Paints and Chemical Industries Company “Pachin”

S.A.E.

The Consolidated Financial Statements

for the Financial Year Ended June 30, 2017

Together with Auditor’s Report

Auditor's Report

To: The Share Holders of Paints and Chemical Industries Company "Pachin"

Introduction

We have audited the accompanying consolidated financial statements of Paints and Chemical Industries Company "Pachin"- S.A.E. - which are comprised of the consolidated financial Position as of June 30, 2017, and the related statements of consolidated income, other comprehensive income, consolidated 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 consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated 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 consolidated 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 consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of Paints and Chemical Industries Company "Pachin" - S.A.E. - as of June 30, 2017, 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.

Report for Other Legal and Organizational Requirements

The Company maintains regular financial accounts that include all the provisions of the law and the Company's Articles of Association that must be proved in them. The consolidated financial statements have been found in accordance with the contents of these accounts. The Company also applies a cost-effective system. .

The financial statements contained in the Board of Directors' report prepared in accordance with the requirements of Law No. 195 of 1981 and its executive regulations are in accordance with the Company's books, within the limits of such records.

Cairo, November 21, 2017

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

Paints and Chemical Industries Company "Pachin" S.A.E.
Subject to the Provisions of Law No. 159 of 1981 And Low No.90 of 1992
Consolidated Financial Position
As of June 30, 2017

	Notes	Consolidated 30/6/2017 EGP	Consolidated 30/6/2016 EGP	Separate 30/6/2017 EGP	Separate 30/6/2016 EGP
Non - Current Assets					
Fixed assets (net)	(2b, 4)	258 887 433	225 813 640	8 629 588	9 402 485
Projects under construction (net)	(2c, 5)	17 321 941	20 217 019	--	87 500
Investments in subsidiaries	(2f, 6)	--	--	256 951 579	256 951 579
Investments Available for sale	(2g, 7)	774 906	774 906	774 906	774 906
Intangible assets	(2d, 8)	16 016 000	16 016 000	16 016 000	16 016 000
Total Non-Current Assets		**293 000 280**	**262 821 565**	**282 372 073**	**283 232 470**
Current Assets					
Inventories (net)	(2h, 9, 19)	342 601 181	154 252 628	46 118 133	23 741 052
Letters of credit		6 212 647	4 676 342	--	--
Accounts receivable (net)	(2i, 10, 19)	40 841 886	48 735 119	3 872 788	6 212 169
Notes receivable (net)	(11, 19)	7 832 207	12 025 324	--	--
Due from subsidiaries and related parties (net)	(12)	515 116	--	12 369 352	18 372 516
Other debit balances (net)	(13, 19)	9 657 451	13 655 920	23 016 259	52 055 006
Debit tax accounts	(14)	27 742 899	26 022 498	11 520 550	9 999 951
Treasury bills	(2j, 15)	42 648 491	104 327 481	42 648 491	47 172 146
Investments for trading	(2j, 16)	--	11 103 332	--	3 768 515
Cash and cash equivalents	(2k, 17)	196 908 552	110 167 756	104 764 702	55 196 000
Total Current Assets		**674 960 430**	**484 966 400**	**244 310 275**	**216 517 355**
Total Assets		**967 960 710**	**747 787 965**	**526 682 348**	**499 749 825**
Shareholders' Equity & Liabilities					
Shareholders' Equity					
Issued and paid-up capital	(25)	240 000 000	200 000 000	240 000 000	200 000 000
Reserves	(26)	171 803 479	207 887 721	141 501 148	178 608 813
Business combination reserve	(27)	54 341 000	54 341 000	--	--
Foreign exchange differences		25 899 460	(782 878)	--	--
Retained earnings		46 780 601	27 357 900	23 342 620	22 104 826
Profits for the year		104 034 609	76 621 632	66 580 620	58 094 010
Total Shareholders' Equity For Holding Company		**642 859 149**	**565 425 375**	**471 424 388**	**458 807 649**
Non-controlling interest		13 720 873	9 994 610	--	--
Total Shareholders' Equity and Non-Controlling Interest		**656 580 022**	**575 419 985**	**471 424 388**	**458 807 649**
Non-current liabilities					
Long-term liabilities	(28)	365 510	540 875	--	--
Retirement benefit plan liabilities	(2z, 24)	20 590 724	13 633 417	5 707 972	5 212 150
Deferred tax labilities	(2r, 29)	28 572 135	21 218 141	9 824 536	3 164 662
Total Non-current Liabilities		**49 528 369**	**35 392 433**	**15 532 508**	**8 376 812**
Current Liabilities					
Provisions	(2L, 18)	9 896 949	10 281 675	3 920 246	5 230 978
Banks facilities	(20)	58 471 555	7 209 158	1 512 592	2 403 100
Accounts and notes payable	(2 m, 21)	117 811 641	47 110 591	13 458 061	6 882 839
Dividends payable		1 106 348	1 000 000	--	--
Other credit balances	(22)	49 256 600	38 088 208	11 510 082	10 379 190
Credit tax accounts	(23)	25 309 226	33 285 915	9 324 471	7 669 257
Total Current Liabilities		**261 852 319**	**136 975 547**	**39 725 452**	**32 565 364**
Total Liabilities		**311 380 688**	**172 367 980**	**55 257 960**	**40 942 176**
Total Equity & Liabilities		**967 960 710**	**747 787 965**	**526 682 348**	**499 749 825**

- The accompanying notes form an integral part of the financial statements.

Financial Manager	Managing Director	Chairman
Accountant: Mohamed Ibrahim	**Eng.: Mohie El Din Abdel Razik**	**Dr.: Mahmoud Abdel Hakim Al Refaaey**

- Auditor's Report Attached.

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

Subject to the Provisions of Law No. 159 of 1981 And Low No.90 of 1992

Consolidated Income Statement

For the Year end June 30, 2017

		Consolidated		Separate	
	Notes	30/6/2017	30/6/2016	30/6/2017	30/6/2016
		EGP	EGP	EGP	EGP
Sales (net)	(2O, 3)	837 131 687	846 816 388	126 430 009	134 961 883
Less: Cost of sales		(665 985 140)	(670 192 767)	(116 489 368)	(115 966 255)
Gross Profit		171 146 547	176 623 621	9 940 641	18 995 628
Add/(less):					
Selling and marketing expenses		(54 198 582)	(50 324 762)	(1 613 132)	(2 654 510)
General and administrative expenses		(29 518 772)	(30 059 727)	(6 749 475)	(7 673 237)
Decrease in inventory		--	(250 000)	--	(250 000)
Provisions	(2m, 18)	(3 108 000)	(2 833 338)	--	(833 338)
Impairment no longer needed	(2m)	--	833 338	--	833 338
Retirement benefit plan cost	(2z, 24)	(12 441 493)	(6 934 834)	(1 725 404)	(1 561 556)
Impairment in receivables	(2f, 19)	(3 000 000)	(1 000 000)	(2 000 000)	--
Impairment in other debit balances	(2f, 19)	--	--	--	(2 699 021)
Impairment in debit balances of subsidaries and related parties		--	--	(9 108 740)	--
Reverse in impairment from Puc	(2f, 19)	108 000	--	--	--
Reverse in impairment from notes receivables and other debit balances	(2f, 19)	2 000 000	--	--	--
Allowances for Board of Directors members		(636 500)	(699 000)	(178 500)	(255 000)
Finance expenses		(3 074 075)	(3 488 077)	(291 278)	(2 536 928)
Revenue of investments in subsidaries		--	--	26 485 605	50 853 240
Accrued taxes on profit districution	(23)	(999 500)	(2 498 793)	(999 500)	(2 498 793)
Gain on sale of investement		154 504	56 200	114 205	--
Securities revenue		27 122	27 122	27 122	27 122
Gain on revaluation of investments held for trading		400 765	867 850	127 200	217 364
Treasury bills revenue		10 258 955	6 953 729	5 785 545	4 939 703
Credit interest		8 073 708	4 926 047	5 291 479	2 643 131
Capital gain	(4)	13 947 130	35 661	14 366 896	247 325
Other income		3 546 694	5 709 870	7 290 604	4 391 130
Foreign exchange differences		37 603 913	5 843 105	34 099 903	2 332 988
Net profits before discontinued operations		140 290 416	103 788 012	80 863 171	64 518 586
Discontinued operation losses	(30)	(271 850)	(1 090 228)	(271 850)	(1 090 228)
Net profit after discontinued operation and before taxes		140 018 566	102 697 784	80 591 321	63 428 358
Income tax	(2r)	(18 705 483)	(23 418 393)	(7 350 827)	(4 985 717)
Deferred tax	(2r, 29)	(7 353 994)	(780 487)	(6 659 874)	(348 631)
Profit after Tax		113 959 089	78 498 904	66 580 620	58 094 010
Related to:					
Shareholders of the holding company		109 256 831	76 621 632	--	--
Non- controlling interest		4 702 258	1 877 272	--	--
Total		113 959 089	78 498 904	66 580 620	58 094 010
Earnings per share	(2y, 32)	4.30	2.94	2.52	2.17

- The accompanying notes form an integral part of the financial statements.

Chief Financial Officer	Managing Director	Chairman
Accountant: Mohamed Ibrahim	Eng.: Mohie El Din Abdel Razik	Dr.: Mahmoud Abdel Hakim Al Refaaey

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

Subject to the Provisions of Law No. 159 of 1981 And Low No.90 of 1992

Consolidated Other Comprehensive Income Statement

For the Year end June 30, 2017

	Notes	Consolidated 30/6/2017 EGP	Consolidated 30/6/2016 EGP	Separate 30/6/2017 EGP	Separate 30/6/2016 EGP
Net Profits after Tax		**113 959 089**	**78 498 904**	**66 580 620**	**58 094 010**
Acturial Gain resluted from defined benefit plan	(2z, 24)	850 503	--	169 452	--
Total Comprehensive Income		**114 809 592**	**78 498 904**	**66 750 072**	**58 094 010**
Related to:					
Shareholders of the holding company		110 106 991	76 621 632	--	--
Non- controlling interest		4 702 601	1 877 272	--	--
Total		**114 809 592**	**78 498 904**	**66 750 072**	**58 094 010**

- The accompanying notes form an integral part of the financial statements.

Chief Financial Officer	Managing Director	Chairman
Accountant: Mohamed Ibrahim	Eng.: Mohie El Din Abdel Razik	Dr.: Mahmoud Abdel Hakim Al Refaaey

Paint and Chemical Industries Company "Pachin" S.A.E.
Subject to the Provisions of Law No. 159 of 1981 And Low No.90 of 1992
Consolidated Cash Flows Statement
For the Year end June 30, 2017

	Notes	Consolidated 30/6/2017 EGP	Consolidated 30/6/2016 EGP	Separate 30/6/2017 EGP	Separate 30/6/2016 EGP
Cash Flows from Operating Activities					
Net profits for the year before taxes		140 018 566	102 697 784	80 591 321	63 428 358
Adjusted by					
Depreciation of fixed assets	(4)	15 037 430	15 164 568	792 152	978 735
Net impairment and decrease formed and used during the year		--	727 295	8 696 659	(1 092 914)
Net provisions formed and used		(384 726)	2 559 624	(1 310 732)	559 624
Gain on revaluation of investments for trading purposes		(400 765)	(867 850)	(127 200)	--
Unrealized foreign exchange differences		--	(35 065)	--	--
Acturial gain resluting from defined benefit plan		850 503	--	169 452	--
Treasury bills revenue		(10 258 955)	(6 953 729)	(5 785 545)	(4 939 703)
Capital gain		(13 947 130)	(35 661)	(14 366 896)	(247 325)
Revenue of investments in subsidaries		--	--	(26 485 605)	(50 853 240)
Profit from sale of investments		(154 504)	(56 200)	(114 205)	--
Finance expenses		3 074 075	3 488 077	291 278	2 536 928
Credit interest		(8 073 708)	(4 926 047)	(5 291 479)	(2 643 131)
Decrease / (increase) in receivables and other debit balances		13 849 302	(11 082 910)	5 382 692	28 586 807
(Increase) / decreaase in inventories and letters of credit		(189 884 858)	27 120 870	(22 377 081)	(3 007 178)
Increase / (Decrease) in creditors and other credit balances		69 863 216	(33 131 448)	2 506 323	81 921 767
Decrease in investments for trading purposes & treasury bills		62 234 259	55 978 281	8 533 571	(6 605 949)
Income tax paid		(2 410 131)	(13 712 173)	--	(762 328)
Net Cash Provided from Operating Activities		**79 412 574**	**136 935 416**	**31 104 705**	**107 860 451**
Cash Flows from Investing Activities					
(Payments) for the acquisition of fixed assets and PUC		(24 476 316)	(14 820 023)	(41 623)	(162 563)
Proceeds from sales of fixed assets		14 405 765	160 644	14 389 264	1 004 008
Proceeds from treasury bills revenue		10 258 955	16 365 468	5 785 545	14 941 655
Proceeds from the revenue of investments in subsidiary companies		--	--	48 354 447	32 506 678
Interest received		8 073 708	5 171 973	5 291 479	2 889 057
Net Cash provided from Investing Activities		**8 262 112**	**6 878 062**	**73 779 112**	**51 178 835**
Cash Flows from Financing Activities					
(Payments) for bank credit facilities		--	(128 408 693)	(890 508)	(116 672 753)
Proceeds from banks credit facilities		51 262 397	--	--	--
Interest paid		(3 074 075)	(3 488 077)	(291 278)	(2 536 928)
Dividends paid		(49 122 212)	(38 605 488)	(54 133 329)	(24 944 442)
Net Cash (used in) Financing Activities		**(933 890)**	**(170 502 258)**	**(55 315 115)**	**(144 154 123)**
Net change in cash and cash equivalents during the year		86 740 796	(26 688 780)	49 568 702	14 885 163
Net cash and cash equivalents at beginning of the year	(2k, 17)	110 167 756	136 856 536	55 196 000	40 310 837
Net cash and cash equivalents at end of the year	(2k, 17)	**196 908 552**	**110 167 756**	**104 764 702**	**55 196 000**

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

- The accompanying notes form an integral part of the financial statements.

Chief Financial Officer	Managing Director	Chairman
Accountant: Mohamed Ibrahim	Eng.: Mohie El Din Abdel Razik	Dr.:Mahmoud Abdel Hakim Al Refaaey

Paint and Chemical Industries Company "Pachin" S.A.E.
Subject to the Provisions of Law No. 159 of 1981 And Low No.90 of 1992
Consolidated Statement of Changes in Shareholders' Equity
For the Year end June 30, 2017

	Capital	Reserves	Combination Reserve	Exchange Differences on Translation of Foreign Operations	Retained Earnings	Profits for the Year	Total Shareholders' Equity Holding	Non-Controlling Interest	Total
	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP
Balance as of June 30, 2015	**200 000 000**	**204 522 904**	**54 341 000**	**1 287 569**	**19 454 575**	**44 273 536**	**523 879 584**	**14 317 431**	**538 197 015**
Transferred to reserves	--	3 364 817	--	--	(3 364 817)	--	--		--
Losses from translation of foreign operations	--	--	--	(2 070 447)	--	--	(2 070 447)	--	(2 070 447)
Dividends for shareholders, employees, and Board of Directors	--	--	--	--	(33 005 394)	--	(33 005 394)	(6 200 094)	(39 205 488)
Transferred to retained earnings	--	--	--	--	44 273 536	(44 273 536)	--	--	--
Total comprehensive income for the financial year ended June 30, 2016	--	--	--	--	--	76 621 632	76 621 632	1 877 272	78 498 904
Balance as of June 30, 2016	**200 000 000**	**207 887 721**	**54 341 000**	**(782 878)**	**27 357 900**	**76 621 632**	**565 425 375**	**9 994 609**	**575 419 984**
Transferred to capital	40 000 000	(40 000 000)	--	--	--	--	--	--	--
Transferred to retained earnings	--	--	--	--	76 621 632	(76 621 632)	--	--	--
Transferred to reserves	--	3 915 758	--	--	(3 915 758)	--	--	--	--
Translation of foreign operations	--	--	--	26 682 338	--	--	26 682 338	--	26 682 338
Dividends for shareholders, employees and Management of Pachin according to Board of directors meeting on November 27, 2016. and Board of Directors	--	--	--	--	(54 133 333)	--	(54 133 333)	(976 337)	(55 109 670)
Dividends for shareholders, employees and Management of Pachin according to Board of directors meeting on June 19, 2017. and Board of Directors	--	--	--	--	--	(5 222 222)	(5 222 222)	--	(5 222 222)
Total comprehensive income for the financial year ended June 30, 2017	--	--	--	--	850 160	109 256 831	**110 106 991**	4 702 601	114 809 592
Balance as of June 30, 2017	**240 000 000**	**171 803 479**	**54 341 000**	**25 899 460**	**46 780 601**	**104 034 609**	**642 859 149**	**13 720 873**	**656 580 022**

- The accompanying notes form an integral part of the financial statements.

Financial Manager	Managing Director	Chairman
Accountant: Mohamed Ibrahim	Eng.: Mohie El Din Abdel Razik	Dr.: Mahmoud Abdel Hakim Al Refaacy

Paints and Chemical Industries Company "Pachin"

(S.A.E.)

Notes to the Consolidated Financial Statements

As of June 30, 2017

1. The Group's Background

Paints and Chemical Industries Company "Pachin"

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

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

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

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

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

El-Obour for Paints and Chemical Industries Company

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

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

The Merge with Pachin for Inks Company

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

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

The Joint Pachin for Paints and Chemical Industries Company

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

The company's objective is to:

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

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

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

2. Significant Accounting Policies

A- Basis for Preparing the Financial Statements

1) Compliance with accounting standards and laws

The consolidated financial statements have been prepared according to the Egyptian Accounting Standards No. (110) of 2015 and applicable laws and regulations. The Egyptian Accounting Standards require referral to the International Financial Reporting Standards "IFRS", when no Egyptian Accounting Standard or legal requirement exist to address certain types of transactions and their treatment.

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

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

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

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

	comprehensive income items (statement of comprehensive income).		
EAS(10) Fixed Assets and Depreciation	- The option of using the revaluation model in the subsequent measurement of fixed assets has been cancelled. - The movement of the fixed assets and its depreciation should be disclosed in the notes to the financial statements for the two financial periods (current and comparative period).	An entity that has re-evaluated the fixed assets in the light of the Egyptian Accounting Standards No. (10) Prior to the amendment, should transfer to the cost model. In this case, the entity should not apply this change retroactively, which means it should not amend the carrying values of fixed assets and their related accumulated depreciation, and therefore, these carrying amounts at the transition date, are considered the cost and accumulated depreciation at the beginning of applying this amended standard. (Refer to the full text of the transitional provisions in accordance with the Egyptian Accounting Standard No. 46).	There is no effect of amending the standard on the figures of the presented financial statements. The movement for the fixed assets disclosure has been presented for two periods
EAS(14) Borrowing Costs	- Elimination of the previous benchmark treatment that recognized the borrowing cost directly attributable to the acquisition, construction or production of a qualifying asset in the income statement without being capitalized on asset.	(Refer to the full text of the transitional provisions included in the Egyptian Accounting Standard No. 14).	- There is no effect of amending the standard on the figures of the presented financial statements.
EAS(18) Investments in Associates	- The accounting treatment of the joint venture shall be added to this standard accordingly, the investments in associated and joint venture shall be accounted for the investments using the equity method in the consolidated and Individual Financial Statements. - The entity shall discontinue to use the equity method from the date when the investment ceases to be an associate or a joint venture provided that the retained interest shall be re-measured using the fair value and difference shall be recognized in the income statement. - If the entity's equity share in an associate company or a joint venture has declined however, the entity continued to use the equity method, then the entity, which has previously recognized a gain or loss within other comprehensive income, should reclassify this portion of gain or loss related to the decline of equity share, to the profits or losses (income statement) on the basis of the decline percentage, if such gain or loss is required to be reclassified to profits or losses on the disposal of the related assets or liabilities.	At the date of applying this amended standard, an entity should not apply the following amendments retrospectively: - - With respect to the cease of using the equity method, in this case, an entity should not amend the carrying value of its investment in the associate company or the joint venture and any amounts related to these investments previously recognized in equity, if the date of ceasing the use of the equity method occurred in a period prior to the application of this amended standard. - With respect to changes in the entity's equity share in the associate company or the joint venture while continuing to use the equity method.	- There is no effect of amending the standard on the figures of the presented financial statements.
EAS(20) Finance Lease	- The passenger automobiles treatment was superseded from the title "This standard does not cover the following types of leases" and therefore became under the scope of the standard.	Was not issued.	- There is no effect of amending the standard on the figures of the presented financial statements.

EAS(23) Intangible Assets	- The option of using the revaluation model in the subsequent measurement of intangible assets has been cancelled.	An entity applying the revaluation model of intangible assets, should transfer to the cost model. In this case, the entity should not apply this change retroactively, which means it should not amend the carrying values of the intangible assets and their related accumulated depreciation, and therefore, these carrying amounts at the transition date to the cost model, are considered the cost and accumulated depreciation at the beginning of applying this amended standard. (Refer to the full text of the transitional provisions in accordance with Egyptian Accounting Standard No. 46).	- There is no effect of amending the standard on the figures of the presented financial statements.
EAS(25) Financial Instruments: Presentation	Any Puttable instrument is classified as an equity instrument rather than a financial liability if it has all the features and meets the conditions in paragraphs 16A and 16B or paragraphs 16C and 16D of the same standard, from the date the instrument possessed these features and met the conditions stated in these paragraphs. An entity should reclassify the financial instrument from the date the instrument has ceased possessing these features, or meeting the conditions stated in these paragraphs.	Was not issued.	- There is no effect of amending the standard on the figures of the presented financial statements.
EAS(29) Business Combination	- The purchase method was cancelled and replaced by the acquisition method; as results: 1. Changing the acquisition cost to become the transferred cash consideration; and to be measured at the fair value acquisition date. 2. Contingent consideration: the fair value of the consideration shall be recognized at the acquisition date as part of transferred consideration. 3. Changing the method of measuring goodwill in case of step acquisition made. - The transaction cost (the cost related to the acquisition): shall be charged to the income statement as an expense during the incurred period, and it shall not be added to the transferred cash consideration; except for the costs of issuing equity as debt instruments directly related to the acquisition process.	- This amended standard should be applied prospectively on the transactions of business combination, in which the acquisition date is on or after the first of January 2016. - The assets and liabilities, arising from the transactions of business combination in which the acquisition date is prior to the first of January 2016, are not amended. (Refer to the full text of the transitional provisions in accordance with Egyptian Accounting Standard No. 46). -	- There is no effect of amending the standard on the figures of the presented financial statements.
EAS(34) Investment Properties	- The option of using the fair value model in the subsequent measurement of investment properties has been cancelled. An entity applying the fair value model on its investment properties, should transfer to the cost model.	(Refer to the full text of the transitional provisions included in the Egyptian Accounting Standard No. 34, and the Egyptian Accounting Standards No. 46).	- There is no effect of amending the standard on the figures of the presented financial statements.

EAS(38) Employee Benefits	- Actuarial Gains and Losses All the accumulated actuarial gains and losses shall be immediately recognized as part of the defined benefit liabilities and charged to the other comprehensive income items. The cost of the past service: An entity shall recognize past service cost as an expense at the earlier of the following dates: 1. When the plan amendment or curtailment occurs; Or 2. When the entity execute a significant restructuring plan; it should recognize the related restructuring costs that include paying the termination benefits (Provision Standard).	Was not issued.	- The effect of the standard on the financial statements is need to recognize any previously unrecognized service cost in income statement
EAS(40) Financial Instrument Disclosures	- A new Egyptian Accounting Standard No. (40) "Financial Instruments Disclosures" was issued including all the disclosures required for the financial instruments. - Accordingly, EAS (25) was amended by separating the disclosures from it. The name of the standard became "Financial Instrument Presentation" instead of "Financial Instruments Presentation and Disclosure".	Was not issued.	- Comply with disclosure requirement
EAS(41) Operating Segments	- EAS 33 "Segments Reports" has been replaced with EAS 41 "Operating Segments" Accordingly, the disclosures and the volume of the required disclosures that the Segment Reports must disclose on: mainly depends on the segments information presented to Chief Operating Decision Maker "CODM" of the entity, to make decisions on the resources that must be allocated to the segments and assess its performance.	Was not issued.	- There is no effect of amending the standard on the figures of the presented financial statements.
EAS(43) Joint Arrangements	- The new Egyptian Accounting Standard No. (43) "Joint Arrangements" establishes principles for financial reporting by parties to a joint arrangement. - The EAS 43 superseded the EAS 27 Interests in Joint Ventures. - The EAS 43 classifies joint arrangements into two types—joint operations and joint ventures. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations of the liabilities, relating to the arrangement, and they are called the joint operators.	(Refer to the full text of the transitional provisions included in the Egyptian Accounting Standard No. 43).	- There is no effect of amending the standard on the figures of the presented financial statements.

	A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. These parties are called stakeholders in joint ventures.		
EAS(44) Disclosure of Interests in Other Entities	- A new Egyptian Accounting Standard No. (44) "Disclosure of Interests in Other Entities" was issued in order to comprise all the required disclosures pertaining to all the investments in subsidiaries, associates, joint arrangements, and the unconsolidated structured entities. - The objective of this standard is to comply the entity to disclose the information that enables the users of the financial statements to evaluate the nature and risks associated with its interests in other entities and related risks, and the effect of these interests on its financial position, financial performance and cash flow.	- Was not issued.	- There is no effect of amending the standard on the figures of the presented financial statements.
EAS(45) Fair Value Measurement	- The new Egyptian Accounting Standard No. (45) "Fair Value Measurement" was issued and shall be applied when another standard requires or allows measurement or disclosure to be made at fair value. This standard aims at the following: a. Defining the fair value, and b. Laying down a framework to measure the fair value in one standard, and c. Identifying the disclosure required for the fair value measurement.	- An entity should apply the Egyptian Accounting Standard No. 45 "Fair Value Measurement" prospectively when preparing the financial statements for periods beginning on or after the first of January 2016. - An entity should not apply the requirements of the disclosure included in this standard, in the comparative information presented for the periods before the initial application of this standard.	- There is no effect of amending the standard on the figures of the presented financial statements.
EAS(42) The Consolidated Financial Statements	- The new Egyptian Accounting Standard No. (42) "The Consolidated Financial Statements" was issued accordingly, the Egyptian Accounting Standard No. (17) "The consolidated and separate Financial Statements" has changed to become "The separate Financial Instruments" pursuant to the new Egyptian Accounting Standards No. (42) "The consolidated financial statements" - The control model has changed to determine the investee entity that must be consolidated. - Accounting for the changes in the equity of the parent company in a subsidiary are accounted for as transactions with equity holders in their capacity as equity holders. - Any investment retained in a former subsidiary re-measured at fair value at the date when control is lost and recognize any resulting difference in the income statement. - Losses applicable to the non- controlling interest in a subsidiary including component of other comprehensive income are allocated to the owners of the holding entity and the non- controlling interest even if this causes the non- controlling interest to have a deficit balances.	At the date of applying this standard, an entity should not apply the following amendments retrospectively: - - With respect to the allocation of the total comprehensive income to the owners of the parent entity and the non-controlling interests, even if it led to a deficit in the balance of non-controlling interests, and therefore, the parent entity should not amend any profits or losses for periods prior to the application of this standard. - With respect to changes in the parent entity's equity share in the subsidiary entity, which does not lead to loss of control. - With respect to the loss of the parent entity's control over the subsidiary entity, in this case the parent entity should not amend the carrying value of its investments in the former subsidiary entity, if the date of loss of control occurred in a period prior to the application of this standard. In addition, the parent entity should not recalculate any profits or losses, arising from the loss of control over the subsidiary entity, if its occurrence date was prior to the application of this standard. (Refer to the full	-There is no effect of amending the standard on the figures of the presented financial statements.

	- EAS 42 does not apply to: (a) Post-employment benefit plans or other long-term employee benefit plans, which apply the Egyptian Accounting Standard No. (38) for employees benefits (b) Investment funds excluded by regulators.	text of the transitional provisions in accordance with Egyptian Accounting Standard No. 46).	

2) **Basis of Measurement**

The financial statements have been prepared on the historical cost basis except for the financial assets and financial liabilities which are measured by the fair value or the consumable cost or cost according to conditions.

3) **Transaction and Presentation Currency**

The financial statements are presented in Egyptian pounds, which is the currency used in essential economic environment in which the company's activities are conducted.

4) **Using Estimates and Personal Judgment**

Significant accounting judgments and the Main sources of uncertainty estimates

Management in applying the Company's accounting policies requires that judgments, estimates and assumptions are used to obtain the carrying amounts of assets and liabilities when those values are not clear from other sources. These estimates and assumptions are based on historical experience and other factors that are relevant - actual results may differ from those estimates.

The estimates and assumptions are reviewed on an ongoing basis. The effect of the amendments to the accounting estimates is recognized in the period in which they are adjusted if the effect of the adjustment is limited to that period. If the adjustment affects on the current and future periods, The amendments are recognized in the current and future periods.

Significant judgments used in Applying the accounting policies

The following are the most significant judgments made by management in applying the Company's accounting policies which have an affect on the amounts recognized in the financial statements.

1) **Deferred income taxes**

The measurement of deferred income tax assets and liabilities is based on management judgment. Deferred tax assets are recognized only if the Company able to use them. To judge whether tax assets can be used or not, it depends on whether future taxable profits are allowed to be set off with the deductible temporary difference.

To estimate the prospect of using these temporary differences in the future, estimates are required for several factors, including future taxable profits. When actual values differ from estimates, this may result in a change in the assessment of the extent to which deferred tax assets are recoverable - and therefore accounting for such a change - if any - will be on a future basis in the financial periods affected by the change.

2) **Estimated useful lives of fixed assets**

Management determines the estimated useful life of a fixed asset over the expected use of the asset, the expected depreciation from the use and obsolescence of the asset, and the extent of technological developments and prior experience with respect to the comparative assets. Any change in the estimated useful life of any fixed asset may affect the amount of depreciation that should be recognized in the statement of income over future periods.

3) **Provisions**

As provisions are not specifically measurable, the amount of the provision may change based on future developments. Changes in the amount of provisions due to changes in management estimates - On a future basis- It is recognized in the period in which the change in estimates arises.

B- 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.

C- Fixed Assets and their Depreciation

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

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

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

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

D- 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.

E- Intangible Assets

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

F- Impairment of Assets

1. Non-Financial Assets

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

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

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

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

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

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

2. **Financial Assets**

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

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

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

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

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

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

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

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

G- Investments in Subsidiary Companies

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

H- Available for Sale Investments

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

I- Inventories Valuation

Inventories valuation are stated as follows:

- **Raw Materials, Packaging, Spare Parts and Fuel**
  Cost is calculated using the perpetual weighted average method.
- **Work in-Progress**
  The cost includes direct and indirect manufacturing costs of partially completed stages in addition to the material, direct wages costs of the completed production stage.
- **Finished Goods**
  Finished goods are stated at lower of manufacturing cost or net realizable value. The manufacturing cost is represented in the cost of raw materials and industrial wages in addition to its share of other industrial expenses. The net realizable value is represented in the estimated selling price through the normal activity, less the estimated cost of completion, as well as any other cost required for the sales operation.

J- 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.

K- Investments for fair value through profit or loss

- 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.

L- Cash and Cash Equivalents

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

M- 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.

N- Accounts and Notes Payable

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

O- 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.

P- Revenue Recognition

1. Operating Revenue

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

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

2. **Interest, Royalties and Dividends**

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

Q- Borrowing Cost

Borrowing Cost: The interest and other costs incurred by the company as a result of borrowing.

Assets covered borrowing cost: Is the asset that necessarily requires a long period of time to process it for use for its intended purposes or to sell it.

The cost of borrowing may include:

- interest or bank expenses on both overdraft accounts and short and long-term borrowings.
- Consumption of the discount or premium on borrowing.
- Consumption of other costs incurred by the entity for borrowing.
- Currency differences arising from borrowing in foreign currency thes differences are considered an adjustment to the cost of interest.

According to standard treatment, borrowing cost directly attributable to the acquisition, construction and production of an asset is added to the cost of the asset. This borrowing cost is capitalized within the cost of the asset when it is expected to generate future economic benefits for the enterprise and there is a possibility to reliably measure the cost. Other borrowing costs are expenses for the year in which the entity incurred this cost.

R- Cash Flows Statement

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

S- Taxation

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

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

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

T- 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.

U- Financial Instruments

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

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

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

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

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

Equity Instruments

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

Financial Liabilities

The financial liabilities of the company are categorized as other financial liabilities. The other financial liabilities are initially recognized at fair value less transaction costs, if any.

The company's other financial liabilities are represented in the due to related parties and other credit balances.

V- Legal Reserve

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

W- Foreign Currencies

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

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

In preparing the financial statements of the individual entities, transactions in currencies other than Egyptian pounds are recorded at the rates of exchange prevailing at the dates of the transactions. At each balance sheet date, monetary assets and liabilities denominated in foreign currencies are retranslated to the Egyptian pound at the rates prevailing at the balance sheet date. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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

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

X- Dividends Distribution

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

Y- Earnings per Share

Earnings per share is calculated by dividing the profit or loss attributable to shareholders (less employee distributions) from their contribution to the Company's ordinary shares by the weighted average number of ordinary shares outstanding during the year.

Z- Employees Benefits

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

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

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

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

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

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

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

- When the system is modified or reduced
- when the entity recognizes the related restructuring costs

In this framework, the <u>employees' benefits</u> 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 <u>present value of the defined benefit liability</u> 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 <u>current service cost</u> 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 <u>prior service cost</u> 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 <u>cost of interest</u> will arise in each financial period as a result of an increase in the present value of the defined benefit liability since these benefits are close to their settlement date by one financial period.

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

- In the case of an employee reaching the retirement age of sixty, he is granted the benefit of one month and a half of wages for every year of service he spent in the company, with a maximum amount of EGP 100 000.

- In the event of death or total disability, the employee is granted the benefit of EGP 100 000.
- The benefits are granted for employees whose services are ended as of 1-7-2012.
- The application of the system and the recognition of end-of-service benefits started as of the financial year 2012/2013.
- The company bears the value of disbursed benefits from its own resources.

3. Sales Analysis

	Consolidated				Pachin			
	30/6/2017		30/6/2016		30/6/2017		30/6/2016	
	Quantity (Ton)	Amount'000 EGP	Quantity (Ton)	Amount'000 EGP	Quantity (Ton)	Amount'000 EGP	Quantity (Ton)	Amount'000 EGP
Paints	36 883	758 083	61 205	776 223	7 585	126 430	11 469	134 962
Goods held for sale – Paints	390	12 215	315	12 065	--	--	--	--
Purchases held for sale- coloring machines	--	517	--	900	--	--	--	--
Inks	1 300	66 317	2 056	57 628	--	--	--	--
Net sales from continuing operation		**837 132**		**846 816**		**126 430**		**134 962**

4- **Fixed Assets (net)**

Consolidated

Items	Lands	Buildings	Other Assets	Machinery and Equipments	Vehicles	Tools	Furniture and Office Equipments	Total
Cost	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP
Cost of fixed assets as of July 1, 2015	41 851 158	174 612 437	380 800	141 709 325	23 498 692	21 339 983	18 888 841	422 281 236
Additions during the year	--	2 641 087	--	1 179 930	1 360 600	312 011	100 426	5 594 054
Disposals during the year	--	(1 727)	--	(912 750)	(470 549)	--	(64 659)	(1 449 685)
Cost of fixed assets as of June 30, 2016	**41 851 158**	**177 251 797**	**380 800**	**141 976 505**	**24 388 743**	**21 651 994**	**18 924 608**	**426 425 605**
Additions during the year	--	107 368	--	33 950 436	435 254	92 298	286 204	34 871 560
translation of foreign operations	2 545 845	8 166 688	--	5 195 825	1 843 645	35 353	488 414	18 275 770
Disposals during the year	(14 327)	(234 765)	--	(400 890)	(811 503)	(12 738)	(3 936)	(1 478 159)
Cost as of June 30, 2017	**44 382 676**	**185 291 088**	**380 800**	**180 721 876**	**25 856 139**	**21 766 907**	**19 695 290**	**478 094 776**
Accumulated Depreciation								
Accumulated depreciation as of July 1, 2015	--	(49 908 927)	(209 440)	(84 546 349)	(21 773 597)	(15 065 748)	(15 268 037)	(186 772 098)
Depreciation for the year	--	(5 391 256)	(95 199)	(6 697 290)	(1 076 060)	(975 064)	(929 700)	(15 164 569)
Disposals accumulated depreciation	--	--	--	855 850	422 715	--	46 137	1 324 702
Accumulated depreciation as of June 30, 2016	--	**(55 300 183)**	**(304 639)**	**(90 387 789)**	**(22 426 942)**	**(16 040 812)**	**(16 151 600)**	**(200 611 965)**
Depreciation for the year	--	(5 422 437)	(76 160)	(6 965 273)	(842 035)	(867 450)	(864 075)	(15 037 430)
translation of foreign operations	--	(2 101 785)	--	(1 320 905)	(934 113)	(45 332)	(175 336)	(4 577 471)
Disposals accumulated depreciation	--	226 720	--	395 690	397 113	--	--	1 019 523
Acc. Depreciation as of June 30, 2017	**0**	**(62 597 685)**	**(380 799)**	**(98 278 277)**	**(23 805 977)**	**(16 953 594)**	**(17 191 011)**	**(219 207 343)**
NBV as of June 30, 2017	**44 382 676**	**122 693 403**	**1**	**82 443 599**	**2 050 162**	**4 813 313**	**2 504 279**	**258 887 433**
NBV as of June 30, 2016	**41 851 158**	**121 951 614**	**76 161**	**51 588 716**	**1 961 801**	**5 611 182**	**2 773 008**	**225 813 640**
Fully depreciated and still operating assets	**0**	**3 519 806**	**0**	**8 739 854**	**14 838 605**	**7 330 126**	**5 603 493**	**40 031 884**

The cost of fixed assets fully depreciated and still operating amounted to EGP 21.1 million.The cost of fixed assets fully depreciated and not operating amounted to EGP 3.7 million.

The depreciation of the current year of EGP 15 037 430 has been distributed as follows:

The depreciation charged to cost of sales amounted to EGP 12 374 841

The depreciation charged to selling and marketing expenses amounted to EGP 1 523 640

The depreciation charged to general and administrative expenses amounted to EGP 1 042 589

The depreciation charged to discontinuing operation losses amounted to EGP 96 360

The company achieved capital gain by an amount of EGP 13 947 130 as a reslut of selling fixed assets with total cost of EGP 1 478 159 and net book value amounted to EGP 458 636.

4- **Fixed Assets (net)**

Standalone

Items	Lands	Buildings	Machinery and Equipments	Vehicles	Tools	Furniture and Office Equipments	Total
Cost	**EGP**	**EGP**	**EGP**	**EGP**	**EGP**	**EGP**	**EGP**
Cost of fixed assets as of July 1, 2015	173 144	22 422 122	22 037 224	5 648 351	4 204 326	6 539 373	**61 024 540**
Additions during the year	--	31 953	--	40 830	2 280	--	**75 063**
Disposals during the year	--	(11 550)	(1 618 582)	(552 116)	(25 538)	(51 544)	**(2 259 330)**
Cost of fixed assets as of June 30, 2016	**173 144**	**22 442 525**	**20 418 642**	**5 137 065**	**4 181 068**	**6 487 829**	**58 840 273**
Additions during the year	--	--	--	2 900	--	38 723	**41 623**
Disposals during the year	(14 327)	(234 765)	(34 578)	(1 936 423)	(314 402)	(40 096)	**(2 574 591)**
Cost as of June 30, 2017	**158 817**	**22 207 760**	**20 384 064**	**3 203 542**	**3 866 666**	**6 486 456**	**56 307 305**
Accumulated Depreciation							
Accumulated depreciation as of July 1, 2015	--	(13 942 940)	(20 472 393)	(5 430 406)	(3 913 943)	(6 202 018)	**(49 961 700)**
Depreciation for the year	--	(528 652)	(154 270)	(105 201)	(69 675)	(120 937)	**(978 735)**
Disposals accumulated depreciation	--	2 654	901 457	528 199	25 025	45 312	**1 502 647**
Accumulated depreciation as of June 30, 2016	0	**(14 468 938)**	**(19 725 206)**	**(5 007 408)**	**(3 958 593)**	**(6 277 643)**	**(49 437 788)**
Depreciation for the year	--	(512 730)	(101 753)	(47 533)	(23 938)	(106 198)	**(792 152)**
Disposals accumulated depreciation	--	226 724	34 578	1 936 423	314 402	40 096	**2 552 223**
Acc. Depreciation as of June 30, 2017	**0**	**(14 754 944)**	**(19 792 381)**	**(3 118 518)**	**(3 668 129)**	**(6 343 745)**	**(47 677 717)**
NBV as of June 30, 2017	**158 817**	**7 452 816**	**591 683**	**85 024**	**198 537**	**142 711**	**8 629 588**
NBV as of June 30, 2016	**173 144**	**7 973 587**	**693 436**	**129 657**	**222 475**	**210 186**	**9 402 485**
Fully depreciated and still operating assets	**0**	**3 519 806**	**8 739 854**	**826 926**	**264 951**	**273 463**	**13 625 000**

The cost of fixed assets fully depreciated and still operating amounted to EGP 21.1 million.The cost of fixed assets fully depreciated and not operating amounted to EGP 3.7 million.

The depreciation of the current year of EGP 792 152 has been distributed as follows:

The depreciation charged to cost of sales amounted to EGP 509 677

The depreciation charged to Selling and marketing expenses amounted to EGP 135 955

The depreciation charged to general and administrative expenses amounted to EGP 50 160

The depreciation charged to discontinuing operation losses amounted to EGP 96 360

The company achieved capital gain by an amount of EGP 14 366 896 as a reslut of selling fixed assets with total cost of EGP 2 574 591 and net book value amounted to EGP 22 368.

5. **Projects under Construction (net)**

	Consolidated		Pachin	
	30/6/2017 EGP	30/6/2016 EGP	30/6/2017 EGP	30/6/2016 EGP
Machinery and equipment	17 055 628	9 969 186	--	--
Furniture and fixture	65 790	33 219	--	--
Buildings	59 505	93 418	--	--
Tools	113 166	57 144	--	--
	17 294 089	**10 152 967**	--	--
Advance payment to purchase fixed assets	27 852	10 172 052	--	87 500
(Less)Impairment for projects (Refer to Note No. 19)	--	(108 000)	--	--
	17 321 941	**20 217 019**	--	**87 500**

6. **Investments in Subsidiaries – Stand alone**

Company Name	Issued Capital EGP	Currency	Ownership %	Ownership Amount	Paid %	30/6/2017 Paid Amount EGP	30/6/2016 Paid Amount EGP
El-Obour for Paints and Chemical Industries *	304 368 000	EGP	%99,95	249 880 000	%100	249 880 000	249 880 000
Pachin Libya for Paints and Chemical Industries **	3 000 000	LYD	%50	1 500 000	%100	7 071 579	7 071 579
						256 951 579	**256 951 579**

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

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

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

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

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

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

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

7. Available for Sale Investments

	Consolidated		Pachin	
	30/6/2017	30/6/2016	30/6/2017	30/6/2016
	EGP	EGP	EGP	EGP
Governmental bonds at the National Investment Bank	774 906	774 906	774 906	774 906
	774 906	**774 906**	**774 906**	**774 906**

8. Intangible Assets

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

9. Inventories (net)

	Consolidated		Pachin	
	30/6/2017	30/6/2016	30/6/2017	30/6/2016
	EGP	EGP	EGP	EGP
Raw materials and packaging	258 769 415	108 404 566	30 953 976	17 702 205
Less: impairment in raw materials (Refer to Note No. 19)	(3 223 364)	(3 223 364)	(1 319 141)	(1 319 141)
	255 546 051	**105 181 202**	**29 634 835**	**16 383 064**
Fuel and spare parts	10 717 670	7 936 328	1 433 375	1 503 037
Less: impairment in spare parts (Refer to Note No. 19)	(669 090)	(669 090)	(669 090)	(669 090)
	10 048 580	**7 267 238**	**764 285**	**833 947**
Finished goods	53 210 428	26 708 190	12 839 344	4 859 311
Less: impairment in finished goods (Refer to Note No. 19)	(318 591)	(318 591)	(318 591)	(318 591)
	52 891 837	**26 389 599**	**12 520 753**	**4 540 720**
Work in-progress	10 016 771	8 115 960	3 054 041	1 875 275
Scrap	183 882	183 583	144 219	108 046
Inventory available for sale	11 028 403	7 115 046	--	--
Road goods	2 885 657	--	--	--
	342 601 181	**154 252 628**	**46 118 133**	**23 741 052**

10. Accounts Receivable (Net)

	Consolidated		Pachin	
	30/6/2017	30/6/2016	30/6/2017	30/6/2016
	EGP	EGP	EGP	EGP
Accounts receivable	56 040 221	60 933 454	11 666 588	12 005 969
Less:				
Impairment in accounts receivable (Refer to Note No. 19)	(15 198 335)	(12 198 335)	(7 793 800)	(5 793 800)
	40 841 886	**48 735 119**	**3 872 788**	**6 212 169**

11. Notes Receivable (Net)

	Consolidated		Pachin	
	30/6/2017	30/6/2016	30/6/2017	30/6/2016
	EGP	EGP	EGP	EGP
Notes receivable	8 132 207	13 325 324	--	--
Less:				
Impairment in notes receivable (Refer to Note No. 19)	(300 000)	(1 300 000)	--	--
	7 832 207	**12 025 324**	--	--

12. Debit accounts due from subsidiaries and related parties

	Consolidated		Pachin	
	30/6/2017	30/6/2016	30/6/2017	30/6/2016
	EGP	EGP	EGP	EGP
El Obour for Paints and Chemical Industries	--	--	10 426 976	17 664 978
Egyptian Chemicals Industry – KIMA *	515 116	--	515 116	--
Pachin Libya for Paints and Chemical Industries	--	--	9 307 825	707 538
Less:				
Impairment in Debit accounts due from subsidiaries and related parties **	--	--	(7 880 565)	--
	515 116	--	**12 369 352**	**18 372 516**

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

**Impairment in Debit accounts due from subsidiaries Regards to Pachin Libya for Paints and Chemical Industries.

13. Other Debit Accounts (Net)

	Consolidated		Pachin	
	30/6/2017	30/6/2016	30/6/2017	30/6/2016
	EGP	EGP	EGP	EGP
Accrued income	1 068 110	3 039 105	19 790 573	50 460 827
Suppliers - advance payments	4 234 323	4 614 049	1 033 683	604 696
Employees loans	25 917	56 422	--	38 100
Deposits with others	2 627 136	2 826 506	837 278	843 277
Other debit balances	2 702 099	5 119 972	1 854 859	1 792 147
Less:				
Impairment in other debit balances (Refer to Note No. 19)	(1 000 134)	(2 000 134)	(500 134)	(1 684 041)
	9 657 451	**13 655 920**	**23 016 259**	**52 055 006**

14. Tax Debit Balances

	Consolidated		Pachin	
	30/6/2017	30/6/2016	30/6/2017	30/6/2016
	EGP	EGP	EGP	EGP
Withholding tax	19 655 172	26 022 498	8 966 427	9 999 951
Value added tax	8 087 727	--	2 554 123	--
	27 742 899	**26 022 498**	**11 520 550**	**9 999 951**

15. Treasury Bills

The treasury bills amounting to EGP 42 648 491 as of June 30, 2017, are represented in EGP 44 700 000, which represent the nominal value less interest amounting to EGP 2 051 509 at an interest rate of 20.15% and 19.5%, due on September 2017 and the amount of the due tax amounted to EGP 410 302 (against the amount of EGP 104 327 481 as of the June 30, 2016).

16. Investments for Trading Purposes

The balance of this account amounting to Nothing against the amount of EGP 11 103 332 as of the June 30, 2016 is represented in the value of the investment certificates from Bloom Bank Egypt.

17. Cash and Cash Equivalents

	Consolidated		Pachin	
	30/6/2017	30/6/2016	30/6/2017	30/6/2016
	EGP	EGP	EGP	EGP
Cash on hand	1 622 919	139 905	--	--
Banks current accounts	42 911 218	29 672 946	8 457 675	9 596 094
Banks time deposits	143 983 132	66 662 400	95 926 184	44 744 636
Checks under collection*	8 391 283	13 692 505	380 843	855 270
	196 908 552	**110 167 756**	**104 764 702**	**55 196 000**

* Checks under collection represent checks with due date before June 30, 2017 and collected after the date of the financial statements.

18. Provisions

	Balance As of 1/7/2016	Formed during the Period	Used during the Period	Balance As of 30/6/2017
	EGP	EGP	EGP	EGP
Provision for tax disputes	1 088 649	--	--	1 088 649
Provision for claims	9 193 026	3 108 000	(3 492 726)	8 808 300
	10 281 675	**3 108 000**	**(3 492 726)**	**9 896 949**

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

	Balance as of 1/7/2016	Formed during the period	No longer required	Balance as of 30/6/2017
	EGP	EGP	EGP	EGP
Impairment of long-term assets				
Impairment in projects under construction	**108 000**	--	(108 000)	--
Impairment of financial assets				
Impairment in accounts receivable	12 198 335	3 000 000	--	15 198 335
Impairment of notes receivable	1 300 000	--	(1 000 000)	300 000
Impairment of other debit balances	2 000 134	--	(1 000 000)	1 000 134
	15 498 469	**3 000 000**	**(2 000 000)**	**16 498 469**
Decrease in inventories				
Decrease in raw materials	3 223 364	--	--	3 223 364
Decrease in finished goods	318 591	--	--	318 591
Decrease in spare parts	669 090	--	--	669 090
	4 211 045	--	--	**4 211 045**

20. Credit Facilities

The balance of this account at the date of the financial statements amounted to EGP 58 471 555 and Is represented as follows:

	Consolidated		Pachin	
	30/6/2017	30/6/2016	30/6/2017	30/6/2016
	EGP	EGP	EGP	EGP
Credit Agricole Bank*	8 989 047	4 806 058	746 741	--
Misr Bank**	49 016 942	2 403 100	300 285	2 403 100
QNB***	465 566	--	465 566	--
	58 471 555	**7 209 158**	**1 512 592**	**2 403 100**

1-Credit Facilities granted to El Obour for Paints and Chemical Industries

The balance of this account at the date of the financial statements amounted to EGP 56 958 963 and Is represented as follows:

	30/6/2017	30/6/2016
	EGP	EGP
Credit Agricole Bank*	8 242 306	4 806 058
Misr Bank**	48 716 657	--
	56 958 963	**4 806 058**

* The credit facilities granted to the company by Credit Agricole Bank at an interest rate of 1.25% in addition to the lending rate applied by the Central Bank for a period of three months and a maximum of 120 million pounds, guaranteed by insurance policy amounted to 30 million pounds and guarantee of the holding company, the credit facilities used for letter of credit and payment to local supplier.

** The credit facility granted by Misr Bank at an interest rates of 0.75%, in addition to the lending rate applied by the Central Bank, guaranteed by insurance policy, credit facilities used for letter of credit and payement to local supplier and Payment in 120 days, the credit facility should not exceed 200 million Egyptian pounds and the share of Paints and Chemical Industries Pachin should not exceed 30 million pounds.

2-Credit Facilities granted to Paints and Chemical Industries (Pachin)

The balance of this account at the date of the financial statements amounted to EGP 1 512 592 and Is represented as follows:

	30/6/2017	30/6/2016
	EGP	EGP
Credit Agricole Bank*	746 741	--
Misr Bank**	300 285	2 403 100
QNB***	465 566	--
	1 512 592	**2 403 100**

*The credit facilities granted to the company by Credit Agricole Bank at an interest rate of 1.25% in addition to the lending rate applied by the Central Bank for a period of three months and a maximum of 120 million pounds for (El Obour for paints and chemical industries and Pachin for paints and chemical industries) guaranteed by insurance policy amounted to 30 million pounds and El Obour for paints and chemical industries guaranteeing by 60 million pounds, the credit facilities used for letter of credit and payement to local supplier.

** The credit facility granted by Misr Bank at an interest rates of 0.75%, in addition to the lending rate applied by the Central Bank, guaranteed by insurance policy, credit facilities used for letter of credit and payement to local supplier and Payment in 120 days, the credit facility should not exceed 200 million Egyptian pounds and the share of Paints and Chemical Industries Pachin should not exceed 30 million pounds.

*** The credit facilities granted to the company by Qatar National Bank Ahli at a rate of 2% plus the deposit rate of return guaranteed by deposit in bank amount 1.8 million USD, the credit facility should not exceed 705 000 USD, credit facilities used for letter of credit and payement to local supplier.

21. Accounts and Notes Payable

	Consolidated		Pachin	
	30/6/2017	30/6/2016	30/6/2017	30/6/2016
	EGP	EGP	EGP	EGP
Accounts payable	112 211 041	39 452 665	13 458 061	6 729 013
Notes payable	5 600 600	7 657 926	--	153 826
	117 811 641	**47 110 591**	**13 458 061**	**6 882 839**

22. Other Credit Accounts

	Consolidated		Pachin	
	30/6/2017	30/6/2016	30/6/2017	30/6/2016
	EGP	EGP	EGP	EGP
Accrued expenses	4 010 096	3 821 423	701 564	531 985
Accounts receivable – credit balances	24 934 418	15 211 601	4 189 338	3 541 378
Purchasing fixed assets – creditors	38 083	61 099	26 668	26 668
Deposits for others	7 290 397	7 681 586	1 730 318	1 280 869
Employees' share in profits	4 290 213	5 555 556	--	--
Other benefits for employees	3 891 010	3 891 010	3 891 010	3 891 010
Other credit balances	4 802 383	1 865 933	971 184	1 107 280
	49 256 600	**38 088 208**	**11 510 082**	**10 379 190**

23. Credit Tax Accounts

	Consolidated		Pachin	
	30/6/2017	30/6/2016	30/6/2017	30/6/2016
	EGP	EGP	EGP	EGP
Sales tax and VAT	--	6 009 509	--	2 422 609
Withholding tax	527 700	393 110	107 960	69 745
Real estate tax	3 533 675	--	1 444 065	--
Accrued income tax	18 705 483	23 418 393	7 350 827	4 985 717
Payroll tax	1 436 565	947 608	404 441	190 008
Accrued dividends tax	999 500	2 498 792	--	--
Stamp duty	106 303	18 503	17 178	1 178
	25 309 226	**33 285 915**	**9 324 471**	**7 669 257**

- **Dividends tax**

  Dividend tax balance 999 500 represented in Accrued dividends tax for El Obour for paints and chemical industries by percent 5% according to the decision of the President of the Arab Republic of Egypt Law No. 53 of 2014 Amending the provisions of the law No. 91 of 2005 (against the amount of EGP 2 498 792 as of the June 30, 2016).

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 z) 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	**Separate**
Number of employees	Employee 1 445	Employee 253
Average age	Year .4222	Year 43.83
Annual Salaries	EGP 17 697 890	EGP 3 432 726

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

	Valuation as of 30/6/2017	**Valuation as of 30/6/2016**
Discount rate	16.25 %	15.5 %
Inflation rate	12.5%	13.11%
The used life table	U52/A49	U52/A49
The annual rate of salaries increase	14%	14%

The amounts recognized in the income statement for the period ended June 30, 2017, concerning the defined benefit plan are as follows: -

	Consolidated		**Pachin**	
	30/6/2017	**30/6/2016**	**30/6/2017**	**30/6/2016**
	EGP	**EGP**	**EGP**	**EGP**
Current service cost	863 897	2 277 524	201 280	489 512
The settlement for the past service cost	14 730 670	681 152	2 072 298	140 404
Interest cost	3 077 504	3 976 158	825 304	931 640
Less:-				
Recognized gain resulting from amending the benefits	6 230 578	--	1 373 478	--
	12 441 493	**6 934 834**	**1 725 404**	**1 561 556**

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

The amounts recognized in the financial statements as of June 30, 2017, arising from the company's liability, concerning the defined benefit plan are as follows: -

	Consolidated		Pachin	
	30/6/2017	30/6/2016	30/6/2017	30/6/2016
	EGP	EGP	EGP	EGP
Current value of the defined benefit liability	20 590 724	13 633 417	5 707 972	5 212 150
	20 590 724	**13 633 417**	**5 707 972**	**5 212 150**

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

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

	Consolidated		Separate	
	Actual as 30/6/2017	Estimated as 30/6/2018	Actual as 30/6/2017	Estimated as 30/6/2018
Liability recognized at the beginning of the year	13 633 417	20 352 025	5 212 150	5 390 834
Total past service cost *	14 730 670	--	2 072 298	--
Gain resulting from amending the benefits **	(6 230 578)	--	(1 373 478)	--
Actuarial gain from amending the assumptions actuarial financial	(850 503)	--	(169 452)	--
Current service cost	863 897	867 816	201 280	179 864
Interest cost	3 077 504	3 033 950	825 304	763 989
Benefits paid by the company	(4 633 683)	(3 494 605)	(1 060 130)	(1 432 628)
balance of the total liability of the benefits specified at the end of year	**20 590 724**	**20 759 186**	**5 707 972**	**4 902 059**

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

** This item represents the profits resulting from cancelling the implicit liability on the company to increase the maximum amount of benefit, to be paid to the employee at end of service amounting to EGP 100 000. According to the Board of Directors decision, the maximum amount of benefit to be paid to the employee at end of service was fixed so that it will not exceed EGP 100 000 until the end of the benefit plan, and the measurement of this liability until the end of this plan was performed on this basis.

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

	Consolidated		Separate	
	Actual As of 30/6/2017	**Estimated as of 30/6/2018**	**Actual As of 30/6/2017**	**Estimated as of 30/6/2018**
Current service cost	863 897	867 816	201 280	179 864
Interest cost	3 077 504	3 033 950	825 304	763 989
The settlement for the past service cost	14 730 670	--	2 072 298	--
Less:-				
Recognized gain resulting from amending the benefits during the period	6 230 578	--	(1 373 478)	--
	12 441 493	**3 901 766**	**1 725 404**	**943 853**

Sensitivity Test

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

	Consolidated		Pachin	
Assumptions sensitivity	**Effect on defined benefits liability**	**Total effect on service cost and interest cost**	**Effect on defined benefits liability**	**Total effect on service cost and interest cost**
Discount rate –(50) basis point	558 302	3 437	111 561	(6 343)
Discount rate +(50) basis point	(525 935)	(2 468)	(106 290)	6 356
Inflation rate –(50) basis point	(78 996)	(5 737)	(16 127)	(387)
Inflation rate +(50) basis point	73 001	6 804	15 449	696
Salary increase rate –(50) basis point	(78 996)	(5 737)	(16 127)	(387)
Salary increase rate +(50) basis point	73 001	6 804	15 449	696

25. Capital

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

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

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

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

26. Reserves

	Consolidated		Pachin	
	30/6/2017	30/6/2016	30/6/2017	30/6/2016
	EGP	EGP	EGP	EGP
Legal reserve	93 194 666	129 278 908	62 892 335	100 000 000
Reserve invested in government bonds	774 905	774 905	774 905	774 905
Reserve for assets' increased prices	6 290 899	6 290 899	6 290 899	6 290 899
Other reserves	71 543 009	71 543 009	71 543 009	71 543 009
	171 803 479	**207 887 721**	**141 501 148**	**178 608 813**

27. Business Combination Reserve

The balance as of June 30, 2017 amounting to EGP 54 341 000, is represented in the increase in the value of the investment for the Holding Company in El Obour for Paints and Chemical Industries as a result of the General Authority for Investment and Free Zones approval to merge the Pachin for Inks Company in El Obour for Paints and Chemical Industries – Refer to Note No. (6) – as follows:-

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

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. The balance of this account amounting to 365 510 against the amount of EGP 540 875 as of the June 30, 2016.

29. Deferred Tax

The balance of this account amounting to EGP 28 572 135 is the net assets and deferred tax liabilities, 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.

Deferred tax assets have been recognized as long-term assets and recognized as there is a high probability that future taxable profits will be realized, through this the company can be used the assets, deferred tax liabilities have been recognized as long-term liabilities. Refer to Note No. (2s).

The following are the tax assets and liabilities:

	Consolidated		Pachin	
	30/6/2017	30/6/2016	30/6/2017	30/6/2016
	E`GP	EGP	EGP	EGP
Deferred tax assets				
Loaded on the income statement by applying the Employee Benefits	4 632 913	--	1 284 294	--
Total deferred tax assets	**4 632 913**	**--**	**1 284 294**	**--**
Deferred tax liabilities				
Deferred tax liability from fixed assets - opening balance	(21 218 141)	(20 437 654)	(3 164 662)	(2 816 031)
Loaded on income statement during the year - fixed assets	(1 572 762)	(780 487)	(165 803)	(348 631)
Loaded on income statement during the year - Unrealized exchange gains	(10 414 145)	--	(7 778 365)	--
Total deferred tax liabilities	(33 205 048)	(21 218 141)	(11 108 830)	(3 164 662)
Net balance as of end of the year –(Liabilities)	(28 572 135)	(21 218 141)	(9 824 536)	(3 164 662)

30. Discontinuing Operation Losses

The value of discontinuing operation losses as of June 30, 2017 amounted to EGP 271 850, represented as follows:

	Inks Factory		Coal Factory		Total	
	30/6/2017	30/6/2016	30/6/2017	30/6/2016	30/6/2017	30/6/2016
	EGP	EGP	EGP	EGP	EGP	EGP
Revenue from discontinuing operation	--	--	--	--	--	--
Less						
Discontinuing operations expenses	(271 850)	(107 546)	--	(982 682)	(271 850)	(1 090 228)
Net losses from discontinuing operations	**(271 850)**	**(107 546)**	**--**	**(982 682)**	**(271 850)**	**(1 090 228)**

31. Dividends – Pachin statement

	30/6/2017	30/6/2016
	EGP*	EGP**
Net Profits	66 580 620	58 094 010
Retained earnings	23 342 620	22 104 826
	89 923 240	**80 198 836**
Legal reserve	3 329 031	2 892 335
Dividends for shareholders	48 000 000	48 000 000
Dividends for employees	5 333 333	5 333 333
Dividends for board of directors	800 000	800 000
Capital gain	14 366 896	247 325
Transferred to retained earnings	18 093 980	22 925 843
	89 923 240	**80 198 836**

* Proposed by the Board of Directors and approved by the Ordinary General Assembly.

** accordance with the General Assembly resolution on 27 November 2016.

32. Earning per share

	Consolidated		Pachin	
	30/6/2017	30/6/2016	30/6/2017	30/6/2016
	EGP	EGP	EGP*	EGP**
Net Profits for the year	109 256 831	76 621 632	66 580 620	58 094 010
Less				
Dividends for employees	5 333 333	5 333 333	5 333 333	5 333 333
Dividends for board of directors	800 000	800 000	800 000	800 000
Dividends for shareholders	103 123 498	70 488 299	60 447 287	51 960 677
average number of shares	24 000 000	24 000 000	24 000 000	24 000 000
	4.30	**2.94**	**2.52**	**2.17**

* Proposed by the Board of Directors and approved by the Ordinary General Assembly.

** The weighted average number of shares for the current year and the comparative period of the previous year has been adjusted by the increase in the free shares approved in the general assembly held on 8 October 2015 (note 24). This amendment was applied in accordance with paragraph 64 of the Egyptian Accounting Standard No. 22 Share per share).

33. Contingent Liabilities

Pachin Libya for Paints and Chemical Industries

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

El-Obour for Paints and Chemical Industries

Contingent liabilities amount of EGP 1 023 245 as of the June 30, 2017 against the amount of EGP 3 240 611 as of the June 30, 2016 and there is no capital commitments.

34. Managing the Risks Related to Financial Instruments

Capital risk management:

The company's objectives when managing capital is to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders by save perfect percent between debt and equity.

Capital represented in net debit (credit facilities) less cash, balance on bank and equity (the issued capital, legal reserve and retained earnings).

EGP	30/6/2017	30/6/2016
Debt	58 471 555	7 209 159
Cash and bank balances	196 908 552	110 167 756
Net debt as of December 31, 2016	--	--
Equity	**635 381 557**	**575 419 985**
Net debt to equity ratio	--	--

Categories of Financial Instrument

EGP	30/6/2017	30/6/2016
Financial assets		
Cash and bank balances	196 908 552	110 167 756
Trade receivables	64 172 428	74 258 778
Other debit balances	2 695 746	5 865 611
Financial liabilities		
credit facilities	58 471 555	7 209 159
Trade payables	117 811 641	47 110 591
Other credit balances	11 300 493	11 503 009

Foreign currency risk management

Some of the Company's transactions are denominated in foreign currencies and the Company is exposed as a result to changes in currency exchange rates. The USD, euro and Libyan dinar are the major currencies in which these transactions take place.

The foreign exchange risk of the Company arises mainly from purchases raw materials by foreign currency.

The table below presents the booking values at the end of the fiscal year for the monetary assets by foreign currency (represented in receivable, treasury bills and cash and cash equivalents) and monetary liabilities at the same currency (represented in foreign suppliers and Due to related parties)

	Liabilities		Assets	
	30/6/2017 EGP	30/6/2016 EGP	30/6/2017 EGP	30/6/2016 EGP
USD	3 312 890	1 310 010	76 969 648	40 316 773
EUR	272 574	2 055 490	80 517	44 104
GBP	693 223	--	958	1 167 161
LYD	5 655 296	1 088 259	13 152 509	1 452 159

Foreign Currency Sensitivity Analysis

As discussed above, the Company is mainly exposed to the U.S. Dollar (USD), and Euro (EUR) arising from purchases of raw materials in foreign currency.

The following table details the entity's sensitivity to a 10% increase and decrease in EGP against the relevant foreign currencies. The (10%) is the sensitivity rate used when reporting foreign currency risk internally to key management and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates.

A positive number below indicates an increase in losses where the EGP strengths 10% against the relevant currency. For a 10% weakness of the EGP against the relevant currency, there would be a comparable impact on the profit or equity, and the balances below would be positive.

	LYD Impact		GBP Impact		EUR Impact		USD Impact	
	30/6/2016	30/6/2017	30/6/2016	30/6/2017	30/6/2016	30/6/2017	30/6/2016	30/6/2017
Profit or loss	36 390	749 721	116 716	22 274	201 139	19 206	3 3900 676	7 365 676

Interest rate risk management

The Company is exposed to interest rate risk because entities in the entity borrow funds at floating interest rates.

Interest rate Sensitivity Analysis

For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at the end of reporting period was outstanding for the whole year. A '100 basis point' (1%) increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 100 basis points higher / lower and all other variables were held constant, the entity's profit for the year ended June 30, 2017 would decrease / increase by EGP 584 716 (2016: decrease / increase by EGP 72 092). This is mainly attributable to the entity's exposure to interest rates on its variable rate borrowings.

Liquidity risk management

Liquidity risk is the risk that the Company will not be able to meet its obligations at due date, which will be repaid by deliver cash or other financial asset. The Company's management manages liquidity in a manner that ensures, to the extent possible, permanent possession of sufficient liquidity to meet its obligations when due in normal and extraordinary circumstances and without incurring unacceptable losses or impact on the Company's reputation.

The remaining contractual obligation for financial liability are as follows:

	Interest rate	Less than 1 month	From 1 to 3 months	From 3 months to 1 year	From year to 5 years	Total
		EGP	EGP	EGP	EGP	EGP
June 30 , 2017						
Liability without interest		--	117 811 641	--	--	117 811 641
Liability with interest	18% - 18.5%	--	--	58 471 555		58 471 555
		--	**117 811 641**	**58 471 555**		**176 283 196**
June 30 , 2016						
Liability without interest		--	47 110 591	--	--	47 110 591
Liability with interest	8.9% - 10%	--	--	7 209 158	--	7 209 158
		--	**47 110 591**	**7 209 158**	--	**54 319 749**

Credit risk management

Credit risk is the inability of customers; related parties or other parties was granted credit to pay their due. The Company examines the credit situation before granting credit, and the Company reviews the balances due to it and the loans granted to the related parties periodically.

The Company reviews this risk and the maximum credit risk is as follows:

	30/6/2017	30/6/2016
Trade receivables (accounts and notes receivables)	64 172 428	74 258 778
Other debit balance	2 695 746	5 865 611
	66 868 174	**80 124 389**

The aging of trade receivables

	30/6/2017	30/6/2016
	EGP thousand	EGP thousand
Less than 1 year	41 290	49 870
From 1 year up to 3 years	6 114	3 665
More than 3 years	8 636	7 398
	56 040	**60 933**

35. **Tax Position**

Paints and Chemicals Industries Company (Pachin)

First: Corporate Tax

- The company is subject to corporate tax according to Law No. 91 of 2005. The company submits its tax returns on its due date, and pays the due taxes.
- As for the years since inception date till 2005/2006, the Senior Taxpayers Center has settled the years till year, and the company paid the due tax.
- For the years 2006/2007 until 2010/2011, the company's books were inspected and an objection was filed and the Internal Committee is in-process.
- For the years 2012 / 2013 until 2012/2016, the tax returns were submitted on their due dates.

Second: Sales Tax

- The company was inspected until June 30, 2013. The differences were paid.

Third: Salary Tax

- The company's books were inspected and assessed until 2004.
- The years 2005 / 2010 and an objection was filed and the Internal Committee has been held and the company wait to receive the claim.

- **Fourth: Stamp Tax**

The company's books were inspected until year 2012, and taxes were assessed and paid.

El-Obour for Paints and Chemicals Industries Company

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

Corporate Tax

- The company is exempted from corporate tax from the first year of operation according to Law No. 8 of 1997 and its executive regulation concerning the investment guarantees and incentives, taking into consideration that this exemption ended on June 30, 2011.
- The Tax Authority inspected the years from the inception of activity until 2002/2003. The tax claims amounted to EGP 2 582 078. The dispute was transferred to the Appeal Committee which has issued a decision to amend the due tax to be EGP 2 039 542, and taxes were assessed and paid.
- The Tax Authority inspected the years from 2003/2004 until 2004/2005. The inspection resulted in tax claim amounting to EGP 5 593 829. The company filed an objection on this claim and raised a lawsuit.
- The years 2005/2006 were inspected, and the dispute was finalized with the Tax Authority, and the due taxes were paid.
- For the years 2006/2007 until 2007/2008, the company's books were inspected, and the dispute with the Internal Committee was finalized.
- Years 2009/2011 were inspected, and due taxes were paid.
- For the years 2012 / 2016, the tax returns were submitted on their due dates.

Sales Tax

The company's books were inspected until June 30, 2013 with total tax differences amounted to EGP 4 369 400 this amount decreased in complain committee to become EGP 1 170 225 and the company paid this amount and the issue presented to appeal committee.

Salary Tax

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

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

Stamp Tax

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

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

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

Second: - Pachin for Inks (the Acquired)

Corporate Tax

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

Salary Tax

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

Sales Tax

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

Stamp Tax

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

36. Significant events during the current year

- On September 5, 2016, the President of the Arab Republic of Egypt issued Law No. 67 of 2016 by promulgating the Value Added Tax, provided that the General Sales Tax Law No. 11 of 1991 is cancelled as well as any provision inconsistent with the provisions of this law. On March 7, 2017 the Minister of Finance issued the Ministerial Decree No. (66) For the year 2017 in relation to the Executive Regulation.
- On November 3, 2016 the Central Bank of Egypt decided in its meeting to liberalization of the exchange rate of foreign currencies to give flexibility to banks operating in Egypt for the pricing of the purchase and sale of foreign exchange within legitimate channels.
- On February 8, 2017, the Minister of Investment issued the Ministerial Decree No. (16) For the year 2017 to add annex (a) to the Egyptian Accounting Standard (13) related to the implications of the foreign currencies exchange differences. This annex aims to setting a special accounting treatment for the consequences of the exceptional economic decision of the flotation of the Egyptian Pound Exchange rates dated November 3, 2016 through allowing an additional option to paragraph "28 "of the revised Egyptian Accounting Standard (13) Foreign Currency Exchange Differences which requires the recognition of the foreign exchange difference in the statement of income for the period in which they occur, alternatively: an entity that has outstanding liabilities in foreign currencies on the date of the floatation of the exchange rates that are related to property, plant and equipment, investment property, intangible assets (other than goodwill) or mining assets that were acquired before this decision, is permitted to recognize the foreign exchange differences resulted from the translation of the related liabilities as a part of the acquisition costs of these assets as referred in paragraph "8" of the annex. Also, this treatment permits an entity to recognize foreign exchange gains or losses resulting from the translation of monetary items dominated in foreign currencies that are outstanding on the date of floatation to be recognized in "Other Comprehensive Income", net of tax, as referred in paragraph "10" of the annex. The Company's management has decided not to implement any of the options referred to above and recognize all foreign exchange differences in income statement.