

**Yasser Ahmed Ibrahim**  
**Certified Accountant**  
**Financial & Tax Consultancy**

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35 El-Obour Bldgs.- Salah Salem Road- Heliopolis- Cairo  
Tel : 24022440  
Fax : 24053440

**Auditor's Report**

**To: The Shareholders of PIDILITE INDUSTRIES EGYPT - (S.A.E)**

**Report on the Financial Statements**

We have audited the accompanying financial statements of **PIDILITE INDUSTRIES EGYPT - (S.A.E)** "**the Company**" which comprise the balance sheet as of 31 March 2015, income statement , statement of changes in shareholders' 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.

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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.

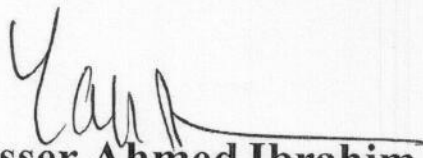
**Opinion**

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of 31 March 2015, , and Financial performance and cash flows for the year 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 Board of Directors' report , prepared in accordance with Law No. 159 of 1981 and its executive regulations , is in agreement with the Company's books of account .

  
**Yasser Ahmed Ibrahim**  
*Fellow of Egyptian society of accountants & auditors*  
*Fellow of Egyptian society of taxation*



*Cairo, 25 April 2015*

PIDILITE INDUSTRIES EGYPT  
 "AN EGYPTIAN JOINT STOCK COMPANY"  
 BALANCE SHEET  
 AS OF 31 MARCH 2015

	Note	31 March 2015	31 March 2014
	No.	L.E.	L.E.
<b>Assets</b>			
<b>Non-current assets</b>			
Property, Plant and Equipments ( Net book value )	(3)	11,750,862	13,190,501
Work under construction		338,173	46,073
<b>Total non-current assets</b>		<b>12,089,034</b>	<b>13,236,574</b>
<b>Current assets</b>			
Inventory	(4)	5,897,147	4,356,448
Debtors and other debit accounts	(5)	5,893,653	5,243,523
Investment in subsidiary company		5,439,900	5,439,900
Cash and cash equivalents	(6)	1,596,309	632,983
<b>Total current assets</b>		<b>18,827,009</b>	<b>15,672,854</b>
<b>Current liabilities</b>			
Creditors and other credit accounts	(7)	10,108,054	6,036,134
Deferred tax		552,990	703,828
<b>Total current liabilities</b>		<b>(10,661,044)</b>	<b>(6,739,962)</b>
<b>Working capital</b>		<b>8,165,965</b>	<b>8,932,892</b>
<b>Total investment</b>		<b>20,254,999</b>	<b>22,169,466</b>
<b>To be financed as follows</b>			
<b>Shareholders' equity</b>			
Paid up capital	(8)	32,140,000	23,000,000
Paid under capital increase		4,850,346	13,990,346
Retained Losses		(14,820,880)	(13,498,491)
Net loss for the Year		(1,914,467)	(1,322,389)
<b>Total shareholders' equity</b>		<b>20,254,999</b>	<b>22,169,466</b>

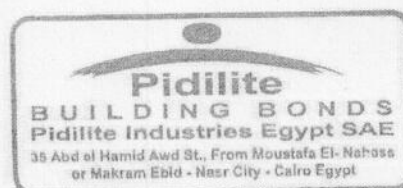
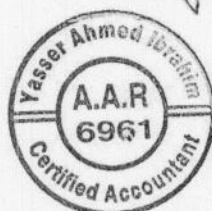
The accompanying policies and the notes from page number (7) to (13) form an integral part of these financial statements

Ahmed Zeyada  
 Accounts Manager

Mohamed Mowafi  
 General Manager

Mr. Apurva Parekh  
 Chairman

Auditor's Report issued in 25 April 2015



PIDILITE INDUSTRIES EGYPT  
 "AN EGYPTIAN JOINT STOCK COMPANY"  
 INCOME STATEMENT  
 FOR THE FINANCIAL YEAR ENDED 31 MARCH 2015

		From 1 April 2014 To 31 March 2015	From 1 April 2013 To 31 March 2014
		<u>L.E.</u>	<u>L.E.</u>
Sales		28,025,515	22,825,841.00
Cost of goods sold	(9)	(21,597,064)	(17,087,074)
Depreciation	(3)	(930,741)	(915,519)
<b>Gross Profit</b>		<b>5,497,711</b>	<b>4,823,248.00</b>
Selling, General & Administrative expenses	(10)	(5,860,383)	(5,235,746)
Depreciation	(3)	(746,030)	(746,579)
Bad debts allowance		(145,127)	(130,517)
Capital gain		20,447	-
Loss on Foreign Exchange		(837,737)	(167,724)
Other revenue		5,815	13,388.00
<b>Net loss before Deferred tax</b>		<b>(2,065,305)</b>	<b>(1,443,930)</b>
Deferred tax		150,838	121,541
<b>Net loss for the year</b>		<b>(1,914,467)</b>	<b>(1,322,389)</b>

The accompanying policies and the notes from page number (7) to (13) form an integral part of these financial statements



PIDILITE INDUSTRIES EGYPT  
 "AN EGYPTIAN JOINT STOCK COMPANY"  
 STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY  
 FOR THE FINANCIAL YEAR ENDED 31 MARCH 2015

	Paid up Capital	Paid under Capital increase	Retained losses	Total
	<u>L.E.</u>	<u>L.E.</u>	<u>L.E.</u>	<u>L.E.</u>
Balance at 31 March 2011	15,000,000	11,294,556	(8,865,682)	17,428,874
Capital Increase	8,000,000	-	-	8,000,000
Shareholder's Current account	-	(2,276,006)	-	(2,276,006)
Net loss for the year ended 31 March 2012	-	-	(2,737,924)	(2,737,924)
Balance at 31 March 2012	23,000,000	9,018,550	(11,603,606)	20,414,944
Shareholder's Current account	-	125,844	-	125,844
Net loss for the year ended 31 March 2013	-	-	(1,894,885)	(1,894,885)
Balance at 31 March 2013	23,000,000	9,144,394	(13,498,491)	18,645,903
Shareholder's Current account	-	4,845,952	-	4,845,952
Net loss for the year ended 31 March 2014	-	-	(1,322,388)	(1,322,388)
Balance at 31 March 2014	23,000,000	13,990,346	(14,820,879)	22,169,467
Capital Increase	9,140,000	-	-	9,140,000
Paid under capital increase	-	(9,140,000)	-	(9,140,000)
Net loss for the year ended 31 March 2015	-	-	(1,914,468)	(1,914,468)
Balance at 31 March 2015	32,140,000	4,850,346	(16,735,347)	20,254,999

The accompanying policies and the notes from page number (7) to (13) form an integral part of these financial statements

PIDILITE INDUSTRIES EGYPT  
AN EGYPTIAN JOINT STOCK COMPANY  
STATEMENT OF CASH FLOWS  
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2015

	From 1 April 2014 To 31 March 2015 <u>L.E.</u>	From 1 April 2013 To 31 March 2014 <u>L.E.</u>
<b><u>Cash flows from operating activities</u></b>		
Net loss for the year	(1,914,467)	(1,322,388)
<b><u>Adjustments to reconcile net loss with cash flows from operating activities</u></b>		
Depreciation	1,676,771	1,662,098
Capital gain	(20,447)	-
Deferred tax	(150,838)	(121,541)
<b>Operating (loss) profit before changes in working capital</b>	<b><u>(408,981)</u></b>	<b><u>218,169</u></b>
<b><u>Change in working capital</u></b>		
Change in inventory	(1,540,699)	(577,436)
Change in debtors and other debit accounts	(650,130)	(1,976,297)
Change in creditors and other credit accounts	4,071,920	588,976
<b>Cash flow generated / used in operating activities</b>	<b><u>1,881,092</u></b>	<b><u>(1,964,757)</u></b>
<b><u>Cash flows from investing activities</u></b>		
Payment in respect of purchasing fixed assets	(243,386)	(4,554)
Proceeds of sale of fixed assets	26,702	-
Work under construction	(292,100)	(46,073)
<b>Net cash flows used in investing activities</b>	<b><u>(508,784)</u></b>	<b><u>(50,627)</u></b>
<b><u>Cash flows from financing activities</u></b>		
Capital Increase	9,140,000	-
Bank loans	-	(2,928,798)
Paid under capital increase	(9,140,000)	4,845,952
<b>Cash flows generated from financing activities</b>	<b><u>(0)</u></b>	<b><u>1,917,154</u></b>
Change in cash and cash equivalents during the year	963,326	119,939
Cash and cash equivalents at the beginning of the year	632,983	513,044
<b>Cash and cash equivalents at the end of the year</b>	<b><u>1,596,309</u></b>	<b><u>632,983</u></b>

The accompanying policies and the notes from page number (7) to (13) form an integral part of these financial statements

## **PIDILITE INDUSTRIES EGYPT**

**(AN EGYPTIAN JOINT STOCK COMPANY)  
NOTES TO THE FINANCIAL STATEMENTS FOR THE  
FINANCIAL YEAR ENDED 31 MARCH 2015**

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### **1- General**

- 1-1** The Company was established as an joint stock company under the investment Law and by virtue of the minister of economy and foreign trade's decree No 165 of 1997 which was published in the official investment gazette, edition 436 on April 26, 1997. The Company was registered in the Investment Commercial Registry under no. 30 178 on March 13, 1997..
- 1-2** The Company Extraordinary General Assembly meeting on 13/2/2006 decide to change the name of the Company from Sadafco Foodstuff & Drinks Company to Pidilite Industries Egypt and the activity to producing and packing all kinds of resins and adhesives as well as sealants, paints, building chemicals and all related materials and the GAFI approved the changes by decision Number 411/2006 at April 2006 and registered in commercial registry at 2/5/2006.

### **1-3 The objectives of the Company are :**

Establishing and operating a factory for producing and packing all kinds of resins and adhesives as well as sealants, paints, building chemicals and all related materials.  
The Company may make other projects or amend its purpose in the light of the provisions of the investment law, also it may participate in any manner what so ever in subsidiary projects taking into consideration the provisions of law No. 59/1995 and the provisions of the investment law, provided that the Company should obtain all the licenses necessary for practicing its activity.

## **2- SIGNIFICANT ACCOUNTING POLICIES**

### **2-1 Basis of preparation**

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

### **2-2 Statement of compliance**

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

The Financial Statement 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.

## PIDILITE INDUSTRIES EGYPT

### (AN EGYPTIAN JOINT STOCK COMPANY) NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2015

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#### 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:

Machinery & Equipment	10%
Buildings-Factory	5%
Furniture	10%
Fixtures	20 %
Laboratory Equipment	10%
Computers	33%
Automobiles	25%
Office Equipment	10%
Tools & Dies	20%

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.



## **PIDILITE INDUSTRIES EGYPT**

**(AN EGYPTIAN JOINT STOCK COMPANY)**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE**  
**FINANCIAL YEAR ENDED 31 MARCH 2015**

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### **2-6 Investments in subsidiary**

The investments in subsidiary are initially recorded at cost.

### **2-7 The inventory elements are valued as follows:**

Raw materials and packing materials: at the lower of cost (using the Weight Average Method) or net realizable value.

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

Cost of production includes direct material, direct labor and allocated share of manufacturing overhead and excluding borrowing costs

Work in process: at the cost of production (of the latest completed phase based on the costing sheets).

Cost includes allocated share of direct material, direct labor and allocated share of manufacturing overhead until latest completed phase and excluding borrowing costs

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.

### **2-8 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.

### **2-9 Revenue recognition**

Revenue from sales is recognized when all the following conditions are 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.

**PIDILITE INDUSTRIES EGYPT**

**(AN EGYPTIAN JOINT STOCK COMPANY)  
NOTES TO THE FINANCIAL STATEMENTS FOR THE  
FINANCIAL YEAR ENDED 31 MARCH 2015**

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**2-10 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.

**2-11 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.

**2-12 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.

PIDILITE INDUSTRIES EGYPT  
 "AN EGYPTIAN JOINT STOCK COMPANY"  
 NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2015

3. Property and Equipment

Cost	Machinery & Equipment		Buildings-Factory		Furniture & Fixtures		Land		Laboratory Equipment		Computers Automobiles		Office Equipment		Tools		Total		
	L.E.		L.E.		L.E.		L.E.		L.E.		L.E.		L.E.		L.E.		L.E.		
Cost at 1 April 2014	9,155,204		6,817,112		2,992,300		1,147,912		265,184		141,123		230,854		66,313		14,536		20,830,538
Additions	229,508		-		1,228		-		-		8,800		-		-		3,850		243,366
Disposal	-		-		-		-		-		(5,125)		(32,258)		-		-		(37,383)
Balance at 31 March 2015	9,384,712		6,817,112		2,993,528		1,147,912		265,184		144,799		198,596		66,313		18,386		21,036,542
Accumulated Depreciation																			
Balance at 1 April 2014	4,068,114		1,662,395		1,441,903		-		115,945		138,709		174,899		28,054		10,018		7,640,037
Depreciation for the year	930,741		340,856		307,218		-		26,518		3,627		57,714		6,631		3,496		1,676,771
Depreciation for Disposal	-		-		-		-		-		(9,125)		(26,003)		-		-		(31,128)
Balance at end of the year	(4,998,855)		(2,003,251)		(1,749,121)		-		(142,463)		(137,212)		(206,610)		(34,685)		(13,484)		(9,285,680)
Net book value at 31 March 2015	4,385,857		4,813,861		1,244,407		1,147,912		122,721		7,587		(8,014)		31,628		4,902		11,750,862
Net book value at 31 March 2014	5,087,090		5,154,717		1,550,397		1,147,912		149,239		2,414		55,855		38,259		4,518		13,190,501

PIDILITE INDUSTRIES EGYPT  
(AN EGYPTIAN JOINT STOCK COMPANY)  
NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2015

**Note 4 : Inventory**

	31 March 2015	31 March 2014
	<u>L.E.</u>	<u>L.E.</u>
Raw material	4,385,667	2,363,080
Raw material in transit	242,872.00	654,636
Packing material	988,127	790,206
Finished goods	340,495	607,823
Provision for Inventory	5,957,161	4,415,745
Net Inventory	(60,015)	(59,297)
	<b>5,897,147</b>	<b>4,356,448</b>

**Note 5 : Debtors and other debit accounts**

	31 March 2015	31 March 2014
	<u>L.E.</u>	<u>L.E.</u>
Accounts Receivable	5,474,823	4,932,903
Allowance for doubtful debts	(313,197)	(198,841)
Net Accounts Receivable	5,161,626	4,734,062
Other Prepaid Expense	245,866	172,190
Withholding Taxes	366,956	276,125
Add on Tax	37,315	27,461
Advance and loans for employees	35,751	8,926
Sales Tax Authority	46,139	24,759
	<b>5,893,653</b>	<b>5,243,523</b>

**Note 6 : Cash and cash equivalents**

	31 March 2015	31 March 2014
	<u>L.E.</u>	<u>L.E.</u>
Bank - EGP	1,478,964	483,867
Bank -USD	103,901	144,787
Cash	13,444	4,329
	<b>1,596,309</b>	<b>632,983</b>

**Note 7 : Creditors and other credit accounts**

	31 March 2015	31 March 2014
	<u>L.E.</u>	<u>L.E.</u>
Accounts Payable	9,404,007	5,232,898
Notes payable	275,626	359,155
Accrued Expense	359,854	336,071
Social Insurance Authority	43,628	35,904
Payroll Tax Authority	20,631	23,284
Withholding Tax	4,309	48,822
	<b>10,108,054</b>	<b>6,036,134</b>

**Note 8 : Paid up capital**

**8.1 Issued capital**

The Company's issued and paid up capital amounts to L.E. 32,140,000 divided into 321 400 shares of par value L.E.100 each

**8.2 Paid up capital**

The paid up capital amounts to L.E.32,140,000 which represents 100% of Issued capital



PIDILITE INDUSTRIES EGYPT  
 (AN EGYPTIAN JOINT STOCK COMPANY)  
 NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2015

Note 9 : Cost of goods sold

	From 1 April 2013 To 31 March 2014	From 1 April 2012 To 31 March 2013
	<u>L.E.</u>	<u>L.E.</u>
Materials Cost	19,424,006	15,382,344
Salaries	1,306,167	1,138,537
Gas & Electricity	191,269	105,177
Consumable Materials	179,574	111,421
Repairs and Maintenance	171,953	120,159
Car Rent	158,731	149,433
Company Share of Social Security	74,331	61,517
Water Expense	32,125	3,325
Rent – Equipment	27,486	4,040
Professional Fees	19,890	8,171
Postage	8,453	1,650
Petrol & Oil	3,080	1,300
	<u>21,597,064</u>	<u>17,087,074</u>

Note 10 : Selling, General & Administrative expenses

	From 1 April 2013 To 31 March 2014	From 1 April 2012 To 31 March 2013
	<u>L.E.</u>	<u>L.E.</u>
Salaries	2,246,665	2,250,409
Sales Promotion	690,020	367,951
Freight Charges - Delivery to Customers	523,267	347,063
Interest Expense	-	329,906
Travel and Entertainment	360,745	317,592
Employee Welfare	289,000	283,383
Royalty	420,221	228,112
Export Transportation	216,207	164,716
Company Share of Social Security	168,296	156,858
Bank Service charges	64,610	152,910
Technical Service	218,108	138,472
Insurance	116,292	104,474
Telephone and Fax	77,428	75,766
Heat Light and Power	69,061	-
Security Charges	77,587	73,114
Repairs and Maintenance	61,733	54,852
Professional Fees	81,809	60,920
Internet Expenses	35,542	46,423
Postage	26,725	22,429
Audit Fees	20,000	20,000
Miscellaneous	25,087	13,662
Stationery and Office Supplies	17,106	12,364
Dues and Memberships Expense	43,974	8,114
Employee Training	10,900	6,256
	<u>5,860,383</u>	<u>5,235,746</u>