

MOSTAFA SHAWKI

EASTERN COMPANY (S.A.E)

FINANCIAL STATEMENTS  
TOGETHER WITH LIMITED REVIEW REPORT  
FOR THE FINANCIAL PERIOD ENDED MARCH 31, 2022

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*Translation of Limited Review Report*  
*Originally Issued in Arabic*

**Limited Review Report**

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

**Introduction**

We have reviewed the accompanying financial position of Eastern Company (S.A.E) as of March 31, 2022 and the related statements of income, other comprehensive income, changes in shareholders' equity and cash flows for the financial period ended March 31, 2022 and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of these interim financial information in accordance with Egyptian Accounting Standards. Our responsibility is to express a conclusion on this interim financial information based on our review.

**Limited review scope**

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

**Basis for Qualified Conclusion**

- The company's management presented a study from the actuarial expert to study the provision for early pension. The study stated that the provision required to be provided amounted to 1.4 billion Egyptian pounds, while what was recorded in the company's books amounted to 1.1 billion Egyptian pounds on March 31, 2022 which contradict of both Egyptian accounting standards (28) Provisions, Contingent Liabilities, Contingent Assets and Standard (38) Employee Benefits (Note 29,46).
- The company's management did not study and prepare the expected credit losses forms for financial assets subject for impairment in value as of March 31, 2022, to be in compliance with the new amendments of the Egyptian Accounting Standard No. 47 Financial Instruments, the company is in the process of contracting with an expert to prepare these forms and study their potential impact on the company's financial assets.

**Qualified Conclusion**

Based on our review, except for the effects of the matters described in the basis for qualified conclusion paragraph, nothing has come to our attention that causes us to believe that the accompanying financial statements do not present fairly, in all material respects, the financial position of Eastern Company (S.A.E) as of March 31, 2022, and its financial performance and cash flows for the period then ended in accordance with the Egyptian Accounting Standard No. (30) for preparing and presentation of financial statements.

**Cairo: May 30, 2022**

**Auditor**

Dr. Ahmed Shawki  
**Mazars Mostafa Shawki**





**EASTERN COMPANY (S.A.E)**  
**PERIODIC STATEMENT OF FINANCIAL POSITION**  
**AS AT MARCH 31, 2022**

(Amounts expressed in Thousands of Egyptian Pounds)

	<u>Notes</u>	<u>31/3/2022</u>	<u>30/6/2021</u>
<b><u>ASSETS</u></b>			
<b><u>Non - Current Assets</u></b>			
Property, plant, and equipment	(8)	4 659 542	4 984 748
Projects in progress	(9)	448 564	448 045
Investment's property	(10)	129 116	129 749
Intangible assets	(11)	2 021	2 999
Financial assets measured at fair value through other comprehensive income	(12)	6 597 711	5 332 441
Other financial assets	(13)	20 668	20 668
Right of use leased assets	(14)	237 678	273 688
Other assets	(15)	24 571	25 654
Deferred tax assets	(27)	36 885	--
<b>Total Non- Current Assets</b>		<b>12 156 756</b>	<b>11 217 992</b>
<b><u>Current assets</u></b>			
Inventories	(16)	4 016 910	4 325 387
Trade and notes receivables	(17)	141 100	409 307
Debtors and other debit balances	(18)	757 025	488 276
Profit and loss /Trade payables - advance payments	(19)	27 123	129 370
Financial assets measured at fair value through other comprehensive income	(20)	4 934 661	4 200 920
Cash and cash equivalent	(21)	1 108 388	1 063 604
<b>Total Current Assets</b>		<b>10 985 207</b>	<b>10 616 864</b>
<b>Total Assets</b>		<b>23 141 963</b>	<b>21 834 856</b>
<b><u>Equity</u></b>			
Issued and paid-up capital	(22)	2 250 000	2 250 000
Reserves	(23)	4 414 988	4 414 988
Treasury stock	(24)	(239 564)	(259 360)
Retained earning	(25)	1 959 597	1 975 280
Net profit for the period		4 251 957	--
Financial assets revaluation reserve	(26)	(212 312)	(87 020)
<b>Total equity</b>		<b>12 424 666</b>	<b>8 293 888</b>
<b><u>Non - Current Liabilities</u></b>			
Deferred tax liability	(27)	--	135 490
Employees benefits delegation	(28)	468 475	468 475
<b>Total Non-Current liabilities</b>		<b>468 475</b>	<b>603 965</b>
<b><u>Current Liabilities</u></b>			
Provisions	(29)	2 268 400	1 630 846
Trade and notes payables	(30)	622 786	696 038
Creditors and other credit balances	(31)	6 569 163	9 641 369
Trade receivables - advance payments	(32)	61 382	130 804
Employees benefits delegation	(28)	21 751	60 307
Current income tax payable		705 340	777 639
<b>Total current liabilities</b>		<b>10 248 822</b>	<b>12 937 003</b>
<b>Total liabilities</b>		<b>10 717 297</b>	<b>13 540 968</b>
<b>Total of equity and liabilities</b>		<b>23 141 963</b>	<b>21 834 856</b>

- The accompanying notes (from No. 1 to No. 49) 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./ Tamer Mossy)  
Executive Managing for finance affairs

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

**EASTERN COMPANY (S.A.E)**  
**PERIODIC STATEMENT OF INCOME**  
**FOR THE FINANCIAL PERIOD FROM JULY 1, 2021 TO MARCH 31, 2022**  
(Amounts expressed in Thousands of Egyptian Pounds)

	<b>Notes</b>	<b><u>For nine months ended</u></b>		<b><u>For three months ended</u></b>	
		<b><u>31/3/2022</u></b>	<b><u>31/3/2021</u></b>	<b><u>31/3/2022</u></b>	<b><u>31/3/2021</u></b>
Sales/Revenue	(33)	12 781 184	12 147 538	4 248 134	3 981 874
Cost of goods sold	(34)	(7 062 221)	(7 007 741)	(2 395 274)	(2 283 829)
<b>Gross profit</b>		<b><u>5 718 963</u></b>	<b><u>5 139 797</u></b>	<b><u>1 852 860</u></b>	<b><u>1 698 045</u></b>
Other income	(35)	44 346	88 752	13 950	48 953
Sale and distribution expenses	(36)	(555 773)	(518 111)	(201 359)	(176 012)
General and administrative expenses	(37)	(211 179)	(187 491)	(62 270)	(68 355)
Other expenses	(38)	(842 781)	(28 253)	(378 619)	(19 398)
<b>Result of operation activities</b>		<b><u>4 153 576</u></b>	<b><u>4 494 694</u></b>	<b><u>1 224 562</u></b>	<b><u>1 483 233</u></b>
Financing cost / income	(39)	156 998	277 721	120 777	36 199
Other financial investments revenue	(40)	1 143 077	233 863	326 985	205 016
<b>Profit before tax</b>		<b><u>5 453 651</u></b>	<b><u>5 006 278</u></b>	<b><u>1 672 324</u></b>	<b><u>1 724 448</u></b>
Income tax expenses	(41)	(1 201 694)	(1 117 068)	(341 142)	(373 690)
<b>Profit from continued operations</b>		<b><u>4 251 957</u></b>	<b><u>3 889 210</u></b>	<b><u>1 331 182</u></b>	<b><u>1 350 758</u></b>
<b>Profit from not continued operations</b>		<b><u>--</u></b>	<b><u>--</u></b>	<b><u>--</u></b>	<b><u>--</u></b>
<b>Profit of the period</b>		<b><u>4 251 957</u></b>	<b><u>3 889 210</u></b>	<b><u>1 331 182</u></b>	<b><u>1 350 758</u></b>
<b>Earnings per share</b>	(42)	<b><u>1.76</u></b>	<b><u>1.63</u></b>	<b><u>0.55</u></b>	<b><u>0.56</u></b>

- The accompanying notes (from No. 1 to No. 49) are an integral part of these financial statements and read therewith.

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General Manager / Final  
accounts and financial statements

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Mohamed)  
Chief of the financial sector

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Chief Financial Officer

(Mr./ Tamer Mossy)  
Executive Managing for finance affairs

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

**EASTERN COMPANY (S.A.E)**  
**PERIODIC STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE FINANCIAL PERIOD FROM JULY 1, 2021 TO MARCH 31, 2022**  
(Amounts expressed in Thousands of Egyptian Pounds)

	<b><u>For nine months ended</u></b>		<b><u>For three months ended</u></b>	
	<b><u>31/3/2022</u></b>	<b><u>31/3/2021</u></b>	<b><u>31/3/2022</u></b>	<b><u>31/3/2022</u></b>
<b>Net profit of the period</b>	<b>4 251 957</b>	<b>3 889 210</b>	<b>1 331 182</b>	<b>1 350 758</b>
Other Comprehensive Income	--	--	--	--
Loss of financial assets revaluation through other comprehensive income	(161 667)	--	(199 069)	--
Financial investments available for sale	--	--	--	--
Cash flow hedges	--	--	--	--
Re-measurements of defined benefit pension plans	--	--	--	--
Company share of other comprehensive income from associates	--	--	--	--
Tax relating to other comprehensive income items	36 375	--	44 790	--
<b>Total other Comprehensive Income of the period after deduct tax</b>	<b>(125 292)</b>	<b>--</b>	<b>(154 279)</b>	<b>--</b>
<b>Total Comprehensive Income of the period</b>	<b><u>4 126 665</u></b>	<b><u>3 889 210</u></b>	<b><u>1 176 903</u></b>	<b><u>1 350 758</u></b>

- The accompanying notes (from No. 1 to No. 49) 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./ Tamer Mossy)  
Executive Managing for finance affairs

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



**EASTERN COMPANY (S.A.E.)**  
**PERIODIC STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**  
**FOR THE FINANCIAL PERIOD FROM JULY 1, 2021 TO MARCH 31, 2022**

(Amounts expressed in Thousands of Egyptian Pounds)

	Issued and Paid up capital	Legal reserve	Statutory reserve	Capital reserve	Other reserves	Total reserves	Treasury stocks	Retained earnings	Net profit of the year	Reserve for remeasurement of investment available for sale	Total equity
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
Purchasing Treasury stocks	--	--	--	--	--	--	(194 157)	--	--	--	(194 157)
Selling Treasury stocks sale	--	--	--	--	--	--	137 702	8 128	--	--	145 830
Adjustments	--	--	--	--	--	--	--	5 304	--	--	5 304
Net profit for the period from 1/7/2020 till 31/3/2021	--	--	--	--	--	--	--	--	3 889 210	--	3 889 210
Balance as of 31/3/2021	2 250 000	991 495	1 673 498	550 815	960 857	4 176 665	(488 798)	1 580 571	3 889 210	--	11 407 648
Balance as of July 1, 2021	2 250 000	1 205 504	1 673 498	575 129	960 857	4 414 988	(259 360)	1 970 280	--	(87 020)	8 293 888
Purchasing Treasury stocks	--	--	--	--	--	--	19 796	(817)	--	--	18 979
Adjustments	--	--	--	--	--	--	--	(14 866)	--	--	(14 866)
Net profit for the period from 1/7/2021 till 31/3/2022	--	--	--	--	--	--	--	--	4 251 957	--	4 251 957
Other comprehensive income	--	--	--	--	--	--	--	--	--	(125 292)	(125 292)
Balance as of 31/3/2022	2 250 000	1 205 504	1 673 498	575 129	960 857	4 414 988	(239 564)	1 959 597	4 251 957	(212 312)	12 424 666

- The accompanying notes (from No. 1 to No. 49) 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./ Tamer Mossy) Executive Managing for finance affairs	(Mr./ Hany Aman) Managing Director and Chief Executive Officer	

**EASTERN COMPANY (S.A.E)**  
**PERIODIC STATEMENT OF CASH FLOW**  
**FOR THE FINANCIAL PERIOD FROM JULY 1, 2021 TO MARCH 31, 2022**  
(Amounts expressed in Thousands of Egyptian Pounds)

Total	Subtotal	Notes no.	Item	As of 31/3/2021
			<b><u>Cash flows from operating activities</u></b>	
	48 741 738		Cash sales and receivables collection	45 369 399
	(3 954 171)		Cash purchases and payments to suppliers	(3 426 769)
	(1 744 803)		Paid salaries	(1 537 664)
	2 846 520		Operating income for others and other revenues	1 989 472
	71 761		Interest collected	321 175
	(34 922)		Interest Paid	(1 240)
	(39 737 443)		Tax and fees paid	(37 750 654)
	834		Export subsidy / Grants and Subsidies	686
	1 088		Insurance claims collected	3 423
	--		Notes payable	(41 965)
	(12 281)		Other payments	(7 002)
6 178 321			(1) Net Cash flows from operating activities	4 918 861
	(96 674)		<b><u>Second: Cash flows from investment activities</u></b>	
	--		Disbursement for purchasing fixed assets (projects under construction)	(81 196)
	(43 437 337)		Proceeds from sales of fixed assets	370
	(7 320 751)		Treasury Bills purchased	(7 390 718)
	(270 765)		Bonds purchased	(5 535 824)
	42 547 279		Purchase investments in investments documents	(373 000)
	5 950 019		Treasury Bills Sales	5 767 089
	425 948		Bonds Sales	62 119
			Sales investments in investments documents	--
(2 202 281)			(2) Net Cash flows from investment activities	(7 551 160)
	(3 956 212)		<b><u>Third: Cash flows from financing activities</u></b>	
	--		Dividends paid	(3 541 439)
	19 796		Treasury shares purchased	(94 156)
			Treasury shares Sales	62 119
(3 936 416)			(3) Net Cash flows from finance activities	(3 673 476)
5 160			(4) foreign currency exchange differences losses and gain	(46 481)
44 784			Net cash from 1/7/2021 to 31/3/2022	(6 414 375)
1 063 604			Cash balance as of 1/7/2021	7 438 434
1 108 388		(43)	Cash and cash equivalent at the end of the year	1 024 059

- The accompanying notes (from No. 1 to No. 49) are an integral part of these financial statements and read therewith.

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

(Mr./ Tamer Mossy)  
Executive Managing for finance affairs

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

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



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

**EASTERN COMPANY (S.A.E)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AS OF MARCH 31, 2022**

**1- COMPANY**

**1.1 Company's commercial name:**

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

**1.2 Establish date and location:**

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

**1.3 Purpose**

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

**1.4 Main shareholders**

The Holding Company for Chemical Industries owner of 50.5% from the company's shares as at 31/3/2022.

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

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

**1.6 Company duration:**

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

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

The financial statements have been approved by the board of directors on 26/5/2022.

**1.8 Company's financial year:**

- From 1/7/2021 till 31/3/2022.
- 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 Judgment:**

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

**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.

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

#### **3/2/1 Subsequent 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 Investments 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 productive life of each item of investment property. Land is not depreciated, and the useful life of properties is estimated at 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 at fair value through comprehensive income:**

- Financial investments at fair value through comprehensive income 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 Other financial investments:**

- 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 Financial investments at fair value through profits and losses:**

- 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%, 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 or net residual cost which is less and the raw materials consumptions are evaluated based on weighted average cost.
- Inventories of non-finished goods are stated at cost till the last production stage.
- Inventories of finished goods are stated at lower of cost or net realizable value.
- The company follow the continuing count method.
- The inventories of Tobacco leaf materials are sufficient for around 4.9 months.
- The inventories balance of finished goods is sufficient to meet the market needs for 9.31 days.
- The raw materials inventory includes Tobacco leaf in customs warehouses amounted to 839 million Egyptian pounds and the due customs duties must be paid upon receipt from these warehouses.

**3/8 Cash on hand and at banks:**

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

**3/9 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 are 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. Share-Based Payments:**

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

#### **c. Defined Contribution Plans:**

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

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

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

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

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

### **3/14 Borrowing Cost:**

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

### **3/15 Revenue:**

#### **a. The Egyptian accounting standard no.(48)-Revenue from contracts with customers:**

- The Egyptian Accounting standard No.(48) Revenue from contracts with clients has been applied which replaced the accounting standards no.(11) and no.(8)
- Revenue recognition:

Revenue is recognized on the basis of Five-step model as defined in the Egyptian accounting standard No.(48) as follows:

- **Step (1):** identify contract(s) with customers. Contract is defined as agreement between two or more parties that creates enforceable rights and obligations and specifies the criteria that must be fulfilled in each contract.
- **Step (2):** identify separate performance obligations in the contract. Performance obligation is a promise in a contract with a customer to transfer to the customer either good or service
- **Step (3):** Determine the transaction Price  
The transaction price is the amount of consideration to which an entity expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties
- **Step (4):** Allocation of transaction price to distinct performance obligations in the contract for the contracts which has more than performance obligation. The company will allocate the transaction price to each performance obligation to a specific amount in exchange for the contract that the company expects to obtain in exchange for fulfilling each performance obligation
- **Step (5):** Recognize revenues when the company satisfies the performance obligations

#### **b. Credit Interest Revenue:**

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



**3/16 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 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.

**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:

#### Company contingent liabilities

#### Amounts in Thousands of Egyptian Pounds

letters of guarantee relevant to Cairo and Alexandria customs	289 794
Letter of credits	1 833 579
<b>Total</b>	<b>2 123 373</b>

## 4- FINANCIAL RISK MANAGMENT

### 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 financial deposits in case that liquidity is not available to the other party, and therefore its inability to pay these balances and fulfill its agreed obligations
- The company management to control credit risk deals with reputable financial institution with high credit and stable rating.

### 4/2 Liquidity Risk:

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

### 4/3 Market Risk:

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

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

#### **The Foreign currencies balances as of March 31, 2022: (In thousands)**

	<u>Assets</u>	<u>Liabilities</u>	<u>Net value</u>
Dollars	4 185	99 301	(95 116)
Euro	47	20 562	(20 515)
Sterling pound	4	1 255	(1 251)
Swiss Franc	5	--	5



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

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

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

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

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

- The Holding Company for Chemical Industries hold 50.5% from company's shares as of 31/3/2022.
- Related parties are treated on the same basis as others.
- The company during the period from 1/7/2021 till 31/3/2022 has incurred salaries, allowances, and bonuses for members of the high management and the company's board of directors.
- 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- FINANCIAL INSTRUMENTS:**

- The company applied the Egyptian Accounting Standard No.(47) financial instruments, and in light of the way of applying the change in the accounting policies chosen by the company in applying this standard, the differences resulting from the application of this standard referred to "if any" within the Retained earnings and the comparative information included in these financial statements was not modified to reflect the requirements of the new standards.

##### **6/1 Accounting standard No.(47) - Financial instruments:**

Standard No.(47) contains main classifications to financial assets:

- Measurement at amortized cost
- Fair value through comprehensive income
- Fair value through profits and losses

And the classification of the financial assets under accounting standard no.(47) is based to the business model in which the financial assets management and the characteristics of the contractual cash flow takes place



The Egyptian accounting standard no.(47) omit the previous items of the Egyptian accounting standard no.(26) from investments held to maturity, loans and receivables and available- for -sale financial assets

The Egyptian accounting standard no.(47) Keeps to a large extent the current requirements in the standard no.(26) for measurement and classification the financial liabilities

The application of the Egyptian accounting standards no.(47) doesn't have a significant effect on the accounting policies related to the financial liabilities and derivative financial assets

## **6/2 Impairment of financial assets:**

Egyptian Accounting Standard No. (47) replaces the "incurred loss" model in Egyptian Accounting Standard No. (26) with the "expected credit loss" ECL model. The new impairment model is applied to financial assets measured at amortized cost, contractual assets and investments in debt instruments measured at fair value through Other comprehensive income, but not on investments in equity instruments under Egyptian Accounting Standard No. (47), credit losses are recognized earlier than in Egyptian Accounting Standard No. (26), for assets that fall within the scope of the impairment model contained in Egyptian Accounting Standard No. (47) It is expected that impairment losses will increase in general and become more volatile.

## **6/3 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. And the implementation procedures are underway in cooperation with the governor of Cairo	12
A judgment was issued in Case No. 3650 Civilians, College of Giza, on December 25, 2019, and to date, the judgment has not been implemented And the implementation procedures are underway in cooperation with the governor of Giza	42
<b>Total</b>	<b>54</b>

## **7- TAX POSITION**

### **7/1 Corporate Tax:**

- The company was inspected till the financial year 2014/2015.
- The company has received for years 2015, 2016 form no. (19) income tax and appealed on legal due date.
- The financial year 2016, 2017, 2018, 2019 and 2020 is under inspection.

**7/2 Stamp duty fees:**

- The company was inspected from 1/7/2016 till 30/6/2020 and was received form no. (19) stamp and appealed on legal due date.

**7/3 Payroll Tax:**

- The company was inspected till the financial year 2012 and there are no due requirements from the company.
- For the years 2013, 2014, 2015 the company received Form No. (38) and it was appealed and these years are being re-examined
- For the year 2016, a salary form (38) was received and appealed on legal due date
- The financial year 2017, 2018 and 2019 is under inspection

**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, 2015/2016 and 2016/2017 were inspected and were examined and form (15) was received. It was appealed to the Appeal Committee The years of 2017, 2018 and 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 2021
- The claims received for the year 2022 have been paid to date

## 8- PROPERTY, PLANT AND EQUIPMENT

(Amounts expressed in Thousands of Egyptian Pounds)

	<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>
<b>Fixed assets movement statement:</b>							
<b>Cost as of 1/7/2020</b>	<b>302 033</b>	<b>3 535 897</b>	<b>5 670 787</b>	<b>357 221</b>	<b>166 631</b>	<b>858 514</b>	<b>10 891 083</b>
Transfers	--	--	2 414	--	(2 414)	--	--
Additions during the period	--	69 428	341 350	7 260	1 291	23 314	442 643
Transferred to real estate investments	103 515	42 025	--	3 965	--	21 178	170 683
Disposals and transfers during the period	3	10 191	381 925	4 993	4	17	397 133
<b>Total Cost as of 30/6/2021</b>	<b>198 515</b>	<b>3 553 109</b>	<b>5 632 626</b>	<b>355 523</b>	<b>165 504</b>	<b>860 633</b>	<b>10 765 910</b>
<b>Cost as of 1/7/2021</b>	<b>198 515</b>	<b>3 553 109</b>	<b>5 632 626</b>	<b>355 523</b>	<b>165 504</b>	<b>860 633</b>	<b>10 765 910</b>
Transfers	--	--	--	--	--	--	--
Additions during the period	--	86	32 283	1 259	10 607	80 262	124 497
Transferred to real estate investments	--	--	--	--	--	--	--
Disposals and transfers during the period	--	--	--	1	--	123	124
<b>Total Cost as of 31/3/2022</b>	<b>198 515</b>	<b>3 553 195</b>	<b>5 664 909</b>	<b>356 781</b>	<b>176 111</b>	<b>940 772</b>	<b>10 890 283</b>
<b>Accumulated depreciation and impairments movement:</b>							
<b>Accumulated depreciation as of 1/7/2020</b>	--	867 261	3 671 852	297 073	154 762	663 272	5 654 220
Transfers	--	--	2 414	--	(2 414)	--	--
Additions during the period	--	94 558	386 439	16 238	4 510	70 799	572 544
Transferred to real estate investments	--	24 250	--	3 965	--	21 178	49 393
Disposals and transfers during the period	--	2 277	381 925	4 993	4	16	389 215
Impairment of fixed assets	--	262	658	--	--	--	920
Disposals impairment provision	--	7 914	--	--	--	--	7 914
<b>Accumulated depreciation and impairment as of 30/6/2021</b>	--	<b>927 640</b>	<b>3 679 438</b>	<b>304 353</b>	<b>156 854</b>	<b>712 877</b>	<b>5 781 162</b>
<b>Accumulated depreciation as of 1/7/2021</b>	--	<b>927 640</b>	<b>3 679 438</b>	<b>304 353</b>	<b>156 854</b>	<b>712 877</b>	<b>5 781 162</b>
Transfers	--	--	--	--	--	--	--
Additions during the period	--	68 601	285 943	11 007	3 635	80 508	449 694
Disposals and transfers during the period	--	--	--	1	--	114	115
Impairment of fixed assets	--	--	--	--	--	--	--
Disposals impairment provision	--	--	--	--	--	--	--
<b>Accumulated depreciation and impairment as of 31/3/2022</b>	--	<b>996 241</b>	<b>3 965 381</b>	<b>315 359</b>	<b>160 489</b>	<b>793 271</b>	<b>6 230 741</b>
<b>Property, plant and equipment assets of 30/6/2021</b>	<b>198 515</b>	<b>2 625 469</b>	<b>1 953 188</b>	<b>51 170</b>	<b>8 650</b>	<b>147 756</b>	<b>4 984 748</b>
<b>Property, plant and equipment assets of 31/3/2022</b>	<b>198 515</b>	<b>2 556 954</b>	<b>1 699 528</b>	<b>41 422</b>	<b>15 622</b>	<b>147 501</b>	<b>4 659 542</b>



An amount of 97 550 Thousand pound 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 930Thousand 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

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 as of March 31, 2022 is 2 734 498 Thousand Egyptian Pounds include:
- \* Fully depreciated property, plant and equipment still in use amounted to 2 190 553 Thousand Egyptian Pounds (including machines and equipment amounted to 1 472 335 Thousand Egyptian Pounds)
- \* Fully carried depreciated fixed assets and others under scrap process amounted to 331 501 Thousand Egyptian Pounds.
- \* The fixed assets are including approximately 82 852 Thousand Egyptian Pounds representing net donated assets as following:

<b><u>Donated Assets</u></b>	<b><u>Amounts expressed in Thousands of Egyptian Pounds</u></b>
Production's machinery	81 582
Production Utilities, equipment of Services	164
Vehicles	3
Furniture	1 103
<b>Total</b>	<b>82 852</b>

- \* Deduct amount 6 667 Thousand Egyptian Pounds from Machines and, equipment which represent impairment in line in Talbieh.
- \* 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.
- The financial leasing contracts were treated by the Egyptian Accounting Standard no. (49) according to the Amended Accounting Standards for the year of 2019, This amended standard applied for the leasing contracts which were under the finance leasing law no. 95 for the year of 1995 and its amendments, these contracts were treated by the Egyptian Accounting Standard no. (20) which was stating that "the accounting rules and standards related to process of the finance leasing" and the finance leasing contracts which established under the law of organizing the finance leasing and the factoring activities no. 176 for the year of 2018 starting from the beginning of the annual report time period which in the law no. 95 for 1995 was canceled and instead of the law no. (176) for 2018 was issued.
- A contract was signed with QNB Al-Ahly Company for Financial Leasing to sell and rent some machines with total cost of (398 324 153 Egyptian Pounds) by changing interest rate (average price of corridor + 1.2%) on 28/6/2012 for 6 years in addition to two years as an extra years, after that time period the total rental amount should be paid for 72 months
- 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 UNDER CONSTRUCTION**

	<b><u>In thousands</u></b>	
	<b><u>31/3/2022</u></b>	<b><u>30/6/2021</u></b>
Investments provided	429 164	404 484
Investment spending	19 400	43 561
<b>Total</b>	<b><u>448 564</u></b>	<b><u>448 045</u></b>

### **9.1 Projects investment provided includes:**

	<b><u>31/3/2022</u></b>	<b><u>30/6/2021</u></b>
Buildings	1 622	1 101
Machines	325 265	293 129
Vehicles	8 690	9 348
Office equipment and installations	93 587	100 906
<b>Total</b>	<b><u>429 164</u></b>	<b><u>404 484</u></b>



**9.2 Investments spending include:**

	<u>31/3/2022</u>	<u>30/6/2021</u>
Advance payments fixed assets	3 026	33 436
Goods in transit - fixed assets	4 287	--
LCs of fixed assets	12 087	10 125
<b>Total</b>	<b>19 400</b>	<b>43 561</b>

**10- INVESTMENTS PROPERTY**

The net investments property on March 31, 2022 amounted to 129 116 Thousand Egyptian pounds. The following is the movement of investments property during the period:

<b>Cost as of 1.7.2020</b>	<b>9 303</b>
Transfer from assets	170 684
<b>Cost as of 30.6.2021</b>	<b>179 987</b>
<b>Less</b>	
<b><u>Transfer accumulated depreciation fixed assets as of 30.6.2021</u></b>	<b>49 394</b>
Depreciation during the period	844
<b>Net book value as of 30.6.2021</b>	<b>129 749</b>
 <b>Cost as of 1.7.2021</b>	 <b>129 749</b>
Depreciation during the period	633
<b>Net book value as of 31.3.2022</b>	<b>129 116</b>

**The items of investments property represented as follows:**

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
<b>Total</b>	<b>179 987</b>

- 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 14 049 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**

	<b><u>31/3/2022</u></b>	<b><u>30/6/2021</u></b>
Computes' program and H.R software license update	37 113	37 113
Amortization	(34 743)	(33 765)
Refunded Sales tax	(349)	(349)
<b>Net</b>	<b><u>2 021</u></b>	<b><u>2 999</u></b>

### **Amortization statement as follows:**

	<b><u>31/3/2022</u></b>	<b><u>30/6/2021</u></b>
Beginning balance	2 999	1 674
Additions	--	3 359
Amortization	(978)	(2 034)
<b>Ending balance</b>	<b><u>2 021</u></b>	<b><u>2 999</u></b>

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



## **12- FINANCIAL AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME**

	<b><u>30/3/2022</u></b>	<b><u>30/6/2021</u></b>
Investments in bonds	5 584 513	4 482 055
Investments in dollars bonds	1 287 149	962 670
Less impairment in securities*	(273 951)	(112 284)
<b>Net</b>	<b><u>6 597 711</u></b>	<b><u>5 332 441</u></b>

\* 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 revenues from investments calculated using actual interest, profit and losses results from revaluation of foreign currencies and the amortization related to these investments are recorded in the income statement. 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- OTHER FINANCIAL ASSETS:**

	<b><u>31/3/2022</u></b>	<b><u>30/6/2021</u></b>
Deposit in the Central Bank of Egypt invested in government bonds*	20 663	20 663
Investments in other companies shares	5	5
Investments in foreign securities**	23	23
<b>Total</b>	<b><u>20 691</u></b>	<b><u>20 691</u></b>
Less impairment in securities	23	23
<b>Net</b>	<b><u>20 668</u></b>	<b><u>20 668</u></b>

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

\*\* Investments in foreign securities

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

	<b><u>31/3/2022</u></b>	<b><u>30/6/2021</u></b>
Right of use leased assets	507 561	507 561
Accumulated depreciation right of use leased assets	(269 883)	(233 873)
<b>Net</b>	<b><u>237 678</u></b>	<b><u>273 688</u></b>

- 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**

	<b><u>31/3/2022</u></b>	<b><u>30/6/2021</u></b>
The company's contribution to the project of filling, improvement and coverage of the El Zomor Canal	571	654
Long term prepaid expense *	24 000	25 000
<b>Net</b>	<b><u>24 571</u></b>	<b><u>25 654</u></b>

\* The 24 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**

	<b><u>31/3/2022</u></b>	<b><u>30/6/2021</u></b>
Raw materials *	483 874	810 446
Raw materials (Tobacco leaf) under customs custody (unpaid custom yet) **	838 913	1 136 671
Fuel inventory	2 642	2 475
Spare parts	633 750	534 441
Packaging	1 399 941	1 351 607
Waste and scrap	6 825	739
Materials and spare parts under process storage	1 034	1 071
Production work in process	51 463	56 094
Finished goods	514 600	405 429
Consignment packing materials and spare parts	798	841
Goods in transit	15 360	5 929
Letter of Credit	115 716	66 302
<b>Total</b>	<b><u>4 064 916</u></b>	<b><u>4 372 045</u></b>
Less the impairment in inventory ***	48 006	46 658
<b>Net</b>	<b><u>4 016 910</u></b>	<b><u>4 325 387</u></b>

\* The raw materials stock as of 31/3/2022 includes items under inspection mixed materials with an amount 1 811 thousand Egyptian pounds, and Items under inspection (packaging materials) with an amount 35 823 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 405 908 thousand Egyptian pounds, and unpaid customs fees are estimated at 96 461 thousand Egyptian pounds. The total unpaid fee for the development of the state's financial resources is estimated at 21 295 thousand Egyptian pounds.

Production work in process included goods in transit (Visero minced smoke), smoke worth 5 347 thousand pounds and mixing worth 444 thousand pounds. The balance of refrigerators (International Cooling and Freezing) on 3/31/2022 for smoke and mixing stocks weighing 78 thousand kilograms

\*\*\* The inventory impairment represented in spare parts and gear by 47 594 thousand Egyptian Pound, and finished goods by 412 thousand Egyptian Pound



**17- TRADE AND NOTES RECEIVABLE**

	<b><u>31/3/2022</u></b>	<b><u>30/6/2021</u></b>
Trade receivables (foreign production)	122 439	249 161
Trade receivables (co-production*)	13 583	159 935
Foreign Trade receivables	5 478	211
Less: Trade receivables impairment	(400)	--
<b>Total</b>	<b><u>100 141</u></b>	<b><u>409 307</u></b>

\* 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**

	<b><u>31/3/2022</u></b>	<b><u>30/6/2021</u></b>
Holding company debit balance*	--	567
Debtor Accounts to governmental Authorities	203 559	164 506
Accrued revenues	437 576	253 079
Prepaid expenses	16 506	12 954
Other debit balances	114 502	71 574
<b>Total</b>	<b><u>772 143</u></b>	<b><u>502 680</u></b>
Less impairment in debtors	(15 118)	(14 404)
<b>Net</b>	<b><u>757 025</u></b>	<b><u>488 276</u></b>

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

**18/1 Debtor Accounts to governmental Authorities**

	<b><u>31/3/2022</u></b>	<b><u>30/6/2021</u></b>
VAT tax authority	184 482	148 266
Custom authority	1 241	501
Debit balance for other governmental authorities	17 836	15 739
	<b><u>203 559</u></b>	<b><u>164 506</u></b>

Accounts receivable with other authorities include the following:

- 7 687 Thousand Egyptian pounds for Customs Department, Drupak Tobacco.
- 2 231 Thousand Egyptian pounds for sales paid on returned goods
- 592 Thousand Egyptian pounds for sales tax paid on investment goods
- 7 227 Thousand Egyptian pounds for Ministry of Finance - imported sales tax.
- 99 Thousand Egyptian Pounds others.

**18/2 Accrued revenues**

	<u>31/3/2022</u>	<u>30/6/2021</u>
Accrued export incentives	375	724
Securities accrued income	436 223	250 911
Debit rents accrued	364	772
Miscellaneous income accrued	614	672
<b>Total</b>	<b>437 576</b>	<b>253 079</b>

**18/3 Other debit balances:**

	<u>31/3/2022</u>	<u>30/6/2021</u>
Guarantees for others	11 018	10 980
Employees loans	10 256	12 320
Other debit balances *	93 228	48 274
<b>Total</b>	<b>114 502</b>	<b>71 574</b>

\* The other debit balance includes the follows:

	<u>Amount</u> <u>EGP</u>
El Shrouk Hospital and El Nile badrawy Hospital	26 008
Stock for others joint production (Viceroy / pal mal)	7 962
Forfeited merchandise belongs to the company, fines due to the company, as well as travel allowances abroad	9 839
The treasury of the Rusafa factory, which is registered with Misdemeanor No. 4900/2016.	3 255
Insurance claims under settlement and for cars	3 875
The mosque deposit, and it has a charge in other credit accounts of the same value.	563

**19- TRADE PAYABLES - ADVANCE PAYMENTS**

	<u>31/3/2022</u>	<u>30/6/2021</u>
Public sector suppliers	3 482	111 347
Private sector suppliers	18 449	13 041
Public sector services suppliers	5 192	4 982
<b>Total</b>	<b>27 123</b>	<b>129 370</b>

**20- FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSSES:**

	<u>31/3/2022</u>	<u>30/6/2021</u>
Treasury bills investments	4 713 896	3 823 130
Investment of investment deposits	220 765	377 790
<b>Total</b>	<b>4 934 661</b>	<b>4 200 920</b>



## **21- CASH ON HAND AND AT BANKS**

	<b><u>31/3/2022</u></b>	<b><u>30/6/2021</u></b>
Banks current accounts	1 087 677	1 041 434
Cash on hand	20 711	22 170
<b>Total</b>	<b><u>1 108 388</u></b>	<b><u>1 063 604</u></b>

## **22- ISSUED AND PAID-IN 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 31/3/2022 as follow:**

<b><u>Company name</u></b>	<b><u>Shares number</u></b>	<b><u>Percentage</u></b>
The holding company for Chemical industries	1 136 250	50.5%
Employees associations	138 135 692	6.14%
Treasury bills	20 000 000	0.89%
Free trading	955 614 308	42.47%
<b>Total</b>	<b><u>2 250 000 000</u></b>	<b><u>100.00%</u></b>

- On 29/5/2018 the Extra-ordinary General Assembly increased the company's issued and paid capital from 1.5 Billion Egyptian Pounds to 2.25 Billion Egyptian Pounds (with total increasing amount of 750 Million Egyptian Pounds) divided to 450 million shares as nominal shares amounted to five Egyptian Pound per share financed from the legal reserves and other reserves appeared in financial statements for the financial year ended on 30/6/2017, and the securities committee issued a decision to approve this increase on 1/8/2018.
- The nominal share was divided by percentage of 1:5 to be one Egyptian Pound instead of five Egyptian Pounds with keeping the company's capital as it is amounted to 2.25 Billion Egyptian Pounds to be divided to 2.25 Billion Shares, and the necessary approval has been obtained from the concerned authorities according to the decision of the extra-ordinary general assembly for the Eastern company which held on 29/8/2018.
- The employee's association of the Eastern company has bought number of 100 000 shares from the Eastern company shares at March, 25 2021 so, the company's shares will be 138 135 692 shares by contributions percentage up to 6.14%.
- The company's board of directors which held on 19/3/2020 decided that buy of treasury stock up to a maximum of 3% of the company's shares traded on the stock exchange, the purchasing process will be during a month start from 23/3/2020 till 22/4/2020 and notifying the shareholders that not perform any operations on it, The board of directors also decided to seek the assistance from (CI Capital company and EFG company).

- The company's board of directors which held on 23/4/2020 approved to complete the purchase of treasury shares start from 28/4/2020 till 27/7/2020 to complete the aforementioned percentage 3% The company's board of directors, held on 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.
- The company's board of directors decided, in its session held on January 27, 2021, to stop the purchase of treasury stock, 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.
- The decision of the Board of Directors taken on 3/3/2021 has been completed, as 30 650 708 shares were sold out of a total of 35 382 492 shares.
- The number of treasury shares that had been purchased for more than a year without disposing of them reached 16 372 710 shares, the company did not sale it during the sale period ended 14/9/2021.
- On 11/11/2021 The extraordinary General approved to execution of 20 million shares of the company's treasury shares, and thus the issued and paid-in capital will after the reduction became 2,230 million pounds distributed over 2,230 million shares. Instead of 2,250 million shares, the amendment of Articles 7.6 of the company's articles of association, and approval by a majority to amend Article (22) of the company's articles of association by adding the cumulative vote to elect the members of the board of directors.

## **23- RESERVES**

	<b><u>31/3/2022</u></b>	<b><u>30/6/2021</u></b>
Legal reserve	1 205 504	1 205 504
Statutory reserve	1 673 498	1 673 498
Capital reserve	575 129	575 129
Reserve to be invested in governmental bonds	20 662	20 662
Reserve of profits estimated budget	940 170	940 170
Other reserves	25	25
<b>Total</b>	<b><u>4 414 988</u></b>	<b><u>4 414 988</u></b>

The balance of the issued and paid-up capital and reserves, retained earnings on March 31, 2022, amounted to 8 172 709 thousand Egyptian pounds. The following is the movement of capital accounts, reserves and retained earnings: -



	<b>Thousand Egyptian Pounds</b>			
	<b><u>Balance as</u></b>	<b><u>Additions</u></b>	<b><u>Exclusions</u></b>	<b><u>Balance as</u></b>
	<b><u>of 1/7/2021</u></b>			<b><u>of 31/3/2022</u></b>
Issued and paid-up share capital	2 250 000	--	--	2 250 000
Legal reserve	1 205 504	--	--	1 205 504
Regular /Statutory reserve	1 673 498	--	--	1 673 498
Capital reserve	575 129	--	--	575 129
Reserve to be invested in governmental bonds	20 662	--	--	20 662
Reserve of profit estimated budget	940 170	--	--	940 170
Other reserves	25	--	--	25
Treasury shares*	(259 360)	19 796	--	(239 564)
Retained earnings	1 975 280	--	(15 683)	1 959 597
Reserve for revaluation investment	(87 020)	28 987	(154 279)	(212 312)
<b>Total</b>	<b><u>8 293 888</u></b>	<b><u>48 783</u></b>	<b><u>(169 962)</u></b>	<b><u>8 172 709</u></b>

\* The purchase of approximately 20 000 thousand shares.

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

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

## **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 32 303 418 with amounted 385 820 664 EGP from the shares sale during the period from March 4, 2021 till November 3, 2021.

## **25- RETAINED EARNINGS**

The charge on retained earnings during the financial period from 1/7/2020 till 31/3/2022 amounted to 15 683 thousand pounds, which is the adjustments of previous years expenses and previous years revenues and sales treasury bills losses.

## **26- RESERVE FOR REVALUATION FINANCIAL INVESTMENT:**

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

## **27- DEFERRED TAX**

	<b><u>31/3/2022</u></b>	<b><u>30/6/2021</u></b>
Deferred tax liabilities	(469 995)	(464 506)
Deferred tax assets	506 880	329 016
<b>Net tax liabilities</b>	<b><u>36 885</u></b>	<b><u>(135 490)</u></b>

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

## **28- EMPLOYEE BENEFITS**

- The total employee benefits is representing an amount of 468 475 Thousand Egyptian Pounds which expressing the end of service grant for the permanent employees of the company on 31/3/2022. According to the valuation of the actuarial expert hired by the company
- The expected value of the end-of-service grant for graduates during the fiscal year 2020/2021, amounting to 41 674 thousand pounds, has been separated and included in current liabilities and the used 19 923 thousand pounds from the current and the rest has been included in 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 actuarial expert 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 fields that does not contain 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:**

**The Projected unit credit method was used to calculate the following main items:**

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:

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

**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:

<b><u>Assumption</u></b>	<b><u>Liability</u></b>	<b><u>Percentage</u></b>
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:**

	<u>Thousand Egyptian Pounds</u>			
	<u>Balance as of 1/7/2021</u>	<u>Provided</u>	<u>No longer needed/ used***</u>	<u>Balance as of 31/3/2022</u>
Provision of disputed taxes *	972 238	--	--	972 238
Provision of legal claims **	158 608	--	208	158 400
Provision of early pension ***	500 000	675 000	37 238	1 137 762
<b>Total</b>	<b>1 630 846</b>	<b>675 000</b>	<b>37 446</b>	<b>2 268 400</b>

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

\*\* The provision of legal claims, salaries, and other: the company's lawyer prepared cases lists from his point of view according to the prospect liabilities and the value of used provision equal 208 thousand pounds



\*\*\* Early pension obligations provision: It was formed to meet early pension obligations, The company's management signed a collective work agreement to allow an early retirement opportunity (Optional) employees of the Eastern Company in all its branches, which allows workers of all ages to apply for early retirement and benefit from the new benefits that were agreed upon between the company's management and representatives of the union committee for food industries and the union committee of the company, where the agreement allows the exit of nearly three thousand workers Of different ages, jobs and locations (optionally) after the approval of the company's management during the period from 3/15/2022 to 04/30/2022

### **30- TRADE AND NOTES PAYABLES**

	<b><u>31/3/2022</u></b>	<b><u>30/6/2021</u></b>
Trade payables (public sector)	37 668	75 326
Trade payables (private sector)	51 470	167 339
Foreign Trade payables	533 648	453 373
<b>Total</b>	<b><u>622 786</u></b>	<b><u>696 038</u></b>

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

	<b><u>31/3/2022</u></b>	<b><u>30/6/2021</u></b>
Governmental authorities current account	4 715 312	4 561 648
Dividends payable	468	4 007 527
Accrued expenses	543 524	601 596
Other credit balances	1 309 859	470 598
<b>Total</b>	<b><u>6 569 163</u></b>	<b><u>9 641 369</u></b>

#### **31/1 Governmental authorities credit accounts**

	<b><u>31/3/2022</u></b>	<b><u>30/6/2021</u></b>
VAT tax authority*	4 599 170	4 468 254
Health insurance contribution	35 102	42 451
General Tax Authority (salary tax-withheld from others at source)	48 406	21 957
Property tax authority	2 773	1 119
National organization for social insurance	29 861	27 867
<b>Total</b>	<b><u>4 715 312</u></b>	<b><u>4 561 648</u></b>

#### **31/2 Accrued expenses**

\* 543 524 Thousand Egyptian Pounds representing accrued expenses for employees and other.

**31/3 Other credit balances**

	<b>31/3/2022</b>	<b>30/6/2021</b>
Deposits from others	59 018	61 707
Fixed assets supplies	31 967	34 513
Creditors amounts deducted from employees	9 157	7 774
Deferred revenue related to gifted fixed assets*	85 651	99 259
Sums set aside for the benefit of workers - social services**	176 773	193 783
Other***	947 293	73 562
<b>Total</b>	<b>1 309 859</b>	<b>470 598</b>

\* Credit balances include deferred revenue.

82 852 thousand Egyptian pounds, pertaining to the net gifted fixed assets.

2 799 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.

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

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

\*\*\* Includes other credit balances.

560 000 thousand Egyptian pounds due to Tax Authority paid on 31/3/2022 and adjustment these amount in company's bank account on 3/4/2022.

14 973 thousand Egyptian pounds for the social solidarity committee of the company and 11 711 represent in treasury bills and its interest, It expires its maturity at the end of November 2022



14 049 EGP thousand under the account of selling the plot of land at 41 Abu Darda Street - Laban Division  
19 859 Egyptian pounds for joint production stocks (target / LD)  
315 785 thousand pounds for marketing expenses due and others  
563 thousand pounds for the deposit of the mosque

### **32- TRADE RECEIVABLES - ADVANCE PAYMENTS**

	<b><u>31/3/2022</u></b>	<b><u>30/6/2021</u></b>
Receivables - other credit balances	60 494	128 799
Receivables credit balances - scrap	888	2 005
<b>Total</b>	<b><u>61 382</u></b>	<b><u>130 804</u></b>

#### **\* 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 117 756 Thousand Egyptian Pounds.

#### **\* THE INCOME STATEMENT:**

The cost of revenues includes an amounted 36 010 Thousand Egyptian Pounds related to the depreciation of finance leased assets (for the financial year from 1/7/2020 till 31/3/2022), in addition to an amount of 1 801 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 or other expenses, and no income is generated from these investments until the date of preparing the financial statements.

### **33- SALES REVENUE**

	<b><u>31/3/2022</u></b>	<b><u>31/3/2021</u></b>
Net sales	11 196 912	10 395 909
Revenue of operation for other	1 584 272	1 751 629
<b>Total</b>	<b><u>12 781 184</u></b>	<b><u>12 147 538</u></b>

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

	<b><u>31/3/2022</u></b>	<b><u>31/3/2021</u></b>
Raw Materials	4 874 114	5 205 138
Depreciation and amortization	406 211	413 500
Wages	1 402 764	1 444 037
Maintenance	279 895	97 415
Miscellaneous service expenses	100 156	54 100
Insurance expenses	21 561	21 060
Loss of decrease in scrap value	184	--
Loss of decrease in material cost	937	224
Loss of decrease in inventory	(3 133)	--
Decline in inventory value	(104 540)	(278 863)
Others	84 072	51 130
<b>Total</b>	<b><u>7 062 221</u></b>	<b><u>7 007 741</u></b>

### **35- OTHER INCOME**

	<b><u>31/3/2022</u></b>	<b><u>31/3/2021</u></b>
Gain from materials sales	4 456	123
Other miscellaneous income*	22 091	20 054
Gain from scrap sales	9 868	3 852
Rents income	1 535	1 329
Credit compensation	323	657
Capital profit	5 588	22 376
No-longer provisions	--	39 500
Grants and subsidies ***	485	861
<b>Total</b>	<b><u>44 346</u></b>	<b><u>88 752</u></b>

\* The miscellaneous revenues include an amount of 13 607 Thousand Egyptian Pound relevant to gifted assets

\*\*\* The other income include grants and subsidies for the time period from 1/7/2021 till 31/3/2022. Also the comparative period which has been transferred from operating revenue to other revenue item.

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

	<b><u>31/3/2022</u></b>	<b><u>31/3/2021</u></b>
Salaries	318 928	304 659
Depreciation and amortization	3 516	4 055
Maintenances	596	1 415
Miscellaneous service expenses	3 932	3 488
Insurance expenses	3 070	2 974
Marketing expenses	24 989	51 185
Discount permitted	139 392	95 862
Finished goods transfer	21 265	17 575
Other	40 085	36 898
<b>Total</b>	<b><u>555 773</u></b>	<b><u>518 111</u></b>



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

	<b><u>31/3/2022</u></b>	<b><u>31/3/2021</u></b>
Salaries	132 210	119 831
Depreciation and amortization	12 639	12 697
Maintenances	103	209
Miscellaneous service expenses	42 847	35 274
Other	23 380	19 480
<b>Total</b>	<b><u>211 179</u></b>	<b><u>187 491</u></b>

- The general and administrative expenses includes amount of 35 102 for health contribution Thousand Egyptian Pound for the financial year from 1/7/2021 ended 31/3/2022.

### **38- OTHER EXPENSES**

	<b><u>31/3/2022</u></b>	<b><u>31/3/2021</u></b>
Donations for other	33 333	15 650
Extraordinary losses	117 268	8 928
Capital loss	--	3
Losses in the price of raw materials	--	--
Provision for potential liabilities	675 000	--
Provision for Allowance for doubtful accounts	714	2 399
Impairment provision - accounts receivable	400	--
Compensation and fines	16 066	1 273
<b>Total</b>	<b><u>842 781</u></b>	<b><u>28 253</u></b>

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

	<b><u>31/3/2022</u></b>	<b><u>31/3/2021</u></b>
Credit interest	72 333	321 176
Gains revaluation differences on foreign currencies	175 951	10 337
<b>Total finance revenue</b>	<b><u>248 284</u></b>	<b><u>331 513</u></b>
Bank interest and bank expenses	(37 244)	(3 158)
(Losses) revaluation differences on foreign currencies	(54 042)	(50 634)
<b>Total finance expenses</b>	<b><u>(91 286)</u></b>	<b><u>53 792</u></b>
<b>Net financing Revenue</b>	<b><u>156 998</u></b>	<b><u>277 721</u></b>

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

The other financial investments revenue includes 585 593 thousand Egyptian Pounds as a treasury bill return and 525 047 thousand Egyptian Pounds from treasury bonds revenue, and 12 645 thousand Egyptian Pounds from dollars bonds and 19 249 thousand Egyptian Pounds from investments bonds 543 thousand Egyptian Pounds for the return on government bonds.

#### 41- TAX EXPENSES

- The income tax in the income statement as of 31/3/2022 was amounted to 1 337 695 thousand Egyptian Pounds.
- The deferred tax in income statement as of 31/3/2022 was amounted to 136 001 thousand Egyptian Pounds according the following:

	<u>Thousand Egyptian Pounds</u>
Deferred tax liabilities	141 489
Deferred tax assets	5 488
<b>Total</b>	<b>136 001</b>

- The current tax average 24%

#### 42- EARNINGS PER SHARE

	<u>Unit</u>	<u>31/3/2022</u>	<u>30/6/2021</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	3 922 127	3 604 982
Weighted average number of common shares	Thousand shares	2 229 258	2 205 183
<b>Portion per share in net profit</b>	Egyptian Pounds	<b>1.76</b>	<b>1.63</b>

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

#### The Cash Flows Statement:

#### 43- CASH AND CASH EQUIVALENT

- The cash and cash equivalent balance amounted to 1 108 388 thousand Egyptian Pounds are as following:

	<u>31/3/2022</u>	<u>31/3/2021</u>
Banks accounts	1 087 677	1 001 682
Cash on hand	20 711	22 377
<b>Cash balance</b>	<b>1 108 388</b>	<b>1 024 059</b>

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

#### 44- CONTRACTUAL COMMITMENTS

Contractual commitments the cost of purchasing kits and models to raise the efficiency of the fockef5 cigarette filling machine, the cost of purchasing tools to raise the efficiency of the fockef5 cigarette filling machine, the cost of installation and operation, rehabilitation of modules to raise the efficiency of F5 carton packing machines, and technical support for the control system and repair of faults and Remote emergency for pmd1, pmd2, pmd3 preparation factories, the new naturalized line (Tamaj) in the industrial zone in the sixth of



October, and the cost of visiting a foreign expert to install spare parts, adjust and operate the expert cut 1061er machine, with a value of 188 thousand euros

- The spare parts for Laboratory equipment maintenance amounted 134 thousand Egyptian Pounds.

#### **45- COMPARATIVE FIGURES**

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

#### **46- EARLY PENSION SYSTEM**

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. **All industrial hazards and political violence Certificate/document:**
- To cover all risks based on 7mI certificate Including machine breakdown, loss of revenue, burglary, theft using violence (coercion), general civil liability, and removal of rubble. public civil responsibility and the removal of rubble. Political violence also covers the dangers of terrorism, vandalism, age-related acts, riots,

civil strikes, armed insurrection, revolution, rebellion, military coup and costs debris removal

**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. Dishonesty Certificate/document:**

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

**e. Lifts Certificate/document:**

- Cover the civil responsibility result from operation.
- 

**f. Cash transfer Certificat/document :**

- Covers cash transporter (treasurers - money changers - custodians) for the risk of theft under duress or threat of weapon and violence to the person charged with transporting cash

**g. Dishonesty Certificate/document:**

- Covers cash and in-kind custodians in the company from the material losses that it incurs or its property as a result of an accident of waste or embezzlement committed by the insured workers

**h. Life Certificate/document:**

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

**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 6<sup>th</sup> October to include all its locations. This procedure is an evidence of commitment towards the environmental laws and regulations.



- The company has used the Natural Gas as a clean source of energy in operating boilers, generation power as a clean source of energy, and to reduce environmental pollutants from combustion.
- The company established an environment friendly incinerator and the heat generated are used to generate ice water in a heat exchange to A/C factories.
- The company has controlled the emissions of fine tobacco leaf using cyclones with non-permeable filters to prevent dust of tobacco leaf powder in the airspace in order to protect the environment from pollution and reuse and recycling through manufacturing natural tobacco leaf flakes.
- The company established a station of liquid waste treatment (industrial drainage) in the industrial complex of the company in the City of 6<sup>th</sup> October with total capacity of 610 m3/day and the company got the environmental approval for energy raising up to be 1220 m3/day. Installations and the station are currently in the testing phase to start operation.
- The company has also implemented a project of central air conditioning operating by natural gas to one of its factories to avoid the impact of thermal stress knowing that there is no raise in the temperature of the working environment as a result of various industrial processes more than allowed rates according to the executive decisions and regulations, through the monitoring carried out at the facility.
- The company established a central station for collecting the manufacturing process outputs resulting from the company's production activities. Some items are sold and others are recycled in industries. Compost production from unusable dust of tobacco leaf is also been studied.
- The company already bought a group of the environmental measuring devices to monitor pollutants and emissions of the work environment to determine the permissible limits in accordance with the requirements of the environmental law (number 4 for the year of 1994) and its executive regulation. In addition, the experts of the National Research Center had done the required regularly measurements and approved it in the environmental records for the different locations of the company. It is worth mentioning that the company spares no effort in supplying all personal protection tools to employees according to the nature of each activity.
- Extensive environmental approval was obtained for the project of establishing and extending a factory of roots plant (ESS) as space of 13350 m3 in the industrial complex of the company in the City of 6<sup>th</sup> October, the company has also planted green areas and windbreaks and ornamental plants inside the industrial complex zone , and that with the implementation of the construction requirements and green spaces in the general plan for the industrial complex approved by the Urban Communities Authority as well as green areas around the eastern side of the industrial complex.
- Environmental approval was obtained for the construction of a 1 MW solar power station with an area of 14000 m2 in the industrial complex of the company in the City of 6<sup>th</sup> October, the station has already been completed and it is currently in the testing phase for its service entry in order to reduce the burden on the electricity network in the industrial complex of the company in



the City of 6<sup>th</sup> October. The company also is in the process stage of establishing additional electricity generating station by (BOT) system and 2 MW power.

- The soiled thinner is recovered and reused by an organic solvent separator. The company has all the environmental approvals and has updated environmental records approved by the largest research and scientific bodies (National Research Center) and it has been reviewed by the Environmental Affairs Agency. Also, the company is committed to all environmental laws and regulations.

#### **47- 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. We have formed a Service Response Team assigned to perform specific tasks and this team is working around the clock to deal with all the challenges associated with this global pandemic..
- Despite belief that the spread of the virus represents a great challenge at present, but that gave us the chance to stand out , 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 at the most difficult 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** On 3/12/2020 prime ministers decision no.(47/2020) was issued about “rules, regulations and procedures of heavy industry license, etc. for investors” which indicated in its second article the possibility of granting licenses to new companies for tobacco

**48/3** 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



- 48/4** 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.
- 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. (1-48), 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 applying 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, and the financial regulatory authority announced the postponement of applying the standards (47), (48), (49) and this was based on prime ministers decision no. (1871) for 2020 and the combined effect at the end of 2021 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.

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Chief Financial Officer

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(Mr./ Tamer Mossy)  
Executive Managing for finance affairs

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