

**REXCEL EGYPT COMPANY (L.L.C)**  
**FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED 31 MARCH 2023  
TOGETHER WITH AUDITOR'S REPORT

**REXCEL EGYPT COMPANY (L.L.C.)**  
**Financial Statements**  
**For the year ended 31 March 2023**

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## **AUDITOR'S REPORT**

### **TO THE STOCKHOLDERS OF REXCEL EGYPT COMPANY (L.L.C.)**

#### **Report on the Financial Statements**

We have audited the accompanying financial statements of **REXCEL EGYPT COMPANY (L.L.C.)**, represented in the statement of Financial position as of 31 March 2023, and the related statements of profit or loss, comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

#### **Management's Responsibility for the Financial Statements**

These financial statements are the responsibility of the Company's Management, as Management is responsible for the preparation and fair presentation of the financial statements in accordance with Egyptian Accounting Standards and applicable Egyptian laws. Management 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. This responsibility also includes 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 those financial statements based on our audit. We conducted our audit in accordance with Egyptian Standards on Auditing and applicable Egyptian laws. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance that 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 professional 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 on those financial statements.

## **Opinion**

In our opinion, the financial statements referred to above, give a true and fair view, in all material respects, of the financial position of **REXCEL EGYPT COMPANY (L.L.C.)**, as of 31 March 2023, and of its financial performance and its cash flows for the year then ended in accordance with Egyptian Accounting Standards and the related applicable Egyptian laws and regulations.

## **Emphasis of a matter**

Without qualifying our opinion, we draw attention to note (2-1) of the notes to the financial statements where the Company has negative working amounted to 6,945,299 and accumulated losses amounted to EGP 9,275,295 exceeding the paid-up capital as of the year ended 31 March 2023.

These events or conditions indicate that a material uncertainty exists that may cast an extraordinary general assembly meeting should be held to decide the continuity of the company's operations according to law no. 159 for 1981 which raises substantial doubts about the Company's ability to continue as going concern. The financial statements were prepared under the going concern assumption since the Head Office will continue to support the Company in meeting its liabilities as they failed due within the coming 12 months, the matter which necessitates calling an Extraordinary General Assembly Meeting to decide the continuity of the company in accordance with the provisions of law 159 for the year 1981.

## **Report on other legal and regulatory requirements**

The Company maintains proper accounting records that comply with the laws and the Company's articles of association and the financial statements agree with the Company's records. The physical inventory count was undertaken by the Company's Management in accordance with the proper norms. The financial information included in the General Managers' Report, prepared in accordance with Law No. 159 of 1981 and its executive regulation, is in agreement with the books of the Company insofar as such information is recorded therein.

**Ahmed Mamdouh Farag**  
**R.A.A 6822**  
**EFSA's Register No. 126**  
**CBE's Register No. 125**  
**Kreston Egypt**

**Cairo, 18/ 5/ 2023**

REXCEL EGYPT COMPANY (L.L.C.)

STATEMENT OF FINANCIAL POSITION  
As of 31 March 2023

|                                               | Note | 31 March 2023<br>EGP | 31 March 2022<br>EGP |
|-----------------------------------------------|------|----------------------|----------------------|
| <b>ASSETS</b>                                 |      |                      |                      |
| <b>Non-current assets</b>                     |      |                      |                      |
| Right-of-use assets (net)                     | (13) | 49,152               | --                   |
| <b>Total non-current assets</b>               |      | <b>49,152</b>        | <b>--</b>            |
| <b>Current assets</b>                         |      |                      |                      |
| Inventory (Net)                               | (3)  | 1,219,478            | 1,185,918            |
| Trade and notes receivable (Net)              | (4)  | 1,169,120            | 13,774               |
| Prepayments and other receivables             | (5)  | 875,523              | 874,686              |
| Cash at banks                                 | (6)  | 1,478,264            | 15,941               |
| <b>Total current assets</b>                   |      | <b>4,742,385</b>     | <b>2,090,319</b>     |
| <b>Total Assets</b>                           |      | <b>4,791,537</b>     | <b>2,090,319</b>     |
| <b>EQUITY AND LIABILITIES</b>                 |      |                      |                      |
| <b>Equity</b>                                 |      |                      |                      |
| Paid up capital                               | (11) | 2,090,000            | 2,090,000            |
| Legal reserve                                 |      | 240,000              | 240,000              |
| Accumulated (losses)                          |      | (7,454,263)          | (7,206,757)          |
| (Losses) for the year                         |      | (1,821,032)          | (247,506)            |
| <b>Total Equity</b>                           |      | <b>(6,945,295)</b>   | <b>(5,124,263)</b>   |
| <b>LIABILITIES</b>                            |      |                      |                      |
| <b>Non-current liabilities</b>                |      |                      |                      |
| Long term lease obligations                   | (14) | 42,155               | -                    |
| <b>Total non-current liabilities</b>          |      | <b>42,155</b>        | <b>-</b>             |
| <b>Current liabilities</b>                    |      |                      |                      |
| Provisions                                    | (7)  | 105,851              | 162,399              |
| Trade payable                                 |      | 38,475               | 48,228               |
| Due to related parties                        | (10) | 10,334,145           | 6,011,377            |
| Accrued expenses and other payables           | (8)  | 1,206,012            | 992,578              |
| Long term lease obligations - current portion |      | 10,194               | -                    |
| <b>Total current liabilities</b>              |      | <b>11,694,677</b>    | <b>7,214,582</b>     |
| <b>TOTAL LIABILITIES</b>                      |      | <b>11,736,832</b>    | <b>7,214,582</b>     |
| <b>TOTAL LIABILITIES AND EQUITY</b>           |      | <b>4,791,537</b>     | <b>2,090,319</b>     |

**Financial Manager**  
**Debdulal Sinha**

**General Manager**  
**Dr. Hany Mashaal**

- The accompanying notes from (6) to (23) are an integral part of these financial statements.

REXCEL EGYPT COMPANY (L.L.C.)

STATEMENT OF PROFIT OR LOSS  
For The Year Ended 31 March 2023

|                                     | Note | 31 March 2023<br>EGP | 31 March 2022<br>EGP |
|-------------------------------------|------|----------------------|----------------------|
| Net sales                           |      | 4,419,514            | 70,516               |
| Sales returns                       |      | (21,000)             | (1,929)              |
| Allowable discounts - sales returns |      | (1,263,854)          | (7,089)              |
| Cost of sales                       | (12) | (2,738,055)          | (521,854)            |
| <b>GROSS PROFIT</b>                 |      | <b>396,605</b>       | <b>(460,356)</b>     |
| Selling and marketing expenses      |      | (73,522)             | (54,666)             |
| General and administrative expenses |      | (443,214)            | (351,134)            |
| Foreign exchange differences        |      | (1,807,381)          | (254,171)            |
| Impairments in trade receivable     |      | (13,418)             | (25,974)             |
| Interest on lease liabilities       |      | (4,829)              | -                    |
| Provisions                          |      | (442,967)            | -                    |
| Other income                        |      | 567,694              | 898,795              |
| <b>(LOSSES) BEFORE INCOME TAXES</b> |      | <b>(1,821,032)</b>   | <b>(247,506)</b>     |
| Income taxes                        | (9)  | --                   | --                   |
| <b>LOSSES FOR THE YEAR</b>          |      | <b>(1,821,032)</b>   | <b>(247,506)</b>     |

Financial Manager

Debdulal Sinha

General Manager

Dr. Hany Mashaal

- The accompanying notes from (6) to (23) are an integral part of these financial statements.

REXCEL EGYPT COMPANY (L.L.C.)

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STATEMENT OF COMPREHENSIVE INCOME  
For The Year Ended 31 March 2023

|                                   | <b>31 March 2023</b> | <b>31 March 2022</b> |
|-----------------------------------|----------------------|----------------------|
|                                   | <b>EGP</b>           | <b>EGP</b>           |
| LOSSES FOR THE YEAR               | (1,821,032)          | (247,506)            |
| OTHER COMPREHENSIVE INCOME        | --                   | --                   |
| <b>TOTAL COMPREHENSIVE INCOME</b> | <b>(1,821,032)</b>   | <b>(247,506)</b>     |

- The accompanying notes from (6) to (23) are an integral part of these financial statements.

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REXCEL EGYPT COMPANY (L.L.C.)

STATEMENT OF CHANGES IN EQUITY  
For The year ended 31 March 2023

|                                     | Paid up Capital  | Legal reserve  | Accumulated (losses) | (Losses) for the year | Total              |
|-------------------------------------|------------------|----------------|----------------------|-----------------------|--------------------|
|                                     | EGP              | EGP            | EGP                  | EGP                   | EGP                |
| <b>Balance as of 1 April 2021</b>   | <b>2,090,000</b> | <b>240,000</b> | <b>(7,149,542)</b>   | <b>(57,215)</b>       | <b>(4,876,757)</b> |
| Transferred to accumulated (losses) | -                | -              | (57,215)             | 57,215                | -                  |
| (Losses) for the year               | -                | -              | -                    | (247,506)             | <b>(247,506)</b>   |
| <b>Balance as of 31 March 2022</b>  | <b>2,090,000</b> | <b>240,000</b> | <b>(7,206,757)</b>   | <b>(247,506)</b>      | <b>(5,124,263)</b> |
| <b>Balance as of 1 April 2022</b>   | <b>2,090,000</b> | <b>240,000</b> | <b>(7,206,757)</b>   | <b>(247,506)</b>      | <b>(5,124,263)</b> |
| Transferred to accumulated (losses) | -                | --             | (247,506)            | 247,506               | -                  |
| (Losses) for the year               | -                | --             | -                    | (1,821,032)           | <b>(1,821,032)</b> |
| <b>Balance as of 31 March 2023</b>  | <b>2,090,000</b> | <b>240,000</b> | <b>(7,454,263)</b>   | <b>(1,821,032)</b>    | <b>(6,945,295)</b> |

- The accompanying notes from (6) to (23) are an integral part of these financial statements.



REXCEL EGYPT COMPANY (L.L.C.)

STATEMENT OF CASH FLOWS  
For The year ended 31 March 2023

|                                                                    | Note | 31 March 2023<br>EGP | 31 March 2022<br>EGP |
|--------------------------------------------------------------------|------|----------------------|----------------------|
| <b>Cash Flows from Operating Activities</b>                        |      |                      |                      |
| (Losses) before income taxes                                       |      | (1,821,032)          | (247,506)            |
| Impairment in inventory                                            | (3)  | 619,118              | 381,085              |
| Impairment in trade receivables                                    | (4)  | 13,418               | 25,974               |
| Provisions                                                         |      | 442,967              | --                   |
| Right-of-use assets amortization                                   |      | 12,288               | --                   |
| Interest on lease liabilities                                      |      | 4,829                | --                   |
|                                                                    |      | <b>(728,412)</b>     | <b>159,553</b>       |
| Change in inventory                                                | (3)  | (652,680)            | (1,110,938)          |
| Change in Trade and notes receivables (net)                        | (4)  | (1,168,766)          | 36,994               |
| Change in prepayments and other receivables                        | (5)  | (837)                | (75,981)             |
| Change in trade payable                                            |      | (9,753)              | 36,860               |
| Change in due to related parties                                   | (10) | 4,322,768            | 1,273,170            |
| Change in accrued expenses and other payables                      | (8)  | 213,438              | (220,002)            |
| <b>Cash Flows (Used in) Provided from Operating Activities</b>     |      | <b>1,975,758</b>     | <b>99,656</b>        |
| Provisions used                                                    |      | (499,515)            | (90,800)             |
| <b>Net cash flows provided from (used in) operating activities</b> |      | <b>1,476,243</b>     | <b>8,856</b>         |
| Payments for rent obligations                                      |      | (13,920)             | --                   |
| <b>Net cash used in financing activities</b>                       |      | <b>(13,920)</b>      | <b>--</b>            |
| <b>Net decrease in cash and cash equivalents-during the year</b>   |      | <b>1,462,323</b>     | <b>8,856</b>         |
| <b>Cash and cash equivalent – beginning of the year</b>            | (6)  | <b>15,941</b>        | <b>7,085</b>         |
| <b>Cash and cash equivalent – end of the year</b>                  | (6)  | <b>1,478,264</b>     | <b>15,941</b>        |

- The accompanying notes from (6) to (23) are an integral part of these financial statements.

## REXCEL EGYPT COMPANY (L.L.C.)

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### NOTES TO THE FINANCIAL STATEMENTS

For The year ended 31 March 2023

#### 1 BACKGROUND

**Rexcel Egypt (L.L.C.)** is an Egyptian Limited Liability Company was established under the Egyptian Law no. 159 of 1981 and its executive regulation.

The company's duration is 25 years starting from the date of registration in the commercial registry.

The company was located at 3 Ahmed Nessim St., Giza, Egypt.

According to the Extraordinary General Assembly dated 31 December 2016, the Company's shareholders approved the change of the main office location to be number 47 street number 270, Albasaten, New Maadi

The company is registered in the commercial registry under no. 102709 on August 6, 1998. The company's legal domicile is in Cairo – Arab Republic of Egypt.

According to the Extraordinary general assembly dated 10 December 2013 the financial year end was changed from 31 December to 31 March for each year.

The principal activities of the company are:

1. Manufacturing, trading, selling and distributing of all types of pharmaceutical and chemical products, and its related raw materials.
2. Construction and operation of factories for production of all types of pharmaceutical and chemical products.
3. The company has the right to import equipment, machines, tools, and all raw materials concerning pharmaceutical & chemical products that help the company achieve its purposes.
4. Export, import and Commercial agencies

The company undertakes its activities in compliance with applicable regulatory laws and regulations provided that they obtain necessary licenses as applicable.

The General Manager approved the financial statements as of 31 March 2023 on 3 May 2023.

#### 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 the measurement at fair value of financial assets held at fair value.

The Financial statements are prepared and presented on Egyptian pound, which is the company's Functional currency.

the Company has negative working and accumulated losses exceeded the paid-up capital amounted to EGP 6,952,292 and EGP 9,275,295 respectively.as of the year ended 31 March 2023 which raises substantial doubts about the Company's activity to continue as a going concern.

The financial statements were prepared under the going concern assumption, since the parent company will continue to support the Company in meeting its obligation as they full due in within the coming twelve months.

## REXCEL EGYPT COMPANY (L.L.C.)

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### NOTES TO THE FINANCIAL STATEMENTS

For The year ended 31 March 2023

#### **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 accounting policies adopted are consistent with those of the previous financial year.

The preparation of these financial statements requires management to make judgments and estimates that affect the reported amounts of revenues, expenses, assets and liabilities, the accompanying disclosures and the disclosure of contingent liabilities at the reporting date. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the assets or liabilities affected in future periods.

Estimates and their underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised.

The key judgements and estimates that have a significant impact on the financial statement of the Company are discussed below:

#### **Judgments**

##### **Revenue recognition for sale of goods**

In making their judgment, management considered the detailed criteria for the recognition of revenue from the sale of goods as set out in "EAS 48 Revenue from contracts with customers", and, in particular, whether the significant risks and rewards of ownership of the goods have passed to the buyer, which is usually upon the delivery of the goods and the issuance of an invoice.

#### **Estimates**

##### **Impairment of trade and other receivables**

An estimate of the collectible amount of trade and other receivables is made when collection of the full amount is no longer probable. For individually significant amounts, this estimate is performed on an individual basis. Amounts which are not individually significant, but are past due, are assessed collectively and a provision is applied according to the length of time past due, based on historical recovery rates.

##### **Useful lives of fixed assets**

The Company's management determines the estimated useful lives of its fixed assets for calculating depreciation. This estimate is determined after considering the expected usage of the asset or physical wear and tear. The management periodically reviews the estimated useful lives and the depreciation method to ensure that the method and the period of depreciation are consistent with the expected pattern of economic benefits from these assets.

#### **Taxes**

The Company is subject to income taxes in Egypt. Significant judgment is required to determine the total provision for current and deferred taxes. The Company establishes provision, based on reasonable estimates, for possible consequences of audits by the tax authorities in Egypt. The amount of such provision is based on various factors, such as experience of previous tax audits and different interpretations of tax regulations by the Company and the responsible tax authority. Such differences of interpretations may be on a wide variety of issues depending on the conditions prevailing in Egypt.

## REXCEL EGYPT COMPANY (L.L.C.)

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### NOTES TO THE FINANCIAL STATEMENTS

For The year ended 31 March 2023

#### 2-3 SUMMARY SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred tax assets are recognised for unused accumulated tax losses to the extent that it is probable that taxable profits will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

#### **Impairment of non-financial assets**

The Company assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. The non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. When value in use calculations are undertaken, management estimates the expected future cash flows from the asset or cash-generating unit and chooses a suitable discount rate in order to calculate the present value of those cash flows.

#### **Foreign currency translation**

Transactions in foreign currencies are initially recorded using the exchange rates prevailing that on the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated using the exchange rates prevailing at the statement of financial position date. All differences are recognized in the statement of profit or loss.

Nonmonetary items that are measured at historical cost in foreign currencies are translated using the exchange rates prevailing at the date of the initial recognition.

Nonmonetary items measured at fair value in a foreign currency are translated using the exchange rates prevailing at the date when the fair value is determined.

#### **Fixed assets**

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 building, 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 building, plant, and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in statement of profit or loss as incurred.

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 as follows:

|                         | <b>Year</b> |
|-------------------------|-------------|
| Machinery and equipment | 3-5         |

## REXCEL EGYPT COMPANY (L.L.C.)

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### NOTES TO THE FINANCIAL STATEMENTS

For The year ended 31 March 2023

#### **2-3 SUMMARY SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Fixed assets are derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognizing of the asset is included in the statement of profit or loss when the asset is derecognized.

The assets residual values, useful lives and methods of depreciation are reviewed at each financial year end.

The Company assesses at each statement of financial position date whether there is an indication that fixed assets may be impaired. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses are recognized in the statement of profit or loss.

A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, or the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of profit or loss.

#### **Inventory**

Inventory is valued at the lower of cost (using the moving average method) 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 shall be recognized in cost of sales in the statement of profit or loss in the period the write down or loss occurs. The amount of any reversal of any write down of inventories, arising from an increase in net realizable value, shall be recognized as reduction of cost of sales in the statement of profit or loss in the period in which the reversal occurs.

#### **Financial Instrument (Financial Assets & Financial Liabilities)**

##### **(A) Financial Assets**

The company initially recognizes the financial asset in the statement of financial position when the company becomes a party to the contractual provisions of the financial asset.

The company initially measures the trade receivables at their transaction price .as for other financial assets, except for those subsequently measured at fair value through profit or loss ,The initial measurement of the acquisition of a financial asset is carried out at its fair value minus transaction cost that are directly attributable to the acquisition or issue of the financial asset The entity recognizes the purchase or sale of financial assets using the trading date accounting , and the same method is applied to all purchases and sales of financial assets.

## REXCEL EGYPT COMPANY (L.L.C.)

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### NOTES TO THE FINANCIAL STATEMENTS

For The year ended 31 March 2023

#### **(B) Financial liabilities:**

##### **Initial recognition and measurement :**

-The company initially recognizes the financial liability in the statement of financial position when the company becomes a party to the contractual provisions of the instrument .

The initial measurement of the acquisition of a financial liability is at its fair value in addition to other costs directly related to the execution of the transaction., unless the financial liability classified as subsequently measured at fair value through profit or loss.

##### **Subsequent measurement**

-The company measures its financial liabilities at amortized cost using the effective interest method

##### **Derecognition**

The company derecognizes a financial liability only when it is extinguished, is when the specified obligation is paid, canceled or expires.

The company recognizes the difference between the carrying amount of the financial liability or part of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or obligations incurred in the profit or loss .

Offsetting takes place between the Company`s financial asset and its liability and presenting the net set-off in the statement of financial position when the company has the enforceable legal right to set off the recognized amounts and the company has the intention either to conduct the settlement on the basis of the net amounts or to realize the asset and settle the liability at the same time.

##### **Provisions**

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources representing economic benefits will be required to settle the obligation, and reliable estimate of the amount of the obligation can be made. Provisions are reviewed at each statement of financial position date and adjusted to reflect the best estimate.

Where the effect of the time value of money is material, the amount of a provision should be the present value of the expected expenditures required to settle the obligation. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance expense.

##### **Social insurance**

The Company makes contributions to the Social Insurance Authority calculated as a percentage of the employees' salaries. The Company's obligations are limited to these contributions, which are expensed when due.

##### **Employees' retirement's benefits**

The company contributes to the social insurance scheme for the benefits of its employees in pursuance of the Social Insurance Law No. 79 of 1975 as amended. Contributions are charged to expenses as incurred.

##### **Legal reserve**

According to the Company's articles of association, 10% of the net profits of the year is transferred to the legal reserve until this reserve reaches 100% of the issued capital. The reserve is used upon a decision from the general assembly meeting based on the proposal of the management.

## REXCEL EGYPT COMPANY (L.L.C.)

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### NOTES TO THE FINANCIAL STATEMENTS

For The year ended 31 March 2023

#### 2-3 SUMMARY SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### **Borrowings**

Borrowings are initially recognized at the value of the consideration received. Amounts maturing within one year are classified as current liabilities, unless the Company has the right to postpone the settlement for a period exceeding one year after the statement of financial position date, then the loan balance should be classified as non-current liabilities.

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest rate method. Gains and losses are recognized in the statement of profit or loss when the liabilities are derecognized as well as through the effective interest rate method amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the effective interest rate. The effective interest rate amortization is included in finance expenses in the statement of profit or loss.

##### **Income taxes**

Income tax is calculated in accordance with the Egyptian tax law.

##### **Current income tax**

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the tax authority.

##### **Deferred income tax**

Deferred income tax is recognized using the liability method on temporary differences between the amount attributed to an asset or liability for tax purposes (tax base) and its carrying amount in the statement of financial position (accounting base) using the applicable tax rate.

Deferred tax asset is recognized when it is probable that the asset can be utilized to reduce future taxable profits and the asset is reduced by the portion that will not create future benefit.

Current and deferred tax shall be recognized as income or an expense and included in the statement of profit or loss for the period, except to the extent that the tax arises from a transaction or an event which is recognized, in the same or a different period, directly in equity.

##### **Revenue recognition**

The company identifies the contracts as a contract with customer only when the terms of the contract have been approved by the parties to the contract, both parties can identify their rights regarding the goods, the company can identify the payment terms and the contract has commercial substance.

The Company, at contract inception, evaluates the promised goods or services in the contract with the customer to determine each undertaking to transfer any of the following to the customer as a performance obligation: -

1- A distinct good or service (or)

2- A bundle of goods or services which is a series of distinct and substantially similar goods or services That retransferred to the same customer in the same manner accordingly, the company has determined its performance obligations to customers is delivering the goods which the company are made by the company.

To recognize revenue from a contract with a customer, once fulfilling performance obligations, the company assesses the extent to which the promised good or service (the asset) has been transferred to

## REXCEL EGYPT COMPANY (L.L.C.)

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### NOTES TO THE FINANCIAL STATEMENTS

For The year ended 31 March 2023

#### 2-3 SUMMARY SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

the customer, and the asset is deemed to have been transferred when the customer obtains control of that asset.

The company fulfilling the performance obligations at a point in time, to determine that point in time, the company considered all the requirements of the transfer of control, which include ;The company's right to collect the consideration for the asset, and the customer's obligation to pay for the asset, and his right to obtain nearly all the remaining economic benefits from it in return, and his ability to direct the use of the asset or restricting the access of others to the asset.

When determining the transaction price, the company considers the terms of the contract and normal commercial practices to determine the consideration expected to be collected in exchange for transferring goods or services to the customer, with the exception of amounts collected on behalf of third parties. The consideration promised in the contracts with customers include only fixed considerations. The company identified that contract with customer has no significant financing component as no difference between the amount of promised consideration and the cash selling price of the promised goods or services and the expected length between when the entity transfers the promised goods or services to the customer and when the customer pays for those goods or services is a short period.

The company measures the expected credit losses for amounts receivable from customers, or for assets arising from the company's contracts with customers in accordance with the requirements of the Egyptian accounting standards (EAS47: Financial Instruments), and classifies them separately from other impairment losses.

#### **Interest income**

Interest income is recognized on the basis of the proportion of time taking into account the effective rate of return on the asset.

#### **Contingent Liabilities and Assets**

Contingent liabilities are not recognized in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

A contingent asset is not recognized in the financial statements but disclosed when an inflow of economic benefits is probable.

#### **Fair value measurement**

For assets traded in an active market, fair value is determined by reference to quoted market bid prices.

The fair value of interest-bearing items is estimated based on discounted cash flows using interest rates for items with similar terms and risk characteristics.

For unquoted assets, fair value is determined by reference to the market value of a similar asset or is based on the expected discounted cash flows.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:



## REXCEL EGYPT COMPANY (L.L.C.)

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### NOTES TO THE FINANCIAL STATEMENTS

For The year ended 31 March 2023

#### 2-3 SUMMARY SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- Level 1 – Fair value measurements are those derived from quoted prices in an active market (that are unadjusted) for identical assets or liabilities.
- Level 2 – Fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 – Fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation at the end of each reporting period.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

#### **Costs to fulfil a Contract**

The Company recognizes costs incurred in fulfilling a contract with a customer as an asset when those costs relate directly to a contract or a to an anticipated contract that can be specifically identified, and will enhance or generate resources for the Company, and the costs are expected to be recovered.

The company recognizes the costs following as expenses when incurred:

- A. General and administrative costs.
- B. Costs of wasted materials, labor or other resources to fulfil the contract that were not reflected in the price of contract.
- C. Costs that relate to satisfied performance obligations (or partially satisfied performance obligations) in the contract (i.e. costs that relate to past performance) and
- D. Costs for which an entity cannot distinguish whether the costs relate to unsatisfied performance obligations or to satisfied performance obligations (or partially satisfied performance obligations).

#### **Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset that necessarily takes a substantial period to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

#### **Related party transactions**

Related parties represent associated companies, major shareholders, directors and key management personnel of the Company, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the board of directors.

## REXCEL EGYPT COMPANY (L.L.C.)

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### NOTES TO THE FINANCIAL STATEMENTS

For The year ended 31 March 2023

#### 2-3 SUMMARY SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### **Impairment**

##### **Impairment of financial assets**

The Company assesses at each statement of financial position date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

##### **Impairment of non-financial assets**

The Company assesses at each statement of financial position date whether there is an indication that an asset may be impaired. Where the carrying amount of an asset or cash-generating unit (CGU) exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses are recognized in the statement of profit or loss.

A previously recognized impairment loss is only reversed if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of profit or loss.

##### **Statement of cash flows**

The statement of cash flows is prepared using the indirect method.

##### **Cash and cash equivalent**

For the purpose of preparing the statement of cash flows, the cash and cash equivalent comprise cash on hand, current accounts with banks and time deposits maturing within three months less bank credit balances.

##### **leases**

At the commencement date of the lease contract, the Company recognize both right to control the use of the underlying assets and lease liability. In order to identify a lease, the following criteria shall be met

- (1) The Contract conveys the right to control the use.
- (2) The underlying assets shall be identified.
- (3) The contract lasts for a period of time against consideration

In assessing whether a company is reasonably certain to exercise an option to extend a lease, or not to exercise an option to terminate a lease, company considered all relevant facts and circumstances that create the economic incentive for the lessee to exercise the option to extend the lease or not to exercise the option to terminate the lease.

After the commencement date, the Company measures the right of using assets at cost less any accumulated depreciation and any accumulated impairment losses and adjusted for any re-measurement of lease liability. As for lease liability, the Company measures the lease liability by increasing the carrying amount to reflect interest on the lease liability and reducing the carrying amount to reflect the lease payment and re-measuring the carrying amount to reflect any reassessment.

## REXCEL EGYPT COMPANY (L.L.C.)

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### NOTES TO THE FINANCIAL STATEMENTS

For The year ended 31 March 2023

#### **2-3 SUMMARY SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Company elects not to apply the aforementioned requirements to leases for which the lease term ends within 12 months of the date of commencement date and to account for those leases in the same way as short-term leases disclosing the cost associated with those leases within the disclosure of short-term lease expenses.

#### **SEGMENT INFORMATION**

Currently the Company's main business segment is manufacturing, trading, selling and distributing of all types of pharmaceutical and chemical products, and its related raw materials. The company's revenues during the year ended 31 March 2023 were reported under one segment in the separate financial statements.

REXCEL EGYPT COMPANY (L.L.C.)

NOTES TO THE FINANCIAL STATEMENTS

For The year ended 31 March 2023

**3 INVENTORY (Net)**

|                                  | <b>31 March 2023</b>    | <b>31 March 2022</b>    |
|----------------------------------|-------------------------|-------------------------|
|                                  | <b>EGP</b>              | <b>EGP</b>              |
| Raw and packing materials        | 117,529                 | 282,365                 |
| Finished Goods                   | 1,458,782               | 1,435,514               |
| Impairment in value of inventory | (356,833)               | (531,961)               |
|                                  | <b><u>1,219,478</u></b> | <b><u>1,185,918</u></b> |

Movement of impairment in value of inventory is as follows:

|                         | <b>31 March 2023</b>  | <b>31 March 2022</b>  |
|-------------------------|-----------------------|-----------------------|
|                         | <b>EGP</b>            | <b>EGP</b>            |
| Beginning balance       | 531,961               | 164,935               |
| Charged during the year | 619,118               | 381,085               |
| Used during the year    | --                    | (14,059)              |
| No Longer Require       | (794,246)             | --                    |
| Ending balance          | <b><u>356,833</u></b> | <b><u>531,961</u></b> |

**4 TRADE AND NOTES RECEIVABLE (Net)**

|                                                    | <b>31 March 2023</b>    | <b>31 March 2022</b> |
|----------------------------------------------------|-------------------------|----------------------|
|                                                    | <b>EGP</b>              | <b>EGP</b>           |
| Trade receivable                                   | 479,358                 | 7,763                |
| Notes receivable                                   | 703,180                 | 6,011                |
|                                                    | <b><u>1,182,538</u></b> | <b><u>13,774</u></b> |
| Impairments in value of trade and notes receivable | (13,418)                | -                    |
|                                                    | <b><u>1,169,120</u></b> | <b><u>13,774</u></b> |

Movement of impairment in value of accounts and notes receivables is as follows:

|                         | <b>31 March 2023</b> | <b>31 March 2022</b> |
|-------------------------|----------------------|----------------------|
|                         | <b>EGP</b>           | <b>EGP</b>           |
| Beginning balance       | -                    | 50,767               |
| Charged during the year | 13,418               | 25,974               |
| No longer required      | -                    | (76,741)             |
| Ending balance          | <b><u>13,418</u></b> | <b><u>-</u></b>      |

## REXCEL EGYPT COMPANY (L.L.C.)

### NOTES TO THE FINANCIAL STATEMENTS

For The year ended 31 March 2023

#### 5 PREPAYMENTS AND OTHER RECEIVABLES

|                                   | 31 March 2023  | 31 March 2022  |
|-----------------------------------|----------------|----------------|
|                                   | EGP            | EGP            |
| Employees' advances and impress   | -              | 3,368          |
| Advances to suppliers             | -              | 65,835         |
| Tax authority – withholding taxes | 870,063        | 601,883        |
| Deposits with others              | 3,600          | 203,600        |
| Other debit balances              | 1,860          | -              |
|                                   | <b>875,523</b> | <b>874,686</b> |

#### 6 CASH AT BANKS

|                          | 31 March 2023    | 31 March 2022 |
|--------------------------|------------------|---------------|
|                          | EGP              | EGP           |
| <b>a) Local Currency</b> |                  |               |
| Current accounts         | 1,478,264        | 15,941        |
|                          | <b>1,478,264</b> | <b>15,941</b> |

Bank balances are dominated in the following currencies:

|                      | 31 March 2023    | 31 March 2022 |
|----------------------|------------------|---------------|
|                      | EGP              | EGP           |
| Egyptian Pound (EGP) | 1,478,264        | 15,941        |
|                      | <b>1,478,264</b> | <b>15,941</b> |

#### 7 PROVISIONS

|                                | Balance as of<br>31 March 2022 | Charged<br>during<br>the year | Used<br>during the<br>year | No<br>Longer<br>Required | Balance as of 31<br>March 2023 |
|--------------------------------|--------------------------------|-------------------------------|----------------------------|--------------------------|--------------------------------|
|                                | EGP                            | EGP                           | EGP                        | EGP                      | EGP                            |
| Provisions for expected claims | 162,399                        | 442,967                       | (499,515)                  | --                       | 105,851                        |
|                                | <b>162,399</b>                 | <b>442,967</b>                | <b>(499,515)</b>           | <b>--</b>                | <b>105,851</b>                 |

|                                | Balance as of 31<br>March 2021 | Charged<br>during<br>the year | Used<br>during<br>the year | No Longer<br>Required | Balance as of 31<br>March 2022 |
|--------------------------------|--------------------------------|-------------------------------|----------------------------|-----------------------|--------------------------------|
|                                | EGP                            | EGP                           | EGP                        | EGP                   | EGP                            |
| Provisions for expected claims | 162,399                        | --                            | --                         | --                    | 162,399                        |
|                                | <b>162,399</b>                 | <b>--</b>                     | <b>--</b>                  | <b>--</b>             | <b>162,399</b>                 |

## REXCEL EGYPT COMPANY (L.L.C.)

### NOTES TO THE FINANCIAL STATEMENTS

For The year ended 31 March 2023

#### 8 ACCRUED EXPENSES AND OTHER PAYABLES

|                                              | <b>31 March 2023</b> | <b>31 March 2022</b> |
|----------------------------------------------|----------------------|----------------------|
|                                              | <b>EGP</b>           | <b>EGP</b>           |
| Accrued expenses                             | 1,042,009            | 823,862              |
| Tax authority – withholding tax              | 932                  | 1,290                |
| Tax authority – salaries tax                 | 621                  | 11                   |
| Social insurance Authority                   | 1,728                | 891                  |
| Advance from Customers                       | -                    | 16,847               |
| Tax authority – VAT tax                      | 78,960               | 78,960               |
| The Universal health insurance authority     | 12,413               | 2,561                |
| Tax authority – Stamp of medical professions | 1,194                | -                    |
| Other credit balances                        | 68,155               | 68,156               |
|                                              | <b>1,206,012</b>     | <b>992,578</b>       |

#### 9 INCOME TAX

|                                | <b>31 March 2023</b> | <b>31 March 2022</b> |
|--------------------------------|----------------------|----------------------|
|                                | <b>EGP</b>           | <b>EGP</b>           |
| Taxable profit                 | 29,044               | 414,775              |
| Taxable (losses) of last years | (605,378)            | (481,274)            |
| Income tax payable             | -                    | -                    |

#### Reconciliation of effective tax rate

|                                                         | <b>31 March 2023</b> | <b>31 March 2022</b> |
|---------------------------------------------------------|----------------------|----------------------|
|                                                         | <b>EGP</b>           | <b>EGP</b>           |
| Net losses before income taxes                          | (1,821,032)          | (247,506)            |
| Impairment in inventory                                 | 619,118              | 381,085              |
| Foreign exchange differences – unrealized               | 1,807,381            | 256,922              |
| Impairment in value of account receivables              | 13,418               | 25,974               |
| Amortization of the year                                | 12,288               | -                    |
| Inventory provision used                                | -                    | (1,700)              |
| Provision                                               | 442,967              | -                    |
| Takaful Contribution                                    | 12,413               | -                    |
| Payments for rent obligations                           | (13,920)             | -                    |
| Interest on lease liabilities                           | 4,829                | -                    |
| No Longer Required                                      | (794,247)            | -                    |
| Foreign exchange differences realized - from prior year | (254,171)            | -                    |
| Taxable (losses)                                        | <b>29,044</b>        | <b>414,775</b>       |

## REXCEL EGYPT COMPANY (L.L.C.)

### NOTES TO THE FINANCIAL STATEMENTS

For The year ended 31 March 2023

#### 10 DUE TO RELATED PARTIES

For the purpose of these financial statements, parties are considered to be related to the Company, if the Company has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Company and the party are subject to common control. Related parties may be individuals or other entities.

##### Related party transactions

During the year, the following were the significant related party transactions, which were carried out in the normal course of business on terms agreed between the parties:

##### The related parties' transactions as follow:

| Company name                                  | Nature of transaction | 31 March 2023 | 31 March 2022 |
|-----------------------------------------------|-----------------------|---------------|---------------|
|                                               |                       | EGP           | EGP           |
| Sun Pharma Egypt Limited (Egypt)              | Funding – Cross       |               |               |
|                                               | charge expense        | 919,415       | 622,801       |
| Sun Pharmaceutical Industries Limited (India) | services charged      | (642,960)     | (642,960)     |
|                                               | Purchase of           | 2,238,932     | 1,039,157     |
| Sun Pharmaceutical Industries Limited (India) | finished goods        |               |               |
|                                               | Foreign exchange      | 1,807,381     | 254,172       |

##### The related parties' transactions described above resulted in the following balances

##### Due to related parties

|                                               | 31 March 2023     | 31 March 2022    |
|-----------------------------------------------|-------------------|------------------|
|                                               | Due to            | Due to           |
|                                               | EGP               | EGP              |
| Sun Pharmaceutical Industries Limited (India) | 5,902,776         | 1,856,463        |
| Sun Pharma Egypt Limited                      | 4,431,369         | 4,154,914        |
|                                               | <b>10,334,145</b> | <b>6,011,377</b> |

#### 11 CAPITAL

The company's authorized capital amounted to 240,000 EGP while the issued and paid up capital of the company amounts to 240,000 EGP divided over 2400 quotas of par value 100 EGP each.

|                                     | Number of quotas | EGP            | Percentage  |
|-------------------------------------|------------------|----------------|-------------|
| Hany Ibrahim El-Husseini Othman     | 2,280            | 228,000        | 95%         |
| Ola Mohamed Abdel Kader Ibrahim     | 60               | 6,000          | 2.5%        |
| Mahmoud Mohamed Mahmoud Abdel Hamid | 60               | 6,000          | 2.5%        |
|                                     | <b>2,400</b>     | <b>240,000</b> | <b>100%</b> |

## REXCEL EGYPT COMPANY (L.L.C.)

### NOTES TO THE FINANCIAL STATEMENTS

For The year ended 31 March 2023

The Extra Ordinary General Assembly meeting held on 15 August 2018 to decide and approve to increase the paid-up capital from 240,000 EGP to 2,090,000 EGP, divided over 20,900 quotas of par value EGP 100 each distributed as follows:

|                                     | Number of quotas | EGP              | Percentage  |
|-------------------------------------|------------------|------------------|-------------|
| Hany Ibrahim El-Hosseini Othman     | 3,700            | 370,000          | 17%         |
| Ola Mohamed Abdel Kader Ibrahim     | 3,700            | 370,000          | 17%         |
| Mahmoud Mohamed Mahmoud Abdel Hamid | 3,700            | 370,000          | 17%         |
| Sun Pharma Netherlands              | 9,800            | 980,000          | 49%         |
|                                     | <b>20,900</b>    | <b>2,090,000</b> | <b>100%</b> |

The Extra Ordinary General Assembly meeting held on 14 March 2021 to decide distributed as follows:

|                                     | Number of quotas | EGP              | Percentage  |
|-------------------------------------|------------------|------------------|-------------|
| Hany Ibrahim El-Hosseini Othman     | 3,700            | 370,000          | 17%         |
| Yasser Shaker Ali                   | 3,700            | 370,000          | 17%         |
| Mahmoud Mohamed Mahmoud Abdel Hamid | 3,700            | 370,000          | 17%         |
| Sun Pharma Netherlands              | 9,800            | 980,000          | 49%         |
|                                     | <b>20,900</b>    | <b>2,090,000</b> | <b>100%</b> |

### 12 COST OF SALES

|                                                                     | 31 March 2023    | 31 March 2022  |
|---------------------------------------------------------------------|------------------|----------------|
|                                                                     | EGP              | EGP            |
| Cost of materials                                                   | 2,861,494        | 83,734         |
| Product registration charges                                        | 51,690           | 44,675         |
| Scrap                                                               | -                | 12,360         |
| Impairment in value of inventory (expired and slow moving) (Note 4) | 619,118          | 381,085        |
| No Longer Required                                                  | (794,247)        |                |
|                                                                     | <b>2,738,055</b> | <b>521,854</b> |

### 13 RIGHT-OF-USE ASSETS:

|                                              | 31 March 2023    |
|----------------------------------------------|------------------|
|                                              | <b>Buildings</b> |
|                                              | <b>EGP</b>       |
| Cost at 1/4/2022                             | -                |
| Additions during the year                    | 61,440           |
| <b>Cost at 31/3/2023</b>                     | <b>61,440</b>    |
| Accumulated amortization at 1/4/2022         | -                |
| Amortization of the year                     | 12,288           |
| <b>Accumulated amortization at 31/3/2023</b> | <b>12,288</b>    |
| <b>Net book value at 31/3/2023</b>           | <b>49,152</b>    |



## REXCEL EGYPT COMPANY (L.L.C.)

### NOTES TO THE FINANCIAL STATEMENTS

For The year ended 31 March 2023

#### 14 LEASE OBLIGATIONS:

|                                     | 31 March 2023        |
|-------------------------------------|----------------------|
|                                     | <b>Buildings</b>     |
|                                     | <b><u>EGP</u></b>    |
| Beginning balance                   |                      |
| Additions during the year           | 61,440               |
| Interest on lease liabilities       | 4,829                |
| Lease payments                      | (13,920)             |
| <b>Ending balance</b>               | <b><u>52,349</u></b> |
| Long term lease obligations         | 42,155               |
| lease obligations - Current portion | 10,194               |
|                                     | <b><u>52,349</u></b> |

#### 15 TAXES

##### Corporate taxes

The Company's records were inspected for the years from inception till year 2004 and the taxes due were paid.

No tax inspection took place for the Company's records for the years from 2005 till year 31 March 2023.

##### Salary Tax

The Company's records were inspected from inception till year 2011 and the taxes due were paid.

No tax inspection took place for the Company's records for the years 2012 till year 31 March 2023.

##### Value Added Tax

The Company's records were inspected from inception till 31 March 2015 and the taxes due were paid.

No tax inspection took place for the company's records for the year from 1 April 2015 till year 31 March 2023.

##### Stamp Tax

No tax inspection took place for the company's records since inception till year 31 March 2023.

#### 16 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

##### Overview

The Company has exposure to the following risks from its use of financial instruments:

- a) Credit risk,
- b) Market risk, and
- c) Liquidity risk.

## REXCEL EGYPT COMPANY (L.L.C.)

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### NOTES TO THE FINANCIAL STATEMENTS

For The year ended 31 March 2023

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital.

The General Manager of the Company has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's senior management are responsible for developing and monitoring the risk management policies and report regularly to the Head Quarter on their activities.

The Company's current financial risk management framework is a combination of formally documented risk management policies in certain areas and informal risk management policies in other areas.

#### **a) Credit risk**

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company is exposed to credit risk principally from its receivables from customers, due from related parties, other receivables and from its financing activities, including deposits with banks and financial institutions.

##### Trade and notes receivables

The customer credit risk is established by the Company's policies, procedures and controls relating to customer credit risk management. Credit quality of a customer is assessed based on extensive credit rating scorecard and individual credit limits are defined in accordance with this assessment. Outstanding customer receivables are regularly monitored. An impairment analysis is performed at each reporting date on an individual bases.

##### Other financial assets and cash deposits

With respect to credit risk arising from the other financial assets of the Company, which comprise mainly bank balances and cash, the Company's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these assets.

Credit risk from balances with banks and financial institutions is managed by local Company's treasury supported by the Head Quarter. The Company limits its exposure to credit risk by only placing balances with international banks and local banks of good reputation. Given the profile of its bankers, management does not expect any counterparty to fail to meet its obligations.

#### **Due from related parties**

Due from related parties relates to transactions arising in the normal course of business with minimal credit risk, with a maximum exposure equal to the carrying amount of these balances.

#### **b) Market risk**

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices, such as currency risk and interest rate risk, which will affect the Company's income. Financial instruments affected by market risk include interest-bearing loans and borrowings and deposits. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. The Company does not hold or issue derivative financial instruments.

##### Exposure to interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's obligations with floating interest rates and interest-bearing time deposits.

## REXCEL EGYPT COMPANY (L.L.C.)

### NOTES TO THE FINANCIAL STATEMENTS

For The year ended 31 March 2023

#### Exposure to foreign currency risk

The following tables demonstrate the sensitivity to a reasonably possible change in USD exchange rates, with all other variables held constant. The impact on the Company's profit before tax is due to changes in the value of monetary assets and liabilities. The Company's exposure to foreign currency changes for all other currencies is not material.

|     | 31 March 2023  |                                              | 31 March 2022  |                                              |
|-----|----------------|----------------------------------------------|----------------|----------------------------------------------|
|     | Change in rate | Effect on profit<br>(loss) before tax<br>EGP | Change in rate | Effect on profit<br>(loss) before tax<br>EGP |
| USD | +10%           | (590,278)                                    | +10%           | (185,646)                                    |
|     | -10%           | 590,278                                      | -10%           | 185,646                                      |

#### c) Liquidity risk

The cash flows, funding requirements and liquidity of the Company are monitored by local Company management supported by the headquarters. The Company's objective is to maintain a balance between continuity of funding and flexibility using bank borrowings. The Company manages liquidity risk by maintaining adequate reserves and borrowing facilities, by continuously monitoring forecasted and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The Company currently has sufficient cash on demand to meet expected operational expenses, including the servicing of financial obligations.

The table below summarises the maturity profile of the Company's financial liabilities based on contractual undiscounted payments.

#### Financial liabilities

|                                                 | Less than<br>3<br>Months | 3 to 12<br>months | 1 to 5<br>years | Total             |
|-------------------------------------------------|--------------------------|-------------------|-----------------|-------------------|
| <b>As at 31 March 2023</b>                      |                          |                   |                 |                   |
| Trade and other payables                        | 38,475                   | --                | --              | 38,475            |
| Provision                                       | --                       | --                | 105,851         | 105,851           |
| Accrued expenses and other payables             | --                       | 1,206,016         | --              | 1,206,016         |
| Due to related parties                          | --                       | 10,334,145        | --              | 10,334,145        |
| lease obligations                               | --                       | 10,194            | 42,155          | 52,349            |
| <b>Total undiscounted financial liabilities</b> | <b>38,475</b>            | <b>11,550,355</b> | <b>148,006</b>  | <b>11,736,832</b> |
|                                                 |                          |                   |                 |                   |
|                                                 | Less than 3<br>Months    | 3 to 12<br>Months | 1 to 5<br>years | Total             |
| <b>As at 31 March 2022</b>                      |                          |                   |                 |                   |
| Trade and other payables                        | 48,228                   | --                | --              | 48,228            |
| Provision                                       | --                       | --                | 162,399         | 162,399           |
| Accrued expenses and other payables             | --                       | 992,581           | --              | 992,581           |
| Due to related parties                          | --                       | 6,011,377         | --              | 6,011,377         |
| <b>Total undiscounted financial liabilities</b> | <b>48,228</b>            | <b>7,003,958</b>  | <b>162,399</b>  | <b>7,214,585</b>  |