to the executive decisions and regulations, through the monitoring carried out at the facility.
- The company established a central station for collecting the manufacturing process outputs resulting from the company's production activities. Some items are sold and others are recycled in industries. Compost production from unusable dust of tobacco 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 13 350 m³ in the industrial complex of the company in the City of 6th October, the company has also planted green areas and windbreaks and ornamental plants inside the industrial complex zone , and that with the implementation of the construction requirements and green spaces in the general plan for the industrial complex approved by the Urban Communities Authority as well as green areas around the eastern side of the industrial complex.
- The soiled thinner is recovered and reused by an organic solvent separator. The soiled thinner is recovered and reused by an organic solvent separator machine.
- 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.

48- SIGNIFICANT EVENT

- 48/1** - The impact of the spread of the new Coronavirus (Covid 19) on the economy and global markets continues, as world governments, including the Egyptian government, companies, and individuals, have taken all measures to prevent the spread of the virus and protect the health of their societies as much as possible.
- The health and safety of all workers, their families, clients, and their families was and remains the top priority company while ensuring the continuity of work to fulfill obligations, especially towards shareholders. With this global pandemic.
 - Despite belief that the spread of the virus represents a great challenge at present, this allowed to excel, as the strength of our financial position and its high liquidity support us exceptionally during that crisis, but most importantly is our belief that our credibility and our tremendous record of strong performance are the most difficult the times and our focus on the client's needs during the crisis is what distinguishes us in those times in particular.
 - From our point, we can see that there is no material impact on the current economic situation of the company (its financial position, business results, and cash flows).
 - We work in a sector characterized by very strong demand, which has proven its resilience in the face of historical and current challenges, and in light of our current knowledge and available information, there is no impact of the emerging (Covid-19) virus on the company's ability to continue in the foreseeable future.
- 48/2** Based on the company's leading role in the consumer products market and the large volume of dealings it represents and guided by its leadership role in implementing the financial inclusion system, with all segments of merchants obtaining appropriate financial services, and from this standpoint, a cooperation protocol was signed with the National Bank of Egypt, a leader in the field of support automation of payments This is to seek to provide mechanisms for payment and collection through electronic mechanisms to support the culture of financial inclusion.
- 48/3** The company's board of directors approved, in its session held on 27/1/2021, the renewal of the manufacturing and printing contracts with Philip Morris on the same terms and conditions previously agreed upon.
- 48/4** The Egyptian government announced the terms of reference for the new license to manufacture cigarettes for the domestic and global markets on March 21, 2021.
- 49.** On 18/3/2019, the Minister of Investment and International Cooperation amended some provisions of the Egyptian accounting standards issued by the Minister of Investment's Decree No. 110 of 2015, which includes some new accounting standards and an amendment to some of the existing standards and because of the current conditions that the country is going through due to the outbreak of the new Coronavirus. As explained in detail in clarification No. (1-43), the Egyptian government has implemented some preventive measures to counter the spread of the virus, including reducing working hours and temporarily stopping some activities, including aviation and tourism activities. As a result, private companies

have also applied different preventive measures from one company to another. According to the activity, the number of employees, the work location, and other considerations, these procedures included imposing restrictions on the number and period of the presence of human resources in the companies, which led to some companies delaying the procedures for fully implementing the new Egyptian accounting standards package on the effective date of those standards which is January 1, 2020. Due to these circumstances, the Higher Committee for the Review of Egyptian Standards and Egyptian Standards for Review and Limited Examination and other assurance tasks agreed to a defer Iyer New Egyptian Accounting Amendments accompanying it to Resolution No. (69) of 2019 on the annual financial statements of these companies at the end of 2020, And the combined effect was included by the end of 2020. Consequently, the company did not apply these standards to the periodic financial statements for the nine-month period ending on March 31, 2021, and for standards (47), (48), (49) the application of these amendments was postponed to begin on January 1, 2021 in accordance with Prime Minister Decision No. (1871) For the year 2020.

however, a statement was issued by the Financial Supervisory Authority on May 9, 2021, permitting the postponement of the accounting impact of the application of Standard No. (47) for financial instruments in the periodic financial statements until no later than the date of preparing the financial statements at the end of 2021 with the inclusion of the combined accounting effect for the whole:

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED JUNE 30, 2021
(Amounts expressed in Thousands of Egyptian Pounds)

<u>New or Amended Standards</u>	<u>A Summary of the Most Significant Amendments</u>	<u>The Possible Impact on the Financial Statements</u>	<u>Date of Implementation</u>
Egyptian Accounting Standard No. (47) "Financial Instrument"	<p>1- The new Egyptian Accounting Standard No. (47), "Financial Instruments", supersedes the corresponding related issues included in the Egyptian Accounting Standard No. (26), "Financial Instruments: Recognition and Measurement". Accordingly, Egyptian Accounting Standard No. 26 was amended and reissued after cancelling the paragraphs pertaining to the issues addressed in the new standard No. (47) and the scope of the amended standard No. (26) was specified and intended to deal only with limited cases of hedge accounting according to the choice of the enterprise.</p> <p>2- Pursuant to the requirements of the Standard, financial assets are classified based on their subsequent measurement whether at amortized cost, or fair value through other comprehensive income or at fair value through profit or loss, in accordance with the enterprise business model for managing financial assets and the contractual cash flow characteristics of the financial asset.</p> <p>3- When measuring the impairment of financial assets, the Incurred Loss Model is replaced by the Expected Credit Loss (ECL) Models, which requires measuring the impairment of all financial assets measured at amortized cost and financial instruments measured at fair value through other comprehensive income from their initial recognition date regardless of whether there is any indication of the occurrence of loss event.</p> <p>4- Based on the requirements of this standard the following standard were amended:</p> <ul style="list-style-type: none"> - Egyptian Accounting Standard No. (1) "Presentation of Financial Statements" as amended in 2019 - Egyptian Accounting Standard No. (4) "Statements of Cash Flows" - Egyptian Accounting Standard No. (25) "Financial Instruments: Presentation" - Egyptian Accounting Standard No. (26) "Financial Instruments: Recognition and Measurement" - Egyptian Accounting Standard No. (40) "Financial Instruments: Disclosures" 	No impact on the financial statements.	This standard applies to financial periods beginning on or after January 1 st , 2020, and the early adoption is permitted; provided that the amended Egyptian Accounting Standards Nos. (1), (25), (26) and (40) are to be simultaneously applied. These amendments are effective as of the date of implementing Standard No. (47).
Egyptian Accounting Standard No. (48) "Revenue from Contracts with Customers"	<p>1- The new Egyptian Accounting Standard No. (48) "Revenue from Contracts with Customers" shall supersede the following standards and accordingly such standards shall be deemed null and void.</p> <ul style="list-style-type: none"> a- Egyptian Accounting Standard No. (8) "Construction Contracts" as amended in 2015. b- Egyptian Accounting Standard No. (11) "Revenue" as amended in 2015. <p>2- For revenue recognition, Control Model is used instead of Risk and Rewards Model.</p> <p>3- Incremental costs of obtaining a contract with a customer are recognized as an asset if the enterprise expects to recover those costs and the costs of fulfilling the contract are to be recognized as an asset when certain conditions are met.</p> <p>4- The standard requires that contract must have a commercial substance in order for revenue to be recognized.</p> <p>5- Expanding in the presentation and disclosure requirements.</p>	No impact on the financial statements.	Standard No (48) applies to financial periods beginning on or after January 1 st , 2020, and the early adoption is permitted.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED JUNE 30, 2021
(Amounts expressed in Thousands of Egyptian Pounds)

<p>Egyptian Accounting Standard No. (49) "Lease Contracts"</p>	<p>1- The new Egyptian Accounting Standard No. (49) "Lease Contracts" shall supersede and revoke Standard No. (20), "Accounting Rules and Standards Related to Financial Leasing" issued in 2015.</p> <p>2- The Standard introduces a single accounting model for the lessor and the lessee where the lessee recognizes the right-of-use of the leased asset as part of the company's assets and recognizes a liability that represents the present value of the unpaid lease payments under the company's liabilities, taking into consideration that the lease contracts are not classified in respect of the lessee as operating or finance lease contracts.</p> <p>3- As for the lessor, he shall classify each lease contract either as an operating lease or a finance lease contract.</p> <p>4- As for the finance lease, the lessor must recognize the assets held under a finance lease contract in the Statement of Financial Position and present them as amounts receivable with an amount equivalent to the amount of the net investment in the lease contract.</p> <p>5- As for the operating leases, the lessor must recognize the lease payments of operating lease contracts as income either based on the straight-line method or based on any other regular basis.</p>	<p>The Management is currently assessing the potential impact of implementing the amendment of the standard on the financial statements.</p>	<p>This Standard No. (49) applies to financial periods beginning on or after January 1st, 2020, and the early adoption is permitted if Egyptian Accounting Standard No. (48) "Revenue from Contracts with Customers" is simultaneously applied.</p> <p>Except for the above-mentioned date of enforcement, Standard No. (49) applies to lease contract that were subject to Finance Lease Law No. 95 of 1995 and its amendments and were treated according to Egyptian Accounting Standard No.20, "Accounting Rules and Standards related to Financial Leasing" as well as the finance lease contracts that arise under and are subject to Law No. 176 of 2018, regulating both financial leasing and factoring activities, starting from the beginning of the annual reporting period in which Law No. 95 of 1995 was cancelled and Law No. 176 of 2018 was issued.</p>
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NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED JUNE 30, 2021
(Amounts expressed in Thousands of Egyptian Pounds)

<u>New or Amended Standards</u>	<u>A Summary of the Most Significant Amendments</u>	<u>The Possible Impact on the Financial Statements</u>	<u>Date of Implementation</u>
Egyptian accounting standards no.34 (Real estate investment)	<p>- The choice of using the fair value model for all institutions is cancelled at the later measurement for its real estate investment and just committed to the cost model.</p> <p>In addition to that only the real estate investment funds will be able to use the fair value model for all its real estate assets.</p> <p>Because of that amendment, The following were also modified:</p> <p>1- The Egyptian accounting standards no.32 (Non - current assets) which are reserved for sale and non-continuous process.</p> <p>2- Egyptian accounting standards no.31 (Asset's impairment)</p>	There is no affect on the financial statements currently.	The real estate investment cost model was applied.
Egyptian Accounting Standard No. (4) "Statement of Cash Flows"	This standard requires the entity to provide disclosures that enable users of the financial statements to assess changes in liabilities arising from finance activities, including both changes arising from cash flows or non-cash flows.	No impact on the financial statements.	The amendment shall apply to financial periods beginning on or after January 1 st , 2019.

50. The company has contracted with an actuarial expert to estimate the amount for the early pension system.

- The actuarial expert study has shown that there is a commitment with an amount 1.4 Billion Egyptian pounds.
- Regarding the actuarial expert studs, it was recommended in the future to do actuarial estimations related to the early pension system for the years 2022 and 2023 to assure that the allowance will cover this commitment.
- As the study has shown that there are 3 Groups as the following:

Allowance Defined Benefits	<u>Egyptian Pound</u>
Total allowance required (first group)	649 461 818
Total allowance required (second group)	384 635 286
Total allowance required (third group)	461 807 514
Total allowance for the three groups	<u>1 495 904 618</u>

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General Manager / Final accounts and financial statements

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

(Mr./ Tarek Sharaf Elden Barakat)
Chief Financial Officer

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