

**Paints and Chemical Industries
Company "Pachin"**

S.A.E.

**The Consolidated Financial
Statements and**

Limited Review Report

**For the Financial Period from
July 1, 2014 until September 30, 2014**

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, 2014 until September 30, 2014, and the related statements of consolidated income, cash flows and changes in shareholders' equity for the three 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.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements as of September 30, 2014, 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 three month period ending on that date according to the Egyptian Accounting Standards.

Cairo, November 13, 2014


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

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

Consolidated Balance Sheet

As of September 30, 2014

	Notes	30/9/2014	30/6/2014	30/9/2014	30/6/2014
		Consolidated		Pachin	
		EGP	EGP	EGP	EGP
Non - Current Assets					
Fixed assets (net)	(2b, 4)	249 132 997	249 438 748	10 997 534	10 794 174
Projects under construction (net)	(2c, 5)	12 905 157	11 742 964	1 254 172	834 925
Other non - Current Assets					
Investments in subsidiaries	(2f, 6)		--	256 951 579	256 951 579
Available for sale investments	(2f, 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		278 829 060	277 972 618	285 994 191	285 371 584
Current Assets					
Inventories (net)	(2g, 9, 18)	272 790 277	218 511 135	43 897 317	37 526 655
Letters of credit		3 914 528	5 664 037	168 148	689 447
Accounts receivable (net)	(2h, 10, 18)	61 433 144	55 676 868	9 416 205	10 767 004
Notes receivable (net)	(11, 18)	9 829 162	12 942 357	659 875	761 313
Due from subsidiaries	(12)	--	--	56 655 391	53 542 726
Other debit balances (net)	(13, 18)	10 846 966	20 504 368	59 338 308	70 501 381
Debit tax accounts	(14)	27 281 131	27 158 897	9 493 403	9 382 063
Investments for trading purposes and treasury bills	(2i, 15)	181 762 215	170 879 653	122 419 589	112 262 505
Cash and cash equivalents	(2j, 16)	145 610 019	115 404 073	50 125 500	36 954 121
Total Current Assets (1)		713 467 442	626 741 388	352 173 736	332 387 215
Current Liabilities					
Provisions	(2k, 17)	4 222 051	4 222 051	1 671 354	1 671 354
Banks overdraft	(19)	145 813 255	126 522 568	114 081 932	106 447 423
Accounts and notes payable	(2l, 20)	135 565 362	75 639 671	23 554 788	13 587 880
Dividends payable		1 250 000	--	--	--
Other credit balances	(21)	54 374 862	45 895 288	16 323 388	11 976 258
Credit tax accounts	(22)	35 360 939	45 626 302	8 422 542	12 338 158
Total Current Liabilities (2)		376 586 469	297 905 880	164 054 004	146 021 073
Working Capital (1) - (2)		336 880 973	328 835 508	188 119 732	186 366 142
Total Investment financed by:		615 710 033	606 808 126	474 113 923	471 737 726
Shareholders' Equity					
Issued and paid-up capital	(24)	200 000 000	200 000 000	200 000 000	200 000 000
Reserves	(25)	203 687 132	203 160 317	178 608 813	178 608 813
Business combination reserve	(26)	54 341 000	54 341 000	--	--
Exchange differences on translation of foreign operations		1 558 492	1 824 558	--	--
Retained earnings		99 846 973	35 617 368	87 503 901	16 107 477
Profits for the year		10 569 087	66 042 325	1 868 113	71 396 424
Total Shareholders' Equity		570 002 684	560 985 568	467 980 827	466 112 714
Non-controlling interest		13 505 456	14 741 095	--	--
Total Shareholders' Equity and Non-Controlling Interest		583 508 140	575 726 663	467 980 827	466 112 714
Long-term liabilities	(27)	982 027	982 027	--	--
Retirement benefit plan liability	(2x, 23)	7 681 047	6 665 781	2 774 642	2 529 614
Deferred tax	(28)	23 538 819	23 433 655	3 358 454	3 095 398
Total Financing of Working Capital and Long-Term Assets		615 710 033	606 808 126	474 113 923	471 737 726

- The accompanying notes from (1) to (33) form an integral part of the financial statements.

Chief Financial Officer
Accountant: Raafat Abdelazim

Managing Director
Eng.: Mohie El Din Abdel Razik

Chairman
Dr.: Mahmoud Abdel Hakim Al Refaey

- Limited Review Report Attached.

Paints and Chemical Industries Company "Pachin" S.A.E.
Consolidated Income Statement
For the Period from July 1, 2014 until September 30, 2014

	<u>Notes</u>	<u>30/9/2014</u>	<u>30/9/2013</u>	<u>30/9/2014</u>	<u>30/9/2013</u>
		<u>Consolidated</u>		<u>Pachin</u>	
		<u>EGP</u>	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>
Sales (net)	(3)	231 748 418	234 419 294	44 258 617	47 613 130
Less: Cost of sales		(210 213 398)	(200 561 737)	(39 392 079)	(44 981 312)
Gross Profit		21 535 020	33 857 557	4 866 538	2 631 818
General and administrative expenses		(6 423 354)	(6 468 834)	(2 120 266)	(2 266 427)
Retirement benefit plan cost	(2x, 23)	(1 997 321)	(1 904 290)	(851 423)	(821 380)
Allowances for Board of Directors members		(240 041)	(156 191)	(69 000)	(57 000)
Profit from Operations		12 874 304	25 328 242	1 825 849	(512 989)
Finance expenses		(3 157 548)	(2 386 024)	(2 726 661)	(2 386 024)
Revenue from investments in subsidiary companies		--	--	--	1 928 333
Gain on revaluation of investments held for trading		780 680	669 716	--	--
Treasury bills revenue		3 704 294	6 527 095	3 189 912	3 383 884
Credit interest		581 059	856 441	163 543	400 252
Other income		936 402	760 120	1 075 710	1 320 448
Foreign exchange differences		829 714	(331 620)	(200 978)	(20 245)
Net profits before discontinued operations		16 548 905	31 423 970	3 327 375	4 113 659
Discontinued operation losses	(29)	(272 947)	(282 971)	(272 947)	(282 971)
Net profit after discontinued operation and before taxes		16 275 958	31 140 999	3 054 428	3 830 688
Income tax		(4 737 225)	(7 376 372)	(923 259)	(838 860)
Deferred tax	(28)	(105 164)	(670 800)	(263 056)	(438 554)
Profit after Tax		11 433 569	23 093 827	1 868 113	2 553 274
Related to:					
Shareholder's of the holding company		10 569 087	21 453 744	1 868 113	2 553 274
Non-controlling interest		864 482	1 640 083	--	--
Total		11 433 569	23 093 827	1 868 113	2 553 274
Earnings per share	(24)	0.53	1.07	0.09	0.13

- The accompanying notes from (1) to (33) form an integral part of the financial statements.

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Dr.: Mahmoud Abdel Halim Al Refaey

Paint and Chemical Industries Company "Pachin" S.A.E.
Consolidated Cash Flows Statement
For the Period from July 1, 2014 until September 30, 2014

<u>Notes</u>	<u>30/9/2014</u>	<u>30/9/2013</u>	<u>30/9/2014</u>	<u>30/9/2013</u>
	<u>Consolidated</u>		<u>Pachin</u>	
	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>
<u>Cash Flows from Operating Activities</u>				
Net profits for the period before taxes	16 275 958	31 140 999	3 054 428	3 830 688
<u>Adjusted by</u>				
Depreciation of fixed assets	3 995 838	4 183 946	218 434	400 589
Impairment in assets formed and used	(58 948)	--	(58 948)	--
Gain on revaluation of investments for trading purposes	(780 680)	(669 716)	--	--
Unrealized foreign exchange differences	(8 537)	(46 772)	(8 537)	(10 366)
Revenue from investments in subsidiary companies	--	--	--	(1 928 333)
Treasury bills revenue	(3 704 294)	(6 527 095)	(3 189 912)	(3 383 884)
Debit interest	3 157 548	2 386 024	2 726 661	2 386 024
Credit interest	(581 059)	(856 441)	(163 543)	(400 252)
Operating Profits before Working Capital Changes	18 295 826	29 610 945	2 578 583	894 466
Decrease / (increase) in receivables and other debit balances	7 377 839	1 803 901	9 685 352	(4 777 084)
(Increase) / decrease in inventories and letters of credit	(52 470 685)	15 006 801	(5 790 415)	14 981 491
Increase / (decrease) in creditors and other credit balances	52 093 347	12 224 724	9 728 728	(2 256 338)
Decrease / (increase) in investments for trading purposes	(10 101 882)	70 277 873	(10 157 084)	99 979 883
Payment of income tax	(3 000 000)	--	--	--
Net Cash Provided from / (used in) Operating Activities	12 194 445	128 924 244	6 045 164	108 822 418
<u>Cash Flows from Investing Activities</u>				
Proceeds from the revenue of investments in subsidiary	--	--	--	1 928 333
Payments for the acquisition of fixed assets and PUC	(1 921 239)	(1 816 738)	(841 041)	(212 789)
Proceeds from treasury bills revenue	3 208 391	2 884 125	2 895 865	2 876 108
Interest received	591 210	856 441	163 543	400 252
Net Cash provided from Investing Activities	1 878 362	1 923 828	2 218 367	4 991 904
<u>Cash Flows from Financing Activities</u>				
Payments to banks overdraft	--	(573 005)	--	--
Proceeds from banks overdraft	19 290 687	47 131	7 634 509	47 131
Interest paid	(3 157 548)	(2 386 024)	(2 726 661)	(2 386 024)
Dividends paid	--	(3 570 730)	--	--
Net Cash (used in) Provided from Financing Activities	16 133 139	(6 482 628)	4 907 848	(2 338 893)
Net change in cash and cash equivalents during the year	30 205 946	124 365 444	13 171 379	111 475 429
Net cash and cash equivalents at beginning of the year (2j, 16)	115 404 073	90 203 892	36 954 121	22 775 745
Net cash and cash equivalents at end of the year (2j, 16)	145 610 019	214 569 336	50 125 500	134 251 174

- The accompanying notes from (1) to (33) form an integral part of the financial statements.

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Paints and Chemical Industries Company "Pachin" S.A.E.
Consolidated Statement of Changes in Shareholders' Equity
For the Period from July 1, 2014 until September 30, 2014

	<u>Reserves</u>		<u>Combination Reserve</u>		<u>Exchange differences on translation of foreign operations</u>		<u>Retained Earnings</u>		<u>Profits for the Year</u>		<u>Total Shareholders' Equity Holding</u>		<u>Non-Controlling Interest</u>		<u>Total</u>	
	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>
Balance as of June 30, 2014	200 000 000	203 160 317	54 341 000	1 824 558	35 617 368	66 042 325	560 985 568	14 741 095	575 726 663	--	--	--	--	--	--	--
Transferred to reserves	--	526 815	--	--	--	(526 815)	(266 066)	--	--	--	(266 066)	--	--	--	(266 066)	--
Loss from translation of foreign operations	--	--	--	(266 066)	--	--	--	--	--	--	--	--	--	--	--	--
Dividends for shareholders, employees, and Board of Directors	--	--	--	--	(1 285 905)	--	--	--	--	--	(1 285 905)	--	(2 100 121)	--	(3 386 026)	--
Transferred to retained earnings	--	--	--	--	65 515 510	(65 515 510)	--	--	--	--	--	--	--	--	--	--
Net profits as of September 30, 2014	--	--	--	--	--	10 569 087	10 569 087	864 482	11 433 569	--	--	864 482	--	--	11 433 569	--
Balance as of September 30, 2014	200 000 000	203 687 132	54 341 000	1 558 492	99 846 973	10 569 087	570 002 684	13 505 456	583 508 140	203 687 132	570 002 684	13 505 456	11 777 075	11 777 075	618 891 768	618 891 768
Balance as of June 30, 2013	200 000 000	199 333 363	54 341 000	1 738 417	43 956 362	92 782 422	592 151 564	12 846 722	604 998 286	--	--	--	--	--	--	--
Transferred to reserves	--	1 338 018	--	--	--	(1 338 018)	(1 866 017)	--	--	--	(1 866 017)	--	--	--	(1 866 017)	--
Gain from translation of foreign operations	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
Dividends for shareholders, employees, and Board of Directors	--	--	--	--	(4 624 598)	--	--	--	--	--	(4 624 598)	--	(2 709 730)	--	(7 334 328)	--
Transferred to retained earnings	--	--	--	--	91 444 404	(91 444 404)	--	--	--	--	--	--	--	--	--	--
Net profits as of September 30, 2013	--	--	--	--	--	21 453 744	21 453 744	1 640 083	23 093 827	--	--	1 640 083	--	--	23 093 827	--
Balance as of September 30, 2013	200 000 000	200 671 381	54 341 000	(127 600)	130 776 168	21 453 744	607 114 693	11 777 075	618 891 768	200 671 381	607 114 693	11 777 075	11 777 075	11 777 075	618 891 768	618 891 768

-The accompanying notes from (1) to (33) form an integral part of the financial statements.

Chief Financial Officer
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Paints and Chemical Industries Company "Pachin"

(S.A.E.)

Notes to the Consolidated Financial Statements

As of September 30, 2014

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, animal extract products and related products, in addition to purchasing and dividing land for the purpose of using or reselling, and performing specialized construction works.

The Board of Directors approves the financial statements for issue 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) (acquire) and Paints and Chemical Industries Company "Pachin" (S.A.E) (acquirer) was approved by the net book value. It was considered that December 31, 2011 is the date of acquisition and it is worth mentioning that the market value of the company may be used as basis of the merge. The required procedures are in process. 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 and its executive regulation. 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 decision of the Extraordinary General Assembly Meeting held on May 20, 2010, it was agreed to merge Pachin for Inks Company (S.A.E.) (acquired) with El-Obour for Paints and Chemical Industries (S.A.E) (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) "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) "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 Investment and Free Zones Authority, and the approval of the Deputy of the Investment and Free Zones Authority 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, 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, the license to merge Pachin for Inks Company (S.A.E.) "Acquire", subject to the provisions of Law No. 8 of 1997, in El-Obour for Paints and Chemical Industries Company (S.A.E.) "Acquirer", subject to the provisions of Law No. 8 of 1997 was concluded 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 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 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. 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 its 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 will flow into the entity related to the asset, 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 in 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.

<u>Type of Asset</u>	<u>Depreciation Rate</u>
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 equipment 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 lives (trademark) are recognized at acquisition cost, and the intangible assets which do not have a finite useful lives 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 to which the asset belongs to.

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) Evaluation of Investments in Subsidiaries and Available for Sale Companies

- Investments in subsidiary companies are stated at acquisition cost. The company assesses whether there is any indication that the value of each investment is impaired. If such indication exists, the value of the related investment is reduced by the impairment loss and this loss is charged to the income statement, for each investment separately. The distribution of profit is recognized whenever the right for its collection is issued.
- The available for sale financial investments, with no reliable fair value, are recognized according to all its related costs, less the impairment losses of its value. These losses are charged to the income statement.

g) Inventories

Inventories 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.

h) 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.

i) 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.

j) Cash and Cash Equivalents

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

k) 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.

l) Accounts Payable

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

m) 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.

n) 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 goods sold.
- 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 its nature.
- Dividends shall be recognized when the shareholders' right to receive payment is established.

o) Borrowing Cost

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

p) 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 3 months.

q) 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.

Generally, 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 against which deductible temporary differences can be utilized or there is convincing evidence that sufficient taxable profit will be available in the future.

r) 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.

s) 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 into the company and their cost can be measured with high reliability.

- **Financial instruments comprise 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.

t) **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.

u) **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.

v) **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 in 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.

Exchange differences arising, if any, are classified as equity and recognized in the Group's foreign currency translation reserve.

w) **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.

x) **Employees Benefits**

Employee 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 are long-term benefits due to employees 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 follows 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 prior service cost is recognized immediately in profit or loss when the benefits associated with providing the service have been acquired, or are amortized on straight line basis over the average assessments for the period until these benefits are acquired.

The defined benefit liability recognized in the balance sheet at the end of each year represents the present value of the defined benefit liability acquired by employees after amending it with the prior service cost which was not recognized as of to-date.

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.

Actuarial profits or losses include the following:

1. The experience adjustments which are represented in the differences between the previous actuarial assumptions and what actually happened.
2. Amendments resulting from the change in actuarial assumptions in itself from one year to another.

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 1-7-2012.
- The application of the system and the recognition of end-of-service benefits starts as of the financial year 2012/2013.
- The company bears the value of disbursed benefits from its own resources.

3. Sales Analysis

	<u>Consolidated</u>						<u>Pachin</u>	
	<u>30/9/2014</u>		<u>30/9/2013</u>		<u>30/9/2014</u>		<u>30/9/2013</u>	
	<u>Quantity (Ton)</u>	<u>Amount'000 EGP</u>	<u>Quantity (Ton)</u>	<u>Amount'000 EGP</u>	<u>Quantity (Ton)</u>	<u>Amount'000 EGP</u>	<u>Quantity (Ton)</u>	<u>Amount'000 EGP</u>
Paints	19 904	216 162	14 800	219 492	3 415	44 259	3 384	47 613
Inks	578	15 586	541	14 927	--	--	--	--
Net sales from continuing operation		231 748		234 419		44 259		47 613
Total Sales		231 748		234 419		44 259		47 613

4- Fixed Assets

Consolidated

<u>Items</u>	<u>Lands</u>		<u>Buildings</u>		<u>Other Assets</u>		<u>Machinery and Equipments</u>		<u>Vehicles</u>		<u>Tools</u>		<u>Furniture and Office Equipments</u>		<u>Total</u>	
	<u>EGP</u>		<u>EGP</u>		<u>EGP</u>		<u>EGP</u>		<u>EGP</u>		<u>EGP</u>		<u>EGP</u>		<u>EGP</u>	
Cost of fixed assets as of July 1, 2014	41 851 158	--	173 103 286	380 800	146 076 627	23 710 745	20 722 686	18 704 485	424 549 787							
Additions during the period	--	--	416 057	--	309 233	5 280	1 125	27 351	759 046							
Reclassification during the period	--	--	--	--	304 695	--	--	--	304 695							
Cost as of September 30, 2014	41 851 158		173 519 343	380 800	146 690 555	23 716 025	20 723 811	18 731 836	425 613 528							
<u>Accumulated Depreciation</u>																
Accumulated depreciation as of July 1, 2014	--	--	(44 688 584)	(114 240)	(81 337 509)	(20 649 021)	(14 001 270)	(14 320 415)	(175 111 039)							
Depreciation for the period	--	--	(1 255 785)	(23 800)	(1 795 053)	(363 190)	(319 473)	(238 537)	(3 995 838)							
Reclassification during the period	--	--	--	--	2 626 346	--	--	--	2 626 346							
Acc. Depreciation as of September 30, 2014	--	--	(45 944 369)	(138 040)	(80 506 216)	(21 012 211)	(14 320 743)	(14 558 952)	(176 480 531)							
NBV as of September 30, 2014	41 851 158		127 574 974	242 760	66 184 339	2 703 814	6 403 068	4 172 884	249 132 997							
NBV as of June 30, 2014	41 851 158		128 414 702	266 560	64 739 118	3 061 724	6 721 416	4 384 070	249 438 748							

The depreciation charged to cost of sales amounted to EGP 3 635 882 .

The depreciation charged to general and administrative expenses amounted to EGP 353 059.

The depreciation charged to discontinuing operation losses amounted to EGP 6 897.

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

4- Fixed Assets

<u>Stand-alone</u>	<u>Items</u>	<u>Lands</u>		<u>Buildings</u>		<u>Machinery and Equipments</u>		<u>Vehicles</u>		<u>Tools</u>		<u>Furniture and Office Equipments</u>		<u>Total</u>	
		<u>EGP</u>		<u>EGP</u>		<u>EGP</u>		<u>EGP</u>		<u>EGP</u>		<u>EGP</u>		<u>EGP</u>	
	Cost of fixed assets as of July 1, 2014	173 144		20 921 374		22 069 936		5 718 441		4 184 284		6 563 281		59 630 460	
	Additions during the period	--		414 974		--		5 280		--		1 540		421 794	
	Cost as of September 30, 2014	173 144		21 336 348		22 069 936		5 723 721		4 184 284		6 564 821		60 052 254	
	<u>Accumulated Depreciation</u>														
	Accumulated depreciation as of July 1, 2014	--		(13 267 306)		(20 289 198)		(5 364 567)		(3 835 442)		(6 079 773)		(48 836 286)	
	Depreciation for the period	--		(113 052)		(32 828)		(29 036)		(15 401)		(28 117)		(218 434)	
	Acc. Depreciation as of September 30, 2014	--		(13 380 358)		(20 322 026)		(5 393 603)		(3 850 843)		(6 107 890)		(49 054 720)	
	NBV as of September 30, 2014	173 144		7 955 990		1 747 910		330 118		333 441		456 931		10 997 534	
	NBV as of June 30, 2014	173 144		7 654 068		1 780 738		353 874		348 842		483 508		10 794 174	

The depreciation charged to cost of sales amounted to EGP 195 849.

The depreciation charged to general and administrative expenses amounted to EGP 15 688.

The depreciation charged to discontinuing operation losses amounted to EGP 6 897.

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

5. Projects under Construction

	<u>Consolidated</u>		<u>Pachin</u>	
	<u>30/9/2014</u>	<u>30/6/2014</u>	<u>30/9/2014</u>	<u>30/6/2014</u>
	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>
Machinery and equipments	9 430 790	8 812 996	774 172	392 695
Furniture	28 693	28 367	--	--
Buildings	84 222	83 104	--	--
Tools	49 365	--	--	--
Software and programs	2 742 097	2 368 774	--	--
	12 335 167	11 293 241	774 172	392 695
Advance payment to purchase fixed assets	927 990	807 723	730 000	692 230
Impairment for projects *	(358 000)	(358 000)	(250 000)	(250 000)
	12 905 157	11 742 964	1 254 172	834 925

* Refer to Note No. (18).

6. Investments in Subsidiaries – Stand alone

<u>Company Name</u>	<u>Issued</u>	<u>Currency</u>	<u>Ownership</u>	<u>Ownership</u>	<u>Paid</u>	<u>30/9/2014</u>	<u>30/6/2014</u>
	<u>Capital</u>		<u>%</u>	<u>Amount</u>	<u>%</u>	<u>Paid Amount</u>	<u>Paid Amount</u>
	<u>EGP</u>					<u>EGP</u>	<u>EGP</u>
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 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) (acquiree) with Paints and Chemical Industries - Pachin (S.A.E) (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 Investment and Free Zones Authority. 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.) (acquiree) with El-Obour for Paints and Chemical Industries (S.A.E) (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) "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) "acquiree". 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 Investment and Free Zones Authority, and the approval of the Deputy of the Investment and Free Zones Authority 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 certified upon according to the Investment Certification Record No. 2212C of 2011, it was approved to license to merge of Pachin for Inks Company (S.A.E.) "Acquire", subject to the provisions of Law No. 8 of 1997, in El-Obour for Paints and Chemical Industries Company (S.A.E.) "Acquirer", subject to the provisions of Law No. 8 of 1997. Therefore, the registration at the Commercial Register as cancelled. The merge was registered at the Commercial Register on December 12, 2001, 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 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 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 as of June 30, 2014, as the company's operations are continuing naturally, and the company has achieved sales during the year in the amount of 2 540 287 Libyan Dinars. Also, the company has achieved a net profit of 304 478 Libyan Dinars.

7. Available for Sale Investments

	<u>Consolidated</u>		<u>Pachin</u>	
	<u>30/9/2014</u>	<u>30/6/2014</u>	<u>30/9/2014</u>	<u>30/6/2014</u>
	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>
Governmental bonds at the National Investment Bank	774 906	774 906	774 906	774 906
	<u>774 906</u>	<u>774 906</u>	<u>774 906</u>	<u>774 906</u>

8. Intangible Assets

The Intangible Assets as of September 30, 2014 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)

	<u>Consolidated</u>		<u>Pachin</u>	
	<u>30/9/2014</u>	<u>30/6/2014</u>	<u>30/9/2014</u>	<u>30/6/2014</u>
	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>
Raw materials and packaging	199 255 197	169 412 277	34 030 337	31 301 133
<u>Less: impairment in raw materials *</u>	<u>(3 040 454)</u>	<u>(3 099 402)</u>	<u>(1 040 454)</u>	<u>(1 099 402)</u>
	<u>196 214 743</u>	<u>166 312 875</u>	<u>32 989 883</u>	<u>30 201 731</u>
Finished goods	61 590 024	40 962 110	8 337 154	6 249 734
<u>Less: impairment in finished goods *</u>	<u>(398 649)</u>	<u>(398 649)</u>	<u>(398 649)</u>	<u>(398 649)</u>
	<u>61 191 375</u>	<u>40 563 461</u>	<u>7 938 505</u>	<u>5 851 058</u>
Fuel and spare parts	8 134 533	7 950 076	2 020 400	2 137 750
<u>Less: impairment in spare parts *</u>	<u>(1 181 533)</u>	<u>(1 181 533)</u>	<u>(1 181 533)</u>	<u>(1 181 533)</u>
	<u>6 953 000</u>	<u>6 768 543</u>	<u>838 867</u>	<u>956 217</u>
Work in-progress	8 255 902	4 667 935	1 986 377	403 581
Scrap	175 257	198 321	143 685	114 041
	<u>272 790 277</u>	<u>218 511 135</u>	<u>43 897 317</u>	<u>37 526 655</u>

* Refer to Note No. (18).

10. Accounts Receivable (net)

	<u>Consolidated</u>		<u>Pachin</u>	
	<u>30/9/2014</u>	<u>30/6/2014</u>	<u>30/9/2014</u>	<u>30/6/2014</u>
	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>
Accounts receivable	72 631 479	66 875 203	15 210 005	16 560 804
<u>Less:</u>				
<u>Impairment in accounts receivable *</u>	<u>(11 198 335)</u>	<u>(11 198 335)</u>	<u>(5 793 800)</u>	<u>(5 793 800)</u>
	<u>61 433 144</u>	<u>55 676 868</u>	<u>9 416 205</u>	<u>10 767 004</u>

* Refer to Note No. (18).

11. Notes Receivable (net)

	<u>Consolidated</u>		<u>Pachin</u>	
	<u>30/9/2014</u>	<u>30/6/2014</u>	<u>30/9/2014</u>	<u>30/6/2014</u>
	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>
Notes receivable	11 129 162	14 242 357	659 875	761 313
Less:				
Impairment in notes receivable *	(1 300 000)	(1 300 000)	--	--
	<u>9 829 162</u>	<u>12 942 357</u>	<u>659 875</u>	<u>761 313</u>

* Refer to Note No. (18).

12. Due from Subsidiary– Stand alone

	<u>Pachin</u>	
	<u>30/9/2014</u>	<u>30/6/2014</u>
	<u>EGP</u>	<u>EGP</u>
El Obour for Paints and Chemical Industries	56 088 946	50 733 271
Pachin Libya for Paints and Chemical Industries	566 445	2 809 455
	<u>56 655 391</u>	<u>53 542 726</u>

13. Other Debit Accounts (net)

	<u>Consolidated</u>		<u>Pachin</u>	
	<u>30/9/2014</u>	<u>30/6/2014</u>	<u>30/9/2014</u>	<u>30/6/2014</u>
	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>
Accrued income	547 643	10 130 824	55 456 290	65 042 371
Suppliers - advance payments	5 584 782	6 630 802	1 944 919	3 557 937
Employees loans	123 800	8 317	123 800	2 450
Deposits with others	3 184 360	2 888 425	1 213 708	1 214 093
Other debit balances	3 574 280	3 013 899	1 267 490	1 352 429
Less:				
Impairment in other debit balances*	(2 167 899)	(2 167 899)	(667 899)	(667 899)
	<u>10 846 966</u>	<u>20 504 368</u>	<u>59 338 308</u>	<u>70 501 381</u>

* Refer to Note No. (18).

14. Tax Debit Balances

	<u>Consolidated</u>		<u>Pachin</u>	
	<u>30/9/2014</u>	<u>30/6/2014</u>	<u>30/9/2014</u>	<u>30/6/2014</u>
	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>
Sales tax	--	514 652	--	--
Withholding tax	27 281 131	26 644 245	9 493 403	9 382 063
	<u>27 281 131</u>	<u>27 158 897</u>	<u>9 493 403</u>	<u>9 382 063</u>

15. Investments for Trading Purposes and Treasury Bills

- The Investments for Trading purposes amounting to EGP 49 294 735 on September 30, 2014, are represented in the value of the investment certificates from Qatar National Bank and Blom Bank Egypt against the amount of EGP 38 513 917 on the June 30, 2014.
- The treasury bills amounting to EGP 132 467 480 on September 30, 2014, which are represented in EGP 146 950 000, represent the nominal value less interest amounting to EGP 14 482 520 at an interest rate of 11.4%, which is due on October, 2014. The taxes due on these interests amounted to EGP 2 567 922 (against the amount of EGP 132 365 736 on the June 30, 2014).

16. Cash and Cash Equivalents

	<u>Consolidated</u>		<u>Pachin</u>	
	<u>30/9/2014</u>	<u>30/6/2014</u>	<u>30/9/2014</u>	<u>30/6/2014</u>
	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>
Cash on hand	2 488 594	56 217	876 497	--
Banks current accounts	70 505 376	50 909 832	26 166 824	14 608 713
Banks time deposits	60 033 949	59 812 593	21 650 720	21 573 938
Checks under collection*	12 582 100	4 625 431	1 431 459	771 470
	<u>145 610 019</u>	<u>115 404 073</u>	<u>50 125 500</u>	<u>36 954 121</u>

* Checks under collection represent checks with due date before September 30, 2014, which were collected in the subsequent period.

17. Provisions

	<u>Balance as of</u>	<u>Balance as of</u>
	<u>30/9/2014</u>	<u>30/6/2014</u>
	<u>EGP</u>	<u>EGP</u>
Provision for tax disputes	1 088 649	1 088 649
Provision for claims	3 133 402	3 133 402
	<u>4 222 051</u>	<u>4 222 051</u>

18. Impairment and Reduction of Current Assets

	<u>Balance as of</u>	<u>Formed</u>	<u>Used</u>	<u>Balance as of</u>
	<u>1/7/2014</u>	<u>during the</u>	<u>during the</u>	<u>30/9/2014</u>
	<u>EGP</u>	<u>year</u>	<u>year</u>	<u>EGP</u>
	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>
<u>Impairment of non-current assets</u>				
Impairment in projects under construction	358 000	--	--	358 000
	<u>358 000</u>	--	--	<u>358 000</u>
<u>Impairment of financial assets</u>				
Impairment in accounts receivable	11 198 335	--	--	11 198 335
Impairment of notes receivable	1 300 000	--	--	1 300 000
Impairment of other debit balances	2 167 899	--	--	2 167 899
	<u>14 666 234</u>	--	--	<u>14 666 234</u>
<u>Decrease in inventories</u>				
Decrease in raw materials	3 099 402	--	(58 948)	3 040 454
Decrease in finished goods	398 649	--	--	398 649
Decrease in spare parts	1 181 533	--	--	1 181 533
	<u>4 679 584</u>	--	<u>(58 948)</u>	<u>4 620 636</u>
	<u>19 703 818</u>	--	<u>(58 948)</u>	<u>19 644 870</u>

19. Credit Facilities

The balance of EGP 145 813 255 as of September 30, 2014, represents the outstanding balance of the credit facilities granted to the company from Credit Agricole Bank and Misr Bank at an annual interest rate averaging between 8.9% to 10% annually, guaranteed by treasury bills.

20. Accounts and Notes Payable

	<u>Consolidated</u>		<u>Pachin</u>	
	<u>30/9/2014</u>	<u>30/6/2014</u>	<u>30/9/2014</u>	<u>30/6/2014</u>
	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>
Accounts payable	126 366 412	67 020 221	23 062 888	12 645 730
Notes payable	9 198 950	8 619 450	491 900	942 150
	135 565 362	75 639 671	23 554 788	13 587 880

21. Other Credit Accounts

	<u>Consolidated</u>		<u>Pachin</u>	
	<u>30/9/2014</u>	<u>30/6/2014</u>	<u>30/9/2014</u>	<u>30/6/2014</u>
	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>
Accrued expenses	3 479 234	4 216 124	1 194 962	1 456 717
Accounts receivable – credit balances	27 248 202	22 373 414	7 718 248	3 735 665
Fixed assets – creditors	487 469	289 660	456 668	26 668
Deposits of others	9 367 895	8 310 824	2 126 900	2 051 437
Employees' share in profits	6 152 488	4 442 539	41 377	41 377
Other employees benefits	3 891 010	3 891 010	3 891 010	3 891 010
Other credit balances	3 748 564	2 371 717	894 223	773 384
	54 374 862	45 895 288	16 323 388	11 976 258

22. Credit Tax Accounts

	<u>Consolidated</u>		<u>Pachin</u>	
	<u>30/9/2014</u>	<u>30/6/2014</u>	<u>30/6/2014</u>	<u>30/6/2014</u>
	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>
Sales tax	1 895 635	10 383 663	244 458	2 545 071
Withholding tax	354 951	1 099 164	62 453	146 383
Accrued income tax	31 278 000	32 778 309	7 738 599	9 473 366
Payroll tax	1 186 034	886 176	358 235	162 933
Stamp duty	646 319	478 990	18 797	10 405
	35 360 939	45 626 302	8 422 542	12 338 158

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

	<u>Consolidated</u>	<u>Pachin</u>
Number of employees	Employee 1 393	Employee 395
The remaining period of service	Year 20.81	Year 13.61
Average age	Year 42.79	Year 46.39
Salaries	EGP 1 208 379	EGP 410 345

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

	<u>Valuation</u> <u>as of 30/6/2014</u>
Discount rate	15.5 %
The used life table	U52/A49
The remaining expected rate for the average life expectancy of the employees contributing in the plan	13.61 Year
The annual rate of salaries increase	14 %

The amounts recognized in the income statement for the financial Period ended September 30, 2014 concerning the defined benefit plan are as follows: -

	<u>Consolidated</u> <u>30/9/2014</u>	<u>Pachin</u> <u>30/9/2014</u>
Current service cost	537 736	194 637
The settlement for the past service cost	378 346	202 924
Interest cost	1 081 239	453 862
	<u>1 997 321</u>	<u>851 423</u>

This amount was presented in the income statement under retirement benefit plan cost.

The amounts recognized in the financial statements as of September 30, 2014 arising from the company's liability concerning the defined benefit plan are as follows: -

	<u>Consolidated</u> <u>30/9/2014</u>	<u>Pachin</u> <u>30/9/2014</u>
Present value of the defined benefit liability	7 681 047	2 774 642
	<u>7 681 047</u>	<u>2 774 642</u>

This amount was stated as a separate item in the financial statement under the title of retirement benefit plan liability included in the long-term liabilities.

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

	<u>Consolidated</u>		<u>Pachin</u>	
	<u>Actual</u> <u>as</u> <u>30/9/2014</u>	<u>Estimated</u> <u>as</u> <u>30/6/2015</u>	<u>Actual</u> <u>as</u> <u>30/9/2014</u>	<u>Estimated</u> <u>as</u> <u>30/6/2015</u>
Liability recognized at the beginning of the year	6 652 611	5 995 691	2 516 444	2 516 444
Total past service cost not recognized at the beginning of the year	24 139 473	24 139 472	10 238 666	10 238 666
Current service cost	537 736	2 150 947	194 637	778 548
Interest cost	1 081 239	4 324 959	453 863	1 815 450
Benefits paid by the company	(1 577 658)	(4 631 169)	(1 201 998)	(2 162 939)
The balance of the total liability of the benefits specified at the end of the Period	<u>30 833 401</u>	<u>31 979 900</u>	<u>12 201 612</u>	<u>13 186 169</u>

Amount Recognized

	<u>Consolidated</u>		<u>Pachin</u>	
	<u>Actual</u>	<u>Estimated</u>	<u>Actual</u>	<u>Estimated</u>
	<u>as 30/9/2014</u>	<u>as 30/6/2015</u>	<u>as 30/9/2014</u>	<u>as 30/6/2015</u>
Liability recognized at the beginning of the year	6 652 611	5 995 691	2 516 444	2 516 444
Total past service cost	24 139 473	24 139 472	10 238 666	10 238 666
Total past service cost not recognized at the beginning of the year	(23 152 354)	(22 626 090)	(9 426 969)	(9 426 969)
Current service cost	537 736	2 150 947	194 637	778 548
Interest cost	1 081 239	4 324 959	453 862	1 815 450
Benefits paid by the company	(1 577 658)	(4 631 169)	(1 201 998)	(2 162 939)
Net liability balance of the benefits specified at the end of the Period	<u>7 681 047</u>	<u>9 353 810</u>	<u>2 774 642</u>	<u>3 759 200</u>

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

	<u>Consolidated</u>		<u>Pachin</u>	
	<u>Actual</u>	<u>Estimated</u>	<u>Actual</u>	<u>Estimated</u>
	<u>as 30/9/2014</u>	<u>as 30/6/2015</u>	<u>as 30/9/2014</u>	<u>as 30/6/2015</u>
Current service cost	537 736	2 150 947	194 637	778 548
Interest cost	629 284	4 324 959	453 862	1 815 450
The settlement for the past service cost	830 301	1 513 379	202 924	811 695
Net liability balance for pension at the end of the Period	<u>1 997 321</u>	<u>7 989 285</u>	<u>851 423</u>	<u>3 405 693</u>

Sensitivity Test

Sensitivity test and its impact on the total value of the current value of the defined benefit liability, assuming that there is a 1% change (positive or negative) in the event of differences between the estimated assumptions, is represented as follows:

	<u>Consolidated</u>			<u>Pachin</u>		
	14.5 %	15.5 %	16.5 %	14.5 %	15.5 %	16.5 %
Sensitivity assumptions for the discount rate						
	Discount Rate	Discount Rate	Discount Rate	Discount Rate	Discount Rate	Discount Rate
Current value of the liability as of June 30, 2013	29 153 567	27 166 230	25 436 159	12 528 075	11 862 056	11 263 849
Service cost as of June 30, 2013	1 940 622	2 162 044	1 654 836	690 934	652 213	618 885

24. Capital

The company's authorized capital amounted to EGP 200 million, and the issued and paid-up capital amounted to EGP 200 million, distributed among 20 million shares with par value of EGP 10 each.

Earnings per Share

	<u>Consolidated</u>		<u>Pachin</u>	
	<u>30/9/2014</u>	<u>30/9/2013</u>	<u>30/9/2014</u>	<u>30/9/2013</u>
Net profit for the period	10 569 087	21 453 744	1 868 113	2 553 274
Shareholders portion of profit	10 569 087	21 453 744	1 868 113	2 553 274
Weighted average of shares numbers	20 000 000	20 000 000	20 000 000	20 000 000
	<u>0.53</u>	<u>1.07</u>	<u>0.09</u>	<u>0.13</u>

25. Reserves

	<u>Consolidated</u>		<u>Pachin</u>	
	<u>30/9/2014</u>	<u>30/6/2014</u>	<u>30/9/2014</u>	<u>30/6/2014</u>
	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>
Legal reserve	125 078 319	124 551 504	100 000 000	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
	<u>203 687 132</u>	<u>203 160 317</u>	<u>178 608 813</u>	<u>178 608 813</u>

26. Business Combination Reserve

The balance as of September 30, 2014 amounting of 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: -

<u>Description</u>	<u>EGP</u>
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	<u>250 000 000</u>
El Obour for Paints and Chemical Industries capital – after the merge	304 368 000
Increasing resulted from the merge	<u>54 368 000</u>
Pachin for Paints and Chemical Industries ownership percentage	99.95%
Pachin for Paints and Chemical Industries share in the increase resulting from the merge	<u>54 341 000</u>

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 with an amount of EGP 982 027.

28. Deferred Tax

The balance of this account amounting to EGP 23 538 819 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.

	<u>Consolidated</u>		<u>Pachin</u>	
	<u>30/9/2014</u>	<u>30/6/2014</u>	<u>30/9/2014</u>	<u>30/6/2014</u>
	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>
Opening balance of the period	23 433 655	21 880 538	3 095 398	2 225 236
During the period	105 164	1 553 117	263 056	870 162
Balance as of end of the period	<u>23 538 819</u>	<u>23 433 655</u>	<u>3 358 454</u>	<u>3 095 398</u>

29. Discontinuing Operation Losses

	<u>Coal Factory</u>		<u>Inks Factory</u>		<u>Total</u>	
	<u>30/9/2014</u>	<u>30/9/2013</u>	<u>30/9/2014</u>	<u>30/9/2013</u>	<u>30/9/2014</u>	<u>30/9/2013</u>
	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>
Revenue from discontinuing operation	--	--	--	--	--	--
<u>Less</u>						
Discontinuing operations expenses	(266 050)	(272 115)	(6 897)	(10 856)	(272 947)	(282 971)
Net (losses) from discontinuing operations	<u>(266 050)</u>	<u>(272 115)</u>	<u>(6 897)</u>	<u>(10 856)</u>	<u>(272 947)</u>	<u>(282 971)</u>

30. Contingent liability

The contingent liabilities of the letters of credit for purchasing inventory as of September 30, 2014 amounted to EGP 16 593 252 against the amount of EGP 3 600 000 as of June 30, 2014, and there are no capital commitments as of to-date.

31. Amendments to the Tax Law

On June 4, 2014, the temporary President approved Law No. 44 of 2014 to impose an additional temporary tax on income. This law imposed an additional temporary annual tax for a period of three years starting from the current tax period at the rate of (5%) on the amounts exceeding million pounds of the tax base on the income of natural persons, or the profits of juridical person. The company has applied the provisions of Law No. 44 of 2014, when determining the value of the due tax for the current financial period.

32. 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 factors that may affect the company's ability to repay part or all of its liabilities at the date of maturity. The company's policy is to retain adequate liquidity to meet the ongoing obligations of the company, thereby helping to reduce that 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.

33. Tax Position

Paints and Chemicals Industries Company (Pachin)

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.
- As for the years since inception date till year 2000/2001, the Taxpayers Center has settled the years till year 2000/2001, and the company has 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 Internal Committee.
- For the years 2006/2007 until 2007/2008, the company's books were inspected and an objection was placed and the Internal Committee is in-process.
- Years 2009/2011 were inspected, and the company is currently issuing Form No. 19 from the Tax Authority.
- For the years 2012 / 2013, the tax returns were submitted on their due dates.

Sales Tax

- The company was inspected and assessed until June 30, 2012. The forms related to the inspected of sales tax were issued, and the due taxes were paid.

Salary Tax

- The company's books were inspected and assessed until 2004.
- The years 2005 / 2012 were inspected on a deemed basis, and the inspection results were appealed. The inspection for these years is currently in-process.

Stamp Tax

- The company's books were inspected on a deemed basis from the period August 1, 2006 until December 31, 2010, and the company formed an objection, and documents are currently being prepared for re-inspection.

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, 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 this decision was assessed and due tax amount was 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 company is currently issuing Form No. 19 from the Tax Authority
- For the years 2012 / 2013, the tax returns were submitted on their due dates.

Sales Tax

The company's books were inspected and assessed until June 30, 2010, and the related forms were received and all the tax differences were paid.

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 period from August 1, 2006 until December 31, 2010. The tax claims amounted to EGP 5 000 000, and the company is currently preparing the documents for inspection.
- The period from January 1, 2011 until December 31, 2012, the company is currently preparing the documents for inspection.

Second:- Pachin for Inks (acquired)

Corporate Tax

The company is subject to the provisions of Law No. 8 of 1997 and its executive regulation concerning 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 tax returns are submitted on a monthly basis, and the company was not inspected yet.

Stamp Tax

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

Chief Financial Officer

Managing Director

Chairman

Accountant: Raafat Abdelazim

Eng.: Mohie El Din Abdel Razik

Dr.: Mahmoud Abdel Hakim Al Refaey