

**PIL Trading Egypt (L.L.C)**

**AUDITOR'S REPORT AND  
FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED AT 31 MARCH 2019**

**Strategy Financial Advisors  
Audit, Tax and Advisory Services**

**PIL Trading Egypt (L.L.C.)**  
**Financial statement and auditor report**  
**For the year ended at 31 March 2019**

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## Auditor's Report

**To: The Quota Holders' of PIL Trading EGYPT - (L.L.C)**

### Report on the Financial Statements

We have audited the accompanying financial statements of **PIL TRADING EGYPT - (L.L.C)**, which comprise the financial position as of 31 March 2019, income statement, statement of changes in quota holders' equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory notes.

### Company's management responsibility for the financial statements

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

### Auditor's responsibility

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

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

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

## Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of 31 March 2019, financial performance and of its cash flows for the period then ended in accordance with Egyptian Accounting Standards and with the requirements of applicable Egyptian laws and regulations.

## Report on Other Legal and Regulatory Requirements

The Company keeps proper financial records, which includes all that is required by the law and the Company's statute, and the accompanying financial statements are in agreement therewith, the Company applies a proper costing system and the inventory counts were taken in accordance with recognized practices.

The financial information included in the director' report prepared in accordance with law no159 of 1981 and its executive regulations, is in agreement with the company's book of account.

  
**Amr Arafa Hassan**

Member at Egyptian society of taxation

Registered Accountants and Auditors No. 20137

**Strategy Financial Advisors**

Cairo, 26 April 2019



**PIL TRADING EGYPT**  
**(L.L.C.)**  
**Financial Position at 31 March 2019**

	<u>Note</u>	<u>31 March 2019</u> EGP	<u>31 March 2018</u> EGP
<b>Non-current Assets</b>			
Fixed Assets (Net Book Value)	(3)	3,199	28,171
<b>Total Non-current Assets</b>		<b>3,199</b>	<b>28,171</b>
<b>Current Assets</b>			
Inventory	(4)	1,967,672	2,216,217
Account receivables	(5)	1,425,860	1,856,702
Other receivables and prepayments	(6)	1,349,148	1,376,007
Cash and cash equivalents	(7)	873,484	2,161,964
<b>Total Current Assets</b>		<b>5,616,164</b>	<b>7,610,890</b>
<b>Total Assets</b>		<b>5,619,363</b>	<b>7,639,061</b>
<b>Partners' Equity</b>			
Paid-up capital	(8)	5,440,000	5,440,000
Accumulated loss		(9,725,291)	(8,762,763)
Net loss for the year		(709,869)	(962,528)
<b>Total Partners' Equity</b>		<b>(4,995,160)</b>	<b>(4,285,291)</b>
<b>Current Liabilities</b>			
Trade Payables	(9)	9,161,624	10,108,344
Other Payables	(10)	1,448,229	1,774,025
<b>Total Current Liabilities</b>		<b>10,609,853</b>	<b>11,882,369</b>
<b>Non-current Liabilities</b>			
Deferred Tax Liability		4,670	41,983
<b>Total Non-Current Liabilities</b>		<b>4,670</b>	<b>41,983</b>
<b>Total Liabilities</b>		<b>10,614,523</b>	<b>11,924,352</b>
<b>Total Partners' Equity and Liabilities</b>		<b>5,619,363</b>	<b>7,639,061</b>



The accompanying policies and the note from page (8) to (17) from an integral part of these financial statements.

Auditor's Report issued at 26 April 2019

Mohamed Mowafi  
General Manager

Abdellatif Mohamed  
Financial Controller

**PIL TRADING EGYPT**  
**(L.L.C.)**  
**Statement of Income at 31 March 2019**

	<u>Note</u>	From 1 April 2018 To 31 March 2019 EGP	From 1 April 2017 To 31 March 2018 EGP
Sales		13,029,266	9,087,258
Cost of Sales		<u>(10,129,233)</u>	<u>(6,891,249)</u>
<b>Gross (loss)/ Profit</b>		<b>2,900,033</b>	<b>2,196,009</b>
<b>Deduction:</b>			
Selling and Marketing Expenses	(11)	(3,016,032)	(2,672,592)
General and administrative expenses	(12)	(664,140)	(603,564)
Allowance for doubtful debts		(99,218)	(14,133)
Profit / (Loss) on Foreign Exchange		(41,052)	83,886
Bad Debt		119,694	62,170
Other Income		53,532	58,989
<b>Gross Expenses</b>		<b>(3,647,216)</b>	<b>(3,085,244)</b>
<b>Net loss for the year before income tax</b>		<b>(747,183)</b>	<b>(889,235)</b>
Deferred Tax		37,314	(73,293)
<b>Net loss for the year after income tax</b>		<b>(709,869)</b>	<b>(962,528)</b>

The accompanying policies and the note from page (8) to (17) from an integral part of these financial statements.



**PIL TRADING EGYPT  
(L.L.C.)**

**Statement of Other Comprehensive Income From 1 April 2018 to 31 March 2019**

	From 1 April 2018 To 31 March 2019 EGP	From 1 April 2017 To 31 March 2018 EGP
Net loss after income tax	(709,869)	(962,527)
Other comprehensive income	-	-
<b>Total comprehensive income for the year</b>	<b><u>(709,869)</u></b>	<b><u>(962,527)</u></b>



**PIL TRADING EGYPT**  
**(L.L.C.)**

**Statement for Change in Shareholders Equity for the year ended at 31 March 2019**

	<u>Paid up capital</u>	<u>Accumulated losses</u>	<u>Net Profit / (loss)</u>	<u>Total</u>
Balance at 1 April 2017	5,440,000	(3,443,785)	(5,318,978)	(3,322,763)
Transfer to the Retained Loss	-	(3,443,785)	3,443,785	-
Net Loss for the year	-	-	(962,528)	(962,528)
<b>Balance at 31 March 2018</b>	<b>5,440,000</b>	<b>(6,887,570)</b>	<b>(2,837,721)</b>	<b>(4,285,291)</b>
Transfer to retained earnings		(962,527)	962,527	-
Net loss of the year			(709,869)	(709,869)
<b>Balance at 31 March 2019</b>	<b>5,440,000</b>	<b>(7,850,097)</b>	<b>(2,585,063)</b>	<b>(4,995,160)</b>





**PIL TRADING EGYPT**  
**(L.L.C.)**  
**Statement of Cash Flows at 31 March 2019**

	From 1 April 2018 To 31 March 2019 EGP	From 1 April 2017 To 31 March 2018 EGP
<b>Cash flows from operating activities :</b>		
Net (loss) for the year before tax	(747,183)	(889,235)
Depreciation	25,721	40,536
<b>Operating (Loss) before Change in working capital</b>	<b>(721,462)</b>	<b>(848,699)</b>
Change in inventories	248,545	195,071
Change in trade receivables and prepayments	457,701	(570,921)
Change in creditors and other payable	(1,272,514)	626,494
<b>Cash flows generated from (used in) operating activities</b>	<b>(566,268)</b>	<b>250,644</b>
<b>Cash flows from Investing activities :</b>		
Payment in respect of purchasing fixed assets	(750)	(12,455)
<b>Net cash used in Investing activities</b>	<b>(750)</b>	<b>(12,455)</b>
Change in cash and cash equivalents during the year	(1,288,480)	(610,510)
Cash and cash equivalents at beginning of the year	2,161,964	2,772,474
<b>Cash and cash equivalents at end of the year</b>	<b>873,484</b>	<b>2,161,964</b>



**PIL TRADING EGYPT (L.L.C)**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE**  
**FINANCIAL YEAR ENDED 31 MARCH 2019**

**1. GENERAL**

**1-1** The Company was established as a Limited liability company, The Company was registered In the Investment Commercial Registry under no. 40376 on July 30, 2009

**1-2 The objectives of the company are:**

Trading in all types of building chemicals, paints and adhesive materials.

**2. SIGNIFICANT ACCOUNTING POLICIES**

**2-1 Basis of preparation**

The financial statements have been prepared under the going concern assumption on a historical cost basis, except for available for sale financial assets that have been measured at fair value.

**2-2 Statement of compliance**

The financial statements of the company have been prepared in accordance with the Egyptian accounting standards and the applicable laws and regulations.

The Financial Statements are authorized for issue by The Board of Directors.

**2-3 Changes in accounting policies**

The accounting policies adopted this year are consistent with those of the previous year.

**2-4 Foreign currency translation**

The financial statements are prepared and presented in Egyptian pound, which is the company's functional currency.

Transactions in foreign currencies are initially recorded using the exchange rate prevailing on the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated using the exchange rate prevailing at the balance sheet date.

**2-5 Fixed assets and depreciation**

Fixed assets are stated at historical cost net of accumulated depreciation and accumulated impairment losses. Such cost includes the cost of replacing part of the plant and equipment when that cost is incurred, if the recognition criteria are met. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in profit or loss as incurred, and this cost depreciated with similar annual premium during the producing life of each asset according to the following rates:

Furniture & Fixtures

Computer

Automobiles



**PIL TRADING EGYPT (L.L.C)**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE**  
**FINANCIAL YEAR ENDED 31 MARCH 2019**

Depreciation of an asset begins when it is in the location and condition necessary for it to be capable of operating in the manner intended by management, and is computed using the straight-line method according to the estimated useful life of the asset.

**2-6 The inventory elements are valued as follows:**

Finished products: at the lower of the cost of production (based on the costing sheets) or net realizable value.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

The amount of any write down of inventories to net realizable value and all losses of inventories shall be recognized in the statement of income in the year the write down or loss occurs according to an authorized study takes into consideration all technical and market bases to estimate any write down. The amount of any reversal of any write down of inventories, arising from an increase in net realizable value, shall be recognized in the statement of income in the year in which the reversal occurs.

**2-7 Provisions**

Provisions are recognized when the Company has a present legal or constructive obligation 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 of the amount of the obligation can be made. Provisions are reviewed at the financial position date and adjusted to reflect the current best estimate.

**2-8 Revenue recognition**

Revenue from sales is recognized when all the following conditions have been satisfied:

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



**PIL TRADING EGYPT (L.L.C)**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE**  
**FINANCIAL YEAR ENDED 31 MARCH 2019**

**2-9 Expenses**

All expenses including operating expenses, general and administrative expenses and other expenses are recognized and charged to the statement of income in the financial year in which these expenses were incurred.

**2-10 Accounting estimates**

The preparation of financial statements in accordance with Egyptian Accounting Standards requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses during the financial years. Actual results could differ from these estimates.

**2-11 Statement of cash flows**

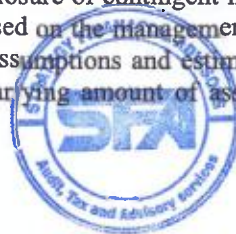
The statement of cash flows is prepared using the indirect method.

**2-12 Cash and cash equivalent**

For the purpose of preparing the cash flow statement, the cash and cash equivalent comprise cash on hand, current accounts with banks and time deposits maturing within three months less bank credit balance.

**2-13 Subsequent Event**

The preparation of financial statements in conformity with Egyptian accounting standard requires the management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities, at the end of the reporting period. Although these estimates are based on the management's best knowledge of current events and actions, uncertainty about these assumptions and estimates could result in the outcomes requiring a material adjustment to the carrying amount of assets or liabilities in future periods.



**PIL TRADING EGYPT**  
**(L.L.C.)**

**Notes to the Financial Statement at 31 March 2019**

**3- Fixed Assets**

	<u>Furniture &amp; Fixtures</u>	<u>Automobiles and Trucks</u>	<u>Computer</u>	<u>Total</u>
<b><u>Cost</u></b>				
Balance at 1 April 2018	8,952	128,000	13,344	150,296
Additional for the year	-	-	750	750
<b>Balance at 31 March 2019</b>	<b>8,952</b>	<b>128,000</b>	<b>14,094</b>	<b>151,046</b>
<b><u>Accumulated Depreciation</u></b>				
Balance at 1 April 2018	8,951	105,341	7,834	122,126
Depreciation for the year	-	22,659	3,061	25,721
<b>Balance at 31 March 2019</b>	<b>8,951</b>	<b>128,000</b>	<b>10,895</b>	<b>147,847</b>
<b>Net book value of 31 March 2019</b>	<b>1</b>	<b>1</b>	<b>3,199</b>	<b>3,199</b>
<b>Net book value of 31 March 2018</b>	<b>1</b>	<b>22,659</b>	<b>5,510</b>	<b>28,170</b>



**PIL TRADING EGYPT**  
**(L.L.C.)**

**Notes to the Financial Statement at 31 March 2019**

**4- Inventory**

	<b>31 March 2019</b>	<b>31 March 2018</b>
	<b>EGP</b>	<b>EGP</b>
Inventory	2,142,031	1,635,899
Provision for Inventories	(174,359)	(160,483)
<b>Net Inventory</b>	<b>1,967,672</b>	<b>1,475,416</b>
Finished Good in Transit	-	740,801
	<b>1,967,672</b>	<b>2,216,217</b>

**5- Trade Receivables**

	<b>31 March 2019</b>	<b>31 March 2018</b>
	<b>EGP</b>	<b>EGP</b>
<b>Trade Receivables:</b>		
Secured	-	-
Unsecured	1,545,792	2,096,328
Provision for doubtful trade receivables	(119,932)	(239,626)
<b>Total Trade Receivables</b>	<b>1,425,860</b>	<b>1,856,702</b>
<b>Trade Receivables From:</b>		
Other	1,213,388	1,453,514
Related Parties	332,404	642,814
<b>Total</b>	<b>1,545,792</b>	<b>2,096,328</b>
<b>Current</b>	<b>1,545,792</b>	<b>2,096,328</b>

**5.1 Movement in the Allowance for Doubtful Debts**

	<b>31 March 2019</b>	<b>31 March 2018</b>
	<b>EGP</b>	<b>EGP</b>
Balance at beginning of the year - April 1, 2018/2017	239,626	301,796
Impairment losses recognised in the year	-	-
On receivables originated in the year	-	-
Other receivables	-	-
Allowance for instruments modified in the year	-	-
Amounts written off during the year as uncollectible	(99,218)	(62,170)
Amounts recovered during the year	-	-
Impairment losses reversed	(20,476)	-
<b>Balance at end of the year - March 31, 2019/2018</b>	<b>119,932</b>	<b>239,626</b>

The company has written off bad debts by EGP 99,218 in 2018-2019.  
The company has written off bad debts by EGP 62,170 in 2017-2018.



**PIL TRADING EGYPT**  
**(L.L.C.)**  
**Notes to the Financial Statement at 31 March 2019**

**-6 Other Receivables and Prepayments**

	31 March 2019 EGP	31 March 2018 EGP
Loans /Advances And Security deposits	335,547	486,566
Value Added-Tax Authority	657,584	471,126
Prepaid Expense	124,088	240,450
Withholding Tax - Clients	198,478	159,414
Refundable deposits	27,000	12,000
Additional Tax	6,451	6,451
	<b>1,349,148</b>	<b>1,376,007</b>

**-7 Cash and Cash Equivalents**

	31 March 2019 EGP	31 March 2018 EGP
Bank EGP	864,285	1,945,820
Bank USD	5,826	191,692
Cash	3,373	24,452
	<b>873,484</b>	<b>2,161,964</b>

**-8 Capital**

Name of the quota-holder	No. of Quotas	Value of Quotas	Percentage of Quota
Pidilite Industries Egypt SAE	54 399	5 439 900	99.998%
Khaild EL Khatib	1	100	0.002%
	<b>1</b>	<b>5 440 000</b>	<b>100%</b>

**8.1 Subsequent event:**

According to extraordinary general assembly meeting date 1 April 11,2018 Mr.Khaled Al Khatib sold his allotment to PIL trading (Egypt) L.L.C which represents 0.002% of the total capital of PIL trading.

**8.2: Going Concern Assumption**

The entity has incurred loss of EGP (709,869) during the financial year 2018-19 and has accumulated losses of EGP (10,435,160) as at reporting date. Shareholders will continue to support the entity for carrying on its operations".

**-9 Trade Payables**

	31 March 2019 EGP	31 March 2018 EGP
Accounts Payable	1,237,893	1,330,806
Intercompany Accounts Payable	7,923,731	8,777,538
	<b>9,161,624</b>	<b>10,108,344</b>



**PIL TRADING EGYPT**  
**(L.L.C.)**

**Notes to the Financial Statement at 31 March 2019**

**-10 Other Payables**

	<u>31 March 2019</u>	<u>31 March 2018</u>
	EGP	EGP
Accrued Expenses	553,609	319,860
Accrued payroll	-	22,000
Social Insurance Authority	15,815	12,519
Withholding Tax - Suppliers	16,384	10,782
Payroll Tax Authority	5,009	4,899
Additional tax	1,097	1,097
Notes payable	856,315	1,402,867
	<u>1,448,229</u>	<u>1,774,024</u>

**-11 Selling and Marketing Expenses**

	From 1 April 2018 To 31 March 2019	From 1 April 2017 To 31 March 2018
	EGP	EGP
Staff Salary Expenses	861,710	788,788
Freight out charges	932,636	648,059
Miscellaneous expenses	54,148	373,805
Rent	334,149	195,022
Employee Welfare	205,222	169,638
Sales Promotion	247,362	216,906
Social Insurance	118,493	53,153
Repairs and Maintenance	16,826	30,137
Insurance	23,227	23,147
Printing and Stationary	6,139	9,605
Travel and Entertainment	184,604	137,118
Telephone and Fax	31,516	26,694
Logistics Expenses	-	520
	<u>3,016,032</u>	<u>2,672,592</u>

**-12 General and administrative expenses**

	From 1 April 2018 To 31 March 2019	From 1 April 2017 To 31 March 2018
	EGP	EGP
Professional Fees legal and others	104,179	93,710
Staff Salary Expenses	88,872	100,493
Social Insurance	14,365	35,276
Bank Charges	77,962	77,103
Rent	70,297	64,998
Employee Welfare	63,383	71,167
Other admin expenses	45,261	66,039
Depreciation	25,720	40,537
Repairs and Maintenance	870	1,975
Travel	2,501	22,594
Telephone and Fax	9,663	11,672
Governmental medical charges	23,177	-
External and internal audit fees	137,890	18,000
	<u>664,140</u>	<u>603,564</u>





**PIL TRADING EGYPT**  
**(L.L.C.)**  
**Notes to the Financial Statement at 31 March 2019**

12.1 <u>Audit Fees</u>	From 1 April 2018 To 31 March 2019 EGP	From 1 April 2017 To 31 March 2018 EGP
External and internal audit fees	137,890	18,000
	<b>137,890</b>	<b>18,000</b>

**-13 Deferred Tax**

	31 March 2019 EGP	31 March 2018 EGP
<b>Tax effect of items constituting Deferred Tax Liabilities</b>		
On difference between book and tax depreciation	(14,141)	(17,400)
Tax effect of items constituting Deferred Tax Liabilities	(14,141)	(17,400)
<b>Tax effect of items constituting Deferred Tax Assets</b>		
Provision for Inventory	13,876	(107,026)
Provision for Doubtful Debts	(20,476)	(62,170)
Tax effect of items constituting Deferred Tax Assets	(6,600)	(169,196)
<b>Tax rate of the year</b>	22.5%	22.5%
<b>Total Net Deferred Tax Assets/(Liability)</b>	<b>(4,667)</b>	<b>(41,984)</b>
 <b>Reconciliation between accounting and Tax Profit</b>		
Book Profit (loss) before tax	(747,183)	(889,234)
Add back	-	-
Illustrative items :	-	-
Book depreciation	25,721	40,537
Inventory provision	13,876	(107,026)
Bad debts provision	(20,476)	(62,170)
Deduct		
Illustrative items :		
Governmental medical charges	23,177	-
Tax depreciation	(11,580)	(23,136)
	<b>(716,465)</b>	<b>(1,041,029)</b>
 Adjustments recognised in the current year in relation to the current tax of prior years	-	-
<b>Tax Profit (loss) before tax</b>	<b>(716,465)</b>	<b>(1,041,029)</b>

**-15 Transactions in Foreign Currencies**

	2018-2019		2017-2018	
	USD	EGP	USD	EGP
Export Debtors	61,552	1,065,624	92,760	1,634,524
Import Creditors	(753)	(13,045)	18,252	321,623

**-16 Contingent Liabilities & Commitments**

There are no contingent liability on the company at the date of preparation of the financial statements at 31st, March 2019.

