

EASTERN COMPANY (S.A.E)
FINANCIAL STATEMENTS
TOGETHER WITH LIMITED REVIEW REPORT
FOR THE FINANCIAL PERIOD ENDED JUNE 30, 2022

INDEX

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Auditor's Report**To: The Board members of Eastern Company (S.A.E)****Report on the Financial Statements**

We have audited the accompanying financial statements of Eastern Company (S.A.E), which comprise the statement of financial position as of June 30, 2022, the statements of income, comprehensive income, changes in shareholders' equity and cash flows for the year ended June 30, 2022, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **Eastern Company (S.A.E)** as of June 30, 2022, and of its financial performance and its cash flows in accordance with Egyptian Accounting Standards and the prevailing Egyptian laws and regulations.

Explanatory paragraph**Without considering it as a qualified opinion:**

The company's management has recorded settlements related to the employees benefits from early pension previously announced, differently to what was mentioned in the actuarial experts study (Note no. 28).

The company's management in the phase of compilation the technical receipt work and issues the final extract of projects under construction that have been suspended from previous financial periods (Note no. 9).

Report on legal and other regularity requirement

The company maintains proper books of accounts, which include all that is required by law and the statues of the company. The financial statements are in agreement therefore and the company is in the process of updating the accounting system and costs to an automated system. The inventory was inspected by the company's management in accordance with the established principles and under its responsibility.

The financial data contained in the report of the Board of Directors prepared in accordance with the requirements of Law No. 159 of 1981 and its executive regulations are consistent with what is contained in the company's books, within the limits in which such data are recorded in the books.

The financial statements includes distribution Creditors account amounted 468 000 Egyptian pounds and not completely settled until the date of issuance of financial statements in violation with Article (44) of the law no. 159 and its amendments.

The company study the potential impact of implementing decree No. 1362 as the company implement the internal system with the same purpose .

Cairo: 28 September 2022



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

(Amounts expressed in Thousands of Egyptian Pounds)

	<u>Notes</u>	<u>30/6/2022</u>	<u>30/6/2021</u>
<u>ASSETS</u>			
<u>Non - Current Assets</u>			
Property, plant, and equipment	(8)	4 598 230	4 984 748
Projects in progress	(9)	483 437	448 045
Investment's property	(10)	128 904	129 749
Intangible assets	(11)	1 802	2 999
Financial assets measured at fair value through other comprehensive income	(12)	4 453 441	5 332 441
Financial investments at amortized cost	(13)	20 668	20 668
Right of use leased assets	(14)	225 674	273 688
Other assets	(15)	19 544	25 654
Total Non- Current Assets		9 931 700	11 217 992
<u>Current assets</u>			
Inventories	(16)	4 147 446	4 325 387
Trade and notes receivables	(17)	141 140	409 307
Debtors and other debit balances	(18)	819 416	488 276
Trade payables - advance payments	(19)	52 068	129 370
Financial assets measured at fair value through Profit or losses	(20)	10 391 288	4 200 920
Cash and cash equivalent	(21)	1 260 606	1 063 604
Total Current Assets		16 811 964	10 616 864
Total Assets		26 743 664	21 834 856
<u>Equity</u>			
Issued and paid-up capital	(22)	2 230 000	2 250 000
Reserves	(23)	4 294 320	4 327 968
Treasury stock	(24)	--	(259 360)
Retained earning	(25)	1 878 295	1 975 280
Net profit for the period		4 029 941	--
Total equity		12 432 556	8 293 888
<u>Non - Current Liabilities</u>			
Deferred tax liability	(26)	270 041	135 490
Employees benefits delegation	(27)	423 219	468 475
Total Non-Current liabilities		693 260	603 965
<u>Current Liabilities</u>			
Provisions	(28)	1 409 770	1 630 846
Banks overdraft	(21)	1 256 537	--
Trade and notes payables	(29)	1 278 197	696 038
Creditors and other credit balances	(30)	9 393 360	9 641 369
Trade receivables - advance payments	(31)	81 489	130 804
Employees benefits delegation	(27)	58 914	60 307
Current income tax payable		139 581	777 639
Total current liabilities		13 617 848	12 937 003
Total liabilities		14 311 108	13 540 968
Total of equity and liabilities		26 743 664	21 834 856

- The accompanying notes (from No. 1 to No. 48) are an integral part of these financial statements and read therewith.

(Mrs. / Omima AbdelMoneim)
Consultant (A) Financial sector

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

(Mrs./ Neveen Ali)
Head of the financial accounts sector

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

EASTERN COMPANY (S.A.E)
PERIODIC STATEMENT OF INCOME
FOR THE FINANCIAL PERIOD ENDED JUNE 30, 2022
(Amounts expressed in Thousands of Egyptian Pounds)

	<u>Notes</u>	<u>30/6/2022</u>	<u>30/6/2021</u>
Sales/Revenue	(32)	17 139 443	16 022 112
Cost of goods sold	(33)	(9 260 031)	(9 252 202)
Gross profit		<u>7 879 412</u>	<u>6 769 910</u>
Other income	(34)	151 790	133 122
Sale and distribution expenses	(35)	(737 950)	(727 293)
General and administrative expenses	(36)	(263 891)	(250 448)
Other expenses	(37)	(3 450 075)	(1 076 036)
Result of operating activities		<u>3 579 286</u>	<u>4 849 255</u>
Financing cost / income	(38)	253 286	285 850
Other financial investments revenue	(39)	1 438 394	523 546
Profit before tax		<u>5 270 966</u>	<u>5 658 651</u>
Income tax expenses	(40)	(1 241 025)	(1 378 467)
Profit from continued operations		<u>4 029 941</u>	<u>4 280 184</u>
Profit from Discontinued operations		<u>--</u>	<u>--</u>
Profit of the period		<u>4 029 941</u>	<u>4 280 184</u>
Earnings per share	(41)	<u>1.61</u>	<u>1.75</u>

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EASTERN COMPANY (S.A.E)
PERIODIC STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD YEAR ENDED JUNE 30, 2022

(Amounts expressed in Thousands of Egyptian Pounds)

	<u>30/6/2022</u>	<u>30/6/2021</u>
Net profit of the period	4 029 941	4 280 184
<u>Other Comprehensive Income</u>		
Revaluation Financial assets measured at fair value through Profit/losses	(43 417)	(112 284)
Cash flow hedges	--	--
Actuarial re-measurements of defined benefit pension plans	--	--
Company shares of other comprehensive income from associates	--	--
<u>Less</u>		
Other comprehensive income tax	9 769	25 264
Total other Comprehensive Income of the period after deducting tax	<u>(33 648)</u>	<u>(87 020)</u>
Total Comprehensive Income of the period	<u>3 996 293</u>	<u>4 193 164</u>

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Translation of Financial Statements
Originally Issued in Arabic

EASTERN COMPANY (S.A.E)
STATEMENT OF SUGGESTED DIVIDENDS
FOR THE FINANCIAL PERIOD YEAR ENDED JUNE 30, 2022
(Amounts expressed in Thousands of Egyptian Pounds)

	<u>30/6/2022</u>	<u>30/6/2021</u>
Net profit before tax	4 029 941	4 280 184
Adding/ Retained earnings	<u>1 878 295</u>	<u>1 938 548</u>
Net profit for distribution	<u>5 908 236</u>	<u>6 218 732</u>
<u>Deduct:</u>		
Legal reserve	--	214 009
Capital reserve	5 588	24 314
Net profit for distribution after deducting Legal and capital reserve	<u>5 902 648</u>	<u>5 980 409</u>
Employees contribution	399 222	398 373
First distribution of capital to shareholders	111 500	111 417
	<u>(510 722)</u>	<u>(509 790)</u>
Balance	5 391 926	5 470 619
<u>Deduct:</u>		
Board of directors reward	25 000	20 000
Second distribution to shareholders	3 456 500	3 453 938
Youth and sports contribution	20 150	21 401
	<u>(3 501 650)</u>	<u>(3 495 339)</u>
Retained earnings to next year	<u>1 890 276</u>	<u>1 975 280</u>

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EASTERN COMPANY (S.A.E)
PERIODIC STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE FINANCIAL PERIOD ENDED JUNE 30, 2022

(Amounts expressed in Thousands of Egyptian Pounds)

	<u>Issued and</u>		<u>Statutory</u>	<u>Capital</u>	<u>Other</u>	<u>Reserve of</u>	<u>Reserve of</u>		<u>Treasury</u>	<u>Retained</u>	<u>Net profit of</u>	<u>Total equity</u>
	<u>Paid up capital</u>	<u>Legal reserve</u>	<u>reserve</u>	<u>reserve</u>	<u>reserves</u>	<u>expected credit</u>	<u>revaluation of</u>	<u>Total reserves</u>	<u>stocks</u>	<u>earnings</u>	<u>the year</u>	
						<u>losses for debt</u>	<u>financial</u>					
						<u>instruments</u>	<u>investment</u>					
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	--	--	--	--	--	--	--	--	367 140	(366)	--	366 774
Adjustments deferred tax for 2020/2021	--	--	--	--	--	--	--	--	--	(54 458)	--	(54 458)
Adjustment of expenses and revenues from previous years	--	--	--	--	--	--	--	--	--	426 233	--	426 233
Transferred to reserves from dividends for 2020/2021	--	214 009	--	24 314	--	--	--	238 323	--	36 732	--	275 055
Comprehensive income items	--	--	--	--	--	--	(87 020)	(87 020)	--	--	--	(87 020)
Balance as of 30/6/2021	2 250 000	1 205 504	1 673 498	575 129	960 857	--	(87 020)	4 327 968	(259 360)	1 975 280	--	8 293 888
Balance as of July 1, 2021	2 250 000	1 205 504	1 673 498	575 129	960 857	--	(87 020)	4 327 968	(259 360)	1 975 280	--	8 293 888
Treasury stock	(20 000)	--	--	--	--	--	--	--	239 564	(219 564)	--	--
Selling Treasury stocks	--	--	--	--	--	--	--	--	19 796	(817)	--	18 979
Adjustment of expenses and revenues from previous years	--	--	--	--	--	--	--	--	--	123 396	--	123 396
Other comprehensive income items												
Net profit for the period from 1/7/2021 till 30/6/2022	--	--	--	--	--	--	--	--	--	--	4 029 941	4 029 941
Other comprehensive income	--	--	--	--	--	31 932	(65 580)	(33 648)	--	--	--	(33 648)
Balance as of 30/6/2022	2 230 000	1 205 504	1 673 498	575 129	960 857	31 932	(152 600)	4 294 320	--	1 878 295	4 029 941	12 432 556

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EASTERN COMPANY (S.A.E)
PERIODIC STATEMENT OF CASH FLOW
FOR THE FINANCIAL YEAR ENDED JUNE 30, 2022
(Amounts expressed in Thousands of Egyptian Pounds)

Total	Subtotal	Notes no.	Item	As of 30/6/2022
			<u>Cash flows from operating activities</u>	
	64 662 106		Cash sales and receivables collection	59 737 129
	(5 826 417)		Cash purchases and payments to suppliers	(4 719 699)
	(3 802 583)		Paid salaries	(2 041 193)
	3 658 579		Operating income for others and other revenues	2 783 421
	90 179		Interest collected	341 879
	(35 408)		Interest Paid	(9 041)
	(50 657 605)		Tax and fees paid	(49 109 497)
	1 061		Export subsidy / Grants and Subsidies	1 129
	1 076		Insurance claims collected	3 840
	--		Notes payable	(41 965)
	(14 134)		Other payments	(32 554)
8 076 854			(1) Net Cash flows from operating activities	6 913 449
	(149 166)		<u>Second: Cash flows from investment activities</u>	
	--		Disbursement for purchasing fixed assets (projects under construction)	(108 757)
	(48 895 687)		Proceeds from sales of fixed assets	587
	(7 320 751)		Treasury Bills purchased	(21 638 228)
	(7 818 574)		Bonds purchased	(6 095 423)
	47 980 351		Purchase investments in investments documents	(400 790)
	8 162 009		Treasury Bills Sales	17 825 426
	2 838 998		Bonds Sales	650 697
(5 202 820)			Sales investments in investments documents	23 000
	(3 958 298)		(2) Net Cash flows from investment activities	(9 743 488)
	--		<u>Third: Cash flows from financing activities</u>	
	19 796		Dividends paid	(3 546 804)
(3 938 502)			Treasury shares purchased	(194 156)
5 164			Treasury shares Sales	264 778
(1 059 304)			(3) Net Cash flows from finance activities	(3 476 182)
1 063 604			(4) foreign currency exchange differences losses and gain	(68 609)
4 300			Net cash from 1/7/2021 to 30/6/2022	(6 374 830)
			Cash balance as of 1/7/2021	7 438 434
		(43)	Cash and cash equivalent at the end of the year 30/6/2022	1 063 604

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Head of current account and financing sector

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

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

EASTERN COMPANY (S.A.E)
NOTES TO THE FINANCIAL STATEMENTS
AS OF JUNE 30, 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 - 6th of October City - Giza.

1.3 Purpose

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

1.4 Main shareholders

The Holding Company for Chemical Industries owner of 50.95% from the company's shares as at 30/6/2022.

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 20/9/2022

1.8 Company's financial year:

- From 1/7/2021 till 30/6/2022.
- Shares Percentage of the Holding Company for Chemical Industries have been decreased from 55% to be 50.95%, (after execution of treasury stock) after offering a percentage of 4.5% with 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.
- The Company General Assembly held on May 26, 2022 and decided the follows:
 1. Approval of Amendment Agreement No. (1) of the agreement of the founders of the United Tobacco Company in preparation for a contribution of 24% in the capital of the United Tobacco Company.
 2. Approval of the main agreement regulating relations between the United Tobacco Company (under incorporation) and the Eastern Company "Eastern Company".
 3. Approval of a lease contract for a plot of land and buildings designated for the production of Philip Morris products with the United Tobacco Company.
 4. Approval of a lease contract for the production lines used in the production of Philip Morris products with a promise to sell with the United Tobacco Company.
 5. Approval of the rental and leaseback the machines owned by Philip Morris Company and intended for the production of Philip Morris products.
 6. Approval of a contract to manufacture a limited amount of Philip Morris tobacco products.
 7. Approval of the printing contract with the United Tobacco Company

- The Extra Ordinary General Assembly held on May 26, 2022 and decided the follows:
- Approval of the amendment of the company's address in the industrial and commercial register and the amendment of Article (4) related to that, as well as approval of the amendment of Articles (7) and (21) regarding the amendment of the name of the Chemical Industries Company to become the Holding for Chemical Industries

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.

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

3/2/1 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 6.4 months.
- The inventories balance of finished goods is sufficient to meet the market needs for 7.96 days.
- The raw materials inventory includes Tobacco leaf in customs warehouses amounted to 1 252 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:

<u>Company contingent liabilities</u>	<u>Amounts in Thousands of Egyptian Pounds</u>
letters of guarantee relevant to Cairo and Alexandria customs	273 794
Letter of credits	1 284 753
Total	1 558 547

4- FINANCIAL RISK MANAGEMENT

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 June 30, 2022: (In thousands)

	<u>Assets</u>	<u>Liabilities</u>	<u>Net value</u>
Dollars	1 799	77 988	(76 189)
Euro	121	5 179	(5 058)
Sterling pound	3	822	(819)
Swiss Franc	4	0	4

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

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

4/4 Capital Management:

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

5- RELATED PARTIES DISCLOSURE:

- The Holding Company for Chemical Industries hold 50.5% from company's shares as of 30/6/2022. And the percentage has changed to 50.95% after the approval of the concerned authorities on August 16, 2022 to reduce the capital of the company with maintaining the same number of shares of the holding company

- Related parties are treated on the same basis as others.
- The company during the period from 1/7/2021 till 30/6/2022 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:

	<u>Value (in millions)</u>
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
Total	<u>54</u>

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 Tax:

- 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 2018/2019.

7/5 Property Tax:

- The company paid the accrued property according to claims received from real state tax authorities for the year of 2022

NOTES TO THE PERIODIC FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD JUNE 30, 2022

(Amounts expressed in Thousands of Egyptian Pounds unless otherwise stated)

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>
Fixed assets movement statement:							
Cost as of 1/7/2020	302 033	3 535 897	5 670 787	357 221	166 631	858 514	10 891 083
Transfers	--	--	3 414	--	(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
Total Cost as of 30/6/2021	198 515	3 553 109	5 632 626	355 523	165 504	860 633	10 765 910
Cost as of 1/7/2021	198 515	3 553 109	5 632 626	355 523	165 504	860 633	10 765 910
Transfers	--	--	--	--	--	--	--
Additions during the period	--	86	93 566	1 259	36 522	16 647	148 080
Transferred to real estate investments	--	--	--	--	--	--	--
Disposals and transfers during the period	--	--	14 675	8	679	2 512	17 964
Total Cost as of 30/6/2022	198 515	3 553 195	5 711 427	356 774	201 347	874 768	10 896 026
Accumulated depreciation and impairments movement:							
Accumulated depreciation as of 1/7/2020	--	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
Accumulated depreciation and impairment as of 30/6/2021	--	927 640	3 679 438	304 353	156 854	712 877	5 781 162
Accumulated depreciation as of 1/7/2021	--	927 640	3 679 438	304 353	156 854	712 877	5 781 162
Transfers	--	--	--	--	--	--	--
Additions during the period	--	91 966	373 123	14 230	6 764	47 621	533 704
Disposals and transfers during the period	--	--	14 766	8	679	2 509	17 962
Impairment of fixed assets	--	--	892	--	--	--	--
Disposals impairment provision	--	--	--	--	--	--	--
Accumulated depreciation and impairment as of 30/6/2022	--	1 019 606	4 038 687	318 575	162 939	757 989	6 297 796
Property, plant and equipment assets of 30/6/2021	198 515	2 625 469	1 953 188	51 170	8 650	147 756	4 984 748
Property, plant and equipment assets of 30/6/2022	198 515	2 533 589	1 672 740	38 199	38 408	117 779	4 598 230

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD ENDED JUNE 30, 2022

(Amounts expressed in Thousands of Egyptian Pounds)

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 83 930 Thousand Egyptian Pounds, to be paid in two installments:

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

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 June 30, 2022 is 3 463 068 Thousand Egyptian Pounds include:

* Fully depreciated property, plant and equipment still in use amounted to 2 738 622 Thousand Egyptian Pounds (including machines and equipment amounted to 1 788 261 Thousand Egyptian Pounds)

* Fully carried depreciated fixed assets and others under scrap process amounted to 315 856 Thousand Egyptian Pounds.

* The fixed assets are including approximately 79 695 Thousand Egyptian Pounds representing net donated assets as following:

<u>Donated Assets</u>	<u>Amounts expressed in Thousands of Egyptian Pounds</u>
Production's machinery	78 239
Production Utilities, equipment of Services	158
Vehicles	2
Furniture	1 296
Total	<u>79 695</u>

* Deduct amount 6 667 Thousand Egyptian Pounds from Machines and, equipment which represent impairment in line in Talbieh and el-Koly Filling equipment

* 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

	<u>In thousands</u>	
	<u>30/6/2022</u>	<u>30/6/2021</u>
Investments provided	481 810	404 484
Investment spending	1 627	43 561
Total	<u>483 437</u>	<u>448 045</u>

9.1 Projects investment provided includes:

	<u>30/6/2022</u>	<u>30/6/2021</u>
Buildings	1 513	1 101
Machines	285 429	293 129
Vehicles	30	9 348
Tools	189	--
Office equipment and installations	194 649	100 906
Total	<u>481 810</u>	<u>404 484</u>

9.2 Investments spending include:

	<u>30/6/2022</u>	<u>30/6/2021</u>
Advance payments fixed assets	775	33 436
LCs of fixed assets	852	10 125
Total	<u>1 627</u>	<u>43 561</u>

- Projects under construction includes total amount of 214 million Egyptian pound related to Installation of the new naturalized line and the line has installed and tested and some modifications requested from the executing company and the required modifications applied and tests are underway, ending on September 21, 2022 and after ending the tests, the line will operate.

10- INVESTMENTS PROPERTY

The net investments property on June 30, 2022 amounted to 128 904 Thousand Egyptian pounds. The following is the movement of investments property during the period:

Cost as of 1.7.2020	9 303
Transfer from assets	170 684
Cost as of 30.6.2021	<u>179 987</u>
Less	
<u>Transfer accumulated depreciation fixed assets as of 30.6.2021</u>	49 394
Depreciation during the period	844
Net book value as of 30.6.2021	<u>129 749</u>
Cost as of 1.7.2021	129 749
Depreciation during the period	845
Net book value as of 30.6.2022	<u>128 904</u>

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
Total	<u>179 987</u>

- 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 September 6. 2020, based on the memorandum presented on September 2.2020 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD ENDED JUNE 30, 2022

(Amounts expressed in Thousands of Egyptian Pounds)

- 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, January 30, 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

	<u>30/6/2022</u>	<u>30/6/2021</u>
Computers' program and H.R software license update	37 113	37 113
Amortization	(34 962)	(33 765)
Refunded Sales tax	(349)	(349)
Net	<u><u>1 802</u></u>	<u><u>2 999</u></u>

Amortization statement as follows:

	<u>30/6/2022</u>	<u>30/6/2021</u>
Beginning balance	2 999	1 674
Additions	--	3 359
Amortization	(1 197)	(2 034)
Ending balance	<u><u>1 802</u></u>	<u><u>2 999</u></u>

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

12- FINANCIAL AT FAIR VALUE THROUGH OTHER COMPREHINSIVE INCOME

	<u>30/6/2022</u>	<u>30/6/2021</u>
Investments in bonds	3 286 772	4 482 055
Investments in dollars bonds	1 354 302	962 670
Less impairment in securities*	(187 633)	(112 284)
Net	<u>4 453 441</u>	<u>5 332 441</u>

* 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 in the other comprehensive income to profits and losses. The fair value of Egyptian bonds in June 30, 2022 amounted 3 228 065 thounds and The fair value of dollar bonds in June 30, 2022 amounted 1 225 309 thounds'

13- OTHER FINANCIAL ASSETS:

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

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

** Investments in foreign securities

14- RIGHT OF USE LEASED ASSETS

	<u>30/6/2022</u>	<u>30/6/2021</u>
Right of use leased assets	507 561	507 561
Accumulated depreciation right of use leased assets	(281 887)	(233 873)
Net	<u>225 674</u>	<u>273 688</u>

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

addition to the previous treatment of the assets of the right of use and for machinery, which costs about 159 million pounds.

15- OTHER ASSETS

	<u>30/6/2022</u>	<u>30/6/2021</u>
The company's contribution to the project of filling, improvement and coverage of the El Zomor Canal	544	654
Long term prepaid expense *	19 000	25 000
Net	<u>19 544</u>	<u>25 654</u>

* The 19 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.

* An amount of 178 pounds deducted as a provision for expected credit losses for other assets

16- INVENTORIES

	<u>30/6/2022</u>	<u>30/6/2021</u>
Raw materials *	515 841	810 446
Raw materials (Tobacco leaf) under customs custody (unpaid custom yet) **	1 253 388	1 136 671
Fuel inventory	2 182	2 475
Spare parts	640 157	534 441
Packaging	1 418 545	1 351 607
Waste and scrap	2 239	739
Materials and spare parts under process storage	962	1 071
Production work in process	47 002	56 094
Finished goods	216 126	405 429
Consignment packing materials and spare parts	4 697	841
Goods in transit	--	5 929
Letter of Credit	94 404	66 302
Total	<u>4 195 543</u>	<u>4 372 045</u>
Less the impairment in inventory ***	48 097	46 658
Net	<u>4 147 446</u>	<u>4 325 387</u>

* The raw materials stock as of 30/6/2022 includes items under inspection mixed materials with an amount 3 418 thousand Egyptian pounds, and Items under inspection (packaging materials) with an amount 43 775 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 897 696 thousand Egyptian pounds, and unpaid customs fees are estimated at 153 100 thousand Egyptian pounds. The total unpaid fee for the development of the state's financial resources is estimated at 27 706 thousand Egyptian pounds.

Production work in process included goods in transit (Visero minced smoke), smoke worth 3 321 thousand pounds and mixing worth 276 thousand pounds. The balance of

refrigerators (International Cooling and Freezing) on 30/6/2022 for smoke and mixing stocks weighing 49 thousand kilograms

*** The inventory impairment represented in spare parts and gear by 47 269 thousand Egyptian Pound, and raw smoke by 598 thousands , mixed material by 109 thousands and finished goods by 121 thousand Egyptian Pound.

17- TRADE AND NOTES RECEIVABLE

	<u>30/6/2022</u>	<u>30/6/2021</u>
Trade receivables (foreign production)	126 679	249 161
Trade receivables (co-production*)	10 336	159 935
Foreign Trade receivables	4 343	211
Total	<u>141 358</u>	<u>409 307</u>
Deduct: provision of expected credit losses	218	--
Net	<u>141 140</u>	<u>409 307</u>

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

18- DEBTORS AND OTHER DEBIT BALANCES

	<u>30/6/2022</u>	<u>30/6/2021</u>
Holding company debit balance*	--	567
Debtor Accounts to governmental Authorities	468 602	164 506
Accrued revenues	253 443	253 079
Prepaid expenses	10 400	12 954
Other debit balances	106 240	71 574
Total	<u>838 685</u>	<u>502 680</u>
Less impairment in debtors	17 593	(14 404)
Less provision of expected credit losses (debt balances)	1 676	--
Net	<u>819 416</u>	<u>488 276</u>

* The due of the holding company was collected in July 4. 2021.

18/1 Debtor Accounts to governmental Authorities

	<u>30/6/2022</u>	<u>30/6/2021</u>
VAT tax authority	451 344	148 266
Custom authority	1 329	501
Debit balance for other governmental authorities	15 929	15 739
	<u>468 602</u>	<u>164 506</u>

Accounts receivable with other authorities include the following:

- 7 183 Thousand Egyptian pounds for Customs Department, Drupak Tobacco.
- 2 231 Thousand Egyptian pounds for sales paid on returned goods
- 1 023 Thousand Egyptian pounds for sales tax paid on investment goods
- 5 392 Thousand Egyptian pounds for Ministry of Finance - imported sales tax.
- 101 Thousand Egyptian Pounds others.

18/2 Accrued revenues

	<u>30/6/2022</u>	<u>30/6/2021</u>
Accrued export incentives	310	724
Securities accrued income	251 892	250 911
Debit rents accrued	703	772
Miscellaneous income accrued	538	672
Total	<u>253 443</u>	<u>253 079</u>

18/3 Other debit balances:

	<u>30/6/2022</u>	<u>30/6/2021</u>
Guarantees for others	11 037	10 980
Employees loans	7 128	12 320
Other debit balances *	88 075	48 274
Total	<u>106 240</u>	<u>71 574</u>

* The other debit balance includes the follows:

	<u>Amount</u> <u>EGP</u>
El Shrouk Hospital and El Nile badrawy Hospital	33 059
Stock for others joint production (Viceroy / pal mal)	4 786
Forfeited merchandise belongs to the company, fines due to the company, as well as travel allowances abroad	10 404
The treasury of the Rusafa factory, which is registered with Misdemeanor No. 4900/2016.	2 840
Insurance claims under settlement and for cars	11 545
The mosque deposit, and it has a charge in other credit accounts of the same value.	585
Settled for next months	4 551

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
Total	<u>27 123</u>	<u>129 370</u>

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

	<u>30/6/2022</u>	<u>30/6/2021</u>
Treasury bills investments	5 006 667	3 823 130
Investment of investment deposits	5 384 621	377 790
Total	<u>10 391 288</u>	<u>4 200 920</u>

21- CASH ON HAND AND AT BANKS

	<u>30/6/2022</u>	<u>30/6/2021</u>
Banks current accounts	1 008 750	1 041 434
Cash on hand	152 087	22 170
Deposit banks/ currant currencies	100 000	--
Total	<u>1 260 837</u>	<u>1 063 604</u>
<u>Less:</u>		
Less provision of expected credit losses (Banks current account)	131	--
Less provision of expected credit losses (deposits)	100	--
Net	<u>1 260 606</u>	<u>1 063 604</u>
Banks overdrafts	1 256 537	--
<u>Cash balance 30/6/2022</u>	<u>4 069</u>	<u>1 063 604</u>

* the credit balance at National Egyptian Bank as of 30/6/2022 against a cheque for tax was cashed on 17/7/2022.

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 2 230 Million Egyptian Pounds (Two Billion and two hundred and thirty Million Egyptian Pounds) divided to 2 230 Million Shares with nominal amount of one Egyptian Pound.

The Capital Structure as of 30/6/2022 as follow:

<u>Company name</u>	<u>Shares number</u>	<u>Percentage</u>
The holding company for Chemical industries	1 136 250 000	50.95%
Employees associations	138 135 692	6.20%
Free trading	955 614 308	42,85%
Total	2 230 000 000	100.00%

- On 29/5/2018 the Extra-ordinary General Assembly increased the company's issued and paid capital from 1.5 Billion Egyptian Pounds to 2.25 Billion Egyptian Pounds (with total increasing amount of 750 Million Egyptian Pounds) divided to 450 million shares as nominal shares amounted to five Egyptian Pound per share financed from the legal reserves and other reserves appeared in financial statements for the financial year ended on 30/6/2017, and the securities committee issued a decision to approve this increase on 1/8/2018.
- The nominal share was divided by percentage of 1:5 to be one Egyptian Pound instead of five Egyptian Pounds with keeping the company's capital as it is amounted to 2.25 Billion Egyptian Pounds to be divided to 2.25 Billion Shares, and the necessary approval has been obtained from the concerned authorities according to the decision of the extra-ordinary general assembly for the Eastern company which held on 29/8/2018.
- 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD ENDED JUNE 30, 2022

(Amounts expressed in Thousands of Egyptian Pounds)

- The company's board of directors decided, in its session held on January 27, 2021, to stop the purchase of treasury 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.
- On 16/8/2022 the national regulatory authority approved reducing the paid up capital

23- RESERVES

	<u>30/6/2022</u>	<u>30/6/2021</u>
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 invented in governmental bonds	20 662	20 662
Reserve of revaluation of financial investments	(152 600)	(87 020)
Reserve of expected credit losses for debt instruments	31 932	--
Reserve of profits estimated budget	940 170	940 170
Other reserves	25	25
Total	<u>4 294 320</u>	<u>4 372 968</u>

The balance of the issued and paid-up capital and reserves, retained earnings on June 30, 2022, amounted to 8 402 615 thousand Egyptian pounds. The following is the movement of capital accounts, reserves and retained earnings: -

	Thousand Egyptian Pounds			
	<u>Balance as</u>			<u>Balance as</u>
	<u>of 1/7/2021</u>	<u>Additions</u>	<u>Exclusions</u>	<u>of 30/6/2022</u>
Issued and paid-up share capital	2 250 000	--	(20 000)	2 230 000
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
Reserve of revaluation of financial investments	(87 020)	(75 349)	9 769	(152 600)
Reserve of expected credit losses for debt instruments	--	31 932	--	31 932
Other reserves	25	--	--	25
Treasury shares	(259 360)	259 360	--	--
Retained earnings	1 975 280	123 396	(220 381)	1 878 295
Total	<u>8 293 888</u>	<u>339 339</u>	<u>230612</u>	<u>2402615</u>

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.

Reserve of revaluation of financial investments: This account represents the fair value recognition differences for the financial investments available for sale through other comprehensive income

Reserve for expected credit losses: accumulated against expected credit losses for debt instruments with fair value through comprehensive income

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 1/7/2021 till 30/6/2022 amounted to 123 396 thousand pounds, which is the adjustments of previous years expenses and previous years revenues and 220 381 sales treasury bills losses.

26- DEFERRED TAX

	<u>30/6/2022</u>	<u>30/6/2021</u>
Deferred tax liabilities	(497 836)	(464 506)
Deferred tax assets	227 795	329 016
Net tax liabilities	<u>270 041</u>	<u>(135 490)</u>

- 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.

27- EMPLOYEE BENEFITS

- The total employee benefits is representing an amount of 482 639 Thousand Egyptian Pounds which expressing the end of service grant for the permanent employees of the company on 30/6/2022. 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 2022/2023, amounting to 58 914 thousand pounds, has been separated and included in current liabilities and the used 46 650 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.
- 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%.

28- 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 30/6/2022</u>
	<u>Balance as of 1/7/2021</u>	<u>Provided</u>	<u>No longer needed/ used***</u>	
Provision of disputed taxes *	972 238	1 925 250	1 608 181	1 289 307
Provision of legal claims **	158 608	--	38 145	120 463
Provision of early pension ***	500 000	1 232 353	1 732 353	--
Total	<u>1 630 846</u>	<u>3 157 603</u>	<u>3 378 679</u>	<u>1 409 770</u>

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

** The provision of legal claims, salaries, and other: the company's lawyer prepared cases lists from his point of view according to the prospect liabilities and the value of used provision equal 38 145 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 15/3/2022 to 30/4/2022, the disbursed employees were paid according to this system amount 1 732 million Egyptian Pounds till 30/6/2022. Knowing that The actuarial expert study targeted the exit of 2 761 worker and 3 170 workers were discharged on 19/9/2022 due to the demand for the voluntary pension program

29- TRADE AND NOTES PAYABLES

	<u>30/6/2022</u>	<u>30/6/2021</u>
Trade payables (public sector)	46 883	75 326
Trade payables (private sector)	221 739	167 339
Foreign Trade payables	1 009 575	453 373
Total	<u>1 278 197</u>	<u>696 038</u>

30- CREDITORS AND OTHER CREDIT BALANCES

	<u>30/6/2022</u>	<u>30/6/2021</u>
Governmental authorities current account	8 303 268	4 561 648
Dividends payable	468	4 007 527
Accrued expenses	645 922	601 596
Other credit balances	443 702	470 598
Total	<u>9 389 826</u>	<u>9 641 369</u>

30/1 Governmental authorities credit accounts

	<u>30/6/2022</u>	<u>30/6/2021</u>
Customs Department Tobacco secretariats	9 250	--
VAT tax authority*	8 152 794	4 468 254
Health insurance contribution	45 442	3 631 42 451
General Tax Authority (salary tax-withheld from others at source)	70 340	21 957
Property tax authority	4 865	1 119
National organization for social insurance	20 577	27 867
Total	<u>8 303 268</u>	<u>4 561 648</u>

30/2 Accrued expenses

* 645 922 Thousand Egyptian Pounds representing accrued expenses for employees and other.

30/3 Other credit balances

	<u>30/6/2022</u>	<u>30/6/2021</u>
Deposits from others	61 392	61 707
Fixed assets supplies	32 270	34 513
Creditors amounts deducted from employees	10 535	7 774
Deferred revenue related to gifted fixed assets*	80 195	99 259
Sums set aside for the benefit of workers - social services**	169 967	193 783
Other***	89 343	73 562
Total	<u>443 702</u>	<u>470 598</u>

* Credit balances include deferred revenue.

79 695 thousand Egyptian pounds, pertaining to the net gifted fixed assets.

500 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.

14 966 thousand Egyptian pounds for the social solidarity committee of the company and 12 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

12 443 Egyptian pounds for joint production stocks (target / LD)

26 814 thousand pounds for marketing expenses due and others

585 thousand pounds for the deposit of the mosque

31- TRADE RECEIVABLES - ADVANCE PAYMENTS

	<u>30/6/2022</u>	<u>30/6/2021</u>
Receivables - other credit balances	80 934	128 799
Receivables credit balances - scrap	555	2 005
Total	<u>81 489</u>	<u>130 804</u>

*** 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 180 806 Thousand Egyptian Pounds.

*** THE INCOME STATEMENT:**

The cost of revenues includes an amount of 48 013 Thousand Egyptian Pounds related to the depreciation of finance leased assets (for the financial year from 1/7/2020 till 30/6/2022), in addition to an amount of 2 146 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.

32- SALES REVENUE

	<u>30/6/2022</u>	<u>30/6/2021</u>
Net sales	15 087 882	13 659 595
Revenue of operation for other	2 046 925	2 362 517
Carpentry workshop revenue	418	33
Covered hall revenue	4 218	1 197
Total	<u>17 139 443</u>	<u>16 022 112</u>

33- COST OF GOODS SOLD

	<u>30/6/2022</u>	<u>30/6/2021</u>
Raw Materials	6 269 396	6 700 582
Depreciation and amortization	504 292	543 161
Wages	1 948 495	2 025 250
Maintenance	125 834	165 943
Miscellaneous service expenses	144 091	72 083
Insurance expenses	28 764	29 214
Loss of decrease in scrap value	227	--
Loss of decrease in material cost	4 638	1 736
Loss of decrease in inventory	707	--
Reverse decrease in inventory	(3 424)	(8 749)
Decreased/increased customs balance differences	(1 561)	--
Change in inventory	198 396	(316 943)
Others	40 176	39 925
Total	<u>9 260 031</u>	<u>9 252 202</u>

* The cost of goods sold has been reduced by the value of the decrease in inventory in exchange for what was agreed upon in terms of replacement of spare parts with suppliers 3,133 thousand Egyptian pound

** Cost of goods sold reduced by the reverse in decrease of inventory by 291 thousand Egyptian Pound

*** Cost of goods sold includes the cost covered hall by 11 837 thousand Egyptian Pound and the cost of carpentry workshop by 363 thousand Egyptian Pound

34- OTHER INCOME

	<u>30/6/2022</u>	<u>30/6/2021</u>
Gain from materials sales	4 463	138
Other miscellaneous income*	31 879	41 454
Gain from scrap sales	10 520	7 626
Rents income	2 137	1 439
Credit compensation	349	1 095
Capital profit	5 588	24 314
No-longer provisions	74 259	56 035
Grants and subsidies ***	647	1 021
Gains/losses on revaluation of securities***	21 948	--
Total	<u>151 790</u>	<u>133 122</u>

* The miscellaneous revenues include an amount of 19 567 Thousand Egyptian Pound relevant to gifted assets

** Other revenues include grants and subsidies for the period from 1/7/2021 to 30/6/2022, as well as for the comparable period, as they were transferred from revenues to other incomes.

*** The gains/losses on revaluation of securities are as follows

Description	
Profits on revaluation securities	25 576
<u>Losses on revaluation financial securities</u>	<u>(3 628)</u>
Net revaluation of securities	<u>21 948</u>

35- SALES AND DISTRIBUTION EXPENSES

	<u>30/6/2022</u>	<u>30/6/2021</u>
Salaries	439 252	454 327
Depreciation and amortization	4 484	4 863
Maintenances	966	2 136
Miscellaneous service expenses	6 025	4 879
Insurance expenses	4 108	3 952
Marketing expenses	33 759	66 183
Discount permitted	180 906	132 934
Finished goods transfer	28 329	23 121
Other	40 002	34 898
Total	<u>737 950</u>	<u>727 293</u>

36- GENERAL AND ADMINISTRATIVE EXPENSES

	<u>30/6/2022</u>	<u>30/6/2021</u>
Salaries	184 604	167 169
Depreciation and amortization	16 833	17 259
Maintenances	269	259
Miscellaneous service expenses	45 253	47 243
Other	15 132	18 518
Total	<u>263 891</u>	<u>250 448</u>

- The general and administrative expenses includes amount of 45 for health contribution Thousand Egyptian Pound for the financial year from 1/7/2021 ended 30/6/2022.

37- OTHER EXPENSES

	<u>30/6/2022</u>	<u>30/6/2021</u>
Donations for other	36 535	25 060
Extraordinary losses	171 545	41 784
Capital loss	--	3
Provision of early pension	1 232 353	500 000
Provision for allowance of doubtful accounts	3 603	3 128
Provisions of disputed tax	1 925 250	501 000
Impairment provision	--	920
Provision of Expected credit losses	34 059	--
Compensation and fines	45 837	4 141
Total	<u>3 450 075</u>	<u>1 076 036</u>

*** Provision of Expected credit losses**

	<u>30/6/2022</u>	<u>30/6/2021</u>
Accounts receivable	219	--
Debit balances	1 676	--
Banks current accounts	131	--
Deposits	100	--
Egyptian bonds	22 133	--
Dollar bonds	9 800	--
Total	<u>34 059</u>	<u>--</u>

38- NET FINANCING COST/ REVENUE

	<u>30/6/2022</u>	<u>30/6/2021</u>
Credit interest	107 531	357 611
Gains revaluation differences on foreign currencies	262 112	11 550
Total finance revenue	<u>369 643</u>	<u>369 161</u>
Bank interest and bank expenses	(38 675)	(11 972)
(Losses) revaluation differences on foreign currencies	(77 682)	(71 339)
Total finance expenses	<u>(116 357)</u>	<u>(83 311)</u>
Net financing Revenue	<u>253 286</u>	<u>285 850</u>

39- OTHER FINANCIAL INVESTMENTS REVENUE

The other financial investments revenue includes 734 714 thousand Egyptian Pounds as a treasury bill return and 631 140 thousand Egyptian Pounds from treasury bonds revenue, and 71 817 thousand Egyptian Pounds from dollars bonds and 723 thousand Egyptian Pounds from government bonds returns

40- TAX EXPENSES

- The income tax in the income statement as of 30/6/2022 was amounted to 1 096 706 thousand Egyptian Pounds.
- The deferred tax in income statement as of 30/6/2022 was amounted to 144 319 thousand Egyptian Pounds according the following:

	<u>Thousand Egyptian Pounds</u>
Deferred tax liabilities	110 990
Deferred tax assets	33 329
Total	<u>144 319</u>

- The current tax average 20%

41- EARNINGS PER SHARE

	<u>Unit</u>	<u>30/6/2022</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	3 585 569	3 840 410
Weighted average number of common shares	Thousand shares	2 229 443	2 208 438
Portion per share in net profit	Egyptian Pounds	<u>1.61</u>	<u>1.74</u>

- 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:

42- CASH AND CASH EQUIVALENT

- The cash and cash equivalent balance amounted to 4 300 thousand Egyptian Pounds are as following:

	<u>30/6/2022</u>	<u>30/6/2021</u>
Banks accounts	1 008 750	1 041 434
Cash on hand	152 087	22 170
Deposit for current currencies	100 000	--
Total	<u>1 260 837</u>	<u>1 063 604</u>
<u>Less:</u>		
Banks overdrafts	1 256 537	--
	<u>4 300</u>	<u>1 063 604</u>

- The credit facilities which available to be used in future amounted to 6 519 million Egyptian Pounds.

43- CONTRACTUAL COMMITMENTS

The spare parts for Laboratory equipment maintenance amounted 36 thousand US Dollars fully in Gas tube laser mix tox 690 with amount 3 Thousand Euro..

44- COMPARATIVE FIGURES

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

45- OTHER DATA

46/1 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.

46/2 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).

46/3 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 its amendments and executive regulations through implementing and maintaining the internal environment in its factories and the external environment surrounding the company in the purpose of achieving sustainable compatibility of its environmental conditions, these points are representing in some projects as following:
 - The company has established and implemented the integrated industrial complex in the industrial zone at the City of 6th October to include all its locations. This procedure is 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 6th October with total capacity of 610 m³/day and the company got the environmental approval for energy raising up to be 1220 m³/day. Installations and the station are currently in the testing phase to start operation.
 - The company has also implemented a project of central air conditioning operating by natural gas to one of its factories to avoid the impact of thermal

stress knowing that there is no raise in the temperature of the working environment as a result of various industrial processes more than allowed rates according to the executive decisions and regulations, through the monitoring carried out at the facility.

- The company established a central station for collecting the manufacturing process outputs resulting from the company's production activities. Some items are sold and others are recycled in industries. Compost production from unusable dust of tobacco leaf is also been studied.
- The company already bought a group of the environmental measuring devices to monitor pollutants and emissions of the work environment to determine the permissible limits in accordance with the requirements of the environmental law (number 4 for the year of 1994) and its executive regulation. In addition, the experts of the National Research Center had done the required regularly measurements and approved it in the environmental records for the different locations of the company. It is worth mentioning that the company spares no effort in supplying all personal protection tools to employees according to the nature of each activity.
- Extensive environmental approval was obtained for the project of establishing and extending a factory of roots plant (ESS) as space of 13350 m³ in the industrial complex of the company in the City of 6th October, the company has also planted green areas and windbreaks and ornamental plants inside the industrial complex zone , and that with the implementation of the construction requirements and green spaces in the general plan for the industrial complex approved by the Urban Communities Authority as well as green areas around the eastern side of the industrial complex.
- 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 6th 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 6th October. The company also is in the process stage of establishing additional electricity generating station by (BOT) system and 2 MW power.
- The soiled thinner is recovered and reused by an organic solvent separator.
- The company has all the environmental approvals and has updated environmental records approved by the largest research and scientific bodies (National Research Center) and it has been reviewed by the Environmental Affairs Agency. Also, the company is committed to all environmental laws and regulations.

46- SIGNIFICANT EVENT

46-1 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.

46-2. The Russian-Ukrainian war broke out in Eastern Europe during the year 2020, which affects the increase in global inflation rates, but it is currently difficult to estimate the potential effects on the financial statements of that war.

46-3 On March 21, 2021, the Monetary Policy Committee announced an increase in the interest rate on lending and the credit rate, which led to the movement of the exchange rate of the US dollar against the Egyptian pound. The matter, as a whole, may have an impact on the local economy, but it is not possible to estimate this impact at the present time

- 47.** 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.** 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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