Paints and Chemical Industries Company "Pachin"

S.A.E.

The Consolidated Financial Statements for the Financial Period From July 1, 2016 until December 31, 2016

Together with Limited Review Report

LIMITED REVIEW REPORT

To : The Board of Directors of Paints and Chemical Industries Company "Pachin"

Introduction

We have reviewed the accompanying consolidated balance sheet of Paints and Chemical Industries Company for the period from July 1, 2016 until December 31, 2016, and the related statements of consolidated profit and loss, other comprehensive income, cash flows and changes in shareholders' equity for the six-month period ending on that date, and the summary of significant accounting policies and the disclosures thereto. These financial statements are the responsibility of the company's management. Our responsibility is to issue a report on these financial statements based on our review.

Scope of Limited Review

We conducted our review in accordance with the Egyptian Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the Egyptian Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis of Qualification

Our Limited Review Report for the El-Obour for Paints and Chemical Industry dated February 27, 2017 stated the following:

Management did not recognize the liability resulting from the employees' defined benefit plan during the financial period ended as of December 31, 2016, in the amount of EGP 3 900 637, which should have been recognized as expenses during the period, and subsequently, reduce the net profit by this amount. This amount is represented in the difference resulting from the amount of EGP 6 329 186, as the company's management did not recognize, all the unrecognized past service cost resulting from the defined benefit plan, as expense in the profits and losses according to the accounting treatment for the new Egyptian Accounting Standards, as well as the amount of EGP 2 428 549, as the company's management did not recognize the profits resulting from cancelling the implicit liability to increase the maximum benefit paid to the employee at end of service, as the company's management believes that these amounts should be amortized over the interim financial periods during the year until June 30, 2017.

Qualified Conclusion

Based on our review, except the effect of matter described in the basis of qualification paragraph nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements as of December 31, 2016, do not give a true and fair view of the company's financial position and the results of its operations and cash flows for the six month period ending on that date according to the Egyptian Accounting Standards.

Cairo, February 27, 2017

Kamel M. Saleh FCA
F.E.S.A.A (RAA 8510)

Translation of Financial Statements
Originally Issued in Arabic

Paints and Chemical Industries Company "Pachin" S.A.E.
Consolidated Balance Sheet
As of December 31, 2016

	Notes	Consolidated		Pachin	
		31/12/2016	**30/6/2016**	**31/12/2016**	**30/6/2016**
Non - Current Assets		**EGP**	**EGP**	**EGP**	**EGP**
Fixed assets (net)	(2b, 4)	218 690 804	225 813 640	8 975 086	9 402 485
Projects under construction (net)	(2c, 5)	33 311 487	20 217 019	175 000	87 500
Investments in subsidiaries	(2f, 6)	--	--	256 951 579	256 951 579
Available for sale investments	(2g, 7)	774 906	774 906	774 906	774 906
Intangible assets	(2d, 8)	16 016 000	16 016 000	16 016 000	16 016 000
Total Long-term Assets		**268 793 197**	**262 821 565**	**282 892 571**	**283 232 470**
Current Assets					
Inventories (net)	(2h, 9, 18)	157 842 189	154 252 628	14 117 747	23 741 052
Letters of credit		2 568 881	4 676 342	--	--
Accounts receivable (net)	(2i, 10, 18)	51 178 685	48 735 119	8 446 728	6 212 169
Notes receivable (net)	(11, 18)	11 432 044	12 025 324	--	--
Due from subsidiaries	(12)	36 258 792	--	54 852 090	18 372 516
Other debit balances (net)	(13, 18)	13 955 165	13 655 920	2 654 453	52 055 006
Debit tax accounts	(14)	10 316 364	26 022 498	6 897 793	9 999 951
Investments for trading and treasury bills	(2j, 15)	65 537 988	115 430 813	30 504 871	50 940 661
Cash and cash equivalents	(2k, 16)	214 673 424	110 167 756	125 620 288	55 196 000
Total Current Assets (1)		**563 763 532**	**484 966 400**	**243 093 970**	**216 517 355**
Total Assets		**832 556 729**	**747 787 965**	**525 986 541**	**499 749 825**
Shareholders' Equity					
Issued and paid-up capital	(24)	240 000 000	200 000 000	240 000 000	200 000 000
Reserves	(25)	171 684 443	207 887 721	141 501 148	178 608 813
Business combination reserve	(26)	54 341 000	54 341 000	--	--
Foreign exchange differences		(4 479 315)	(782 878)	--	--
Retained earnings		46 899 644	27 357 900	23 342 624	22 104 826
Profits for the period / year		68 366 337	76 621 632	39 597 033	58 094 010
Total Shareholders' Equity		**576 812 109**	**565 425 375**	**444 440 805**	**458 807 649**
Non-controlling interest		11 092 851	9 994 610	--	--
Total Shareholders' Equity and Non-Controlling Interest		**587 904 960**	**575 419 985**	**444 440 805**	**458 807 649**
Long-term liabilities					
Long-term liabilities	(27)	453 193	540 875	--	--
Retirement benefit plan liabilities	(2y, 23)	17 033 408	13 633 417	5 804 590	5 212 150
Deferred tax labilities	(2r, 28)	21 109 597	21 218 141	3 200 305	3 164 662
Total Non-current Liabilities		**38 596 198**	**35 392 433**	**9 004 895**	**8 376 812**
Current Liabilities					
Provisions	(2L, 17)	10 281 675	10 281 675	5 230 978	5 230 978
Banks facilities	(19)	54 617 751	7 209 158	37 424 063	2 403 100
Accounts and notes payable	(2 m, 20)	69 676 673	47 110 591	5 717 717	6 882 839
Dividends payable		552 000	1 000 000	180 000	--
Other credit balances	(21)	48 906 766	38 088 208	10 994 731	10 379 190
Credit tax accounts	(22)	22 020 706	33 285 915	12 993 352	7 669 257
Total Current Liabilities		**206 055 571**	**136 975 547**	**72 540 841**	**32 565 364**
Total Liabilities		**244 651 769**	**172 367 980**	**81 545 736**	**40 942 176**
Total Liabilities and Equity		**832 556 729**	**747 787 965**	**525 986 541**	**499 749 825**

- The accompanying notes from (1) to (34), form an integral part of the financial statements.

Financial Manager	Managing Director	Chairman
Accountant: Mostafa Omar El-Shall	**Eng.: Mohie El Din Abdel Razik**	**Dr.: Mahmoud Abdel Hakim Al Refaaey**

- Limited Review Report Attached.

Paints and Chemical Industries Company "Pachin" S.A.E.
Consolidated Profit and Losses Statement
For the Period from July 1, 2016 until December 31, 2016

	Notes	Consolidated				Pachin			
		From 1/10/2016 Till 31/12/2016	From 1/7/2016 Till 31/12/2016	From 1/10/2015 Till 31/12/2015	From 1/7/2015 Till 31/12/2015	From 1/10/2016 Till 31/12/2016	From 1/7/2016 Till 31/12/2016	From 1/7/2015 Till 31/12/2015	From 1/10/2015 Till 31/12/2015
		EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP
Sales (net)	(2O, 3)	202 474 201	360 673 956	198 719 204	402 224 674	31 217 894	53 920 248	25 983 576	58 497 338
Less: Cost of sales		(159 948 262)	(289 918 612)	(158 894 376)	(322 864 591)	(29 214 587)	(50 739 675)	(23 763 985)	(51 859 382)
Gross Profit		**42 525 939**	**70 755 344**	**39 824 828**	**79 360 083**	**2 003 307**	**3 180 573**	**2 219 591**	**6 637 956**
Selling and marketing expenses		(11 756 518)	(23 372 210)	(11 923 152)	(24 133 480)	(483 420)	(894 502)	(501 126)	(1 169 945)
General and administrative expenses		(6 813 311)	(13 590 756)	(6 651 455)	(13 864 971)	(1 786 572)	(3 288 673)	(2 164 368)	(3 722 588)
Retirement benefit plan cost	(2y, 23)	(2 935 668)	(6 570 156)	(1 733 708)	(3 467 417)	(256 646)	(1 212 112)	(390 389)	(780 778)
Impairment in receivables and other debit balances		--	--	--	--	(987 995)	(1 429 259)	--	--
Allowances for Board of Directors members		(134 000)	(262 500)	(154 000)	(315 000)	(48 000)	(100 500)	(126 000)	(162 000)
Profit (Loss) from Operations		**20 886 442**	**26 959 722**	**19 362 513**	**37 579 215**	**(1 559 326)**	**(3 744 473)**	**(962 292)**	**802 645**
Finance expenses		(640 057)	(1 166 965)	(551 204)	(2 643 426)	(86 882)	(182 860)	(370 057)	(2 248 913)
Gain on sale of investement		(72 396)	93 804	44 620	44 620	53 505	53 505	--	--
Gain on revaluation of investments held for trading		347 260	400 765	160 373	393 982	73 695	127 200	41 650	85 204
Treasury bills revenue		2 837 139	5 949 415	697 907	4 914 915	1 296 558	2 687 680	556 846	3 775 902
Credit interest		2 509 721	3 715 533	1 844 184	2 474 343	1 769 268	2 422 146	969 924	1 110 849
Capital gain		4 325	13 967 030	44 900	44 900	44 900	13 950 530	259 025	259 025
Other income		363 362	576 767	1 880 591	2 428 903	1 530 377	2 442 928	1 004 554	1 706 333
Foreign exchange differences		39 863 327	39 394 844	170 283	1 375 046	34 196 154	34 185 879	(314 273)	384 690
Net profits before discontinued operations		**66 099 123**	**89 890 915**	**23 654 167**	**46 612 498**	**37 318 249**	**51 942 535**	**1 185 377**	**5 875 735**
Discontinued operation losses	(29)	(20 609)	(233 895)	(296 627)	(514 531)	(20 609)	(233 895)	(296 627)	(514 531)
Net profit after discontinued operation and before taxes		**66 078 514**	**89 657 020**	**23 357 540**	**46 097 967**	**37 297 640**	**51 708 640**	**888 750**	**5 361 204**
Income tax		(14 200 412)	(19 372 686)	(4 806 159)	(9 728 985)	(8 645 787)	(12 075 964)	(376 980)	(1 248 458)
Deferred tax	(2r, 28)	92 136	108 543	(83 197)	(238 644)	(4 570)	(35 643)	(155 567)	(360 817)
Profit after Tax		**51 970 238**	**70 392 877**	**18 468 184**	**36 130 338**	**28 647 283**	**39 597 033**	**356 203**	**3 751 929**
Related to:									
Shareholders of the holding company		51 131 838	68 366 337	18 262 104	35 584 847	--	--	--	--
Non- controlling interest		838 400	2 026 540	206 080	545 491	--	--	--	--
Total		**51 970 238**	**70 392 877**	**18 468 184**	**36 130 338**	**28 647 283**	**39 597 033**	**356 203**	**3 751 929**
Earnings per share	(24)		**2.85**		**1.48**		**1.65**		**0.16**

- The accompanying notes from (1) to (34), form an integral part of the financial statements.

Chief Financial Officer	Managing Director	Chairman
Accountant: Mostafa Omar El-Shall	Eng.: Mohie El Din Abdel Razik	Dr.: Mahmoud Abdel Hakim Al Refaaey

Paints and Chemical Industries Company "Pachin" S.A.E.

Consolidated Other Comprehensive Income Statement

For the Period from July 1, 2016 until December 31, 2016

	Notes	Consolidated		Pachin	
		31/12/2016	31/12/2015	31/12/2016	31/12/2015
		EGP	EGP	EGP	EGP
Net Profits after Tax		**70 392 877**	**36 130 338**	**39 597 033**	**3 751 929**
Other Comprehensive Income					
Acturial Gain resluted from defined benefit plan		850 503	--	169 452	--
Total Comprehensive Income		**71 243 380**	**36 130 338**	**39 766 485**	**3 751 929**
Related to:					
Shareholders of the holding company		69 216 499	35 584 847	--	--
Non- controlling interest		2 026 881	545 491	--	--
Total		**71 243 380**	**36 130 338**	**39 766 485**	**3 751 929**

- The accompanying notes from (1) to (34), form an integral part of the financial statements.

Chief Financial Officer	Managing Director	Chairman
Accountant: Mostafa Omar El-Shall	Eng.: Mohie El Din Abdel Razik	Dr.: Mahmoud Abdel Hakim Al Refaaey

Paint and Chemical Industries Company "Pachin" S.A.E.
Consolidated Cash Flows Statement
For the Period from July 1, 2016 until December 31, 2016

	Notes	Consolidated 31/12/2016 EGP	Consolidated 31/12/2015 EGP	Pachin 31/12/2016 EGP	Pachin 31/12/2015 EGP
Cash Flows from Operating Activities					
Net profits for the period before taxes		89 657 020	46 097 967	51 708 640	5 361 204
Adjusted by					
Depreciation of fixed assets		7 259 750	7 531 737	407 931	511 256
Net impairment formed and used during the year		--	(95 777)	7 643	--
Acturial gain resluting from defined benefit plan		850 503	--	169 452	--
Net provisions formed and used		--	(273 714)	--	(1 224 072)
Gain on revaluation of investments for trading purposes		(400 765)	(393 982)	(127 200)	(85 204)
Unrealized foreign exchange differences		--	(152 789)	--	(19 650)
Treasury bills revenue		(5 949 415)	(4 914 915)	(2 687 680)	(3 775 902)
Capital gain		(13 967 030)	(44 900)	(13 950 530)	(259 025)
Profit on sale of investments		(93 804)	--	--	--
Debit interest		1 166 965	2 643 426	182 860	2 248 913
Credit interest		(3 715 533)	(2 474 343)	(2 422 146)	(1 110 849)
Operating Profits before Working Capital Changes		**74 807 691**	**47 922 710**	**33 288 970**	**1 646 671**
(increase) / Decrease in receivables and other debit balances		(22 054 500)	(89 335)	(33 980 098)	41 159 183
(Increase) / decrease in inventories and letters of credit		(1 482 100)	(46 683 274)	9 623 310	(28 692 593)
Increase / (Decrease) in creditors and other credit balances		2 362 617	(11 840 981)	(6 709 010)	1 168 199
Decrease in investments for trading purposes		50 387 394	137 923 778	20 562 990	112 154 707
Income tax paid		--	(12 949 845)	--	--
Net Cash Provided from Operating Activities		**104 021 102**	**114 283 053**	**22 786 162**	**127 436 167**
Cash Flows from Investing Activities					
Proceeds from the revenue of investments in subsidiary companies		--	--	48 354 447	24 747 068
Payments for the acquisition of fixed assets and PUC		(13 253 750)	(3 154 203)	(90 400)	(8 780)
Proceeds from sales of fixed assets		13 989 398	44 900	13 972 898	990 064
Proceeds from treasury bills revenue		6 456 533	16 416 739	3 249 071	14 941 656
Interest received		2 560 727	1 969 460	1 267 340	605 627
Net Cash provided from Investing Activities		**9 752 908**	**15 276 896**	**66 753 356**	**41 275 635**
Cash Flows from Financing Activities					
Payments for bank credit facilities		--	(114 493 114)	--	(112 186 091)
Proceeds from banks credit facilities		47 408 593	--	35 020 963	--
Interest paid		(1 166 965)	(2 643 426)	(182 860)	(2 248 913)
Dividends paid		(55 509 970)	(28 845 824)	(53 953 333)	(24 944 442)
Net Cash (used in) Financing Activities		**(9 268 342)**	**(145 982 364)**	**(19 115 230)**	**(139 379 446)**
Net change in cash and cash equivalents during the year		104 505 668	(16 422 415)	70 424 288	29 332 356
Net cash and cash equivalents at beginning of the year	(2k, 16)	110 167 756	136 856 536	55 196 000	40 310 837
Net cash and cash equivalents at end of the year	(2k, 16)	**214 673 424**	**120 434 121**	**125 620 288**	**69 643 193**

* The non-cash transactions are represented in the increase in capital in the amount of EGP 40 million, which was concluded through free shares distribution, deducted from the legal reserve.

- The accompanying notes from (1) to (34), form an integral part of the financial statements.

Chief Financial Officer	Managing Director	Chairman
Accountant: Mostafa Omar El-Shall	**Eng.: Mohie El Din Abdel Razik**	**Dr.:Mahmoud Abdel Hakim Al Refaaey**

Consolidated Statement of Changes in Shareholders' Equity

For the Period from July 1, 2016 until December 31, 2016

	Capital	Reserves	Combination Reserve	Exchange Differences on Translation of Foreign Operations	Retained Earnings	Profits for the Period / Year	Total Shareholders' Equity Holding	Non-Controlling Interest	Total
	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP
Balance as of June 30, 2015	**200 000 000**	**204 522 904**	**54 341 000**	**1 287 569**	**19 312 537**	**44 273 536**	**523 737 546**	**14 317 431**	**538 054 977**
Adjustments on retained earnings	--	--	--	--	142 038	--	**142 038**	--	**142 038**
Balance as of June 30, 2015 after adjustment	**200 000 000**	**204 522 904**	**54 341 000**	**1 287 569**	**19 454 575**	**44 273 536**	**523 879 584**	**14 317 431**	**538 197 015**
Transferred to reserves	--	922 750	--	--	(922 750)	--	--	82 570	82 570
Losses from translation of foreign operations	--	--	--	(747 544)	--	--	(747 544)	--	(747 544)
Dividends for shareholders, employees, and Board of Directors	--	--	--	--	(26 449 839)	--	(26 449 839)	(1 995 985)	(28 445 824)
Transferred to retained earnings	--	--	--	--	44 273 536	(44 273 536)	--	--	--
Total comprehensive income for the financial period ended December 31, 2015	--	--	--	--	--	35 584 847	35 584 847	545 491	36 130 338
Balance as of December 31, 2015	**200 000 000**	**205 445 654**	**54 341 000**	**540 025**	**36 355 522**	**35 584 847**	**532 267 048**	**12 949 507**	**545 216 555**
Balance as of June 30, 2016	**200 000 000**	**207 887 721**	**54 341 000**	**(782 878)**	**27 357 900**	**76 621 632**	**565 425 375**	**9 994 610**	**575 419 985**
Transferred to capital	40 000 000	(40 000 000)	--	--	--	--	--	--	--
Transferred to reserves	--	3 796 722	--	--	(3 796 722)	--	--	--	--
Losses from translation of foreign operations	--	--	--	(3 696 437)	--	--	(3 696 437)	--	(3 696 437)
Dividends for shareholders, employees, and Board of Directors	--	--	--	--	(54 133 329)	--	(54 133 329)	(928 640)	(55 061 969)
Transferred to retained earnings	--	--	--	--	76 621 632	(76 621 632)	--	--	--
Total comprehensive income for the financial period ended December 31, 2016	--	--	--	--	850 163	68 366 337	69 216 500	2 026 881	71 243 381
Balance as of December 31, 2016	**240 000 000**	**171 684 443**	**54 341 000**	**(4 479 315)**	**46 899 644**	**68 366 337**	**576 812 109**	**11 092 851**	**587 904 960**

- The accompanying notes from (1) to (34), form an integral part of the financial statements.

Financial Manager	Managing Director	Chairman
Accountant: Mostafa Omar El-Shall	**Eng.: Mohie El Din Abdel Razik**	**Dr.: Mahmoud Abdel Hakim Al Refaaey**

Paints and Chemical Industries Company "Pachin"
(S.A.E.)
Notes to the Consolidated Financial Statements
As of December 31, 2016

1. **The Group's Background**

Paints and Chemical Industries Company "Pachin"

The company was established according to the Ministerial Decree No. 751 of 1958. On October 3, 1997, the Extraordinary General Assembly agreed to circulate 27% of its share via GDR offer in the Stock Markets of London and New York accordingly, the Holding Company's share was reduced to less than 50%, and the company became subject to the Companies Law No. 159 of 1981 and its executive regulation. The Commercial Register was issued after this modification on October 15, 1997. On October 31, 2000, the Extraordinary General Assembly agreed to amend some articles in the Articles of Incorporation.

The company's objective is to manufacture various types of paints, varnishes, printing inks, and related products, as well as animal extract products, owning and construction of properties, in addition to purchasing and dividing land for the purpose of using or reselling, and performing specialized construction works.

The Board of Directors has approved the financial statements for issuance on September 10, 2014.

The Merge with El-Obour for Paints and Chemical Industries Company

Based on the Extraordinary General Assembly Meeting of the company held on September 29, 2011, the merge of El-Obour for Paints and Chemical Industries Company (S.A.E.) (the Acquired) and Paints and Chemical Industries Company "Pachin" (S.A.E) (the Acquirer) was approved by the net book value, and it was considered that December 31, 2011 is the date of acquisition. It is worth mentioning that the market value of the company may be used as basis of the merge, if the General Authority for Investment demands such a requirement.

According to the decision of the Extraordinary General Assembly held on October 2, 2013, it was agreed to postpone the merge of El-Obour for Paint in the Chemical Industries Company "Pachin" Refer to Note No. (6).

El-Obour for Paints and Chemical Industries Company "Pachin"

The company was established according to the General Authority for Investment and Free Zones Decree No. 78 of 1999 and Law No. 8 of 1997, related to investment guarantees and incentives and its executive regulations. The company was registered at the Commercial Register on January 14, 1999. The Extraordinary General Assembly held on September 19, 2006 agreed to amend Article No. (2) of the company's Articles of Incorporation to add the trademark "Pachin" to the company's name. Therefore, the company's name became El Obour for Paints and Chemical Industries Company "Pachin".

The company's objective is to manufacture various types of paints, varnishes, printing inks, animal extract products and related products and also, to manufacture other chemical products and special packages for the company's products.

The Merge with Pachin for Inks Company

According to the decision of the Extraordinary General Assembly Meeting held on May 20, 2010, it was agreed to merge Pachin for Inks Company (S.A.E.) (the Acquired) with El-Obour for Paints and Chemical Industries (S.A.E) (the Acquirer) using the book value, and March 31, 2010 was considered as the merge date.

It was agreed to evaluate the net assets and liabilities of El-Obour for Paints and Chemical Industries with assets amounting to EGP 269 215 000 (only two hundred sixty-nine million, and two hundred-fifteen thousand EGP) "the Acquirer", and that the net assets and liabilities of Pachin for Inks with assets amounting to EGP 35 153 000 (only thirty five million and one hundred fifty-three thousand EGP) "the Acquired". Therefore, the total net assets of the two companies amounted to EGP 304 368 000 (only three hundred four million and three hundred sixty-eight thousand EGP). This is according to the decision taken by the committee formed by the General Authority for Investment and Free Zones, and the approval of the Deputy of the General Authority for Investment on what was stated in the report dated June 6, 2011.

This evaluation was approved by the Extraordinary General Assembly Meeting held on June 22, 2011. The decision of the General Assembly was presented for approval in preparation of issuing the final merge decision by the General Authority for Investment.

According to the General Authority for Investment and Free Zones Decree No. 423/2 of 2011, the merge contract, and the amendment of Articles No. 6, 7 of the company's Articles of Incorporation and El-Obour for Paints and Chemical Industries Company, approved pursuant to the Investment Certification Record No. 2212C of 2011, it was licensed to merge Pachin for Inks Company (S.A.E.) "the Acquired", subject to the provisions of Law No. 8 of 1997, in El-Obour for Paints and Chemical Industries Company (S.A.E.) "the Acquirer", subject to the provisions of Law No. 8 of 1997, and therefore eliminating its registration at the Commercial Register. The merge was registered at the Commercial Register on December 12, 2011, taking into consideration the financial statements of El-Obour for Paints after the merge as of January 1, 2012.

The Joint Pachin for Paints and Chemical Industries Company

The company was established pursuant to a contract certified by the General Committee of Justice at the Arab Republic of Libya and according to the provisions of Law No. (5) of 1997 concerning investment of foreign capital and its executive regulation and amendments, and the Decree of the General Committee's Treasurer No. 86 of 2006, concerning amending the executive regulation provisions for Law No. 5 of 1997.

The company's objective is to:

- Establish and operate a factory for manufacturing paintings and supplementary products with its various types, and other chemical materials and its packaging.
- Import various materials required for the project from abroad in the form of tools or equipment or in the form of spare parts, or the material required for operation such as the primary production material.
- Sell the project's products locally and abroad.
- Bring labor and foreign technical expertise required for the project.
- Open bank accounts locally and abroad and its management and the right to obtain loans and facilities.
- Transfer the profits.
- Own property and deliverables required for the activity.

The investment in the Joint Pachin Libya for Chemical Industries Company was considered an investment in subsidiary in spite of the company's ownership of 50% only due to the following:

- In accordance with Article No. 32 of the company's incorporation contract, the company shall be managed by five members of the company's Board of Directors, including three members representing Paints and Chemical Industries "Pachin" and the remaining members representing the shareholders.
- In accordance with Article No. 36 of the company's incorporation contract, the Board shall appoint from the representative members of Paints and Chemical Industries "Pachin", a Managing Director, to be responsible for all the company's administration work.

2. Significant Accounting Policies

The consolidated financial statements have been prepared according to the Egyptian Accounting Standards and applicable laws and regulations. The Egyptian Accounting Standards require referral to the International Financial Reporting Standards "IFRS", when no Egyptian Accounting Standard or legal requirement exist to address certain types of transactions and their treatment.

On July 9, 2015, the Investment Minister issued Decree No. (110) of 2015, where it was decided that the new release of the Egyptian Accounting Standards would replace the former Egyptian Accounting Standards for the preparation and presentation of financial statements. The former Egyptian Accounting Standards issued by Ministerial Decree No. 243 of 2006 were cancelled. This Decree was published in the Official Gazette, to be effective as of the first day of the month of January 2016, and will be applied on the companies whose financial year starts on that date, or on a subsequent date. As the company's financial year begins on July 1, the referenced Egyptian Accounting Standards have been applied as of July 1.

On May 15, 2016, the Minister of Investment issued Decree No. (53) of 2016, whereby the Revised Egyptian Accounting Standards added the Egyptian Accounting Standard No. (46), in the provisions of the transitional period for some revised accounting standards. This Decree was published in the Official Gazette, to be effective on the day following its publication date. With respect to the standards for whom no transitional provisions were issued, management has decided to apply the Revised Egyptian Accounting Standards No. (5) "The accounting policies and changes in the accounting estimates and errors."

In the following table, we reviewed the most prominent amendments on the Egyptian Accounting Standards (EASs) that may have a significant impact on the separate financial statements of the company at the beginning of the implementation thereof:

New & Amended Standards	Summary of the Most Significant Amendments	The Most Significant Transitional Provisions Guidelines According to the EAS No. 46	Effect on the Financial Statements
EAS(1) Presentation of Financial Statements	**Financial position statement** - The standard does not require to present the working Capital Presentation. The reference financial statements that was included in 2006 standards was excluded; which presented the working capital presentation. - A statement shall be added to the statement of financial position including balances of the beginning of the first presented comparative period in case of retrospective effect of change in an accounting policy or reclassification carried out by the entity.	Was not issued.	- All the presented financial statements and the accompanying notes, including the comparative figures have been amended and the represented to comply with the amendments required by the standard.

	Income statement (profit or loss) / statement of comprehensive income - The entity shall disclose all recognized income and expense captions during the financial period in two separate statements; one of them showing the components of profit or loss (income statement), and the other one starts with the profit or loss and presents the other comprehensive income items (statement of comprehensive income).		- A new statement was added (statement of comprehensive income)
EAS(10) Fixed Assets and Depreciation	- The option of using the revaluation model in the subsequent measurement of fixed assets has been cancelled. - The movement of the fixed assets and its depreciation should be disclosed in the notes to the financial statements for the two financial periods (current and comparative period).	An entity that has re-evaluated the fixed assets in the light of the Egyptian Accounting Standards No. (10) Prior to the amendment, should transfer to the cost model. In this case, the entity should not apply this change retroactively, which means it should not amend the carrying values of fixed assets and their related accumulated depreciation, and therefore, these carrying amounts at the transition date, are considered the cost and accumulated depreciation at the beginning of applying this amended standard. (Refer to the full text of the transitional provisions in accordance with the Egyptian Accounting Standard No. 46).	There is no effect of amending the standard on the figures of the presented financial statements
EAS(14) Borrowing Costs	- Elimination of the previous benchmark treatment that recognized the borrowing cost directly attributable to the acquisition, construction or production of a qualifying asset in the income statement without being capitalized on asset.	(Refer to the full text of the transitional provisions included in the Egyptian Accounting Standard No. 14).	- There is no effect of amending the standard on the figures of the presented financial statements.
EAS(18) Investments in Associates	- The accounting treatment of the joint venture shall be added to this standard accordingly, the investments in associated and joint venture shall be accounted for the investments using the equity method in the consolidated and Individual Financial Statements. - The entity shall discontinue to use the equity method from the date when the investment ceases to be an associate or a joint venture provided that the retained interest shall be re-measured using the fair value and difference shall be recognized in the income statement. - If the entity's equity share in an associate company or a joint venture has declined however, the entity continued to use the equity method, then the entity, which has previously recognized a gain or loss within other comprehensive income, should reclassify this portion of gain or loss related to the decline of equity share, to the profits or losses (income statement) on the basis of the decline percentage, if such gain or loss is required to be reclassified to profits or losses on the disposal of the related assets or liabilities.	At the date of applying this amended standard, an entity should not apply the following amendments retrospectively: - - With respect to the cease of using the equity method, in this case, an entity should not amend the carrying value of its investment in the associate company or the joint venture and any amounts related to these investments previously recognized in equity, if the date of ceasing the use of the equity method occurred in a period prior to the application of this amended standard. - With respect to changes in the entity's equity share in the associate company or the joint venture while continuing to use the equity method.	- There is no effect of amending the standard on the figures of the presented financial statements.

EAS(20) Finance Lease	- The passenger automobiles treatment was superseded from the title "This standard does not cover the following types of leases" and therefore became under the scope of the standard.	Was not issued.	- There is no effect of amending the standard on the figures of the presented financial statements.
EAS(23) Intangible Assets	- The option of using the revaluation model in the subsequent measurement of intangible assets has been cancelled.	An entity applying the revaluation model of intangible assets, should transfer to the cost model. In this case, the entity should not apply this change retroactively, which means it should not amend the carrying values of the intangible assets and their related accumulated depreciation, and therefore, these carrying amounts at the transition date to the cost model, are considered the cost and accumulated depreciation at the beginning of applying this amended standard. (Refer to the full text of the transitional provisions in accordance with Egyptian Accounting Standard No. 46).	- There is no effect of amending the standard on the figures of the presented financial statements.
EAS(25) Financial Instruments: Presentation	Any Puttable instrument is classified as an equity instrument rather than a financial liability if it has all the features and meets the conditions in paragraphs 16A and 16B or paragraphs 16C and 16D of the same standard, from the date the instrument possessed these features and met the conditions stated in these paragraphs. An entity should reclassify the financial instrument from the date the instrument has ceased possessing these features, or meeting the conditions stated in these paragraphs.	Was not issued.	- There is no effect of amending the standard on the figures of the presented financial statements.
EAS(29) Business Combination	- The purchase method was cancelled and replaced by the acquisition method; as results: 1. Changing the acquisition cost to become the transferred cash consideration; and to be measured at the fair value acquisition date. 2. Contingent consideration: the fair value of the consideration shall be recognized at the acquisition date as part of transferred consideration. 3. Changing the method of measuring goodwill in case of step acquisition made. - The transaction cost (the cost related to the acquisition): shall be charged to the income statement as an expense during the incurred period, and it shall not be added to the transferred cash consideration; except for the costs of issuing equity as debt instruments directly related to the acquisition process.	- This amended standard should be applied prospectively on the transactions of business combination, in which the acquisition date is on or after the first of January 2016. - The assets and liabilities, arising from the transactions of business combination in which the acquisition date is prior to the first of January 2016, are not amended. (Refer to the full text of the transitional provisions in accordance with Egyptian Accounting Standard No. 46).	- There is no effect of amending the standard on the figures of the presented financial statements.

<u>EAS(34)</u> Investment Properties	- The option of using the fair value model in the subsequent measurement of investment properties has been cancelled. An entity applying the fair value model on its investment properties, should transfer to the cost model.	(Refer to the full text of the transitional provisions included in the Egyptian Accounting Standard No. 34, and the Egyptian Accounting Standards No. 46).	- There is no effect of amending the standard on the figures of the presented financial statements.
<u>EAS(38)</u> Employee Benefits	- Actuarial Gains and Losses All the accumulated actuarial gains and losses shall be immediately recognized as part of the defined benefit liabilities and charged to the other comprehensive income items. The cost of the past service: An entity shall recognize past service cost as an expense at the earlier of the following dates: 1. When the plan amendment or curtailment occurs; Or 2. When the entity execute a significant restructuring plan; it should recognize the related restructuring costs that include paying the termination benefits (Provision Standard).	Was not issued.	- There is no effect of amending the standard on the figures of the presented financial statements
<u>EAS(40)</u> Financial Instrument Disclosures	- A new Egyptian Accounting Standard No. (40) "Financial Instruments Disclosures" was issued including all the disclosures required for the financial instruments. - Accordingly, EAS (25) was amended by separating the disclosures from it. The name of the standard became "Financial Instrument Presentation" instead of "Financial Instruments Presentation and Disclosure".	Was not issued.	- There is no effect of amending the standard on the figures of the presented financial statements.
<u>EAS(41)</u> Operating Segments	- EAS 33 "Segments Reports" has been replaced with EAS 41 "Operating Segments" Accordingly, the disclosures and the volume of the required disclosures that the Segment Reports must disclose on: mainly depends on the segments information presented to Chief Operating Decision Maker "CODM" of the entity, to make decisions on the resources that must be allocated to the segments and assess its performance.	Was not issued.	- There is no effect of amending the standard on the figures of the presented financial statements.

EAS(43) Joint Arrangements	- The new Egyptian Accounting Standard No. (43) "Joint Arrangements" establishes principles for financial reporting by parties to a joint arrangement. - The EAS 43 superseded the EAS 27 Interests in Joint Ventures. - The EAS 43 classifies joint arrangements into two types—joint operations and joint ventures. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations of the liabilities, relating to the arrangement, and they are called the joint operators. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. These parties are called stakeholders in joint ventures.	(Refer to the full text of the transitional provisions included in the Egyptian Accounting Standard No. 43).	- There is no effect of amending the standard on the figures of the presented financial statements.
EAS(44) Disclosure of Interests in Other Entities	- A new Egyptian Accounting Standard No. (44) "Disclosure of Interests in Other Entities" was issued in order to comprise all the required disclosures pertaining to all the investments in subsidiaries, associates, joint arrangements, and the unconsolidated structured entities. - The objective of this standard is to comply the entity to disclose the information that enables the users of the financial statements to evaluate the nature and risks associated with its interests in other entities and related risks, and the effect of these interests on its financial position, financial performance and cash flow.	- Was not issued.	- There is no effect of amending the standard on the figures of the presented financial statements.
EAS(45) Fair Value Measurement	- The new Egyptian Accounting Standard No. (45) "Fair Value Measurement" was issued and shall be applied when another standard requires or allows measurement or disclosure to be made at fair value. This standard aims at the following: a. Defining the fair value, and b. Laying down a framework to measure the fair value in one standard, and c. Identifying the disclosure required for the fair value measurement.	- An entity should apply the Egyptian Accounting Standard No. 45 "Fair Value Measurement" prospectively when preparing the financial statements for periods beginning on or after the first of January 2016. - An entity should not apply the requirements of the disclosure included in this standard, in the comparative information presented for the periods before the initial application of this standard.	- The standard will be applied prospectively when preparing the interim financial statements as of December 31, 2016, including the disclosure requirements contained in this standard.

EAS(42) The Consolidated Financial Statements	- The new Egyptian Accounting Standard No. (42) "The Consolidated Financial Statements" was issued accordingly, the Egyptian Accounting Standard No. (17) "The consolidated and separate Financial Statements" has changed to become "The separate Financial Instruments" pursuant to the new Egyptian Accounting Standards No. (42) "The consolidated financial statements" - The control model has changed to determine the investee entity that must be consolidated. - Accounting for the changes in the equity of the parent company in a subsidiary are accounted for as transactions with equity holders in their capacity as equity holders. - Any investment retained in a former subsidiary re-measured at fair value at the date when control is lost and recognize any resulting difference in the income statement. - Losses applicable to the non- controlling interest in a subsidiary including component of other comprehensive income are allocated to the owners of the holding entity and the non- controlling interest even if this causes the non- controlling interest to have a deficit balances. - EAS 42 does not apply to: (a) Post-employment benefit plans or other long-term employee benefit plans, which apply the Egyptian Accounting Standard No. (38) for employees benefits (b) Investment funds excluded by regulators.	At the date of applying this standard, an entity should not apply the following amendments retrospectively: - - With respect to the allocation of the total comprehensive income to the owners of the parent entity and the non-controlling interests, even if it led to a deficit in the balance of non-controlling interests, and therefore, the parent entity should not amend any profits or losses for periods prior to the application of this standard. - With respect to changes in the parent entity's equity share in the subsidiary entity, which does not lead to loss of control. - With respect to the loss of the parent entity's control over the subsidiary entity, in this case the parent entity should not amend the carrying value of its investments in the former subsidiary entity, if the date of loss of control occurred in a period prior to the application of this standard. In addition, the parent entity should not recalculate any profits or losses, arising from the loss of control over the subsidiary entity, if its occurrence date was prior to the application of this standard. (Refer to the full text of the transitional provisions in accordance with Egyptian Accounting Standard No. 46).	-There is no effect of amending the standard on the figures of the presented financial statements.

The principal accounting policies adopted in the preparation of the financial statements are set out below:

a) Basis for Preparing the Consolidated Financial Statements

The consolidated financial statements incorporate the financial statements of the subsidiary companies under the control of the Holding Company (Paints and Chemical Industries Company "Pachin" (S.A.E). The subsidiaries are represented in El-Obour for Paints and Chemical Industries Company where the Holding Company's share is 99.95%, and the Joint Pachin for Paints and Chemical Industries Company where the Holding Company's share is 50%.

The consolidated financial statements are prepared on the following basis:

- All inter-company transactions and balances are eliminated.
- The unrealized profits resulting from the inter-company transactions are eliminated.
- The cost method is used to account for the ownership in subsidiaries.
- The consolidated income statement includes the results of operation for all subsidiary companies starting from the date of ownership, and the minority interest is eliminated.

b) Fixed Assets and their Depreciation

Fixed assets are stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes all expenditures directly related to the acquisition of items of fixed assets. Expenditures are subsequently recognized in the carrying amount of the fixed asset or independent asset when it is probable that future economic benefits, related to the asset, will flow into the entity, and its cost can be determined in a reliable manner. The maintenance and repair expenses are to be recognized in profit or loss at the period during which they were incurred.

For projects under construction which would be used in operation or administrative usages or other usages not specified yet, they are stated at cost less accumulated losses resulting from impairment. These assets are to be included in the appropriate classification of the fixed assets when they are completed and ready for their intended use, and they are depreciated when they are completed and ready for their intended use.

The lands and buildings under construction are not depreciated. The depreciation expense is recognized for the regular distribution of the fixed assets costs (except for the lands and buildings under construction) less the salvage value during the expected useful life of the asset using the straight line method and using the same annual rates used in previous years which are illustrated below. The useful life, salvage value and the used depreciation method are reconsidered at the end of each financial year, and the effect of any changes in the estimates is accounted for on future basis.

Type of Asset	Depreciation Rate
Buildings and constructions	2 – 5 %
Machinery and equipment	4.9 – 7.5 %
Vehicles	10 – 20 %
Tools	7.5 %
Furniture and office equipment	10 %

Fixed assets are eliminated from the books when sold or when it is expected that there will be no flow of future economic benefits from the continuous use of the asset. Profit or loss arising from the disposal or scrapping of fixed assets is recognized by the difference between the net realizable value (less selling expenses) and the net book value in the profits and losses.

c) Projects under Construction

Projects under construction are carried at cost, less any recognized impairment loss. Costs include all costs associated with acquiring the asset and bringing it to ready for use condition. The depreciation of these assets follows the same basis of similar fixed assets. The projects under construction are charged with the costs of new projects, and the purchased equipments that are not used yet.

The amounts paid as advances for purchasing fixed assets are recorded as projects under construction. When the asset is received and is ready for use, it is transferred to fixed asset and is depreciated on the same basis as similar fixed assets.

d) Intangible Assets

The intangible assets which do not have a definite useful life (trademark) are recognized at acquisition cost, and the intangible assets which do not have a finite useful life are not amortized, as the entity selects the asset to recognize the impairment of its value as of the financial position date. In the case there are indications of impairment for the recoverable amount of these assets over their carrying values, the value of these assets are reduced to their recoverable amounts and charged to the income statement.

e) **Impairment of Assets**

1. **Non-Financial Assets**

   At the balance sheet date, the company reviews the carrying amounts of its owned tangible assets (except for inventory) to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the company estimates the recoverable amount for each asset separately in order to estimate the impairment losses. In case that the recoverable amount of the asset cannot be properly estimated, the company estimates the recoverable amounts of the cash-generating unit which belongs to the asset.

   In case of using logical and fixed bases for the distribution of the assets upon the cash generating units, the company's general assets would be also distributed upon these units. If this is unattainable, the general assets of the company shall be distributed upon the smallest group of the cash generating units, which the company determined using logical and fixed bases.

   The asset recoverable amount or the cash generating unit is represented by the higher of the fair value (less the estimated selling costs) or the estimated amount from the usage of the asset (or the cash generating unit).

   The estimated future cash flow from the usage of the assets, or the cash generating unit using a discount rate before tax is discounted in order to reach the current amount for these flows which represents the estimated amount from using the asset (or the cash generating unit).

   This rate reflects the estimates of the current market for the time value of cash and the risks related to the asset, which were not taken into consideration when estimating the future cash flows generated from it. When the recoverable amount of the asset (cash generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash generating unit) is reduced to its recoverable amount with the impairment loss recognized immediately in the income statement.

   In case the impairment on asset (or cash generating unit) decreases subsequently, and this decrease is related in a logical manner to one event or more taking place after the initial recognition of the impairment at the profit or losses, a reversal is done for the revised amount of losses (or a part of it) - which had been recognized previously- in the income statements, and the carrying amount for the asset is increased (or the cash generating unit) with the new estimated recoverable amount provided that the revised carrying amount of the asset after revising (or the cash generating unit) does not exceed the carrying amount determined for the asset, had the recognized losses resulting from impairment not recognized in previous years.

2. **Financial Assets**

   At the balance sheet date, the company determines whether there is any indication that its financial assets have suffered an impairment loss.

   Financial assets are exposed to impairment when an objective evidence that the estimated future cash flows have been affected by the event or more established at a date subsequent to the initial recognition of the financial asset.

   The carrying value of all financial assets is reduced directly with the impairment losses except those related to the reduction in the expected value of the collections from the clients debts and other debit balances, where a formed allowances for impairment loss is formed on its value. When the debt of the clients or the owner of the debit balance is uncollectible, a written-off discount is applied upon that account. All the changes in the book value relating to this account are recognized in the income statement.

With respect to financial assets carried at cost, in the case of the existence of objective evidence of an impairment loss in the value of the equity instrument which is not registered at the stock exchange, or is not recognized at the fair value due to not measuring its fair value in a reliable manner, or for the assets of related financial derivatives which must be settled by providing unlisted equity, the loss in the impairment value is measured as the difference between the carrying value of the financial assets and the current value of estimated future cash flows discounted at the current market rate of interest for a similar investment, and this loss should not be reversed in the impairment value.

With respect to financial assets available for sale, when the fair value of a financial asset available for sale is retracted directly in equity with the existence of objective evidence of impairment, the accumulated loss which has been recognized directly in equity, from equity is excluded and recognized in profit or loss even if this financial asset has not been excluded from the books.

The amount of accumulated loss excluded from equity and recognized in profit or loss represents the difference between the acquisition cost (net of any consumption or payment any of the principal amount) and the fair value less any loss in impairment value of this financial asset which was previously recognized in profits or losses.

The impairment losses recognized in profit or loss is not reversed with respect to any investment in the equity instrument classified as available for sale in profit or loss.

When there is an increase in the fair value of any debt instrument classified as available for sale in any subsequent period, and this increase was related objectively to an event occurring after the impairment loss is recognized in profit or loss, then the impairment loss is reversed in the profit or loss.

f) <u>Investments in Subsidiary Companies</u>

- Subsidiary companies are companies which are controlled by the company. Control is achieved when the company has control over the financial and operating policies of one of the companies, to obtain benefits resulting from its activities.
- The investments in subsidiary companies are accounted at cost, unless they have been classified as non-current investments held for sale, in which case they are measured at the lower of the carrying value or the fair value, less the costs of sale. However, in the case of existence of some indications of the possibility of impairment in the value of investments in subsidiaries at the financial statements date, then the carrying value of such investments is reduced to its recoverable amount, and the resulting impairment losses are immediately included in the income statement.

g) <u>Available for Sale Investments</u>

The available for sale financial investments, with no reliable fair value, are recognized at cost, including all associated costs, less the impairment losses of its value, and these losses are charged to the income statement.

h) Inventories Valuation

Inventories valuation are stated as follows:

- **Raw Materials, Packaging, Spare Parts and Fuel**
  Cost is calculated using the perpetual weighted average method.

- **Work in-Progress**
  The cost includes direct and indirect manufacturing costs of partially completed stages in addition to the material, direct wages costs of the completed production stage.

- **Finished Goods**
  Finished goods are stated at lower of manufacturing cost or net realizable value. The manufacturing cost is represented in the cost of raw materials and industrial wages in addition to its share of other industrial expenses. The net realizable value is represented in the estimated selling price through the normal activity, less the estimated cost of completion, as well as any other cost required for the sales operation.

i) Accounts Receivable

Accounts receivable are carried at nominal value as reduced by appropriate allowances for estimated irrecoverable amounts. Allowances for accounts receivable are formed when there is evidence that the company will not be able to recover the amounts due according to the original terms of receivables. The provision represents the difference between the book value and the recoverable as stated in the expected cash flows.

j) Investments for Trading Purposes

- Investments certificates which are issued by banks are stated at fair value, representing its recoverable value as of evaluation date. The resulting differences are stated in the income statement.
- Treasury bills are stated at nominal value less the undue interests as of the financial statement date. Interest is recognized in the income statement during the year.

k) Cash and Cash Equivalents

Cash on hand and at banks are stated at nominal value.

l) Provisions

Provisions are recognized when the company has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation as of the reporting date, taking into account the risks and uncertainties surrounding the obligation.

Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. Where discounting is used, the carrying amount of a provision increases in each period to reflect the time value of money resulting from the passage of time.

Provisions are examined at the date of preparing each financial statement, and are adjusted to reflect the best current estimate. If it is not probable that there will be an outflow of economic benefits to settle the obligation, then the provision is reversed.

m) Accounts and Notes Payable

Accounts payable are stated with the value of the total goods and service received from others for which invoices were issued.

n) Foreign Currencies Transactions

The company maintains its accounts in Egyptian pound. Transactions denominated in foreign currencies are recorded using the exchange rates prevailing at the transaction date. At period end, balances of monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate prevailing on that date. Differences arising from revaluation are stated in the income statement. For non-monetary items whose values are stated at historical cost in a foreign currency, they are translated using the exchange rate on the transaction date. As for the non-monetary items denominated in foreign currencies and carried at fair value, they are translated to the Egyptian pounds at balance sheet date, according to the exchange rates prevailing at the date of determining the fair value.

o) Revenue Recognition

1. Operating Revenue

Revenue is measured at the fair value of consideration received or receivable. Revenues are presented in the income statement after reducing the allowances. Revenues from the rendering of service are recognized when the services are rendered and accepted by clients, and the invoice is issued, after meeting the following terms:

- The entity has transferred to the buyer the significant risks and rewards of ownership of the goods.
- The entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the sold goods.
- The amount of revenue can be measured reliably.
- It is probable that the economic benefits associated with the transaction will flow to the entity.
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

2. Interest, Royalties and Dividends

- Interest income is recognized on a time-proportionate basis, taking into consideration the principle outstanding and effective interest rate applicable throughout the period to maturity.
- Royalties shall be recognized on an accrual basis in accordance with the substance of the relevant agreement
- Other revenues are recognized according to the nature of each revenue.
- Dividends shall be recognized when the shareholders' right to receive payment is established.

p) Borrowing Cost

Borrowing cost is recorded in the income statement during the period it was incurred.

q) Cash Flows Statement

The cash flows statement is prepared using the indirect method. For the purpose of preparing the cash flows statement, cash and cash equivalents are comprised of cash on hand and at banks and time deposits for periods not exceeding three months.

r) **Taxation**

The company's tax is calculated based on the prevailing tax laws and regulations in Egypt; a provision is formed for tax liabilities after performing sufficient studies and in light of the tax assessments.

Deferred tax is recognized on the temporary differences between the assets and liabilities tax basis set by the new Egyptian tax law, and their reported amounts per the accounting principles used in the preparation of the financial statements. Accordingly, the income statement for the reporting period is to be charged by the tax burden represented by the current tax (calculated on taxable profit based on local tax laws, regulations, instructions and tax rates ruling at the date of the financial statements), as well as the deferred tax.

The recognized deferred tax liabilities on taxable temporary differences are reported as long-term liabilities, whereas deferred tax assets reported as long-term assets shall not be recognized for deductible temporary differences except to the extent that it is probable that taxable profits will be available in the future against which the asset can be utilized.

s) **Non-Current Held for Sale Assets**

Non-current assets (or the assets to be disposed) are stated as held for sale if its book value is expected to be recovered on the basis of sale transaction and not on the basis of its use. These assets stated as held for sale, are measured at the least of the book value or the fair value less sale costs. The impairment losses are stated at the income statement upon the initial recognition of the held for sale assets.

t) **Financial Instruments**

Financial instruments are recognized in the financial statements when the company becomes a party to the contractual rights or obligations of the financial instrument.

- **Recognition of the Financial Assets and Financial Liabilities**

  The financial assets and liabilities are recognized when it is probable that future economic benefits related to these assets and liabilities, will flow to or from the company and their cost can be measured with high reliability.

- **Financial instruments are comprised of the following:**
  - **Financial assets:** (cash on hand and balances at banks, accounts and notes receivable and other debit balances).
  - **Financial liabilities:** (bank overdrafts, accounts and notes payable and other credit balances).
  - **Accounts and notes receivable:** stated at the contractual value, less allowances for uncollectible amounts.
  - **Banks overdraft:** recognized at the collected amounts upon receipt. Finance charges are accounted for on an accrual basis.
  - **Accounts and notes payable:** stated at the contractual value.

- **Financial Liabilities and Equity Instruments Issued by the Company**

  Financial instruments issued by the company are classified as financial liability or as equity in accordance with the contractual substance.

  Equity Instruments

  Any contract which proves the right for the company's remaining assets after deducting all the company's liabilities. The equity instruments are recorded at the collected amount after deducting the transaction costs, if any.

  Financial Liabilities

  The financial liabilities of the company are categorized as other financial liabilities. The other financial liabilities are initially recognized at fair value less transaction costs, if any. The company's other financial liabilities are represented in the due to related parties and other credit balances.

u) **Accounting Estimates**

According to the Egyptian Accounting Standards and due to the uncertainties associated with business operations, many financial statements' items cannot be reliably measured but can be based on management's best estimate, which does not reduce the degree of their reliability. Adjustments made as a result of revising estimates should not be considered as extraordinary items or errors, and therefore changes are not treated retroactively.

The accounting estimates in the application of accounting policies are represented in: (the impairment in accounts receivable, debit balances, decrease in inventories, provisions, and useful lives of tangible assets).

v) **Legal Reserve**

In accordance with the Companies' Law No. 159 of 1981, and the company's Articles of Incorporation, 5% of annual net profit is transferred to the legal reserve. The company may cease such transfer when the legal reserve reaches 50% of the issued capital. The deduction is resumed whenever the reserve decreases. This reserve cannot be used in dividend distribution; it is only used pursuant to the General Assembly's decision based on the Board's proposal pursuant to the company's best interest.

w) **Foreign Currencies**

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency).

For the purpose of the consolidated financial statements, the results and financial position of each group entity are expressed in Egyptian pound; which is the functional currency of the Group and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than Egyptian pounds are recorded at the rates of exchange prevailing at the dates of the transactions. At each balance sheet date, monetary assets and liabilities denominated in foreign currencies are retranslated to the Egyptian pound at the rates prevailing at the balance sheet date.

Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognized in profit or loss in the period during which they arise, except for exchange differences arising on non-monetary assets and liabilities carried at fair value, where translation differences are recognized as part of changes in fair value.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign and local subsidiaries whose reporting currencies are different from the presentation currency of the Group (EGP), are expressed in Egyptian pound using exchange rates prevailing at the balance sheet date, equity items are expressed in Egyptian pound using the historical exchange rates at the date of acquisition or incorporation. Income and expense items are translated at the average exchange rates during the year. The arising exchange differences of these subsidiary companies are stated in the consolidated balance sheet as a translation reserve of the subsidiary companies, and are included under equity.

x) **Dividends Distribution**

Dividends declared to the shareholders, Board of Directors and employees are recognized as a liability in the financial statements in the year during which these dividends have been approved by the company's shareholders.

y) **Employees Benefits**

Employees benefits include the following:

1-Short-term benefits such as wages, salaries and social insurance contributions and annual leave and paid bonuses (payable within 12 months of the end of the financial period) and non-monetary benefits for employees (such as medical care, housing, transportation or free or subsidized services) are accounted for as described below.

When the employee performs the service during the financial period, the undiscounted value of short-term employee benefits expected to be paid for this service is recognized as:

- Accrued expense within the liabilities and after deducting any amounts which may have been actually paid with respect to the service. If the paid value is in excess of the undiscounted value of the benefits, then this increase is recognized as an expense paid in advance in the assets provided that this expense would result in - for example - a reduction in future payments or a cash refund, and
- Expense charged to the profit or loss for the period unless one of the other standards requires or allows for the capitalization of these benefits in the cost of an asset.

2- Retirement benefits, which long-term benefits due to employees are provided that they complete the periods of service in the company and are entitled to obtain the end-of-service benefits in accordance with the applicable laws in the countries where the company's branches activities are applied separately. These benefits apply the terms of defined benefit funded by the facility.

The company applies the Projected Unit Credit Method to determine the present value of the defined benefit liability systems and the ongoing cost of service related thereto, as well as past service cost - if any, the application of this method requires hiring an independent actuarial expert to perform actuarial assessments at the end of each year to estimate reliably the amount of benefits gained for workers for their services rendered in the current period and prior periods. This issue requires from the entity to determine the amount of benefit attributed to the current period and prior periods and make estimates (actuarial assumptions) concerning demographic variables (such as staff turnover and mortality) and financial variables (such as future increases in salaries) which affect the cost of the benefit. Refer to Note No. (24) to identify the most important actuarial assumptions and estimates used in the current period.

Actuarial profits or losses resulting from an increase or decrease in the present value of the defined benefit liability are recognized immediately in the income statement, taking into account that the changes in the estimated actuarial such as the turnover rate of employees, the rate of early retirement, the mortality rate, the rate of salary growth, and the change in the discount rate for the actual rates at the end of the year, are some of the factors that lead to the emergence of actuarial profits and losses.

The cost of previous service is recognized immediately in profit or loss, as an expense in one of the following dates, whichever comes first.

- When modifying or reducing the system.
- When the entity recognizes the restructuring related costs.

In this framework, the employees' benefits are defined as benefits which are not conditional upon the employee's remaining in his job for any additional period in the future, while the present value of the defined benefit liability represents the present value of expected future payments required to settle the liability resulting from the employee's service performed in the current period and prior periods, without any deduction of the system's assets - if any. The current service cost is considered the increase in the present value of the defined benefit liability resulting from the service performed by the employee in the current period, while the prior service cost is defined that it represents the increase during the current period in the present value of the defined benefit liability in respect of employees services performed in prior periods. The prior service cost arises in the case of introduction or making adjustments in the end-of-service benefits during the current period, and these adjustments may generate positive prior service cost (due to the introduction of new benefits or improving the current benefits) or negative (due to reducing current benefits), also, the cost of interest will arise in each financial period as a result of an increase in the present value of the defined benefit liability since these benefits are close to their settlement date by one financial period.

The defined benefit plan applied by the company includes the following conditions:

- In the case of an employee reaching the retirement age of sixty, he is granted the benefit of one month and a half of wages for every year of service he spent in the company, with a maximum amount of EGP 100 000.
- In the event of death or total disability, the employee is granted the benefit of EGP 100 000.
- The benefits are granted for employees whose services are ended as of July 1, 2012.
- The application of the system and the recognition of end-of-service benefits started as of the financial year 2012/2013.
- The company bears the value of disbursed benefits from its own resources.

3. Sales Analysis

	Consolidated				Pachin			
	31/12/2016		31/12/2015		31/12/2016		31/12/2015	
	Quantity (Ton)	Amount'000 EGP	Quantity (Ton)	Amount'000 EGP	Quantity (Ton)	Amount'000 EGP	Quantity (Ton)	Amount'000 EGP
Paints	19 050	325 310	29 713	368 842	3 891	53 920	4 853	58 497
Goods held for sale – Paints	159	5 381	109	6 025	--	--	--	--
Inks	707	29 764	1 000	26 558	--	--	--	--
Purchases held for sale- coloring machines	---	219	---	800				
Net sales from continuing operation		**360 674**		**402 225**		**53 920**		**58 497**

4- **Fixed Assets (net)**

Consolidated

Items	Lands	Buildings	Other Assets	Machinery and Equipments	Vehicles	Tools	Furniture and Office Equipments	Total
Cost	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP
Cost of fixed assets as of July 1, 2016	41 851 158	177 251 797	380 800	141 976 505	24 388 743	21 651 993	18 924 608	426 425 604
Additions during the period	--	57 444	--	51 446	2 900	--	47 492	159 282
Disposals during the period	(14 327)	(234 765)	--	(395 690)	(397 113)	--	--	(1 041 895)
Cost as of December 31, 2016	**41 836 831**	**177 074 476**	**380 800**	**141 632 261**	**23 994 530**	**21 651 993**	**18 972 100**	**425 542 991**
Accumulated Depreciation								
Accumulated depreciation as of July 1, 2016	--	(55 300 182)	(304 639)	(90 387 789)	(22 426 942)	(16 040 812)	(16 151 600)	(200 611 964)
Depreciation for the period	--	(2 648 153)	(47 600)	(3 242 578)	(418 065)	(469 378)	(433 976)	(7 259 750)
Disposals accumulated depreciation	--	226 724	--	395 690	397 113	--	--	1 019 527
Acc. Depreciation as of December 31, 2016	--	**(57 721 611)**	**(352 239)**	**(93 234 677)**	**(22 447 894)**	**(16 510 190)**	**(16 585 576)**	**(206 852 187)**
NBV as of December 31, 2016	**41 851 158**	**119 352 865**	**28 561**	**48 397 584**	**1 546 636**	**5 141 803**	**2 386 524**	**218 690 804**
NBV as of June 30, 2016	**41 851 158**	**121 951 615**	**76 161**	**51 588 716**	**1 961 801**	**5 611 181**	**2 773 008**	**225 813 640**

The depreciation charged to cost of sales amounted to EGP 5 995 204

The depreciation charged to selling and marketing expenses amounted to EGP 744 373

The depreciation charged to general and administrative expenses amounted to EGP 475 966

The depreciation charged to discontinuing operation losses amounted to EGP 44 207

The cost of fixed assets fully depreciated and still operating amounted to EGP 24.2 million.The cost of fixed assets fully depreciated and not operating amounted to EGP 2.9 million.

4- Fixed Assets (net)

Standalone

Items	Lands	Buildings	Machinery and Equipments	Vehicles	Tools	Furniture and Office Equipments	Total
Cost	EGP	EGP	EGP	EGP	EGP	EGP	EGP
Cost of fixed assets as of July 1, 2016	173 144	22 442 525	20 418 796	5 137 065	4 181 068	6 487 829	58 840 427
Additions during the period	--	--	--	2 900	--	--	2 900
Disposals during the period	(14 327)	(234 765)	--	(271 324)	--	--	(520 416)
Cost as of December 31, 2016	**158 817**	**22 207 760**	**20 418 796**	**4 868 641**	**4 181 068**	**6 487 829**	**58 322 911**
Accumulated Depreciation							
Accumulated depreciation as of July 1, 2016	--	(14 468 938)	(19 725 360)	(5 007 408)	(3 958 593)	(6 277 643)	(49 437 942)
Depreciation for the period	--	(255 392)	(52 721)	(26 244)	(24 879)	(48 695)	(407 931)
Disposals accumulated depreciation	--	226 724	--	271 324	--	--	498 048
Acc. Depreciation as of December 31, 2016	--	**(14 497 606)**	**(19 778 081)**	**(4 762 328)**	**(3 983 472)**	**(6 326 338)**	**(49 347 825)**
NBV as of December 31, 2016	**158 817**	**7 710 154**	**640 715**	**106 313**	**197 596**	**161 491**	**8 975 086**
NBV as of June 30, 2016	**173 144**	**7 973 587**	**693 436**	**129 657**	**222 475**	**210 186**	**9 402 485**

The cost of fixed assets fully depreciated and still operating amounted to EGP 13.6 million. Also, the cost of fixed assets fully depreciated and not operating amounted to EGP 10.8 million.The fixed assets with remaining net book value, but not operating amounted to EGP 3.9 million.

The depreciation charged to cost of sales amounted to EGP 268 871

The depreciation charged to Selling and marketing expenses amounted to EGP 70 011

The depreciation charged to general and administrative expenses amounted to EGP 24 835

The depreciation charged to discontinuing operation losses amounted to EGP 44 214

5. Projects under Construction (net)

	Consolidated		Pachin	
	31/12/2016	30/6/2016	31/12/2016	30/6/2016
	EGP	EGP	EGP	EGP
Machinery and equipment	13 684 503	9 969 186	--	--
Furniture and fixture	33 219	33 219	--	--
Buildings	208 404	93 418	--	--
Tools	57 144	57 144	--	--
Software and programs	22 670	--	--	--
	14 005 940	**10 152 967**	**--**	**--**
Advance payment to purchase fixed assets	19 413 547	10 172 052	175 000	87 500
Impairment for projects *	(108 000)	(108 000)	--	--
	33 311 487	**20 217 019**	**175 000**	**87 500**

* Refer to Note No. (18).

6. Investments in Subsidiaries – Stand alone

Company Name	Issued Capital EGP	Currency	Ownership %	Ownership Amount	Paid %	31/12/2016 Paid Amount EGP	30/6/2016 Paid Amount EGP
El-Obour for Paints and Chemical Industries *	250 000 000	EGP	99.95%	249 880 000	100%	249 880 000	249 880 000
Pachin Libya for Paints and Chemical Industries **	3 000 000	LYD	%50	1 500 000	100%	7 071 579	7 071 579
						256 951 579	**256 951 579**

- Taking into account that these companies are not listed in the stock market.

*** The Merge of Paints and Chemical Industries "Pachin" and El Obour Paints and Chemical Industries**

According to decision of the Extraordinary General Assembly Meeting held on September 29, 2011, it was agreed to merge El-Obour for Paints and Chemical Industries (S.A.E) (The Acquired) in Paints and Chemical Industries - Pachin (S.A.E) (the Acquirer) using the book value, and December 31, 2011 was considered as the merge date. It is worth mentioning that the market value will be considered if this is requested by the General Authority for Investment and Free Zones. The General Authority for Investment reviewed the evaluation reports of assets and liabilities for Paints and Chemical Industries "Pachin" and El Obour Paints and Chemical Industries and presented the evaluation reports of the assets and liabilities of the two companies and the company is studying the provisions of the report and will take action towards presenting this report to the Extraordinary General Assembly.

According to decision of the company's Extraordinary General Assembly held on October 2, 2013, it was agreed to postpone the merge of El-Obour for Paints and Chemical Industries in Paints and Chemical Industries "Pachin".

The Merge of El Obour for Paints and Chemical Industries Company and Pachin Inks

According to decision of the Extraordinary General Assembly Meeting held on May 20, 2010, it was agreed to merge Pachin for Inks Company (S.A.E.) (the Acquired) with El-Obour for Paints and Chemical Industries (S.A.E) (the Acquirer) using the book value, and March 31, 2010 was considered as the merge date.

It was agreed to evaluate the net assets and liabilities of El-Obour for Paints and Chemical Industries with assets amounting to EGP 269 215 000 (only two hundred sixty-nine million, and two hundred-fifteen thousand EGP) "the Acquirer", and that the net assets and liabilities of Pachin for Inks with assets amounting to EGP 35 153 000 (only thirty five million and one hundred fifty-three thousand EGP) "the Acquired". Therefore, the total net assets of the two companies amounted to EGP 304 368 000 (only three hundred four million and three hundred sixty-eight thousand EGP). This is according to the decision taken by the committee formed by the General Authority for Investment and Free Zones, and the approval of the Vice Chairman of the General Authority for Investment and Free Zones on what was stated in the report dated June 6, 2011.

This evaluation was approved by the Extraordinary General Assembly Meeting held on June 22, 2011. The decision of the General Assembly was presented for approval in preparation of issuing the final merge decision by the General Authority of Investment.

According to the General Authority for Investment and Free Zones Decree No. 423/2 of 2011, the merge contract, the amendment of Articles No. 6, 7 of the company's Articles of Incorporation and El-Obour for Paints and Chemical Industries Company, which was approved according to the Investment Certification Record No. 2212C of 2011, it was approved to license the merge of Pachin for Inks Company (S.A.E.) "the Acquired", subject to the provisions of Law No. 8 of 1997, in El-Obour for Paints and Chemical Industries Company (S.A.E.) "the Acquirer", subject to the provisions of Law No. 8 of 1997. Therefore, the registration at the Commercial Register was cancelled. The merge was registered at the Commercial Register on December 12, 2011, taking into consideration that the financial statements of Pachin for Inks Company as of December 31, 2011, are the company's last financial statements and the financial statements of El-Obour for Paints and Chemical Industries after the merge as of January 1, 2012.

Therefore, the value of investment in subsidiaries related to Pachin for Inks amounting to EGP 49 908 000 was added to the value of investment in El-Obour for Paints and Chemical Industries Company amounting to EGP 199 900 000, to reach a total investment of EGP 249 880 000 which is equivalent to 24 988 000 shares.

** The investment in the Joint Pachin Libya for Chemical Industries was considered as an investment in subsidiary for the following reasons:

- In accordance with Article No. 32 of the company's incorporation contract, the company shall be managed by five members of the company's Board of Directors, including three members representing Paints and Chemical Industries "Pachin" and the remaining members representing the shareholders.

- In accordance with Article No. 36 of the company's incorporation contract, the Board shall appoint from the representative members of Paints and Chemical Industries "Pachin", a Managing Director to be responsible for all the company's administration work.

No indication of impairment resulted in the value of investment in Pachin Libya Company at the end of year, as the company's operations are continuing naturally.

7. Available for Sale Investments

	Consolidated		Pachin	
	31/12/2016	30/6/2016	31/12/2016	30/6/2016
	EGP	EGP	EGP	EGP
Governmental bonds at the National Investment Bank	774 906	774 906	774 906	774 906
	774 906	**774 906**	**774 906**	**774 906**

8. Intangible Assets

The intangible assets as of December 31, 2016 amounting to EGP 16 016 000, equivalent to Euro 2 200 000, represent the amount paid to the Danish Company Deroup A/S for the final waiver of the trademarks according to the contract dated December 4, 2006, taking into consideration that there are no indications of impairment in this balance.

9. Inventories (net)

	Consolidated		Pachin	
	31/12/2016	30/6/2016	31/12/2016	30/6/2016
	EGP	EGP	EGP	EGP
Raw materials and packaging	112 415 789	108 404 566	13 100 292	17 702 205
Less: impairment in raw materials *	(3 223 364)	(3 223 364)	(1 319 141)	(1 319 141)
	109 192 425	**105 181 202**	**11 781 151**	**16 383 064**
Finished goods	27 176 342	26 708 190	581 938	4 859 311
Less: impairment in finished goods *	(318 591)	(318 591)	(318 591)	(318 591)
	26 857 751	**26 389 599**	**263 347**	**4 540 720**
Fuel and spare parts	9 617 473	7 936 328	1 487 780	1 503 037
Less: impairment in spare parts *	(669 090)	(669 090)	(669 090)	(669 090)
	8 948 383	**7 267 238**	**818 690**	**833 947**
Work in-progress	6 427 491	8 115 960	1 137 244	1 875 275
Scrap	138 131	183 583	117 315	108 046
Inventory available for sale	6 274 808	7 115 046	--	--
	157 842 189	**154 252 628**	**14 117 747**	**23 741 052**

* Refer to Note No. (18).

10. Accounts Receivable (Net)

	Consolidated		Pachin	
	31/12/2016	30/6/2016	31/12/2016	30/6/2016
	EGP	EGP	EGP	EGP
Accounts receivable	63 377 020	60 933 454	14 240 528	12 005 969
Less:				
Impairment in accounts receivable *	(12 198 335)	(12 198 335)	(5 793 800)	(5 793 800)
	51 178 685	**48 735 119**	**8 446 728**	**6 212 169**

* Refer to Note No. (18).

11. Notes Receivable (Net)

	Consolidated		Pachin	
	31/12/2016	30/6/2016	31/12/2016	30/6/2016
	EGP	EGP	EGP	EGP
Notes receivable	12 732 044	13 325 324	--	--
Less:				
Impairment in notes receivable *	(1 300 000)	(1 300 000)	--	--
	11 432 044	**12 025 324**	--	--

* Refer to Note No. (18).

12. Due from Subsidiary Companies – Stand-Alone

	Consolidated		Pachin	
	31/12/2016	30/6/2016	31/12/2016	30/6/2016
	EGP	EGP	EGP	EGP
El Obour for Paints and Chemical Industries	--	--	17 401 640	17 664 978
Egyptian Chemicals Industry – KIMA *	36 258 792	--	36 258 792	--
Pachin Libya for Paints and Chemical Industries	--	--	1 191 658	707 538
	36 258 792	--	**54 852 090**	**18 372 516**

- On October 31, 2016, and according to the request of the Holding Company for Chemical Industries, the company transferred the amount of USD 2 000 000 to the Egyptian Chemical Industries Company "Kima", provided that the amount and its charges should be paid during three months under "the guarantee of the Holding Company". The amount of USD 1.5 million has been paid as of the financial statements issuance date. This issue was presented before the Board of Directors in its meeting held February 19, 2017, in preparation for its presentation at the first Ordinary General Assembly.

13. Other Debit Accounts (Net)

	Consolidated		Pachin	
	31/12/2016	30/6/2016	31/12/2016	30/6/2016
	EGP	EGP	EGP	EGP
Accrued income	3 686 793	3 039 105	2 699 795	50 460 827
Suppliers - advance payments	7 525 825	4 614 049	453 380	604 696
Employees loans	10 133	56 422	--	38 100
Deposits with others	2 293 638	2 826 506	785 277	843 277
Other debit balances	2 438 910	5 119 972	407 685	1 792 147
Less:				
Impairment in other debit balances*	(2 000 134)	(2 000 134)	(1 691 684)	(1 684 041)
	13 955 165	**13 655 920**	**2 654 453**	**52 055 006**

* Refer to Note No. (18).

14. Tax Debit Balances

	Consolidated		Pachin	
	31/12/2016	30/6/2016	31/12/2016	30/6/2016
	EGP	EGP	EGP	EGP
Withholding tax	10 316 364	26 022 498	6 897 793	9 999 951
	10 316 364	**26 022 498**	**6 897 793**	**9 999 951**

15. Investments for Trading Purposes and Treasury Bills

a) Investments for Trading Purposes

The balance of this account amounting to EGP 5 441 846 as of December 31, 2016, is represented in the value of the investment certificates from Bloom Bank Egypt, against the amount of EGP 11 103 332 as of the June 30, 2016.

b) Treasury Bills

The treasury bills amounting to EGP 60 096 142 as of December 31, 2016, are represented in EGP 64 125 066, which represent the nominal value less interest amounting to EGP 4 028 924 at an interest rate of 13% and 15.5%, due on October 2016 and March 2017, and the amount of the due tax amounted to EGP 1 169 095.

16. Cash and Cash Equivalents

	Consolidated		Pachin	
	31/12/2016	30/6/2016	31/12/2016	30/6/2016
	EGP	EGP	EGP	EGP
Cash on hand	330 006	139 905	107 533	--
Banks current accounts	35 022 887	29 672 946	4 819 254	9 596 094
Banks time deposits	168 960 553	66 662 400	120 359 727	44 744 636
Checks under collection*	10 359 978	13 692 505	333 774	855 270
	214 673 424	**110 167 756**	**125 620 288**	**55 196 000**

* Checks under collection represent checks with due date before December 31, 2016.

17. Provisions

	Balance As of 1/7/2016	Formed during the Period	Used during the Period	Balance As of 31/12/2016
	EGP	EGP	EGP	EGP
Provision for tax disputes	1 088 649	--	--	1 088 649
Provision for claims	9 193 026	--	--	9 193 026
	10 281 675	**--**	**--**	**10 281 675**

18. Impairment and Reduction in Inventory and Impairment in Financial and Long-Term Assets

	Balance as of 1/7/2016 EGP	Formed during the period EGP	No longer required EGP	Used during the period EGP	Balance as of 31/12/2016 EGP
Impairment of non-current assets					
Impairment in projects under construction	**108 000**	--	--	--	**108 000**
Impairment of financial assets					
Impairment in accounts receivable	12 198 335	--	--	--	12 198 335
Impairment of notes receivable	1 300 000	--	--	--	1 300 000
Impairment of other debit balances	2 000 134	--	--	--	2 000 134
	15 498 469	--	--	--	**15 498 469**
Decrease in inventories					
Decrease in raw materials	3 223 364	--	--	--	3 223 364
Decrease in finished goods	318 591	--	--	--	318 591
Decrease in spare parts	669 090	--	--	--	669 090
	4 211 045	--	--	--	**4 211 045**

19. Credit Facilities

The balance of EGP 54 617 751 as of December 31, 2016, represents the outstanding balance of the credit facilities granted to the company from Credit Agricole Bank and Misr Bank of EGP 18 207 207 at an annual interest rate averaging between 8.9% to 10% annually, guaranteed by treasury bills. The balance includes also the amount of EGP 36 410 544 which represents a loan granted from QNB in the amount of USD 2 000 000, in favor of the Egyptian Chemical Industries Company "Kima".

20. Accounts and Notes Payable

	Consolidated		Pachin	
	31/12/2016 EGP	30/6/2016 EGP	31/12/2016 EGP	31/12/2016 EGP
Accounts payable	60 424 146	39 452 665	5 695 742	6 729 013
Notes payable	9 252 527	7 657 926	21 975	153 826
	69 676 673	**47 110 591**	**5 717 717**	**6 882 839**

21. Other Credit Accounts

	Consolidated		Pachin	
	31/12/2016 EGP	30/6/2016 EGP	31/12/2016 EGP	30/6/2016 EGP
Accrued expenses	2 747 400	3 821 423	451 398	531 985
Accounts receivable – credit balances	20 120 686	15 211 601	4 386 016	3 541 378
Fixed assets – creditors	88 818	61 099	26 668	26 668
Deposits for others	6 882 898	7 681 586	1 416 580	1 280 869
Employees' share in profits	--	5 555 556	--	--
Other employees benefits	3 891 010	3 891 010	3 891 010	3 891 010
Other credit balances	15 175 954	1 865 933	823 059	1 107 280
	48 906 766	**38 088 208**	**10 994 731**	**10 379 190**

22. Credit Tax Accounts

	Consolidated		Pachin	
	31/12/2016	30/6/2016	31/12/2016	30/6/2016
	EGP	EGP	EGP	EGP
Sales tax and VAT	1 081 025	6 009 509	695 700	2 422 609
Withholding tax	404 476	393 110	43 672	69 745
Accrued income tax	19 372 686	23 423 200	12 075 964	4 990 524
Payroll tax	874 044	942 801	160 838	185 201
Accrued dividends tax	--	2 498 792	--	--
Stamp duty	288 475	18 503	17 178	1 178
	22 020 706	**33 285 915**	**12 993 352**	**7 669 257**

23. Employees' Benefits

The company hired an independent actuarial expert registered at the Actuaries Expert Record of the General Authority for Financial Control to estimate the current value of the liability of the defined benefit plan, as well as the cost of the current service and the cost of prior service related to the plan, using the Projected Unit Credit Method, which was stated in details in Note No. (2 x) within the applied accounting policies. The following is a statement of the most significant demographic data and actuarial assumptions used during the current period concerning the end-of-service benefits, which the company has applied as of the current year:

Demographic Data

	Consolidated	Pachin
Number of employees	Employee 1 445	Employee 253
Average age	Year 42.22	Year 43.83
Annual Salaries	EGP 17 697 890	EGP 3 432 726

Key assumptions used for the purposes of the actuarial valuations are as follows: -

	Valuation as of 31/12/2016
Discount rate	16.25 %
Inflation rate	12.5%
The used life table	U52/A49
The annual rate of salaries increase	14%

The amounts recognized in the income statement for the period ended December 31, 2016, concerning the defined benefit plan are as follows: -

	Consolidated	Pachin
	31/12/2016	31/12/2016
Current service cost	431 948	100 640
The settlement for the past service cost	8 401 484	2 072 298
Interest cost	1 538 752	412 652
Less:-		
Recognized gain resulting from amending the benefits	3 802 028	1 373 478
	6 570 156	**1 212 112**

These amounts were presented in the income statement as retirement benefit plan cost.

The amounts recognized in the financial statements as of December 31, 2016, arising from the company's liability, concerning the defined benefit plan are as follows: -

	Consolidated	Pachin
	31/12/2016	31/12/2016
Current value of the defined benefit liability	17 033 408	5 804 590
	17 033 408	**5 804 590**

This amount was presented as a separate item in the balance sheet and entitled retirement benefit plan liability included in the long-term liabilities.

Change in the present value of the total defined benefit obligation is as follows:-

	Consolidated		Pachin	
	Actual as 31/12/2016	Estimated as 30/6/2017	Actual as 31/12/2016	Estimated as 30/6/2017
Liability recognized at the beginning of the period / year	13 633 417	13 633 417	5 212 150	5 212 150
Total past service cost not recognized at the beginning of the period/year *	14 730 670	14 730 670	2 072 298	2 072 298
Gain resulting from amending the benefits **	(6 230 575)	(6 230 575)	(1 373 478)	(1 373 478)
Actuarial gain	(850 503)	(850 503)	(169 452)	(169 452)
Current service cost	431 948	863 897	100 640	201 281
Interest cost	1 538 752	3 077 503	412 652	825 304
Benefits paid by the company	(2 319 662)	(4 872 384)	(450 220)	(1 377 269)
The balance of the total liability of the benefits specified at the end of year	**20 934 047**	**20 352 025**	**5 804 590**	**5 390 834**

Recognized Recorded Amounts

	Consolidated		Pachin	
	Actual as 31/12/2016	Estimated As 30/6/2017	Actual as 31/12/2016	Estimated As 30/6/2017
Liability recognized at the beginning of the period / year	13 633 417	13 633 417	5 212 150	5 212 150
Total past service cost	14 730 670	14 730 670	2 072 298	2 072 298
Total unrecognized past service cost	(6 329 186)	--	--	--
Gain resulted from amending the benefits	(3 802 028)	(6 230 575)	(1 373 478)	(1 373 478)
Actuarial gain	(850 503)	(850 503)	(169 452)	(169 452)
Current service cost	431 948	863 897	100 640	201 281
Interest cost	1 538 752	3 077 503	412 652	825 304
Benefits paid by the company	(2 319 662)	(4 872 384)	(450 220)	(1 377 269)
Net liability balance of the benefits specified at the end of year	**17 033 408**	**20 352 025**	**5 804 590**	**5 390 834**

* This item represents the un-recognized past service cost at the beginning of the year, which was amortized on a fixed premium basis according to the average prescribed period until these benefits are acquired according to the Egyptian Accounting Standards, before the amendment. After the issuance of the new Egyptian Accounting Standards, which were applied on the company's financial statements as of June 1, 2016. The company should recognize any unrecognized past service cost immediately on profits and losses. The company's management

believes that the unrecognized past service cost should be amortized at the beginning of the year amounting to 14 730 670 as of July 1, 2015, over the interim financial periods until June 30, 2017. The profits and losses for the current period were charged by the amount of EGP 8 401 484, and the remaining amount of EGP 6 329 186 will be charged over the remaining financial periods by the amount of EGP 3 164 593 for each financial period.

** This item represents the profits resulting from cancelling the implicit liability on the company to increase the maximum amount of benefit, to be paid to the employee at end of service amounting to EGP 100 000. According to the Board of Directors decision, the maximum amount of benefit to be paid to the employee at end of service was fixed so that it will not exceed EGP 100 000 until the end of the benefit plan, and the measurement of this liability until the end of this plan was performed on this basis. The company's management believes that these profits amounting to EGP 6 230 575, should be amortized over the interim financial periods until June 30, 2017. The profits and losses for the current period were charged by amount of EGP 3 802 028, and the remaining amount of EGP 2 428 547, will be charged over the remaining financial periods by the amount of EGP 1 214 275 for each financial period.

Components of the cost of retirement benefits concerning the defined benefit plan are as follows:

	Consolidated		Pachin	
	Actual As of 31/12/2016	**Estimated as of 30/6/2017**	**Actual As of 31/12/2016**	**Estimated as of 30/6/2017**
Current service cost	431 948	863 897	100 640	201 281
Interest cost	1 538 752	3 077 503	412 652	825 304
The settlement for the past service cost	8 401 484	14 730 670	2 072 298	2 072 298
Less:-				
Recognized gain resulting from amending the benefits	3 802 028	6 230 575	1 373 478	1 373 478
	6 570 156	**12 441 495**	**1 212 112**	**1 725 405**

Sensitivity Test

The sensitivity test and its impact on the total value of the current value of the defined benefit liability, in the event of differences between the estimated assumptions is represented as follows:

	Consolidated		Pachin	
	Effect on liability	**Effect on service cost and interest cost**	**Effect on liability**	**Effect on service cost and interest cost**
Discount rate –(50) basis point	558 302	3 437	111 561	(6 343)
Discount rate +(50) basis point	(525 935)	(2 468)	(106 290)	6 356
Inflation rate –(50) basis point	(78 996)	(5 737)	(16 127)	(387)
Inflation rate +(50) basis point	73 001	1 782	15 449	696
Salary increase rate –(50) basis point	(78 996)	(5 737)	(16 127)	(387)
Salary increase rate +(50) basis point	73 001	1 782	15 449	696

24. Capital

The company's authorized amounted to EGP 200 million, and the issued and paid-up capital amounted to EGP 200 million Egyptian pounds, divided among 20 million shares, with a nominal value of ten pounds per share.

According to the decision of the company's Extraordinary General Meeting on October 8, 2015, it was agreed to increase the authorized capital from EGP 200 million to EGP 500 million, as well as increase the issued and paid-up capital from 200 million to EGP 240 million pounds through the distribution of one free share for every five shares, provided that this increase would be funded from the reserves.

On June 15, 2016, the General Authority for Investment and Free Zones, and the General Authority for Financial Supervision approved the capital increase. On August 31, 2016, the Egyptian Stock Exchange issued its approval in respect to listing the increase shares in the Egyptian securities, and this increase was registered at the Commercial Register as of July 28, 2016.

Consequently, the company's authorized capital amounted to EGP 500 million, and the issued and paid-up capital amounted to EGP 240, divided among 24 million shares, with a nominal value of ten pounds per share.

Earnings per Share

	Consolidated		Pachin	
	31/12/2016	31/12/2015	31/12/2016	31/12/2015
Net profits for the period	68 366 337	35 584 847	39 597 033	3 751 929
Shareholders share in profits	68 366 337	35 584 847	39 597 033	3 751 929
Weighted average of shares numbers *	24 000 000	24 000 000	24 000 000	24 000 000
	2.85	**1.48**	**1.65**	**0.16**

25. Reserves

	Consolidated		Pachin	
	31/12/2016	30/6/2016	31/12/2016	30/6/2016
	EGP	EGP	EGP	EGP
Legal reserve	93 075 630	129 278 908	62 892 334	100 000 000
Reserve invested in government bonds	774 905	774 905	774 905	774 905
Reserve for assets' increased prices	6 290 899	6 290 899	6 290 899	6 290 899
Other reserves	71 543 009	71 543 009	71 543 009	71 543 009
	171 684 443	**207 887 721**	**141 501 147**	**178 608 813**

26. Business Combination Reserve

The balance as of December 31, 2016 amounting to EGP 54 341 000, is represented in the increase in the value of the investment for the Holding Company in El Obour for Paints and Chemical Industries as a result of the General Authority for Investment and Free Zones approval to merge the Pachin for Inks Company in El Obour for Paints and Chemical Industries – Refer to Note No. (6) – as follows:-

Description	EGP
El Obour for Paints and Chemical Industries capital – before the merge	200 000 000
Pachin for Inks capital – before the merge	50 000 000
Total	**250 000 000**
El Obour for Paints and Chemical Industries capital – after the merge	304 368 000
Increase resulting from the merge	**54 368 000**
Pachin for Paints and Chemical Industries ownership percentage	99.95%
Pachin for Paints and Chemical Industries share in the increase resulting from the merge.	**54 341 000**

27. Long-Term Liabilities

The balance of this account is represented in the deferred revenue related to El-Obour for Paints and Chemicals Industries Company granted assets, which will be added to revenues over the estimated useful lives of these assets amounting to EGP 453 193 as of December 31 2016.

28. Deferred Tax

The balance of this account amounting to EGP 21 109 597, represents the deferred tax liabilities resulting from the temporary differences between the net book value of fixed assets based on tax basis, and their net book value based on accounting basis.

	Consolidated		Pachin	
	31/12/2016	30/6/2016	31/12/2016	30/6/2016
	EGP	EGP	EGP	EGP
Opening balance of the year	21 218 141	20 437 654	3 164 662	2 816 031
Deferred tax during the period/year	(108 544)	780 487	35 643	348 631
Balance as of end of the period/year	**21 109 597**	**21 218 141**	**3 200 305**	**3 164 662**

29. Discontinuing Operation Losses

The value of discontinuing operation losses as of December 31, 2016 amounted to EGP 233 895, represented as follows:

	Coal Factory		Inks Factory		Total	
	31/12/2016	31/12/2015	31/12/2016	31/12/2015	31/12/2016	31/12/2015
	EGP	EGP	EGP	EGP	EGP	EGP
Revenue from discontinuing operation	--	--	--	--	--	--
Less						
Discontinuing operations expenses	(233 895)	(501 064)	--	(13 467)	(233 895)	(514 531)
Net losses from discontinuing operations	**(233 895)**	**(501 064)**	--	**(13 467)**	**(233 895)**	**(514 531)**

30. Contingent Liabilities

There is no contingent liabilities or capital commitments as of to-date.

31. Managing the Risks Related to Financial Instruments

a. Foreign Exchange Risk

Foreign currency risk represents the change in currency rates which affects the receipts, disbursements and the translation of assets and liabilities in foreign currencies. The company exerts all efforts to avoid having a net foreign currency open position to reduce this risk to its minimum level.

b. Credit Risk

This risk represents some customers' failure to pay their debts on due dates. The company forms a provision for doubtful debts to meet this risk.

c. Interest Rate Risk

This risk represents the changing of interest rates which affects the operations results. The company's management exerts all efforts to obtain the best conditions in the market for banking facilities and performs periodic review on the interest rates.

d. Liquidity Risk

The liquidity risk is represented in the factors that may affect the company's ability to pay part or all of its liabilities at maturity date. The company's policy is to retain adequate liquidity to meet the ongoing obligations of the company, thereby helping to reduce this risk to a minimum. The company has also opened new facilities during the current year.

e. Fair Value

The fair value of financial instruments does not differ from the book value as of the balance sheet date.

32. Amendment on Tax Laws

On September 5, 2016, the President of the Arab Republic of Egypt issued Law No. 67 of 2016 by promulgating the Value Added Tax, provided that the General Sales Tax Law No. 11 of 1991 is cancelled as well as any provision inconsistent with the provisions of this law, and the executive regulations of this law will be issued within thirty days from its publication date in the Official Gazette.

33. Tax Position

Paints and Chemicals Industries Company (Pachin)

First: Corporate Tax

- The company is subject to corporate tax according to Law No. 91 of 2005. The company submits its tax returns on its due date, and pays the due taxes accordingly.
- As for the years from the inception date until 2000/2001, the Senior Taxpayers Center has settled the years until year 2000/2001, and the company paid the due tax.
- For the years 2001/2002 until 2004/2005, the final inspection and assessment was concluded, and the company paid the due taxes.
- Years 2005/2006 were inspected and the dispute was finalized at the Senior Taxpayers Center.
- For the years 2006/2007 until 2007/2008, the company's books were inspected and an objection was filed and the Internal Committee is in-process.

- Years 2009/2011 were inspected, and the company received the forms and filed an objection on its due date.
- For the years 2012 / 2015, the tax returns were submitted on their due dates.

Second: Sales Tax

- The company was inspected until June 30, 2014. The differences amounted to EGP 237 714, and the company paid the tax differences, and the filing of a complaint is in-process.

Third: Salary Tax

- The company's books were inspected and assessed until 2004.
- The years 2005 / 2012 were settled, and the company is currently preparing the inspection file for these years.

Fourth: Stamp Tax

The company's books were inspected until July 31, 2006, and taxes were assessed and paid.
The re-inspection for the period from August 1, 2006 until June 30, 2010 was finalized, and the Internal Committee is in-process.
The re-inspection for the period from July 1, 2010 until June 30, 2012 was finalized, and the Internal Committee is in-process.

El-Obour for Paints and Chemicals Industries Company

First: - El-Obour for Paints and Chemical Industries (acquirer)

Corporate Tax

- The company is exempted from corporate tax from the first year of operation according to Law No. 8 of 1997 and its executive regulation concerning the investment guarantees and incentives, taking into consideration that this exemption ended on June 30, 2011.
- The Tax Authority inspected the years from the inception of activity until 2002/2003. The tax claims amounted to EGP 2 582 078. The dispute was transferred to the Appeal Committee which has issued a decision to amend the due tax to be EGP 2 039 542, and taxes were assessed and paid.
- The Tax Authority inspected the years from 2003/2004 until 2004/2005. The inspection resulted in tax claim amounting to EGP 5 593 829. The company filed an objection on this claim and raised a lawsuit.
- The years 2005/2006 were inspected, and the dispute was finalized with the Tax Authority, and the due taxes were paid.
- For the years 2006/2007 until 2007/2008, the company's books were inspected, and the dispute with the Internal Committee was finalized.
- Years 2009/2011 were inspected, and the dispute with the Internal Committee was finalized.
- For the years 2012 / 2015, the tax returns were submitted on their due dates.

Sales Tax

The company's books were inspected until June 30, 2013.

Salary Tax

The company was not inspected from the inception of activity in 2000 until to-date.

The tax settlements are in-process, and the company is preparing the inspection file for the years 2000 until 2012.

Stamp Tax

The period from January 1, 2000 until July 31, 2006 was inspected, and the dispute was finalized with the Tax Authority, and the due tax was paid.

The tax for the period from August 1, 2006 until December 31, 2010, was estimated at the amount of EGP 5 000 000, and the company is currently preparing the documents for re-inspection.

The company is currently preparing the inspection documents for the period from January 1, 2011 until December 31, 2012.

Second: - Pachin for Inks (the Acquired)

Corporate Tax

The company is subject to the provisions of Law No. 8 of 1997 and its executive regulation concerning the investment guarantees and incentives. The company started its operation on May 8, 2008. The company was not inspected by the Tax Authority yet, taking into consideration that the company is exempted from tax as of the first financial year following the inception date according to the provisions of Law No. 8 of 1997, which represents the period from May 8, 2008 until June 30, 2018.

Salary Tax

The company was not inspected from the inception of activity in 2007 until to-date.

Sales Tax

The monthly tax returns are submitted on their due dates, and the company was not inspected yet.

Stamp Tax

The company was not inspected from the inception of activity until to-date.

34. Significant Events during the Financial Period

The Central Bank of Egypt decided in its meeting held on November 3, 2016, to float the foreign currencies exchange rate to provide flexibility to the banks operating in Egypt for pricing the purchase and sale of foreign exchange within the legitimate channels. This issue had an impact on the values of monetary assets and liabilities in foreign currency as of the financial statements date for the financial period ended December 31, 2016, and also the income statement was affected with the evaluation results of the existing currency positions as of the balance sheet date.

Financial Manager	Managing Director	Chairman
Accountant: Mostafa Omar El-Shall	Eng.: Mohie El Din Abdel Razik	Dr.: Mahmoud Abdel Hakim Al Refaey