

القاهرة 2021/6/9

السادة /البورصة المصرية

تحية طيبة ،،

مرفق لسيادتكم طية القوائم المالية (باللغة الانجليزية ) عن الفترة المالية المنتهية في 2021/3/31 .

وتفضلوا بقبول وافر الاحترام ،،،

Mohamed Abdul Rahman Ahmed  
Investor Relation Manager

محمد عبد الرحمن احمد

مدير علاقات المستثمرين

**EASTERN COMPANY (S.A.E)**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT MARCH 31, 2021**

(Amounts expressed in Thousands of Egyptian Pounds)

	<u>Notes</u>	<u>31/3/2021</u>	<u>30/6/2020</u>
<b><u>ASSETS</u></b>			
<b><u>Non - Current Assets</u></b>			
Property, plant and equipment	(8)	5 037 255	5 236 863
Projects under construction	(9)	544 091	804 710
Investments property	(10)	130 045	9 303
Intangible assets	(11)	2 359	1 674
Long-term investments	(12)	20 668	20 668
Right of use leased assets	(13)	49 791	79 665
Other assets	(14)	682	765
<b>Total Non- Current Assets</b>		<b>5 784 891</b>	<b>6 153 648</b>
<b><u>Current assets</u></b>			
Inventories	(15)	4 664 368	5 928 230
Trade receivables and notes receivables	(16)	345 178	267 098
Debtors and other debit balances	(17)	573 474	445 112
Trade payables - advance payments	(18)	43 575	47 498
Financial investments	(19)	7 534 644	--
Cash on hand and at banks	(20)	1 024 059	7 438 434
<b>Total Current Assets</b>		<b>14 185 298</b>	<b>14 126 372</b>
<b>Total Assets</b>		<b>19 970 189</b>	<b>20 280 020</b>
<b><u>Equity</u></b>			
Issued and paid-up capital	(21)	2 250 000	2 250 000
Reserves	(22)	4 176 665	4 176 665
Treasury stocks	(23)	(488 798)	(432 343)
Retained earnings	(24)	1 580 571	1 567 139
Net profit for the period		3 889 210	--
<b>Total equity</b>		<b>11 407 648</b>	<b>7 561 461</b>
<b><u>Non - Current Liabilities</u></b>			
Deferred tax liability	(25)	229 260	210 198
Long-term employees benefits	(26)	562 124	562 124
<b>Total Non-Current liabilities</b>		<b>791 384</b>	<b>772 322</b>
<b><u>Current Liabilities</u></b>			
Provisions	(27)	630 398	644 945
Trade and notes payables	(28)	403 486	412 616
Creditors and other credit balances	(29)	6 020 051	10 357 256
Trade receivables - advance payments	(30)	43 440	156 537
Short term employees benefits	(26)	17 841	50 887
Income tax payable		655 941	323 996
<b>Total current liabilities</b>		<b>7 771 157</b>	<b>11 946 237</b>
<b>Total liabilities</b>		<b>8 562 541</b>	<b>12 718 559</b>
<b>Total of equity and liabilities</b>		<b>19 970 189</b>	<b>20 280 020</b>

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

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

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

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

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

*Translation of Financial Statements*

*Originally Issued in Arabic*

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

	<u>Notes</u>	<u>For nine months ended</u>		<u>For three months ended</u>	
		<u>31/3/2021</u>	<u>31/3/2020</u>	<u>31/3/2021</u>	<u>31/3/2020</u>
Sales/Revenue	(31)	12 147 538	11 367 681	3 981 874	3 677 479
Cost of goods sold	(32)	(7 007 517)	(6 743 936)	(2 283 605)	(2 204 427)
<b>Gross profit</b>		<b>5 140 021</b>	<b>4 623 745</b>	<b>1 698 269</b>	<b>1 473 052</b>
Other income	(33)	88 752	49 007	48 953	19 963
Sale and distribution expenses	(34)	(518 111)	(488 489)	(176 012)	(169 294)
General and administrative expenses	(35)	(187 491)	(176 693)	(68 355)	(61 054)
Other expenses	(36)	(28 477)	(152 870)	(19 622)	(100 677)
<b>Result of operation activities</b>		<b>4 494 694</b>	<b>3 854 700</b>	<b>1 483 233</b>	<b>1 161 990</b>
Financing cost / income	(37)	277 721	214 496	36 199	60 597
Other financial investments revenue	(38)	233 863	5 006	205 016	725
<b>Profit before tax</b>		<b>5 006 278</b>	<b>4 074 202</b>	<b>1 724 448</b>	<b>1 223 312</b>
Income tax expenses	(39)	(1 117 068)	(943 434)	(373 690)	(309 118)
<b>Profit from continued operations</b>		<b>3 889 210</b>	<b>3 130 768</b>	<b>1 350 758</b>	<b>914 194</b>
<b>Profit from not continued operations</b>		<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>
<b>Profit of the period</b>		<b>3 889 210</b>	<b>3 130 768</b>	<b>1 350 758</b>	<b>914 194</b>
Earnings per share	(40)	1.63	1.31	0.56	0.38

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

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

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

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

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

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

	<u>For nine months ended</u>		<u>For three months ended</u>	
	<u>31/3/2021</u>	<u>31/3/2020</u>	<u>31/3/2021</u>	<u>31/3/2020</u>
<b>Net profit of the period</b>	<b>3 889 210</b>	<b>3 130 768</b>	<b>1 350 758</b>	<b>914 194</b>
Other Comprehensive Income	--	--	--	--
Exchange differences resulting from translating the foreign operations	--	--	--	--
Financial investments available for sale	--	--	--	--
Cash flow hedges	--	--	--	--
Re-measurements of defined benefit pension plans	--	--	--	--
Company share of other comprehensive income from associates	--	--	--	--
Income tax relating to other comprehensive income items	--	--	--	--
<b>Total other Comprehensive Income of the period after deduct tax</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>
<b>Impairment losses in property, plant and equipment and intangible assets</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>
<b>Total Comprehensive Income of the period</b>	<b>3 889 210</b>	<b>3 130 768</b>	<b>1 350 758</b>	<b>914 194</b>

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

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

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

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

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

**EASTERN COMPANY (S.A.E)**  
**PERIODIC STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**  
**FOR THE FINANCIAL PERIOD AS OF MARCH 31, 2021**  
(Amounts expressed in Thousands of Egyptian Pounds)

	<u>Issued and Paid up capital</u>	<u>Legal reserve</u>	<u>Statutory reserve</u>	<u>Capital reserve</u>	<u>Other reserves</u>	<u>Total reserves</u>	<u>Treasury stocks</u>	<u>Retained earnings</u>	<u>Net profit of the year</u>	<u>Total equity</u>
Balance as of July 1, 2019	2 250 000	801 783	1 673 498	549 681	960 857	3 985 819	--	1 540 289	--	7 776 108
Treasury stocks	--	--	--	--	--	--	(71 928)	--	--	(71 928)
Adjustment of expenses and revenues from previous years	--	--	--	--	--	--	--	(50 128)	--	(50 128)
Net profit for the period from 1/7/2019 to 31/3/2020	--	--	--	--	--	--	--	--	3 130 768	3 130 768
<b>Balance as of March 31, 2020</b>	<b>2 250 000</b>	<b>801 783</b>	<b>1 673 498</b>	<b>549 681</b>	<b>960 857</b>	<b>3 985 819</b>	<b>(71 928)</b>	<b>1 490 161</b>	<b>3 130 768</b>	<b>10 784 820</b>
Balance as of July 1, 2020	2 250 000	991 495	1 673 498	550 815	960 857	4 176 665	(432 343)	1 567 139	--	7 561 461
Treasury stocks	--	--	--	--	--	--	(194 157)	--	--	(194 157)
Treasury stocks sale	--	--	--	--	--	--	137 702	8 128	--	145 830
Adjustment of expenses and revenues from previous years	--	--	--	--	--	--	--	5 304	--	5 304
Net profit for the period from 1/7/2020 to 31/3/2021	--	--	--	--	--	--	--	--	3 889 210	3 889 210
<b>Balance as of 31/3/2021</b>	<b>2 250 000</b>	<b>991 495</b>	<b>1 673 498</b>	<b>550 815</b>	<b>960 857</b>	<b>4 176 665</b>	<b>(488 798)</b>	<b>1 580 571</b>	<b>3 889 210</b>	<b>11 407 648</b>

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

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

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

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

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

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

	<u>Note</u>	<u>31/3/2021</u>	<u>31/3/2020</u>
<b><u>Adjustments for net cash flows from operating activities:</u></b>			
Cash sales and collection from receivables		45 369 399	40 778 429
Cash purchases and payments to suppliers		(3 426 769)	(4 916 258)
Salaries paid		(1 537 664)	(1 507 293)
Revenue from operating for others and other revenues		1 989 472	1 994 206
Proceeds from interest received		321 175	289 702
Interest paid		(1 240)	(644)
Taxes and fees paid		(37 750 654)	(32 496 030)
Export subsidy / Grants and Subsidies		686	1 358
Proceeds from insurance claims		3 423	516
Notes payable		(41 965)	--
Other payments		(7 002)	(19 992)
<b>Net Cash flows from operating activities</b>		<b><u>4 918 861</u></b>	<b><u>4 123 994</u></b>
<b><u>Cash flows from investment activities</u></b>			
Disbursement for purchasing fixed assets (projects under construction)		(81 196)	(259 466)
Proceeds from sales of fixed assets		370	114
<b>Net Cash flows from investment activities</b>		<b><u>(80 826)</u></b>	<b><u>(259 352)</u></b>
<b><u>Cash flows from financing activities</u></b>			
Dividends paid		(3 541 439)	(2 394 855)
Disbursement for finance lease liabilities		--	(76 157)
<b>Net Cash flows from finance activities</b>		<b><u>(3 541 439)</u></b>	<b><u>(2 471 012)</u></b>
Foreign currency exchange differences losses and gain		(46 481)	(104 538)
Treasury Bills purchased		(7 390 718)	(49 097)
Bonds purchased		(5 535 824)	--
(profit) on sale of investments at fair value through P&L		(373 000)	100 000
Treasury Stock purchased		(194 156)	(106 388)
Treasury stock sale		62 119	--
Treasury bills sale		5 767 089	49 097
<b>Net cash for the period from July 1, 2020 to March 31, 2021</b>		<b><u>(6 414 375)</u></b>	<b><u>1 282 704</u></b>
<b>Cash and cash equivalent at the beginning of the period July 1,2020</b>		<b><u>7 438 434</u></b>	<b><u>6 029 005</u></b>
<b>Cash and cash equivalent at the end of the period March 31,2021</b>	(41)	<b><u>1 024 059</u></b>	<b><u>7 311 709</u></b>

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

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

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

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

**EASTERN COMPANY (S.A.E)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AS OF MARCH 31, 2021**

**1- COMPANY**

**1.1 Company's commercial name:**

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

**1.2 Establish date and location:**

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

**1.3 Purpose**

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

**1.4 Main shareholders**

The Holding Company for Chemical Industries owner of 50.5% from the company's shares as at 31/3/2021.

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

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

**1.6 Company duration:**

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

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

The financial statements have been approved by the board of directors on 26/5/2021.

**1.8 Company's financial year:**

- From 1/7/2020 till 31/3/2021.
- Shares Percentage of the Holding Company for Chemical Industries have been decreased from 55% to be 50.5%, after offering a percentage of 4.5% (maximum number of 101 250 000 shares for Public & Private Offering **IPO**.
- Private Placement percentage was 95% from the total offered shares with number of 96 187 500 shares, the share price was 17 EGP per share with total amount of EGP 1 635 187 500.
- Public Placement percentage was 5% from the total offered shares with number of (5 062 500 shares), the share price was 17 EGP per share with total amount of EGP 86 062 500.
- IPO has been covered by total amount of EGP 1 721 250 000.
- According to the Extra-ordinary General Assembly meeting held on June 2, 2019 the shareholders approved to transfer the company and its legal statue from the Public Business Sector Companies (Law no. 203 for the year of 1991) to be under the Corporate Company Law no. 159 for the year of 1981, and its executive regulation.

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

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

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

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

**2/1 Accounting Standards:**

- The Financial Statements have been prepared in accordance with the Egyptian Accounting Standards (EAS) and according to the relevant laws and regulations.

**2/2 Basis of Measurement:**

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

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

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



**2/4 Use of Estimates and 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.

**2/5 Fair value measurement:**

- The fair value for financial instruments is determined based on either the market value or similar financial instrument at the date of the financial statements without deducting any future selling costs.
- The financial assets value is determine based on the current purchase prices of these assets, while the financial liabilities value are determine based on the current prices which can settle these liabilities.
- In case of an active market to determine the fair value of financial instruments, the fair value will be estimated by the different evaluation methods considering the latest transaction's prices or other similar instruments are guided, use the discounted cash flows method or any other evaluation method that result a reliable values.
- Estimates of the future cash flows based on the best the management estimates when use the discounted cash flows as an evaluation method, and determine the used discounted rate according to the prevailing market price as at the financial statements date of similar financial instruments of their nature and conditions.

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

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

**3- SIGNIFICANT ACCOUNTING POLICIES:**

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

**3/1 Foreign Currencies translation:**

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

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

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

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

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

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

**3/3 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 fifty years.
- 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:**

- 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.

**3/6 Other assets:**

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

**3/7 Inventories:**

- Inventories of raw materials and production's inputs are stated at cost 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 7 months.
- The inventories balance of finished goods is sufficient to meet the market needs for 11.2 days.
- The raw materials inventory includes Tobacco leaf in customs warehouses amounted to 1 388 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. Revenue of Sales**

- The revenue of sales is recognized according to the sales process and delivering the goods to the customers when the conditions in the Egyptian Accounting Standard no. (11) accomplished as follows:
  - The entity must transfer the risks and basic returns of ownership of the goods to the buyer.
  - The entity shall not retain the right of continuous administrative intervention to the degree normally associated with ownership or effective control over the goods sold.
  - The revenue can be accurately measured.
  - Must have the forecasting for the flow of economic benefits for the transaction to the entity.
  - The possibility of determining the value of the costs incurred or to be borne by the entity in relation to the transaction accurately.
- The bonds revenue are recognized when the following conditions are occurred:
  - The flow of economic benefits from the transaction is highly expected.
  - The revenue can be reliably measured.
  - The Minister of Investment and International Cooperation issued Decree No. 69 for the year of 2019 to modify some standards of the Egyptian Accounting Standards issued by the Minister of Investment Decree No. 110 for the year of 2015, The new Egyptian Accounting Standard no (48) revenues from contracts with customers replace the standards No. (8 & 11).
- More specifically, Egyptian Accounting Standard 48 states that revenue recognition depends on the following five steps:
  - The parties to the contract have approved the contract (in writing, orally or in accordance with other customary business practices) and are committed to perform their respective obligations
  - The entity can identify each party's rights regarding the goods or services to be transferred
  - The entity can identify the payment terms for the goods or services to be transferred
  - The contract has commercial substance, the risk, timing or amount of the entity's future cash flows is expected to change as a result of the contract
  - It is probable that the entity will collect the consideration to which it will be entitled in exchange for the goods or services that will be transferred to the customer. The amount of consideration to which the entity will be entitled may be less than the price stated in the contract if the consideration is variable because the entity may offer the customer a price concession.

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

- The operating services for others are recognized as follows:
  - The revenue can be accurately measured.
  - Must have high expectations of economic benefits flow to the entity.
  - The degree of completion of the transaction can be accurately measured at the financial statements date.
  - The costs incurred in the production and the costs needed to accomplish could be accurately measured.

**c. Credit Interest Revenue:**

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

**3/16 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.

**NOTES TO THE PERIODIC FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD MARCH 31, 2021**  
(Amounts expressed in Thousands of Egyptian Pounds unless otherwise stated)

- At inspection date of the lease contract the asset "right of use" is recorded and the liability lease commitment is recorded, but the company can not apply this either for short-term leases or lease contracts in which the underlying asset of the contract has a low value and in this case the lease payments are considered an expense either on a straight-line basis over the term of the lease or another regular basis. Another regular basis would be applied if that basis was more representative of the pattern of benefit as a lessee.

**3/19 Operating lease:**

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

**3/20 Dividends:**

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

**3/21 Employees' profits share:**

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

**3/22 Contingent liabilities:**

**Company contingent liabilities**

**Amounts in Thousands  
of Egyptian Pounds**

letters of guarantee relevant to Cairo and Alexandria customs	261 794
Letter of credits	804 118
<b>Total</b>	<b>1 065 912</b>

**4- FINANCIAL INSTRUMENTS**

**4/1 Credit Risk:**

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

**4/2 Liquidity Risk:**

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

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

**NOTES TO THE PERIODIC FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD MARCH 31, 2021**

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

**4/3 Market Risk:**

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

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

**The Foreign currencies balances as of March 31, 2021: (In thousands)**

	<u>Assets</u>	<u>Liabilities</u>	<u>Net value</u>
Dollars	15 560	55 894	(40 334)
Euro	98	8 005	(7 907)
Sterling pound	4	784	(780)
Swiss Franc	9	--	9

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

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

**4/4 Capital Management:**

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

**5- RELATED PARTIES DISCLOSURE:**

- The Holding Company for Chemical Industries hold 50.5% from company's shares as of 31/3/2021.
- Related parties are treated on the same basis as others.
- The company during the period from 1/7/2020 till 31/3/2021 has incurred salaries, allowances, and bonuses for members of the high management and the company's board of directors.



**NOTES TO THE PERIODIC FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD MARCH 31, 2021**  
(Amounts expressed in Thousands of Egyptian Pounds unless otherwise stated)

- The General Company for Paper Industry (Rakta) with amount of 37 381 Thousand Egyptian pounds.
- The Holding Company for Chemical Industries did provide a set of banks guarantees and non-bank guarantees to some governmental agencies (Customs Authority - Customs Taxes - Egyptian Tax Authority "Value Added Tax") for the favor of company amounted to 1 470 000 Thousand Egyptian pounds.

**6- IMPAIRMENT OF FINANCIAL ASSETS:**

- Periodically the company management at financial statement date assess if there is an objective evidence that a financial asset or a group of assets is impaired or not. Financial assets or a group of assets can be considered as an impairment asset. If there is any objective evidence referring to such impairment which results from one or more events occurring after the initial recognition of the asset and have an impact on the estimated cash flows of a financial asset or group of financial assets that can be estimated reliably.
- The company intends to comply with the Egyptian Accounting Standard No. (47), the effect of which has been proven in the financial statements till December 31, 2021.

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

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

Indicators of impairment of the asset includes:

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

**Financial assets recognized at amortized cost**

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

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

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

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

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

**Financial assets available for sale**

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

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

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

**Investments accounted for using Equity Method:**

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

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

The book value of the non-financial assets excluding the deferred tax are reviewed annually during the preparation of the financial statements to determine whether there is any indication of the impairment

**NOTES TO THE PERIODIC FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD MARCH 31, 2021**  
(Amounts expressed in Thousands of Egyptian Pounds unless otherwise stated)

The impairment loss is recognized if the book value of the asset or the cash generating unit is higher than the recoverable amount. The cash generating unit is represented in the assets that generate cash and is independent to great extent from the cash generated from other assets. The impairment loss is recognized in the income statement.

The recoverable value of the assets or cash generating unit is represented in the fair value of the asset less the selling cost whichever is greater.

The impairment losses recognized in a previous period for the other assets are reviewed as of the date of the financial statement to check for any indication of further loss.

The recorded maximum loss to be recorded it should not exceed the netbook value of the asset (excluding the depreciation).

In order to accurately calculate the loss of the value of the asset the company has to prepare an independent predictive study for each cash generating unit of the company. The study must cover the periods for one to five years using the normal growth rate for long term affecting the net present value for projects after the fifth year.

The loss from the devaluation is recorded in the comprehensive income statement within the expenses that correspond with the nature of the devalued asset.

### **FINANCIAL INSTRUMENTS**

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

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

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

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

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

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

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

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

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

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

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

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

**Investments held to maturity:**

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

**Loans and receivables:**

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

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

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

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

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

**Contingent assets**

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

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

**7- TAX POSITION**

**7/1 Corporate Tax:**

- The company was inspected till the financial year 2014/2015.
- The financial year 2015/2016 and 2016/2017 is under inspection.

**7/2 Stamp duty fees:**

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

**7/3 Payroll Tax:**

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

**7/4 Value Added Tax:**

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

**7/5 Property Tax:**

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

**NOTES TO THE PERIODIC FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD MARCH 31, 2021**

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

**8- PROPERTY, PLANT AND EQUIPMENT**

(Amounts expressed in Thousands of Egyptian Pounds)

	<u>Lands</u>	<u>Buildings</u>	<u>Machines and equipment</u>	<u>Vehicles</u>	<u>Tools</u>	<u>Furniture and office equipment</u>	<u>Total</u>
<b>Fixed assets movement statement:</b>							
Cost as of 1/7/2019	218 103	3 535 849	4 999 693	349 412	162 874	788 355	10 054 286
Additions during the period	83 930	48	676 872	7 809	3 793	70 282	842 734
Disposals during the period	--	--	5 778	--	36	123	5 937
<b>Total Cost as of 30/6/2020</b>	<b>302 033</b>	<b>3 535 897</b>	<b>5 670 787</b>	<b>357 221</b>	<b>166 631</b>	<b>858 514</b>	<b>10 891 083</b>
Cost as of 1/7/2020	302 033	3 535 897	5 670 787	357 221	166 631	858 514	10 891 083
Additions during the period	--	--	2 414	--	(2 414)	--	--
Disposals during the period	--	9 496	332 530	7 261	131	14 221	363 639
Disposals and transfers during the period	103 518	42 025	365 400	10 832	--	21 638	543 413
<b>Total Cost as of 31/3/2021</b>	<b>198 515</b>	<b>3 503 368</b>	<b>5 640 331</b>	<b>353 650</b>	<b>164 348</b>	<b>851 097</b>	<b>10 711 309</b>
<b>Accumulated depreciation and impairments movement:</b>							
Accumulated depreciation as of 1/7/2019	--	772 246	3 306 085	280 578	146 516	597 712	5 103 137
Additions during the period	--	95 015	365 526	16 495	8 282	65 583	550 901
Disposals and transfers during the period	--	--	5 768	--	36	23	5 827
Impairment of fixed assets	--	--	6 009	--	--	--	6 009
<b>Accumulated depreciation and impairment as of 30/6/2020</b>	<b>--</b>	<b>867 261</b>	<b>3 671 852</b>	<b>297 073</b>	<b>154 762</b>	<b>663 272</b>	<b>5 654 220</b>
Accumulated depreciation as of 1/7/2020	--	867 261	3 671 852	297 073	154 762	663 272	5 654 220
transfers	--	--	2 414	--	(2 414)	--	--
Additions during the period	--	67 986	303 115	12 746	3 658	54 611	442 116
Disposals and transfers during the period	--	24 413	365 400	10 832	--	21 637	422 282
<b>Accumulated depreciation and impairment as of 31/3/2021</b>	<b>--</b>	<b>910 834</b>	<b>3 611 981</b>	<b>298 987</b>	<b>156 006</b>	<b>696 246</b>	<b>5 674 054</b>
<b>Property, plant and equipment assets of 30/6/2020</b>	<b>302 033</b>	<b>2 668 636</b>	<b>1 998 935</b>	<b>60 148</b>	<b>11 869</b>	<b>195 242</b>	<b>5 236 863</b>
<b>Property, plant and equipment assets of 31/3/2021</b>	<b>198 515</b>	<b>2 592 534</b>	<b>2 028 350</b>	<b>54 663</b>	<b>8 342</b>	<b>154 851</b>	<b>5 037 255</b>

An amount of 84 406 thousand pounds related to Al- Zumar site, as well as 20 390 thousand pounds for the Manesterly 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% upon the issuance of the approval of the Chairman of Giza City Council.
- Second installment remaining 50% paid 1/12/2020.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED MARCH 31, 2021**

(Amounts expressed in Thousands of Egyptian Pounds)

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

\* The fully depreciated property, plant and equipment as of March 31, 2021 is 2 333 895 Thousand Egyptian Pounds include:

\* Fully depreciated property, plant and equipment still in use amounted to 1 878 616 Thousand Egyptian Pounds (including machines and equipment amounted to 1 181 929 Thousand Egyptian Pounds)

\* Fully carried depreciated fixed assets and others under scrap process amounted to 358 738 Thousand Egyptian Pounds.

\* The fixed assets are including approximately 97 977 Thousand Egyptian Pounds representing net donated assets as following:

<u>Donated Assets</u>	<u>Amounts expressed in Thousands of Egyptian Pounds</u>
Production's machinery	94 951
Production Utilities, equipment of Services	1 520
Vehicles	13
Furniture	1 493
<b>Total</b>	<b>97 977</b>

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

\* The buildings include a value of EGP 4 million related to Giza buildings, and an optimization study is underway

**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.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED MARCH 31, 2021**  
(Amounts expressed in Thousands of Egyptian Pounds)

- 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 amounting to almost 8 404 Thousand Egyptian Pounds.
- The ownership of these machines will devolve to the company at the end of contract with a memorial amount of one Egyptian Pound.
- The last installment of the lease value of the financial leasing contract was paid with QNB Al-Ahly Financial Leasing Company on 28/6/2020.

**9- PROJECTS UNDER CONSTRUCTION**

	<b><u>In thousands</u></b>	
	<b><u>31/3/2021</u></b>	<b><u>30/6/2020</u></b>
Investments provided	458 266	719 110
Payment	85 825	85 600
<b>Total</b>	<b><u>544 091</u></b>	<b><u>804 710</u></b>

**9.1 Projects investment provided includes:**

	<b><u>31/3/2021</u></b>	<b><u>30/6/2020</u></b>
Buildings	57 663	59 103
Machines	292 256	540 735
Tools	626	626
Vehicles	8 690	15 831
Office equipment and installations*	99 031	102 815
<b>Total</b>	<b><u>458 266</u></b>	<b><u>719 110</u></b>

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

**9.2 Advance payments an LCs Investment provided include:**

	<b><u>31/3/2021</u></b>	<b><u>30/6/2020</u></b>
Advance payments fixed assets	76 701	82 480
Goods in transit - fixed assets	--	640
LCs of fixed assets	9 124	2 480
<b>Total</b>	<b><u>85 825</u></b>	<b><u>85 600</u></b>



**10- INVESTMENTS PROPERTY**

The net investments property on March 31, 2021 amounted to 130,045 Thousand Egyptian pounds. The following is the movement of investments property during the period:

<b>Cost as of 1.7.2019</b>	<b>9 303</b>
Additions during the year	--
<b>Cost as of 30.6.2020</b>	<b>9 303</b>
<b>Cost as of 1.7.2020</b>	<b>9 303</b>
Additions during the period	183 713
<b>Cost as of 31.3.2021</b>	<b>193 016</b>
<b>Accumulated Depreciation as of 1.7.2019</b>	<b>-</b>
Depreciation of the year	-
<b>Accumulated Depreciation as of 30.6.2020</b>	<b>-</b>
<b>Accumulated Depreciation as of 1.7.2020</b>	<b>-</b>
Depreciation during the period	62 971
<b>Accumulated Depreciation of 31.3.2021</b>	<b>62 971</b>
<b>The net book value as of 31.3.2021</b>	<b>130 045</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 •	108 498
El manisterly site •	55 418
El Niaza site	19 797
Gan marshan land	5
<b>Total</b>	<b>193 016</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 6.9.2020, based on the memorandum presented on 2.9.2020 to convert of all the assets of Al-Zumar site as well as the 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, 30/1/2020, with a total value approximately 51,743 thousand pounds, where the payments will be as follows: -
  - Receiving the guarantee payment amounted 500 thousand pounds to the company's treasury after the auction has been awarded.
  - The remaining 25% of the guarantee value has to be paid within fifteen days from the date of notification of the award.
  - 25% of the sale value should be paid within 3 months from the date of notification of the award.
  - The remaining 50% should be paid in 12 installments over three years, considering adding an interest equal to the declared lending interest of the central bank as a compensatory interest.
    - The preliminary sales contract will be released upon paying 50% of the total sale value.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED MARCH 31, 2021**  
(Amounts expressed in Thousands of Egyptian Pounds)

**11- INTANGIBLE ASSETS**

	<u>31/3/2021</u>	<u>30/6/2020</u>
Computes' program and H.R software license update	35 798	33 755
Amortization	(33 090)	(31 732)
Refunded Sales tax	(349)	(349)
<b>Net</b>	<u>2 359</u>	<u>1 674</u>

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

**12- LONG-TERM INVESTMENTS**

	<u>31/3/2021</u>	<u>30/6/2020</u>
Deposit in the Central Bank of Egypt invested in government bonds*	20 663	20 663
Investments in other companies shares	5	5
Investments in foreign securities**	23	23
<b>Total</b>	<u>20 691</u>	<u>20 691</u>
Less impairment in securities	23	23
<b>Net</b>	<u>20 668</u>	<u>20 668</u>

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

\*\* Investments in foreign securities

**13- RIGHT OF USE LEASED ASSETS**

	<u>31/3/2021</u>	<u>30/6/2020</u>
Right of use leased assets	159 330	159 330
Accumulated depreciation right of use leased assets	(109 539)	(79 665)
<b>Net</b>	<u>49 791</u>	<u>79 665</u>

**14- OTHER ASSETS**

	<u>31/3/2021</u>	<u>30/6/2020</u>
The company's contribution to the project of filling, improvement and coverage of the El Zomor Canal	10 537	10 537
Expense of providing Gas to the new industrial complex in 6th October city	16 016	16 016
Expense of providing Gas to Moharem Bek	348	348
Expense for to external roads	756	756
Retriever from some customers who benefit from gas delivery	(1 403)	(1 403)
Amortization to date	(25 572)	(25 489)
<b>Net</b>	<u>682</u>	<u>765</u>

**NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED MARCH 31, 2021**  
(Amounts expressed in Thousands of Egyptian Pounds)

**15- INVENTORIES**

	<u>31/3/2021</u>	<u>30/6/2020</u>
Raw materials *	819 839	645 248
Raw materials (Tobacco leaf) under customs custody (unpaid custom yet) **	1 388 033	2 912 310
Fuel inventory	2 833	1 312
Spare parts	526 504	583 298
Packaging	1 498 753	1 641 177
Waste and scrap	619	2 356
Materials and spare parts under process storage	989	757
Production work in process	55 676	63 290
Finished goods	367 767	81 290
Consignment packing materials and spare parts	604	937
Goods in transit	624	5 298
Letter of Credit	48 366	62 196
<b>Total</b>	<b>4 710 607</b>	<b>5 999 469</b>
Less the impairment in inventory ***	46 239	71 239
<b>Net</b>	<b>4 664 368</b>	<b>5 928 230</b>

\* The raw materials stock as of 31/3/2021 includes items under inspection with an amount 1 409 Thousand Egyptian pounds, and Items under inspection (packaging and mixing materials) with an amount 54 157 Thousand Egyptian pounds. The examination and final receipt are carried out periodically for all items.

\*\* Raw tobacco leaf material at customs balance includes items under inspection (tobacco leaf raw materials) with estimated amounted to 211 490 Egyptian pounds, and unpaid customs fees are estimated at 159 093 Thousand Egyptian pounds., The total unpaid fee for the development of the state's financial resources is estimated at 42 862 thousand Egyptian pounds.

\*\*\* The inventory impairment represented in spare parts and gear by 45,000 Thousand Egyptian Pound, and finished goods by 1 239 Thousand Egyptian Pound.

**16- TRADE AND NOTES RECEIVABLE**

	<u>31/3/2021</u>	<u>30/6/2020</u>
Trade receivables (foreign production)	198 710	204 352
Trade receivables (co-production*)	140 141	62 746
Foreign Trade receivables	6 327	--
<b>Total</b>	<b>345 178</b>	<b>267 098</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.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED MARCH 31, 2021**  
(Amounts expressed in Thousands of Egyptian Pounds)

**17- DEBTORS AND OTHER DEBIT BALANCES**

	<u>Note</u>	<u>31/3/2021</u>	<u>30/6/2020</u>
Holding company debit balance		--	502
Debtor Accounts to governmental Authorities	(17/1)	262 974	349 916
Accrued revenues	(17/2)	141 333	2 600
Prepaid expenses		22 054	3 800
Other debit balances	(17/3)	161 365	100 147
<b>Total</b>		<b>587 726</b>	<b>456 965</b>
Less impairment in debtors		14 252	11 853
<b>Net</b>		<b>573 474</b>	<b>445 112</b>

**17/1 Debtor Accounts to governmental Authorities**

	<u>31/3/2021</u>	<u>30/6/2020</u>
VAT tax authority	250 598	282 587
Custom authority	267	36
Debit balance for other governmental authorities	12 109	67 293
	<b>262 974</b>	<b>349 916</b>

Accounts receivable with other authorities include the following:

- 7 692 Thousand Egyptian pounds for Customs Department, Drupak Tobako.
- 1 727 Thousand Egyptian pounds for sales paid on imported goods.
- 817 Thousand Egyptian pounds for sales tax paid on investment goods
- 1 785 Thousand Egyptian pounds for Ministry of Finance - imported sales tax.
- 88 Thousand Egyptian Pounds others.

**17/2 Accrued revenues**

	<u>31/3/2021</u>	<u>30/6/2020</u>
Accrued export incentives	1 007	832
Securities accrued income	138 908	709
Debit rents accrued	930	550
Miscellaneous income accrued	488	509
<b>Total</b>	<b>141 333</b>	<b>2 600</b>

**17/3 Other debit balances:**

	<u>31/3/2021</u>	<u>30/6/2020</u>
Guarantees for others	10 980	10 795
Employees loans	11 660	11 027
Other debit balances *	138 725	78 325
<b>Total</b>	<b>161 365</b>	<b>100 147</b>

**NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED MARCH 31, 2021**  
(Amounts expressed in Thousands of Egyptian Pounds)

\* The other debit balance includes the follows:

	<u>Amount</u> <u>EGP</u>
The sale of 6,310,000 treasury shares on 29/3/2021 by Ci Capital and Hermes, collected during April 2021.	73 720
The State Company for Paper Industry (Racta)	37 381
Messages cost	7
Stock for others joint production (Viceroy / pal mal)	4 484
The goods, fines due to the company, external accrued (Rushdy Pharmacy), as well as travel allowances.	8 022
The treasury of the Rusafa factory, which is registered with Misdemeanor No. 4900/2016.	3 255
Insurance claims under settlement and for cars	4 159
The mosque deposit, and it has a charge in other credit accounts of the same value.	678

**18- TRADE PAYABLES - ADVANCE PAYMENTS**

	<u>31/3/2021</u>	<u>30/6/2020</u>
Public sector suppliers	4 543	2 198
Private sector suppliers	33 835	40 296
Public sector services suppliers	5 197	5 004
<b>Total</b>	<b><u>43 575</u></b>	<b><u>47 498</u></b>

**19- INVESTMENTS IN INVESTMENT CERTIFICATES**

4 533 253	thousand pounds treasury bills.
1 000 778	thousand pounds investments in investment certificates Dollars
1 627 612	thousand pounds investments in investment treasury bills
<u>373 000</u>	thousand pounds investments in investment certificates
<b><u>7 534 643</u></b>	

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

	<u>31/3/2021</u>	<u>30/6/2020</u>
Banks current accounts	1 001 682	7 419 268
Cash on hand	22 377	19 166
<b>Total</b>	<b><u>1 024 059</u></b>	<b><u>7 438 434</u></b>

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

**21- ISSUED AND PAID-UP CAPITAL**

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

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

<b><u>Company name</u></b>	<b><u>Shares number</u></b>	<b><u>Percentage</u></b>
The holding company for Chemical industries	1 136 250 000	50.5%
Employees associations	138 135 692	6.14%
Treasury bills	40 807 355	1.82%
Free trading	934 806 953	41.54%
<b>Total</b>	<b>2 250 000 000</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 employee's association of the Eastern company has bought number of 1 199 529 shares from the Eastern company shares During the period from 1/7/2019 to 30/3/2020, so, the company's shares will be 138 035 692 shares by contributions percentage up to 6.14%.
- The company's board of directors which held on 19/3/2020 decided that buy of treasury stock up to a maximum of 3% of the company's shares traded on the stock exchange, the purchasing process will be during a month start from 23/3/2020 till 22/4/2020 and notifying the shareholders that not perform any operations on it, The board of directors also decided to seek the assistance from (CI Capital company and EFG company).
- The company's board of directors which held on 23/4/2020 approved to complete the purchase of treasury shares start from 28/4/2020 till 27/7/2020 to complete the aforementioned percentage 3% The company's board of directors, held on 28/7/2020, decided to extend the completion of the purchase of treasury shares, provided that the purchase process starts on 29/7/2020 and ends on 28/10/2020, and the Board of Directors decided on 24/11/2020 as well. By extending the completion of the purchase of treasury shares from 25/11/2020 until 24/2/2021 until the full quantity is implemented, and what has been purchased has reached until 30/11/2020 52 303 418 shares, or 2.324% of the company's shares.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED MARCH 31, 2021**

(Amounts expressed in Thousands of Egyptian Pounds)

- The company's board of directors decided, in its session held on January 27, 2021, to stop the purchase of treasury shares, and the company's board of directors decided in its passing session held on 3/3/2021 to approve the sale of treasury shares owned by the company and purchased during the period from 24/3/2020 until 31/5/2020, of which there are 35 382 492 shares, at the market price on the day of execution.
- 11 496 063 treasury shares were sold until 29/3/2021, and the amounts were settled during March 2021.
- 13,000,000 shares were sold during the period from 30/3/2021 until 31/3/2021, and the amounts were settled during April 2021.
- The number of treasury shares that had been purchased for more than a year without disposing of them reached 797 204 shares.

**22- RESERVES**

	<u>31/3/2021</u>	<u>30/6/2020</u>
Legal reserve	991 495	991 495
Regular /Statutory reserve	1 673 498	1 673 498
Capital reserve	550 815	550 815
Reserve to be invested in governmental bonds	20 662	20 662
Reserve of profits estimated budget	940 170	940 170
Other reserves	25	25
<b>Total</b>	<b><u>4 176 665</u></b>	<b><u>4 176 665</u></b>

The balance of the issued and paid-up capital and reserves, retained earnings on March 31, 2021, amounted to 7 518 438 thousand Egyptian pounds. The following is the movement of capital accounts, reserves and retained earnings: -

	<u>Thousand Egyptian Pounds</u>			
	<u>Balance as of 1/7/2020</u>	<u>Additions</u>	<u>Exclusions</u>	<u>Balance as of 31/3/2021</u>
Issued and paid-up share capital	2 250 000	--	--	2 250 000
Legal reserve	991 495	--	--	991 495
Reserve to be invested in governmental bonds	20 662	--	--	20 662
Capital reserve	550 815	--	--	550 815
Reserve of profit estimated budget	940 170	--	--	940 170
Statutory reserve	1 673 498	--	--	1 673 498
Other reserves	25	--	--	25
Treasury shares*	(432 343)	(194 157)	137 702	(488 798)
Retained earnings	1 567 139	13 432	--	1 580 571
<b>Total</b>	<b><u>7 561 461</u></b>	<b><u>(180 725)</u></b>	<b><u>137 702</u></b>	<b><u>7 518 438</u></b>

\* The purchase of approximately 40 807 thousand shares.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED MARCH 31, 2021**

(Amounts expressed in Thousands of Egyptian Pounds)

**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.

**23- TREASURY STOCKS**

The total bought treasury stocks is 52 303 418 share amounted 626 500 043 EGP with average price 11.98 EGP/share during the period from March 24, 2020 till November 30, 2020, and reduce share 11 496 063with amounted 137 701 975 EGP from the shares sale during the period from March 24, 2021 till March 29, 2021.

**24- RETAINED EARNINGS**

The charge on retained earnings during the financial period from 1/7/2020 till 31/3/2021 amounted to 5 304 thousand pounds, which is the adjustments of previous years expenses and previous years revenues and deferred taxes in accordance with Egyptian Accounting Standard No. (5) The Board of Directors in calculating the retained earnings according to the decisions of the general assembly of the company and the treasury stocks sale different till 31/3/2021 amounted 8 128 Thousand Egyptian Pounds.

**25- DEFERRED TAX**

	<u>31/3/2021</u>	<u>30/6/2020</u>
Deferred tax liabilities	414 645	411 822
Deferred tax assets	(185 385)	(201 624)
<b>Net tax liabilities</b>	<b><u>229 260</u></b>	<b><u>210 198</u></b>

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



**26- EMPLOYEE BENEFITS**

- The total employee benefits is representing an amount of 562 124 Thousand Egyptian Pounds which expressing the end of service grant for the permanent employees of the company on 31/3/2021.
- The expected value of the end-of-service grant for graduates during the fiscal year 2020/2021, amounting to 17 841 thousand pounds, has been separated and included in current liabilities and the rest has been included in long-term liabilities.

**27- PROVISIONS:**

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

• **Movement of provisions:**

	<b>Thousand Egyptian Pounds</b>			<b>Balance as of 31/3/2021</b>
	<b>Balance as of 1/7/2020</b>	<b>Provided</b>	<b>No longer needed/ used***</b>	
Provision of disputed taxes *	209 238	262 000	--	471 238
Provision of contingent liabilities	262 000	--	262 000	--
Provision of legal claims **	173 707	--	14 547	159 160
<b>Total</b>	<b>644 945</b>	<b>262 000</b>	<b>276 547</b>	<b>630 398</b>

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

\*\* The provision of legal claims, salaries, and other: the company's lawyer prepared lists from his point of view according to the prospect liabilities and the value of used provision equal 14 547 thousand pounds

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

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

**28- TRADE AND NOTES PAYABLES**

	<b>31/3/2021</b>	<b>30/6/2020</b>
Trade payables (public sector)	36 094	48 616
Trade payables (private sector)	103 426	149 899
Foreign Trade payables	263 966	172 136
Notes Payable *	--	41 965
<b>Total</b>	<b>403 486</b>	<b>412 616</b>

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

**NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED MARCH 31, 2021**  
(Amounts expressed in Thousands of Egyptian Pounds)

**29- CREDITORS AND OTHER CREDIT BALANCES**

	<u>31/3/2021</u>	<u>30/6/2020</u>
Governmental authorities current account	4 815 820	5 673 729
Dividends payable	11 021	3 540 634
Accrued expenses	654 629	628 899
Other credit balances	538 581	513 994
<b>Total</b>	<b><u>6 020 051</u></b>	<b><u>10 357 256</u></b>

**29/1 Governmental authorities credit accounts**

	<u>31/3/2021</u>	<u>30/6/2020</u>
VAT tax authority*	4 751 588	5 606 129
Health insurance contribution	31 879	37 325
General Tax Authority (withheld from others at source)	18 931	4 621
Property tax authority	923	1 018
National organization for social insurance	12 499	24 636
<b>Total</b>	<b><u>4 815 820</u></b>	<b><u>5 673 729</u></b>

**29/2 Accrued expenses**

\* 654 629 Thousand Egyptian Pounds representing accrued expenses for employees and other.

**29/3 Other credit balances**

	<u>31/3/2021</u>	<u>30/6/2020</u>
Deposits from others	57 463	55 517
Fixed assets supplies	34 983	53 296
Creditors amounts deducted from employees	3 615	7 748
Deferred revenue related to gifted fixed assets*	104 300	118 975
Sums set aside for the benefit of workers – social** services	200 397	216 006
Other***	137 823	62 452
<b>Total</b>	<b><u>538 581</u></b>	<b><u>513 994</u></b>

\* Credit balances include deferred revenue.

97 977 thousand Egyptian pounds, pertaining to the net gifted fixed assets.

6 323 thousand Egyptian pounds for equipment against tobacco leaf raw materials.

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

**NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED MARCH 31, 2021**  
(Amounts expressed in Thousands of Egyptian Pounds)

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

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

\*\*\* Includes other credit balances.

12 967 EGP is deducted from employees, especially for the Shareholders Union  
4 109 Egyptian pounds for the social solidarity committee of the company It expires its maturity at the end of November 2021

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

28,853 Egyptian pounds for joint production stocks (target / LD)

57 145 thousand pounds for marketing expenses due and others

5 994 pertaining to the union workers shareholders

678 thousand pounds for the deposit of the mosque

**30- TRADE RECEIVABLES - ADVANCE PAYMENTS**

	<u>31/3/2021</u>	<u>30/6/2020</u>
Receivables - other credit balances	42 260	156 267
Receivables credit balances - scrap	1 180	270
<b>Total</b>	<b><u>43 440</u></b>	<b><u>156 537</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 201 955 Thousand Egyptian Pounds.

**\* THE INCOME STATEMENT:**

The cost of revenues includes an amounted 29 874 Thousand Egyptian Pounds related to the depreciation of finance leased assets (for the financial year from 1/7/2020 till 31/3/2021), in addition to an amount of 2 817 Thousand Egyptian Pounds as maintenance expenses (spare parts) related to the leased assets.

**31- SALES REVENUE**

	<u>31/3/2021</u>	<u>31/3/2020</u>
Net sales	10 395 909	9 446 352
Revenue of operation for other	1 751 629	1 921 329
<b>Total</b>	<b><u>12 147 538</u></b>	<b><u>11 367 681</u></b>

**NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED MARCH 31, 2021**  
 (Amounts expressed in Thousands of Egyptian Pounds)

**32- COST OF GOODS SOLD**

	<u>31/3/2021</u>	<u>31/3/2020</u>
Raw Materials	5 205 138	4 783 203
Depreciation and amortization	413 500	407 364
Wages	1 444 037	1 399 077
Maintenance	97 415	97 177
Miscellaneous service expenses	54 100	23 999
Insurance expenses	21 060	10 701
Decline in inventory value	(278 863)	(9 934)
Others	51 130	32 349
<b>Total</b>	<b><u>7 007 517</u></b>	<b><u>6 743 936</u></b>

**33- OTHER INCOME**

	<u>31/3/2021</u>	<u>31/3/2020</u>
Gain from materials sales	123	167
Other miscellaneous income*	20 054	25 271
Other miscellaneous income real estate investment	--	1 297
Gain from scrap sales	3 852	4 696
Rents income	1 329	1 569
Credit compensation	657	330
Capital profit**	22 376	5 636
No-longer provisions	39 500	9 000
Grants and subsidies ***	861	1 041
<b>Total</b>	<b><u>88 752</u></b>	<b><u>49 007</u></b>

\* The miscellaneous revenues include an amount of 14 733 Thousand Egyptian Pound relevant to gifted assets.

\*\* The capital revenues relevant which is amounted to 22 376 Thousand Egyptian Pounds

\*\*\* The other revenues include grants and subsidies for the time period from 1/7/2020 till 31/3/2021. Also the comparative period which has been transferred from operating revenue to other revenue item.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED MARCH 31, 2021**  
(Amounts expressed in Thousands of Egyptian Pounds)

**34- SALE AND DISTRIBUTION EXPENSES**

	<u>31/3/2021</u>	<u>31/3/2020</u>
Salaries	304 659	296 804
Depreciation and amortization	4 055	3 895
Maintenances	1 415	2 671
Miscellaneous service expenses	3 488	3 544
Insurance expenses	2 974	3 087
Marketing expenses	51 185	37 548
Discount permitted	95 862	97 750
Full production transfer	17 575	17 808
Other	36 898	25 382
<b>Total</b>	<b><u>518 111</u></b>	<b><u>488 489</u></b>

**35- GENERAL AND ADMINISTRATIVE EXPENSES**

	<u>31/3/2021</u>	<u>31/3/2020</u>
Salaries	119 831	117 878
Depreciation and amortization	12 697	16 574
Maintenances	209	203
Miscellaneous service expenses	35 274	35 575
Other	19 480	6 463
<b>Total</b>	<b><u>187 491</u></b>	<b><u>176 693</u></b>

- The general and administrative expenses includes amount of 31 880 Thousand Egyptian Pound for the financial year from 1/7/2020 ended 31/3/2021.

**36- OTHER EXPENSES**

	<u>31/3/2021</u>	<u>31/3/2020</u>
Donations for other	15 650	11 168
From materials sales	--	--
Capital loss	3	--
Extraordinary losses	8 928	--
Impairments loss	--	10 916
Provision for potential liabilities	--	130 000
Losses in the price of raw materials	224	206
Compensation and fines	1 273	4
Assignment of doubtful debts	2 399	576
<b>Total</b>	<b><u>28 477</u></b>	<b><u>152 870</u></b>

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

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

**37- FINANCING COST/ REVENUE**

	<u>31/3/2021</u>	<u>31/3/2020</u>
Credit interest	321 176	292 625
Gains revaluation differences on foreign currencies	10 337	37 418
<b>Total finance revenue</b>	<b>331 513</b>	<b>330 043</b>
Bank interest and bank expenses	(3 158)	(9 859)
(Losses) revaluation differences on foreign currencies	(50 634)	(105 688)
<b>Total finance expenses</b>	<b>53 792</b>	<b>(115 547)</b>
<b>Net finance expenses</b>	<b>277 721</b>	<b>214 496</b>

**38- OTHER FINANCIAL INVESTMENTS REVENUE**

The financial investments revenue includes 125 979 Thousand Egyptian Pounds interest from investments in Suez Canal and 84 376 Thousand Egyptian Pounds from treasury bills revenue, 21 681 Thousand Egyptian Pounds for the return on government bonds.

**39- TAX EXPENSES**

- The income tax in the income statement as of 31/3/2021 was amounted to 1 117 068 Thousand Egyptian Pounds.
- The deferred tax in income statement as of 31/3/2021 was amounted to 19 062 Thousand Egyptian Pounds according the following:

	<u>Thousand Egyptian Pounds</u>
Deferred tax liabilities	2 823
Deferred tax assets	16 239
<b>Total</b>	<b>19 062</b>

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

**40- EARNINGS PER SHARE**

	<u>Unit</u>	<u>31/3/2021</u>	<u>31/3/2020</u>
Net profit for the year after deducting the dividends for employees, Youth and sport Authority, and rewards of Board of Directors Members.	Thousand Egyptian Pounds	3 604 982	2 940 518
Weighted average number of common shares	Thousand shares	2 205 183	2 244 017
<b>Portion per share in net profit</b>	Egyptian Pounds	<b>1.63</b>	<b>1.31</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:**

**41- CASH AND CASH EQUIVALENT**

- The cash and cash equivalent balance amounted to 1 024 059 Thousand Egyptian Pounds are as following:

	<u>31/3/2021</u>	<u>31/3/2020</u>
Time deposits with banks	--	360 831
Banks accounts	1 001 682	6 931 387
Cash on hand	22 377	19 491
<b>Cash balance</b>	<b><u>1 024 059</u></b>	<b><u>7 311 709</u></b>

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

**42- CONTRACTUAL COMMITMENTS**

The contractual obligations represent of two packing lines for filling and sulking molasses, amounted 1 029 thousand EUR, and eight cartridges packing for the amount of 1,826 thousand EUR.

**43- COMPARATIVE FIGURES**

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

**44- OTHER DATA**

**44/1 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.

**44/2 Insurance:**

- The company have various insurance using insurance policies which covered all potential risks that company may face, such as:
  - a. **Comprehensive Certificate/document:**
    - To cover risks of fire properties, risk of cash transfer, dishonesty, machinery malfunction, the common civil responsibility, loss revenues, and remove debris.
  - b. **Cars Certificate/document:**
    - Cover all risks fleet of cars facing (comprehensive insurance - compulsory insurance).
  - c. **Transportation Certificate/document:**
    - Cover risks of transportation, sea and air transportation for all production materials and finished goods.
  - d. **Lifts Certificate/document:**
    - Cover the civil responsibility result from operation.
  - e. **Political violence Certificate/document:**
    - Cover terrorism, vandalism, willful acts, riots, civil unrest, armed insurrection, revolution, rebellion, military coup, and costs of rubble elimination.
  - f. **Personnel accident violence Certificat/document :**
    - Cover the death, the full and partial disability result from accidents and the medical care expenses (10% from the insurance amount). Terrorism risk was added.
  - g. **Dishonesty Certificate/document:**
    - Cover the drivers who are working on contractual terms for transporting the company's' products.

**44/3 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.



**NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED MARCH 31, 2021**  
(Amounts expressed in Thousands of Egyptian Pounds)

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- 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 m<sup>3</sup>/day and the company got the environmental approval for energy raising up to be 1220 m<sup>3</sup>/day. Installations and the station are currently in the testing phase to start operation.
- The company has also implemented a project of central air conditioning operating by natural gas to one of its factories to avoid the impact of thermal stress knowing that there is no raise in the temperature of the working environment as a result of various industrial processes more than allowed rates according to the executive decisions and regulations, through the monitoring carried out at the facility.
- The company established a central station for collecting the manufacturing process outputs resulting from the company's production activities. Some items are sold and others are recycled in industries. Compost production from unusable dust of tobacco leaf is also been studied.
- The company already bought a group of the environmental measuring devices to monitor pollutants and emissions of the work environment to determine the permissible limits in accordance with the requirements of the environmental law (number 4 for the year of 1994) and its executive regulation. In addition, the experts of the National Research Center had done the required regularly measurements and approved it in the environmental records for the different locations of the company. It is worth mentioning that the company spares no effort in supplying all personal protection tools to employees according to the nature of each activity.
- Extensive environmental approval was obtained for the project of establishing and extending a factory of roots plant (ESS) as space of 13350 m<sup>3</sup> in the industrial complex of the company in the City of 6<sup>th</sup> October, the company has also planted green areas and windbreaks and ornamental plants inside the industrial complex zone , and that with the implementation of the construction requirements and green spaces in the general plan for the industrial complex approved by the Urban Communities Authority as well as green areas around the eastern side of the industrial complex.
- Environmental approval was obtained for the construction of a 1 MW solar power station with an area of 14000 m<sup>2</sup> in the industrial complex of the company in the City of 6<sup>th</sup> October, the station has already been completed and it is currently in the testing phase for its service entry in order to reduce the burden on the electricity network in the industrial complex of the company in the City of 6<sup>th</sup> October. The company also is in the process stage of establishing additional electricity generating station by (BOT) system and 2 MW power.

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

#### **45- SIGNIFICANT EVENT**

- The impact of the spread of the new Coronavirus (Covid 19) on the economy and global markets continues, as world governments, including the Egyptian government, companies, and individuals, have taken all measures to prevent the spread of the virus and protect the health of their societies as much as possible.
- The health and safety of all workers, their families, clients, and their families was and remains the top priority company while ensuring the continuity of work to fulfill obligations, especially towards shareholders. With this global pandemic.
- Despite belief that the spread of the virus represents a great challenge at present, this allowed to excel, as the strength of our financial position and its high liquidity support us exceptionally during that crisis, but most importantly is our belief that our credibility and our tremendous record of strong performance are the most difficult The times and our focus on the client's needs during the crisis is what distinguishes us in those times in particular.
- From our point, we can see that there is no material impact on the current economic situation of the company (its financial position, business results, and cash flows).
- We work in a sector characterized by very strong demand, which has proven its resilience in the face of historical and current challenges, and in light of our current knowledge and available information, there is no impact of the emerging (Covid-19) virus on the company's ability to continue in the foreseeable future.
- 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.
- The company's board of directors approved, in its session held on 27/1/2021, the renewal of the manufacturing and printing contracts with Philip Morris on the same terms and conditions previously agreed upon.

46- On 18/3/2019, the Minister of Investment and International Cooperation amended some provisions of the Egyptian accounting standards issued by the Minister of Investment's Decree No. 110 of 2015, which includes some new accounting standards and an amendment to some of the existing standards and because of the current

conditions that the country is going through due to the outbreak of the new Coronavirus. As explained in detail in clarification No. (1-43), the Egyptian government has implemented some preventive measures to counter the spread of the virus, including reducing working hours and temporarily stopping some activities, including aviation and tourism activities. As a result, private companies have also applied different preventive measures from one company to another. According to the activity, the number of employees, the work location, and other considerations, these procedures included imposing restrictions on the number and period of the presence of human resources in the companies, which led to some companies delaying the procedures for fully implementing the new Egyptian accounting standards package on the effective date of those standards which is January 1, 2020. Due to these circumstances, the Higher Committee for the Review of Egyptian Standards and Egyptian Standards for Review and Limited Examination and other assurance tasks agreed to a defer Iyer New Egyptian Accounting Amendments accompanying it to Resolution No. (69) of 2019 on the annual financial statements of these companies at the end of 2020, And the combined effect was included by the end of 2020 Consequently, the company did not apply these standards to the periodic financial statements for the nine-month period ending on March 31, 2021, and for standards (47), (48), (49) the application of these amendments was postponed to begin on January 1, 2021 in accordance with Prime Minister Decision No. (1871) For the year 2020, however, a statement was issued by the Financial Supervisory Authority on May 9, 2021 permitting the postponement of the accounting impact of the application of Standard No. (47) for financial instruments in the periodic financial statements until no later than the date of preparing the financial statements at the end of 2021 with the inclusion of the combined accounting effect for the whole

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**Niveen Ali Hussein**  
**General Manager financial statements**

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

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

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