

# Mostafa Shawki

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

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

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**Limited Review Report****To: The Board members of Eastern Company (S.A.E)****Introduction**

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

**Limited review scope**

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

**Basis for Qualified Conclusion**

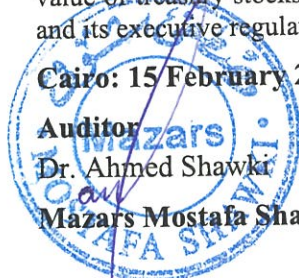
- The company's management provided us with a study from the actuarial expert to study the provision for early pension. The study stated that the provision required to be provided by an amount to 1.4 billion Egyptian pounds during the period from October 1, 2020 to June 30, 2024 while the Pension provision provided with an amount of 1.7 billion Egyptian pounds at 30 June 2022 and presented as liability (Disclosure No. 29) while what was proven in the company's books amounted to 1.31 billion Egyptian pounds on December 31, 2022, in violation of both Egyptian accounting standards (28) Provisions, Contingent Liabilities, Contingent Assets and Standard (38) Employee Benefits.

**Qualified Conclusion**

Based on our review, except for the effects of the matters described in the basis for qualified Conclusion paragraph, nothing has come to our attention that causes us to believe that the accompanying financial statements do not present fairly, in all material respects, the financial position of Eastern Company (S.A.E) as of December 31, 2022, and its financial performance and cash flows for the period then ended in accordance with the Egyptian Accounting Standards and the prevailing Egyptian laws and regulations.

**Report on legal and other regularity requirement**

The company should call for the Ordinary General Assembly meeting to decrease capital with the nominal value of treasury stocks exceeded the legal period according to requirements of Law No. (159) for 1981 and its executive regulations.

**Cairo: 15/February 2023****Auditor****Dr. Ahmed Shawki****Mazars Mostafa Shawki**

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

(Amounts expressed in Thousands of Egyptian Pounds)

	<u>Notes</u>	<u>31/12/2022</u>	<u>30/6/2022</u>
<b>ASSETS</b>			
<b>Non - Current Assets</b>			
Property, plant, and equipment	(8)	4 589 840	4 598 230
Projects in progress	(9)	274 643	483 437
Investment's property	(10)	128 482	128 904
Investments in Associates	(11)	24 000	--
Intangible assets	(12)	1 379	1 802
Financial assets measured at fair value through other comprehensive income	(13)	3 908 455	4 453 441
Financial investments at amortized cost	(14)	20 668	20 668
Right of use leased assets	(15)	221 584	225 674
Lease Receivable	(16)	336 900	--
Other assets	(17)	18 491	19 544
<b>Total Non- Current Assets</b>		<b>9 524 442</b>	<b>9 931 700</b>
<b>Current assets</b>			
Inventories	(18)	3 874 398	4 147 446
Net Trade and notes receivables	(19)	68 530	141 140
Net Debtors and other debit balances	(20)	896 333	819 416
Trade payables - advance payments	(21)	69 723	52 068
Financial assets measured at fair value through Profit or losses	(22)	10 335 915	10 391 288
Cash and cash equivalent	(23)	2 745 172	1 260 606
<b>Total Current Assets</b>		<b>17 990 071</b>	<b>16 811 964</b>
<b>Total Assets</b>		<b>27 514 513</b>	<b>26 743 664</b>
<b>Equity</b>			
Issued and paid-up capital	(24)	2 230 000	2 230 000
Reserves	(25)	4 270 037	4 294 320
Retained earning	(26)	5 358 129	5 908 236
<b>Total equity</b>		<b>11 858 166</b>	<b>12 432 556</b>
<b>Non - Current Liabilities</b>			
Deferred tax liability	(27)	38 632	270 041
Employees benefits delegation	(28)	423 219	423 219
<b>Total Non-Current liabilities</b>		<b>461 851</b>	<b>693 260</b>
<b>Current Liabilities</b>			
Provisions	(29)	2 320 605	1 409 770
Banks overdraft	(23)	0	1 256 537
Trade and notes payables	(30)	536 258	1 278 197
Creditors and other credit balances	(31)	11 428 186	9 393 360
Trade receivables - advance payments	(32)	99 608	81 489
Employees benefits delegation	(28)	27 240	58 914
Current income tax payable		782 599	139 581
<b>Total current liabilities</b>		<b>15 194 496</b>	<b>13 617 848</b>
<b>Total liabilities</b>		<b>15 656 347</b>	<b>14 311 108</b>
<b>Total of equity and liabilities</b>		<b>27 514 513</b>	<b>26 743 664</b>

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

<u>(Mrs./ Neveen Ali)</u> <b>Head of the financial accounts sector</b>	<u>(Mr./ Tamer Mossly)</u> <b>Executive Managing for finance affairs</b>
<u>(Mr./ Hany Aman)</u> <b>Chief Executive Officer and Managing Director</b>	



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

**EASTERN COMPANY (S.A.E)**  
**PERIODIC STATEMENT OF INCOME**  
**FOR THE FINANCIAL PERIOD ENDED December 31, 2022**  
(Amounts expressed in Thousands of Egyptian Pounds)

	<u>Notes</u>	<u>31/12/2022</u>	<u>31/12/2021</u>
Sales/Revenue	(33)	9 937 920	8 533 050
Cost of goods sold	(34)	(5 005 279)	(4 663 843)
<b>Gross profit</b>		<b>4 932 641</b>	<b>3 869 207</b>
Other income	(35)	295 259	30 396
Sale and distribution expenses	(36)	(341 950)	(354 046)
General and administrative expenses	(37)	(140 915)	(152 381)
Other expenses	(38)	(1 251 467)	(464 162)
<b>Result of operating activities</b>		<b>3 493 568</b>	<b>2 929 014</b>
Financing cost / income	(39)	258 352	36 221
Other financial investments revenue	(40)	713 037	816 092
<b>Profit before tax</b>		<b>4 464 957</b>	<b>3 781 327</b>
Income tax expenses	(41)	(975 759)	(860 552)
<b>Profit from continued operations</b>		<b>3 489 198</b>	<b>2 920 775</b>
<b>Profit from Discontinued operations</b>		<b>--</b>	<b>--</b>
<b>Profit of the period</b>		<b>3 489 198</b>	<b>2 920 775</b>
<b>Earnings per share</b>	(42)	<b>1.47</b>	<b>1.23</b>

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

(Mrs./ Neveen Ali) Head of the financial accounts sector	(Mr./ Tamer Mossly) Executive Managing for finance affairs
(Mr./ Hany Aman) Chief Executive Officer and Managing Director	

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

**EASTERN COMPANY (S.A.E)**  
**PERIODIC STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE FINANCIAL PERIOD YEAR ENDED DECEMBER 31, 2022**  
(Amounts expressed in Thousands of Egyptian Pounds)

	<u>31/12/2022</u>	<u>31/12/2021</u>
<b>Net profit of the period</b>	<b>3 489 198</b>	<b>2 920 775</b>
<b><u>Other Comprehensive Income</u></b>		
Revaluation Financial assets measured at fair value through Profit/losses	(38 543)	37 402
Cash flow hedges	--	--
Actuarial re-measurements of defined benefit pension plans	--	--
Company shares of other comprehensive income from associates	--	--
<b><u>Less</u></b>		
Other comprehensive income tax	8 672	(8 415)
<b>Total other Comprehensive Income of the period after deducting tax</b>	<u><b>(29 871)</b></u>	<u><b>28 987</b></u>
<b>Total Comprehensive Income of the period</b>	<u><b>3 459 327</b></u>	<u><b>2 949 762</b></u>

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

_____ (Mrs./ Neveen Ali) Head of the financial accounts sector	_____ (Mr./ Tamer Mossly) Executive Managing for finance affairs
_____ (Mr./ Hany Aman) Chief Executive Officer and Managing Director	

**EASTERN COMPANY (S.A.E.)**  
**PERIODIC STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**  
**FOR THE FINANCIAL PERIOD ENDED DECEMBER 31, 2022**  
(Amounts expressed in Thousands of Egyptian Pounds)

	Issued and paid up capital	Legal reserve	Statutory reserve	Capital reserve	Other reserves	Reserve of expected credit losses for debt instruments	Reserve of revaluation of financial investment	Total reserves	Treasury stocks	Retained earnings	Total equity
Balance as of July 1, 2021	2 250 000	991 495	1 673 498	550 815	960 857	--	(87 020)	4 089 645	(259 360)	6 218 732	12 299 017
Selling Treasury stocks	--	--	--	--	--	--	--	--	19 796	(817)	18 979
Adjustment of expenses and revenues from previous years	--	--	--	--	--	--	--	--	--	17 248	17 248
Transferred to reserves from dividends for 2020/2021	--	214 009	--	24 314	--	--	--	238 323	--	(238 323)	--
Shareholders Dividends	--	--	--	--	--	--	--	--	--	(3 565 355)	(3 565 355)
Employee Dividends	--	--	--	--	--	--	--	--	--	(398 373)	(398 373)
Boards rewards	--	--	--	--	--	--	--	--	--	(20 000)	(20 000)
Ministry of youth dividends	--	--	--	--	--	--	--	--	--	(21 401)	(21 401)
Profits for the period 1/7/2021 till 31/12/2021	--	--	--	--	--	--	--	--	--	2 920 775	2 920 775
Comprehensive income items	--	--	--	--	--	--	28 987	28 987	--	--	28 987
Balance as of 31/12 /2021	2 250 000	1 205 504	1 673 498	575 129	960 857	--	(58 033)	4 356 955	(239 564)	4 912 486	11 279 877
Balance as of July 1, 2022	2 230 000	1 205 504	1 673 498	575 129	960 857	31 932	(152 600)	4 294 320	--	5 908 236	12 432 556
Adjustment of expenses and revenues from previous years	--	--	--	--	--	--	--	--	--	(26 900)	(26 900)
Transferred To Legal reserve	--	--	--	5 588	--	--	--	5 588	--	(5 588)	--
Shareholders Dividends	--	--	--	--	--	--	--	--	--	(3 568 000)	(3 568 000)
Employee Dividends	--	--	--	--	--	--	--	--	--	(398 667)	(398 667)
Boards rewards	--	--	--	--	--	--	--	--	--	(20 000)	(20 000)
Ministry of youth dividends	--	--	--	--	--	--	--	--	--	(20 150)	(20 150)
Net profit for the period from 1/7/2022 till 31/12/2022	--	--	--	--	--	--	--	--	--	3 489 198	3 489 198
Other comprehensive income items	--	--	--	--	--	--	--	--	--	--	--
Balance as of 31/12/2022	2 230 000	1 205 504	1 673 498	580 717	960 857	31 932	(29 871)	4 270 037	--	5 358 129	11 858 166

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

(Mrs./ Neveen Ali)

Head of the financial accounts sector

(Mr./ Hany Aman)

Chief Executive Officer and Managing Director

(Mr./ Tamer Mossly)

Executive Managing for finance affairs

**EASTERN COMPANY (S.A.E)**  
**PERIODIC STATEMENT OF CASH FLOW**  
**FOR THE FINANCIAL YEARA ENDED DECEMBER 31, 2022**  
(Amounts expressed in Thousands of Egyptian Pounds)

As of 31/12/2022	Subtotal	Notes no.	Item	As of 31/12/2021
			<b><u>Cash flows from operating activities</u></b>	
	36 218 449		Cash sales and receivables collection	32 541 950
	(3 982 785)		Cash purchases and payments to suppliers	(3 051 682)
	(769 231)		Paid salaries	(911 950)
	1 445 683		Operating income for others and other revenues	1 979 435
	24 558		Interest collected	57 710
	(1 320)		Interest Paid	(24 505)
	(27 434 118)		Tax and fees paid	(27 303 225)
	590		Export subsidy / Grants and Subsidies	412
	(32)		Insurance claims collected	505
	--		Notes payable	--
	(29 153)		Other payments	(10 563)
5 472 641			(1) Net Cash flows from operating activities	3 278 087
			<b><u>Second: Cash flows from investment activities</u></b>	
	(39 322)		Disbursement for purchasing fixed assets (projects under construction)	(63 296)
	--		Proceeds from sales of fixed assets	--
	(25 000)		Investments in subsidiary	
	(42 105 859)		Treasury Bills purchased	(30 856 985)
	--		Bonds purchased	(4 775 786)
	(37 290 252)		Purchase investments in investments documents	(230 765)
	43 743 573		Treasury Bills Sales	30 473 652
	899 745		Bonds Sales	3 543 990
	35 914 625		Sales investments in investments documents	425 948
	85 074		Gains from selling securities and investment policies	
	(28 452)		Losses from selling securities and investment policies	
1 154 132			(2) Net Cash flows from investment activities	(1 483 242)
			<b><u>Third: Cash flows from financing activities</u></b>	
	(3 889 995)		Dividends paid	(2 572 813)
	--		Treasury shares purchased	--
	--		Treasury shares Sales	19 796
(3 889 995)			(3) Net Cash flows from finance activities	(2 553 017)
4 225			(4) foreign currency exchange differences losses and gain	131
2 741 003			Net cash from 1/7/2022 to 31/12/2022	(758 041)
4 300			Cash balance as of 1/7/2022	1 063 604
2 745 303		(43)	Cash and cash equivalent at the end of the year 31/12/2022	305 563

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

(Mr./ Haitham Talaat)  
Head of current account and financing sector  
(Mr./ Hany Aman)  
Chief Executive Officer and Managing Director

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



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

**1- COMPANY**

**1.1 Company's commercial name:**

- Eastern Company (S.A.E).

**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 31/12/2022.

**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 15/2/2023.

**1.8 Company's financial year:**

- Period From 1/7/2022 till 31/12/2022.
- 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.

**NOTES TO THE PERIODIC FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD December 31, 2022**  
(Amounts expressed in Thousands of Egyptian Pounds unless otherwise stated)

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

**3- SIGNIFICANT ACCOUNTING POLICIES:**

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

**3/1 Foreign Currencies translation:**

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

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

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

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

**3/2/1 Subsequent cost:**

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



**3/3 Projects under construction:**

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

**3/4 Investments property:**

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

**3/5 Investments:**

**3/5/1 Financial investments at fair value through comprehensive income:**

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

**3/5/2 Other financial investments:**

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

**3/5/3 Financial investments at fair value through profits and losses:**

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

**3/6 Other assets:**

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

**3/7 Inventories:**

- Inventories of raw materials and production's inputs are stated at cost or net residual cost which is less and the raw materials consumptions are evaluated based on weighted average cost.
- Inventories of non-finished goods are stated at cost till the last production stage.
- Inventories of finished goods are stated at lower of cost or net realizable value.
- The company follow the continuing count method.
- The inventories of Tobacco leaf materials are sufficient for around 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	335 294
Letter of credits	1 417 570
<b>Total</b>	<b>1 752 864</b>

**4- FINANCIAL RISK MANAGMENT**

**4/1 Credit Risk:**

- The financial instruments risk represents the inability to pay due to liquidity issues of debtors with credit term and cash and deposit at banks except for cash at safe and financial deposits in case that liquidity is not available to the other party, and therefore its inability to pay these balances and fulfill its agreed obligations
- The company management to control credit risk deals with reputable financial institution with high credit and stable rating.

**4/2 Liquidity Risk:**

- The liquidity risk is the risk that when the company cannot settle its liabilities or financial commitments on due dates, the Company's approach regarding managing liquidity is to ensure that it has a sufficient liquidity to meet its liabilities on its due dates in both normal and critical circumstances without incurring unacceptable losses or damaging the Company's reputation, the company also ensures the cash is

**NOTES TO THE PERIODIC FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD December 31, 2022**  
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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 December 31, 2022: (In thousands)**

	<u>Assets</u>	<u>Liabilities</u>	<u>Net value</u>
Dollars	1 750	66 763	(65 013)
Euro	49	5 438	(5 389)
Sterling pound	3	143	(140)
Swiss Franc	5	--	5

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

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

**4/4 Capital Management:**

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

**5- RELATED PARTIES DISCLOSURE:**

- The Holding Company for Chemical Industries hold 50.95% from company's shares 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 1/7/2022 till 31/12/2022 has incurred salaries, allowances, and bonuses for members of the high management and the company's board of directors.

#### **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:

	<b><u>Value (in millions)</u></b>
- 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 of 2000 Civilians, College of Giza, on December 25, 2019, and to date, the judgment has not been implemented And the implementation procedures are underway in cooperation with the governor of Giza	42
<b>Total</b>	<b>54</b>

## **7- TAX POSITION**

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

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

### **7/2 Stamp 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



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**8- PROPERTY, PLANT AND EQUIPMENT**

(Amounts expressed in Thousands of Egyptian Pounds)

**Fixed assets movement statement:**

<b>Cost as of 1/7/2021</b>	<b>Lands</b>	<b>Buildings</b>	<b>Machines and equipment</b>	<b>Vehicles</b>	<b>Tools</b>	<b>Furniture and office equipment</b>	<b>Total</b>
Transfers	198 515	3 553 109	5 632 626	355 523	165 504	860 633	10 765 910
Additions during the period	--	--	--	--	--	--	--
Transferred to real estate investments	--	86	93 566	1 259	36 522	16 647	148 080
Disposals and transfers during the period	--	--	14 765	--	--	--	14 765
<b>Total Cost as of 30/6/2022</b>	<b>198 515</b>	<b>3 553 195</b>	<b>5 711 427</b>	<b>356 774</b>	<b>201 347</b>	<b>874 768</b>	<b>10 896 026</b>
<b>Cost as of 1/7/2022</b>	<b>198 515</b>	<b>3 553 195</b>	<b>5 711 427</b>	<b>356 774</b>	<b>201 347</b>	<b>874 768</b>	<b>10 896 026</b>
Transfers	--	--	--	--	--	--	--
Additions during the period	--	--	237 188	--	881	1 968	240 037
Transferred to real estate investments	--	--	--	--	--	--	--
Disposals and transfers during the period	--	--	--	4 738	4 859	12 945	22 542
<b>Total Cost as of 31/12/2022</b>	<b>198 515</b>	<b>3 553 195</b>	<b>5 948 615</b>	<b>352 036</b>	<b>197 369</b>	<b>863 791</b>	<b>11 113 521</b>
<b>Accumulated depreciation and impairments movement:</b>							
<b>Accumulated depreciation as of 1/7/2021</b>	--	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
Transferred to real estate investments	--	--	--	--	--	--	--
Disposals and transfers during the period	--	--	14 766	8	679	2 509	17 962
Impairment of fixed assets	--	--	892	--	--	--	892
Disposals impairment provision	--	--	--	--	--	--	--
<b>Accumulated depreciation and impairment as of 30/6/2022</b>	--	1 019 606	4 038 687	318 575	162 939	757 989	6 297 796
<b>Accumulated depreciation as of 1/7/2022</b>	--	1 019 606	4 038 687	318 575	162 939	757 989	6 297 796
Transfers	--	--	--	--	--	--	--
Additions during the period	--	45 980	181 924	6 355	3 234	16 941	254 434
Disposals and transfers during the period	--	--	--	4 738	4 859	12 943	22 540
Impairment of fixed assets	--	--	--	--	--	--	--
Disposals impairment provision	--	6 009	--	--	--	--	6 009
<b>Accumulated depreciation and impairment as of 31/12/2022</b>	--	1 059 577	4 220 611	320 192	161 314	761 987	6 523 681
<b>Property, plant and equipment assets of 30/6/2022</b>	<b>198 515</b>	<b>2 533 589</b>	<b>1 672 740</b>	<b>38 199</b>	<b>38 408</b>	<b>116 779</b>	<b>4 598 230</b>
<b>Property, plant and equipment assets of 31/12/2022</b>	<b>198 515</b>	<b>2 493 618</b>	<b>1 728 004</b>	<b>31 844</b>	<b>36 055</b>	<b>101 804</b>	<b>4 589 840</b>

Has been transferred 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 December 31, 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 72 731 Thousand Egyptian Pounds representing net donated assets as following:

<b><u>Donated Assets</u></b>	<b><u>Amounts expressed in Thousands of Egyptian Pounds</u></b>
Production's machinery	71 554
Production Utilities, equipment of Services	147
Vehicles	2
Furniture	1 028
<b>Total</b>	<b>72 731</b>

- \* 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.
- \* The General Assembly held on 25 October 2020 decided to Waiver the company's land in the city of Al-Arish to a sovereign side due to the expiry of the license and the impossibility of using it under the security conditions in the region

**Financial Leasing:**



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

#### **9- PROJECTS UNDER CONSTRUCTION**

	<b><u>In thousands</u></b>	
	<b><u>31/12/2022</u></b>	<b><u>30/6/2022</u></b>
Investments provided	270 807	481 810
Investment spending	3 836	1 627
<b>Total</b>	<b><u>274 643</u></b>	<b><u>483 437</u></b>

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

	<b><u>31/12/2022</u></b>	<b><u>30/6/2022</u></b>
Buildings	1 456	1 513
Machines	53 365	285 429
Vehicles	--	30
Tools	--	189
Office equipment and installations	215 986	194 649
<b>Total</b>	<b><u>270 807</u></b>	<b><u>481 810</u></b>



**Investments spending include:**

	<b><u>31/12/2022</u></b>	<b><u>30/6/2022</u></b>
Advance payments fixed assets	--	775
LCs of fixed assets	3 836	852
<b>Total</b>	<b><u>3 836</u></b>	<b><u>1 627</u></b>

**10- INVESTMENTS PROPERTY**

The net investments property on December 31, 2022 amounted to 128 482 Thousand Egyptian pounds. The following is the movement of investments property during the period:

<b>Cost as of 1.7.2021</b>	<b>9 303</b>
Transfer from assets	170 684
<b>Cost as of 30.06.2022</b>	<b><u>179 987</u></b>
Cost as of 01.07.2022	179 987
Transfer from assets	--
Disposals	--
<b>Cost at 31.12.2022</b>	<b><u>179 987</u></b>
<b>(Less)</b>	
<b><u>Accumulated depreciation at of 1.7.2021</u></b>	50 238
Depreciation during the period	845
<b>Accumulated Depreciation at of 30.6.2022</b>	<b><u>51 083</u></b>
<b>Accumulated Depreciation at of 01.7.2022</b>	<b>51 083</b>
Depreciation during the period	422
<b>Accumulated Depreciation at of 31.12.2022</b>	<b><u>51 505</u></b>
<b>Net Book Value at 31.12.2022</b>	<b><u>128 482</u></b>

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

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

- Al-Zumar and Al-Manesterly 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 Manesterly site from fixed assets to investments property it was also approved to convert Niaza factory site to investment property.
- The plot of land owned by the company located at 41 Abu Darda Street, Laban Division, Alexandria Governorate, was announced for sale by public bidding in the closed envelopes system on Thursday, 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- INVESTMENTS IN ASSOCIATES**

24 000 thousand Egyptian pounds investments in associates , which is the company's contribution by 24 % from UTC Capital.

#### **12- INTANGIBLE ASSETS**

	<b><u>31/12/2022</u></b>	<b><u>30/6/2022</u></b>
Computers' program and H.R software license update	37 113	37 113
Amortization	(35 385)	(34 962)
Refunded Sales tax	(349)	(349)
<b>Net</b>	<b><u>1 379</u></b>	<b><u>1 802</u></b>

**Amortization statement as follows:**

	<b><u>31/12/2022</u></b>	<b><u>30/6/2022</u></b>
Beginning balance	1 802	2 999
Additions	--	--
Amortization	(423)	(1 197)
Ending balance	<b><u>1 379</u></b>	<b><u>1 802</u></b>

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

**13- FINANCIAL AT FAIR VALUE THROUGH OTHER COMPREHINSIVE INCOME**

	<b><u>31/12/2022</u></b>	<b><u>30/6/2022</u></b>
Investments in bonds	2 375 292	3 286 772
Investments in dollars bonds	1 759 339	1 354 302
Less impairment in securities*	(226 176)	(187 633)
Net	<b><u>3 908 455</u></b>	<b><u>4 453 441</u></b>

\* The financial investments available for sale and offered in financial statements are debt instruments measured at fair value through other comprehensive income where assets are subsequently measured at fair value and revenues from investments calculated using actual interest, profit and losses results from revaluation of foreign currencies and the amortization related to these investments are recorded in the income statement. foreign exchange profits and losses, profit or loss are recorded profits and other losses in the other comprehensive income list when excluded, profits and accumulated losses in the other comprehensive income to profits and losses. The fair value of Egyptian bonds in December 31, 2022 amounted 2 263 600 thounds and The fair value of dollar bonds in December 31, 2022 amounted 1 644 855 thounds'

\*The Egyptian bonds were evaluated at the current value according to the purchase price on December 31, 2022, minus the bonds' fair value evaluation according to Banque du Caire prices on December 31, 2022 and the difference in the settlement of the revaluation differences. The dollar bonds were evaluated at the current value according to the purchase price on December 31, 2022, minus the evaluation of the dollar bonds at fair value according to the Banque du Caire prices on December 31, 2022 and the difference in the settlement of the revaluation differences, taking into account the evaluation at the Central Bank's prices.

**14- OTHER FINANCIAL ASSETS:**

	<b><u>31/12/2022</u></b>	<b><u>30/6/2022</u></b>
Deposit in the Central Bank of Egypt invested in government bonds*	20 663	20 663
Investments in other companies shares	5	5
Investments in foreign securities**	23	23
<b>Total</b>	<b><u>20 691</u></b>	<b><u>20 691</u></b>
Less impairment in securities	23	23
Net	<b><u>20 668</u></b>	<b><u>20 668</u></b>



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

\*\* Investments in foreign securities

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

	<u>31/12/2022</u>	<u>30/6/2022</u>
Right of use leased assets	507 561	507 561
Accumulated depreciation right of use leased assets	(285 977)	(281 887)
<b>Net</b>	<b>221 584</b>	<b>225 674</b>

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

#### **16- LEASE RECEIVABLE**

Company has recorded contracts from operating lease based on accounting standard No.(49) which related to operating and finance lease as the company recorded the current value of lease contract.

And the company concluded lease contract with UTC company yearly rental amounted 200 million pounds for 3 years which includes the leased buildings and leased lines.

#### **17- OTHER ASSETS**

	<u>31/12/2022</u>	<u>30/6/2022</u>
The company's contribution to the project of filling, improvement and coverage of the El Zomor Canal	491	544
Long term prepaid expense *	18 000	19 000
<b>Net</b>	<b>18 491</b>	<b>19 544</b>

\* The 18 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

**Notes TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD ENDED December 31, 2022**  
(Amounts expressed in Thousands of Egyptian Pounds)

**18- INVENTORIES**

	<b><u>31/12/2022</u></b>	<b><u>30/6/2022</u></b>
Raw materials *	478 059	515 841
Raw materials (Tobacco leaf) under customs custody (unpaid custom yet) **	792 557	1 253 388
Fuel inventory	2 499	2 182
Spare parts	634 842	640 157
Packaging	1 389 974	1 418 545
Waste and scrap	1 456	2 239
Materials and spare parts under process storage	772	962
Production work in process	58 972	47 002
Finished goods	114 201	216 126
Consignment packing materials and spare parts	300	4 697
Goods in transit	105	--
Letter of Credit	448 160	94 404
<b>Total</b>	<b><u>3 921 897</u></b>	<b><u>4 195 543</u></b>
Less the impairment in inventory ***	<u>47 499</u>	<u>48 097</u>
<b>Net</b>	<b><u>3 874 398</u></b>	<b><u>4 147 446</u></b>

\* The raw materials stock as of 31/12/2022 includes items under inspection mixed materials with an amount 1 288 thousand Egyptian pounds, and Items under inspection (packaging materials) with an amount 36 988 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 251 165 thousand Egyptian pounds, and unpaid customs fees are estimated at 66 767 thousand Egyptian pounds. The total unpaid fee for the development of the state's financial resources is estimated at 16 784 thousand Egyptian pounds.

\*\*\* 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.

**19- NET TRADE AND NOTES RECEIVABLE**

	<b><u>31/12/2022</u></b>	<b><u>30/6/2022</u></b>
Trade receivables (foreign production)	60 255	126 679
Trade receivables (co-production*)	--	10 336
Foreign Trade receivables	8 493	4 343
<b>Total</b>	<b><u>68 748</u></b>	<b><u>141 358</u></b>
Deduct: provision of expected credit losses	<u>(218)</u>	<u>(218)</u>
<b>Net</b>	<b><u>68 530</u></b>	<b><u>141 140</u></b>

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

**20- NET DEBTORS AND OTHER DEBIT BALANCES**

	<b><u>31/12/2022</u></b>	<b><u>30/6/2022</u></b>
Debtor Accounts to governmental Authorities	659 208	468 602
Accrued revenues	165 739	253 443
Prepaid expenses	11 587	10 400
Other debit balances	79 068	106 240
<b>Total</b>	<b><u>915 602</u></b>	<b><u>838 685</u></b>
Less impairment in debtors	(17 593)	(17 593)
Less provision of expected credit losses (debt balances)	(1 676)	(1 676)
<b>Net</b>	<b><u>896 333</u></b>	<b><u>819 416</u></b>

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

**20/1 Debtor Accounts to governmental Authorities**

	<b><u>31/12/2022</u></b>	<b><u>30/6/2022</u></b>
VAT tax authority	631 467	451 344
Custom authority	946	1 329
Debit balance for other governmental authorities	26 795	15 929
	<b><u>659 208</u></b>	<b><u>468 602</u></b>

Accounts receivable with other authorities include the following:

- 7 047 Thousand Egyptian pounds for Customs Department, Drupak Tobacco.
- 2 231 Thousand Egyptian pounds for sales paid on returned goods
- 968 Thousand Egyptian pounds for sales tax paid on investment goods
- 9 204 Thousand Egyptian pounds for Ministry of Finance - imported sales tax.
- 1 214 Thousand Egyptian pounds for VAT.
- 6 031 Thousand Egyptian pounds for Sales tax co-production (pal mal).
- 100 Thousand Egyptian Pounds others.

**20/2 Accrued revenues**

	<b><u>31/12/2022</u></b>	<b><u>30/6/2022</u></b>
Accrued export incentives	661	310
Securities accrued income	163 946	251 892
Debit rents accrued	521	703
Miscellaneous income accrued	611	538
<b>Total</b>	<b><u>165 739</u></b>	<b><u>253 443</u></b>

**20/3 Other debit balances:**

	<b><u>31/12/2022</u></b>	<b><u>30/6/2022</u></b>
Guarantees for others	11 042	11 037
Employees loans	8 944	7 128
Other debit balances *	59 082	88 075
<b>Total</b>	<b><u>79 068</u></b>	<b><u>106 240</u></b>



**Notes TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD ENDED December 31, 2022**  
(Amounts expressed in Thousands of Egyptian Pounds)

\* The other debit balance includes the follows:

	<u>Amount</u> <u>EGP</u>
El Shrouk Hospital and El Nile badrawy Hospital	6 436
Forfeited merchandise belongs to the company, fines due to the company, as well as travel allowances abroad	12 548
The treasury of the Rusafa factory, which is registered with Misdemeanor No. 4900/2016.	2 840
Insurance claims under settlement and for cars	25 509
The mosque deposit, and it has a charge in other credit accounts of the same value.	585
Settled for next months	228

**21- TRADE PAYABLES - ADVANCE PAYMENTS**

	<u>31/12/2022</u>	<u>30/6/2022</u>
Public sector suppliers	5 511	6 299
Private sector suppliers	22 208	17 608
Public sector services suppliers	42 004	28 161
<b>Total</b>	<u>69 723</u>	<u>52 068</u>

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

	<u>31/12/2022</u>	<u>30/6/2022</u>
Treasury bills investments	3 496 135	5 006 667
Investment of investment deposits	6 839 780	5 384 621
<b>Total</b>	<u>10 335 915</u>	<u>10 391 288</u>

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

	<u>31/12/2022</u>	<u>30/6/2022</u>
Banks current accounts	2 728 809	1 008 750
Cash on hand	16 494	152 087
Deposit banks/ currant currencies	--	100 000
<b>Total</b>	<u>2 745 303</u>	<u>1 260 837</u>
<b>Less:</b>		
Less provision of expected credit losses (Banks current account)	131	131
Less provision of expected credit losses (deposits)	--	100
<b>Net</b>	<u>2 745 172</u>	<u>1 260 606</u>
Banks overdrafts	--	1 256 537
<b>Cash balance 31/12/2022</b>	<u>2 745 172</u>	<u>4 069</u>

## **24- 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 31/12/2022 as follow:**

<b><u>Company name</u></b>	<b><u>Shares number</u></b>	<b><u>Percentage</u></b>
The holding company for Chemical industries	1 136 250 000	50.95%
Employees associations	116 035 692	5.21%
Investment funds ALLAN GRAY	160 783 227	7.21%
Free trading	816 931 081	36.63%
<b>Total</b>	<b>2 230 000 000</b>	<b>100.00%</b>

- On 29/5/2018 the Extra-ordinary General Assembly increased the company's issued and paid capital from 1.5 Billion Egyptian Pounds to 2.25 Billion Egyptian Pounds (with total increasing amount of 750 Million Egyptian Pounds) divided to 450 million shares as nominal shares amounted to five Egyptian Pound per share financed from the legal reserves and other reserves appeared in financial statements for the financial year ended on 30/6/2017, and the securities committee issued a decision to approve this increase on 1/8/2018.
- The nominal share was divided by percentage of 1:5 to be one Egyptian Pound instead of five Egyptian Pounds with keeping the company's capital as it is amounted to 2.25 Billion Egyptian Pounds to be divided to 2.25 Billion Shares, and the necessary approval has been obtained from the concerned authorities according to the decision of the extra-ordinary general assembly for the Eastern company which held on 29/8/2018.
- The Federation of Shareholders of the Eastern Company "sold 22.1 million shares of the Eastern Company's shares, bringing the number of shares owned by the Union to 116,035,692 shares, with a shareholding rate of 5.21% This is to fulfill the obligations of the consensual graduates.
- The company's board of directors which held on 19/3/2020 decided that buy of treasury stock up to a maximum of 3% of the company's shares traded on the stock exchange, the purchasing process will be during a month start from 23/3/2020 till 22/4/2020 and notifying the shareholders that not perform any operations on it, The board of directors also decided to seek the assistance from (CI Capital company and EFG company).
- The company's board of directors which held on 23/4/2020 approved to complete the purchase of treasury shares start from 28/4/2020 till 27/7/2020 to complete the aforementioned percentage 3% The company's board of directors, held on 28/7/2020, decided to extend the completion of the purchase of treasury shares,

provided that the purchase process starts on 29/7/2020 and ends on 28/10/2020, and the Board of Directors decided on 24/11/2020 as well. By extending the completion of the purchase of treasury shares from 25/11/2020 until 24/2/2021 until the full quantity is implemented, and what has been purchased has reached until 30/11/2020 52 303 418 shares, or 2.324% of the company's shares.

- The 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 sale in the number of 32,303,418 share treasury shares until of the company's shares 1/11/2021 of the purchased shares).
- 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.0

## **25- RESERVES**

	<b><u>31/12/2022</u></b>	<b><u>30/6/2022</u></b>
Legal reserve	1 205 504	1 205 504
Statutory reserve	1 673 498	1 673 498
Capital reserve	580 717	575 129
Reserve to be invented in governmental bonds	20 662	20 662
Reserve of revaluation of financial investments	(182 471)	(152 600)
Reserve of expected credit losses for debt instruments	31 932	31 932
Reserve of profits estimated budget	940 170	940 170
Other reserves	25	25
<b>Total</b>	<b><u>4 270 037</u></b>	<b><u>4 294 320</u></b>

The balance of the issued and paid-up capital and reserves, retained earnings on December 31, 2022, amounted to 11 858 166 thousand Egyptian pounds. The following is the movement of capital accounts, reserves, and retained earnings: -



**Notes TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD ENDED December 31, 2022**  
(Amounts expressed in Thousands of Egyptian Pounds)

Thousand Egyptian Pounds				
	<u>Balance as of</u> <u>01/07/2022</u>	<u>Additions</u>	<u>Exclusions</u>	<u>Balance as of</u> <u>31/12/2022</u>
Issued and paid-up share capital	2 230 000	--	--	2 230 000
Legal reserve	1 205 504	--	--	1 205 504
Regular /Statutory reserve	1 673 498	--	--	1 673 498
Capital reserve	575 129	5 588	--	580 717
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	(152 600)	(29 871)	--	(182 471)
Reserve of expected credit losses for debt instruments	31 932	--	--	31 932
Other reserves	25	--	--	25
Treasury shares	--	--	--	--
Retained earnings	5 908 236	3 489 198	(4 039 305)	5 358 129
<b>Total</b>	<u>12 432 556</u>	<u>3 464 915</u>	<u>(4 039 305)</u>	<u>11 858 166</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.

<b>26- RETAINED EARNINGS</b>	<b><u>31/12/2022</u></b>	<b><u>30/6/2022.</u></b>
Retained Earnings	1 878 295	1 878 295
Profits 2020/2021	4 029 941	4 029 941
Dividends	(4 012 405)	--
Profits for year ended at 30/6/2022	3 489 198	--
Adjustments	(26 900)	--
	<u>5 358 129</u>	<u>5 908 236</u>

- The retained earnings on 30/6/2022 include the profits for the current year 2021/2022, which amounted to 4,029,941 thousand and which the General Assembly on 24/10/2022 decided to distribute it as follows:
- Approval of the profit distribution calculation proposed by the Board of Directors for the fiscal year 2021/2022, considering that the return on the share is (sixty-one pounds), and that the share of employees is 398,667 One thousand Egyptian pounds, provided that the board of directors' remuneration (the board's share in the profits) is 20 million Egyptian pounds.
- The retained earnings on 31/12/2022 also include the profit for the period from 1/7/2022 to 31/12/2022, amounting to Revenues of previous years.
- Also, the retained earnings include amount 3,489,198 thousand pounds, and the charge on the retained earnings for the financial period from 1/7/2021 to 31/21/2022 amounted to 26,900 thousand pounds, which is a settlement of previous years' expense accounts.
- The Ordinary General Assembly of the company, held on 10/24/2022, also decided:
  - 1- Approving the Board of Directors' report on the company's activities and approving the governance report during the fiscal year Ending on 6/30/2022
  - 2- Approval of the auditors' reports for the fiscal year ending on 30/6/2022.
  - 3- Approval of the company's financial statements for the fiscal year ending on 30/6/2022, which are presented to the General Assembly, as well as the business results shown by the income statement with a net profit after taxes of 4 030 million Egyptian pounds.
  - 4- Approval of the dividend calculation proposed by the Board of Directors for the fiscal year 2021/2022, taking into account that the return on the share is one pound and sixty piasters), provided that the full value of the coupon is spent one month from the date of the assembly, and that the share of employees is 398,667 thousand Egyptian pounds, provided that the remuneration of the board of directors (the board's share in the profits) is 20 million Egyptian pounds .
  - 5- Discharge of the chairman and members of the board of directors for the work of management for the fiscal year ending in 30/6/2022.
  - 6- approving the simulation and the allowances for members of the board of directors for the year that ended on 30/6/2022 as follow: 1000 pounds for the session instead of 3000 pounds for the Previous session, 5000 pounds for the transfer allowance instead of 3000 pounds for the Previous session.



- 7- approving the renewal of the appointment of an observer the company's account (Mustafa Shawki's office, MAZARS) for the fiscal year that will end on 30/6/2023, and set its fees to be 300,000 pounds annually, an increase of 50,000 pounds over the previous year.
- 8- Approval of donations disbursed during the fiscal year ending on 30/6/2023, not exceeding an amount of 50 million pounds, provided that the start date for the donation is 1/7/2022.
- 9- the beginning of the new year. A- Approving the netting contracts that were concluded for the fiscal year ending 30/6/2022 with a total value of 1,359,862 pounds and licensing the conclusion of netting contracts for the fiscal year 2022/2023 for the office Smart Hashem for legal advice.
- 10- Approving the approval of the appointment of the Board of Directors for the session from 2022 to 2025 According to the results of the elections that took place during the General Assembly meeting on 24/10/2022.

## **27- DEFERRED TAX**

	<b><u>31/12/2022</u></b>	<b><u>30/6/2022</u></b>
Deferred tax liabilities	(549 321)	(497 836)
Deferred tax assets	510 689	227 795
<b>Net tax liabilities</b>	<b><u>(38 632)</u></b>	<b><u>(270 041)</u></b>

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

- Clearing was performed between the deferred tax assets and deferred tax liabilities.

## **28- EMPLOYEE BENEFITS**

- The total employee benefits are representing an amount of 450 459 thousand Egyptian Pounds which expressing the end of service grant for the permanent employees of the company on 31/12/2022. 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 27 240 thousand pounds, has been separated and included



in current liabilities and the used 31 674 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 based on 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%.

**29- PROVISIONS:**

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

▪ **Movement of provisions:**

	<b><u>Thousand Egyptian Pounds</u></b>			
	<b><u>Balance as of 1/7/2022</u></b>	<b><u>Provided</u></b>	<b><u>No longer Required***</u></b>	<b><u>Balance as of 31/12/2022</u></b>
Provision of disputed taxes *	1 289 307	--	200 000	1 089 307
Provision of legal claims **	120 463	--	110	120 353
Provision of early pension ***	--	1 131 998	21 053	1 110 945
<b>Total</b>	<b><u>1 409 770</u></b>	<b><u>1 131 998</u></b>	<b><u>221 163</u></b>	<b><u>2 320 605</u></b>

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

\*\* The provision of legal claims, salaries, and other: the company's lawyer prepared cases lists from his point of view according to the prospect liabilities and the value of used provision equal 110 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, and an Exit project is being completed (optional) by seeking the assistance of the actuary expert during the current fiscal year.



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

	<b><u>31/12/2022</u></b>	<b><u>30/6/2022</u></b>
Trade payables (public sector)	45 672	46 883
Trade payables (private sector)	104 143	221 739
Foreign Trade payables	386 443	1 009 575
<b>Total</b>	<b><u>536 258</u></b>	<b><u>1 278 197</u></b>

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

	<b><u>31/12/2022</u></b>	<b><u>30/6/2022</u></b>
Governmental authorities current account	9 478 279	8 303 268
Dividends payable	468	468
Accrued expenses	842 748	645 922
Other credit balances	1 106 691	443 702
<b>Total</b>	<b><u>11 428 186</u></b>	<b><u>9 393 360</u></b>

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

	<b><u>31/12/2022</u></b>	<b><u>30/6/2022</u></b>
Customs Department Tobacco secretariats	25 640	9 250
VAT tax authority*	9 387 970	8 152 794
Health insurance contribution	27 870	45 442
General Tax Authority (salary tax-withheld from others at source)	8 377	70 340
Property tax authority	6 959	4 865
National organization for social insurance	21 463	20 577
<b>Total</b>	<b><u>9 478 279</u></b>	<b><u>8 303 268</u></b>

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

\* 842 748 thousand Egyptian Pounds representing accrued expenses for employees and other.

#### **31/3 Other credit balances**

	<b><u>31/12/2022</u></b>	<b><u>30/6/2022</u></b>
Deposits from others	78 835	61 392
Fixed assets supplies	27 865	32 270
Creditors amounts deducted from employees	16 943	10 535
Deferred revenue related to gifted fixed assets*	80 706	80 195
Deferred revenues from operating lease contract	336 900	--
Sums set aside for the benefit of workers - social services**	160 722	169 967
Prepaid revenues from operating lease contract	100 000	--
Other***	304 720	89 343
<b>Total</b>	<b><u>1 106 691</u></b>	<b><u>443 702</u></b>

\* Credit balances include deferred revenue.



- 72 731 thousand Egyptian pounds, pertaining to the net gifted fixed assets.
- 7 975 thousand Egyptian pounds for Packing materials transferred from British American company.

\*\* 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 show how to distribute what it exceeds 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.

- 14 996 thousand Egyptian pounds for the social solidarity committee of the company.
- 7 207 Egyptian pounds for el nasr foundation for trading.
- 6 208 thousand Egyptian pounds for other current accounts.
- 14 049 EGP thousand under the account of selling the plot of land at 41 Abu Darda Street - Laban Division.
- 584 thousand Egyptian pounds for joint production stocks (target).
- 253 908 thousand pounds for marketing expenses due and others.
- 585 thousand pounds for the deposit of the mosque.

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

	<b><u>31/12/2022</u></b>	<b><u>30/6/2022</u></b>
Receivables - other credit balances	98 745	80 934
Receivables credit balances - scrap	863	555
<b>Total</b>	<b><u>99 608</u></b>	<b><u>81 489</u></b>

#### **\* CAPITAL COMMITMENTS**

The capital commitments represented in accrued customs fees on the company which the company paid after the smoke out from the custom warehouses and the development resources fees amounted 83 551 thousand Egyptian Pounds.

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

The cost of revenues includes an amounted 4 090 Thousand Egyptian Pounds related to the depreciation of finance leased assets (for the financial year from 1/7/2022 till 31/12/2022), Also the income statement does not include any expenses related to investment property, except for the depreciation of investment property, as there are no maintenance or other expenses, and no income is generated from these investments until the date of preparing the financial statements.

### **33- SALES REVENUE**

	<b><u>31/12/2022</u></b>	<b><u>31/12/2021</u></b>
Net sales	9 482 638	7 417 817
Revenue of operation for other	453 286	1 112 536
Carpentry workshop revenue	168	151
Covered hall revenue	1 828	2 546
<b>Total</b>	<b><u>9 937 920</u></b>	<b><u>8 533 050</u></b>

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

	<b><u>31/12/2022</u></b>	<b><u>31/12/2021</u></b>
Raw Materials	3 601 725	3 329 827
Depreciation and amortization	212 672	266 703
Wages	822 471	926 941
Maintenance	179 302	186 404
Miscellaneous service expenses	44 565	52 688
Insurance expenses	14 772	14 381
Loss of decrease in scrap value	134	135
Loss of decrease in material cost	716	937
Reverse decrease in inventory	(502)	--
Change in inventory	89 955	(171 711)
Others	39 469	57 538
<b>Total</b>	<b><u>5 005 279</u></b>	<b><u>4 663 843</u></b>

**Notes TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD ENDED December 31, 2022**  
(Amounts expressed in Thousands of Egyptian Pounds)

\* 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 502 thousand Egyptian pound

\*\* Cost of goods sold includes the cost covered hall by 5 796 thousand Egyptian Pound and the cost of carpentry workshop by 146 thousand Egyptian Pound.

**35- OTHER INCOME**

	<u>31/12/2022</u>	<u>31/12/2021</u>
Gain from materials sales	83	4 450
Other miscellaneous income*	19 246	15 600
Gain from scrap sales	7 074	3 621
Rents income	600	882
Credit compensation	158	73
Capital profit	2	5 468
Gains From Financial instruments Sale	85 074	--
No-longer provisions	100	--
Rental assets revenues	100 000	--
Grants and subsidies ***	942	302
Gains/losses on revaluation of securities***	81 980	--
<b>Total</b>	<b><u>295 259</u></b>	<b><u>30 396</u></b>

\* The miscellaneous revenues include an amount of 3 571 Thousand Egyptian Pound relevant to gifted assets

\*\* Other revenues include grants and subsidies for the period from 1/7/2022 to 31/12/2022, 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	81 980
<u>Losses on revaluation financial securities</u>	<u>(--)</u>
Net revaluation of securities	<u><u>81 980</u></u>



### 36- SALES AND DISTRIBUTION EXPENSES

	<u>31/12/2022</u>	<u>31/12/2021</u>
Salaries	200 774	206 422
Depreciation and amortization	2 213	2 338
Maintenances	391	932
Miscellaneous service expenses	2 727	2 357
Insurance expenses	1 675	2 055
Marketing expenses	16 201	16 235
Discount permitted	74 947	84 277
Finished goods transfer	16 931	13 399
Other	26 091	26 031
<b>Total</b>	<b>341 950</b>	<b>354 046</b>

### 37- GENERAL AND ADMINISTRATIVE EXPENSES

	<u>31/12/2022</u>	<u>31/12/2021</u>
Salaries	83 491	82 153
Depreciation and amortization	6 193	8 879
Maintenances	72	69
Miscellaneous service expenses	30 953	29 757
Other	20 206	31 523
<b>Total</b>	<b>140 915</b>	<b>152381</b>

- The general and administrative expenses includes amount of 27.4 million Egyptian Pound for health contribution Thousand Egyptian Pound for the financial year from 1/7/2022 ended 31/12/2022.

### 38- OTHER EXPENSES

	<u>31/12/2022</u>	<u>31/12/2021</u>
Donations for other	25 000	25 000
Extraordinary losses	23 959	59 142
Provision of early pension	1 131 998	375 000
Losses financial notes sales	28 452	--
Compensation and fines	42 058	5 020
<b>Total</b>	<b>1 251 467</b>	<b>464 162</b>

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

	<u>31/12/2022</u>	<u>31/12/2021</u>
Credit interest	25 613	57 711
Gains revaluation differences on foreign currencies	459 284	4 957
<b>Total finance revenue</b>	<b>484 897</b>	<b>62 668</b>
Bank interest and bank expenses	(3 934)	(25 975)
(Losses) revaluation differences on foreign currencies	(222 611)	(472)
<b>Total finance expenses</b>	<b>(226 545)</b>	<b>(26 447)</b>
<b>Net financing Revenue</b>	<b>258 352</b>	<b>36 221</b>

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

The other financial investments revenue includes 439 855 thousand Egyptian Pounds as a treasury bill return and 190 258 thousand Egyptian Pounds from treasury bonds revenue, and 82 561 thousand Egyptian Pounds from dollars bonds and 363 thousand Egyptian Pounds from government bonds returns.

### **41- TAX EXPENSES**

- The income tax in the income statement as of 31/12/2022 was amounted to 1 198 495 thousand Egyptian Pounds.
- The deferred tax in income statement as of 31/12/2022 was amounted to 222 736 thousand Egyptian Pounds according to the following:

	<u>Thousand Egyptian Pounds</u>
Deferred tax liabilities	274 221
Deferred tax assets	(51 485)
<b>Total</b>	<b>222 736</b>

The current tax average 26.8%

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

	<u>Unit</u>	<u>31/12/2022</u>	<u>31/12/2021</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	3 269 789	2 714 378
Weighted average number of common shares	Thousand shares	2 230 000	2 208 438
<b>Portion per share in net profit</b>	<b>Egyptian Pounds</b>	<b>1.47</b>	<b>1.23</b>

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

## **The Cash Flows Statement:**

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

The cash and cash equivalent balance amounted to 2 745 303 thousand Egyptian Pounds are as following:

	<b><u>31/12/2022</u></b>	<b><u>31/12/2021</u></b>
Banks accounts	2 728 809	287 589
Cash on hand	16 494	17 974
<b>Total</b>	<b><u>2 745 303</u></b>	<b><u>305 563</u></b>

- There's deduction amount 131 thousand pound from expected credit loss from cash and cash equivalent in the financial position as accrued base.
- The credit facilities which available to be used in future amounted to 6 519 million Egyptian Pounds.

### **44- CAPITAL Obligations**

4 fire extinguishing units with smoke feeders and soft earth collection units worth 121 thousand euros, one (1) control unit and operation of a lighter for the boiler need worth 36 thousand euros, and a maintenance contract for laboratory equipment worth 135 thousand pounds for the year 2022/2023.

### **45- COMPARATIVE FIGURES**

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

### **46- 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:**

307 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 it's amendments and executive regulations through implementing

and maintaining the internal environment in its factories and the external environment surrounding the company in the purpose of achieving sustainable compatibility of its environmental conditions, these points are representing in some projects as following:

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



industrial complex approved by the Urban Communities Authority as well as green areas around the eastern side of the industrial complex.

- Environmental approval was obtained for the construction of a 1 MW solar power station with an area of 14000 m<sup>2</sup> 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.

#### **47- SIGNIFICANT EVENT**

**47-1.** 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.

**47-2.** 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.

**47-3** 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

48. 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
49. On 18/3/2019, the Minister of Investment and International Cooperation amended some provisions of the Egyptian accounting standards issued by the Minister of Investment's Decree No. 110 of 2015, which includes some new accounting standards and an amendment to some of the existing standards and because of the current conditions that the country is going through due to the outbreak of the new Coronavirus. As explained in detail in clarification No. (1-48), the Egyptian government has implemented some preventive measures to counter the spread of the virus, including reducing working hours and temporarily stopping some activities, including aviation and tourism activities. As a result, private companies have also applied different preventive measures from one company to another. According to the activity, the number of employees, the work location, and other considerations, these procedures included imposing restrictions on the number and period of the presence of human resources in the companies, which led to some companies delaying the procedures for fully implementing the new Egyptian accounting standards package on the effective date of those standards which is January 1, 2020. Due to these circumstances, the Higher Committee for the Review of Egyptian Standards and Egyptian Standards for Review and Limited Examination and other assurance tasks agreed to a defer applying New Egyptian Accounting Amendments accompanying it to Resolution No. (69) of 2019 on the annual financial statements of these companies at the end of 2020, And the combined effect was included by the end of, and the financial regulatory authority announced the postponement of applying the standards (47), (48), (49) and this was based on prime ministers decision no. (1871) for 2020 and the combined effect at the end of 2021 the application of these amendments was postponed to begin on January 1, 2021 in accordance with Prime Minister Decision No. (1871) For the year 2020.

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(Mr./ Naveen Ali)  
Head of financing sector

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

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