

PIDILITE INDUSTRIES EGYPT (S.A.E)

**AUDITOR'S REPORT AND
FINANCIAL STATEMENTS
FOR THE YEAR ENDED AT 31 March 2021**

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

Pidilite Industries Egypt (S.A.E)
Financial statements and auditor's report
For the year ended 31 March 2021

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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 2021, income statement, other comprehensive income, 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.

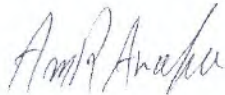
Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of 31 March 2021, 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 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, 2 May 2021



PIDILITE INDUSTRIES EGYPT S.A.E
Financial Position At 31 MARCH 2021

| | <u>Note</u> <u>No.</u> | 31 March 2021 EGP | 31 March 2020 EGP |
|---|---------------------------|----------------------|----------------------|
| Assets | | | |
| Non-current assets | | | |
| Property, Plant and Equipments (Net book value) | (3) | 7 729 792 | 8 092 079 |
| Deferred tax | (14) | - | 156 967 |
| Total non-current assets | | 7 729 792 | 8 249 046 |
| Current assets | | | |
| Inventory | (4) | 15 404 017 | 17 205 674 |
| Account Receivables | (5) | 31 584 714 | 31 844 960 |
| Other Receivables | (6) | 3 585 597 | 2 951 500 |
| Investment in Subsidiary Companies | | 5 439 900 | 5 439 900 |
| Cash and cash equivalents | (7) | 13 422 869 | 37 761 891 |
| Total current assets | | 69 437 097 | 95 203 925 |
| Total assets | | 77 166 889 | 103 452 971 |
| Shareholders' equity | | | |
| Paid up capital | (8) | 36 980 000 | 36 980 000 |
| Paid under capital increase | | 60 828 801 | 60 489 247 |
| Retained Losses | | (36 893 681) | (35 946 957) |
| Net loss for the Year | | (1 622 919) | (946 726) |
| Total shareholders' equity | | 59 292 201 | 60 575 565 |
| Current liabilities | | | |
| Account Payables | (9) | 12 912 747 | 27 998 565 |
| Short - term loan | | - | 11 023 320 |
| Other Payables | (10) | 4 701 802 | 3 855 521 |
| Total current liabilities | | 17 614 549 | 42 877 406 |
| Non-current liabilities | | | |
| Deferred tax | | 260 139 | - |
| Total non-current liabilities | | 260 139 | - |
| Total shareholders' equity And Liabilities | | 77 166 889 | 103 452 971 |

The accompanying policies and the notes from page number (8) to (18) form an integral part of these financial statements

Mohamed Mowafi
General Manager

Abdellatif Mohamed
Financial Controller

Auditor's Report issued on 2nd May, 2021



PIDILITE INDUSTRIES EGYPT S.A.E
INCOME STATEMENT FOR THE FINANCIAL YEAR ENDED 31 MARCH 2021

| | | From 1 April 2020 To 31 March 2021 | From 1 April 2019 To 31 March 2020 |
|--|------|---|---|
| | | EGP | EGP |
| Sales | | 72,605,940 | 74,409,522 |
| Cost of goods sold | (11) | (54,713,942) | (60,423,709) |
| Depreciation | (3) | (1,772,181) | (1,657,096) |
| Gross Profit | | 16,119,817 | 12,328,718 |
| Selling, General & Administrative expenses | (12) | (17,668,799) | (14,824,507) |
| Depreciation | (3) | (121,155) | (76,974) |
| Bad debts allowance | | 584,496 | (562,847) |
| Bad debts write off | | (63,196) | - |
| Loss on Foreign Exchange | | (41,362) | 2,125,881 |
| Other gains (losses) | | 114,561 | 180,764 |
| Net profit (loss) for the year before interest and income tax | | (1,075,638) | (828,965) |
| Interest | | (130,175) | (432,432) |
| Net profit (loss) for the year before income tax | | (1,205,813) | (1,261,397) |
| Deferred tax | | (417,105) | 314,671 |
| Net loss for the year | | (1,622,919) | (946,726) |

The accompanying policies and the notes from page number (8) to (18) form an integral part of these financial statements

PIDILITE INDUSTRIES EGYPT S.A.E

Other comprehensive income statement for the year ended at 31 March 2021

| | From 1 April 2020 To 31 March 2021 EGP | From 1 April 2019 To 31 March 2020 EGP |
|--|---|---|
| Net loss after income tax | (1 622 919) | (946 726) |
| Other comprehensive Income | - | - |
| Total comprehensive Income for the year | <u>(1 622 919)</u> | <u>(946 726)</u> |

PIDILITE INDUSTRIES EGYPT S.A.E

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEAR ENDED 31 MARCH 2021

| | Paid up Capital EGP | Paid under Capital increase EGP | Net (Loss) EGP | Retained losses EGP | Total EGP |
|---------------------------------|---------------------------|---------------------------------------|----------------------|---------------------------|--------------|
| Balance at 31 March 2019 | 36,980,000 | 27,751,020 | (5,831,398) | (30,115,559) | 28,784,063 |
| Transfer to Retained losses | - | - | 5,831,398 | (5,831,398) | - |
| Paid under capital increase | - | 32,738,227 | - | - | 32,738,227 |
| Net loss for the year | - | - | (946,726) | - | - |
| Balance at 31 March 2020 | 36,980,000 | 60,489,247 | (946,726) | (35,946,957) | 60,575,565 |
| Transfer to Retained losses | - | - | 946,726 | (946,726) | - |
| Paid under capital increase | - | 339,553 | - | - | 339,553 |
| Net loss for the year | - | - | (1,622,919) | - | (1,622,919) |
| Balance at 31 March 2021 | 36,980,000 | 60,828,801 | (1,622,919) | (36,893,683) | 59,292,199 |

The accompanying policies and the notes from page number (8) to (18) form an integral part of these financial statements

PIDILITE INDUSTRIES EGYPT S.A.E
STATEMENT OF CASH FLOWS 'FOR THE YEAR ENDED 31 MARCH 2021

| | From 1 April 2020 To 31 March 2021 | From 1 April 2019 To 31 March 2020 |
|---|---|---|
| | EGP | EGP |
| <u>Cash flows from operating activities</u> | | |
| Net loss for the year before tax | (1 205 813) | (1 261 397) |
| <u>Adjustments to reconcile net loss with cash flows from operating activities</u> | | |
| Depreciation | 1 893 336 | 1 734 069 |
| Operating profit before changes in working capital | 687 523 | 472 673 |
| <u>Change in working capital</u> | | |
| Change in inventory | 1 801 657 | 1 649 287 |
| Change in Account Receivables | 260 246 | (11 516 849) |
| Change in Other Receivables | (634 097) | (458 117) |
| Change in Account Payables | (15 085 819) | 14 850 682 |
| Change in Other Payables | 846 282 | 1 241 307 |
| Cash flow (used in)/ generated from operating activities | (12 811 730) | 5 766 309 |
| <u>Cash flows from investing activities</u> | | |
| Payment in respect of purchasing fixed assets | (1 531 048) | (1 908 185) |
| Cash flows used in investing activities | (1 531 048) | (1 908 185) |
| <u>Cash flows from financing activities</u> | | |
| Loan | (11 023 320) | (1 095 570) |
| Paid under capital increase | 339 553 | 32 738 227 |
| Cash flows (used in) / generated from financing activities | (10 683 767) | 31 642 657 |
| Change in cash and cash equivalents during the year | (24 339 022) | 35 973 454 |
| Cash and cash equivalents at the beginning of the year | 37 761 891 | 1 788 436 |
| Cash and cash equivalents at the end of the year | 13 422 869 | 37 761 891 |

PIDILITE INDUSTRIES EGYPT S.A.E
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021

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 Sadafoo 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 registrar 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 polices

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 S.A.E
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021

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 & Dyes | 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 S.A.E
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021

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 S.A.E
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021

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 S.A.E
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

3. Property Plant and Equipments

| | Machinery & Equipment | | Buildings-Factory | | Furniture & Fixtures | | Land | | Laboratory Equipment | | Computers | | Automobiles | | Office Equipment | | Tools | | Total | |
|--|-----------------------|------------------|-------------------|------------------|----------------------|----------------|----------------|----------------|----------------------|-------------------|-----------|-----|-------------|-----|------------------|-----|-------|-----|-------|-----|
| | EGP | EGP | EGP | EGP | EGP | EGP | EGP | EGP | EGP | EGP | EGP | EGP | EGP | EGP | EGP | EGP | EGP | EGP | EGP | EGP |
| Cost at 1 April 2020 | 12 586 085 | 6 856 479 | 4 284 313 | 1 147 912 | 297 084 | 245 887 | 333 596 | 137 812 | 362 971 | 26 252 140 | | | | | | | | | | |
| Additions | 1 045 139 | 210 807 | - | - | 25 779 | - | - | 50 323 | 199 000 | 1 531 048 | | | | | | | | | | |
| Balance at 31 March 2021 | 13 631 224 | 6 856 479 | 4 495 120 | 1 147 912 | 297 084 | 271 666 | 333 596 | 188 135 | 561 971 | 27 783 189 | | | | | | | | | | |
| Accumulated Depreciation | | | | | | | | | | | | | | | | | | | | |
| Balance at 1 April 2020 | 10 371 658 | 3 715 993 | 3 072 587 | - | 276 256 | 216 997 | 333 596 | 98 499 | 74 475 | 18 160 061 | | | | | | | | | | |
| Depreciation for the year | 1 270 653 | 342 824 | 125 099 | - | 20 827 | 39 264 | - | 15 427 | 79 241 | 1 893 336 | | | | | | | | | | |
| Balance at end of the year | 11 642 311 | 4 058 817 | 3 197 685 | - | 297 084 | 256 261 | 333 596 | 113 926 | 153 716 | 20 053 397 | | | | | | | | | | |
| net Book Value at 31 March 2021 | 1 988 913 | 2 797 662 | 1 297 435 | 1 147 912 | 1 | 15 404 | - | 74 209 | 408 255 | 7 729 792 | | | | | | | | | | |
| Net book value at 31 March 2020 | 2 214 427 | 3 140 486 | 1 211 727 | 1 147 912 | 20 828 | 28 889 | - | 39 314 | 288 497 | 8 092 079 | | | | | | | | | | |

PIDILITE INDUSTRIES EGYPT S.A.E

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

| | 31 March 2021 EGP | 31 March 2020 EGP |
|---------------------------|----------------------|----------------------|
| Note 4 : Inventory | | |
| Raw material | 5 982 941 | 10 059 731 |
| Packing material | 4 332 878 | 2 962 320 |
| Finished goods | 2 388 630 | 2 772 764 |
| Raw material in transit | 2 704 251 | 1 704 817 |
| | 15 408 700 | 17 499 633 |
| Provision for Inventory | (4 683) | (293 958) |
| Net Inventory | 15 404 017 | 17 205 674 |

Note 1/4 : Provision for Inventory

| | | |
|--------------------------------|--------------|----------------|
| Provision for Raw Material | - | 116 877 |
| Provision for Packing material | 4 683 | 4 683 |
| Provision for Finished Goods | - | 172 398 |
| | 4 683 | 293 958 |

| | 31 March 2021 EGP | 31 March 2020 EGP |
|--|----------------------|----------------------|
|--|----------------------|----------------------|

Note 5 : Account receivables

Account Receivables

| | | |
|--|-------------------|-------------------|
| Secured | - | - |
| Unsecured | 32 587 045 | 33 431 786 |
| Provision for doubtful Account receivables | (1 002 331) | (1 586 826) |
| Total Receivables | 31 584 714 | 31 844 960 |

Trade receivables from:

| | | |
|-----------------|-------------------|-------------------|
| Others | 18 715 950 | 20 895 976 |
| Related Parties | 13 871 095 | 12 535 810 |
| Total | 32 587 045 | 33 431 786 |
| Current | 32 587 045 | 33 431 786 |

Movement in the allowance for doubtful debts

| | | |
|---|------------------|------------------|
| Balance at beginning of the year - April 1, 2020 | 1 586 826 | 1 023 980 |
| a) Impairment losses recognised in the year based on ECL | | |
| On receivables originated in the year | (521 299) | 562 846 |
| Amounts written off during the year as uncollectible | (63 196) | - |
| Balance at end of the year - March 31, 2021 / 2020 | 1 002 331 | 1 586 826 |

PIDILITE INDUSTRIES EGYPT S.A.E

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

| | 31 March 2021 | 31 March 2020 |
|-----------------------------------|------------------|------------------|
| | EGP | EGP |
| Note 6 : Other Receivables | | |
| Withholding Taxes | 1 890 196 | 1 558 652 |
| Other Prepaid Expense | 678 008 | 915 767 |
| Mis. Receivables | 408 240 | 223 296 |
| Value Added Tax Authority | 270 185 | - |
| Advances and loans for employees | 185 653 | 156 469 |
| Rent Deposit | 116 000 | 60 000 |
| Additional Tax | 37 315 | 37 315 |
| | 3 585 597 | 2 951 500 |

| | 31 March 2021 | 31 March 2020 |
|---|-------------------|-------------------|
| | EGP | EGP |
| Note 7 : Cash and cash equivalents | | |
| Deposits | 9 000 000 | - |
| Bank EGP | 3 423 211 | 4 341 194 |
| Bank -USD | 886 016 | 33 247 853 |
| Cash | 109 280 | 169 734 |
| Bank EURO | 4 224 | 2 636 |
| Bank AED | 139 | 474 |
| | 13 422 869 | 37 761 891 |

Note 8 : Paid up capital

Note 1/8 : Issued capital

The Company's issued and paid up capital amounts to EGP 36,980,000 divided into 369800 shares of par value L.E.100 each

Note 2/8 : Paid up capital

The paid up capital amounts to EGP 36,980,000 which represents 100% of Issued capital

| | 31 March 2021 | 31 March 2020 |
|------------------------------------|-------------------|-------------------|
| | EGP | EGP |
| Note 9 : Account payables | | |
| Account payables | 6 824 119 | 3 595 727 |
| Account Payables - Related Parties | 6 088 627 | 24 402 838 |
| | 12 912 747 | 27 998 565 |

| | 31 March 2021 | 31 March 2020 |
|--------------------------------|------------------|------------------|
| | EGP | EGP |
| Note 10 :Other Payables | | |
| Accrued Expense | 2 772 009 | 2 152 987 |
| Notes payable | 1 697 000 | 1 454 695 |
| Payroll Tax Authority | 84 938 | 86 518 |
| Withholding Tax | 73 360 | 50 878 |
| Social Insurance Authority | 64 495 | 38 104 |
| Advances from Customers | 10 000 | 10 000 |
| Value Added Tax Authority | - | 62 339 |
| | 4 701 802 | 3 855 521 |

PIDILITE INDUSTRIES EGYPT S.A.E**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021**

| | From 1 April 2020 To 31 March 2021 EGP | From 1 April 2019 To 31 March 2020 EGP |
|-------------------------------------|--|--|
| Note 11 : Cost of goods sold | | |
| Materials Cost | 47 766 429 | 53 658 837 |
| Salaries | 3 656 418 | 2 982 333 |
| Gas & Electricity | 745 512 | 759 614 |
| Repairs and Maintenance | 475 605 | 501 914 |
| Company Share of Social Security | 400 833 | 328 890 |
| Employee Welfare Expenses | 371 371 | 147 538 |
| Car Rent | 369 781 | 447 298 |
| Consumable Materials | 236 518 | 365 614 |
| Rent | 182 890 | 30 000 |
| Security Charges | 174 292 | 183 000 |
| Professional Fees | 153 720 | 124 037 |
| Petrol & Oil | 107 672 | 99 896 |
| Insurance | 84 402 | 99 614 |
| Others | 62 974 | 226 686 |
| Water Expense | 48 844 | 40 090 |
| Dues and Memberships Expense | 45 873 | 50 000 |
| Telephone and Fax | 34 195 | 21 374 |
| Buffet expenses | 30 962 | 38 139 |
| Travel and Entertainment | 18 523 | 55 887 |
| Real estate Tax | 17 473 | 24 861 |
| Stationery and Office Supplies | 12 905 | 13 383 |
| Rent – Equipment | 5 820 | 3 375 |
| Postage | 204 | 180 |
| Inventory Provision | (289 275) | 221 151 |
| | 54 713 942 | 60 423 709 |

PIDILITE INDUSTRIES EGYPT S.A.E

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

| Note 12 : Selling, General & Administrative expenses | From 1 April 2020 To 31 March 2021 EGP | From 1 April 2019 To 31 March 2020 EGP |
|---|---|---|
| Salaries | 5 227 965 | 4 973 134 |
| Sales Promotion | 4 814 350 | 2 490 104 |
| Royalty | 1 857 820 | 1 842 186 |
| Freight Charges - Delivery to Customers | 1 797 958 | 1 651 789 |
| Employee Welfare | 814 433 | 790 793 |
| Travel and Entertainment | 800 999 | 1 045 583 |
| Export Transportation | 559 799 | 549 364 |
| Company Share of Social Security | 413 355 | 432 040 |
| Compliance penalty | 250 000 | - |
| Governmental medical charges | 181 515 | 179 730 |
| Professional Fees | 144 594 | 245 315 |
| Bank Service charges | 121 690 | 128 765 |
| Rent/Lease Exp. – Land and Buildings | 120 586 | 85 218 |
| Repairs and Maintenance | 116 826 | 56 258 |
| Telephone and Fax | 112 764 | 101 817 |
| Insurance | 106 782 | 91 273 |
| External and internal audit fees | 54 996 | 18 260 |
| Miscellaneous | 51 806 | 46 873 |
| Buffet expenses | 31 255 | 19 651 |
| Internet Expenses | 26 618 | 12 443 |
| Stationery and Office Supplies | 16 758 | 17 225 |
| Dues and Memberships Expense | 16 410 | 10 717 |
| Heat Light and Power | 13 727 | 18 802 |
| Postage | 11 886 | 17 167 |
| Taxes | 3 908 | - |
| | 17 668 799 | 14 824 507 |

PIDILITE INDUSTRIES EGYPT S.A.E

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

| Note 14 : Deferred Tax | 31 March 2021 | 31 March 2020 |
|--|--------------------------|-----------------------|
| | EGP | EGP |
| Tax effect of items constituting Deferred Tax Liabilities | | |
| On difference between book and tax depreciation | (345 601) | (86 371) |
| Tax effect of items constituting Deferred Tax Liabilities | <u>(345 601)</u> | <u>(86 371)</u> |
| Tax effect of items constituting Deferred Tax Assets | | |
| Provision for inventory | (289 275) | 221 151 |
| Provision for Doubtful Debts | (521 299) | 562 847 |
| Tax effect of items constituting Deferred Tax Assets | <u>(810 574)</u> | <u>783 998</u> |
| Tax Income Corporate Rate | 22.5% | 22.5% |
| TOTAL NET Deferred Tax Assets/(Liability) | <u>(260 139)</u> | <u>156 966</u> |

| Reconciliation between accounting and Tax Profit | 31 March 2021 | 31 March 2020 |
|---|---------------------------|--------------------------|
| | EGP | EGP |
| Book Profit (loss) before tax | (1 205 813) | (1 261 396) |
| Add back | | |
| Illustrative items : | | |
| Book depreciation | 1 893 336 | 1 734 069 |
| Bad debts provision | (521 299) | 562 847 |
| Inventory provision | (289 275) | 221 151 |
| Deduct | | |
| Illustrative items : | | |
| Governmental medical charges | 181 515 | 179 730 |
| Tax depreciation | (1 547 735) | (1 647 699) |
| Tax Profit (loss) before tax | <u>(1 489 271)</u> | <u>(211 298)</u> |

| Note 15 : Transactions in Foreign Currencies | 31 March 2020 | 31 March 2019 |
|---|----------------------|----------------------|
| | EGP | EGP |
| Export Debtors | 785,638 | 1,537,279 |
| Import Creditors | (7,448,140) | (25,656,807) |

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

▪ **Corporate tax position:**

Years 2006/2020

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

The Tax Authority sent a form No.19 taxes for the year 2006 with an issuing number of 4129 on March 29, 2012 and it was appealed against in the legal date on April 23, 2012 and the file is being resolved in the internal committees.

The Tax Authority sent a form No.31 inspection taxes on August 24, 2020, till now the inspection date is not determined.

▪ **Payroll tax position:**

Years 2006/2020

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.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

• **Stamp tax position:**

Years 2006/2020

The Company has not been requested for stamp tax inspection.

• **VAT position:**

Years 2006/2020

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 January 2008 to March 31,2017, the tax authority sent a form No.15 taxes with an issuing number of 1368 on September 23,2019 and it was appealed against on October 1,2019 and the file is being resolved in the internal committees.

• **Withholding tax position:**

Years 2006/2020

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.

Legal position

1- The social insurance authority has requested the Company in the amount of 6,464,384 EGP and the Company has filed a case against the social insurance authority to drop that claim, and the legal counsel expects that the claim will be canceled or reduced to what is proven in the financial statements.

According to the company's request, the judge transferred the case to the expert committee to determine the amounts owed by the company on December 30, 2019.

The expert committee reported that the company is due to pay an amount of 250,000 Egyptian pounds, including accrued interest, and the case has been postponed to July 28, 2021.

2- The Company has filed a lawsuit against the Ministry of Finance which representing the Egyptian Tax Authority to drop it's claim with taxes estimated by 526,198 EGP other than fines and interest for years 2006,2007 and 2008, and the legal advisor did not specify his expectation regarding the outcome of the case.

The sum of 526,198 EGP is the tax rate , 22.5% of the net profits estimated by the Tax Authority for the years 2006,2007 and 2008 which are as follows, 500,000 EGP, 521,797 EGP, and 1,316,865 EGP as reported by the legal advisor.

Note 17 : subsequent events :

The coronavirus outbreak, which arose during the reporting period and was declared a pandemic by the World Health Organisation in March 2020, is having a significant adverse impact on economies and financial markets worldwide. Were the severity and duration of the pandemic and the resultant impact on the Middle East and North Africa economy to become significantly prolonged, credit risk would increase for businesses across the economy. Owing to the prevailing level of uncertainty, it is not possible to estimate within these financial statements the probability or value of any such future financial impacts that might occur.