

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

**AUDITOR'S REPORT AND  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AT 31 March 2017**

**YASSER AHMED IBRAHIM  
CERTIFIED ACCOUNTANT**

**PIL Trading Egypt (L.L.C.)**  
**Financial statement and auditor report**  
**For the year ended at 31 March 2017**

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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) "the Company"** which comprise the balance sheet as of 31 March 2017, 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

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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 2017, 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.

**Yasser Ahmed Ibrahim**

*Fellow of Egyptian society of accountants & auditors*

*Fellow of Egyptian society of taxation*

*Register in of Egyptian central bank no 475*

*Register in public financial controlling authority*

*Yasser Ahmed*



**Cairo, 30 April 2017**

PIL TRADING (EGYPT) L.L.C  
BALANCE SHEET  
AS OF 31 MARCH 2017

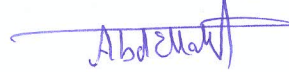
	Note	31 March 2017	31 March 2016
	No.	EGP	EGP
<b><u>Non- current Assets</u></b>			
Fixed Assets ( Net book value)	(3)	56,252	90,840
Deferred Tax Asset		31,309	-
<b>Total Non-Current Assets</b>		<b>87,561</b>	<b>90,840</b>
<b><u>Current Assets</u></b>			
Account Receivables	(4)	1,262,135	1,829,912
Other receivables and prepayments	(5)	1,711,695	387,593
Inventory	(6)	2,411,288	2,640,136
Cash and cash equivalents	(7)	2,772,473	1,077,795
<b>Total Current Assets</b>		<b>8,157,591</b>	<b>5,935,436</b>
<b>Total Assets</b>		<b>8,245,152</b>	<b>6,026,276</b>
<b><u>Partners' Equity</u></b>			
Paid up capital	(10)	5,440,000	5,440,000
Retained losses		(5,318,978)	(4,912,517)
Net loss for the year		(3,443,785)	(406,461)
<b>Total Partners' Equity</b>		<b>(3,322,763)</b>	<b>121,022</b>
<b><u>Current Liabilities</u></b>			
Trade Payables	(8)	10,973,641	5,754,412
Other Payables	(9)	594,274	147,005
<b>Total Current Liabilities</b>		<b>11,567,915</b>	<b>5,901,417</b>
<b><u>Non-current Liabilities</u></b>			
Deferred Tax Liability		-	3,837
<b>Total Non-current Liabilities</b>		<b>-</b>	<b>3,837</b>
<b>Total liabilities</b>		<b>11,567,915</b>	<b>5,905,254</b>
<b>Total Partners' Equity and Liabilities</b>		<b>8,245,152</b>	<b>6,026,276</b>

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

Ahmed Zeyada  
Accounting Manager



Abdullatif Mohamed  
Financial Manager



Mohamed Mowafi  
General Manager



Auditor's Report issued in 30 April 2017 " attached"

Yasser Ahmed



PIL TRADING (EGYPT) L.L.C  
 INCOME STATEMENT  
 FOR THE FINANCIAL YEAR ENDED 31 MARCH 2017

	From 1 April 2016 To 31 March 2017	From 1 April 2015 To 31 March 2016
Note <u>No.</u>	<u>EGP</u>	<u>EGP</u>
Sales	10,455,437	8,174,322
Cost of Sales	(7,500,978)	(6,550,761)
<b>Gross Profit</b>	<b>2,954,459</b>	<b>1,623,561</b>
Selling & Marketing Expenses (11)	(1,523,541)	(1,270,279)
General & Administrative Expenses (12)	(244,582)	(224,336)
Allowance for doubtful debts	(66,427)	(137,849)
Loss on Foreign Exchange	(4,540,137)	(398,990)
Bad Debt	(58,703)	-
<b>Net Loss for the year before tax</b>	<b>(3,478,931)</b>	<b>(407,893)</b>
Deferred Tax	35,146	1,432
<b>Net Loss for the year after tax</b>	<b>(3,443,785)</b>	<b>(406,461)</b>

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**  
**STATEMENT OF CHANGES IN Quota Holders**  
**FOR THE FINANCIAL YEAR ENDED 31 MARCH 2017**

	Paid up Capital		Net (loss)		Retained Loss		Total	
	EGP		EGP		EGP		EGP	
<b>Balance at 31 March 2015</b>	<b>5,440,000</b>		<b>(263,698)</b>		<b>(4,648,819)</b>		<b>527,483</b>	
Transfer to Retained Loss	-		263,698		(263,698)		-	
Net Loss for the year	-		(406,461)		-		(406,461)	
<b>Balance at 31 March 2016</b>	<b>5,440,000</b>		<b>(406,461)</b>		<b>(4,912,517)</b>		<b>121,022</b>	
Transfer to Retained Loss	-		406,461		(406,461)		-	
Net loss for the year	-		(3,443,785)		-		(3,443,785)	
<b>Balance at 31 March 2017</b>	<b>5,440,000</b>		<b>(3,443,785)</b>		<b>(5,318,978)</b>		<b>(3,322,763)</b>	



PIL TRADING (EGYPT) L.L.C  
 STATEMENT OF CASH FLOWS  
 FOR THE FINANCIAL YEAR ENDED 31 MARCH 2017

	From 1 April 2016 To 31 March 2017	From 1 April 2015 To 31 March 2016
	EGP	EGP
<b><u>Cash flows from operating activities</u></b>		
Net (loss) for the year before Tax	(3,478,931)	(407,893)
Depreciation	34,588	33,364
<b>Operating (loss) before changes in working capital</b>	<b><u>(3,444,343)</u></b>	<b><u>(374,530)</u></b>
<b><u>Change in working capital</u></b>		
Change in inventories	228,848	(31,896)
Change in trade receivables and prepayments	(756,325)	(704,488)
Change in creditors and other payable	5,666,498	681,178
<b>Cash flows generated from (used in) operating activities</b>	<b><u>5,139,021</u></b>	<b><u>(55,207)</u></b>
<b><u>Cash flows from investing activities</u></b>		
Payment in respect of purchasing fixed assets	-	(2,998)
<b>Net cash flows used in investing activities</b>	<b><u>-</u></b>	<b><u>(2,998)</u></b>
<b>Change in cash and cash equivalents during the year</b>	<b>1,694,678</b>	<b>(432,734)</b>
Cash and cash equivalents at the beginning of the year	<u>1,077,795</u>	<u>1,510,528</u>
<b>Cash and cash equivalents at the end of the year</b>	<b><u>2,772,473</u></b>	<b><u>1,077,795</u></b>

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

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2017

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#### 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 2017

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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 2017**

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#### **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 2017

3. Fixed Assets

	Furniture & Fixtures	Automobiles and Trucks	Computer	Total
	L.E.	L.E.	L.E.	L.E.
<b>Cost at 1 April 2016</b>	5,193	128,000	4,648	137,841
<b>Balance at 31 March 2017</b>	<b>5,193</b>	<b>128,000</b>	<b>4,648</b>	<b>137,841</b>
<b>Accumulated Depreciation</b>				
<b>Depreciation at 1 April 2016</b>	3,820	41,337	1,844	47,001
<b>Depreciation for the Year</b>	1,039	32,000	1,549	34,588
<b>Balance at end of the year</b>	<b>4,859</b>	<b>73,337</b>	<b>3,393</b>	<b>81,589</b>
<b>Net book value at 31 March 2017</b>	<b>334</b>	<b>54,663</b>	<b>1,255</b>	<b>56,252</b>
<b>Net book value at 31 March 2016</b>	<b>1,373</b>	<b>86,663</b>	<b>2,804</b>	<b>90,840</b>

PIL TRADING (EGYPT) L.L.C

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2017

**Note 4 : Trade receivables**

	31 March 2017	31 March 2016
<u>Trade Receivables</u>	EGP	EGP
Trade receivables outstanding for a period exceeding six months from the date they were due for payment		
Secured		
Unsecured	343,718	325,864
Provision for doubtful trade receivables	(301,796)	(243,093)
	41,922	82,771
<b><u>Other Trade Receivables</u></b>		
Unsecured	1,220,213	1,747,141
<b>Total trade receivables</b>	<b>1,262,135</b>	<b>1,829,912</b>

**Note 1/4 : Trade receivables from:**

Related Parties		
Others	1,563,931	2,073,005
<b>Total</b>	<b>1,563,931</b>	<b>2,073,005</b>
<b>Current</b>	<b>1,563,931</b>	<b>2,073,005</b>

**Note 2/4 : Movement in the allowance for doubtful debts**

<b>Balance at beginning of the year - April 1, 2016</b>	243,093	105,244
a) Impairment losses recognised in the year based on ECL		
On receivables originated in the year	125,130	137,849
Other receivables		
Allowance for instruments modified in the year		
Amounts written off during the year as uncollectible	(66,427)	
Amounts recovered during the year		
Impairment losses reversed		
<b>Balance at end of the year - March 31, 2017 / 2016</b>	<b>301,796</b>	<b>243,093</b>

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

There is no written off bad debts during the fiscal year 2016.

PIL TRADING (EGYPT) L.L.C

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2017

	31 March 2017	31 March 2016
	EGP	EGP
<b>Note 5: Other Receivables and Prepayments</b>		
Value Added-Taxes Receivable	480,439	-
Withholding Tax - Clients	146,037	128,187
Loans /Advances And Security deposits	882,737	192,557
Prepaid Expense	196,031	60,398
Additional Tax	6,451	6,451
	<b>1,711,695</b>	<b>387,593</b>

	31 March 2017	31 March 2016
	EGP	EGP
<b>Note 6 : Inventory</b>		
Inventory	2,005,424	2,419,382
Provision for Inventories	(267,509)	(130,956)
Net Inventory	1,737,915	2,288,426
F.G.In transit	673,373	351,710
	<b>2,411,288</b>	<b>2,640,136</b>

PIL TRADING (EGYPT) L.L.C

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2017

<u>Note 7 : Cash and cash equivalents</u>	31 March 2017	31 March 2016
	EGP	EGP
Bank	2,739,774	1,048,711
Cash	32,699	29,084
	<b>2,772,473</b>	<b>1,077,795</b>

<u>Note 8 : Trade payables</u>	31 March 2017	31 March 2016
	EGP	EGP
Accounts Payable	10,973,641	5,754,412
	<b>10,973,641</b>	<b>5,754,412</b>

<u>Note 9 : Other payables</u>	31 March 2017	31 March 2016
	EGP	EGP
Accrued Expenses	258,407	117,242
Sales Tax Authority	311,924	11,806
Social Insurance Authority	7,864	6,984
Payroll Tax Authority	5,786	3,848
Withholding Tax - Suppliers	7,383	3,726
Accrued payroll	1,813	2,302
Additional Tax	1,097	1,097
	<b>594,274</b>	<b>147,005</b>

Note 10 : Capital

<u>Name of the quota-holder</u>	No of quotas	Value of quotas	% quota
	EGP	EGP	EGP
Pidilite Industries Egypt SAE	54,399	5,439,900	99.998%
Khaild EL Khatib	1	100	0.002%
	<b>54,400</b>	<b>5,440,000</b>	<b>100.00%</b>



PIL TRADING (EGYPT) L.L.C

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2017

	From 1 April 2016 To 31 March 2017 EGP	From 1 April 2015 To 31 March 2016 EGP
<b>Note 11 : Selling &amp; Marketing Expenses</b>		
Staff Salary Expenses	653,848	513,730
Sales Promotion	177,275	225,565
Freight charges	215,843	159,259
Rent	160,230	102,095
Travel and Entertainment	93,139	86,455
Employee Welfare	85,746	57,517
Social Insurance	69,411	54,620
Logistics Expenses	14,245	42,297
Telephone and Fax	23,780	18,754
Transportation	30,024	9,987
	<b>1,523,541</b>	<b>1,270,279</b>
<b>Note 12 : General &amp; administrative expenses</b>		
Professional Fees legal and others	75,499	57,027
Bank Charges	38,386	37,207
Depreciation	34,588	33,364
Repairs and Maintenance	18,054	27,978
Buffet & Hospitality	17,835	20,017
Audit Fees	14,750	15,000
Transportation	23,091	14,313
Other admin expenses	15,285	12,908
Insurance	2,383	4,037
Printing & Stationary	4,711	2,485
	<b>244,582</b>	<b>224,336</b>

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**Note 13 : Audit Fess**

Audit Fess	15,750	15000
	<u>15,750</u>	<u>15,000</u>

**Note 14 : Deferred Tax**

Tax effect of items constituting Deferred Tax Liabilities	(2,251)	(15,348)
On difference between book and tax depreciation	<u>(2,251)</u>	<u>(15,348)</u>

Tax effect of items constituting Deferred Tax Assets

On difference between book and tax depreciation	-	-
Provision for Employee Benefits	-	-
Provision for Doubtful Debts	125,130	-
Provision for inventory	16,273	-
Disallowance under Section 40(a)(i) and 43B of Income Tax Act, 1961	-	-
Net Operating Losses	-	-
Others	-	-
	<u>141,403</u>	<u>-</u>
<b>TOTAL NET Deferred Tax Assets/Liability</b>	<u>31,309</u>	<u>(3,837)</u>

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

**NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2017**

**Reconciliation between accounting and Tax Profit**

Book Profit (loss) before tax	(3,478,931)	(407,893)
Add back		
Illustrative items :		
Book depreciation	34,588	33,364
Inventory provision	125,130	-
Bad debts provision	16,273	-
Deduct		
Illustrative items :		
Tax depreciation	(18,000)	(26,998)
	<b>(3,320,940)</b>	<b>(401,527)</b>
Adjustments recognised in the current year in relation to the current tax of prior years	-	-
<b>Tax Profit (loss) before tax</b>	<b>(3,320,940)</b>	<b>(401,527)</b>

**Note 15 : Transactions in Foreign Currencies**

Export Debtors	323,504	-
Import Creditors	(8,185,108)	-
Other Foreign receivables		
Other Foreign Payable		

	2016-17		2015-16	
	USD	Local	USD	Local
Export Debtors	17,922	323,504	-	-
Import Creditors	(453,451)	(8,185,108)	331	2,940
Other Foreign receivables				
Other Foreign Payable				

**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 2017.