

Galaxy Chemicals (Egypt) S.A.E.
Financial Statements
Together With
Auditor's Report
For the year ended
March 31, 2023



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INDEPENDENT AUDITORS' REPORT

To: The Shareholders of Galaxy Chemicals (Egypt) S.A.E.

Report on the Financial Statements

We have audited the accompanying financial statements of Galaxy Chemicals (Egypt) S.A.E., which are comprised of the statement of financial position as of March 31, 2023, and the statements of profit or loss, other comprehensive income, cash flows and changes in equity for the year from April 1, 2022, till March 31, 2023, and summary of the significant accounting policies and other notes.

Management Responsibility on the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the Egyptian Accounting Standards and in light of the relevant Egyptian laws. This responsibility includes designing, implementing internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, 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 the Egyptian Auditing Standards and in light of the relevant Egyptian laws. Those standards require that we should plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement in the financial statements, due to fraud or errors, 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 obtained are sufficient and appropriate and provide a reasonable basis for our opinion



Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Galaxy Chemicals (Egypt) S.A.E. as of March 31, 2023, and the results of its operations and cash flows for the year then ended in accordance with the Egyptian Accounting Standards and the applicable Egyptian laws and regulations relating to the preparation of these financial statements.

Report on the Legal and Other Organizational Requirements

The company maintains proper books of accounts, which include all that is required by law and by the statutes of the company. The company maintains proper cost accounts. The physical inventory was held by the company on a consistent basis.

The financial information referred to in the Board of Directors report is prepared in compliance with Law No. 159 of 1981 and its executive regulation thereto and is in accordance with what is recorded in the company's books of account.

Cairo, May 8, 2023

Kamel M. Saleh, FCA
6E S.A.A. (ROA 8510)



Galaxy Chemicals (Egypt) S.A.E.
Statement of Financial Position
As of March 31, 2023

	<u>Note No.</u>	<u>31/3/2023</u>	<u>31/3/2022</u>
		<u>USD</u>	<u>USD</u>
<u>Assets</u>			
<u>Non-Current Assets</u>			
Property, plant and equipment (net)	5	23 211 883	22 482 786
Projects under construction	7	6 606 525	3 605 139
Right of use asset (net)	6	4 013 872	4 362 904
Total non-current assets		33 832 280	30 450 829
<u>Current Assets</u>			
Inventories	8	19 517 730	22 874 264
Trade receivables	9 & 19	16 678 904	19 378 416
Other debit balances	10	4 014 175	10 460 978
Treasury bills		-	61 982
Cash on hand and at banks	11	14 345 737	792 806
Total current assets		54 556 546	53 568 446
Total assets		88 388 826	84 019 275
<u>Owners' Equity and Liabilities</u>			
<u>Owners' Equity</u>			
Issued and paid-up capital	18	30 000 000	30 000 000
Legal reserve		939 267	-
Retained earnings/(losses)		17 846 082	10 087 245
Net profit for the year		10 405 251	8 698 104
Total owners' equity		59 190 600	48 785 349
<u>Current Liabilities</u>			
Banks overdraft	12	8 557 606	12 040 285
Short term loan	16	1 760 159	1 111 111
Trade payables	13	2 705 576	5 431 878
Due to parent and affiliates companies	14 & 19	6 181 072	5 651 192
Provisions		206 653	165 053
Other credit balances	15	4 374 046	3 431 657
lease liability- current	17	286 394	229 477
Total current liabilities		24 071 506	28 060 653
<u>Non-Current Liabilities</u>			
Long term loan	16 & 19	1 111 111	2 871 270
lease liability non-current	17	4 015 609	4 302 003
Total non-current liabilities		5 126 720	7 173 273
Total liabilities and owners' equity		88 388 826	84 019 275

The accompanying notes form an integral part of the financial statements and to be read therewith.

Chairman
Vaijanath Kulkarni

Director
Subodh Nadkarni

* Auditor's report attached.

Galaxy Chemicals (Egypt) S.A.E.

Statement of Profit or Loss

For the year from April 1, 2022 till March 31, 2023

	<u>For the year</u> <u>From 1/04/2022</u> <u>To 31/03/2023</u> <u>USD</u>	<u>For the year</u> <u>From 1/04/2021</u> <u>To 31/03/2022</u> <u>USD</u>
Revenue	142 667 537	131 423 004
Other Income	2 689 591	2 654 937
	145 357 128	134 077 941
<u>(Less)/ Add</u>		
Cost of Raw Materials	(119 013 165)	(112 825 278)
Salaries, Wages and Employee Benefits	(3 929 734)	(4 447 605)
Depreciation & Amortization	(3 028 597)	(2 847 819)
Changes in Inventory of Finished & Semi Finished Goods	(1 676 018)	2 338 078
Other Expenses	(5 891 450)	(6 950 086)
Formed provisions and impairment	(504 007)	--
Provision no longer required	--	142 898
GAFI Expenses	(286 629)	(408 114)
Foreign Exchange Gain	963 276	216 037
Finance Expenses	(1 300 288)	(470 636)
Inventory Write-Off	(176 161)	(13 349)
Lease Interest Expense	(109 104)	(113 963)
Net Profit for the year	10 405 251	8 698 104

Chairman

Vaijanath Kulkarni

A. Meru

Director

Subodh Nadkarni

Galaxy Chemicals (Eqypt) S.A.E.

Statement of Other Comprehensive Income

For the year from April 1, 2022 till March 31, 2023

	<u>For the year</u> <u>From 1/04/2022</u> <u>To 31/03/2023</u> <u>USD</u>	<u>For the year</u> <u>From 1/04/2021</u> <u>To 31/03/2022</u> <u>USD</u>
Profit for the year	10 405 251	8 698 104
Other comprehensive income	-	-
Net profit for the year	<u>10 405 251</u>	<u>8 698 104</u>

Chairman
Vaijanath Kulkarni



A. Miru
Director
Subodh Nadkarni

Galaxy Chemicals (Egypt) S.A.E.

Statement of Cash Flows

For the year from April 1, 2022 till March 31, 2023

	<u>Note No.</u>	<u>For the year</u> <u>From 1/04/2022</u> <u>To 31/03/2023</u> <u>USD</u>	<u>For the year</u> <u>From 1/04/2021</u> <u>To 31/03/2022</u> <u>USD</u>
<u>Cash Flows From Operating Activities</u>			
Net Profit For The Year		10 405 251	8 698 104
<u>Adjustments for:</u>			
Depreciation & Amortization	5 & 6	3 028 597	2 847 819
Formed Provision		545 607	-
Provision no longer required		-	(142 898)
Provision used		-	-
inventory Write-Off		162 812	13 349
lease interest expense		109 104	113 963
Operating cash flows before movement in working capital		14 251 371	11 530 337
Increase / (Decrease) In Inventory		3 193 722	(9 494 632)
Increase / (Decrease) In Receivables		2 699 512	(3 684 714)
Increase / (Decrease) In Debtors & Other Debit Balances		5 942 796	(6 401 567)
Increase In Due to Related Parties		529 880	1 490 637
(Decrease) / Increase Increase In Trade payables		(2 726 302)	1 067 223
Increase /(Decrease) In Creditors & Other Credit Balances		942 389	(971 204)
Net Cash (used in)/ generated from operating Activities		24 833 368	(6 463 920)
<u>Cash Flows From Investment Activities</u>			
(Payments) For The Purchasing Of Fixed Assets		(3 408 661)	(629 731)
(Payments) For Projects In Progress		(3 001 385)	(2 539 228)
Proceeds (Payment) for investments in treasury bills		61 981	5 881 376
Net Cash generated from / (used in) Investing Activities		(6 348 065)	2 712 417
<u>Cash Flows From Financing Activities</u>			
Bank Overdraft Payments /Receipts		(3 482 679)	2 237 498
Loan payment		(1 111 111)	(1 245 322)
Payments lease liability - principal		(229 478)	(180 457)
Payments lease liability - interest		(109 104)	(113 963)
Net Cash generated from / (used in) From Financing Activities		(4 932 372)	697 756
Net Cash During the year		13 552 931	(3 053 747)
Cash & Cash Equivalents at the beginning of the year	11	792 806	3 846 553
Cash & Cash Equivalents at the end of the year	11	14 345 737	792 806

Chairman
Vaijanath Kulkarni

Director
 Subodh Nadkarni

Galaxy Chemicals (Egypt) S.A.E.


Statement of Change in equity

For the period from April 1, 2022 till March 31, 2023

	<u>Issued and paid-up capital</u>		<u>Legal reserve</u>		<u>Retained (losses) / earnings</u>		<u>Profit for year</u>		<u>Total</u>	
	<u>USD</u>	<u>USD</u>	<u>USD</u>	<u>USD</u>	<u>USD</u>	<u>USD</u>	<u>USD</u>	<u>USD</u>	<u>USD</u>	<u>USD</u>
Balance as of April 1, 2021	30 000 000	--	--	(648 089)	10 735 334	10 735 334	40 087 245			
Transferred to retained losses	--	--	--	10 735 334	(10 735 334)	--	--			
Profits for the year	--	--	--	--	8 698 104	8 698 104	8 698 104			8 698 104
Balance as of March 31, 2022	30 000 000	--	--	10 087 245	8 698 104	8 698 104	48 785 349			
Balance as of April 1, 2022	30 000 000	--	--	10 087 245	8 698 104	8 698 104	48 785 349			
Transferred to retained losses	--	--	--	8 698 104	(8 698 104)	--	--			
Transferred to Legal reserve	--	939,267.00	--	(939,267.00)	--	--	--			
Profits for the year	--	--	--	--	10 405 251	10 405 251	10 405 251			10 405 251
Balance as of March 31, 2023	30 000 000	939 267	17 846 082	10 405 251	10 405 251	59 190 600				

Chairman

Vaijanath Kulkarni



Director

Subodh Nadkarni



Galaxy Chemicals (Egypt) S.A.E.
Notes to the Financial Statements
For the year ended March 31, 2023

1- The Company's background

Galaxy Chemicals (Egypt) S.A.E. established under the provisions of law No.8 of Investment Guarantees & Incentives for the year 1997, and it is Executive Regulations.

Company's Activities

The company was established as a Free Zone Company as manufacturer of surfactants and specialty chemicals for use in personal and home care industry. The company may have an interest or be involved in any kind of activities with other companies or entities performing similar activities might assist it to fulfill its objectives in Egypt or Overseas. The company may also merge into those entities or acquire the same according to the provisions of the commercial law and its executive regulations.

2- Statement of compliance

The financial statements have been prepared in accordance with the Egyptian Accounting Standards issued by the Minister of Investment's Decree No. (110) of 2015 and applicable laws and regulations. The Egyptian Accounting Standards require referral to International Financial Reporting Standards "IFRS", when no Egyptian Accounting Standard or legal requirement exists to address certain types of transaction or treatment.

3- Basis of Preparing the Financial Statements

The financial statements have been prepared on the historical cost basis. In the application of the company's accounting policies, the company's management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and any other factors that may considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period during which the estimates is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods Note No. (4) indicates the significant accounting estimates used and the judgments applied in the preparation of the company's independent financial statements

a- Property, plant and equipment and their depreciation

Property, plant and equipment are stated at historical cost and depreciated according to the straight-line method over their estimated useful lives. Property, plant and equipment in the course of construction are carried at cost, less any recognized impairment losses.

Cost of an asset comprises its purchase price, including import duties, non-refundable purchase taxes, professional fees and any directly attributable costs of bringing the asset to its working condition and location for its use intended by management. Depreciation of these assets commences when the assets are ready for their intended use.

The estimated useful lives, residual values and depreciation methods are reviewed at each year end, with the effect of any resulting changes accounted for on a prospective basis.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in income statement.

Galaxy Chemicals (Egypt) S.A.E.
Notes to the Financial Statements
For the year ended March 31, 2023

Depreciation is calculated on a straight-line basis according to the following estimated annual rates:

<u>Description</u>	<u>Rates</u>
Buildings	4.55%- 10.34%
Plant machinery	5%- 17%
Furniture and Fixture	10%
Office Equipment	10.34%
Computers and IT Equipment	33.33%
Vehicles& transportation	10.34%- 11%

b- Projects under construction

Projects under construction are stated at cost, which comprise all direct costs related to the preparation of the assets to be held for its intended use. The projects under construction are transferred to the property, plant and equipment when it becomes available for its intended use.

c- Revenue recognition

Revenue from contract with customers is recognized when the Company satisfies performance obligation by transferring promised goods to the customer. Performance obligations are satisfied at the point of time when the customer obtains controls of the asset.

Revenue is measured based on transaction price, which is the fair value of the consideration received or receivable, stated net of discounts, returns and value added tax. Transaction price is recognized based on the price specified in the contract, net of the estimated sales incentives/ discounts. Accumulated experience is used to estimate and provide for the discounts/ right of return, using the expected value method.

Interest income

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the company and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Other revenues

Other revenues are recognized on accrual basis, when it is certain that these revenues are recognized.

d- Inventory

Inventories comprise all costs of purchase, conversion and other costs incurred in bringing the inventories to their present location and condition.

Raw materials and bought out components are valued at the lower of cost or net realizable value. Cost is determined on the basis of the weighted average method.

Finished goods produced and purchased for sale, manufactured components and work-in-progress are carried at cost or net realizable value whichever is lower. Excise duty is included in the value of finished goods inventory.

Stores, spares and tools other than obsolete and slow-moving items are carried at cost. Obsolete and slow-moving items are valued at cost or estimated net realizable value, whichever is lower.

e- **Foreign Currency Transactions**

Functional and Reporting Currency

The company's records are maintained in US dollar which is the functional currency of the primary economic environment in which the entity operates. The US dollar has been designated as the functional and reporting currency of the company.

Transactions in Foreign Currencies

Transactions denominated in foreign currencies are translated into US dollar at the rates prevailing at the transaction date. At the financial statements date, monetary assets and liabilities denominated in foreign currencies are translated to US dollar at the exchange rates prevailing on the financial statements date, the company uses the rate of free market as it will be the rate used at which the future cash flows represented by the transaction or balance could have been settled of those cash flows had occurred at the measurement date. For non-monetary assets and liabilities denominated in foreign currencies and stated at fair value, they are retranslated to the US dollar according to the prevailing rates on the date the fair value is determined, while the non-monetary assets and liabilities stated at historical cost are not retranslated. Foreign exchange gains and losses resulting from translation and settlement of transactions in foreign currencies are recognized in the income statement for the year except for the differences resulting from the non-monetary balances of assets and liabilities stated at fair value, which are recognized as part of the changes in fair value.

f- **Taxation**

The Company exempted from corporate income tax under the law No.8 of Investment Guarantees & Incentives Year 1997, and its Executive Regulations.

g- **Provisions**

Provisions are recognized when the company has a present obligation, legal or constructive, as a result of past events and that it is probable that an outflow of economic resources will be required to settle the obligation and a reliable estimate for the amount of obligation can be made. Provisions are reviewed at each financial statement date and adjusted to management best estimate. Changes in the carrying amount of provisions are recognized in the income statement in the year during which a change in estimate arises.

h- **Impairment loss**

1. **Impairment of non-financial assets**

At each balance sheet date, the Company reviews the carrying amounts of its cash generating units to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of the cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the cash-generating unit is reduced to its recoverable amount. An impairment loss is recognized as an expense immediately unless the relevant asset is carried at a revalued amount in which case the impairment loss is treated as a revaluation decrease.

Galaxy Chemicals (Egypt) S.A.E.
Notes to the Financial Statements
For the year ended March 31, 2023

Where an impairment loss subsequently reverses the carrying amount of the cash-generating unit is increased to the revised estimate of its recoverable amount so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the cash-generating unit in prior years. A reversal of an impairment loss is recognized as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

2. Impairment of financial assets

Financial assets, other than those at fair value through profit or loss (FVTPL) are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted. For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. When a trade receivable is uncollectible it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

i- Financial instruments

A financial instrument is any contract that gives rise to both a financial asset of one enterprise and a financial liability or equity instrument of another enterprise.

Financial assets and financial liabilities are recognized on the company's balance sheet when the company becomes a party to the contractual rights and obligations of the financial instrument.

Financial liabilities or part of a financial liability are removed from the financial statements when, and only when the obligation specified in the contract is discharged, cancelled or expired.

The difference between the carrying amount of a financial liability (or the completed portion or the transferred to another party) and the cash flows, including any transferred non-cash assets or estimated liabilities, is recognized in the statement of profit or loss.

Accounts receivable

Accounts receivable balance represents sales not collected as of the date of the balance sheet. Accounts receivables are shown net of accumulated impairment losses and deferred revenue, which represents issued and uncollected invoices.

Cash

Cash and bank balances include cash on hand, current accounts with banks, short-term deposits with an original maturity of three months or less.

Treasury bills

Treasury bills balances represents short-term treasury bills issued by government promises to pay a fixed amount to the company "face value" at the maturity date of each Treasury Bill.

Accounts payable

Accounts payable are recognized for amounts to be paid in the future for goods received or services rendered during the year.

J- Statement of cash flows

The statement of cash flows is prepared applying the indirect method. For the purpose of preparing the statement of cash flows, cash and the cash equivalents represents cash on hand and at banks and deposits with banks less any bank overdraft balance.

k- Leases:

The Company as a lessee

The Company's lease asset classes primarily comprise of lease for land .The Company assesses whether contract contains a lease, at inception of a contract. A contract is, or contains, a lease if the contract conveys right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether: (i) the contract involves the use of an identified asset (ii) the Company has substantially all of the economic benefits from use of the asset through the period of the lease and (iii) the Company has the right to direct the use of the asset.

At the date of commencement of the lease, the Company recognizes a Right of use Asset ("ROU") and a corresponding lease liability for all lease arrangements in which it is a lessee, except for leases with a term of twelve months or less (short-term leases) and low value leases. For these short-term and low value leases, the Company recognizes the lease payments as an operating expense over the term of the lease.

The Right of use Assets are initially recognized at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or prior to the commencement, date of the lease plus any initial direct costs less any lease incentives. They are subsequently measured at cost less accumulated depreciation and impairment losses. Right of use Assets are depreciated from the commencement date on a straight-line basis over the shorter of the lease term and useful life of the underlying asset. The lease liability is initially measured at amortized cost at the present value of the future lease payments. The lease payments are discounted using the interest rate implicit in the lease or, if not readily determinable, using the incremental borrowing rates in the country of domicile of these leases.

Lease liability and ROU asset have been separately presented in the Balance Sheet and lease payments have been classified as financing cash flows.

The Company as a Lessor

Leases for which the Company is a lessor is classified as a finance or operating lease. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

4- Critical accounting estimates and judgments

The preparation of financial statements in conformity with EAS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the results of operations during the reporting period end. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates.

The estimates and underlying assumptions are reviewed at the end of each reporting period. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical accounting judgements and key source of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Useful lives of property, plant and equipment and intangible assets

As described in the significant accounting policies, the Company reviews the estimated useful lives of property, plant and equipment and intangible assets at the end of each reporting period. Useful lives of intangible assets is determined on the basis of estimated benefits to be derived from use of such intangible assets. These reassessments may result in change in the depreciation /amortization expense in future periods.

Galaxy Chemicals (Egypt) S.A.E.
Notes the Financial Statements
For the year ended March 31, 2023

5- Property, Plant, and Equipment

	<u>Buildings & Infrastructures</u>	<u>Machinery and equipment</u>	<u>Furniture & Fixture</u>	<u>Office Equipment</u>	<u>Computer & IT Equipment</u>	<u>Vehicles</u>	<u>Total</u>
	<u>USD</u>	<u>USD</u>	<u>USD</u>	<u>USD</u>	<u>USD</u>	<u>USD</u>	<u>USD</u>
<u>Cost</u>							
Balance as at April 1, 2021	12 183 038	35 331 363	179 723	396 719	643 628	70 667	48 805 138
Additions	67 901	334 738	12 465	162 647	51 980	--	629 731
Balance as of March 31, 2022	12 250 939	35 666 101	192 188	559 366	695 608	70 667	49 434 869
Additions	235 514	2 829 998	10 734	200 175	66 103	66 137	3 408 661
Balance as of March 31, 2023	12 486 453	38 496 099	202 922	759 541	761 711	136 804	52 843 530
<u>Accumulated Depreciation</u>							
Balance as at April 1, 2021	4 880 064	18 634 209	140 115	220 446	548 338	30 125	24 453 297
Year charge	566 849	1 806 515	17 084	28 322	72 488	7 528	2 498 786
Balance as of March 31, 2022	5 446 913	20 440 724	157 199	248 768	620 826	37 653	26 952 083
Year charge	580 706	1 986 839	12 513	39 914	46 743	12 849	2 679 564
Balance as of March 31, 2023	6 027 619	22 427 563	169 712	288 682	667 569	50 502	29 631 647
<u>Carrying amount</u>							
As at March 31, 2022	6 804 026	15 225 377	34 989	310 598	74 782	33 014	22 482 786
As at March 31, 2023	6 458 834	16 068 536	33 210	470 859	94 142	86 302	23 211 883

Galaxy Chemicals (Egypt) S.A.E.
Notes to the Financial Statements
For the year ended March 31, 2023

6- <u>Right of use assets – Land</u>	<u>Description</u>	<u>31/3/2023</u>	<u>31/03/2022</u>
		<u>USD</u>	<u>USD</u>
	Cost at Beginning of the year	4 711 936	-
	Addition during the year	-	4 711 936
	Disposal during the year	-	-
	Cost at Ending of the year	4 711 936	4 711 936
	Accumulated depreciation at Beginning of the year	349 032	-
	Amortization during the year	349 032	349 032
	Disposal during the year	-	-
	Accumulated depreciation at Ending of the year	698 064	349 032
	Net at Ending of the year	4 013 872	4 362 904
7- <u>Projects under construction</u>		<u>31/3/2023</u>	<u>31/3/2022</u>
		<u>USD</u>	<u>USD</u>
	Projects under construction*	6 606 525	3 605 139
		6 606 525	3 605 139

*Projects under construction represent amounts paid to acquire expansion in buildings and production line.

8- <u>Inventories</u>		<u>31/3/2023</u>	<u>31/3/2022</u>
		<u>USD</u>	<u>USD</u>
	Raw Materials	7 657 904	9 390 397
	Packing & Packaging Materials	595 071	438 463
	Semi-finished products	3 304 857	4 545 929
	Finished Goods	3 683 417	4 118 363
	Spare parts	1 117 392	949 972
	Goods in transit	3 159 089	3 431 140
		19 517 730	22 874 264

Galaxy Chemicals (Egypt) S.A.E.
Notes to the Financial Statements
For the year ended March 31, 2023

9- Trade receivables

	<u>31/3/2023</u>	<u>31/3/2022</u>
	<u>USD</u>	<u>USD</u>
<u>Receivables from related parties</u>		
TRI-K INDUSTRIES, INC. (USA)	65 338	774 756
Galaxy Surfactants Limited	39 480	93 944
	<u>104 868</u>	<u>868 700</u>
Trade receivable third party – Local	5 803 076	6 722 623
Trade receivable third party – Foreign	10 770 960	11 787 093
	<u>16 678 904</u>	<u>19 378 416</u>

10- Other debit balances

	<u>31/3/2023</u>	<u>31/3/2022</u>
	<u>USD</u>	<u>USD</u>
Advance payments to suppliers	2 918 322	9 047 180
Prepaid expenses	271 760	316 787
Deposit with others	290 417	277 797
Employees petty cash custodian	50 601	23 217
Letter of Guarantee	195 425	195 425
General Authority for Investment and Free Zone (GAFI) (See Note 22)	273 275	559 905
Other debit balances	518 382	40 667
	<u>4 518 182</u>	<u>10 460 978</u>
Less: Impairment in other debit accounts	(504 007)	--
	<u>4 014 175</u>	<u>10 460 978</u>

11- Cash on hand and at banks

	<u>31/3/2023</u>	<u>31/3/2022</u>
	<u>USD</u>	<u>USD</u>
Banks current accounts	5 821 358	764 622
Time Deposit	8 500 000	971
Cash on hand	24 379	27 213
	<u>14 345 737</u>	<u>792 806</u>

12- Bank overdraft

The balance of this account amounting to USD 8 557 606 as of March 31, 2023 represent the outstanding balance of banks overdraft.

	<u>3/31/2023</u>	<u>3/31/2022</u>
	<u>USD</u>	<u>USD</u>
Bank over draft *	8 557 606	12 040 285
	<u>8 557 606</u>	<u>12 040 285</u>

* The company obtained short-term credit facilities from its banks as follows:

<u>Lender</u>	<u>Contract Date</u>	<u>Granted Facility</u>	<u>Interest rate</u>	<u>Utilization Purpose</u>	<u>3/31/2023</u>	<u>3/31/2022</u>
					<u>USD</u>	<u>USD</u>
QNB- Over draft	February 14, 2021	USD 15.7 Million or Equivalent in Euro	<u>EGP: 0,75% over CBE corridor,</u> <u>Other Currencies: 1.7% over</u> libor 6 months	Multi purpose line	2 476 121	7 312 348
QNB- Over draft	December 9, 2019	USD 2.0 Million or Equivalent in Euro	<u>EGP: 0,75% over CBE corridor,</u> <u>Other Currencies: 1.7% over</u> libor 6 months	For purchasing Raw Material	-	1 198 220
Alfijan Wafa Bank- Revolving	December 10, 2019	USD 6.5 Million or Equivalent in Euro	<u>EGP: 0,75% over CBE corridor,</u> <u>Other Currencies: 1.9% over</u> libor 3 months	Multi purpose line	6 081 485	3 529 717
					<u>8 557 606</u>	<u>12 040 285</u>

Galaxy Chemicals (Egypt) S.A.E.
Notes to the Financial Statements
For the year ended March 31, 2023

13- Trade payables

	<u>31/3/2023</u>	<u>31/3/2022</u>
	<u>USD</u>	<u>USD</u>
Trade payables– Local	2 291 352	4 553 893
Trade payables– Foreign	414 224	877 985
	<u>2 705 576</u>	<u>5 431 878</u>

14- Due to parent and affiliates companies

	<u>31/3/2023</u>	<u>31/3/2022</u>
	<u>USD</u>	<u>USD</u>
Galaxy Surfactants Limited "The Ultimate Parent"	6 181 072	5 624 681
TRI-K INDUSTRIES, INC. (USA) affiliate	-	26 511
	<u>6 181 072</u>	<u>5 651 192</u>

15- Other credit balances

	<u>31/3/2023</u>	<u>31/3/2022</u>
	<u>USD</u>	<u>USD</u>
Advance payment from customers	1 725 127	1 446 921
Accrued expenses	2 490 577	1 859 101
Accrued interest	58 218	26 323
Accrued Salaries- Pay Leave	-	21 098
Tax authority- withholding tax	24 231	24 610
Tax authority- salaries tax	46 422	29 764
Social Insurance	29 471	23 840
	<u>4 374 046</u>	<u>3 431 657</u>

16- Borrowings

<u>Lenders</u>	<u>Original Loan Amount</u>	<u>No. of Quarterly Installments Outstanding</u>	<u>First Installment Due After the reporting date</u>	<u>Avg Interest rate</u>	<u>Utilized amount</u>	<u>Total Outstanding Balance</u>	<u>Total Outstanding Balance</u>
						<u>31-Mar-23</u>	<u>31-Mar-22</u>
						<u>USD</u>	<u>USD</u>
Galaxy Holdings (Mauritius) Ltd **	USD 5 000 000	Fully at the end	May 23, 2023	5% Plus 6M of LIBOR up to 7%	USD 5 000 000	649 046	649 046
ICICI Bank Ltd , Bahrain**	USD 5 000 000	Quarterly	June 30,2023	2.25% plus LIBOR	USD 5 000 000	2 222 222	3 333 333
			Utilized amount			2 871 270	3 982 381
			Due within two to five years			1 111 111	2 871 270
			Total long term loans liability			1 111 111	2 871 270
			Due within one year			1 760 159	1 111 111
			Total short-term credit facilities			1 760 159	1 111 111

Galaxy Holding Company *

On May 15, 2015 the company entered into a formal loan agreement with Galaxy holding company "the parent company" to finance the company through a credit facility amounting to USD 5 Million. As agreed between the two parties the loan will be used to finance the company's activities. Originally, the loan has 4 years term. Interest rate was fixed to LIBOR plus 5% per annum with a maximum of 7%. The company has the right to withdraw additional amounts under the same agreement with a maximum of USD 15 million. The loan agreement has been amended on 23/5/2019 to expedite re-payment of the loan to 23/5/2023.

ICICI Bank Ltd , Bahrain**

On December 25, 2019 the company entered into a formal long term loan agreement with ICICI Bank Ltd through its Bahrain Branch to finance the company through a credit facility amounting to USD 5 Million. As agreed with the ICICI Bank Ltd, the loan will be used to finance the repayment of Galaxy Holding Company loan and up to USD 5 Million. Originally, the loan have 5 years repayment terms from the date of first utilization date and fixed interest rate of LIBOR plus 2.25% per annum.

The following pledges, guarantees and commitments are granted to the lenders in conjunction with the loan agreements

- 1- Unconditional and irrevocable corporate guarantee covering 100% of the loan amount in a manner and format acceptable to the lender and valid for at least 6 Months beyond the facility tenor.
- 2- Commitments to meet certain Environment and financial covenants.

Galaxy Chemicals (Egypt) S.A.E.
Notes to the Financial Statements
For the year ended March 31, 2023

17- **Lease Liabilities**

<u>Description</u>	<u>31/3/2023</u>	<u>31/3/2022</u>
	<u>USD</u>	<u>USD</u>
Impact of implementing EAS 49 as of April 1, 2021		4 711 936
Opening balance	4 531 480	
<u>Movement during current</u>		
Payment	(338 581)	(294 418)
Additions	--	--
Disposals	--	--
Accretion of interest	109 104	113 962
Total at ending year	4 302 003	4 531 480
lease liabilities – Current (within one year)	286 394	229 477
lease liabilities – Noncurrent (from 2 to 5 years)	4 015 609	4 302 003

18- **Capital**

The authorized capital amounted to USD 30 million, issued and paid-up capital amounted to USD 30 million, distributed among 30 million shares with a par value of USD 1 each, fully paid as follows:

<u>Shareholder Name</u>	<u>No. of shares</u>	<u>% of Shares</u>	<u>Amount in</u> <u>USD</u>
Galaxy Holdings (Mauritius) LTD	29 999 998	99.99%	29 999 998
VAIJANATH SAKHARAM KULKARNI	1	.005%	1
RAMAKRISHNAN GOPALKRISHNAN	1	.005%	1
	30 000 000	100%	30 000 000

19 Related parties transactions

<u>Nature of transaction</u>	<u>Period /Year</u>	<u>Galaxy Surfactants Limited</u> (Ultimate Parent) <u>USD</u>	<u>Galaxy Holdings (Mauritius)- Limited</u> (Parent) <u>USD</u>	<u>TRI-K INDUSTRIES, INC. (USA)</u> (Affiliate) <u>USD</u>
Revenues	3/31/2023	1 434 533		8 874 412
	3/31/2022	901 447	--	7 447 239
Purchase of goods	3/31/2023	34 800 077		33 297
	3/31/2022	28 259 853	--	26 511
Financing (i)- Interest	3/31/2023		34 596	
	3/31/2022	--	39 360	--
Corporate Guarantee	3/31/2023			
	3/31/2022	--	--	--
<u>Balances reported within current assets</u>				
Trade receivables	3/31/2023	276 360		206 352
	3/31/2022	93 944	--	774 756
<u>Balances reported within current liabilities</u>				
Due to parent and affiliates companies	3/31/2023	6 328 240		--
	3/31/2022	5 624 681	--	26 511
Accrued Expenses	3/31/2023			
	3/31/2022	--	--	--
Accrued Interest	3/31/2023		53 022	
	3/31/2022	--	26 323	--

The amounts outstanding are as per the Inter-Corporate Credit Facility agreement signed between Galaxy Holdings- Mauritius (Limited) 'the lender' and Galaxy Chemicals- Egypt (SAE) the borrower, The company has been granted shareholders' loan amounting to 5,000,000 USD. The loan is subject to an interest rate of (Libor + 5%) which is within the maximum of 7% set by the Egyptian Government for Shareholders Loans

Transactions with related parties are recorded by the Company within its daily routine transactions and on the same bases for transactions with others.

20- Financial instruments fair value

The financial instruments represent balances of cash in hand and at banks, debtors, creditors and related party balances. The carrying amounts of these financial instruments represent a reasonable estimate for their fair values. Note (4) includes significant accounting policies applied in recognition and measurement of those financial instruments, and its related revenues and expenses.

21- Financial risk management

The company is exposed to the following risks, due to its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

Credit risk

Credit risk represented in the failure of the customers to discharge their obligations at the due date, the company deals with customers who has a good reputation.

Liquidity

This risk represents the Company's inability to settle its financial liabilities on maturity dates. The Company's liquidity risk management policy requires that sufficient cash is maintained to meet short term funding requirements, to avoid unacceptable loss that may affect the Company's reputation.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect the company's income or the value of its holding of financial instruments.

Foreign currencies fluctuation risk

Foreign currency Fluctuation risk represented in the risk of change in foreign currencies exchange rates, which in turn affects payments and receipts in foreign currencies as well as the value of monetary assets and liabilities reported in foreign currency.

Interest rate risk

This risk represents the effect of changes in interest rate, which might adversely affect the results of operations and the value of the financial assets and liabilities. In order to minimize the interest rate risk, the company tends to reduce interest rates on facilities obtained from its banks on an ongoing basis.

22- Tax Position

The Company exempted from corporate income tax under the law No.8 of Investment Guarantees & Incentives for the Year 1997, and its Executive Regulations.

Galaxy Chemicals (Egypt) S.A.E.
Notes to the Financial Statements
For the year ended March 31, 2023

- **Corporate tax**

The company exempted from corporate income tax as a free zone company. Tax department didn't notify the company for any corporate tax inspection requests up to date.

- **VAT**

The company exempted from VAT as a free zone company. Tax department didn't notify the company for any VAT inspection requests up to date.

- **Salaries tax**

The company calculates and withholds salaries tax from all employees' gross salaries and pays dues timely as required by the Egyptian tax laws and regulations.

The salaries tax inspection for the years till 31 March 2017 was concluded and all related due amounts including principal taxes and late interest were paid in full.

The company received Form # 38 from the tax department indicates an assessment of due salaries tax for period from 31 March 2017 to 31 March 2019 amounted to EGP 33 million. this audit resulted in a tax difference with an amount of EGP 1,368,334. The company filed an appeal on a timely basis and the file was transferred to the internal committee which will start reviewing the appeal.

The company received Form # 38 for the period from 1/4/2019 to 31/3/2021 based on actual audit of the records and documents. This form includes an assessment of tax differences with an amount of EGP 2,184,262. The company filed an appeal on timely basis and the file is transferred to the internal committee which will start reviewing the appeal, the internal committee will review this period appeal along with the prior period.

- **Withholding tax**

The company withholds the appropriate withholding tax from all companies and individuals subject to the withholding tax system. Amounts withheld paid to Tax Authority on quarterly basis as required by the Egyptian tax law. The Tax department didn't notify the company for any withholding tax inspection requests up to date.

- **Stamp duty tax**

The company is exempted from the stamp duty tax as a free zone company; however, the tax department requested the payment of EGP 18,191 for years 2009/2017, we filed an appeal on this assessment which is still not yet resolved.

23- General Authority for Investment & Free Zones (GAFI)

On February 10, 2019, the head of GAFI Legal Advice and Legislation Department, issued a signed decree to a number of companies established under the Law No. 8 For the Year 1997 allow them to pay GAFI fees based on the value-added services instead of the total revenue as required by Law no 72 for the year 2017 till the company's license expiration date by end of the year 2034.

Galaxy Chemicals (Egypt) S.A.E.
Notes to the Financial Statements
For the year ended March 31, 2023

24- Contingent liabilities

The balance of contingent liabilities is represented in the value of the uncovered portion of the letters of guarantee issued by the company to its suppliers which amounted to 2,089,801 USD on March 31, 2023.


25- Significant events during the current year.

On April 27, 2022, the Prime Minister issued Decision 1568 of 2022 amending some provisions of the Egyptian Accounting Standards Egyptian Accounting Standard No. 13 (amended 2015), amending foreign exchange rates. On December 27, 2022, Prime Minister Decision No. 4706 of 2022 was issued to amend some provisions of the Egyptian Accounting Standards by adding an appendix (b) to the amended Egyptian Accounting Standard No. 13 of 2015). The effects of changes in foreign exchange rates, which includes special accounting treatment to deal with the effects of moving foreign exchange rates.

On February 2, 2023, the Monetary Policy Committee of the Central Bank of Egypt decided, in its meeting, to maintain the rates of the overnight deposit and lending return and the price of the main operation of the Central Bank at the level of 16.25%, 17.25%, and 16.75%, respectively. Credit and debit at the level of 16.75%.

Chairman
Vaijanath Kulkarni




Director
Subodh Nadkarni