

PIL Trading Egypt (L.L.C)

**AUDITOR'S REPORT AND
FINANCIAL STATEMENTS
FOR THE YEAR ENDED AT 31 MARCH 2020**

**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 2020

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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 2020, 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

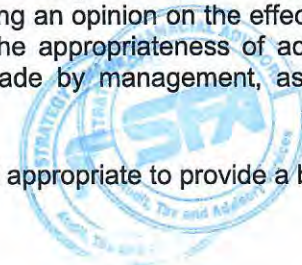
Company's management is responsible for the preparation and fair presentation of these financial statements in accordance with Egyptian Accounting Standards and with the requirements of applicable Egyptian laws and regulations. This responsibility includes: designing, implementing and maintaining internal 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.



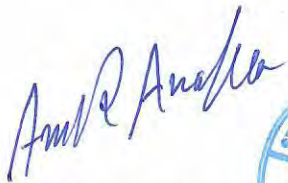
Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of 31 March 2020, 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.



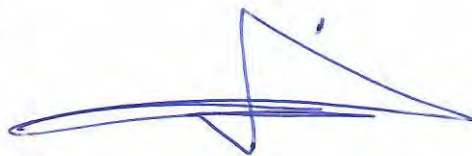
Amr Arafa Hassan

Member at Egyptian society of taxation

Registered Accountants and Auditors No. 20137

Strategy Financial Advisors

Cairo, 31 May 2020



PIL TRADING (EGYPT) L.L.C
Financial Position At 31 MARCH 2020

	Note No.	31 March 2020 EGP	31 March 2019 EGP
<u>Assets</u>			
<u>Non-current assets</u>			
Fixed Assets (Net book value)	(3)	15 726	3 199
Deferred tax	(14)	8 091	-
Total non-current assets		23 818	3 199
<u>Current assets</u>			
Inventory	(4)	3 550 010	1 967 672
Account receivables	(5)	2 478 237	1 425 860
Other receivables and prepayments	(6)	1 743 550	1 349 148
Cash and cash equivalents	(7)	1 652 421	873 484
Total current assets		9 424 217	5 616 164
Total assets		9 448 035	5 619 363
<u>Shareholders' equity</u>			
Paid up capital	(8)	5 440 000	5 440 000
Accumulated Losses		(10 435 160)	(9 725 291)
Net loss for the year		(1 069 621)	(709 869)
Total shareholders' equity		(6 064 781)	(4 995 160)
<u>Current liabilities</u>			
Trade Payables	(9)	13 986 936	9 161 624
Other Payables	(10)	1 525 879	1 448 229
Total current liabilities		15 512 816	10 609 853
<u>Non-current liabilities</u>			
Deferred tax		-	4 670
Total non-current liabilities		-	4 670
Total shareholders' equity and liabilities		9 448 035	5 619 363

The accompanying policies and the notes from page number (8) to (16) form an integral part of these financial statements

Mohamed Mowafi
General Manager

Abdellatif Mohamed
Financial Controller

Auditor's Report issued on 31 May, 2020

Amr R. Anwar



Abdellatif

PIL TRADING (EGYPT) L.L.C
INCOME STATEMENT FOR THE YEAR ENDED 31 MARCH 2020

	Note No.	From 1 April 2019 To 31 March 2020	From 1 April 2018 To 31 March 2019
		EGP	EGP
Sales		12,028,909	13,029,266
Cost of sales		(9,327,000)	(10,129,233)
<u>Gross Profit</u>		2,701,909	2,900,033
Selling & Marketing Expenses	(11)	(3,460,302)	(3,016,032)
General & Administrative Expenses	(12)	(446,259)	(664,140)
Allowance for doubtful debts		-	(99,218)
Profit / (Loss) on Foreign Exchange		(148,353)	(41,052)
Bad Debt		(17,824)	119,694
Other income		288,451	53,532
Gross Expenses		(3,784,288)	(3,647,216)
Net profit (loss) for the year before income tax		(1,082,379)	(747,183)
Deferred tax		12,758	37,314
<u>Net loss for the year</u>		(1,069,621)	(709,869)

The accompanying policies and the notes from page number (8) to (16) form an integral part of these financial statements



PIL TRADING (EGYPT) L.L.C

Other comprehensive income statement for the year ended at 31 March 2020

	From 1 April 2019 To 31 March 2020 EGP	From 1 April 2018 To 31 March 2019 EGP
Net loss after income tax	(1 069 621)	(709 869)
Other comprehensive income	-	-
Total comprehensive income for the year	<u><u>(1 069 621)</u></u>	<u><u>(709 869)</u></u>



PIL TRADING (EGYPT) L.L.C

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEAR ENDED 31 MARCH 2020

	Paid up Capital		Accumulated Losses		Net Profit/ (Loss)		Total
	EGP	EGP	EGP	EGP	EGP	EGP	
Balance at 31 March 2018	5,440,000	(6,887,570)	(2,837,721)	(4,285,291)			
Transfer to Retained losses	-	(962,527)	962,527	-			
Net loss for the year	-	-	(709,869)	(709,869)			
Balance at 31 March 2019	5,440,000	(7,850,097)	(2,585,063)	(4,995,160)			
Transfer to Retained losses	-	(2,585,063)	2,585,063	-			
Net loss for the year	-	-	(1,069,621)	(1,069,621)			
Balance at 31 March 2020	5,440,000	(10,435,160)	(1,069,621)	(6,064,781)			



The accompanying policies and the notes from page number (8) to (16) form an integral part of these financial statements

PIL TRADING (EGYPT) L.L.C**STATEMENT OF CASH FLOWS 'FOR THE YEAR ENDED 31 MARCH 2020**

	From 1 April 2019 To 31 March 2020	From 1 April 2018 To 31 March 2019
	EGP	EGP
<u>Cash flows from operating activities</u>		
Net profit (loss) for the year before tax	(1 082 379)	(747 183)
Depreciation	4 469	25 721
Operating loss before changes in working capital	(1 077 910)	(721 462)
<u>Change in working capital</u>		
Change in inventory	(1 582 338)	248 545
Change in trade receivables and prepayments	(1 446 781)	457 701
Change in creditors and other payable	4 902 963	(1 272 514)
Cash flow generating from / (used in) operating activities	1 873 844	(566 268)
<u>Cash flows from investing activities</u>		
Payment in respect of purchasing fixed assets	(16 997)	(750)
Net cash flows used in investing activities	(16 997)	(750)
Change in cash and cash equivalents during the year	778 937	(1 288 480)
Cash and cash equivalents at the beginning of the year	873 484	2 161 964
Cash and cash equivalents at the end of the year	1 652 421	873 484



PIL TRADING EGYPT (L.L.C)
NOTES TO THE FINANCIAL STATEMENTS FOR THE
YEAR ENDED 31 MARCH 2020

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.



PIL TRADING EGYPT (L.L.C)
NOTES TO THE FINANCIAL STATEMENTS FOR THE
YEAR ENDED 31 MARCH 2020

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	20 %
Computer	33 %
Automobiles	25%

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:

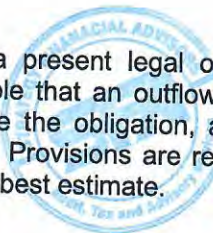
Finished products: at the lower of the cost of production (based on the costing sheets) or net realizable value.

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.



PIL TRADING EGYPT (L.L.C)
NOTES TO THE FINANCIAL STATEMENTS FOR THE
YEAR ENDED 31 MARCH 2020

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.

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.

2-13 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.



PIL TRADING (EGYPT) L.L.C
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

3. Fixed Assets

	Tools		Automobiles		Furniture & Fixtures		Computer		Total	
	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP
Cost at 1 April 2019	-	128 000	8 952	14 094	151 046					
Additions	11 400	-	-	5 597	16 997					
Balance at 31 March 2020	11 400	128 000	8 952	19 691	168 043					
Accumulated Depreciation										
Depreciation at 1 April 2019	-	128 000	8 952	10 895	147 847					
Depreciation for the year	1 900	-	-	2 569	4 469					
Balance at 31 March 2020	1 900	128 000	8 952	13 465	152 317					
Net Book Value at 31 March 2020	9 500	(0)	0	6 226	15 726					
Net book value at 31 March 2019	-	(0)	0	3 199	3 199					



PIL TRADING (EGYPT) L.L.C

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

	31 March 2020 EGP	31 March 2019 EGP
Note 4 : Inventory		
Inventory	2 881 294	2 142 031
Provision for Inventories	(183 246)	(174 359)
Net Inventory	<u>2 698 047</u>	<u>1 967 672</u>
Finished Good In transit	851 962	-
	<u>3 550 010</u>	<u>1 967 672</u>

	31 March 2020 EGP	31 March 2019 EGP
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Note 5 : Trade receivables

Account Receivables

Secured	-	-
Unsecured	2 615 993	1 545 792
Provision for doubtful account receivables	(137 756)	(119 932)
Total Receivables	<u>2 478 237</u>	<u>1 425 860</u>

Trade receivables from:

Others	2 615 993	1 213 388
Related Parties	-	332 404
Total	<u>2 615 993</u>	<u>1 545 792</u>
Current	<u>2 615 993</u>	<u>1 545 792</u>

Note 1/5: Movement in the allowance for doubtful debts

Balance at beginning of the year - April 1, 2019	119 932	239 626
a) Impairment losses recognised in the year	17 824	-
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)
Amounts recovered during the year	-	-
Impairment losses reversed	-	(20 476)
Balance at end of the year - March 31, 2020 / 2019	<u>137 756</u>	<u>119 932</u>

	31 March 2020 EGP	31 March 2019 EGP
Note 6 : Other receivables and prepayments		
Value Added-Tax Authority	986 641	657 584
Withholding Tax - Clients	236 619	198 478
Letters of Gurantees	200 000	200 000
Loans / Advances and security deposits	166 992	135 547
Prepaid Expense	114 848	124 088
Refundable deposits	32 000	27 000
Additional Tax	6 451	6 451
	<u>1 743 550</u>	<u>1 349 148</u>

PIL TRADING (EGYPT) L.L.C

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

Note 7 : Cash and cash equivalents	31 March 2020	31 March 2019
	EGP	EGP
Bank EGP	1 407 929	864 285
Cash	119 792	3 373
Bank USD	124 700	5 826
	1 652 421	873 484

Note 8 : Capital

Name of the Shareholder	No. of Shares	Value of Shares	% Shares
	EGP	EGP	EGP
Pidilite Industries Egypt SAE	54 399	5 439 900	99.998%
Khaild EL Khatib	1	100	0.002%
	54 400	5 440 000	100%

8/1: Capital structure adjustment:

According to extraordinary general assembly meeting dated April 11,2019 Mr.Khaled Al Khateb sold his allotment from PIL trading (Egypt) L.L.C (which represents 0.002% of the total capital of PIL trading) to Pidilite Middel East Limited - U.A.E

Capital after amendment :

Name of the Shareholder	No. of Shares	Value of Shares	% Shares
	EGP	EGP	EGP
Pidilite Industries Egypt SAE	54 399	5 439 900	99.998%
Pidilite Middel East Limited - U.A.E	1	100	0.002%
	54 400	5 440 000	100%

8/2: Going Concern Assumption

The entity has incurred loss of EGP (1,069,621) during the financial year 2019-2020 and has accumulated losses of EGP (11,504,781) as at reporting date. Shareholders will continue to support the entity for carrying on its operations".

Note 9 : Trade payables	31 March 2020	31 March 2019
	EGP	EGP
Account payables	999 186	1 237 893
Account Payables - Related Parties	12 987 750	7 923 731
	13 986 936	9 161 624

Note 10 :Other Payables	31 March 2020	31 March 2019
	EGP	EGP
Notes payable	906 757	856 315
Accrued Expense	558 012	553 609
Social Insurance Authority	29 146	15 815
Withholding Tax - Suppliers	20 845	16 384
Payroll Tax Authority	10 022	5 009
Additional Tax	1 097	1 097
	1 525 879	1 448 229



PIL TRADING (EGYPT) L.L.C

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

Note 11 : Selling & Marketing Expenses	From 1 April 2019 To 31 March 2020	From 1 April 2018 To 31 March 2019
	EGP	EGP
Freight out charges	1 192 363	932 636
Staff Salary Expenses	1 179 159	861 710
Rent	390 050	334 149
Travel and Entertainment	254 012	184 604
Employee Welfare	203 635	205 222
Social Insurance	146 321	118 493
Miscellaneous expenses	56 648	54 148
Logistics Expenses	43 035	-
Internet, Telephone & Fax	33 323	31 516
Insurance	25 087	23 227
Repairs and Maintenance	21 363	16 826
Printing & Stationary	15 257	6 139
Depreciation	1 900	-
Sales Promotion	(101 850)	247 362
	3 460 302	3 016 032

Note 12 : General & Administrative expenses	From 1 April 2019 To 31 March 2020	From 1 April 2018 To 31 March 2019
	EGP	EGP
Staff Salary Expenses	110 133	88 872
Professional Fees legal and others	90 044	104 179
Rent	75 218	70 297
Bank Charges	48 243	77 962
Other admin expenses	40 786	45 261
Governmental medical charges	29 999	23 177
Social Insurance	16 197	14 365
Internet, Telephone & Fax	13 320	9 663
Audit Fees	9 576	137 890
Employee Welfare	6 528	63 383
Travel	3 501	2 501
Depreciation	2 569	25 720
Repairs and Maintenance	145	870
	446 259	664 140

Note 12/1 : Audit Fees	From 1 April 2019 To 31 March 2020	From 1 April 2018 To 31 March 2019
	EGP	EGP
External and internal audit fees	9,576	137,890
	9 576	137 890



PIL TRADING (EGYPT) L.L.C
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

Note 14 : Deferred Tax	31 March 2020	31 March 2019
	EGP	EGP
Tax effect of items constituting Deferred Tax Liabilities		
On difference between book and tax depreciation	9 250	(14 141)
Tax effect of items constituting Deferred Tax Liabilities	<u>9 250</u>	<u>(14 141)</u>
Tax effect of items constituting Deferred Tax Assets		
Provision for inventory	8 887	13 876
Provision for Doubtful Debts	17 824	(20 476)
Tax effect of items constituting Deferred Tax Assets	<u>26 711</u>	<u>(6 600)</u>
Tax rate of the year	22.5%	22.5%
TOTAL NET Deferred Tax Assets/(Liability)	<u>8 091</u>	<u>(4 667)</u>
Reconciliation between accounting and Tax Profit		
	31 March 2020	31 March 2019
	EGP	EGP
Book Profit (loss) before tax	(1 082 379)	(747 183)
Add back		
Illustrative items :		
Book depreciation	4 469	25 721
Inventory provision	8 887	13 876
Bad debts provision	17 824	(20 476)
Deduct		
Illustrative items :		
Governmental medical charges	29 999	23 177
Tax depreciation	(13 719)	(11 580)
	<u>(1 034 919)</u>	<u>(716 465)</u>
Adjustments recognised in the current year in relation to the current tax of prior years	-	-
Tax Profit (loss) before tax	<u>(1 034 919)</u>	<u>(716 465)</u>

Note 15 : Transactions in Foreign Currencies	31 March 2020	31 March 2019
	EGP - USD	EGP - USD
Export Debtors	842 213 - 53 466	1 065 624 - 61 522
Import Creditors	(451 950) - (27 163)	(13 045) - (753)

Note 16 : Contingent Liabilities & Commitments

Tax position

Due to the nature of the tax assessment process in Egypt, the final outcome of the assessment by the Egyptian Tax Authority (ETA) might not be realistically estimated. Therefore, additional liabilities are contingent upon the tax inspection and assessment of the Tax Authority. Below is a summary of the tax status of the Company as of the date of the financial statements preparation

PIL TRADING (EGYPT) L.L.C

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

▪ **Corporate tax position:**

Years 2009/2019

The company has submitted tax returns on the legal due date.

The Company was not requested for corporate tax inspection purposes for this years.

▪ **Payroll tax position:**

Years 2009/2019

The Company was not requested for payroll tax inspection purposes, noting that the Company deducts the payroll tax due from its employees according to the Egyptian tax laws, and paid the tax due accordingly.

▪ **Stamp tax position:**

Years 2009/2019

The Company has not been requested for stamp tax inspection.

▪ **VAT position:**

Years 2009/2019

The Company submitted The monthly returns on The legal due date and paid The tax due accordingly. The Company was inspected for VAT tax purpose for the period from March 2011 to March 31,2015, the tax authority sent a form No.15 taxes with an issuing number of 8738 on Decamber 16,2015 and it was appeled against on Decamber 20,2015 and the file is being resolved in the internal committees.

▪ **Withholding tax position:**

Years 2009/2019

The Company submitted The returns (Form No.41) on The legal due date and paid The tax due accordingly.

The Company has not been requested for withholding tax inspection.

▪ **Social insurance position:**

The Company paid the social insurance on the legal due date.

Note 17 : Subsequent Events

On March 11, 2020, the World Health Organization announced the global pandemic coronavirus and accordingly issued its recommendations that would negatively affect global economic activity, including the Egyptian market representing a curfew and reducing the working hours, which reflected the reduction of sales and profit rates, as the Central Bank of Egypt has taken several safety measures, including on March 16, 2020, the interest rate was exceptionally reduced by 3%, and its transaction values were reduced by withdrawals and deposits. As well as issuing a decision to postpone loan payments for 6 months to companies.

All of this will be reflected in the economic performance of the Egyptian market in general, and these events did not affect the financial statements of the company on March 31, 2020, but they may affect the financial statements for future financial periods. Although it is difficult to determine the amount of this effect at the present time, this effect will appear in future financial statements, and the effect size varies according to the expected extent and time period at which the event and its impact are expected to end.

