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

Wholly Owned Subsidiary Company of
Flex Middle East FZE

FINANCIAL STATEMENTS
2016 - 2017

CONTENTS

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 statement of financial position as of 31 March 2017, and the statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

These financial statements are the responsibility of the Company's Management as Management is responsible for the preparation and fair presentation of the financial statements in accordance with Egyptian Accounting Standards and 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 2017, 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 following:

1. 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.

2. As disclosed in details in Note No. (27) to the Financial Statements, and as a result of the Central Bank of Egypt's decision dated 3 November 2016 concerning flotation of the Egyptian Pound against other currencies, the foreign currency exchange difference resulted from the translation of balances dominated in Egyptian Pound to the presentation currency (US Dollar) at the flotation date, has been dealt with through the Statement of Comprehensive Income for the year ended 31 March 2017 as an other comprehensive income item.

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, 11 May 2017

STATEMENT OF FINANCIAL POSITION AT 31 MARCH 2017

	Note	**31/3/2017 US$**	31/3/2016 US$
ASSETS			
NON-CURRENT ASSETS			
Fixed assets	6	**71,925,327**	76,151,879
Deposits with others	7	**2,607,712**	2,735,624
Total non-current assets		**74,533,039**	78,887,503
CURRENT ASSETS			
Inventories	8	**7,442,769**	9,136,611
Debtors and other debit balances	9	**29,952,053**	44,919,597
Cash and cash equivalents	11	**6,607,588**	17,773,258
Total current assets		**44,002,410**	71,829,466
Total assets		**118,535,449**	150,716,969
EQUITY AND LIABILITIES			
Equity			
Issued and paid up capital	12	**47,914,115**	47,914,115
Legal reserve	13	**952,460**	952,460
(Accumulated losses)/retained earnings		**(6,479,437)**	6,789,330
Total equity		**42,387,138**	55,655,905
LIABILITIES			
NON-CURRENT LIABILITIES			
Long term loan	14	**6,520,285**	11,385,347
Medium term loan	15	**11,251,850**	14,466,665
Deferred tax liabilities	22	**7,170,454**	6,947,665
Total non-current liabilities		**24,942,589**	32,799,677
CURRENT LIABILITIES			
Bank overdrafts	11	**28,759,984**	37,203,582
Creditors and other credit balances	16	**15,054,640**	17,397,786
Current portion of long term loan	14	**4,176,282**	4,445,203
Current portion of medium term loan	15	**3,214,816**	3,214,816
Total current liabilities		**51,205,722**	62,261,387
Total liabilities		**76,148,311**	95,061,064
Total equity and liabilities		**118,535,449**	150,716,969

Auditor's report "attached".

Neeraj Tiwari	**Naresh Agarwal**	**Ram S. Singh**	**Sanjay Tiku**
Financial Manager	Assistant General Manager	Chief Commercial Officer	Director / Board Member

The attached notes 1 to 28 form part of these financial statements.

STATEMENT OF INCOME FOR THE YEAR ENDED 31 MARCH 2017

	Note	**31/3/2017 US$**	31/3/2016 US$
Net sales	17	**110,948,537**	115,259,285
Cost of sales		**(93,320,358)**	(95,713,933)
Discount earned		**185,558**	959,597
GROSS PROFIT		**17,813,737**	20,504,949
Other operating revenue	18	**4,963,259**	4,164,874
Selling and distribution expenses	19	**(5,453,443)**	(6,516,778)
General and administrative expenses	20	**(2,587,555)**	(2,760,054)
Foreign currency exchange loss		**(4,573,065)**	(6,251,960)
Impairment of debtors and other debit balances	9	**(865,433)**	-
Write off for trade receivables		**-**	(73,528)
Net finance expenses	21	**(2,728,125)**	(3,046,111)
Profit for the year before tax		**6,569,375**	6,021,392
Deferred tax	22	**(2,310,024)**	(1,372,892)
Net profit for the year		**4,259,351**	4,648,500

The attached notes 1 to 28 form part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2017

	Note	**31/3/2017 US$**	31/3/2016 US$
Net profit for the year		**4,259,351**	4,648,500
Other Comprehensive Income (OCI):			
Foreign currency exchange loss resulting from translation of monetary Egyptian pound balances at the flotation date	27	**(16,778,039)**	-
Deferred tax gain on OCI item		**2,087,235**	-
Net other comprehensive loss		**(14,690,804)**	-
Transferred to accumulated losses		**14,690,804**	-
Total comprehensive income for the year		**4,259,351**	4,648,500

The attached notes 1 to 28 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2017

	Issued and paid up capital US$	Legal reserve US$	(Accumulated losses) / retained earnings US$	Total US$
Balance at 1 April 2015	47,914,115	720,035	5,298,846	53,932,996
Dividends declared	-	-	(2,925,591)	(2,925,591)
Net profit for the year	-	-	4,648,500	4,648,500
Transfer to legal reserve	-	232,425	(232,425)	-
Balance at 31 March 2016	47,914,115	952,460	6,789,330	55,655,905
Dividends declared	-	-	(2,837,314)	(2,837,314)
Net profit for the year	-	-	4,259,351	4,259,351
Add:				
Other comprehensive loss:				
Net foreign currency exchange loss resulting from translation of monetary Egyptian pound balances at the flotation date	-	-	(14,690,804)	(14,690,804)
Balance at 31 March 2017	47,914,115	952,460	(6,479,437)	42,387,138

The attached notes 1 to 28 form part of these financial statements.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2017

	Note	31/3/2017 US$	31/3/2016 US$
OPERATING ACTIVITIES			
Profit for the year before tax		**6,569,375**	6,021,392
Adjustments for:			
Depreciation	6	**4,787,185**	4,726,704
Impairment of debtors and other debit balances	9	**865,433**	-
Net foreign currency exchange loss		**-**	6,451,132
Bad debts		**-**	73,528
Gain on sale of fixed assets	18	**(45,534)**	(17,618)
Finance expenses	21	**3,468,370**	3,960,519
Operating profit before working capital changes		**15,644,829**	21,215,657
Inventories		**1,932,005**	3,425,262
Debtors and other debit balances		**3,799,230**	(3,343,610)
Creditors and other credit balances		**(4,721,878)**	(2,629,519)
Net cash from operating activities		**16,654,186**	18,667,790
INVESTING ACTIVITIES			
Payment for purchase of fixed assets	6	**(560,633)**	(1,726,764)
Proceeds from sale of fixed assets		**45,534**	18,401
Net cash used in investing activities		**(515,099)**	(1,708,363)
FINANCING ACTIVITIES			
Repayment of term loans		**(8,548,734)**	(7,394,035)
Interest paid		**(3,087,948)**	(2,844,885)
Deposits with others		**127,912**	(17,521)
Amounts due to related parties		**-**	(3,387,789)
Net cash used in financing activities		**(11,508,770)**	(13,644,230)
Increase in cash and cash equivalents		**4,630,317**	3,315,197
Cash and cash equivalents at the beginning of the year		**(19,430,324)**	(19,475,614)
Exchange differences		**(7,352,389)**	(3,269,907)
Cash and cash equivalents at the end of the year	11	**(22,152,396)**	(19,430,324)

NON-CASH TRANSACTIONS:

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

- An amount of US$ 9,861,273 represents unrealized loss resulting from currency differences included in debtors and other debit balances.
- An amount of US$ 435,623 represents unrealized gain resulting from currency differences included in creditors and other credit balances.
- An amount of US$ 441,608 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$ 180,486 represents accrued interest expense in creditors & other credit balances.
- An amount of US$ 238,163 in inventory and creditors & other credit balances represent goods in transit (raw materials).

The attached notes 1 to 28 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS 31 MARCH 2017

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 is 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 bioxially oriented polypropylene, and this amendment has been made in the Articles of Association.
- According to the Extra-Ordinary General Meeting dated 8 June 2016, it was decided to add in the company's objective, the conversion of film into reprocessed granules/ resin of Polypropylene (PP) and Polyester (PET) of export and domestic sale. The company is currently preparing to add this amendment in the Article of Association, Export Register, Industrial Register and other related documents of the company.

The company's Board of Directors approved the issuance of the financial statements for the year ended 31 March 2017 on 9 May 2017.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Basis of preparation

The financial statements were prepared in accordance with the Egyptian Accounting Standards.

The financial statements are prepared under the historical cost convention.

The financial statements are presented in US Dollar.

NEW EDITIONS AND AMENDMENTS MADE ON THE EGYPTIAN ACCOUNTING STANDARDS:

On 9 July 2015, the resolution of the Minister of Investment No. 110 of 2015 has been issued, Egyptian Accounting Standards attached to resolution No (110) of 2015 will replace the previously issued standards according to ministry decision for year 2006, effective date for these standards will be at the beginning of January 2016, to apply it on the entities whose fiscal year is on or after this date

The most important amendments that have been made on the financial statements of the company for the year ended 31 March 2017:

NOTES TO THE FINANCIAL STATEMENTS 31 MARCH 2017

New editions or amended standards	A summary of the most important amendments	The possible impact on the financial statements
Egyptian Accounting Standard No. (1) **"Presentation of Financial Statements"**	**<u>Statement of financial position</u>** • Presentation of working capital is not required by new standards and the attached appendix of financial statements for standards of year 2006 which was disclosing working capital had been excluded.	- Representation for all presented financial statements, notes, and disclosures to the financial statements, including comparative figures to comply with required amendments for the standard.
	• A statement must be added to the statement of financial position including balances at the beginning period for presented comparative period in case of retrospective application of accounting policy or retrospective amendments or reclassification carried out by the entity.	- There is no retroactive adjustments require presentation of financial statements that includes balances at the beginning period for presented comparative period.
	<u>Statements of income (profit or losses) / comprehensive income</u> • The entity had to disclose all income and expenses items that had been recognized during the period in two separate statements, one present profit or loss components (statement of income), and the other one start with profit or losses and disclose other comprehensive components (statement of comprehensive income).	- Presentation of new statements (statement of comprehensive income) for the current and its corresponding year.
Egyptian Accounting Standard No. (40) **"Financial Instruments - Disclosures"**	• A new Egyptian Accounting Standard No. (40) "Financial Instruments Disclosures" was issued including all the required disclosures for the financial instruments. Consequently, the Egyptian Accounting Standard No. (25) has been amended through separation of the disclosures to be named "Financial Instruments - Presentation" instead of "Financial Instruments-presentation and Disclosures".	- The amendments had been applied retrospectively and amending all the disclosures of the comparative figures

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.

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	19	Years
Furniture & office equipment	4 - 6	Years
Motor Vehicles	4	Years
Tools & equipment	4	Years
Computers	6	Years

NOTES TO THE FINANCIAL STATEMENTS 31 MARCH 2017

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. Provision 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, bank current accounts, time deposits and Cheques under collection with maturity within three months, less bank overdrafts and bank credit accounts.

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.

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 draw 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.
- Interest income is recognized on a time apportionment basis.
- Export subsidies income is recorded when collected.

NOTES TO THE FINANCIAL STATEMENTS 31 MARCH 2017

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 flows

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

o) Taxation

Tax expense for the period 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.

4. FINANCIAL INSTRUMENTS AND RELATED RISK MANAGEMENT

The financial instruments included in the statement of financial position 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 & the procedures followed by the company to mitigate these risks are as follows:

4.1 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.

Liquidity risk maximum limit is represented in the amount of contractual liabilities for the company, liabilities balances are as follows:

	Book Value US$	Maturity one year or less US$	Maturity more than one year US$
At 31 March 2017			
Bank overdrafts (Note 11)	28,759,984	28,759,984	-
Creditors and other credit balance (Note 16)	15,054,640	15,054,640	-
Long term loan (Note 14)	10,696,567	4,176,282	6,520,285
Medium term loan (Note 15)	14,466,666	3,214,816	11,251,850
	68,977,857	51,205,722	17,772,135

NOTES TO THE FINANCIAL STATEMENTS 31 MARCH 2017

	Book Value US$	Maturity one year or less US$	Maturity more than one year US$
At 31 March 2016			
Bank overdrafts (Note 11)	37,203,582	37,203,582	-
Creditors and other credit balances (Note 16)	17,397,786	17,397,786	-
Long term loan (Note 14)	15,830,550	4,445,203	11,385,347
Medium term loan (Note 15)	17,681,481	3,214,816	14,466,665
	88,113,399	62,261,387	25,852,012

The company's management manages the liquidity risk by investing in short-term instruments that can be converted into cash within a year, and that is represented in the following table:

	Less than three months US$	From three to six months US$	Total US$
At 31 March 2017			
Time deposits (Note 11)	1,939,058	2,326,610	4,265,668
At 31 March 2016			
Time deposits (Note 11)	10,637,811	4,742,974	15,380,785

4.2 *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.

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates, as follows:

	Credit rating	31/3/2017 US$	31/3/2016 US$
Debtors & other debit balances (Note 9)	Not rated	**29,952,053**	44,919,597
Bank current accounts: (Note 11)			
National bank of Abu Dhabi	P-1	**431,118**	225,010
QNB Al Ahli	P-1	**1,143,459**	262,539
National Bank for Development	NP	**37,076**	154,541
Abu Dhabi Islamic Bank	Not rated	**449,510**	230,050
Ahli United Bank	P-1	**1,455**	53,911
National Bank of Kuwait	P-1	**244,230**	1,256,750
Arab Bank	NP	**(62,172)**	-
		2,244,676	2,182,801
Time deposits: (Note 11)			
National bank of Abu Dhabi	P-1	**2,880,626**	8,351,154
Abu Dhabi Islamic Bank	Not rated	**1,385,042**	5,064,716
QNB Al Ahli	P-1	**-**	1,964,915
		4,265,668	15,380,785
Cheques under collection (Note 11)	Not rated	**89,243**	201,269

NOTES TO THE FINANCIAL STATEMENTS 31 MARCH 2017

4.3 *Market risk*

Market risk includes risk of interest rate, foreign currencies risk and price risk.

4.3.1 *Interest rate risk*

Interest rate risk is represented in change of interest rate of both financial assets and financial liabilities of the company. The company's management is investing its money in fixed interest, and investing any excess of cash and cash equivalents in short-term investments to reduce the probability of facing this risk.

The financial assets and liabilities that may be subject to interest rate risk are as follows:

	31/3/2017 US$	31/3/2016 US$
Bank current accounts	**2,244,676**	2,182,801
Time Deposits	**4,265,668**	15,380,785
	6,510,344	17,563,586
Bank overdrafts	**28,759,984**	37,203,582
Long term loan	**10,696,567**	15,830,550
Medium term loan	**14,466,666**	17,681,481
	53,923,217	70,715,613

Interest rate sensitivity test

Sensitivity analysis is prepared for balances that are material and significant as bank current account, time deposits, bank overdrafts and long / medium term loans.

The following tables shows the sensitivity of income statements to the probable change in interest rate in reasonable way by 300 points or (3%) for the credit interests on bank current account and time deposits and 400 points or (4%) for the debit interest on bank overdraft and long / medium term loans on base of keeping other variables to be fixed.

The sensitivity of the income statement is represented in the effect of the assumed changes of the rate of interest for one period of time on the base of changing rate of the financial assets and liabilities held at the date of the financial statements date.

Sensitivity changes for the credit interests on time deposits table:

	Gain of rate +300 points of the principal		**loss of rate -300 points of the principal**	
	31/3/2017 US$	31/3/2016 US$	**31/3/2017 US$**	31/3/2016 US$
Bank current accounts	**67,340**	65,484	**(67,340)**	(65,484)
Time deposits	**127,970**	461,423	**(127,970)**	(461,423)

Sensitivity changes for the debit interests on bank overdrafts and long /medium term loans table:

	Gain of rate +400 points of the principal		**Loss of rate -400 points of the principal**	
	31/3/2017 US$	31/3/2016 US$	**31/3/2017 US$**	31/3/2016 US$
Bank overdrafts	**1,150,399**	1,488,143	**(1,150,399)**	(1,488,143)
Long term loan	**427,863**	633,222	**(427,863)**	(633,222)
Medium term loan	**578,667**	707,259	**(578,667)**	(707,259)

4.3.2 *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$ 24,654,085 and US$ 14,782,690 respectively, the following is a list of foreign currencies balances at the financial statements date:

Foreign currency	**Surplus/ (Deficit)** **US$**
L.E.	10,477,989
Euro	(1,969,369)
GBP	1,362,775

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

Foreign currency sensitivity test

Foreign currency change sensitivity is tested if the balances are material and significant, and these rates to be taken from real market studies and management experience.

	Gain or (loss) of rate +10%		**Gain or (loss) of rate -10%**	
	31/3/2017 **US$**	31/3/2016 US$	**31/3/2017** **US$**	31/3/2016 US$
L.E.	**1,047,799**	3,595,117	**(1,047,799)**	(3,595,117)
Euro	**(196,937)**	(750,561)	**196,937**	750,561
GBP	**136,278**	92,571	**(136,278)**	(92,571)

4.3.3 *Price risk*

The company does not has investment in equity instruments or recorded debts instruments and tradable shares in stock market, accordingly the company is not subject to risk of change in fair value of investments resulting from price variance.

- ***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. FAIR VALUE OF FINANCIAL INSTRUMENTS

The following table shows financial assets and liabilities at fair value in the financial statements as of 31 March 2017 among fair value hierarchy, according to input levels that is considered significance for fair value measurements as whole:

- **Level inputs 1** are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.
- **Level inputs 2** are inputs other than quoted prices included within level 1 that are observable for the assets or liability, either directly or indirectly.
- **Level inputs 3** are unobservable inputs that have been applied in valuing the respective asset or liability.

NOTES TO THE FINANCIAL STATEMENTS 31 MARCH 2017

The following table shows the fair value levels of the financial assets:

	Level one US$	Level two US$	Level three US$	Total US$
At 31 March 2017				
Cash and cash equivalents	6,607,588	-	-	6,607,588
At 31 March 2016				
Cash and cash equivalents	17,773,258	-	-	17,773,258

The following table shows the fair value levels of the financial liabilities:

	Level one US$	Level two US$	Level three US$	Total US$
At 31 March 2017				
Bank overdrafts	28,759,984	-	-	28,759,984
Long term loan	10,696,567	-	-	10,696,567
Medium term loan	14,446,666	-	-	14,446,666
	53,903,217	-	-	53,903,217
At 31 March 2016				
Bank overdrafts	37,203,582	-	-	37,203,582
Long term loan	15,830,550	-	-	15,830,550
Medium term loan	17,681,481	-	-	17,681,481
	70,715,613	-	-	70,715,613

6. FIXED ASSETS

	Land US$	Buildings & facilities US$	Machines US$	Furniture & office equipment US$	Motor vehicles US$	Tools & equipment US$	Computers US$	Total US$
Cost:								
At 1 April 2016	3,819,700	13,440,453	80,184,614	379,555	361,790	151,353	421,670	98,759,135
Reclassification	-	-	(164,909)	-	164,909	(1,890)	1,890	-
Additions during the year	-	350,878	11,269	5,590	113,908	1,430	77,558	560,633
Disposals	-	-	-	-	(128,965)	-	-	(128,965)
At 31 March 2017	3,819,700	13,791,331	80,030,974	385,145	511,642	150,893	501,118	99,190,803
Accumulated depreciation:								
At 1 April 2016	-	2,132,565	19,568,020	226,662	235,078	150,136	294,795	22,607,256
Reclassification	-	-	(85,401)	-	85,401	(301)	301	-
Provided during the year	-	448,974	4,150,735	63,860	62,675	1,058	59,883	4,787,185
Relating to disposals	-	-	-	-	(128,965)	-	-	(128,965)
At 31 March 2017	-	2,581,539	23,633,354	290,522	254,189	150,893	354,979	27,265,476
Net book value:								
At 31 March 2017	3,819,700	11,209,792	56,397,620	94,623	257,453	-	146,139	71,925,327
At 31 March 2016	3,819,700	11,307,888	60,616,594	152,893	126,712	1,217	126,875	76,151,879

The company has legalized the first degree commercial mortgage on all of its tangible and intangible assets in favor of KFW Bank as a guarantee against long term loan since 17 October 2010 (Note 14 "E-4").

NOTES TO THE FINANCIAL STATEMENTS 31 MARCH 2017

Depreciation provided during the year is allocated as follows:

	31/3/2017 US$	31/3/2016 US$
Cost of sales	**4,534,969**	4,479,163
General and administrative expenses (Note 20)	**252,216**	247,541
	4,787,185	4,726,704

Cost of fixed assets includes fully depreciated assets which are still in use as follows:

	31/3/2017 US$	31/3/2016 US$
Machines	**67,223**	128,033
Furniture & office equipments	**82,357**	17,997
Tools & equipments	**150,456**	115,022
Computers	**205,769**	6,563
Motor vehicles	**119,816**	187,972
	625,621	455,587

7. DEPOSITS WITH OTHERS

	31/3/2017 US$	31/3/2016 US$
Rent refundable deposit	**43,520**	111,087
KFW pledged accounts (*)	**2,356,077**	2,566,159
Other	**208,115**	58,378
	2,607,712	2,735,624

(*) According to pledged account agreement signed on 22 April 2010 in relation to KFW Bank loan (Note 14) and KFW bank letters dated 28 January 2011 and 20 December 2011, the bank has pledged deposits by Euro 2,201,901 equivalent to US$ 2,356,077 (31 March 2016: US$ 2,566,159) as a guarantee against the term loan.

8. INVENTORIES

	31/3/2017 US$	31/3/2016 US$
Raw materials (*)	**3,042,157**	3,810,549
Works in progress (WIP)	**2,000,039**	2,593,869
Finished goods	**2,127,443**	2,254,991
Packing materials	**273,130**	477,202
	7,442,769	9,136,611

(*) The balance includes goods in transit by an amount of US$ 238,163.9.

NOTES TO THE FINANCIAL STATEMENTS 31 MARCH 2017

9. DEBTORS AND OTHER DEBIT BALANCES

	31/3/2017 US$	31/3/2016 US$
Trade receivables	**15,405,124**	23,078,520
Advance payments to suppliers	**685,226**	365,651
Sales Tax Authority (*)	**7,194,092**	17,143,028
Amounts due from related parties (Note 10)	**2,563,914**	1,405,710
Prepaid expenses	**-**	26,755
Employees' loans and custodies	**5,233**	14,256
Withholding tax	**2,709,291**	2,428,939
Cash margin on letters of credit	**2,478,341**	713,952
Cash margin on letters of guarantee (**)	**526,443**	580,748
Cash margin – Mudarba	**19,485**	19,485
Advances for employees (***)	**1,278,905**	1,506,130
Refundable custom duties	**1,338,231**	989,359
Other	**54,421**	88,284
	34,258,706	48,360,817
Less:		
Impairment of debtors and other debit balances (****)	**(4,306,653)**	(3,441,220)
	29,952,053	44,919,597

(*) 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 Central Unit of the Temporary Release Taxes (Note 25).

(***) This balance represents amounts advanced to employees against their share in profit until declaration of profit distribution in the next Annual General Assembly Meeting of the company.

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

	31/3/2017 US$	31/3/2016 US$
Balance at the beginning of the year	**3,441,220**	3,471,269
Provided during the year	**865,433**	-
Used during the year	**-**	(30,049)
Balance at the end of the year	**4,306,653**	3,441,220

10. 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.

	Nature of Transactions	Relationship	31/3/2017 US$	31/3/2016 US$
Amounts due from related parties:				
Flex Films Europa	Sales	Sister company	**2,558,806**	1,397,082
Flex Films USA, Inc.	Sales	Sister company	**5,108**	6,015
Flex Americas S.A. De C.V.	Sales	Sister company	**-**	2,613
			2,563,914	1,405,710
Amounts due to related parties:				
Flex Middle East FZE	Purchases/Services/Sales	Parent company	**-**	1,507,622
UFlex Limited Company	Finance/Purchases/Services/Sales	Ultimate parent	**376,189**	874,750
			376,189	2,382,372

NOTES TO THE FINANCIAL STATEMENTS 31 MARCH 2017

Transactions with related parties during the year are as follows:

	Finance US$	Purchases US$	Services US$	Sales US$
31/3/2017				
Flex Middle East FZE	-	306,320	-	106,893
UFlex Limited Company	215,159	1,369,926	592,607	751,200
Flex Films Europa	-	196,328	-	11,937,234
Flex Americas S.A. De C.V.	-	-	-	5,863
31/3/2016				
Flex Middle East FZE	-	8,192	-	70,068
UFlex Limited Company	237,972	1,455,101	159,410	-
Flex Films Europa	-	-	-	7,426,878
Flex Films USA, Inc.	-	-	-	4,268
Flex Americas S.A. De C.V.	-	-	-	69,528

Amounts due from / to related parties are disclosed in Note 9 & 16 respectively

11. CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the statement of cash flow comprises the following balances included in the statement of financial position:

	31/3/2017 US$	31/3/2016 US$
Cash on hand	**8,001**	8,403
Bank current accounts	**2,244,676**	2,182,801
Time deposits (*)	**4,265,668**	15,380,785
Cheques under collection	**89,243**	201,269
	6,607,588	17,773,258
Less:		
Bank overdrafts	**(28,759,984)**	(37,203,582)
	(22,152,396)	(19,430,324)

(*) Time deposits include an amount of US$ 2,880,626 which represents restricted time deposits in NBAD bank as a guarantee against overdraft amounted to US$ 912,262.

Cash and bank accounts in foreign currencies represent 82% (31/3/2016: 92%) of total balance at the year end.

Bank overdrafts

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

	31/3/2017 US$	31/3/2016 US$
A. Qatar National Bank (QNB AL AHLI)	**10,210,834**	13,500,077
B. Abu Dhabi Islamic Bank (ADIB – Egypt)	**6,854,000**	12,628,931
C. National Bank of Abu Dhabi (NBAD)	**9,892,544**	11,074,574
D. Arab Bank	**1,375,612**	-
E. National Bank of Kuwait	**426,994**	-
	28,759,984	37,203,582

NOTES TO THE FINANCIAL STATEMENTS 31 MARCH 2017

A) QNB AL AHLI

QNB Al Ahli Credit Committee has approved the renewal of the short term credit facilities granted to the company in form of ex. (OD line, LC Line, LG Line)

Main securities

- Joint guarantee issued by UFLEX LTD India (Ultimate Parent Company).
- Corporate guarantee of Flex Middle East, Dubai (holding company).

B) ADIB - Egypt

ADIB-Egypt has approved facilities for US$ 7.5 million with line in LCY to finance the working capital needs.

Main security

Corporate Guarantee from UFlex LTD India covering total granted facilities.

C) National Bank of Abu Dhabi (NBAD)

The National Bank of Abu Dhabi (NBAD) has approved extending the duration / restructuring/ granting the facilities granted to the company.

Main Conditions:

- The company agreed to apply a debit interest rate being 3% above LIBOR (three months) and 2% above mid corridor for Egyptian pound and 4.5% above LIBOR (six months) on the debit balances of the US$.
- TNW (net of dues from related companies, if any) of the company not to fall below US$ 52.4 Million.

D) Arab Bank

Arab Bank has granted credit facilities to the company against letters of credit (L/Cs) which covered by 110% on Egyptian pound as cash margin to finance the working capital needs.

Main Condition

The company undertakes to pay to the bank on demand with all disbursements or draft whether incurred directly by the bank in foreign or local currency or its equivalent or indirectly by the bank's branches and/or it's correspondents in connection with these credits together with all charges including freight, insurance, storage, correspondences and any other expenses plus interest at the rate of 4% over LIBOR (three months) with min. 4% and HDBC 0.1% monthly, as from the date of the opening of the credit/ of payment until the date of full settlement. Further the bank has the authority to debit the company's account with the value of any draft, disbursements or made under these documentary credits ad to amend the interest rate in accordance with interest rate applied in the market without any objection from the company.

E) National Bank of Kuwait

National Bank of Kuwait has granted credit facilities to the company against letters of credit (L/Cs) which covered by 110% on Egyptian pound as cash margin to finance the working capital needs.

Main Conditions

- Undertaking signed by authorized signatory that the company shall cover 50% of the L/C amount in FCY
- Prior to opening the L/C, 110% of the L/C amount in Egyptian pound shall be covered by pledged T/Ds.

12. SHARE CAPITAL

Authorized:

The authorized capital of the company is L.E. 545 million.

	L.E.	31/3/2017 Equivalent in US$	31/3/2016 Equivalent in US$
Issued and paid up capital:			
26,800,000 shares of L.E. 10 each	268,000,000	**47,914,115**	47,914,115

NOTES TO THE FINANCIAL STATEMENTS 31 MARCH 2017

Distributed between shareholders as follows:

	Nationality	Number of shares	**31/3/2017 US$**	31/3/2016 US$
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 its shares in favor of KFW (Note 14 "E-3"). This pledge has been legalized by United Arab Emirates Central bank on 12 December 2010 and Misr for Central Clearing and Depository Co. on 14 December 2010.

13. 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.

14. LONG TERM LOAN

	31/3/2017		31/3/2016	
	Euro	**Equivalent in US$**	Euro	Equivalent in US$
Loan amount	**33,244,840**	**35,571,979**	33,244,840	37,862,548
Less:				
Paid installments	**(23,248,048)**	**(24,875,412)**	(19,344,981)	(22,031,998)
Outstanding balance	**9,996,792**	**10,696,567**	13,899,859	15,830,550
Classified as follows:				
Current liabilities:				
Current portion of long term loan	**3,903,067**	**4,176,282**	3,903,067	4,445,203
Non-current liabilities:				
Long term loan	**6,093,725**	**6,520,285**	9,996,792	11,385,347

Movement of the long term loan during the year is as follows:

	31/3/2017		31/3/2016	
	Euro	**Equivalent in US$**	Euro	Equivalent in US$
Balance at the beginning of the year	**13,899,859**	**15,830,550**	17,802,927	19,123,905
Less:				
Paid installments during the year	**(3,903,067)**	**(5,133,983)**	(3,903,068)	(3,293,355)
Balance at the end of the year	**9,996,792**	**10,696,567**	13,899,859	15,830,550

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

A) Loan approval limit:

	31/3/2017 Euro	31/3/2016 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

NOTES TO THE FINANCIAL STATEMENTS 31 MARCH 2017

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. On 18 September 2015, KFW bank has waived this mortgage.

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 guarantee to the loan (Note 12). 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.

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.

NOTES TO THE FINANCIAL STATEMENTS 31 MARCH 2017

15. MEDIUM TERM LOAN

	31/3/2017 US$	31/3/2016 US$
Loan amount	**21,700,000**	21,700,000
Less:		
Paid installments	**(7,233,334)**	(4,018,519)
Outstanding balance	**14,466,666**	17,681,481
Classified as follows:		
Current liabilities:		
Current portion of medium term Loan	**3,214,816**	3,214,816
Non-current liabilities:		
Long portion of medium term Loan	**11,251,850**	14,466,665

Movement of the medium term loan during the year is as follows:

	31/3/2017 US$	31/3/2016 US$
Balance at the beginning of the year	**17,681,481**	20,896,296
Less:		
Paid installments during the year	**(3,214,815)**	(3,214,815)
Balance at the end of the year	**14,466,666**	17,681,481

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

A) Loan approval limit:

	31/3/2017 US$	31/3/2016 US$
Tranche one	**20,000,000**	20,000,000
Tranche two	**5,000,000**	5,000,000
	25,000,000	25,000,000

B) Interests and commissions:

1. 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.
2. 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:

Refinancing the investment cost and CAPEX requirements of Flex P. Films, 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 31 MARCH 2017

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.

16. CREDITORS AND OTHER CREDIT BALANCES

	31/3/2017 US$	31/3/2016 US$
Trade payables	**7,476,454**	4,050,850
Salary & Withholding tax	**46,781**	324,413
Amounts due to related parties (Note 10)	**376,189**	2,382,372
Accrued expenses	**19,000**	24,935
Social Insurance Authority	**23,221**	40,598
Accrued interest expense	**180,486**	229,769
Fixed assets creditors	**-**	94,627
Customers advance payment	**717,642**	311,977
Dividends payable	**4,791,411**	5,939,342
Other suppliers	**1,423,456**	3,998,903
	15,054,640	17,397,786

17. NET SALES

	31/3/2017 US$	31/3/2016 US$
Domestic sales	**38,278,618**	37,504,613
Export sales	**72,880,612**	78,516,847
	111,159,230	116,021,460
Less:		
Domestic sales return	**(62,189)**	(281,793)
Export sales return	**(148,504)**	(480,382)
	110,948,537	115,259,285

18. OTHER OPERATING REVENUE

	31/3/2017 US$	31/3/2016 US$
Scrap sales	**1,423,318**	1,619,928
Export incentive (subsidies) (*)	**3,319,920**	2,394,104
Insurance claim received	**60,748**	31,469
Gain on sale of fixed assets	**45,534**	17,618
Other revenue	**113,739**	101,755
	4,963,259	4,164,874

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

NOTES TO THE FINANCIAL STATEMENTS 31 MARCH 2017

19. SELLING AND DISTRIBUTION EXPENSES

	31/3/2017 US$	31/3/2016 US$
Salaries and incentives	**484,950**	466,407
Traveling	**95,916**	48,394
Freight	**4,035,591**	5,003,167
Commission	**292,673**	467,322
Insurance	**330,828**	346,719
Claim export sales	**57,475**	75,661
Other	**156,010**	109,108
	5,453,443	6,516,778

20. GENERAL AND ADMINISTRATIVE EXPENSES

	31/3/2017 US$	31/3/2016 US$
Salaries and incentives	**548,184**	696,834
Printing and stationary	**10,510**	9,631
Postage, phone and fax	**102,076**	177,328
Traveling and transportation	**111,844**	102,453
Maintenance	**81,526**	167,223
Insurance	**87,404**	110,348
Bank charges	**709,102**	677,894
Professional fees	**286,737**	190,311
Office supplies and hospitality	**18,022**	38,958
Software maintenance	**141,577**	159,410
Depreciation (Note 5)	**252,216**	247,541
Other	**238,357**	182,123
	2,587,555	2,760,054

21. NET FINANCE EXPENSES

	31/3/2017 US$	**31/3/2016 US$**
Finance expenses		
Finance interest	3,268,434	3,074,654
Foreign currency exchange loss	199,936	885,865
	3,468,370	3,960,519
Less:		
Finance income		
Bank interest	(740,245)	(914,408)
	2,728,125	3,046,111

NOTES TO THE FINANCIAL STATEMENTS 31 MARCH 2017

22. DEFERRED TAX

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

	31/3/2017		31/3/2016	
	Assets US$	**(Liabilities) US$**	Assets US$	(Liabilities) US$
Fixed assets	**-**	**(10,714,745)**	-	(10,835,414)
Taxable losses available for carry forward	**436,578**	**-**	2,236,925	-
Unrealized foreign currency loss / (gain)	**3,141,926**	**(34,213)**	1,650,824	-
Total tax asset / (liability)	**3,578,504**	**(10,748,958)**	3,887,749	(10,835,414)
Net tax asset / (liability)	**-**	**(7,170,454)**	-	(6,947,665)

	31/3/2017		31/3/2016	
	(Expense) US$	**Gain US$**	(Expense) US$	Gain US$
Tax expense in the statement of income	**(2,310,024)**	**-**	(1,372,892)	-
Tax gain in the statement of comprehensive income	**-**	**2,087,235**	-	-
	(2,310,024)	**2,087,235**	(1,372,892)	-

23. 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 2016. As per tax return for the year ended 31 March 2016, 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.

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

  The company has refunded the amount of sales tax due till 31 March 2014.

  The company has submitted a refund request for the year ended 31 March 2015 and it is still under audit and approval by the Sales Tax Authority.

- ***Withholding Tax***

  The company has settled the withholding tax due up to the first quarter of year 2017.

  The Tax Authority has inspected the company's books and documents for period since inception till year ended 31 March 2016. The inspection resulted in the tax difference is L.E. 222,625.0

NOTES TO THE FINANCIAL STATEMENTS 31 MARCH 2017

24. RECONCILIATION TO CALCULATE THE EFFECTIVE INCOME TAX RATE

	31/3/2017 US$	31/3/2016 US$
Accounting profit before tax	**6,569,375**	6,021,392
Enacted tax rate	**22.5%**	22.5%
Calculated income tax according to income tax law	**1,478,109**	1,354,813
Provisions effect/ bad debts	**194,722**	16,544
Depreciations differences	**130,595**	(131,831)
Non taxable gain on fixed assets sales	**(10,245)**	(3,964)
Non deductible net foreign currency differences	**206,040**	1,650,824
Deductible foreign currency differences	**(2,437,390)**	-
Non deductible expenses	**1,591**	1,535
Accumulated taxable losses	**-**	(9,941,887)
Income tax according to statement of income	**-**	-

25. CONTINGENT LIABILITIES

Contingent liabilities represent Letters of guarantee by an amount of L.E. 9,502,294 (equivalent to: US$ 526,443) issued in favor of the Central Unit of the Temporary Release Taxes. (Note 9)

26. FAIR VALUE

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

27. FLOTATION OF EGYPTIAN POUND

In the light of the current economic situation in Egypt and the huge devaluation of the Egyptian Pound, the Central Bank of Egypt took a decision on 3 November 2016 for liberalization of the foreign currencies' exchange rates against the Egyptian Pound.

As a result of the aforementioned decision, the foreign currency exchange difference (foreign currency exchange loss of Egyptian pound) amounted to US$ 16,778,039, incurred by the company for the financial year ended 31 March 2017 resulted from translation of the monetary balances dominated in Egyptian Pound at the flotation date, has been dealt with through the statement of comprehensive income as other comprehensive income item.

The translation made using the average daily exchange rates during a week from the flotation date (US$ 1.00 = L.E. 16.00).

28. COMPARATIVE FIGURES

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

	31/3/2016 before reclassification US$	**Reclassification US$**	**31/3/2016 after reclassification US$**
Debtors and other debit balances	43,513,887	1,405,710	44,919,597
Amounts due from related parties	1,405,710	(1,405,710)	-
Creditors and other credit balances	15,015,414	2,382,372	17,397,786
Amounts due to related parties	2,382,372	(2,382,372)	-

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

Wholly Owned Subsidiary Company of Flex Middle East FZE