FLEX MIDDLE EAST FZE

Wholly Owned Subsidiary Company of
UFlex Limited

FINANCIAL STATEMENTS
2015 - 2016

TABLE OF CONTENTS

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 2016, 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 auditors consider 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 notes, present fairly in all material respects, the financial position of **FLEX MIDDLE EAST FZE** as at 31 March 2016 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 verification of 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

18 May 2016
Dubai

STATEMENT OF FINANCIAL POSITION 31 MARCH 2016

	Notes	2016 US $	2015 US $
ASSETS			
Non-current assets			
Property, plant and equipment	5	**47,490,523**	48,650,251
Investments	6	**133,415,990**	126,815,990
Other financial assets	7	**326,975**	348,774
Intangible assets	8	**3,637**	5,631
		181,237,125	175,820,646
Current assets			
Inventories	9	**5,491,871**	4,958,576
Trade and other receivables	10 & 26	**63,163,081**	85,736,956
Prepayments		**218,144**	186,200
Cash and bank balances	11	**5,509,190**	3,339,655
		74,382,286	94,221,387
Total assets		**255,619,411**	270,042,033
EQUITY AND LIABILITIES			
Capital and reserves			
Shareholder's funds			
Share capital	12	**29,155,313**	29,155,313
Retained earnings		**181,721,139**	178,488,633
Total shareholder's funds		**210,876,452**	207,643,946
Non-current liabilities	13 & 14	**14,740,577**	22,616,935
Current liabilities			
Bank borrowings	13 & 14	**16,178,353**	31,745,891
Unsecured loan	15	**3,201,635**	-
Trade and other payables	16 & 26	**10,622,394**	8,035,261
		30,002,382	39,781,152
Total liabilities		**44,742,959**	62,398,087
Total equity and liabilities		**255,619,411**	270,042,033

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

Pradeep Tyle	Sanjay Tiku	Narinder P. Khankriyal	Debanjan Pati
Director	**Executive Vice President**	**Exec. Manager (F & A)**	**Business Head**

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2016

	Notes	**2016 US $**	2015 US $
Revenue			
Sales and other operating income	17	**68,368,354**	100,506,549
Dividend income from a subsidiary		**2,395,706**	2,359,236
Total revenue		**70,764,060**	102,865,785
Expenditure			
Cost of materials	18	**(40,609,213)**	(62,040,928)
Other manufacturing expenses	19	**(13,342,558)**	(16,898,099)
Payroll and related expenses		**(4,141,460)**	(4,551,419)
General, administrative and selling expenses	20	**(6,773,885)**	(8,454,154)
Loss on sale of property, plant and equipment		**-**	(11,161)
Finance costs	21	**(2,664,438)**	(3,327,926)
Total expenditure		**(67,531,554)**	(95,283,687)
Profit for the year		**3,232,506**	7,582,098
Other comprehensive income / (loss)		**-**	-
Total comprehensive income for the year		**3,232,506**	7,582,098

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

Pradeep Tyle	Sanjay Tiku	Narinder P. Khankriyal	Debanjan Pati
Director	**Executive Vice President**	**Exec. Manager (F & A)**	**Business Head**

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2016

	Share capital US $	Retained earnings US $	Total US $
As at 31 March 2014	**29,155,313**	**170,906,535**	**200,061,848**
Profit for the year	-	7,582,098	7,582,098
As at 31 March 2015	**29,155,313**	**178,488,633**	**207,643,946**
Profit for the year	-	3,232,506	3,232,506
As at 31 March 2016	**29,155,313**	**181,721,139**	**210,876,452**

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

Pradeep Tyle	Sanjay Tiku	Narinder P. Khankriyal	Debanjan Pati
Director	**Executive Vice President**	**Exec. Manager (F & A)**	**Business Head**

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2016

	Note	2016 US $	2015 US $
Cash flows from operating activities			
Profit for the year		**3,232,506**	7,582,098
Adjustments for:			
Depreciation		**3,223,315**	3,189,136
Amortization		**23,793**	23,792
Finance costs		**2,664,438**	3,327,926
Interest income		**(114,531)**	(37,661)
Loss/ (profit) on sale of property, plant and equipment		**(606)**	11,161
Provision for staff end-of-service benefits (net)		**123,642**	75,737
Operating profit before working capital changes		**9,152,557**	14,172,189
(Increase)/decrease in inventories		**(533,295)**	4,684,097
(Increase)/decrease in trade and other receivables		**22,574,649**	23,381,019
(Increase)/decrease in prepayments		**(31,944)**	55,491
Increase/(decrease) in trade and other payables		**2,378,859**	(10,555,356)
Cash generated from/(used in) operations		**33,540,826**	31,737,440
Finance costs paid		**(2,436,164)**	(3,139,640)
Net cash from/(used in) operating activities		**31,084,662**	28,597,800
Cash flows from investing activities			
Payment for purchase of property, plant and equipment		**(2,070,348)**	(563,823)
Proceeds from sale of property, plant and equipment		**7,367**	6,640
Payments for investments		**(6,600,000)**	(19,875,000)
Net (placement)/withdrawal of margin and term deposits (net)		**(3,542,234)**	164,991
Interest income received		**113,758**	36,962
Net cash from/(used in) investing activities		**(12,091,457)**	(20,230,230)
Cash flows from financing activities			
Proceeds from/(payment of) term loans (net)		**(11,500,000)**	(15,000,000)
Proceeds from/(payment of) trust receipts (net)		**(5,973,072)**	4,316,176
Proceeds from/(payment of) bills discounted (net)		**(2,096,879)**	1,982,626
Proceeds from/(payment of) working capital finance (net)		**(4,973,567)**	886,374
Proceeds from/(payment of) unsecured loan		**3,201,635**	-
Net cash from/ (used in) financing activities		**(21,341,883)**	(7,814,824)
Net increase/(decrease) in cash and cash equivalents		**(2,348,678)**	552,746
Cash and cash equivalents at the beginning of the year		**2,170,077**	1,617,331
Cash and cash equivalents at the end of the year	22	**(178,601)**	2,170,077

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

Pradeep Tyle	Sanjay Tiku	Narinder P. Khankriyal	Debanjan Pati
Director	**Executive Vice President**	**Exec. Manager (F & A)**	**Business Head**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

1. LEGAL STATUS AND ACTIVITIES

FLEX MIDDLE EAST FZE (FME) (the "establishment") is a limited liability establishment incorporated in 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 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 the activities of manufacturing of plastic films and trading in plastic and nylon raw materials, packaging equipment and printing equipment and instruments, basic and industrial chemicals and rendering related consultancy and technical services.

These financial statements contain information about the establishment as an individual establishment and do not contain consolidated financial information as the parent of the subsidiaries.

2. BASIS OF PREPARATION

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

- Investments will continue to provide returns.
- Timely funds are raised from the financial institutions for 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, unsecured and long overdue, they are considered good and recoverable within two years.
- Cash generated from operations is positive.
- Future forecast reflects 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 executive management are in place.
- There are no pending changes in government legislation that may adversely affect the establishment.

Statement of compliance

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 (IFRIC) and the applicable requirements of Jebel Ali Free Zone Authority.

Basis of measurement

The financial statements have been prepared under the historical cost basis, except as disclosed in the accounting policies.

Functional and presentation currency

The functional currency of the establishment is UAE Dirham since 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.

Use of estimates and judgements

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 4.

Adoption of new and revised International Financial Reporting Standards (IFRS)

The establishment adopted all applicable accounting standards and amendments which are effective for annual periods beginning on or after 1 April 2015. The establishment has not early adopted any other standard, interpretation or amendment that has been issued but are not yet effective.

3. 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. 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 statement of profit or loss and other comprehensive income 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 and 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%.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

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. Work in progress comprises unfinished jobs on hand and valued at the costs of materials and other direct expenses incurred till reporting date. 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 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 the right to receive is established.

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 trade and other receivables, cash and bank balances.

Trade 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 represent advances to suppliers and others, due from related parties and refundable deposits. These assets are initially recognized at fair value plus any directly attributable transaction costs.

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, unsecured loan, 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

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.

Bank borrowings

Bank borrowings are recognized initially at fair value, net of transaction costs incurred. Bank borrowings are subsequently carried at amortized cost. Any difference between the proceeds (net of transactions costs) and the redemption value is recognized in the statement of profit or loss over the period of the bank borrowings using the effective method.

Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired.

Borrowings are classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

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 recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated returns, rebates and other similar allowances.

Sale of goods

Revenue from sale of goods is recognized when all the following conditions are satisfied:

- the establishment has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the establishment retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the establishment; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Consultancy and technical service fees

Revenue from consultancy and technical services fees are recognized in the statement of profit or loss and other comprehensive income at the time of rendering of technical services.

Interest income

Interest income is recognized as the interest accrues.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

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.

4. SIGNIFICANT JUDGMENT EMPLOYED IN APPLYING ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION AND UNCERTAINTIES

4.1 Significant judgment employed in applying accounting policies

The significant judgement made in applying accounting policies that has the most significant effect on the amounts recognized in the financial statements is as under:

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.

4.2 Key sources of estimation and uncertainty

Key assumptions made concerning the future and other key sources of estimation and 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:

Property, plant and equipment

The cost of property, plant and equipment is depreciated over the estimated useful lives, which is based on expected usage of the asset, expected physical wear and tear, the repair and maintenance and technological obsolescence arising from changes and the residual value. 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, age, 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 other receivables

Management regularly undertakes a review of the amounts of loans and other receivables owed to the establishment 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 other 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 2016

Impairment of trade receivables

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

Staff end of service benefits

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.

5. PROPERTY, PLANT AND EQUIPMENT (2016)

	Opening balance US $ 2015	**Additions US $**	**Transfer/ disposals US $**	**Closing balance US $ 2016**
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	56,382,046	@1,923,259	(100)	58,305,205
Furniture, fixtures & office equipment	323,205	24,201	(12,610)	334,796
Vehicles	170,089	122,888	(20,027)	272,950
Total cost	75,407,274	2,070,348	(32,737)	77,444,885
Depreciation				
Lease hold land	-	-	-	-
Buildings:				
-Staff accommodation	189,751	24,001	-	213,752
-Factory and administrative	2,002,436	244,985	-	2,247,421
Machinery & equipment	24,279,726	2,911,250	(100)	27,190,876
Furniture, fixtures & office equipment	195,532	23,337	(7,818)	211,051
Vehicles	89,578	19,742	(18,058)	91,262
Total Depreciation	26,757,023	3,223,315	(25,976)	29,954,362
Net book value				
Lease hold land	9,744,474			9,744,474
Buildings:				
- Staff accommodation	1,085,120			1,061,119
- Factory and administrative	5,510,153			5,265,168
Machinery & equipment	32,102,320			31,114,329
Furniture, fixtures & office equipment	127,673			123,745
Vehicles	80,511			181,688
Total net book value	48,650,251			47,490,523

** Represents payment made for acquiring leasehold right to a plot of land measuring 21,576 sq. ft on renewable lease for 50 years in Jebel Ali Industrial area for staff accommodation. Amount paid for leasehold land is not amortized for*

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

the reason it is for a long term of use and further renewable for same period. The management has since decided to amortize amount paid over a period of 42 years commencing from 1 April 2016 at USD 232,011 per year.

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

@Includes expenditure incurred amounting to US $ 1,524,308 for enhancement of production capacity of machinery. Cost comprise of power and fuel, salaries and wages, professional fees and trial run expenses and are stated as determined by the management.

PROPERTY, PLANT AND EQUIPMENT (2015)

	Opening balance US $ 2015	**Additions US $**	**Transfer/ disposals US $**	**Closing balance US $ 2016**
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 and equipment	55,869,253	539,202	(26,409)	56,382,046
Furniture, fixtures and 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 and equipment	21,412,371	2,877,229	(9,874)	24,279,726
Furniture, fixtures and 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 and equipment	34,456,882			32,102,320
Furniture, fixtures and office equipment	128,109			127,673
Vehicles	97,441			80,511
Total net book value	51,293,365			48,650,251

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

6. INVESTMENTS

	Country of Incorporation	% of Ownership	2016 US $ Total	2015 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	35,000,000
Total investments in subsidiaries			**115,690,990**	115,690,990
Investment in an associate:				
UPET Holdings Limited	Mauritius	37	17,725,000	11,125,000
Total investments			**133,415,990**	126,815,990
Share of net book value^				
Flex P Films (Egypt) S.A.E			55,655,905	53,932,996
Flex Films Europa SP.Z.o.o.			47,292,400	37,457,000
Flex Films (USA) Inc.			31,657,001	29,139,886
Upet Holdings Limited			14,164,520	8,808,405
			148,769,826	129,338,287

^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) *The principal activity of Flex Films (USA) Inc. is manufacturing of Polyster films. As at 31 March 2016, 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) *During the year the establishment purchased additional 5,280,000 shares (13.75%) of UPET Holdings Limited with a face value of US $ 1 per share and a premium of US $ 0.25 per share. 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. As at 31 March 2016, 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.*

7. OTHER FINANCIAL ASSETS

	US $
Operating lease*	
Lease amount paid in advance	544,959
	544,959
Amortization	
As at 01.04.2015	196,185
Charge for the year	21,799
As at 31.03.2016	217,984
Unexpired portion of operating lease	
As at 31.03.2016	326,975
As at 31.03.2015	348,774

**Represents amount paid for 20,000 sq. ft leased plot of land in the Jebel Ali Industrial area for future housing requirements.*

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

8. INTANGIBLE ASSETS

	US $
Cost	
Software	9,968
	9,968
Amortization	
Up to 01.04.2015	4,337
Charge for the year	1,994
Up to 31.03.2016	6,331
Net book value	
As at 31.03.2016	3,637
As at 31.03.2015	5,631

9. INVENTORIES

	2016 US $	2015 US $
Raw materials	1,677,678	1,704,239
Materials in transit	-	8,005
	1,677,678	**1,712,244**
Consumables and packing materials	688,703	578,987
Work in progress	1,132,246	1,929,897
Finished goods	1,993,244	737,448
	5,491,871	**4,958,576**

10. TRADE AND OTHER RECEIVABLES

Trade receivables #	45,311,542	62,081,162
Less: Provision for doubtful debts	380,325	380,325
	44,931,217	**61,700,837**
Due from related parties – funding account	9,003,106	15,503,106
Dividend receivable from a related party	5,939,342	3,543,636
Advance to suppliers and others *	2,400,600	4,175,364
Interest accrued but not due	773	699
Advances to staff	202,742	139,321
Deposits	685,301	673,993
	63,163,081	**85,736,956**

 # Includes US $ 3,954,978 (previous year US $ 12,454,848) due from related parties on trade account.

**Includes US $ 42,396 (previous year US $ 79,844) 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

TRADE AND OTHER RECEIVABLES (CON'D)

As at 31 March 2016, the aging of trade receivables is as under:

Total US $	0-90 Days US $	91-180 Days US $	181-360 Days US $	>360 Days US $
45,311,542	*11,000,778*	*1,325,591*	*44,487*	*32,940,686*

Although trade receivables of US $ 34,310,764 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 by the year to end 31 March 2016 and the provision carried in the accounts is considered adequate.

11. CASH AND BANK BALANCES

	2016 US $	2015 US $
Cash on hand	51,950	44,909
Bank balances in:		
Current accounts	970,592	2,350,332
Margin deposits	26,158	26,158
Term deposits	4,460,490	918,256
	5,509,190	3,339,655

12. SHARE CAPITAL

Authorised, issued and paid up:		
107 shares of AED 1 Million	29,155,313	29,155,313
(1 US $ = AED 3.67)		

13. NON-CURRENT LIABILITIES

Term loan from a bank (USA - equity buy out) (per below)	14,000,000	22,000,000
Provision for staff end-of-service gratuity	740,577	616,935
	14,740,577	22,616,935
Term loan from a bank (Egypt - project)		
Total amount outstanding	-	3,500,000
Short term portion – current liability	-	3,500,000
Long term portion	-	-
Term loan from a bank (USA - equity buy out)		
Total amount outstanding	22,000,000	30,000,000
Short term portion – current liability	8,000,000	8,000,000
Long term portion	14,000,000	22,000,000

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

- 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:

  - o Mortgage over plant and machinery
  - o Mortgage over building
  - o Assignment of inventory insurance policies
  - o 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:

	USA - equity buy out US $
Year	
2016-17	8,000,000
2017-18	8,000,000
2018-19	6,000,000
	22,000,000

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

14. BANK BORROWINGS

	2016 US $	2015 US $
Term loan – short term portion (Egypt - project) (refer note 13)	-	3,500,000
Term loan – short term portion (USA - equity buy out)	8,000,000	8,000,000
Term loan – (working capital finance)	-	4,973,567
Trust receipts	6,977,209	12,950,281
Bills discounted	-	2,096,879
Bank overdraft	1,193,994	225,164
Book overdraft	**7,150**	**-**
	16,178,353	**31,745,891**

15. UNSECURED LOAN

This represents unsecured and 12 % p.a. interest bearing loan received from a business associate which is repayable by November 2016.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

16. TRADE AND OTHER PAYABLES

	2016 US $	2015 US $
Trade payables *	6,792,090	5,773,409
Customers advances and credit balances	1,525,631	1,259,367
Other payables	1,410,510	-
Accruals and provision	894,163	1,002,485
	10,622,394	8,035,261

** Includes US $ 1,981,871 (previous year US $ 1,103,020) due to related parties (refer note 26).*

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.

17. SALES AND OTHER OPERATING INCOME

Sales		
Manufactured goods	59,251,068	84,295,155
Traded goods	8,972,686	10,626,498
	68,223,754	94,921,653
Other operating income		
Commitment charges income	-	5,500,000
Technical service fees	10,324	22,802
Interest income	114,531	37,661
Other income	19,139	24,433
Profit on sale of property, plant and equipment	606	-
	68,368,354	100,506,549

18. COST OF MATERIALS

Opening inventories	4,371,584	8,899,263
Purchases (including direct expenses)	33,892,864	48,358,922
Trading items purchase	7,147,933	9,154,327
Closing inventories	(4,803,168)	(4,371,584)
	40,609,213	62,040,928

19. OTHER MANUFACTURING EXPENSES

Power and fuel consumed	5,679,953	8,203,602
Machinery repairs and maintenance	1,260,823	1,022,235
Stores consumed	561,613	614,471
Job work charges	-	440,659
Packing materials consumed	2,217,109	3,082,159
Other manufacturing expenses	442,824	386,559
Depreciation (refer note 20)	3,180,236	3,148,414
	13,342,558	16,898,099

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

20. GENERAL, ADMINISTRATIVE AND SELLING EXPENSES

	2016 US $	2015 US $
Rent	407,516	484,174
Other administrative expenses	2,415,265	2,348,871
Selling expenses	3,884,232	5,556,595
Amortization	23,793	23,792
Depreciation (per below)	43,079	40,722
	6,773,885	8,454,154
Depreciation:		
Total depreciation charge (refer note 5)	3,223,315	3,189,136
Less: Charged to other manufacturing expenses (refer note 19)	3,180,236	3,148,414
	43,079	**40,722**

21. FINANCE COSTS

	2016 US $	2015 US $
Interest on term loans @	1,365,029	2,217,080
Interest on trust receipts	519,833	652,364
Bank charges and commission	388,893	437,269
Interest on bills discounting	138,821	21,213
Interest to others	251,862	-
	2,664,438	3,327,926

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

22. CASH AND CASH EQUIVALENTS (FOR THE PURPOSE OF CASH FLOWS)

Cash on hand	51,950	44,909
Bank balance in:		
Current accounts	970,592	2,350,332
Less: bank overdraft	1,193,993	225,164
Less: book overdraft	7,150	-
	(178,601)	2,170,077

23. CAPITAL 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 $ 210,876,452 as at 31 March 2016 (2015: US $ 207,643,946).

24. 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 of trade and other receivables, bank balances. The establishment's bank balance in current, margin and term deposit accounts are placed with high credit quality financial institutions. As at 31 March 2016, the establishment is exposed to credit risk from its trade receivables. The establishment's maximum exposure to credit risk from trade receivables situated outside the U.A.E. amounts to US $ 37,754,719. 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 institutions. 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 risk

Liquidity risk is the risk that the establishment will not be able to meet financial obligations as they fall due. The liquidity requirements are monitored on a regular basis by the management and parent shareholder company who ensures that sufficient funds are made available to the establishment to meet the commitments as they fall due. Although, short term payables are perceived as a liquidity risk, adequate steps are taken by the management and the parent shareholder company to timely meet with the funding requirements.

The following are the contractual maturities of the company's financial liabilities as of 31 December 2015.

	Carrying amounts US $	Payable within next 12 months US $	Payable after 12 months US $
Term loan from a bank (USA – equity buy out)	22,000,000	8,000,000	14,000,000
Trust receipts	6,977,209	6,977,209	-
Bank overdraft	1,193,994	1,193,994	-
Unsecured loan	3,201,635	3,201,635	-
Staff end of service gratuity	740,577	-	740,577
Trade and other payables	10,622,394	10,622,394	-
	44,735,809	29,995,232	14,740,577

Market risk

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

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 term deposits are at a fixed rate. Bank borrowings are at floating rates at levels, which are generally obtained in the UAE. Unsecured loan from a business associate is at fixed rate of interest.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

Currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign currency 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:

	2016 Equivalent US $	2015 Equivalent US $
Foreign currency financial assets		
Euro	22,810,851	2,488,451
Great Britain Pound	5,720	172,050
	22,816,571	2,660,501
Foreign currency financial liabilities		
Euro	195,753	-
Great Britain Pound	63,921	-
	259,674	-

25. FINANCIAL INSTRUMENTS: FAIR VALUES

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

26. 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:

Parent shareholder company:

- 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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

Key Officers:

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

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 Dr/(Cr)	USD Dr/(Cr)	USD Dr/(Cr)	USD Dr/(Cr)	USD Dr/(Cr)
Balances:						
Trade receivables	2016	-	-	3,680,042	274,936	3,954,978
	2015	-	-	11,922,852	531,996	12,454,848
Due from related parties	2016	-	-	9,003,106	-	9,003,106
	2015	-	-	15,503,106	-	15,503,106
Dividend receivable	2016	-	-	5,939,342	-	5,939,342
	2015	-	-	3,543,636	-	3,543,636
Advance to suppliers	2016	-	-	42,396	-	42,396
	2015	49,002	-	30,842	-	79,844
Trade payables	2016	(1,981,871)	-	-	-	(1,981,871)
	2015	(1,040,184)	-	(62,836)	-	(1,103,020)
Due to directors	2016	-	(31,000)	-	-	(31,000)
	2015	-	(30,000)	-	-	(30,000)
Investments	2016	-	-	133,415,990	-	133,415,990
	2015	-	-	126,815,990	-	126,815,990
Interest receivable	2016	-	-	42,082	105,380	147,462
	2015	-	-	(23,808)	(18,986)	(42,794)
Transactions:						
Investments	2016	-	-	6,600,000	-	6,600,000
	2015	-	-	19,875,000	-	19,875,000

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

		Shareholder	Key officers	Subsidiaries / Associate	Subsidiaries of parent shareholder company	Total
		USD Dr/(Cr)	USD Dr/(Cr)	USD Dr/(Cr)	USD Dr/(Cr)	USD Dr/(Cr)
Purchases	2016	5,591,155	-	12,207	-	5,603,362
	2015	7,540,788	-	29,400	239,310	7,809,498
Sales	2016	(36,723)	-	(16,006,811)	(453,974)	(16,497,508)
	2015	(1,689,937)		(28,552,822)	(893,292)	(31,136,051)
Interest received	2016	-	-	(104,667)	-	(104,667)
	2015	-	-	(42,795)	-	(42,795)
Interest charges	2016	-	-	-	-	-
	2015	42,000	-	-	-	42,000
Consultancy fee	2016	-	-	-	-	-
	2015	-	240,000	-	-	240,000
Travelling expenses	2016	50,619	-	4,547	-	55,166
	2015	26,953	-	-	-	26,953
ERP maintenance	2016	121,183	-	-	-	121,183
	2015	98,647	-	-	-	98,647
Remuneration	2016	-	368,000	-	-	368,000
	2015	-	360,000	-	-	360,000
Technical fees	2016	182,315	-	-	-	182,315
	2015	-	-	-	-	-
Advance for freight	2016	224	-	4516	-	4,740
	2015	-	-	-	-	-
Commission	2016	4,833	-	-	-	4,833
	2015	-	-	-	-	-
Sale of Asset (Laptop)	2016	906	-	1,852	-	2,758
	2015		-	-	-	-
Mediclaim Insurance	2016	530	-	-	-	530
	2015		-	-	-	-

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

27. CONTINGENT LIABILITIES

	2016 US $	2015 US $
Letters of credit	4,948,617	3,497,181
Letters of guarantee	26,481	196,129

28. LEASE COMMITMENTS

The establishment has entered into lease agreement for plots of land in 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 $ 1,143,777/-.

29. 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 $ 30,275,000 (previous year US $ 36,875,000).

30. COMPARATIVE FIGURES

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

31. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved by the board and authorized for issue on 18 May 2016.

FLEX MIDDLE EAST FZE

Wholly Owned Subsidiary Company of UFlex Limited