Paints and Chemical Industries Company “Pachin”

S.A.E.

The Consolidated Financial Statements for the Financial Year Ended on June 30, 2014

Together with Auditor’s Report

AUDITOR'S REPORT

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

Introduction

We have audited the accompanying consolidated financial statements of Paints and Chemical Industries Company, which are comprised of the consolidated balance sheet as of June 30, 2014 and the related statements of consolidated income, cash flows and changes in shareholders' equity for the year then ended, and the summary of significant accounting policies and the disclosures thereto.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of Paints and Chemical Industries Company S.A.E. as of June 30, 2014, and of its financial performance and its cash flows for the year then ended in accordance with the Egyptian Auditing Standards and in the light of the prevailing Egyptian laws.

Cairo, September 21, 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 June 30, 2014

	Notes	30/6/2014	30/6/2013	30/6/2014	30/6/2013
		Consolidated		Pachin	
Non - Current Assets		EGP	EGP	EGP	EGP
Fixed assets (net)	(2b, 4)	249 438 748	257 134 641	10 794 174	13 142 376
Projects under construction (net)	(2c, 5)	11 742 964	10 283 320	834 925	464 580
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		**277 972 618**	**284 208 867**	**285 371 584**	**287 349 441**
Non -current assets held for sale	(2r, 10)	--	35 099	--	35 099
Current Assets					
Inventories (net)	(2g, 9, 19)	218 511 135	179 853 501	37 526 655	65 033 424
Letters of credit		5 664 037	20 058 513	689 447	520 693
Accounts receivable (net)	(2h, 11, 19)	55 676 868	43 786 428	10 767 004	14 466 107
Notes receivable (net)	(12, 19)	12 942 357	15 015 133	761 313	2 392 359
Due from subsidiaries	(13)	--	--	53 542 726	21 323 611
Other debit balances (net)	(14, 19)	20 504 368	23 438 089	70 501 381	83 709 540
Debit tax accounts	(15)	27 158 897	13 548 337	9 382 063	7 232 355
Investments for trading purposes and treasury bills	(2i, 16)	170 879 653	203 747 261	112 262 505	109 050 013
Cash and cash equivalents	(2j, 17)	115 404 073	90 203 892	36 954 121	22 775 745
Total Current Assets (1)		**626 741 388**	**589 651 154**	**332 387 215**	**326 503 847**
Current Liabilities					
Provisions	(2k, 18)	4 222 051	4 222 051	1 671 354	1 671 354
Banks overdraft	(20)	126 522 568	92 469 140	106 447 423	89 732 760
Accounts and notes payable	(2l, 21)	75 639 671	63 142 675	13 587 880	14 466 126
Other credit balances	(22)	45 895 288	46 792 529	11 976 258	12 299 118
Credit tax accounts	(23)	45 626 302	35 211 791	12 338 158	7 136 870
Total Current Liabilities (2)		**297 905 880**	**241 838 186**	**146 021 073**	**125 306 228**
Working Capital (1) - (2)		**328 835 508**	**347 812 968**	**186 366 142**	**201 197 619**
Total Investment financed by:		**606 808 126**	**632 056 934**	**471 737 726**	**488 582 159**
Shareholders' Equity					
Issued and paid-up capital	(25)	200 000 000	200 000 000	200 000 000	200 000 000
Reserves	(26)	203 160 317	199 333 363	178 608 813	178 608 813
Business combination reserve	(27)	54 341 000	54 341 000	--	--
Exchange differences on translation of foreign operations		1 824 558	1 738 417	--	--
Retained earnings		35 617 368	43 956 362	16 107 477	23 510 114
Profits for the year		66 042 325	92 782 422	71 396 424	82 286 250
Total Shareholders' Equity		**560 985 568**	**592 151 564**	**466 112 714**	**484 405 177**
Non controlling interest		14 741 095	12 846 722	--	--
Total Shareholders' Equity and Non controlling Interest		**575 726 663**	**604 998 286**	**466 112 714**	**484 405 177**
Long-term liabilities	(28)	982 027	1 014 849	--	--
Retirement benefit plan liability	(2x, 24)	6 665 781	4 163 261	2 529 614	1 951 746
Deferred tax	(29)	23 433 655	21 880 538	3 095 398	2 225 236
Total Financing of Working Capital and Long-Term Assets		**606 808 126**	**632 056 934**	**471 737 726**	**488 582 159**

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

Chief Financial Officer	Managing Director	Chairman
Accountant: Raafat Abdelazim	Eng.: Mohie El Din Abdel Razik	Dr.: Hoda Ahmed Salah El Din

- **Auditor's Report Attached.**

Paints and Chemical Industries Company "Pachin" S.A.E.
Consolidated Income Statement
For the Financial Year from July 1, 2013 until June 30, 2014

	Notes	30/6/2014	30/6/2013	30/6/2014	30/6/2013
		Consolidated		Pachin	
		EGP	EGP	EGP	EGP
Sales (net)	(3)	1 001 993 781	951 319 577	220 417 415	210 948 985
Less: Cost of sales		(871 715 873)	(809 643 919)	(201 236 077)	(191 123 202)
Gross Profit		**130 277 908**	**141 675 658**	**19 181 338**	**19 825 783**
General and administrative expenses		(27 470 496)	(25 733 900)	(9 464 437)	(9 701 128)
Retirement benefit plan cost	(2x, 24)	(7 617 163)	(4 163 261)	(3 285 521)	(1 951 746)
Impairment in inventory		(750 000)	(500 000)	--	(500 000)
Impairment in receivable		(3 000 000)	(450 000)	(500 000)	(200 000)
Reverse impairment in notes receivable		--	218 000	--	218 000
Allowances for Board of Directors members		(902 959)	(659 076)	(288 000)	(283 500)
Profit from Operations		**90 537 290**	**110 387 421**	**5 643 380**	**7 407 409**
Finance expenses		(10 413 254)	(8 550 349)	(9 219 637)	(6 683 018)
Revenue from investments in subsidiary companies		--	--	62 708 815	70 049 177
Investment revenue		27 122	--	27 122	--
Gain on sale of investment		--	515 354	--	--
Gain on revaluation of investments held for trading		2 968 738	2 112 559	--	375 059
Treasury bills revenue		17 240 084	17 575 994	13 269 844	9 936 514
Credit interest		2 645 818	1 911 548	1 016 177	458 275
Capital gain		11 453	8 352	1 713 438	2 093 630
Other income		7 000 465	5 218 042	7 064 905	4 357 188
Foreign exchange differences		(311 875)	(3 610 519)	507 429	(378 023)
Net profits before discontinued operations		**109 705 841**	**125 568 402**	**82 731 473**	**87 616 211**
Discontinued operation losses	(30)	(991 521)	(1 103 949)	(991 521)	(1 103 949)
Net profit after discontinued operation and before taxes		**108 714 320**	**124 464 453**	**81 739 952**	**86 512 262**
Income tax		(32 778 309)	(26 781 781)	(9 473 366)	(3 510 165)
Deferred tax	(29)	(1 553 117)	(913 927)	(870 162)	(715 847)
Profit after Tax		**74 382 894**	**96 768 745**	**71 396 424**	**82 286 250**
Related to:					
Shareholder's of the holding company		66 042 325	92 782 422	--	--
Non- controlling interest		8 340 569	3 986 323	--	--
Total		**74 382 894**	**96 768 745**	**71 396 424**	**82 286 250**
Earnings per share	(25)	2.93	4.24	3.20	3.71

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

Chief Financial Officer	Managing Director	Chairman
Accountant: Raafat Abdelazim	Eng.: Mohie El Din Abdel Razik	Dr.: Hoda Ahmed Salah El Din

Paint and Chemical Industries Company "Pachin" S.A.E.
Consolidated Cash Flows Statement
For the Financial Year from July 1, 2013 until June 30, 2014

	Notes	30/6/2014	30/6/2013	30/6/2014	30/6/2013
		Consolidated		Pachin	
		EGP	EGP	EGP	EGP
Cash Flows from Operating Activities					
Net profit before taxes		108 714 321	124 464 453	81 739 952	86 512 262
Adjusted by					
Depreciation of fixed assets		16 515 101	17 000 224	1 500 323	1 571 405
Capital gain		(11 453)	(8 352)	(1 713 438)	(2 093 630)
Impairment in assets formed and used		3 682 060	(5 541 475)	482 060	2 746 010
Provision formed and used		--	(228 705)	--	--
Gain on revaluation of investments for trading purposes		(2 968 738)	(2 112 559)	--	(375 059)
Gain on sale of investement		--	(515 354)	--	--
Unrealized foreign exchange differences		85 848	805 356	2 406	608 146
Gain from investments in subsidiary companies		--	--	(62 708 815)	(70 049 177)
Treasury bills revenue		(17 240 084)	(17 575 994)	(13 269 844)	(9 936 514)
Debit interest		10 413 254	8 550 349	9 219 637	6 683 018
Credit interest		(2 645 818)	(1 911 548)	(1 016 177)	(458 275)
Operating Profits before Working Capital Changes		**116 544 491**	**122 926 395**	**14 236 104**	**15 208 186**
(Increase) / decrease in receivables and other debit balances		(23 934 486)	(10 190 731)	(29 114 451)	9 950 520
(Increase) / decrease in inventories and letters of credit		(24 945 219)	54 040 225	27 355 955	16 502 970
Increase / (decrease) in creditors and other credit balances		15 534 940	(20 578 181)	(1 384 248)	(11 157 703)
Decrease / (increase) in investments for trading purposes		35 836 346	1 242 742	(3 212 492)	(91 852 497)
Payment of income tax		(22 781 781)	(29 529 454)	(3 510 165)	(1 000 000)
Net Cash Provided from / (used in) Operating Activities		**96 254 291**	**117 910 996**	**4 370 703**	**(62 348 524)**
Cash Flows from Investing Activities					
Proceeds from the gain of investments in subsidiary companies		--	--	75 855 979	70 049 177
Payments for the acquisition of fixed assets		(4 293 852)	(8 329 811)	(187 069)	(311 099)
Payments for the acquisition of projecst under construction		(5 769 562)	--	(543 887)	--
Proceeds from selling fixed assets		11 453	425 656	2 957 027	2 510 935
Proceeds from selling PUC		--	299 537	--	299 537
Payments for the acquisition of investement in subsidary		--	--	--	(2 590 072)
Proceeds from treasury bills revenue		17 898 444	16 996 887	13 124 993	1 068 400
Interest received		2 427 441	1 911 548	797 800	458 275
Net Cash provided from Investing Activities		**10 273 924**	**11 303 817**	**92 004 843**	**71 485 153**
Cash Flows from Financing Activities					
Payments to banks overdraft		--	(85 000 000)	--	--
Proceeds from banks overdraft		34 053 428	92 469 140	16 714 663	89 732 760
Interest paid		(10 416 563)	(8 550 349)	(9 222 946)	(6 683 018)
Dividends paid		(104 964 899)	(95 180 265)	(89 688 887)	(84 133 334)
Net Cash (used in) Provided from Financing Activities		**(81 328 034)**	**(96 261 474)**	**(82 197 170)**	**(1 083 592)**
Net change in cash and cash equivalents during the year		**25 200 181**	**32 953 339**	**14 178 376**	**8 053 037**
Net cash and cash equivalents at beginning of the year	(2j, 17)	90 203 892	57 250 553	22 775 745	14 722 708
Net cash and cash equivalents at end of the year	(2j, 17)	**115 404 073**	**90 203 892**	**36 954 121**	**22 775 745**

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

Non-Cash Transactions

The non-cash transactions are represented in the amounts transferred from projecst under construction to fixed assets which amounted to EGP 4 309 199, and un-paid amounts to fixed assets – creditors which amounted to EGP 180 338.

Chief Financial Officer	Managing Director	Chairman
Accountant: Raafat Abdelazim	Eng.: Mohie El Din Abdel Razik	Dr.: Hoda Ahmed Salah El Din

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

Consolidated Statement of Changes in Shareholders' Equity

For the Financial Year from July 1, 2013 until June 30, 2014

	Capital	Reserves	Combination Reserve	Retained Earnings	Profits for the Year	Exchange differences on translation of foreign operations	Total Shareholders' Equity Holding	Non-Controlling Interest	Total
	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP
Balance as of June 30, 2012	**200 000 000**	**195 629 801**	**54 341 000**	**51 806 455**	**91 093 762**	**(423 492)**	**592 447 526**	**6 452 877**	**598 900 403**
NCI share in capital of Pachin Libya	--	--	--	--	--	--	--	2 590 072	**2 590 072**
Transferred to retained earnings	--	--	--	87 390 200	(87 390 200)	--	--	--	--
Transferred to reserves	--	2 703 562	--	--	(2 703 562)	--	--	--	--
Losses from translation of foreign operations	--	--	--	--	--	2 161 909	2 161 909	--	**2 161 909**
Dividends for shareholders, employees, and Board of Directors	--	--	--	(95 240 293)	--	--	(95 240 293)	(182 550)	**(95 422 843)**
Net profits as of June 30, 2013	--	--	--	--	92 782 422	--	92 782 422	3 986 323	**96 768 745**
Balance as of June 30, 2013	**200 000 000**	**198 333 363**	**54 341 000**	**43 956 362**	**93 782 422**	**1 738 417**	**592 151 564**	**12 846 722**	**604 998 286**
Transferred to reserves	--	4 826 954	--	--	(4 826 954)	--	--	--	--
Gain from translation of foreign operations	--	--	--	--	--	86 141	86 141	--	**86 141**
Dividends for shareholders, employees, and Board of Directors	--	--	--	(97 294 462)	--	--	(97 294 462)	(6 446 196)	**(103 740 658)**
Transferred to retained earnings	--	--	--	88 955 468	(88 955 468)	--	--	--	--
Net profits as of June 30, 2014	--	--	--		66 042 325	--	66 042 325	8 340 569	**74 382 894**
Balance as of June 30, 2014	**200 000 000**	**203 160 317**	**54 341 000**	**35 617 368**	**66 042 325**	**1 824 558**	**560 985 568**	**14 741 095**	**575 726 663**

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

Chief Financial Officer	Managing Director	Chairman
Accountant: Raafat Abdelazim	Eng.: Mohie El Din Abdel Razik	Dr.: Hoda Ahmed Salah El Din

Paints and Chemical Industries Company "Pachin"

(S.A.E.)

Notes to the Consolidated Financial Statements

As of June 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 kinds 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 & 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 Joing Pachin Libya for Chemical Industries Company was considered an investment in subsidiary in spite of the company's ownership of 50% only of 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.

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 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) <u>Evaluation of Investments in Subsidiaries and Available for Sale Companies</u>

- 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) <u>Inventories</u>

Inventories are stated as follows:

- **<u>Raw Materials, Packaging, Spare Parts and Fuel</u>**

  Cost is calculated using the perpetual weighted average method.

- **<u>Work in-Progress</u>**

  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.

- **<u>Finished Goods</u>**

  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) <u>Accounts Receivable</u>

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) <u>Investments for Trading Purposes</u>

- 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) <u>Cash and Cash Equivalents</u>

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

k) <u>Provisions</u>

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) <u>Accounts Payable</u>

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

m) <u>Foreign Currencies Transactions</u>

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) <u>Revenue Recognition</u>

1. <u>Operating Revenue</u>

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.

- **<u>Financial instruments comprise the following:</u>**
  - **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.

- **<u>Financial Liabilities and Equity Instruments Issued by the Company</u>**

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

  <u>Equity Instruments</u>

  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.

  <u>Financial Liabilities</u>

  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) <u>Accounting Estimates</u>

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) <u>Legal Reserve</u>

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) <u>Foreign Currencies</u>

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

	Consolidated				Pachin			
	30/6/2014		30/6/2013		30/6/2014		30/6/2013	
	Quantity (Ton)	Amount'000 EGP	Quantity (Ton)	Amount'000 EGP	Quantity (Ton)	Amount'000 EGP	Quantity (Ton)	Amount'000 EGP
Paints	83 116	942 819	83 543	900 218	16 272	220 417	16 558	210 949
Inks	2 116	59 175	1 934	51 102	--	--	--	--
Net sales from continuing operation	**--**	**1 001 994**	**--**	**951 320**	**--**	**220 417**	**--**	**210 949**
Sales from discontinuing operation (Animal extract)	4	30	--	--	4	30	--	--
Net sales from discontinuing operation	**4**	**30**	**--**	**--**	**4**	**30**	**--**	**--**
Total Sales	--	**1 002 024**	--	**951 320**	--	**220 447**	--	**210 949**

4- Fixed Assets

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, 2013	40 618 767	169 378 541	--	146 888 314	22 930 608	19 885 164	18 438 820	418 140 214
Additions during the year	1 218 064	3 436 731	380 800	2 450 225	834 887	235 236	228 166	8 784 109
Transferred from non-current assets held for sale *	14 327	235 265	--	13 647	--	35 039	30 558	328 836
Reclassification during the year	--	53 249	--	(628 710)	--	567 247	8 214	--
Disposals during the year	--	(500)	--	(2 646 849)	(54 750)	--	(1 273)	(2 703 372)
Cost as of June 30, 2014	**41 851 158**	**173 103 286**	**380 800**	**146 076 627**	**23 710 745**	**20 722 686**	**18 704 485**	**424 549 787**
Accumulated Depreciation								
Accumulated depreciation as of July 1, 2013	--	(39 810 778)	--	(76 810 820)	(19 005 601)	(12 127 740)	(13 250 634)	(161 005 573)
Depreciation for the year	--	(4 603 680)	(114 240)	(7 782 711)	(1 698 170)	(1 283 987)	(1 032 313)	(16 515 101)
Transferred from non-current assets held for sale *	--	(223 762)	--	(13 647)	--	(25 801)	(30 527)	(293 737)
Reclassification during the year	--	(50 864)	--	622 820	--	(563 742)	(8 214)	--
Disposals accumulated depreciation during the year	--	500	--	2 646 849	54 750	--	1 273	2 703 372
Acc. Depreciation as of June 30, 2014	**--**	**(44 688 584)**	**(114 240)**	**(81 337 509)**	**(20 649 021)**	**(14 001 270)**	**(14 320 415)**	**(175 111 039)**
NBV as of June 30, 2014	**40 618 767**	**128 414 702**	**266 560**	**64 739 118**	**3 061 724**	**6 721 416**	**4 384 070**	**249 438 748**
NBV as of June 30, 2013	**40 618 767**	**129 567 763**	**--**	**70 077 494**	**3 925 007**	**7 757 424**	**5 188 186**	**257 134 641**

*** Refer to Note No (10)**

The depreciation charged to cost of sales amounted to EGP 15 413 713 .

The depreciation charged to general and administrative expenses amounted to EGP 1 059 006.

The depreciation charged to discontinuing operation losses amounted to EGP 42 382.

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

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, 2013	158 817	20 459 818	25 059 977	6 323 848	4 182 624	6 626 362	62 811 446
Additions during the year	--	173 542	99 868	23 670	4 136	59 395	360 611
Transferred from non-current assets held for sale	14 327	235 265	13 647	--	35 039	30 558	328 836
Reclassification during the year	--	53 249	(628 710)	--	567 247	8 214	--
Disposals during the year	--	(500)	(2 474 846)	(629 077)	(604 762)	(161 248)	(3 870 433)
Cost as of June 30, 2014	**173 144**	**20 921 374**	**22 069 936**	**5 718 441**	**4 184 284**	**6 563 281**	**59 630 460**
Accumulated Depreciation							
Accumulated depreciation as of July 1, 2013	--	(12 467 035)	(21 954 438)	(5 698 753)	(3 594 724)	(5 954 120)	(49 669 070)
Depreciation for the year	--	(526 145)	(401 558)	(281 851)	(104 157)	(186 612)	(1 500 323)
Transferred from non-current assets held for sale *	--	(223 762)	(13 647)	--	(25 801)	(30 527)	(293 737)
Reclassification during the year	--	(50 864)	622 820	--	(563 742)	(8 214)	--
Disposals accumulated depreciation during the year	--	500	1 457 625	616 037	452 982	99 700	2 626 844
Acc. Depreciation as of June 30, 2014	**--**	**(13 267 306)**	**(20 289 198)**	**(5 364 567)**	**(3 835 442)**	**(6 079 773)**	**(48 836 286)**
NBV as of June 30, 2014	**173 144**	**7 654 068**	**1 780 738**	**353 874**	**348 842**	**483 508**	**10 794 174**
NBV as of June 30, 2013	**158 817**	**7 992 783**	**3 105 539**	**625 095**	**587 900**	**672 242**	**13 142 376**

*** Refer to Note No. (10).**

The depreciation charged to cost of sales amounted to EGP 1 332 624.

The depreciation charged to general and administrative expenses amounted to EGP 125 317.

The depreciation charged to discontinuing operation losses amounted to EGP 42 382.

The disposals in Machinery and Equipment includes the value of the line of industrial paints were sold to El-Obour for Paints and Chemical industries

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

	Consolidated		Pachin	
	30/6/2014	30/6/2013	30/6/2014	30/6/2013
	EGP	EGP	EGP	EGP
Lands	--	1 218 140	--	--
Machinery and equipments	8 812 996	3 485 828	392 695	392 694
Furniture	28 367	--	--	--
Buildings	83 104	2 324 263	--	321 886
Software and programs	2 368 774	3 219 394	--	--
	11 293 241	**10 247 625**	**392 695**	**714 580**
Advance payment to purchase fixed assets	807 723	393 695	692 230	--
Impairment for projects *	(358 000)	(358 000)	(250 000)	(250 000)
	11 742 964	**10 283 320**	**834 925**	**464 580**

* Refer to Note No. (19).

6. Investments in Subsidiaries – Stand alone

Company Name	Issued Capital EGP	Currency	Ownership %	Ownership Amount	Paid %	30/6/2014 Paid Amount EGP	30/6/2013 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 Paints & Chemical Industries "Pachin" and El Obour Paints & 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 12 519 029 Libyan Dinar. Also, the company has achieved a net profit of 2 975 923 Libyan Dinar. The company's share in declared dividends for the financial year ended June 30, 2013 amounted to 500 000 Libyan Dinar. Also, the company's share in the approved dividend for the financial period ended March 31, 2014 amounted to 1 000 000 Libyan Dinar.

7. Available for Sale Investments

	Consolidated		Pachin	
	30/6/2014	30/6/2013	30/6/2014	30/6/2013
	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 June 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 the balance.

9. Inventories (net)

	Consolidated		Pachin	
	30/6/2014	30/6/2013	30/6/2014	30/6/2013
	EGP	EGP	EGP	EGP
Raw materials and packaging	169 412 277	134 907 504	31 301 133	51 871 330
Less: impairment in raw materials *	(3 099 402)	(2 367 342)	(1 099 402)	(1 117 342)
	166 312 875	**132 540 162**	**30 201 731**	**50 753 988**
Finished goods	40 962 110	33 890 779	6 249 734	10 991 458
Less: impairment in finished goods *	(398 649)	(398 649)	(398 649)	(398 649)
	40 563 461	**33 492 130**	**5 851 058**	**10 592 809**
Fuel and spare parts	7 950 076	9 116 281	2 137 750	2 909 896
Less: impairment in spare parts *	(1 181 533)	(1 181 533)	(1 181 533)	(1 181 533)
	6 768 543	**7 934 748**	**956 217**	**1 728 363**
Work in-progress	4 667 935	5 694 252	403 581	1 805 381
Scrap	198 321	90 715	114 041	51 389
	218 511 135	**179 853 501**	**37 526 655**	**65 033 424**

* Refer to Note No. (19).

10. Assets Held for Sale

	30/6/2014	30/6/2013
	EGP	EGP
Factory at old Cairo *	--	35 099
	--	**35 099**

* The company's management decided to dispose of some assets that are not used in the main company's operations. The disposal group is represented in the animal coal factory located in old Cairo. Therefore, the company has started the procedures to sell these assets. The company finalized the evaluation of these assets, and most of them were sold. On September 30, 2013, the company reclassified the remaining part of these assets amounting to EGP 35 thousand to the fixed assets, as they are intended to be used in the company's activities.

11. Accounts Receivable (net)

	Consolidated		Pachin	
	30/6/2014	30/6/2013	30/6/2014	30/6/2013
	EGP	EGP	EGP	EGP
Accounts receivable	66 875 203	51 984 763	16 560 804	19 759 907
Less:				
Impairment in accounts receivable *	(11 198 335)	(8 198 335)	(5 793 800)	(5 293 800)
	55 676 868	**43 786 428**	**10 767 004**	**14 466 107**

* Refer to Note No. (19).

12. Notes Receivable (net)

	Consolidated		Pachin	
	30/6/2014	30/6/2013	30/6/2014	30/6/2013
	EGP	EGP	EGP	EGP
Notes receivable	14 242 357	16 315 133	761 313	2 392 359
Less:				
Impairment in notes receivable *	(1 300 000)	(1 300 000)	--	--
	12 942 357	**15 015 133**	**761 313**	**2 392 359**

* Refer to Note No. (19).

13. Due from Subsidiary– Stand alone

	Pachin	
	30/6/2014	30/6/2013
	EGP	EGP
El Obour for Paints and Chemical Industries	50 733 271	20 745 497
Pachin Libya for Paints and Chemical Industries	2 809 455	578 114
	53 542 726	**21 323 611**

14. Other Debit Accounts (net)

	Consolidated		Pachin	
	30/6/2014	30/6/2013	30/6/2014	30/6/2013
	EGP	EGP	EGP	EGP
Accrued income	10 130 824	10 468 607	65 042 371	79 683 317
Suppliers - advance payments	6 630 802	9 156 205	3 557 937	1 904 677
Employees loans	8 317	22 755	2 450	14 450
Deposits with others	2 888 425	2 686 094	1 214 093	1 403 401
Other debit balances	3 013 899	3 272 327	1 352 429	1 371 594
Less:				
Impairment in other debit balances*	(2 167 899)	(2 167 899)	(667 899)	(667 899)
	20 504 368	**23 438 089**	**70 501 381**	**83 709 540**

* Refer to Note No. (19).

15. Tax Debit Balances

	Consolidated		Pachin	
	30/6/2014	30/6/2013	30/6/2014	30/6/2013
	EGP	EGP	EGP	EGP
Sales tax	514 652	--	--	--
Withholding tax	26 644 245	13 548 337	9 382 063	7 232 355
	27 158 897	**13 548 337**	**9 382 063**	**7 232 355**

16. Investments for Trading Purposes and Treasury Bills

- The Investments for Trading purposes amounting to EGP 38 513 917 on June 30, 2014, are represented in the value of the investment certificates from Qatar National Bank and Blom Bank Egypt against the amount of EGP 25 788 362 on the June 30, 2013.
- The treasury bills amounting to EGP 132 365 736 on June 30, 2014, which are represented in EGP 145 600 000, represent the nominal value less interest amounting to EGP 13 224 264 at an interest rate of 11.6%, which is due on September, 2014. The taxes due on these interests amounted to EGP 2 646 354.

17. Cash and Cash Equivalents

	Consolidated		Pachin	
	30/6/2013	30/6/2013	30/6/2013	30/6/2013
	EGP	EGP	EGP	EGP
Cash on hand	56 217	61 635	--	--
Banks current accounts	50 909 832	86 323 018	14 608 713	21 626 204
Banks time deposits	59 812 593	850 000	21 573 938	850 000
Checks under collection*	4 625 431	2 969 239	771 470	299 541
	115 404 073	**90 203 892**	**36 954 121**	**22 775 745**

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

18. Provisions

	Balance as of 1/7/2013 EGP	Balance as of 30/6/2014 EGP
Provision for tax disputes	1 088 649	1 088 649
Provision for claims	3 133 402	3 133 402
	4 222 051	**4 222 051**

19. Impairment and Reduction of Current Assets

	Balance as of 1/7/2013 EGP	Formed during the year EGP	Used during the year EGP	Balance as of 30/6/2014 EGP
Impairment of non-current assets				
Impairment in projects under construction	358 000	--	--	358 000
	358 000	**--**	**--**	**358 000**
Impairment of financial assets				
Impairment in accounts receivable	8 198 335	3 000 000	--	11 198 335
Impairment of notes receivable	1 300 000	--	--	1 300 000
Impairment of other debit balances	2 167 899	--	--	2 167 899
	11 666 234	**3 000 000**	**--**	**14 666 234**
Decrease in inventories				
Decrease in raw materials	2 367 342	750 000	(17 940)	3 099 402
Decrease in finished goods	398 649	--	--	398 649
Decrease in spare parts	1 181 533	--	--	1 181 533
	3 947 524	**750 000**	**(17 940)**	**4 679 584**
	15 971 758	**3 750 000**	**(17 940)**	**19 703 818**

20. Credit Facilities

The balance of EGP 126 522 568 as of June 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.

21. Accounts and Notes Payable

	Consolidated		Pachin	
	30/6/2014 EGP	30/6/2013 EGP	30/6/2014 EGP	30/6/2013 EGP
Accounts payable	67 020 221	58 674 764	12 645 730	13 727 461
Notes payable	8 619 450	4 467 911	942 150	738 665
	75 639 671	**63 142 675**	**13 587 880**	**14 466 126**

22. Other Credit Accounts

	Consolidated		Pachin	
	30/6/2014	30/6/2013	30/6/2014	30/6/2013
	EGP	EGP	EGP	EGP
Accrued expenses	4 216 124	4 066 143	1 456 717	1 597 877
Accounts receivable – credit balances	22 373 414	24 214 607	3 735 665	3 699 072
Fixed assets – creditors	289 660	322 109	26 668	28 844
Deposits of others	8 310 824	5 820 841	2 051 437	1 680 703
Employees' share in profits	4 442 539	5 844 088	41 377	41 377
Other employees benefits	3 891 010	3 891 010	3 891 010	3 891 010
Other credit balances	2 371 717	2 846 518	773 384	1 360 235
	45 895 288	**46 792 529**	**11 976 258**	**12 299 118**

23. Credit Tax Accounts

	Consolidated		Pachin	
	30/6/2014	30/6/2013	30/6/2014	30/6/2013
	EGP	EGP	EGP	EGP
Sales tax	10 383 663	10 968 799	2 545 071	3 213 829
Withholding tax	1 099 164	349 914	146 383	113 703
Accrued income tax	32 778 309	22 781 781	9 473 366	3 510 165
Payroll tax	886 176	521 866	162 933	295 395
Stamp duty	478 990	589 431	10 405	3 778
	45 626 302	**35 211 791**	**12 338 158**	**7 136 870**

24. 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 1 393	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: -

	Valuation as of 30/6/2014
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 year ended June 30, 2014 concerning the defined benefit plan are as follows: -

	Consolidated 30/6/2014	Pachin 30/6/2014
Current service cost	2 100 065	753 305
The settlement for the past service cost	1 513 380	811 696
Interest cost	4 003 718	1 720 520
	7 617 163	**3 285 521**

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

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

	Consolidated 30/6/2014	Pachin 30/6/2014
Present value of the defined benefit liability	6 665 781	2 529 614
	6 665 781	**2 529 614**

This amount is 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:-

	Consolidated		Pachin	
	Actual as 30/6/2014	Estimated as 30/6/2015	Actual as 30/6/2014	Estimated as 30/6/2015
Liability recognized at the beginning of the year	4 163 261	5 995 691	1 951 746	2 516 444
Total past service cost not recognized at the beginning of the year	25 652 851	24 139 472	11 050 361	10 238 666
Current service cost	2 100 066	2 150 947	753 306	778 548
Interest cost	4 003 718	4 324 959	1 720 520	1 815 450
Benefits paid by the company	(5 114 642)	(4 631 169)	(2 707 653)	(2 162 939)
The balance of the total liability of the benefits specified at the end of the year	**30 805 259**	**31 979 900**	**12 768 280**	**13 186 169**

Amount Recognized

	Consolidated		Pachin	
	Actual as 30/6/2014	Estimated as 30/6/2015	Actual as 30/6/2014	Estimated as 30/6/2015
Liability recognized at the beginning of the year	4 163 261	5 995 691	1 951 746	2 516 444
Total past service cost	25 652 851	24 139 472	11050 361	10 238 666
Total past service cost not recognized at the beginning of the year	(24 139 473)	(22 626 090)	(10 238 666)	(9 426 969)
Current service cost	2 100 066	2 150 947	753 306	778 548
Interest cost	4 003 718	4 324 959	1 720 520	1 815 450
Benefits paid by the company	(5 114 642)	(4 631 169)	(2 707 653)	(2 162 939)
Net liability balance of the benefits specified at the end of the year	**6 665 781**	**9 353 810**	**2 529 614**	**3 759 200**

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

	Consolidated		Pachin	
	Actual as 30/6/2014	Estimated as 30/6/2015	Actual as 30/6/2014	Estimated as 30/6/2015
Current service cost	2 100 066	2 150 947	753 306	778 548
Interest cost	4 003 717	4 324 959	1 720 520	1 815 450
The settlement for the past service cost	1 513 380	1 513 379	811 695	811 695
Net liability balance for pension at the end of the year	**7 617 163**	**7 989 285**	**3 285 521**	**3 405 693**

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:

	Consolidated			Pachin		
Sensitivity assumptions for the discount rate	14.5 %	15.5 %	16.5 %	14.5 %	15.5 %	16.5 %
	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

25. 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

	Consolidated		Pachin	
	30/6/2014	30/6/2013	30/6/2014	30/6/2013
Net profit for the year	66 042 325	92 782 422	71 396 424	82 286 250
Less:				
Employees portion of profit	6 666 667	7 222 223	6 666 667	7 222 223
Board of Directors allowance	800 000	800 000	800 000	800 000
Shareholders portion of profit	58 575 658	84 760 199	63 929 757	74 264 027
Weighted average of shares numbers	20 000 000	20 000 000	20 000 000	20 000 000
	2.93	**4.24**	**3.20**	**3.71**

26. Reserves

	Consolidated		Pachin	
	30/6/2014	30/6/2013	30/6/2014	30/6/2013
	EGP	EGP	EGP	EGP
Legal reserve	124 551 504	120 724 550	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
	203 160 317	**199 333 363**	**178 608 813**	**178 608 813**

27. Business Combination Reserve

The balance as of June 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: -

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
Increasing resulted 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**

28. 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.

29. Deferred Tax

The balance of this account amounting to EGP 23 433655 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	
	30/6/2014	30/6/2013	30/6/2014	30/6/2013
	EGP	EGP	EGP	EGP
Opening balance of the period / year	21 880 538	20 966 611	2 225 236	1 509 389
During the period / year	1 553 117	913 927	870 162	715 847
Balance as of end of the period / year	**23 433 655**	**21 880 538**	**3 095 398**	**2 225 236**

30. Discontinuing Operation Losses

	Coal Factory		Inks Factory		Total	
	30/6/2014	30/6/2013	30/6/2014	30/6/2013	30/6/2014	30/6/2013
	EGP	EGP	EGP	EGP	EGP	EGP
Revenue from discontinuing operation	30 000	--	--	--	30 000	--
Less						
Discontinuing operations expenses	(979 140)	(1 045 896)	(42 381)	(58 053)	(1 021 521)	(1 103 949)
Net (losses) from discontinuing operations	**(949 140)**	**(1 045 896)**	**(42 381)**	**(58 053)**	**(991 521)**	**(1 103 949)**

31. Contingent liability

The contingent liabilities of the letters of credit for purchasing inventory as of June 30, 2014 amounted to EGP 14 444 931, and there are no capital commitments as of to-date.

32. 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 year.

33. 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.

34. 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 form related to the inspected of sales tax was 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.

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.: Hoda Ahmed Salah El Din