

PIL Trading Egypt (L.L.C)

**AUDITOR'S REPORT AND
FINANCIAL STATEMENTS
FOR THE PERIOD ENDED AT 31 March 2018**

Yasser Ibrahim&Co
Strategy Financial Advisors
Certified Accountants & Consultants

PIL Trading Egypt (L.L.C.)
Financial statement and auditor report
For the year ended at 31 March 2018

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Auditor's Report
Independent Auditor's Report to the Management of PIL Trading EGYPT

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 2018, 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 2018, 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 of Egyptian society of taxation
Registered Accountants and Auditor No. 20137



Yasser Ibrahim & Co
Strategy Financial Advisors

Cairo, 30 April, 2018

PIL TRADING (EGYPT) L.L.C
Financial Position
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

| | Note | 31 March 2018 | 31 March 2017 |
|---|------------|--------------------|--------------------|
| <u>Non-current Assets</u> | | | |
| | No. | EGP | EGP |
| Fixed Assets (Net book value) | (3) | 28 171 | 56 252 |
| Deferred Tax Asset | | - | 31 309 |
| Total Non-Current Assets | | 28 171 | 87 561 |
| <u>Current Assets</u> | | | |
| Inventory | (4) | 2 216 217 | 2 411 288 |
| Account Receivables | (5) | 1 856 702 | 1 262 135 |
| Other receivables and prepayments | (6) | 1 376 006 | 1 399 652 |
| Cash and cash equivalents | (7) | 2 161 965 | 2 772 474 |
| Total Current Assets | | 7 610 890 | 7 845 548 |
| Total Assets | | 7 639 061 | 7 933 109 |
| <u>Partners' Equity</u> | | | |
| Paid up capital | (8) | 5 440 000 | 5 440 000 |
| Retained losses | | (8 762 763) | (5 318 978) |
| Net loss for the year | | (962 527) | (3 443 785) |
| Total Partners' Equity | | (4 285 290) | (3 322 763) |
| <u>Current Liabilities</u> | | | |
| Trade Payables | (9) | 10 108 344 | 10 189 967 |
| Other Payables | (10) | 1 774 023 | 1 065 906 |
| Total Current Liabilities | | 11 882 367 | 11 255 873 |
| <u>Non-current Liabilities</u> | | | |
| Deferred Tax Liability | | 41 984 | - |
| Total Non-current Liabilities | | 41 984 | - |
| Total liabilities | | 11 924 351 | 11 255 873 |
| Total Partners' Equity and Liabilities | | 7 639 061 | 7 933 110 |

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

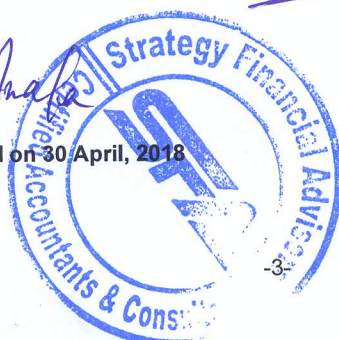
Abdellatif Mohamed
 Financial Controller

Abdellatif

Mohamed Mowafi
 General Manager

Mohamed Mowafi

Auditor's Report issued on 30 April, 2018



PIL TRADING (EGYPT) L.L.C
INCOME STATEMENT
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

| | <u>Note</u> | From 1 April 2017 To 31 March 2018 | From 1 April 2016 To 31 March 2017 |
|--|-------------|---|---|
| | <u>No.</u> | EGP | EGP |
| Sales | | 9,087,258 | 10,455,437 |
| Cost of Sales | | (6,891,249) | (7,500,978) |
| <u>Gross Profit</u> | | <u>2,196,010</u> | <u>2,954,459</u> |
| Selling & Marketing Expenses | (11) | (2,672,592) | (1,389,669) |
| General & Administrative Expenses | (12) | (603,564) | (378,454) |
| Allowance for doubtful debts | | (14,133) | (66,427) |
| Profit / (Loss) on Foreign Exchange | | 83,886 | (4,540,137) |
| Bad Debt | | 62,170 | (58,703) |
| Other income | | 58,989 | - |
| <u>Net Loss for the year before tax</u> | | <u>(889,234)</u> | <u>(3,478,931)</u> |
| Deferred Tax | | (73,293) | 35,146 |
| <u>Net Loss for the year after tax</u> | | <u>(962,527)</u> | <u>(3,443,785)</u> |

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

PIL TRADING (EGYPT) L.L.C
OTHER COMPREHENSIVE INCOME STATEMENT
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

| | From 1 April 2017 To 31 March 2018 EGP | From 1 April 2016 To 31 March 2017 EGP |
|--|---|---|
| Net loss after income tax | (962 527) | (3 443 785) |
| Other comprehensive Income | - | - |
| Total comprehensive Income for the year | <u>(962 527)</u> | <u>(3 443 785)</u> |

PIL TRADING (EGYPT) L.L.C
STATEMENT OF CHANGES IN QUOTA HOLDERS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

| | Paid up Capital | | Net (loss) | | Retained losses | | Total | |
|---------------------------------|------------------|--|--------------------|--|--------------------|--|--------------------|--|
| | EGP | | EGP | | EGP | | EGP | |
| Balance at 31 March 2016 | 5,440,000 | | (406,461) | | (4,912,517) | | 121,022 | |
| Transfer to Retained Loss | - | | 406,461 | | (406,461) | | (0) | |
| Net Loss for the year | - | | (3,443,785) | | - | | (3,443,785) | |
| Balance at 31 March 2017 | 5,440,000 | | (3,443,785) | | (5,318,978) | | (3,322,763) | |
| Transfer to Retained Loss | - | | 3,443,785 | | (3,443,785) | | - | |
| Net loss for the year | - | | (962,527) | | | | (962,527) | |
| Balance at 31 March 2018 | 5,440,000 | | (962,527) | | (8,762,763) | | (4,285,291) | |

PIL TRADING (EGYPT) L.L.C
STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

| | From 1 April 2017 To 31 March 2018 EGP | From 1 April 2016 To 31 March 2017 EGP |
|---|---|---|
| <u>Cash flows from operating activities</u> | | |
| Net (loss) for the year before Tax | (889,234) | (3,478,931) |
| Depreciation | 40,536 | 34,588 |
| Operating (loss) before changes in working capital | (848,698) | (3,444,343) |
| <u>Change in working capital</u> | | |
| Change in inventories | 195,071 | 228,848 |
| Change in trade receivables and prepayments | (570,921) | (756,324) |
| Change in creditors and other payable | 626,494 | 5,666,498 |
| Cash flows generated from (used in) operating activities | 250,645 | 5,139,022 |
| <u>Cash flows from investing activities</u> | | |
| Payment in respect of purchasing fixed assets | (12,455) | - |
| Net cash flows used in investing activities | (12,455) | - |
| Change in cash and cash equivalents during the year | (610,508) | 1,694,679 |
| Cash and cash equivalents at the beginning of the year | 2,772,474 | 1,077,795 |
| Cash and cash equivalents at the end of the year | 2,161,965 | 2,772,474 |

PIL TRADING EGYPT (L.L.C)

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

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 | 20 % |
| Computer | 33 % |
| Automobiles | 25% |

PIL TRADING EGYPT (L.L.C)
NOTES TO THE FINANCIAL STATEMENTS FOR THE
FINANCIAL YEAR ENDED 31 MARCH 2018

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 2018

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 STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

3. Fixed Assets

| | Furniture & Fixtures L.E. | Automobiles and Trucks L.E. | Computer L.E. | Total L.E. |
|--|---------------------------------|-----------------------------------|------------------|----------------|
| Cost at 1 April 2017 | 5,193 | 128,000 | 4,648 | 137,841 |
| Additions for the year | 3,759 | - | 8,696 | 12,455 |
| Balance at 31 March 2018 | 8,952 | 128,000 | 13,344 | 150,296 |
| <u>Accumulated Depreciation</u> | | | | |
| Depreciation at 1 April 2017 | 4,859 | 73,337 | 3,393 | 81,589 |
| Depreciation for the Year | 4,092 | 32,000 | 4,444 | 40,536 |
| Balance at 31 March 2018 | 8,951 | 105,337 | 7,837 | 122,125 |
| Net book value at 31 March 2018 | 1 | 22,663 | 5,507 | 28,171 |
| Net book value at 31 March 2017 | 334 | 54,663 | 1,255 | 56,252 |

PIL TRADING (EGYPT) L.L.C
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

| | 31 March 2018 EGP | 31 March 2017 EGP |
|---------------------------|----------------------|----------------------|
| Note 4 : Inventory | | |
| Inventory | 1 635 899 | 2 005 406 |
| Provision for Inventories | (160 483) | (267 509) |
| Net Inventory | 1 475 416 | 1 737 897 |
| Finished Good In transit | 740 801 | 673 391 |
| | 2 216 217 | 2 411 288 |

Note 5 : Trade receivables

| | 31 March 2018 EGP | 31 March 2017 EGP |
|--|----------------------|----------------------|
| Trade Receivables | | |
| Secured | - | - |
| Unsecured | 2 096 328 | 1 563 931 |
| Provision for doubtful trade receivables | (239 626) | (301 796) |
| Total trade receivables | 1 856 702 | 1 262 135 |
| Trade receivables from: | | |
| Others | 1 453 514 | 1 563 931 |
| Related Parties | 642 814 | - |
| Total | 2 096 328 | 1 563 931 |
| Current | 2 096 328 | 1 563 931 |

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

| | | |
|--|----------------|----------------|
| Balance at beginning of the year - April 1, 2017/2016 | 301 796 | 243 093 |
| a) Impairment losses recognised in the year | - | - |
| On receivables originated in the year | - | 125 130 |
| Other receivables | - | - |
| Allowance for instruments modified in the year | - | - |
| Amounts written off during the year as uncollectible | (62 170) | (66 427) |
| Amounts recovered during the year | - | - |
| Impairment losses reversed | - | - |
| Balance at end of the year - March 31, 2018 / 2017 | 239 626 | 301 796 |

The company has written off bad debts by EGP 62170 in 2017-2018.

The company has written off bad debts by EGP 66,427 in 2016-2017.

PIL TRADING (EGYPT) L.L.C
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

| | 31 March 2018 | 31 March 2017 |
|--|------------------|------------------|
| | EGP | EGP |
| Note 6: Other Receivables and Prepayments | | |
| Loans /Advances And Security deposits | 486 566 | 882 617 |
| Value Added-Tax Authority | 471 126 | 168 516 |
| Prepaid Expense | 240 450 | 196 031 |
| Withholding Tax - Clients | 159 414 | 146 037 |
| Refundable deposits | 12 000 | - |
| Additional Tax | 6 451 | 6 451 |
| | 1 376 006 | 1 399 652 |

| | 31 March 2018 | 31 March 2017 |
|---|------------------|------------------|
| | EGP | EGP |
| Note 7 : Cash and cash equivalents | | |
| Bank EGP | 1,945,820 | 2,650,228 |
| Bank USD | 191,692 | 89,546 |
| Cash | 24,452 | 32,699 |
| | 2,161,965 | 2,772,474 |

Note 8 : Capital

| Name of the quota-holder | No of quotas EGP | Value of quotas EGP | % quota 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% |

| | 31 March 2018 | 31 March 2017 |
|--------------------------------|-------------------|-------------------|
| | EGP | EGP |
| Note 9 : Trade payables | | |
| Accounts Payable | 1 330 806 | 5 461 622 |
| Intercomany Accounts Payable | 8 777 538 | 4 728 345 |
| | 10 108 344 | 10 189 967 |

PIL TRADING (EGYPT) L.L.C
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

| | 31 March 2018 | 31 March 2017 |
|---------------------------------|------------------|------------------|
| | EGP | EGP |
| Note 10 : Other payables | | |
| Accrued Expenses | 319 860 | 258 407 |
| Accrued payroll | 22 000 | 1 814 |
| Social Insurance Authority | 12 519 | 7 864 |
| Withholding Tax - Suppliers | 10 782 | 6 880 |
| Payroll Tax Authority | 4 899 | 5 786 |
| Additional Tax | 1 097 | 1 097 |
| Notes payable | 1,402,867 | 784,057 |
| | 1 774 023 | 1 065 906 |

| | From 1 April 2017 To 31 March 2018 | From 1 April 2016 To 31 March 2017 |
|---|---|---|
| | EGP | EGP |
| Note 11 : Selling & Marketing Expenses | | |
| Staff Salary Expenses | 788 788 | 612 259 |
| Freight out charges | 648 059 | 245 867 |
| Miscellaneous expenses | 373 805 | 7 478 |
| Rent | 195 022 | 98 130 |
| Employee Welfare | 169 638 | 76 995 |
| Sales Promotion | 216 906 | 177 275 |
| Social Insurance | 53 153 | - |
| Repairs and Maintenance | 30 137 | 12 010 |
| Insurance | 23 147 | 17 835 |
| Printing & Stationary | 9 605 | 4 712 |
| Travel and Entertainment | 137 118 | 103 574 |
| Telephone and Fax | 26 694 | 19 289 |
| Logistics Expenses | 520 | 14 245 |
| | 2 672 592 | 1 389 669 |

| | From 1 April 2017 To EGP | From 1 April 2016 To EGP |
|--|-----------------------------------|-----------------------------------|
| Note 12 : General & administrative expenses | | |
| Professional Fees legal and others | 93 710 | 75 499 |
| Staff Salary Expenses | 100 493 | 41 588 |
| Social Insurance | 35 276 | 69 411 |
| Bank Charges | 77 103 | 38 386 |
| Rent | 64 998 | 62 100 |
| Employee Welfare | 71 167 | 10 111 |
| Other admin expenses | 66 039 | 7 568 |
| Depreciation | 40 537 | 34 588 |
| Repairs and Maintenance | 1 975 | 3 053 |
| Travel | 22 594 | 14 526 |
| Telephone and Fax | 11 672 | 4 492 |
| Insurance | - | 2 383 |
| Audit Fees | 18 000 | 14 750 |
| | 603 564 | 378 454 |

| | From 1 April 2017 To 31 March 2018 EGP | From 1 April 2016 To 31 March 2017 EGP |
|-------------------------------|--|--|
| Note 12-1 : Audit Fees | | |
| Audit Fees | 18 000 | 14 750 |
| | 18 000 | 14 750 |

Note 14 : Deferred Tax

Tax effect of items constituting Deferred Tax Liabilities

| | 31 March 2018 EGP | 31 March 2017 EGP |
|---|----------------------|----------------------|
| On difference between book and tax depreciation | (17 400) | (2 251) |
| Tax effect of items constituting Deferred Tax Liabilities | (17 400) | (2 251) |

Tax effect of items constituting Deferred Tax Assets

| | 31 March 2018 EGP | 31 March 2017 EGP |
|--|----------------------|----------------------|
| Provision for inventory | (107 026) | 16 273 |
| Provision for Doubtful Debts | (62 170) | 125 130 |
| Tax effect of items constituting Deferred Tax Assets | (169 196) | 141 403 |
| Tax rate of the year | 22.5% | 22.5% |
| TOTAL NET Deferred Tax Assets/(Liability) | (41 984) | 31 309 |

| | From 1 April 2017 To 31 March 2018 EGP | From 1 April 2016 To 31 March 2017 EGP |
|--|--|--|
| Reconciliation between accounting and Tax Profit | | |
| Book Profit (loss) before tax | (889 234) | (3 478 931) |
| Add back | - | - |
| Illustrative items : | | |
| Book depreciation | 40 537 | 34 588 |
| Inventory provision | (107 026) | 125 130 |
| Bad debts provision | (62 170) | 16 273 |
| Deduct | | |
| Illustrative items : | | |
| Tax depreciation | (23 136) | (18 000) |
| | (1 083 013) | (3 289 631) |
| Adjustments recognised in the current year in relation to the current tax of prior years | - | - |
| Tax Profit (loss) before tax | (1,083,013) | (3,289,631) |

Note 15 : Transactions in Foreign Currencies

| | 2017-2018 | | 2016-2017 | |
|------------------|-----------|-----------|------------|--------------|
| | USD | Local | USD | Local |
| Export Debtors | 92 760 | 1 634 524 | 17 922 | 323 504 |
| Import Creditors | 18 252 | 321 623 | (453 451) | (8 185 108) |

Note 16 : Contingent Liabilities & Commitments

There are no contingent liability on the company at the date of preparation of the financial statements at 31st, March 2018.