



FLEX P. FILMS (EGYPT) S.A.E.

*Wholly Owned Subsidiary Company of
Flex Middle East FZE*



FINANCIAL STATEMENTS 2014 - 2015



FLEX P. FILMS (EGYPT) S.A.E.

CONTENTS

| | |
|-----------------------------------|--------|
| Auditor's Report | 1 |
| Balance Sheet | 2 |
| Statement of Income | 3 |
| Statement of Changes in Equity | 4 |
| Statement of Cash Flow | 5 |
| Notes to the Financial Statements | 6 - 21 |

AUDITOR'S REPORT

TO THE SHAREHOLDERS OF FLEX P. FILMS (EGYPT) S.A.E.

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Flex P. Films Egypt S.A.E. which comprise the balance sheet as of 31 March 2015, and the statements of income, changes in equity and cash flow for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the Financial Statements

These financial statements are the responsibility of the Company's Management as Management is responsible for the preparation and fair presentation of the financial statements in accordance with Egyptian Accounting Standards and in the light of relevant Egyptian laws and regulations. The Management's responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error. This responsibility also includes selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Egyptian Standards on Auditing and in the light of relevant Egyptian laws and regulations. Those standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the financial statements.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Flex P. Films Egypt S.A.E. as of 31 March 2015, and its financial performance and its cash flows for the year then ended in accordance with Egyptian Accounting Standards and in the light of relevant Egyptian laws and regulations.

Emphasis of matter

Without qualifying our opinion, we draw attention to the fact that the company has a costing system that only caters for the valuation of finished goods and works in progress on an aggregate level, rather than a cost per unit basis, which in turn applies to the cost of sales.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

The company maintains proper books of accounts that include all that is required by the Law and the company's Articles of Association, and the financial statements are in agreement therewith. The physical count of inventories was carried out by the company's management in accordance with normal procedures.

The financial information included in the Board of Directors' report, which has been prepared in accordance with the requirements of Law No. 159 of 1981 and its Executive Regulations, is in agreement with the relevant information in the company's books.

Mohanad T. Khaled
Chartered Accountant
R.A.A. 22444
EFSA No. 375

Cairo, 5 May 2015

BALANCE SHEET AT 31ST MARCH 2015

| | Note | 31/3/2015 US\$ | 31/3/2014 US\$ |
|--------------------------------------|------|-------------------|-------------------|
| NON-CURRENT ASSETS | | | |
| Fixed assets | 5 | 79,152,602 | 82,435,283 |
| Deposits with others | 6 | 3,218,881 | 3,319,559 |
| Total non-current assets | | 82,371,483 | 85,754,842 |
| CURRENT ASSETS | | | |
| Inventories | 7 | 12,477,957 | 13,212,125 |
| Debtors and other debit balances | 8 | 44,061,887 | 53,553,968 |
| Amounts due from a related party | 9 | 861,734 | 1,756,239 |
| Cash and bank balances | 10 | 9,355,782 | 2,594,716 |
| Total current assets | | 66,757,360 | 71,117,048 |
| CURRENT LIABILITIES | | | |
| Bank overdrafts | 10 | 28,831,396 | 16,497,763 |
| Creditors and other credit balances | 11 | 14,999,316 | 20,669,860 |
| Amounts due to related parties | 9 | 5,770,161 | 34,726,776 |
| Current portion of term loan | 12 | 4,192,675 | 5,347,202 |
| Current portion of Mid term loan | 13 | 3,214,816 | - |
| Total current liabilities | | 57,008,364 | 77,241,601 |
| Working Capital | | 9,748,996 | (6,124,553) |
| Total investments | | 92,120,479 | 79,630,289 |
| Financed as follows: | | | |
| EQUITY | | | |
| Issued and paid up capital | 14 | 47,914,115 | 47,914,115 |
| Legal reserve | 15 | 720,035 | 441,148 |
| Retained earnings | | 5,298,846 | 2,621,373 |
| Total equity | | 53,932,996 | 50,976,636 |
| Non-current liabilities | | | |
| Long term loan | 12 | 14,931,230 | 24,390,010 |
| Medium Term Loan | 13 | 17,681,480 | - |
| Deferred tax liabilities | 22 | 5,574,773 | 4,263,643 |
| Total non-current liabilities | | 38,187,483 | 28,653,653 |
| Total finance of investments | | 92,120,479 | 79,630,289 |

Auditor's report attached.

Nikhil Kantan
Financial Controller

Ram S. Singh
Chief Commercial Officer

Sanjay Tiku
Director / Board Member

Pradeep Tyle
Managing Director

The attached notes from 1 to 28 form part of these Financial Statements

STATEMENT OF INCOME FOR THE YEAR ENDED 31ST MARCH 2015

| | Note | 31/3/2015 US\$ | 31/3/2014 US\$ |
|--|------|----------------------|-------------------|
| Net sales | 16 | 126,968,021 | 129,260,058 |
| Cost of sales | | (114,143,350) | (112,704,580) |
| Gross profit | | 12,824,671 | 16,555,478 |
| General and administrative expenses | 17 | (3,714,129) | (3,727,140) |
| Selling and distribution expenses | 18 | (7,092,439) | (7,118,471) |
| Other operating revenue | 19 | 7,111,778 | 6,949,604 |
| Foreign currency exchange loss | 20 | (4,985,645) | (935,388) |
| Impairment of debtors and other debit balances | 8 | (839,909) | (2,645,279) |
| Provision no longer required | 8 | 13,919 | - |
| Profit from operations | | 3,318,246 | 9,078,804 |
| Net finance income/(expense) | 21 | 3,570,617 | (3,681,154) |
| Profit for the year before taxes | | 6,888,863 | 5,397,650 |
| Deferred tax | 22 | (1,311,130) | (2,638,310) |
| Net profit for the year | | 5,577,733 | 2,759,340 |
| Earnings per share | 23 | 0.208 | 0.103 |

The attached notes from 1 to 28 form part of these Financial Statements

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

| | Issued and paid-up capital US\$ | Legal reserve US\$ | Retained earnings US\$ | Total US\$ |
|---------------------------|--|-------------------------------|---------------------------------------|-----------------------|
| Balance at 1 April 2013 | 47,914,115 | 303,181 | 5,760,445 | 53,977,741 |
| Dividends | - | - | (5,760,445) | (5,760,445) |
| Net profit for the year | - | - | 2,759,340 | 2,759,340 |
| Transfer to legal reserve | - | 137,967 | (137,967) | - |
| Balance at 31 March 2014 | 47,914,115 | 441,148 | 2,621,373 | 50,976,636 |
| Dividends | - | - | (2,621,373) | (2,621,373) |
| Net profit for the year | - | - | 5,577,733 | 5,577,733 |
| Transfer to legal reserve | - | 278,887 | (278,887) | - |
| Balance at 31 March 2015 | 47,914,115 | 720,035 | 5,298,846 | 53,932,996 |

The attached notes from 1 to 28 form part of these Financial Statements

STATEMENT OF CASH FLOW FOR THE YEAR ENDED 31ST MARCH 2015

| | Note | 31/3/2015 US\$ | 31/3/2014 US\$ |
|---|------|---------------------|-------------------|
| OPERATING ACTIVITIES | | | |
| Profit for the year before tax | | 6,888,863 | 5,397,650 |
| Adjustments for: | | | |
| Depreciation | 5 | 4,705,578 | 4,709,232 |
| Finance foreign exchange (gain)/loss | 21 | (5,559,369) | 2,177,156 |
| Impairment of debtors and other debit balances | 8 | 839,909 | 2,645,279 |
| Provision no longer required | 8 | (13,919) | - |
| Net foreign currency exchange loss/(gain) | | 2,600,322 | (85,089) |
| Gain on sale of fixed assets | | (8,781) | - |
| Finance interest | 21 | 2,114,647 | 1,525,210 |
| Operating profit before working capital changes | | 11,567,250 | 16,369,438 |
| Inventories | | 760,260 | (3,650,148) |
| Debtors and other debit balances | | 4,760,479 | (7,366,820) |
| Amounts due from a related party | | 894,505 | (1,753,297) |
| Creditors and other credit balances | | (8,142,497) | 3,096,396 |
| Cash from operations | | 9,839,997 | 6,695,569 |
| Interest paid | | (1,842,869) | (1,306,052) |
| Net cash from operating activities | | 7,997,128 | 5,389,517 |
| INVESTING ACTIVITIES | | | |
| Payment for purchase of fixed assets | 5 | (564,897) | (816,170) |
| Proceeds from sale of fixed assets | | 8,781 | - |
| Net cash used in investing activities | | (556,116) | (816,170) |
| FINANCING ACTIVITIES | | | |
| Proceeds from medium term loan | 13 | 21,700,000 | - |
| Repayment of term loan | | (5,857,642) | (5,219,543) |
| Deposits with others | | 100,678 | 23,990 |
| Amounts due to related parties | | (28,956,615) | (3,969,066) |
| Net cash used in financing activities | | (13,013,579) | (9,164,619) |
| Decrease in cash and cash equivalents | | (5,572,567) | (4,591,272) |
| Cash and cash equivalents at the beginning of the year | | (13,903,047) | (9,311,775) |
| Cash and cash equivalents at the end of the year | 10 | (19,475,614) | (13,903,047) |

NON-CASH TRANSACTIONS

The statement of cash flow does not include the following non-cash transactions:

- The foreign currency exchange gain related to revaluation of loan balance amounted to US\$5,559,369 (Note 21).
- The net foreign currency exchange loss related to revaluation of debtors and creditors balances at year end which resulted in loss of US\$ 2,785,475 and gain of US\$ 185,153 respectively.
- An amount of US\$ 2,359,236 represents dividends payable in the creditors & other credit balances.
- An amount of US\$ 262,137 represents advances for employees in the debtors & other debit balances paid during the prior year and settled this year in dividends payable (employees share) in the creditors & other credit balances.
- An amount of US\$ 271,778 represents accrued interests in creditors & other credit balances related to term loans.
- An amount of US\$ 858,000 represents advance payments to suppliers in debtors & other debit balances related to purchase of fixed assets.
- An amount of US\$ 26,092 in inventory and creditors & other credit balances represent goods in transit (raw materials).

The attached notes from 1 to 28 form part of these Financial Statements

NOTES TO THE FINANCIAL STATEMENTS 31ST MARCH 2015**1. ACTIVITIES**

Flex P. Films Egypt S.A.E. was established in accordance with Companies Law No. 159 of 1981 and its Executive Regulations and Capital Market Law No. 95 of 1992 and its Executive Regulations.

On 14 January 2009 the company was registered in Commercial Register under No. 36616. The company duration is 25 years from 14 January 2009 till 13 January 2034.

The company was located in plot No. 3 at the Northern Extension, Building no. 6, Industrial Zone, 6 of October City.

The company has started its operations on 1 September 2010. The company's purpose is as follows:

- Establish and operate a factory for manufacturing wrapping and packing papers (other than craft) and carton excluding manufacturing the paper pulp and Printing the commercial publications excluding the manufacturing of the paper pulp.
- According to the Extra Ordinary General Meeting dated 28 July 2009, the company's objective has been amended to be manufacturing and exporting of different types of polypropylene films (plain, coated, metalized), polyester films (plain, coated, metalized) and bioaxially oriented polypropylene, and this amendment has been made in the Articles of Association.

The company's management approved the issuance of the financial statements for the year ended 31 March 2015 on 3 May 2015.

2. USE OF ESTIMATES AND JUDGMENTS

The preparation of financial statements in accordance with Egyptian Accounting Standards requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumption are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about the carrying values of assets and liabilities. 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 in which the estimate is revised and the future periods if it affects future periods.

The basic estimates and underlying assumptions that affect the financial statements are as follows:

- Fixed assets useful life
- Provisions
- Assets impairment
- Taxation
- Deferred tax

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**a) Basis of preparation**

The financial statements were prepared in accordance with the Egyptian Accounting Standards and relevant local laws and regulations.

The financial statements are prepared under the historical cost convention.

The financial statements are presented in US Dollar.

b) Fixed assets and depreciation

Fixed assets are recorded on purchase at cost and are presented in the financial statement net of accumulated depreciation and impairment losses. Historical costs include costs associated with the purchase of the asset.

NOTES TO THE FINANCIAL STATEMENTS 31ST MARCH 2015

Depreciation is provided on a straight line basis to write off the cost less estimated residual value of each asset over its expected useful life as follows:

| | | |
|------------------------------|-------|-------|
| Buildings & Facilities | 30 | Years |
| Machines | 20 | Years |
| Furniture & office equipment | 4 - 6 | Years |
| Motor Vehicles | 4 | Years |
| Tools & equipment | 4 | Years |
| Computers | 6 | Years |

c) Projects under construction

Costs incurred by the company in constructing fixed assets are recorded as projects under construction less impairment. These are transferred to fixed assets when the asset is complete and ready for its designated use.

d) Inventories

Inventories are stated at the lower of cost or net realizable value. Costs include expenses incurred in bringing each product to its present location and condition as follows:

| | | |
|-------------------------------------|---|--|
| Raw materials | - | Purchase cost using First-In First-Out (FIFO) method. |
| Finished goods and work in progress | - | Cost of direct materials and labour plus attributable overheads based on a normal level of activity, |

Net realizable value is based on estimated selling price less selling expenses. Impairment is made for obsolete and slow moving items.

e) Trade receivables

Trade receivables represent the invoiced amounts of credit sales outstanding net of impairment for trade receivables, which is estimated for amounts not expected to be collected in full.

f) Cash and cash equivalents

Cash and cash equivalents include cash on hand and bank current accounts, time deposits and Cheques under collection with maturity within three months, less bank overdrafts.

g) Accounts Payable

Liabilities are recognized for amounts to be paid in the future for goods received or services rendered to the company, whether billed or not billed by the supplier.

h) Assets impairment

Asset values are reviewed at the financial statements date to determine if there is any indication of impairment. In case of such an indication, an estimate is made of the recoverable amount and compared to the book value. Impairment loss, being the excess of book value over its recoverable amount, is taken to the statement of income on the same date.

i) Foreign currency transactions

The company's functional currency is US Dollars. Transactions in Egyptian pounds or any other foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the financial statements date are translated at the rate of exchange ruling at that date. Retranslation exchange profits and losses are taken to the statement of income.

j) Borrowing costs

Borrowing costs are expensed and charged to the statement of income in the periods when incurred net of transaction cost.

NOTES TO THE FINANCIAL STATEMENTS 31ST MARCH 2015

Fees paid on the establishment of loan facilities, if any, are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. In case, it is not probable that some or all of the facility will be drawn down, the fee is capitalized as a prepayment for liquidity services and over the period of the facility to which it relates.

k) Revenue recognition

- Revenue from the sale of goods is recognized when the risks and rewards of ownership have been transferred to the buyer as follows:
 - Export sales are recognized when the products are loaded on the ship and according to the International Commercial (INCO) term and issuing invoices.
 - Domestic sales are recorded when title passes to the customer and amounts are invoiced.
- No revenue is recognized if there are uncertainties regarding the recovery of the consideration due, associated costs or the possible return of goods also continuing management involvement with the goods.
- Interest income is recognized on a time apportionment basis.
- Export subsidies income is recorded when collected.

l) Pension and social insurance

The company contributes to the social insurance scheme for the benefit of its employees in accordance with the Social Insurance Law No. 79 of 1975 and its amendments. Contributions are charged to the statement of income under payroll expenses.

m) Provisions

Provisions are recognized when there is a present legal or constructive obligation as a result of a past event, it is probable an outflow of resources embodying economic benefits will be required to settle this obligation and a reliable estimate can be made for the obligation.

Provisions are reviewed at the financial statements date and adjusted (if necessary) to present the best current estimate.

n) Statement of cash flow

The statement of cash flow is prepared using the indirect method,

o) Taxation

Tax expense for the year includes income tax provided for in accordance with the Egyptian Tax Laws and fiscal regulations using applicable tax rates and deferred tax. Income tax on the company's profit is charged to the statement of income. Income tax relating to items in the equity is charged directly to the equity.

Income tax

Income tax on profits for the current and previous periods that have not been paid and need to be recognized are recorded as a liability. Provision is made for income tax liability for previous years based on the assessment of tax claims.

Deferred tax

Deferred tax is recognized under the liability method for temporary timing differences between assets and liabilities valued on the tax basis and the related amounts in the financial statements.

The amount is determined using the tax rates applicable on the financial statement date. Deferred tax assets are recognized for all temporary differences, unused deferred tax assets and losses brought forward, if taxable profits are expected and the assets can be used in the future. Deferred tax assets are reviewed and reduced by the amount which is not expected to be used in the foreseeable future.

NOTES TO THE FINANCIAL STATEMENTS 31ST MARCH 2015**4. FINANCIAL INSTRUMENTS AND RELATED RISK MANAGEMENT**

On-balance sheet financial instruments comprise receivables, payables, amounts due from / to related parties, bank balances and cash. Note (3) to the financial statements includes the accounting policies adopted in the recognition and measurement of financial instruments. The significant risks associated with the financial instruments and the procedures followed by the company to mitigate these risks are as follows:

- **Liquidity risk**

Liquidity risk represents all factors which affect the company's ability to pay part or all of its obligations. According to the company's policy, sufficient liquidity is maintained (including arrangements for additional credit facilities from banks) which reduce the risk to the minimum.

All of the company's liabilities are represented in the following table:

| | Maturity less than one year US \$ | Maturity more than one year US \$ |
|---|--|--|
| Bank overdrafts (Note 10) | 28,831,396 | - |
| Creditors and other credit balances (Note 11) | 14,999,316 | - |
| Long term loan (Note 12) | 4,192,675 | 14,931,230 |
| Medium term loan (Note 13) | 3,214,816 | 17,681,480 |
| Amounts due to related parties (Note 9) | 5,770,161 | - |

- **Interest rate risk**

Interest rate risk represents the risk of changes in the rate of interest on a fixed rate loan. The company seeks to reduce this risk through the use of variable rate overdraft and loan accounts.

- **Foreign currency risk**

Foreign currency risk represents the changes in the currency rates which affect the receipts and disbursements and the translation of assets and liabilities in foreign currencies. The company seeks to avoid having open foreign currency positions and thus reduce the risk to the minimum.

The monetary assets and liabilities dominated in foreign currencies at the financial statements date amounted to US\$ 52,038,170 and US\$ 33,586,717 respectively, the following is a list of foreign currencies balances at the financial statements date

| Foreign currency | Surplus / (Deficit) |
|-------------------------|----------------------------|
| L.E. | (1,946,149) |
| Euro | 5,000,881 |
| GBP | (12,644) |

The assets and liabilities in foreign currencies were translated using the current exchange rates at the financial statements date.

- **Credit Risk**

Credit risk is the risk that one party to a financial instrument (receivables and balances at banks) fail to settle the amounts due from them. The company seeks to reduce this risk to the minimum by dealing with many customers of strong and stable financial standing, in addition to obtaining appropriate guarantees (most of export sales are covered by Letters of Credit opened from customers in favor of company). Balances at banks are placed with high credit rating financial institutions.

NOTES TO THE FINANCIAL STATEMENTS 31ST MARCH 2015

- **Capital management**

The Company's objectives, when managing capital, are to safeguard the company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital, so management policy is reserving powerful capital base and make underline capital studies to face changes in economic conditions mainly in polypropylene films industry and diversify customer structure.

5. FIXED ASSETS

| | Lands US\$ | Buildings & facilities US\$ | Machines US\$ | Furniture & office equipment US\$ | Motor vehicles US\$ | Tools & equipment US\$ | Computers US\$ | Total US\$ |
|----------------------------------|---------------|-----------------------------------|------------------|--|---------------------------|------------------------------|-------------------|---------------|
| Cost: At 1 April 2014 | 2,796,700 | 13,436,761 | 78,376,554 | 297,514 | 251,453 | 145,918 | 369,630 | 95,674,530 |
| Additions during the year | 1,023,000 | 3,692 | 189,271 | 51,407 | 119,726 | 1,290 | 34,511 | 1,422,897 |
| Disposals | - | - | - | - | (15,505) | - | - | (15,505) |
| At 31 March 2015 | 3,819,700 | 13,440,453 | 78,565,825 | 348,921 | 355,674 | 147,208 | 404,141 | 97,081,922 |
| Accumulated depreciation: | | | | | | | | |
| At 1 April 2014 | - | 1,234,797 | 11,396,420 | 115,496 | 220,311 | 101,714 | 170,509 | 13,239,247 |
| Provided during the year | - | 448,857 | 4,073,100 | 53,329 | 36,800 | 33,029 | 60,463 | 4,705,578 |
| Relating to disposals | - | - | - | - | (15,505) | - | - | (15,505) |
| At 31 March 2014 | - | 1,683,654 | 15,469,520 | 168,825 | 241,606 | 134,743 | 230,972 | 17,929,320 |
| Net book value: | | | | | | | | |
| At 31 March 2015 | 3,819,700 | 11,756,799 | 63,096,305 | 180,096 | 114,068 | 12,465 | 173,169 | 79,152,602 |
| At 31 March 2014 | 2,796,700 | 12,201,964 | 66,980,134 | 182,018 | 31,142 | 44,204 | 199,121 | 82,435,283 |

- On 26 July 2010, the company signed a real estate mortgage proxy in favor of KFW bank which gives KFW Bank the right to pledge the factory land as a guarantee against withdrawal of the loan (Note 12 "E-2").
- On 17 October 2010, the company has legalized the first degree commercial mortgage on all tangible and intangible assets in favor of KFW Bank as a guarantee against the loan (Note 12 "E-4").

Depreciation provided during the year is allocated as follows:

| | 31/3/2015 US\$ | 31/3/2014 US\$ |
|---|---------------------------------|-------------------|
| Cost of sales | 4,401,610 | 4,268,876 |
| Inventory | 20,278 | 160,330 |
| General and administrative expenses (Note 17) | 283,690 | 280,026 |
| | <u>4,705,578</u> | <u>4,709,232</u> |

6. DEPOSITS WITH OTHERS

| | 31/3/2015 US\$ | 31/3/2014 US\$ |
|------------------------------|---------------------------------|-------------------|
| Rent deposit | 19,532 | 18,133 |
| KFW pledged accounts (*) | 3,140,971 | 3,243,048 |
| Security deposit with NATGAS | 58,378 | 58,378 |
| | <u>3,218,881</u> | <u>3,319,559</u> |

- (*) According to pledged account agreement signed on 22 April 2010 in relation to KFW loan mentioned in (Note 12) and KFW bank letters dated 28 January 2011 and 20 December 2011, the company pledged deposits by US\$ 3,140,971 (2014: US\$ 3,243,048) as a security deposit for term loan. This amount represents 110% of the

NOTES TO THE FINANCIAL STATEMENTS 31ST MARCH 2015

value of an installment of phase 1 and an installment of phase 2 with interest due to KFW bank amounted to Euro 2,320,440.

7. INVENTORIES

| | 31/3/2015 | 31/3/2014 |
|-------------------------|--------------------------|-------------------|
| | US\$ | US\$ |
| Raw materials (*) | 5,186,947 | 4,979,604 |
| Works in progress (WIP) | 3,626,693 | 3,967,489 |
| Finished goods | 3,317,744 | 3,772,630 |
| Packing materials | 346,573 | 492,402 |
| | <u>12,477,957</u> | <u>13,212,125</u> |

(*) The balance includes goods in transit by an amount of US\$ 26,092.

8. DEBTORS AND OTHER DEBIT BALANCES

| | 31/3/2015 | 31/3/2014 |
|--|--------------------------|-------------------|
| | US\$ | US\$ |
| Trade receivables | 23,015,136 | 26,307,607 |
| Notes receivables | - | 591,087 |
| Advance payments to suppliers | 773,262 | 1,264,137 |
| Sales Tax Authority(*) | 16,935,879 | 22,896,220 |
| Prepaid expenses | 456,907 | 389,497 |
| Employees loans & Custodies | 62,276 | 17,613 |
| Withholding tax | 1,978,439 | 1,479,401 |
| Cash margin on letters of credit | 324,448 | 1,417,526 |
| Cash margin on letters of guarantee (**) | 2,057,072 | 414,360 |
| Advances for employees (***) | 1,470,620 | 1,262,171 |
| Refundable custom duties | 397,994 | 159,628 |
| Other | 61,123 | - |
| | <u>47,533,156</u> | <u>56,199,247</u> |
| Impairment of debtors and other debit balances(****) | (3,471,269) | (2,645,279) |
| | <u>44,061,887</u> | <u>53,553,968</u> |

(*) This balance represents amounts due from sales tax authority as a result of sales tax on foreign purchases and inputs that should be collected from the Tax Authority.

(**) This balance represents cash margin on letters of guarantee issued in favor of El Sokhna Customs Authority and Central Unit of the Temporary Release Taxes (Note 26).

(***) This balance represents amounts as a distribution until declaration of distribution on the next AGM.

(****) Movement of impairment of debtors and other debit balances during the year is as follows:

| | 31/3/2015 | 31/3/2014 |
|--------------------------------------|-------------------------|------------------|
| | US\$ | US\$ |
| Balance at the beginning of the year | 2,645,279 | - |
| Provided during the year | 839,909 | 2,645,279 |
| Provision no longer required | (13,919) | - |
| Balance at the end of the year | <u>3,471,269</u> | <u>2,645,279</u> |

NOTES TO THE FINANCIAL STATEMENTS 31ST MARCH 2015

9. RELATED PARTIES TRANSACTIONS

These represent transactions with related parties such as shareholders, higher management and companies in which they are principal owners. Pricing, policies and terms of these transactions are approved by the company's Board of Directors.

| | Relationship | Nature of transactions | 31/3/2015 US\$ | 31/3/2014 US\$ |
|--|---------------------|-------------------------------|---------------------------|-------------------|
| Amounts due from a related party: | | | | |
| Flex Films Europa | Affiliate | Sales | 861,734 | 1,756,239 |
| Amounts due to related parties: | | | | |
| Flex Middle East FZE | Parent company | Sales, Purchases, Services | 5,496,944 | 34,460,533 |
| UFlex Limited Company | Ultimate parent | Finance, Purchases, Services | 108,333 | 266,243 |
| Flex Films USA, Inc. | Affiliate | Sales | 164,884 | - |
| | | | 5,770,161 | 34,726,776 |

Transactions with related parties during the year are as follows:

| | Finance US\$ | Purchases US\$ | Services US\$ | Sales US\$ |
|------------------------|-------------------------|---------------------------|--------------------------|-----------------------|
| 31/3/2015 | | | | |
| Flex Middle East FZE | - | 555,764 | 1,131 | 17,491 |
| U Flex Limited Company | - | 810,444 | 373,609 | 39,008 |
| Flex Films Europa | - | - | - | 2,317,622 |
| Flex Films USA, Inc. | - | - | - | 157,968 |
| 31/3/2014 | | | | |
| Flex Middle East FZE | 5,491,875 | - | - | - |
| UFlex Limited Company | 268,729 | 3,061,841 | 224,320 | - |
| Flex Films Europa | - | - | - | 1,908,846 |

10. CASH AND BANK BALANCES

Cash included in the statement of cash flow comprises the following balances include in balance sheet:

| | 31/3/2015 US\$ | 31/3/2014 US\$ |
|--------------------------|---------------------------|-------------------|
| Cash on hand | 7,585 | 4,797 |
| Bank current accounts | 2,455,480 | 2,589,919 |
| Time Deposits | 6,553,767 | - |
| Cheques under collection | 338,950 | - |
| | 9,355,782 | 2,594,716 |
| Bank overdrafts | (28,831,396) | (16,497,763) |
| | (19,475,614) | (13,903,047) |

Cash and bank accounts in foreign currencies represent 98% (2014: 77%) of total balance at the year end.

Bank overdrafts

Credit facilities represent bank overdrafts granted to the company from the following banks:

| | 31/3/2015 US\$ | 31/3/2014 US\$ |
|-----------------------------------|---------------------------|-------------------|
| Qatar National Bank (QNB AL AHLI) | 10,950,136 | 6,374,529 |

NOTES TO THE FINANCIAL STATEMENTS 31ST MARCH 2015

| | | |
|---------------------------------------|--------------------------|--------------------------|
| Abu Dhabi Islamic Bank (ADIB - Egypt) | 14,905,887 | 6,849,545 |
| National Bank of Abu Dhabi (NBAD) | 1,508,185 | 3,273,689 |
| Ahli United Bank Egypt (AUBE) | 1,467,188 | - |
| | <u>28,831,396</u> | <u>16,497,763</u> |

A. QNB AL AHLI

QNB Al Ahli Credit Committee has approved the renewal of the short term credit facilities granted to the company in the form of;

- I. Overdraft line supported by export documents and / or commercial papers.
- II. Line of letters of credit.
- III. Line of Post finance.
- IV. Line of letter of Guarantees.
- V. Discounting cheques with recourse.

Ceiling of short term facilities (line I, II and III) for US\$ 16 million (only sixteen million US Dollars)

Securities, supports and covenants of working capital facilities;

- Undertaking from the company to direct job orders proceeds / to execute export shipping documents under supported job orders through the company's account with QNB Al Ahli.
- Insurance over inventory covering all risks by 110% of the company's total short term facilities favoring QNB Al Ahli. (Insurance company to be approved by QNB Al Ahli).
- Joint guarantee issued by UFLEX LTD India (Ultimate Parent Company).
- Leverage not to exceed 2:1.
- Coverage (EBITDA / Net Financial Cost) not to be lower than 3.

B. ADIB - Egypt

ADIB-Egypt has approved lifting up facilities by US\$ 5 million to be US\$ 15 million up from US\$ 10 Million, while introducing new line in LCY to finance local needs in the tune of L.E. 20 Million accompanied with enhancement in coverage margin to be 25% instead of 120% for contingent liability and 110% instead of 120% for direct utilization, for the company as follows:

1. The facilities

- LC and/or LC Murabaha and/or LME Murabaha in the tune of US\$ 15 Million
- LME Murabaha in the tune of L.E. 20 Million

2. Purpose**a) Facility 1**

- LC and/or LC Murabaha and/or LME Murabaha line US\$ 15 Million to assist the company in issuance of sight and/or usance LCs to finance foreign purchases of raw materials and spare parts related to company's business.
- Payment of 100% of shipping documents under commercial LCs facility in FCY
- Finance foreign materials purchases, through direct transfers issued in favor of foreign suppliers.

b) Facility 2

- Finance local raw material purchases related to business needs, through Cheques and/or transfers issued to local suppliers in LCY according to approved supplier list.
- To finance other operating expenses such as but not limited to salaries, wages, taxes, customs and duties electricity bill, rent, etc up to L.E. 5 Million.

NOTES TO THE FINANCIAL STATEMENTS 31ST MARCH 2015**3. Validity**

- One year from date of approval.
- Refinance of transaction tenor up to 180 days including supplier facility.

4. Security / collateral / financial covenants

- a) Corporate Guarantee from UFlex LTD India covering total granted facilities.
- b) Informal assignment of export proceeds under ODCs and/or Export LCs in favor of ADIB-Egypt with coverage margin over the indirect exposure of 25%, while direct utilization to be 110% covered
- c) For facility number two postdated cheques with 120% coverage margin drawn on company's clients (as per pre-approved list by the Bank)
- d) Assignment of fire and theft insurance policies on the company's inventory in favor ADIB-Egypt covering 110% of the total granted facilities.
- e) Irrevocable undertaking from the client to treat ADIB-Egypt on Pari-Passu with all existing/future short term financiers.
- f) Irrevocable undertaking from the obligor that in case any cheque is bounced for the same customer three times, all cheques of this customer to be excluded from the cheques' portfolio and replaced by other cheques.
- g) In case of submitted cheques or export documents coverage margin is breached, an immediate top up and/or cash payment is to be affected.
- h) Out of the total deposited cheques, each customer shall not exceed a maximum of 25% of total submitted cheques portfolio i) Post Date Cheques (PDCs) must be endorsed in favor of ADIB-Egypt with maturity date not to exceed 180 days from issuance date, j) All financial covenants to remain as previous approval, k) Sight PN covering total facility.

C. National Bank of Abu Dhabi (NBAD)

The National Bank of Abu Dhabi (NBAD) has approved the short term credit facilities granted to the company with an overall ceiling of US\$ 7.5 Million and/or the equivalent to finance the company's working capital requirements.

General Conditions:

- Corporate guarantee from UFLEX LTD to be obtained (to be signed and certified by Chamber of Commerce and the Egyptian Embassy in India).
- Fire and Theft insurance policy covering 110% of global limit in NBAD's favor.
- NBAD to be in a pari passu position with other short term lenders at any point in time.

D. Ahli United Bank Egypt (AUBE)

Ahli United Bank Egypt (AUBE) has approved multi-purpose Facility amounting to US\$ 10 million as follows:

Facility

US\$ 10 million (only ten million US Dollars) the equivalent of L.E. 70 million at the rate of 1 US\$ =L.E. 7.

The multipurpose facility would be in local and /or foreign currency available

Purpose

Finance the working investment needs of the company

General Conditions:

- Legal assignment of fire and Theft insurance policy from a reputable Egyptian insurance company acceptable to AUBE on warehouses covering 110% of exposure.
- Commercial register of the company and a certificate of disposition stipulating no other mortgages except for the existing commercial mortgage favor KFW IPEX- Bank where they were granted an MTL for a total amount of Euro 37 million, equivalent to US\$ 48 million for the installation of the production lines on the company's assets, to be obtained as a condition precedent and to be renewed on semi-annual basis thereafter

NOTES TO THE FINANCIAL STATEMENTS 31ST MARCH 2015

- The borrower provides an irrevocable undertaking to keep AUBE on a pari passu basis with all other short term facility lenders in terms of security/collateral and cash flow routing
- Cross default irrevocable undertaking with all other facilities outstanding with other lending banks,
- Irrevocable undertaking from Uflex-India that their ownership shall not be decrease below 51% (directly or indirectly through Flex Middle East) prior to obtaining AUBE's written consent
- Irrevocable undertaking from the company to channel revenue proceeds in the company's account held at AUBE in proportion to other lending banks

11. CREDITORS AND OTHER CREDIT BALANCES

| | 31/3/2015 | 31/3/2014 |
|----------------------------|-------------------|------------|
| | US\$ | US\$ |
| Trade payables | 7,684,151 | 12,274,920 |
| Salary & Withholding tax | 322,469 | 195,091 |
| Accrued expenses | 446,346 | 236,756 |
| Social Insurance Authority | 43,025 | 18,837 |
| Accrued interests | 271,778 | 219,158 |
| Fixed assets creditors | 197,825 | 426,438 |
| Customers advance payment | 259,528 | 164,125 |
| Dividends payable (*) | 3,543,636 | 5,184,400 |
| Other suppliers | 2,230,558 | 1,950,135 |
| | 14,999,316 | 20,669,860 |

(*) On 11/11/2014, the General Assembly Meeting approved shareholders' dividends and Board of Directors' profit share for the year ended 31/3/2014.

12. LONG TERM LOAN

| | 31/3/2015 | | 31/3/2014 | |
|-----------------------------------|-------------------|-------------------------------|-------------------|-------------------------------|
| | Euro | Equivalent in US\$ | Euro | Equivalent in US\$ |
| Loan amount | 33,244,840 | 35,711,607 | 33,244,840 | 45,545,431 |
| Paid installments | (15,441,913) | (16,587,702) | (11,538,845) | (15,808,219) |
| Outstanding balance | 17,802,927 | 19,123,905 | 21,705,995 | 29,737,212 |
| | | | | |
| Total Hermes premium | 1,996,850 | 2,145,016 | 1,996,850 | 2,735,685 |
| Paid installments | (887,262) | (953,097) | (644,248) | (882,620) |
| Remaining Hermes premium | 1,109,588 | 1,191,919 | 1,352,602 | 1,853,065 |
| Total long loan balances | 18,912,515 | 20,315,824 | 23,058,597 | 31,590,277 |
| | | | | |
| Total Hermes premium | (1,996,850) | (2,145,016) | (1,996,850) | (2,735,685) |
| Hermes premium amortization | 887,262 | 953,097 | 644,248 | 882,620 |
| Hermes premium unamortized | (1,109,588) | (1,191,919) | (1,352,602) | (1,853,065) |
| Long term loan net balance | 17,802,927 | 19,123,905 | 21,705,995 | 29,737,212 |

Classified as follows:

| | | | | |
|--|-------------------|-------------------|-------------------|-------------------|
| Current portion of long term loan | <u>3,903,067</u> | <u>4,192,675</u> | <u>3,903,067</u> | <u>5,347,202</u> |
| Long term loan | <u>13,899,860</u> | <u>14,931,230</u> | <u>17,802,928</u> | <u>24,390,010</u> |

On 18 February 2010, the company entered into a loan agreement with KFW IPEX-Bank GMBH according to the following terms:

NOTES TO THE FINANCIAL STATEMENTS 31ST MARCH 2015

A) Loan approval limit:

| | 31/3/2015 | 31/3/2014 |
|--------------------------|-------------------|------------|
| | Euro | Euro |
| Phase one | 15,000,000 | 15,000,000 |
| Phase two | 22,000,000 | 22,000,000 |
| | 37,000,000 | 37,000,000 |
| Interest | 2,000,000 | 2,000,000 |
| Hermes Premium Phase one | 1,350,000 | 1,350,000 |
| Hermes Premium Phase two | 1,850,000 | 1,850,000 |
| | 5,200,000 | 5,200,000 |
| | 42,200,000 | 42,200,000 |

B) Interest rate:

At any time after the date of the end of the Availability Period Phase 1 or the Availability Period Phase 2 respectively, the company has the right to request that the Interest Rate applicable to all outstanding Loan Amounts of the respective Loan Phase shall be converted from a variable interest rate to a fixed interest rate.

Variable interest rate:

Calculated on the basis of the Euro LIBOR Reference Rate valid for the relevant Interest Period plus the Margin.

Fixed interest rate:

Calculated as the sum of the Lenders' effective funding costs on the capital market for terms which most closely correspond to the relevant repayment Schedule Plus the Margin.

Commitment fees (other transaction cost): 1.10 %.

C) Loan purpose:

Enabling the Company to pay a maximum of 85% of the payments due under the Supply Contracts and to make respective payments relating to Supply Contracts dealing with the supply of equipment related to the purchase of one BOPET (Biaxially Oriented Polyester) film line and one CPP (Cast Polypropylene) film line.

D) Repayment:

Loan shall be repaid over 17 equal consecutive semi-annual Installments. The first repayment Installment shall be on the earlier of:

- The date falling six months after Readiness of Operation Phase 1.
- The date falling six months after Readiness of Operation Phase 2.

E) Guarantees:

E-1 Unconditional and irrevocable payment guarantee relating to all obligations of the company by Uflex Limited company (the Ultimate Parent Company) in addition to unconditional and irrevocable personal guarantee relating to all company's obligations by Mr. Ashok Chaturvedi (Chairman & Managing Director of the Uflex Limited)-Personal guarantee.

E-2 On 26 July 2010, the company signed a real estate mortgage proxy in favor of KFW bank, which gives KFW bank the right to pledge the factory land as a guarantee against withdrawal loan.

E-3 Pledge of the shares held by Flex Middle East FZE. On 30 November 2010, Flex Middle East FZE (the Parent company) signed an agreement for the pledge of shares in favor of KFW bank by which it agreed to execute and deliver a pledge on its shares amounted to 14,999,900 shares with all the warranties, rights, dividends interest and securities attributed thereto as a grantee to the loan (Note 14). This pledge will be released once the Mortgage of Land has been created and registered.

E-4 On 17 October 2010, the company has legalized a commercial pledge of first degree on all tangible and intangible assets in favor of KFW bank, in addition to pledging all the tangible & intangible assets that will be owned in the future by the company.

NOTES TO THE FINANCIAL STATEMENTS 31ST MARCH 2015

- E-5 95% of the claims arising from this Agreement is guaranteed by Hermes Guarantees. The unrestricted existence of the Hermes Guarantee in respect of Disbursements under Loan shall be a prerequisite for any Disbursements under Loan.
- E-6 The Company must not, without the prior written consent of KFW IPEX bank, acquire an asset: that is (and will continue to be at any time after acquisition) subject to an existing Security Interest (except a Permitted Security Interest); or which will become subject to a Security Interest (except a Permitted Security Interest).
- E-7 The Company may not create or allow existence of a Security Interest over its assets except for a Permitted Security Interest.

13. MEDIUM TERM LOAN

| | 31/3/2015 | 31/3/2014 |
|--|-------------------|-----------|
| | US\$ | US\$ |
| Loan amount | 21,700,000 | - |
| Paid installment | (803,704) | - |
| Outstanding balance | 20,896,296 | - |
| Classified as follows: | | |
| Current portion of medium term Loan | 3,214,816 | - |
| Long portion of medium term Loan | 17,681,480 | - |
| | 20,896,296 | - |

On 31 July 2014, the company entered into a loan agreement with QNB Al Ahli according to the following terms:

A) Loan approval limit:

| | 31/3/2015 | 31/3/2014 |
|-------------|-------------------|-----------|
| | US\$ | US\$ |
| Tranche one | 20,000,000 | - |
| Tranche two | 5,000,000 | - |
| | 25,000,000 | - |

B) Interests and commissions:

- Compound interest is calculated by a margin of 3.65% over the LIBOR every three months and shall be paid at end of each quarter. This pricing can be modified according to the LIBOR movements every three months. Interest rate will be fixed 2 business days before each interest period.
- Flat fee of 0.4% calculated on the total loan value and is payable in advance upon the utilization of each tranche.

Interests and commissions shall be payable from the date of commencement and are valid during the grace period.

C) Loan purpose:

Re-financing the investment cost and CAPEX requirements of Flex P Egypt during its phase 1 & 2 of its project represented in establishing factory for manufacturing different types of polypropylene film rolls and which was previously financed through Flex Middle East "Parent Company".

D) Period of loan agreement and method of repayment:

Validity of the loan agreement is 7 years starting from the signature date of this agreement and ending on 31/7/2021 including 6 months grace period from the date signature.

Loan shall be repaid over 27 equal quarterly installments of US\$ 926,000 each.

NOTES TO THE FINANCIAL STATEMENTS 31ST MARCH 2015

E) Securities and guarantees:

1. Corporate guarantee from Flex Middle East FZE signed by an authorized person to issue the said guarantee, including its commitment to settle any obligations arising out of the facility pursuant to the terms and conditions of this agreement, in an acceptable text to the bank.
2. First degree commercial mortgage on the commercial site under the name of the company in favor of the bank including all the tangible and intangible assets pertaining to the equipments other than the equipment pledged under ECA Funding from KFW IPEX Bank, in addition to ratifying the aforementioned mortgage in the company's commercial register.

14. SHARE CAPITAL

Authorized:

The authorized capital of the company is L.E. 545,000,000.

| | 31/3/2015 | | 31/3/2014 | |
|-----------------------------------|--------------------|-----------------------|-------------|-----------------------|
| | L.E. | Equivalent in US\$ | L.E. | Equivalent in US\$ |
| Issued and paid up capital | | | | |
| 26,800,000 shares of L.E. 10 each | 268,000,000 | 47,914,115 | 268,000,000 | 47,914,115 |

Distributed among shareholders as follows:

| | Nationality | Number of is- sued shares | 31/3/2015 US\$ | 31/3/2014 US\$ |
|----------------------------|---------------------------------|------------------------------|-------------------|-------------------|
| Flex Middle East FZE | United Arab Emirates | 26,799,900 | 47,913,933 | 47,913,933 |
| Mr. Pradeep Tyle | Indian | 50 | 91 | 91 |
| Mr. Ashok Kumar Chaturvedi | Indian | 50 | 91 | 91 |
| | | 26,800,000 | 47,914,115 | 47,914,115 |

Flex Middle East FZE (Parent company) pledged shares in favor of KFW (Note 12 "E-3").

This pledge has been legalized by United Arab Emirates Central bank on 12 December 2010 and Misr For Central Clearing Depository & Registry on 14 December 2010.

15. LEGAL RESERVE

As required by the Companies Law No. 159 of 1981 and the company's Articles of Association, 5% of the profit for the year is transferred to the legal reserve. The company may resolve to discontinue such annual transfers when the reserve totals 50% of the issued share capital. The statutory reserve cannot be distributed except in cases stated in the Law.

16. NET SALES

| | 31/3/2015 US\$ | 31/3/2014 US\$ |
|-----------------------|--------------------|-------------------|
| Domestic sales | 37,694,543 | 41,591,323 |
| Export sales | 89,944,956 | 87,919,329 |
| | 127,639,499 | 129,510,652 |
| Domestic sales return | (305,820) | (121,480) |
| Export sales return | (365,658) | (129,114) |
| | 126,968,021 | 129,260,058 |

NOTES TO THE FINANCIAL STATEMENTS 31ST MARCH 2015**17. GENERAL AND ADMINISTRATIVE EXPENSES**

| | 31/3/2015 | 31/3/2014 |
|---------------------------------|-------------------------|------------------|
| | US\$ | US\$ |
| Salaries and incentives | 664,943 | 656,292 |
| Printing and stationary | 18,892 | 66,679 |
| Postage, phone and fax | 225,709 | 185,000 |
| Traveling and transportation | 176,921 | 91,874 |
| Maintenance | 219,702 | 77,382 |
| Insurance | 102,677 | 85,177 |
| Bank charges | 1,272,309 | 1,562,350 |
| Professional fees | 437,458 | 261,928 |
| Office supplies and hospitality | 57,683 | 100,532 |
| Software maintenance | 136,778 | 194,304 |
| Depreciation (Note 5) | 283,690 | 280,026 |
| Other | 117,367 | 165,596 |
| | <u>3,714,129</u> | <u>3,727,140</u> |

18. SELLING AND DISTRIBUTION EXPENSES

| | 31/3/2015 | 31/3/2014 |
|-------------------------|-------------------------|------------------|
| | US\$ | US\$ |
| Salaries and incentives | 285,991 | 251,671 |
| Traveling | 17,751 | 7,633 |
| Freight | 5,606,549 | 5,165,629 |
| Commission | 624,721 | 1,203,292 |
| Insurance | 309,964 | 139,016 |
| Claim export sales | 215,834 | 313,914 |
| Other | 31,629 | 37,316 |
| | <u>7,092,439</u> | <u>7,118,471</u> |

19. OTHER OPERATING REVENUE

| | 31/3/2015 | 31/3/2014 |
|----------------------------------|-------------------------|------------------|
| | US\$ | US\$ |
| Scrap sales | 2,081,214 | 1,380,878 |
| Export incentive (subsidies) (*) | 4,698,897 | 5,299,614 |
| Insurance claim received | 52,510 | 68,459 |
| Other revenue | 279,157 | 200,653 |
| | <u>7,111,778</u> | <u>6,949,604</u> |

(*) Export incentive is recorded on cash basis, i.e. when collected (Note 3k).

20. NET FOREIGN CURRENCY EXCHANGE LOSS

| | 31/3/2015 | 31/3/2014 |
|------------------------------------|-------------------------|----------------|
| | US\$ | US\$ |
| Net foreign currency exchange loss | <u>4,985,645</u> | <u>935,388</u> |

NOTES TO THE FINANCIAL STATEMENTS 31ST MARCH 2015

21. NET FINANCE INCOME / (EXPENSE)

| | 31/3/2015 | 31/3/2014 |
|------------------------------|--------------------|-------------|
| | US\$ | US\$ |
| Revenue | | |
| Bank interest | 125,895 | 21,212 |
| Finance charges | | |
| Finance interest | (2,114,647) | (1,525,210) |
| Foreign exchange gain/(loss) | 5,559,369 | (2,177,156) |
| | 3,570,617 | (3,681,154) |

22. DEFERRED TAX

Deferred tax assets and liabilities arising from tax differences in the assets and liabilities are as follows:

| | Assets | (Liabilities) | Assets | (Liabilities) |
|---|------------------|----------------------|-----------|---------------|
| | 31/3/2015 | 31/3/2015 | 31/3/2014 | 31/3/2014 |
| | US\$ | US\$ | US\$ | US\$ |
| Fixed assets | - | (10,699,619) | - | (11,488,587) |
| Taxable losses available for carry forward | 5,124,846 | - | 7,224,944 | - |
| Total tax asset / (liability) | 5,124,846 | (10,699,619) | 7,224,944 | (11,488,587) |
| Net tax asset / (liability) | - | (5,574,773) | - | (4,263,643) |
| Net tax income/(expense) in the statement of income | - | (1,311,130) | - | (2,638,310) |

23. EARNINGS PER SHARE

Earnings per share are calculated by dividing the net profit for the year by the weighted average number of shares outstanding during the year as follows:

| | 31/3/2015 | 31/3/2014 |
|---|-------------------|------------|
| | US\$ | US\$ |
| Net profit for the year | 5,577,733 | 2,759,340 |
| Weighted average number of shares outstanding during the year | 26,800,000 | 26,800,000 |
| Earnings per share | 0.208 | 0.103 |

Earnings per share are calculated regardless employees share and Board of Directors remuneration in profit till the general meeting of the company approved the distribution.

24. TAX STATUS

• **Corporate Tax**

The Tax Authority has not inspected the company's books and documents yet, since inception.

The company submitted the corporate tax return for the year ended 31 March 2014. As per tax return for the year ended 31 March 2015, there is no taxable profit.

• **Salary Tax**

The company is settling the salary tax and Social insurance regularly.

The Tax Authority has not inspected the company's books yet, since inception.

NOTES TO THE FINANCIAL STATEMENTS 31ST MARCH 2015

- **Stamp tax**

The Tax Authority has not inspected the company's books and records yet, since inception.

- **Sales Tax**

The company is submitting the sales tax returns regularly,

The Tax Authority has inspected the company books and documents for period since inception till 31 March 2014. The inspection resulted in a credit balance to be refunded by the company amounted to L.E. 135,293,289.

- **Withholding Tax**

The Tax Authority has not inspected the company's books and records yet. The company has settled the withholding tax due up to the first quarter for year 2014.

25. RECONCILIATION TO CALCULATE THE EFFECTIVE INCOME TAX RATE

| | 31/3/2015 | 31/3/2014 |
|---|---------------------|--------------|
| | US\$ | US\$ |
| Net accounting profit before tax | 6,888,863 | 5,397,650 |
| Enacted tax rate | 29.2742% | 29.08% |
| Calculated income tax according to income tax law | 2,016,659 | 1,569,637 |
| Provisions effect | 241,802 | 769,247 |
| Depreciations differences | (465,674) | (969,736) |
| Non taxable gain sale | (2,570) | - |
| Non deductible expenses of fixed assets | 2,149 | 269,458 |
| Accumulated loses | (22,777,095) | (28,899,778) |
| Income tax according to statement of income | - | - |

26. CONTINGENT LIABILITIES

Contingent liabilities represent the following:

- Letter of guarantee by an amount of L.E. 2,883,945 (equivalent to: US\$ 378,014) issued in favor of General Manager of Sokhna Customs (Note 8).
- Letters of guarantee by an amount of L.E. 12,789,368 (equivalent to: US\$ 1,679,058) issued in favor of the Central Unit of the Temporary Release Taxes (Note 8).

27. FAIR VALUE

The fair values of financial assets and liabilities are not materially different from their carrying value at the financial statements date.

28. COMPARATIVE FIGURES

Certain of prior year figures have been reclassified to conform with the presentation in the current year as follows:

| | 31/3/2014 | | 31/3/2014 |
|----------------------------------|-------------------------|-------------------------|-------------------------|
| | before | Reclassification | after |
| | reclassification | US\$ | reclassification |
| | US\$ | US\$ | US\$ |
| Debtors and other debit balances | 55,310,207 | (1,756,239) | 53,553,968 |
| Amounts due from a related party | - | 1,756,23 | 1,756,239 |



FLEX P. FILMS (EGYPT) S.A.E.
Wholly Owned Subsidiary Company of Flex Middle East FZE