

UFLEX PACKAGING INC.

FINANCIAL STATEMENTS
AS OF MARCH 31, 2017 AND 2016
TOGETHER WITH
INDEPENDENT AUDITORS' REPORT

UFLEX PACKAGING INC.
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Stockholder of
Uflex Packaging Inc.
2115 Linwood Ave # 410
Fort Lee, NJ 07024

Report on the Financial Statements

We have audited the accompanying financial statements of Uflex Packaging Inc. (the "Company"), which comprise the balance sheets as of March 31, 2017 and 2016, and the related statements of operations and retained earnings, and statements of cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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 auditing standards generally accepted in the United States of America. Those standards require that we 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 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 Company'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 Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant 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.

Opinion

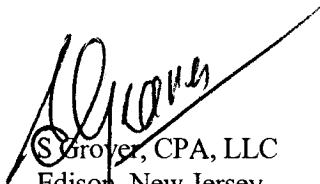
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of March 31, 2017 and 2016, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter – Related Party Transactions

As mentioned in the note 6 to the financial statements, the Company has material transactions with related parties. Our opinion on the financial statements is not modified with respect to this matter.

Report on Supplemental Schedules

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Supplemental Schedules are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.


S. Grover, CPA, LLC
Edison, New Jersey
April 28, 2017

UFLEX PACKAGING INC.
BALANCE SHEETS
MARCH 31, 2017 AND 2016
(in U.S. Dollars)

	2017	2016
ASSETS		
CURRENT ASSETS		
Cash	\$ 87,622	\$ 43,520
Accounts receivable, trade - net	2,810,983	2,045,587
Inventory	3,870,943	3,920,462
Total current assets	6,769,548	6,009,569
NON-CURRENT ASSETS		
Property and equipment, net	49,192	64,891
Other assets	15,087	15,087
Total non-current assets	64,279	79,978
Total assets	\$ 6,833,827	\$ 6,089,547
LIABILITIES AND STOCKHOLDER'S EQUITY		
CURRENT LIABILITIES		
Accounts payable, trade	\$ 257,572	\$ 1,143,044
Accounts payable, related parties	5,441,060	4,134,437
Accrued expenses	32,278	29,243
Notes payable - vehicle	8,122	7,618
Provision for state taxes	4,401	4,401
Total current liabilities	5,743,433	5,318,743
NON CURRENT LIABILITIES		
Notes payable - vehicle	13,629	21,736
STOCKHOLDER'S EQUITY		
Common stock	3,675,000	3,675,000
Retained earnings	(2,598,235)	(2,925,932)
Total stockholder's equity	1,076,765	749,068
Total liabilities and stockholder's equity	\$ 6,833,827	\$ 6,089,547

The accompanying notes are an integral part of these financial statements.

UFLEX PACKAGING INC.
STATEMENTS OF OPERATIONS AND RETAINED EARNINGS
FOR THE YEARS ENDED MARCH 31, 2017 AND 2016
(in U.S. Dollars)

	2017	2016
REVENUES	\$ 21,752,902	\$ 21,414,122
COST OF SALES	19,400,141	19,136,491
GROSS PROFIT	2,352,761	2,277,631
OPERATING EXPENSES		
General, selling and administrative	1,980,616	1,496,749
Depreciation	16,606	32,892
Total operating expenses	1,997,222	1,529,641
NET INCOME FROM OPERATIONS	355,539	747,990
OTHER INCOME (EXPENSE)		
Other income	10,000	-
Interest income	(520)	(505)
Gain on sale of property and equipment	14,774	-
Total other income	24,254	(505)
NET INCOME BEFORE PROVISION FOR INCOME TAXES	379,793	747,485
INCOME TAXES	52,096	8,434
NET INCOME	327,697	739,051
RETAINED EARNINGS, BEGINNING OF YEAR	(2,925,932)	(3,664,983)
RETAINED EARNINGS, END OF YEAR	\$ (2,598,235)	\$ (2,925,932)

The accompanying notes are an integral part of these financial statements.

UFLEX PACKAGING INC.
 STATEMENTS OF CASH FLOWS
 FOR THE YEARS ENDED MARCH 31, 2017 AND 2016
 (in U.S. Dollars)

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 327,697	\$ 739,051
Adjustments to reconcile net income to net cash from operating activities:		
Depreciation	16,606	32,892
Gain on sale of property and equipment	(14,774)	-
Change in allowance for doubtful accounts receivable, trade	(12,760)	-
(Increase) decrease in operating assets		
Accounts receivable, trade	(752,636)	1,062,537
Inventory	49,519	(1,103,810)
Increase (decrease) in operating liabilities		
Accounts payable, trade	(885,472)	-
Accrued expenses	3,035	(3,430)
Accounts payable, related parties	1,306,623	(695,893)
Net cash from operating activities	37,838	31,347
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of property and equipment	22,500	-
Purchase of property and equipment	(8,633)	-
Net cash from investing activities	13,867	-
CASH FLOWS FROM FINANCING ACTIVITIES		
Net borrowing (repayment) on note receivable, related party	(7,603)	(7,464)
Net cash from financing activities	(7,603)	(7,464)
NET CHANGES IN CASH	44,102	23,883
CASH - BEGINNING OF THE YEAR	43,520	19,637
CASH - END OF THE YEAR	\$ 87,622	\$ 43,520
SUPPLEMENTAL CASH FLOW INFORMATION		
Cash paid during the year for:		
Income taxes	\$ 52,096	\$ 8,434

The accompanying notes are an integral part of these financial statements.

UFLEX PACKAGING INC.
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2017 AND 2016
(in U.S. Dollars)

1. ORGANIZATION AND INDUSTRY

Uflex Packaging Inc. (the "Company"), was incorporated on June 05, 2007, pursuant to the laws of the State of New Jersey. It is a General for Profit Corporation and engages in the import and sale of holographic/metalized gift wraps, laminated pouches, and flexible laminates in the United States. The Company also provides Consulting services. The Company imports these products mainly from parent company in India. The Company has storage facilities with public warehouses located in New Jersey, Arizona, California and Illinois. The Company is wholly owned subsidiary of Uflex Limited, a Company registered in India.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The financial statements of the Company have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). The financial statements have been prepared under the historical cost convention.

Cash

The Company maintains cash balances with what it believes are high quality financial institutions.

Accounts receivable, trade

Accounts receivable, trade consists of trade receivables recorded at the original invoice amount, less an estimated allowance for uncollectible accounts. Trade credit on sales is generally extended on a short-term unsecured basis, based on the management's assessment of the credit worthiness of purchaser and does not bear interest. Changes in the estimated collectability of trade receivables are recorded in the results of operations for the period in which the estimate is revised. Trade receivables that are deemed uncollectible are written off against the allowance for doubtful accounts.

The provision for bad debts and allowance for doubtful debts are made based on historical experience and management's evaluation of outstanding receivable. Bad debts are written off against provision for doubtful debt.

Inventory

Inventory primarily consists of trade goods which are stated at the lower of cost or net realizable value, using the average cost method.

Property and equipment

Property and equipment are stated at cost. The cost of additions are capitalized and expenditures for repair and maintenance are expensed when incurred. On retirement or sale of assets, the related costs and accumulated depreciation are removed from the accounts and any gain or loss is charged to operations. The Company computes depreciation using the straight-line method over the estimated useful lives of property and equipment.

Impairment of long-lived assets

Long lived assets held and used by the Company are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. In the event that facts and circumstances indicate that the cost of any long-lived assets may be impaired, an evaluation of recoverability would be performed. If it is determined that the carrying value of an asset is not recoverable based on expected undiscounted future cash flows, excluding interest charges, an impairment loss equal to the excess of the carrying amount of the asset over its fair value is recorded. There was no impairment loss recorded for the years ended March 31, 2017 and 2016.

Income taxes

The Company is a "C" corporation for federal and state purposes.

GAAP requires that the financial statements effect of an uncertain tax position be recognized based on the outcome that is more likely than not occur. Under this criterion, the most likely resolution of an uncertain tax position should be analyzed based on technical merits and on the outcome that will likely be sustained under examination. These requirements became effective for annual financial statements beginning after December 15, 2008 and the Company adopted them as of January 1, 2009. The Company has determined that, as of March 31, 2017 and 2016, it has no uncertain tax positions that would qualify for either recognition or disclosure in the financial statements. The Company's income tax returns for 2012 through 2014 are subject to federal, state and city income tax examinations by tax authorities.

The Company has federal NOL (Net Operating Loss) carry forwards in the amount of \$ 360,272 which is being carried forward and is set to expire March 31, 2031. The current year profits are being set off against the same. There will be a balance being carried forward to the next year after the set off and hence no provision for taxation has been created. The management has determined not to create deferred tax assets or liability as the amount is not considered material as at March 31, 2017 and 2016 respectively.

Financial instruments

The Company's financial instruments are cash, accounts receivable, note payable, trade and accounts payable. The recorded values of cash, note payable, accounts receivable, and accounts payable approximate their fair values based on their short-term nature. Financial instruments which potentially subject the Company to credit risk consist primarily of cash, note payable, accounts receivable and accounts payable.

Use of estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Revenue recognition

The Company recognizes revenue on sales of inventory when products are shipped or delivered to the customer and customer takes ownership and assumes risk of loss, collection of the relevant receivable is probable, pervasive evidence of an arrangement exists, and the sales price is fixed and determinable.

Advertising cost

Advertising costs are expensed as incurred, which is generally when the advertising first takes place.

Shipping and handling cost

Shipping and handling costs associated with items delivered to customers are expensed as incurred and are recorded in selling and general administrative expenses.

Concentration of risk and significant customers

The Company maintains its cash balances in financial institutions which at times may exceed federally insured limits. The Company has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash.

The company grants credit to customers in the industry. Consequently, the Company's ability to collect the amounts due from customers is affected by economic fluctuations in the industry. Concentration of credit risk with respect to trade accounts receivable is generally limited due to the large number of customers comprising the Company's customer base. Accounts receivable adjusted for all known uncollectible accounts and an estimated allowance for additional doubtful accounts has been provided.

For financial disclosure purposes, the Company defines significant customers or balances of accounts receivable trade as those equaling or exceeding 10% percent of sales for any year, or 10% percent of year-end trade receivables.

Reclassification

Certain prior balances have been reclassified for comparative purposes.

3. ACCOUNTS RECEIVABLE

As of March 31, 2017 and 2016, the allowance for doubtful accounts receivable, trade was \$- and, \$12,760 respectively.

In the prior year, the Company has reached a settlement in the legal suit which involved \$1,538,762 due from one customer which was outstanding since year 2011. A settlement had been reached and the company received \$1,265,000 from the customer which has been adjusted to reflect the balance of accounts receivable as on March 31st, 2016. The credit note had been issued for the balance as a part of the settlement agreement.

4. INVENTORY

Inventory consists of the following at March 31:

	<u>2017</u>	<u>2016</u>
Finished goods	\$ 2,313,692	\$ 2,187,962
Inventory in transit	1,557,251	1,732,500
	<u>\$ 3,870,943</u>	<u>\$ 3,920,462</u>

In the prior year, an Inventory adjustment has been made in the books to give effect to the settlement agreement. This inventory was specially meant for the customer as mentioned in Note 3 above. The inventory is no longer being carried and is not part of the closing Inventory.

Another Inventory adjustment has been made for \$ 28,894 after the customer rejected the goods and the same had to be written off in the prior year.

Closing inventory as of March 31st, 2017 and 2016 contains inventory worth \$121,500 and \$ 143,988 which has been reworked after the customer had rejected the same. This item could be a slow moving one; however, the management is optimistic about the sale of these items.

5. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at March 31:

	<u>2017</u>	<u>2016</u>
Automobiles	\$ 52,163	\$ 129,503
Furniture and fixtures	37,593	34,900
Computers	<u>7,831</u>	<u>10,031</u>
	97,587	174,434
Less: Accumulated depreciation	<u>48,395</u>	<u>109,543</u>
	<u>\$ 49,192</u>	<u>\$ 64,891</u>

Depreciation is provided using the straight-line method over the estimated useful lives of the assets, which range as follows:

Automobiles	5 years
Furniture and fixtures	7 years
Computer	5 years

For the years ended March 31, 2017 and 2016 total depreciation expense was \$16,606 and \$32,892 respectively.

6. RELATED PARTIES

Substantially all purchases of inventory for resale are from Uflex Limited, a related party. The amounts due to related parties can be summarized as follows:

	<u>2017</u>	<u>2016</u>
Due to Uflex Limited	<u>\$ 4,985,746</u>	<u>\$ 939,815</u>
Due to Ultimate Flexipak Limited	<u>\$ 455,314</u>	<u>\$ -</u>

Transactions with the related parties can be summarized as follows:

	<u>2017</u>	<u>2016</u>
Finished goods purchased	\$ 17,878,712	\$ 12,599,877

The company is a part of group Medical insurance policy with Flex films (USA) Inc, one of its related parties. The insurance premiums are paid to Flex films on a pro-rated basis as per the understanding between the two companies.

7. NOTE PAYABLE

Notes Payable comprise of an auto loan from Citizens One for a BMW car. The original loan is for \$38,663 at an interest rate of 1.951%. The monthly installment for the same amounts to \$ 676.83. The outstanding balance as of March 31st, 2017 and 2016 is \$21,751 and \$29,354 respectively.

Of the total outstanding, the amount due for the next 12 months to the extent of \$8,122 has been reported as current liability and the balance is being reported as long term liability.

8. TRANSFER PRICING

According to the management all the dealings with holding company are executed at arm's length. The transactions are undertaken in a single currency. The invoices are generated and payments are made in US (Dollars) only. However, the management understands the importance of fair pricing practices and hence has appointed independent tax consulting firm for rendering an opinion for existing Transfer pricing practice and policies. As of report date, report from the tax consultant is still pending.

9. COMPENSATED ABSENCES

The Company doesn't have any formal policy for paid vacations, paid sick days, and personal day off for their employees. Accordingly, the Company chose not to accrue any liability in the accompanying financial statements.

10. CONCENTRATION OF RISK AND SIGNIFICANT CUSTOMERS

There were two significant customers for 2017, which together accounted for approximately 51% of the Company's total sales and accounted for approximately 61% of total accounts receivable, trade. There were two significant customers for 2016 which accounted for approximately 47% of the Company's total sales and accounted for approximately 47% of total accounts receivable, trade.

11. COMMITMENTS AND CONTINGENCIES

Operating leases

The Company is obligated under a non-cancelable lease for the use of its offices.

The minimum future payments under this lease agreement are as follows for the year ended March 31:

Operating leases	
2018	\$ 66,875
2019	62,381
Total	<u>\$ 129,256</u>

Rent paid for the years ending March 31, 2017 and 2016 was \$101,637 and \$98,432, respectively.

13. COST OF GOODS SOLD

In the prior year, the Company has received a one-time refund of Custom Duty of \$630,478 which has been reported in the Cost of Goods Sold. As per the management, they do not anticipate any such refunds in subsequent years.

14. SHIPPING AND HANDLING COSTS

Shipping costs, for 2017 and 2016 were \$902,909 and \$294,320, respectively each year. The Company recovers certain freight cost from its customers on a discretionary basis.

15. ADVERTISING COSTS

Advertising expenses for 2017 and 2016 were \$360 and \$482, respectively each year.

16. INCOME TAXES

The Company paid certain income taxes to one of the states on account of amendments made in the tax returns for the previous years. Since the Company has carryforward losses, no provision for taxes was made in 2016-17.

17. SUBSEQUENT EVENTS

The date to which events occurring after March 31, 2017, the date of the most recent balance sheet, have been evaluated for possible adjustment to the financial statements or additional disclosures is April 28, 2017, which is the date the financial statements were available to be issued.

UFLEX PACKAGING INC.
SUPPLEMENTAL SCHEDULE – COST OF GOODS SOLD
MARCH 31, 2017 AND 2016
(in U.S. Dollars)

	<u>2017</u>	<u>2016</u>
Inventory - beginning of year	\$ 3,920,462	\$ 2,816,652
Purchases	17,906,050	19,060,672
Freight, Duty and Brokerage	735,837	1,163,007
Warehouse expenses	245,287	279,948
Rewinding and zipping charges	463,448	367,152
Refund of custom duty	<u>-</u>	<u>(630,478)</u>
 Total cost of goods available for sale	 23,271,084	 23,056,953
 Less: inventory - end of year	 <u>(3,870,943)</u>	 <u>(3,920,462)</u>
 Total - Cost of Sales	 <u>\$ 19,400,141</u>	 <u>\$ 19,136,491</u>

UFLEX PACKAGING INC.
SUPPLEMENTAL SCHEDULE – SELLING, GENERAL AND ADMINISTRATIVE
MARCH 31, 2017 AND 2016
(in U.S. Dollars)

	2017	2016
Carriage outward	\$ 902,909	\$ 294,320
Payroll , Payroll Taxes & Fees	494,645	485,817
Travel	114,892	155,144
Rent and Related Expense	101,637	98,432
Insurance	98,822	85,032
Bad Debts	96,201	12,761
Audit Fees	44,928	18,765
Telephone	33,485	19,197
Bank Charges	27,338	21,860
Discount & Rebate	24,603	27,314
Postage & Delivery	10,340	38,609
Office Expense	6,815	7,611
Repairs & Maintenance	5,953	3,490
Legal & Professional Fees	5,750	188,350
Utility	4,886	4,719
Commission	4,291	10,302
Dues & Subscription	2,043	145
Miscellaneous	400	-
Advertising and Promotion	360	482
Security Expense	246	7,469
Automobile expense	72	8,982
Moving Expense	-	7,948
	<u>\$ 1,980,616</u>	<u>\$ 1,496,749</u>