FLEX MIDDLE EAST FZE

Wholly Owned Subsidiary Company of
UFlex Limited

FINANCIAL STATEMENTS
2014 - 2015

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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDER OF FLEX MIDDLE EAST FZE

Report on the Financial Statements

We have audited the accompanying financial statements of FLEX MIDDLE EAST FZE, which comprise the statement of financial position as at 31 March 2015, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the applicable implementing rules and regulations issued by the Jebel Ali Free Zone Authority and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risk 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 establishment'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 establishment's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements, read with the notes, present fairly in all material respects, the financial position of FLEX MIDDLE EAST FZE as at 31 March 2015 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on Other Legal and Regulatory Requirements

Also, in our opinion, the establishment has maintained proper books of account and the physical inventory was properly conducted. The financial statements are in agreement with the books of account. We obtained all the information which we considered necessary for our audit. According to the information available to us, there were no contraventions during the year of the regulation No.1/92 issued by the Jebel Ali Free Zone Authority pursuant to Law No. 9 of 1992 or of the articles of association which might have materially affected the financial position of the establishment or its financial performance.

Signed by:
C. D. Shah
Partner
Registration No. 677
Shah & Alshamali Associates Chartered Accountants

11 May 2015
Dubai

STATEMENT OF FINANCIAL POSITION 31 MARCH 2015

	Notes	**2015 US $**	2014 US $
ASSETS			
Non-current assets			
Property, plant and equipment	4	**48,650,251**	51,293,365
Investments	5	**126,815,990**	106,940,990
Other financial assets	6	**348,774**	370,572
Intangible assets	7	**5,631**	7,625
		175,820,646	158,612,552
Current assets			
Inventories	8	**4,958,576**	9,642,673
Trade and other receivables	9 & 24	**85,999,093**	109,117,276
Prepayments		**186,200**	241,691
Cash and bank balances	10	**3,339,655**	3,017,291
Total current assets		**94,483,524**	122,018,931
Total assets		**270,304,170**	280,631,483
EQUITY AND LIABILITIES			
Capital and reserves			
Shareholder's funds			
Share capital	11	**29,155,313**	29,155,313
Retained earnings		**178,750,770**	170,906,535
Total shareholder's equity funds		**207,906,083**	200,061,848
Non-current liabilities	12 & 13	**22,616,935**	34,041,198
Current liabilities			
Bank borrowings	12 & 13	**31,745,891**	28,126,106
Trade and other payables	14 & 24	**8,035,261**	18,402,331
Total current liabilities		**39,781,152**	46,528,437
Total liabilities		**62,398,087**	80,569,635
Total equity and liabilities		**270,304,170**	280,631,483

The notes on pages 6 to 24 form an integral part of these financial statements.

Pradeep Tyle	Sanjay Tiku	Narinder P. Khankriyal
Director	**COO**	**Exec. Manager (F & A)**

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2015

	Notes	**2015 US $**	2014 US $
Revenue			
Sales and other operating income	15	**100,506,549**	106,690,047
Dividend income from a subsidiary		**2,621,373**	5,184,400
Total revenue		**103,127,922**	111,874,447
Expenditure			
Cost of materials	16	**(62,040,928)**	(66,854,236)
Other manufacturing expenses	17	**(16,898,099)**	(17,078,666)
Payroll and related expenses		**(4,551,419)**	(4,218,289)
Administrative and selling expenses	18	**(8,454,154)**	(9,189,164)
Loss on sale of property, plant and equipment		**(11,161)**	(8,391)
Finance costs	19	**(3,327,926)**	(3,239,134)
Total expenditure		**(95,283,687)**	(100,587,880)
Profit for the year		**7,844,235**	11,286,567
Other comprehensive income		**-**	-
Total comprehensive income for the year		**7,844,235**	11,286,567

The notes on pages 6 to 23 form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2015

	Share capital US $	Retained earnings US $	Total US $
As at 31 March 2013	**29,155,313**	**159,619,968**	**188,775,281**
Profit for the year	-	11,286,567	11,286,567
As at 31 March 2014	**29,155,313**	**170,906,535**	**200,061,848**
Profit for the year	-	7,844,235	7,844,235
As at 31 March 2015	**29,155,313**	**178,750,770**	**207,906,083**

The notes on pages 6 to 23 form an integral part of these financial statements.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2015

	Note	2015 US $	2014 US $
Cash flows from operating activities			
Profit for the year		**7,844,235**	11,286,567
Adjustments for:			
Depreciation		**3,189,136**	3,189,583
Amortization		**23,792**	23,791
Finance costs		**3,327,926**	3,239,134
Interest income		**(37,661)**	(6,775)
Loss on sale of property, plant and equipment		**11,161**	8,391
Provision for staff end-of-service gratuity (net)		**75,737**	86,407
Operating profit before working capital changes		**14,434,326**	17,827,098
(Increase)/decrease in inventories		**4,684,097**	(580,713)
(Increase)/decrease in trade and other receivables		**23,118,882**	(16,483,939)
(Increase)/decrease in prepayments		**55,491**	18,422
Increase/(decrease) in trade and other payables		**(10,555,356)**	1,999,769
Cash generated from/ (used in) operations		**31,737,440**	2,780,637
Finance costs paid		**(3,139,640)**	(2,962,332)
Net cash from/ (used in) operating activities		**28,597,800**	(181,695)
Cash flows from investing activities			
Payment for purchase of property, plant and equipment		**(563,823)**	(444,705)
Proceeds from sale of property, plant and equipment		**6,640**	4,905
Payments for investments		**(19,875,000)**	(26,250,000)
Net (placement)/withdrawal of margin and term deposits		**164,991**	(982,430)
Interest income received		**36,962**	5,365
Net cash from/ (used in) investing activities		**(20,230,230)**	(27,666,865)
Cash flows from financing activities			
Proceeds from / (payment of) term loans (net)		**(15,000,000)**	26,201,995
Proceeds from / (payment of) trust receipts		**4,316,176**	1,147,734
Proceeds from / (payment of) bills discounted		**1,982,626**	(1,486,266)
Proceeds from / (payment of) working capital finance		**886,374**	2,588,555
Proceeds from / (payment of) bank overdraft		**(65,391)**	(71,481)
Net cash from/ (used in) financing activities		**(7,880,215)**	28,380,537
Net increase/(decrease) in cash and cash equivalents		**487,355**	531,977
Cash and cash equivalents at the beginning of year		**1,907,886**	1,375,909
Cash and cash equivalents at the end of year	20	**2,395,241**	1,907,886

The notes on pages 6 to 23 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

1. LEGAL STATUS AND BUSINESS ACTIVITY

FLEX MIDDLE EAST FZE (FME) (the "establishment") is a limited liability establishment incorporated in the Jebel Ali Free Zone, Dubai, U.A.E. pursuant to law No. 9 of 1992 and implementing Rules and Regulations issued there under by the Jebel Ali Free Zone. The registered address of **FME** is P O Box 17930, Jebel Ali Free Zone, Dubai, United Arab Emirates.

FME is a subsidiary of **UFLEX LIMITED,** which is a public limited entity registered under Indian Company Law 1956. **UFLEX LIMITED** is listed on National Stock Exchange (NSE) and Bombay Stock Exchange (BSE). **UFLEX LIMITED** is engaged in various activities including manufacturing of polyester film, BOPP film, CPP film, adhesive, ink, vacuum bags and converting**.**

FME is engaged in manufacturing of plastic films and trading of plastic & nylon raw materials, packaging equipment and printing equipment & instruments, basic and industrial chemicals and rendering of related consultancy and technical services.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

i. The financial statements, have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), and interpretations issued by the International Financial Reporting Interpretations Committee and the applicable requirements of U.A.E. laws.

The functional currency of the establishment is UAE Dirham since the majority of the establishment's transactions are conducted in that currency or in US Dollars to which UAE Dirham is pegged and the establishment's presentation currency is in US Dollars. The exchange rate applied for the translation of functional currency (AED) to the presentation currency (USD) is AED 3.67 = USD 1.

The financial statements have been prepared under the historical cost basis, except for certain financial assets carried at fair value. Historical cost is based on the fair value of the consideration given to acquire the asset of cash equivalents expected to be paid to satisfy the liability. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The establishment's financial statements have been prepared on the going concern basis for the following reasons:

- Investments will continue to provide returns.
- Timely funds are raised from the financial institutions for the proper management of fund requirements.
- Fixed term borrowings are timely repaid as per the agreed terms.
- Creditors are timely paid resulting in unabated financial support from them.
- Although trade receivables are outstanding beyond normal credit period they are considered good and recoverable.
- Cash generated by operations is positive.
- Future forecast reflects a continuation of a positive trading and financial performance.
- The shareholder has confidence in the business and will ensure that adequate funds are introduced / maintained in the establishment to ensure that all short, medium and being negotiated long term liabilities are met as they fall due.

- The management is not aware of any material changes that may adversely impact the establishment relative to customers, suppliers, services or geographical markets.
- The management is not aware of any material non-compliance with statutory or regulatory requirements and there are no pending legal proceedings other than in the normal course of business.
- Key executives management are in place.
- There are no pending changes in government legislation that may adversely affect the establishment.

ii. These financial statements contains information about the establishment as an individual establishment and do not contain consolidated financial information as the parent of a subsidiary. The establishment is exempted under IFRS 10 "Consolidated Financial Statements" from the requirement to prepare consolidated financial statements as it, and its subsidiaries are included by consolidation in the consolidated financial statements of the ultimate parent company.

2.2 Adoption of new and revised accounting standards

The nature and the effect of changes with respect to adoption of new standards, interpretations and amendments which are effective on 1 January 2014 are disclosed below. These standards, amendments and interpretations are either not effected, not relevant or do not have any significant influence on the establishment:

- *Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)*
- *Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32)*
- *Recoverable amounts disclosures for non-financial assets (Amendments to IAS 36)*
- *Novation of Derivatives and Continuation of Hedge Accounting (Amendments to IAS 39)*
- *IFRIC Interpretation 21 Levies*
- *Annual Improvements 2010-2012 Cycle*
- *Annual Improvement 2011-2013 Cycle*

The establishment has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

2.3 Significant accounting estimates, judgments and assumptions

The preparation of the financial statements requires management to make estimates and assumptions that may affect the reported amount of financial assets and liabilities, revenues, expenses, disclosure of contingent liabilities and the resultant provisions and fair values.

Such estimates are necessarily based on assumptions about the several factors and actual results may differ from reported amounts.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are discussed in note 3.

2.4 Summary of significant accounting policies

The accounting policies, which are consistent with those used in the previous year in dealing with items that are considered material in relation to the financial statements are as follows:

Property, plant and equipment

Property, plant and equipment in the course of construction for production, administrative purposes, or for purposes not yet determined, are carried at cost, less any recognized impairment loss.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

Cost includes related expenses of acquisition/construction, professional fees and, for qualifying assets, borrowing costs capitalized in accordance with the establishment's accounting policy.

Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Fixtures and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. Depreciation is charged so as to write off the cost or valuation of assets, other than land and properties under construction, as per the Indian Companies Act. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

Expenditure incurred to replace a component of an item which increases future economic benefits of the related item of property, plant and equipment is capitalized and written off over its estimated useful life. All other expenditure is recognized in the profit or loss and other comprehensive income statement as the expense is incurred.

The carrying amounts are reviewed at each date of statement of financial position to assess whether they are recorded in excess of recoverable amount. Where carrying amount exceeds the recoverable amount, property, plant & equipment are written down to their recoverable amount.

Other financial assets

Other financial assets, representing operating lease for leased plots of land, are amortized over the lease period.

Intangible assets

Intangible assets are stated at cost less provisions for amortization and impairment. Acquired computer software is capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized on written down value basis after considering the average life of the asset, date on which it is put into use and the amortization has been provided at the rate of 20% on pro-rata basis.

Inventories

Inventories are stated at the lower of cost or net realizable value. Costs are those expenses incurred in bringing each product to its present location and condition. Raw materials and consumables are stated at cost including direct expenses using first in first out method. Finished goods are valued at cost of direct materials and labour plus attributable overheads based on a normal level of activities. Net realizable value is based on estimated selling price less any further costs expected to be incurred on completion and disposal.

Investments

Subsidiaries are entities over which the establishment has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights. An associate is an entity in which the establishment has significant influence and which is neither a subsidiary nor a joint venture.

Investments in subsidiaries and associates are accounted for at cost less provision for impairment in value of the investments, if any. Dividend income is recognized in the statement of profit or loss and other comprehensive income when dividend is paid by the subsidiaries out of the profits made subsequent to the date of acquisition.

Financial instruments

Financial assets and financial liabilities are recognized when, and only when, the establishment becomes a party to the contractual provisions of the instrument.

Financial assets are de-recognized when, and only when, the contractual rights to receive cash flows expire or when substantially all the risks and rewards of ownership have been transferred.

Financial liabilities are de-recognized when, and only when, they are extinguished, cancelled or expired.

Financial assets

The financial assets include bank balances and cash, trade and other receivables.

Loans and receivables

Trade and other receivables

Trade receivables are stated at original invoice amount less a provision for any uncollectible amount. An estimate for doubtful debts is made when collection of the full amount is no longer probable and provided for in the accounts. Bad debts are written off when there is no possibility of recovery.

Other current financial assets

Other current financial assets which comprise deposits under encumbrance and deposits with a maturity date of more than three months from the date of deposit are classified as loans and receivables and stated at amortized cost using the effective interest method.

Cash and cash equivalents

Cash and cash equivalents comprise cash and bank current accounts that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value.

Financial liabilities

The financial liabilities include bank borrowings and trade and other payables.

Trade and other payables

Trade and other payables are recognized for amounts to be paid in future for goods or services received, whether invoiced by the supplier or not.

Impairment of financial assets

All financial assets, except for those at fair value through profit or loss, are assessed for indicators of impairment at each reporting date Impairment losses and reversals thereof are recognized in profit or loss.

Offsetting

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

Staff end-of-services benefits

The establishment provides end of service benefits to its employees. The entitlement to these benefits is based upon the employees' basic salary and length of service. The expected costs of these benefits are accrued over the period of employment.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognized in statement of profit or loss and other comprehensive income in the period in which they are incurred.

Revenue

Revenue is recognized to the extent it is possible that the economic benefits will flow to the establishment and the revenue can be reliably measured. Revenue is reduced for estimated returns, rebates and other similar

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

allowances. Revenue is measured at the fair value of the consideration received or receivable. Revenue from sale of goods is recognized when the establishment has transferred to the buyer, the significant risks and rewards of the ownership of the goods and the revenue and the costs incurred to the effect the transaction can be measured reliably. Revenue from consultancy and technical services fees are recognized to the statement of profit or loss and other comprehensive income at the time of rendering of technical services. Interest income is recognized as the interest accrues. Dividend is recognized when the establishment's right to receive payment has been established.

Foreign currency transactions

Transactions in foreign currencies are converted into US Dollars at the rate of exchange ruling on the date of the transaction. Assets and liabilities expressed in foreign currencies are translated into US Dollars at the rate of exchange ruling at the date of statement of financial position. Gains/losses arising from the foreign currency transactions are taken to the statement of profit or loss and other comprehensive income.

3. SIGNIFICANT ACCOUNTING JUDGMENTS EMPLOYED IN APPLYING ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION UNCERTAINTIES

3.1 Significant judgments employed in applying accounting policies

The significant judgements made in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are as follows:

Impairment

At each reporting date, management conducts an assessment of property, plant and equipment and all financial assets to determine whether there are any indications that they may be impaired. In the absence of such indications, no further action is taken. If such indications do exist, an analysis of each asset is undertaken to determine its net recoverable amount and, if this is below its carrying amount, a provision is made. In the case of loans and receivables, if an amount is deemed irrecoverable, it is written off to profit or loss or, if previously a provision was made, it is written off against the provision. Reversals of provisions against loans and receivables are made to the extent of the related amounts being recovered.

3.2 Sources of estimation and uncertainty

Key assumptions made concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are as follows:

Carrying values of property, plant and equipment

Residual values are assumed to be zero unless a reliable estimate of the current value can be obtained for similar assets of ages and conditions that are reasonably expected to exist at the end of the assets' estimated useful lives.

Inventory provision

Management regularly undertakes a review of the establishment's inventory in order to assess the likely realization proceeds, taking into account purchase and replacement prices, are, likely obsolesce, the rate at which goods are being sold and the physical damage. Based on the assessment assumptions are made as to the level of provisioning required.

Impairment of loans and receivables

Management regularly undertakes a review of the amounts of loans and other receivables owed to the company and assess the likelihood of non-recovery. Such assessment is based upon the age of the debt, historic recovery rates and assessed credit worthiness of the receivable. Based on the assessment assumptions are made as to the level of provisioning required.

Impairment

Assessment of net recoverable amount of property, plant and equipment and all financial assets other than trade and receivables, per above, are based on assumptions regarding future cash flows expected to be received from related assets.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

Staff end of service gratuity

The establishment computes provision for the liability to staff end-of-service gratuity assuming that all employees were to leave as of the reporting date. The management is of the opinion that no significant difference would have arisen had the liability been calculated on an actuarial basis as salary inflation and discount rates are likely to have approximately equal and opposite effects.

4. PROPERTY, PLANT AND EQUIPMENT (2015)

	Opening balance US $ 2014	**Additions US $**	**Transfer/ disposals US $**	**Closing balance US $ 2015**
Cost				
Lease hold land @	9,744,474	-	-	9,744,474
Buildings:				
- Staff accommodation *	1,274,871	-	-	1,274,871
- Factory and administrative ~	7,512,589	-	-	7,512,589
Machinery & equipment	55,869,253	539,202	(26,409)	56,382,046
Furniture, fixtures & office equipment	299,229	24,621	(645)	323,205
Vehicles	180,443	-	(10,354)	170,089
Total cost	74,880,859	563,823	(37,408)	75,407,274
Depreciation				
Lease hold land	-	-	-	-
Buildings:				
- Staff accommodation	166,278	23,473	-	189,751
- Factory and administrative	1,754,723	247,713	-	2,002,436
Machinery & equipment	21,412,371	2,877,229	(9,874)	24,279,726
Furniture, fixtures & office equipment	171,120	24,494	(82)	195,532
Vehicles	83,002	16,227	(9,651)	89,578
Total Depreciation	23,587,494	3,189,136	(19,607)	26,757,023
Net book value				
Lease hold land	9,744,474			9,744,474
Buildings:				
- Staff accommodation	1,108,593			1,085,120
- Factory and administrative	5,757,866			5,510,153
Machinery & equipment	34,456,882			32,102,486
Furniture, fixtures & office equipment	128,109			128,236
Vehicles	97,441			79,782
Total net book value	51,293,365			48,650,251

@ Land measuring 21,576 sq. ft is acquired on 50 years renewable lease in Jebel Ali Industrial area for workers accommodation. Amount paid for leasehold land is not amortized or impaired as it is for a long term of use and further renewable for same period.

~ Constructed on leased plot of land in Jebel Ali Free Zone.

** Constructed on leased plot of land in the emirate of Dubai (refer note 6).*

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

PROPERTY, PLANT AND EQUIPMENT (2014)

	Opening balance US $ 2013	**Additions US $**	**Transfer/ disposals US $**	**Closing balance US $ 2014**
Cost				
Lease hold land	9,744,474	-	-	9,744,474
Buildings:				
- Staff accommodation	1,274,680	191	-	1,274,871
- Factory and administrative	7,463,543	49,046	-	7,512,589
Machinery & equipment	55,540,112	353,382	(24,241)	55,869,253
Furniture, fixtures & office equipment	302,416	42,086	(45,273)	299,229
Vehicles	180,443	-	-	180,443
Total Cost	74,505,668	444,705	(69,514)	74,880,859
Depreciation				
Lease hold land	-	-	-	-
Buildings:				
- Staff accommodation	145,499	20,779	-	166,278
- Factory and administrative	1,508,001	246,722	-	1,754,723
Machinery & equipment	18,548,575	2,874,741	(10,945)	21,412,371
Furniture, fixtures & office equipment	186,194	30,199	(45,273)	171,120
Vehicles	65,860	17,142	-	83,002
Total Depreciation	20,454,129	3,189,583	(56,218)	23,587,494
Net book value				
Lease hold land	9,744,474			9,744,474
Buildings:				
- Staff accommodation	1,129,181			1,108,593
- Factory and administrative	5,955,542			5,757,866
Machinery & equipment	36,991,537			34,456,882
Furniture, fixtures & office equipment	116,222			128,109
Vehicles	114,583			97,441
Total net book value	54,051,539			51,293,365

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

5. INVESTMENTS

	Country of Incorporation	% of Ownership	2015 US $ Total	2014 US $ Total
Investments in subsidiaries:				
Flex P Films (Egypt) S.A.E	Egypt	100	47,783,377	47,783,377
Flex Films Europa SP.Z.o.o.	Poland	100	32,907,613	32,907,613
Flex Films (USA) Inc.	USA	100	35,000,000	26,250,000
Total investments in subsidiaries			**115,690,990**	106,940,990
Investment in an associate:				
UPET Holdings Limited	Mauritius	23	**11,125,000**	-
Total investments			**126,815,990**	106,940,990
Share of net book value^				
Flex P Films (Egypt) S.A.E			53,932,996	53,614,946
Flex Films Europa SP.Z.o.o.			37,457,000	38,466,108
Flex Films (USA) Inc.			29,139,886	21,155,269
Upet Holdings Limited			8,808,405	-
			129,338,287	113,236,323

^As per the management accounts.

a) *The principal activity of **Flex P Films (Egypt) S.A.E** is manufacturing of BOPP, Polyster, CPP & OPP films.*

b) *The principal activity of **Flex Films Europa SP.Z.o.o.** is manufacturing of Polyster films.*

c) *During the year the establishment purchased remaining 1,600 shares (25%) of **Flex Films (USA) Inc.** with a face value of US $ 5,000 at a premium of US $ 468.75. The principal activity of **Flex Films (USA) Inc.** is manufacturing of Polyster films. As at 31 March 2015, the carrying value of the investment is below the fair value however, in the opinion of the management, the depletion in carrying value of the investment is not of a permanent nature and hence no impairment is considered necessary.*

d) ***UPET Holdings Limited** is an investment company, holding 100% of equity in Flex Americas SA de CV, Mexico through another investment company UPET Singapore Pte. Ltd. Flex Americas SA de CV is engaged in the business of manufacturing of polyster films.*

6. OTHER FINANCIAL ASSETS

	US $
Operating lease*	
Lease amount paid in advance	544,959
	544,959
Amortization	
Up to 01.04.2014	174,387
Charge for the year	21,798
Up to 31.03.2015	**196,185**
Unexpired portion of operating lease	
As at 31.03.2015	**348,774**
As at 31.03.2014	**370,572**

**Represents amount paid for leased plot of land in the emirate of Dubai on which staff accommodation building is constructed.*

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

7. INTANGIBLE ASSETS

	US $
Cost	
Software	9,968
	9,968
Amortization	
Up to 01.04.2014	2,343
Charge for the year	1,994
Up to 31.03.2015	**4,337**
Net book value	
As at 31.03.2015	**5,631**
As at 31.03.2014	**7,625**

8. INVENTORIES

	2015 US $	2014 US $
Raw materials	1,704,239	5,293,726
Materials in transit	8,005	-
	1,712,244	5,293,726
Consumables & packing materials	578,987	743,411
Work in process	1,929,897	1,521,658
Finished goods	737,448	2,083,878
	4,958,576	9,642,673

9. TRADE AND OTHER RECEIVABLES

Trade receivables #	62,081,162	58,079,267
Less: Provision for doubtful debts	380,325	380,325
	61,700,837	57,698,942
Due from related parties – *funding account*	19,308,879	49,246,775
Advance to suppliers & others *	4,175,364	1,352,615
Interest accrued but not due	699	1,410
Advances to staff	139,321	151,541
Deposits	673,993	665,993
	85,999,093	109,117,276

 # Includes US $ 12,454,848 (previous year US $ 7,020,965) due from related parties on trade account.

**Includes US $ 79,844 (previous year US $ 16,518) advance given to related parties for merchandise.*

The establishment's average credit period is 0-90 days after which trade receivables are considered to be past due.

The establishment obtains insurance cover where available and or post-dated cheques as a cover over receivables and no other collateral obtained.

Although trade receivables of US $ 34,766,612 are outstanding beyond normal credit period, inclusive of US $ 2,701,050 under litigation, in the opinion of management they are considered good and fully recoverable and the provision carried in the accounts is considered adequate.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

TRADE AND OTHER RECEIVABLES (CONT'D)

As at 31 March 2015, the aging of trade receivables is as under:

***Total* US $**	***0-90 Days* US $**	***91-180 Days* US $**	***>180 Days* US $**
62,081,162	*27,314,550*	*1,833,704*	*32,932,908*

Movements in the provision for doubtful debts accounts were as follows:

	***2015* US $**	2014 US $
At 1 April	**380,325**	81,695
Charge for the year	-	300,000
Utilized during the year	-	(1,370)
At 31 March	**380,325**	380,325

10. CASH AND BANK BALANCES

Cash on hand	44,909	18,696
Bank balances in:		
Current accounts	2,350,332	1,889,190
Margin deposits	53,406	53,406
Term deposits	891,008	1,055,999
	3,339,655	3,017,291

11. SHARE CAPITAL

107 shares of AED 1 Million *(1 US $ = AED 3.67)*	**29,155,313**	29,155,313

12. NON-CURRENT LIABILITIES

This represents loans from the banks for following:

Term loan from a bank (Egypt - project)	-	3,500,000
Term loan from a bank (USA - equity buy out)	22,000,000	30,000,000
	22,000,000	33,500,000
Provision for staff end-of-service gratuity	616,935	541,198
	22,616,935	34,041,198
Term loan from a bank (Egypt - project)		
Total amount outstanding	3,500,000	10,500,000
Short term portion – current liability	3,500,000	7,000,000
Long term portion	-	3,500,000
Term loan from a bank (USA - equity buy out)		
Total amount outstanding	30,000,000	38,000,000
Short term portion – current liability	8,000,000	8,000,000
Long term portion	**22,000,000**	30,000,000

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

NON-CURRENT LIABILITIES (CONT'D)

- *Term loan facility availed from a local bank to finance equity buy out of Flex Films (USA) Inc., The Commonwealth of Kentucky, U.S.A., and to meet with the establishment's working capital requirements and to settle some of the banks liability and is secured against the following:*

  – Mortgage over plant and machinery
  – Mortgage over building
  – Assignment of inventory insurance policies
  – Hypothecation of inventories and receivables

- *Term loan for Egypt project is availed from an overseas bank to finance capital expenditure and working capital requirements of wholly owned subsidiary, Flex P Films Egypt S.A.E. in Egypt.*

This loan is secured against corporate guarantee of Uflex Limited, India, and second charge over the buildings, plant and machinery of the establishment in UAE with Bank of Baroda acting as a security agent for and on behalf of Bank of India, New York.

The term loans repayment schedule is as under:

	Term loans		
	Egypt -project	**USA - equity buy out**	**Total**
Year	**US $**	**US $**	**US $**
2015-16	3,500,000	8,000,000	11,500,000
2016-17	-	8,000,000	8,000,000
2017-18	-	8,000,000	8,000,000
2018-19	-	6,000,000	6,000,000
	3,500,000	**30,000,000**	33,500,000

- *There are various conditions and financial covenants attached to the bank facilities, which are in the normal course of business.*

13. BANK BORROWINGS

	2015 US $	2014 US $
Term loan – short term portion (Egypt - project)	3,500,000	7,000,000
Term loan – short term portion (USA - equity buy out)	8,000,000	8,000,000
Term loan – (working capital finance)	4,973,567	4,087,193
Trust receipts	12,950,281	8,634,105
Bills discounted	2,096,879	114,253
Bank overdraft	225,164	290,555
	31,745,891	28,126,106

14. TRADE AND OTHER PAYABLES

Trade payables *	5,773,409	15,612,588
Advance from customers	1,259,367	1,551,099
Accruals & provision	1,002,485	1,238,644
	8,035,261	18,402,331

** Includes US $ 1,103,020 (previous year US $ 2,241,734) due to related parties (refer note 24).*

The average credit period on purchase of goods is 0-90 days. The establishment has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

15. SALES AND OTHER OPERATING INCOME

	2015 ***US $***	2014 US $
Sales		
Manufactured goods	84,295,155	86,956,666
Traded goods	10,626,498	9,198,606
	94,921,653	96,155,272
Other operating income		
Commitment charges income	5,500,000	-
Technical service fees	22,802	10,500,000
Interest income	37,661	6,775
Other income	24,433	28,000
	100,506,549	106,690,047

16. COST OF MATERIALS

Opening inventories	8,899,263	8,103,949
Purchases *(including direct expenses)*	48,358,922	59,648,666
Trading items purchase	9,154,327	8,000,884
Closing inventories	(4,371,584)	(8,899,263)
	62,040,928	66,854,236

17. OTHER MANUFACTURING EXPENSES

Power & fuel consumed	8,203,602	8,545,670
Machinery repairs & maintenance	1,022,235	998,942
Stores consumed	614,471	540,498
Job work charges	440,659	505,467
Packing materials consumed	3,082,159	2,919,465
Other manufacturing expenses	386,559	426,382
Depreciation *(refer note 18)*	3,148,414	3,142,242
	16,898,099	17,078,666

18. ADMINISTRATIVE AND SELLING EXPENSES

Rent	484,174	453,797
Other administrative expenses	2,348,871	2,967,560
Selling expenses	5,556,595	5,396,675
Amortization	23,792	23,791
Provision for doubtful debts	-	300,000
Depreciation *(per below)*	40,722	47,341
	8,454,154	9,189,164
Depreciation:		
Total depreciation charge *(refer note 4)*	3,189,136	3,189,583
Less: Charged to other manufacturing expenses *(refer note 17)*	3,148,414	3,142,242
	40,722	47,341

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

19. FINANCE COSTS

	2015 US $	2014 US $
Interest on term loans @	2,217,080	1,736,391
Interest on trust receipts	652,364	1,006,478
Bank charges & commission	437,269	395,617
Interest on bills discounting	21,213	15,412
Interest to others	-	85,236
	3,327,926	3,239,134

@ Includes interest on term loan for Egypt project and USA equity buy out.

20. CASH AND CASH EQUIVALENTS

Cash on hand	44,909	18,696
Bank balance in:		
Current accounts	2,350,332	1,889,190
	2,395,241	1,907,886

21. CAPITAL RISK MANAGEMENT

The establishment manages its capital to ensure that the establishment will be able to continue as a going concern while maximizing the return to the parent shareholder company. The establishment's capital structure comprises share capital and retained earnings and is measured at US $ 207,906,083 as at 31 March 2015 (2014: US $ 200,061,848).

22. FINANCIAL INSTRUMENTS: CREDIT, LIQUIDITY AND MARKET RATE RISK EXPOSURES

Credit risk

Financial assets, which potentially expose the establishment to concentrations of credit risk, comprise principally bank balances, trade and other receivables. The establishment's current, margin and term deposit accounts with the banks are placed with high credit quality financial institutions. As part of the establishment's credit risk management, receivables are covered by credit insurance where available and where it is considered necessary, such trade receivables are covered by letters of credit in favor of the establishment, issued by high credit quality financial institution. The establishment seeks to limit its credit risk with respect to customers by setting credit limits for individual customers and monitoring outstanding receivables. Due from related parties on trade and funding accounts are arising in the normal course of business with minimal credit risk.

Liquidity rate risk

The establishment limits its liquidity risk by ensuring bank and other facilities are available to meet its commitments for liabilities as they fall due. The establishment's terms of revenue require amounts to be paid within 0-90 days of the date of invoice. Trade payables are normally settled within 0-90 days from date of bill of lading / invoice. Although, significant amount of funds are invested and funded overseas, the management expects release of these funds and returns from the investments during the ensuing years improving the liquidity of the establishment

Market risk

Market risk is a risk that changes in market prices, such as interest rate risk and exchange rate risk, will affect the establishment's income or the value of its holdings of financial instruments.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The establishment's fixed deposits are at a fixed rate. Bank borrowings are at floating rates at levels, which are generally obtained in the UAE.

Exchange rate risk

Exchange rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Except for the following, there are no significant exchange rate risks as substantially all financial assets and financial liabilities are denominated in US Dollars or UAE Dirhams to which the US Dollar is fixed:

	2015 Equivalent US $	2014 Equivalent US $
Foreign currency financial assets		
Euro	2,488,451	2,418,857
Great Britain Pound	172,050	600,371
	2,660,501	3,019,228

23. FINANCIAL INSTRUMENTS: FAIR VALUES

The fair values of the establishment's financial assets, comprising of trade and other receivables and cash and bank balances and financial liabilities, comprising of trade and other payables and bank borrowings approximate to their carrying values.

24. RELATED PARTY TRANSACTIONS AND BALANCES

The establishment in the normal course of business enters into transactions with other business enterprises that fall within the definition of related party contained in the International Accounting Standard - 24. Related parties comprise the parent company, fellow subsidiaries, directors, companies under common ownership and/or common management control and associates as under:

Shareholder:

- Uflex Limited - India

Subsidiaries:

- Flex Films Europa SP. Z.o.o, - Poland
- Flex P Films (Egypt) S.A.E. – Egypt
- Flex Films (USA) Inc – USA

Associate:

- UPET Holdings Limited – Mauritius

Step down subsidiary of Associate Company:

- Flex Americas S.A DE CV-Mexico

Key Officers:

- Mr. R.K.Jain
- Mr. Pradeep Tyle
- Mr. Pramod Sirsamkar
- Mr. Apoorvshree Chaturvedi

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

At the date of statement of financial position, balances and significant transactions during the year with related parties were as under:

		Shareholder	Key officers	Subsidiaries / Associate	Subsidiaries of parent shareholder company	Total
		USD	USD	USD	USD	USD
		Dr/(Cr)	Dr/(Cr)	Dr/(Cr)	Dr/(Cr)	Dr/(Cr)
Balances:						
Trade receivables	2015	-	-	11,922,852	531,996	12,454,848
	2014	581,424	-	6,275,121	164,420	7,020,965
Due from related parties	2015	-	-	19,308,879	-	19,308,879
	2014	-	-	49,246,775	-	49,246,775
Advance to suppliers	2015	49,002	-	30,842	-	79,844
	2014	3,500	-	12,628	390	16,518
Trade payables	2015	(1,040,184)	-	(62,836)	-	(1,103,020)
	2014	(2,241,597)	-	-	(137)	(2,241,734)
Due to directors	2015	-	(30,000)	-	-	(30,000)
	2014	-	(30,000)	-	-	(30,000)
Investments	2015	-	-	126,815,990	-	126,815,990
	2014	-	-	106,940,990	-	106,940,990
Transactions:						
Investments	2015	-	-	19,875,000	-	19,875,000
	2014	-	-	26,250,000	-	26,250,000
Purchases	2015	7,540,788	-	29,400	239,310	7,809,498
	2014	7,583,163	-	29,005	222,172	7,834,340
Sales	2015	(1,689,937)	-	(28,552,822)	(893,292)	(31,136,051)
	2014	(3,583,452)	-	(12,257,331)	-	(15,840,783)
Interest received	2015	-	-	(42,795)	-	(42,795)
	2014	-	-	(5,058)	-	(5,058)
Interest charges	2015	42,000	-	-	-	42,000
	2014	78,720	-	-	-	78,720
Consultancy fee	2015	-	240,000	-	-	240,000
	2014	-	240,000	-	-	240,000
Travelling expenses	2015	26,953	-	-	-	26,953
	2014	80,327	-	-	-	80,327
ERP maintenance	2015	98,647	-	-	-	98,647
	2014	125,366	-	-	-	125,366
Remuneration	2015	-	360,000	-	-	360,000
	2014	-	360,000	-	-	360,000

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

The establishment also advances interest bearing and or otherwise funds to overseas related parties to meet with their capital and working capital requirements.

25. CONTINGENT LIABILITIES

	2015 US $	2014 US $
Letters of credit	3,497,181	-
Letter of guarantee	196,129	-

26. LEASE COMMITMENTS

The establishment has entered into lease agreement for plots of land in the Jebel Ali Free Zone, Dubai for the period from 1st February 2004 to 30th June 2028. The un-expired portion of lease rent under the agreement amounts to US $ 1,231,760/-.

27. COMMITMENTS

The establishment has entered into a share purchase agreement with Uflex Limited, India to purchase/acquire 3,840,001 ordinary shares for US $ 48,000,000 of UPET Holdings Limited, Mauritius. The outstanding balance under the agreement amounts to US $ 36,875,000.

28. QUANTITATIVE INFORMATION

a) Information in respect of class of goods manufactured and annual capacity**:**

Class of Goods	**Unit**	**Installed capacity**
Polyester Films/Metalized Films	MT	51,600 (51,600)

Previous years figures have been given in brackets.

b) Information in respect of production, sales & stock of goods manufactured**:**

Unit	**Production**	**Sales**		**Op. Stock**		**Cl. Stock**	
	Qty (MT)	**Qty (MT)**	**Value US $**	**Qty (MT)**	**Value US $**	**Qty (MT)**	**Value US $**
MT	39,720	39,354	83,309,802	1,132	3,942,172	501	737,448
	(38,100)	(38,378)	(84,344,591)	(2,210)	(4,818,230)	(1,132)	(3,942,172)

Previous year figures have been given in brackets.

c) Information in respect of raw materials consumed**:**

Description	**Current Year**		**Previous Year**	
	Qty (MT)	**Value (US $)**	**Qty (MT)**	**Value (US $)**
Polyester Chips	42,886	53,215,101	40,773	59,223,092
Chemicals	67	674,651	57	624,045
Others	101	549,249	97	453,879

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

d) Information in respect of Traded Goods:

Description		Current Year Qty (MT)	Current Year Value (US $)	Previous Year Qty (MT)	Previous Year Value (US $)
Polyester film	Purchase	676	5,446	-	-
Polyester film	Sale	676	5,446	-	-
Polyester chips	Purchase	2,291,300	2,738,011	1,500,000	2,097,700
Polyester chips	Sale	2,291,300	2,759,100	1,500,000	2,350,166
Chemicals	Purchase	1,560	12,630	16,434	50,400
Chemicals	Sale	1,560	12,630	16,434	52,057

Description		Qty (Pcs)	Value (US $)	Qty (Pcs)	Value (US $)
Cylinders	Purchase	23,486	8,185,054	21,052	5,852,784
Cylinders	Sales	23,486	8,185,054	21,052	6,902,947

29. COMPARATIVE FIGURES

Previous year's figures have been regrouped / reclassified wherever necessary to conform to the presentation adopted in the current year.

30. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved by the board and authorized for issue on 11 May 2015.

FLEX MIDDLE EAST FZE

Wholly Owned Subsidiary Company of UFlex Limited