

FLEX MIDDLE EAST FZE

Financial Statements

31 March 2019

FLEX MIDDLE EAST FZE

Financial Statements
31 March 2019

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**FLEX MIDDLE EAST FZE
Directors' Report**

The directors submit their report, together with the audited financial statements, for the year ended 31 March 2019.

Results and appropriations

The results of the establishment and the appropriations made for the year ended 31 March 2019 are set out on pages 6 and 7 of the financial statements.

In our opinion, the financial statements set out on pages 5 to 28 are drawn up so as to give a true and fair view of the financial position of the establishment as at 31 March 2019, the financial performance, changes in equity and cash flows of the establishment for the year then ended in accordance with the provisions of the Jebel Ali Free Zone Authority and International Financial Reporting Standards.

At the date of the statement, there are reasonable grounds to believe that the establishment will be able to pay its debts as and when they fall due.

Review of the business

The establishment has carried out the activities of manufacturing & trading in plastic films and rendering related marketing and technical consultancy services during the year.

The company has achieved sales of US \$ 100,443,593 as against US \$ 79,269,337 in the previous year.

Technical and marketing service fees income of US \$ 1,000,681 as against US \$ 2,000,000 in the previous year.

The establishment has made significant investments in and plans for its overseas subsidiaries which with the financial support of the parent company and group entities will be successfully made profitable and grown.

Events since the end of the year

There were no important events which have occurred since the year-end that materially affect the establishment.

Officers

The officers who served during the year were as under:

Directors:

Ashok Chaturvedi
Anant Shree Chaturvedi
Sundeep Saxena

Business Head:

Avinash Kumar

**FLEX MIDDLE EAST FZE
Directors' Report**

Shareholder and its interest

The shareholder at 31 March 2019 and its interest as at that date in the share capital of the establishment was as under:

	<i>Country of incorporation</i>	<i>No. of shares</i>	<i>AED</i>	<i>USD</i>
UFLEX Limited	India	<u>107</u>	<u>107,000,000</u>	<u>29,155,313</u>

Auditors

A resolution to re-appoint the auditors and fix their remuneration will be put to the board at the annual general meeting.

On behalf of the board:

Anant Shree Chaturvedi
DIRECTOR

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of **FLEX MIDDLE EAST FZE** (the "establishment"), which comprise the statement of financial position as at 31 March 2019, 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 notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of **FLEX MIDDLE EAST FZE** as at 31 March 2019, its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the establishment in accordance with the ethical requirements that are relevant to our audit of the financial statements in United Arab Emirates and in Jebel Ali Free Zone, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

Without qualifying our opinion, we draw attention to the following notes to the financial statements:-

- i. Note 2, regarding going concern assumptions.
- ii. Note 9, regarding accounting of internally generated intangible asset which are carried at valuation made by the management.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs and the applicable provisions of 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.

In preparing the financial statements, management is responsible for assessing the establishment's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the establishment or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the establishment's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDER OF
FLEX MIDDLE EAST FZE***Auditors' Responsibilities for the Audit of the Financial Statements (cont'd)*


As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained whether a material uncertainty exists related to events or conditions that may cast significant doubt on the establishment's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the establishment to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

Also, in our opinion, the establishment has maintained proper books of account, the inventory count was properly conducted, and these financial statements are in agreement with the books of account. We have obtained all the information considered necessary for our audit. To the best of our knowledge and belief, except for the matter stated in the *Emphasis of Matter* section of our report, no violations of the Jebel Ali Free Zone Companies Implementing Regulations 2016 or the articles of association have occurred during the year, which would have had a material effect on the business of the establishment or on its financial position.



Signed by:

C. D. Shah

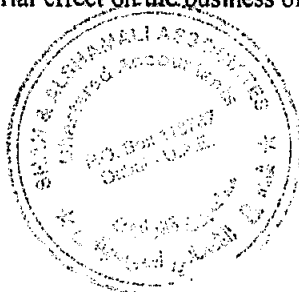
Partner

Registration No. 677

Shah & Alshamali Associates Chartered Accountants

22 May 2019

Dubai




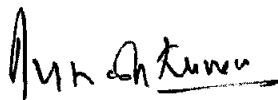
FLEX MIDDLE EAST FZE

Statement of Financial Position
31 March 2019

	<i>Notes</i>	2019 US \$	2018 US \$
ASSETS			
Non-current assets			
Property, plant and equipment	5	38,903,788	41,752,272
Investments	6	140,705,058	137,415,990
Advance for investment	7	5,232,403	-
Other financial assets	8	261,581	283,379
Intangible assets	9	1,601,409	2,209,029
Loan to subsidiaries	10	<u>3,480,552</u>	<u>3,500,000</u>
		<u>190,184,791</u>	<u>185,160,670</u>
Current assets			
Inventories	11	7,512,294	10,905,919
Trade receivables	12 & 29	35,996,809	36,212,722
Advances and other receivables	13	1,833,235	8,371,440
Capital advance	14	3,085,800	-
Prepayments		225,286	321,221
Cash and bank balances	15	<u>2,299,216</u>	<u>3,063,171</u>
		<u>50,952,640</u>	<u>58,874,776</u>
Total assets		<u>241,137,431</u>	<u>244,035,446</u>
EQUITY AND LIABILITIES			
Equity			
Share capital	16	29,155,313	29,155,313
Retained earnings		<u>190,462,095</u>	<u>186,631,331</u>
Total equity		<u>219,617,408</u>	<u>215,786,644</u>
Non-current liability			
Staff end of service gratuity		<u>1,397,292</u>	<u>1,168,319</u>
Current liabilities			
Bank borrowings	17	7,035,440	11,412,057
Trade payables	18 & 29	10,141,538	14,218,250
Advances and other payable	19	<u>2,945,753</u>	<u>1,450,176</u>
		<u>20,122,731</u>	<u>27,080,483</u>
Total liabilities		<u>21,520,023</u>	<u>28,248,802</u>
Total equity and liabilities		<u>241,137,431</u>	<u>244,035,446</u>

The notes on pages 9 to 28 form an integral part of these financial statements.


Ganesh Kumar
AGM (FINANCE & ACCOUNTS)


Avinash Kumar
BUSINESS HEAD

Anant Shree Chaturvedi
DIRECTOR

FLEX MIDDLE EAST FZE

Statement of Profit or Loss and Other Comprehensive Income
for the year ended 31 March 2019

	Notes	2019 US\$	2018 US\$
Revenue			
Sales and other operating income	20	<u>101,876,208</u>	<u>81,487,706</u>
Expenditure			
Cost of materials	21	(62,805,525)	(50,738,424)
Other manufacturing expenses	22	(17,239,652)	(16,038,271)
Payroll and related expenses		(5,877,093)	(5,406,245)
Administrative and selling expenses	23	(10,775,781)	(7,240,050)
Loss on sale of property, plant and equipment		-	(3,217)
Finance costs	24	<u>(1,347,393)</u>	<u>(1,030,029)</u>
Total expenditure		<u>(98,045,444)</u>	<u>(81,056,236)</u>
Profit for the year		3,830,764	431,470
Other comprehensive income/(loss)		-	-
Total comprehensive income for the year		<u>3,830,764</u>	<u>431,470</u>

The notes on pages 9 to 28 form an integral part of these financial statements.


Ganesh Kumar
AGM (FINANCE & ACCOUNTS)


Avinash Kumar
BUSINESS HEAD

Anant Shree Chaturvedi
DIRECTOR

FLEX MIDDLE EAST FZE

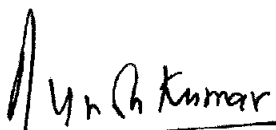
Statement of Changes in Equity
for the year ended 31 March 2019

	<i>Share capital US \$</i>	<i>Retained earnings US \$</i>	<i>Total US \$</i>
As at 31 March 2017	29,155,313	186,199,861	215,355,174
Profit for the year	-	431,470	431,470
As at 31 March 2018	29,155,313	186,631,331	215,786,644
Profit for the year	-	3,830,764	3,830,764
As at 31 March 2019	<u>29,155,313</u>	<u>190,462,095</u>	<u>219,617,408</u>

The notes on pages 9 to 28 form an integral part of these financial statements.



Ganesh Kumar
AGM (FINANCE & ACCOUNTS)



Avinash Kumar
BUSINESS HEAD


Anant Shree Chaturvedi
DIRECTOR

FLEX MIDDLE EAST FZE

Statement of Cash Flows
for the year ended 31 March 2019

	2019	2018
Note	US \$	US \$
<u>Cash flows from operating activities</u>		
Profit for the year	3,830,764	431,470
Adjustments for:		
Depreciation	3,856,663	3,716,830
Amortization	654,529	654,890
Finance costs	1,347,393	1,630,029
Bad debts	103	-
Provision for doubtful debts	798,771	-
Interest income	(136,625)	(46,650)
Loss on disposal of property, plant and equipment	-	3,217
Provision for staff end of service gratuity	277,473	101,535
Operating profit before working capital changes	10,629,071	6,491,271
(Increase)/decrease in inventories	3,393,625	(2,180,609)
(Increase)/decrease in trade and other receivables	6,076,506	8,840,951
(Increase)/decrease in capital advance	(3,085,800)	-
(Increase)/decrease in prepayments	95,934	(87,562)
Increase/(decrease) in trade and other payables	(2,581,135)	(2,913,632)
Cash generated from/ (used in) operations	14,528,201	10,149,399
Staff end of service gratuity paid	(48,500)	(85,305)
Net cash from/ (used in) operating activities	14,479,701	10,064,094
<u>Cash flows from investing activities</u>		
Payment for purchase of property, plant and equipment	(1,008,179)	(108,956)
Additions to intangible assets	(25,111)	-
Proceeds from disposal of property, plant and equipment	-	1,634
Payments towards investments	(8,521,471)	(4,000,000)
Net (placement)/withdrawal of margin and term deposits	(164,203)	4,080,381
Interest income received	15,364	37,895
Net cash from/ (used in) investing activities	(9,703,600)	10,954
<u>Cash flows from financing activities</u>		
Proceeds from/ (payment of) term loans (net)	(6,000,000)	(8,000,000)
Proceeds from/ (payment of) trust receipts (net)	2,151,537	(910,856)
Proceeds from/ (payment of) bills discounted (net)	(722,039)	615,740
Finance costs paid	(1,347,393)	(1,179,373)
Loan to subsidiaries (net)	19,448	-
Net cash from/ (used in) financing activities	(5,898,447)	(9,774,489)
Net increase/(decrease) in cash and cash equivalents	(1,122,346)	300,559
Cash and cash equivalents at the beginning of the year	2,306,053	2,005,494
Cash and cash equivalents at the end of the year	1,183,707	2,306,053

The notes on pages 9 to 28 form an integral part of these financial statements.


Ginesh Kumar
AGM (FINANCE & ACCOUNTS)


Avinash Kumar
BUSINESS HEAD

Anant Shree Chaturvedi
DIRECTOR

FLEX MIDDLE EAST FZE**Notes to the Financial Statements
for the year ended 31 March 2019****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 and place of business of **FME** is P O Box 17930, Jebel Ali Free Zone, Dubai, United Arab Emirates.

FME is operating under industrial license number 4062 with plastic films manufacturing and technical support service and under trading license number 4061 with trading in plastic & nylon raw materials, packing & packaging equipment, printing equipment & instruments and basic industrial chemicals as its licensed activities.

FME is a subsidiary of **UFLEX LIMITED, India** 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.

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

2. Basis of preparation*Going concern*

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

- Investments made in overseas subsidiaries are profitable and dividends are expected during the ensuing years.
- Establishment as a part of group has substantial capability to meet with the commitments made in respect of overseas subsidiaries.
- Creditors are extending financial support and obtaining payment plans from the customers.
- Although trade receivables are outstanding, unsecured and long overdue, they are **considered good and recoverable following controlled credit risk policy.**
- Cash generated from operations is positive.
- Future forecast reflects continuation of a positive trading and financial performance.
- The shareholder company 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.

FLEX MIDDLE EAST FZE

Notes to the Financial Statements
for the year ended 31 March 2019

Basis of preparation (cont'd)

Statement of compliance

The financial statements have been prepared under accrual basis of accounting in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) and the applicable provisions of Jebel Ali Free Zone Authority.

Basis of measurement

The financial statements have been prepared under the historical cost basis.

Functional and presentation currency

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

Use of estimates and judgments

The preparation of the financial statements requires management to make estimates and assumptions that may affect the reported amount of financial assets and liabilities, revenue, 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.

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

The establishment has adopted the following standards and amendments which are effective for annual periods beginning on or after 1 April 2018:

IFRS 15 - Revenue from Contracts with Customers

IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related interpretations. The new standard establishes a five-step model to account for revenue arising from contracts with customers. The core principle of IFRS 15 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

The establishment recognizes revenue from contracts with customers based on a five-step model as set out in IFRS 15:

- Step 1: Identify the contract(s) with the customer
- Step 2: Identify the performance obligation in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognize revenue when (or as) the establishment satisfies a performance obligation

FLEX MIDDLE EAST FZE

Notes to the Financial Statements for the year ended 31 March 2019

Application of new and revised International Financial Reporting Standards (IFRS) (cont'd)

IFRS 9 - Financial Instruments

IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income and fair value through profit or loss. For financial receivables, IFRS 9 classification is generally based on the business model in which a financial asset is managed and its contractual cash flows. For equity instruments, IFRS 9 now requires measurement of all financial assets at fair value and provides an irrevocable option to measure certain securities at FVOCI rather than through profit or loss. IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortized cost, contract assets and assets at FVOCI.

The adoption of these new standards has no material impact on the establishment's financial statements. Further, 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, except for new standards effective on 1 January 2018, 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 expenditure, borrowing costs capitalized in accordance with the establishment's accounting policy. Depreciation on these assets, on the same basis as other property assets, commences when the assets are ready for their intended use. No depreciation is charged on capital advance. Furniture, fixtures and office 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. Land is amortized over the lease period.

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.

Expenses 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.

FLEX MIDDLE EAST FZE**Notes to the Financial Statements
for the year ended 31 March 2019****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 straight line method after considering the average life of the asset and date on which it is put into use. The amortization has been provided at the rate of 20%. Product technology know how is amortized over a period of 5 years.

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.

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 labor 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.

Financial instruments

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

Financial assets are derecognized 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 derecognized when they are extinguished, cancelled or expired.

Financial assets

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income, and fair value through profit or loss on the basis of the company's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

Financial assets include financial assets measured at amortized cost comprising trade and other receivables and cash and cash equivalents.

Trade receivables

Trade receivables are stated at original invoice amount less a provision for any uncollectible amount.

Other current financial assets

Other current financial assets represent loan to subsidiaries, due from a subsidiary, staff advance, other receivables and refundable deposits.

FLEX MIDDLE EAST FZE**Notes to the Financial Statements**
*for the year ended 31 March 2019***Summary of significant accounting policies (cont'd)***Cash and cash equivalents*

Cash and bank balances in the statement of financial position comprise cash and bank balances that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value.

Cash and cash equivalents for the purpose of the statement of cash flows comprise cash on hand and bank balance in current accounts net of outstanding overdrafts as they are considered an integral part of the establishment's cash management.

Financial liabilities

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

Trade and other payables

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

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 and other comprehensive income over the period of the bank borrowings using the effective method.

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.

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.

Value added tax

Expenses and assets are recognized net of the amount of value added tax, except

- When the value added tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the value added tax is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable.
- When receivables and payables are stated with the amount of value added tax included.

The net amount of value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Employee benefits

An accrual is made for estimated liability for employees' entitlement to annual leave and passage money as a result of services rendered by eligible employees up to the end of the reporting period. Provision is also made for the full amount of end of service gratuity in accordance with the company's policy, which is at least equal to the benefits payable in accordance with U.A.E. Labor Law, for their period of service up to the end of the reporting period. The accrual relating to annual leave and passage is classified as a current liability, while the provision relating to end of service gratuity is classified as a non-current liability.

FLEX MIDDLE EAST FZE

Notes to the Financial Statements
for the year ended 31 March 2019

Summary of significant accounting policies (cont'd)

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 at the point in time when control of the goods is transferred to the customer, generally when the goods are delivered, have been accepted by the customer and collectability of the related receivable is reasonably assured. Revenue is measured at the fair value of consideration received or receivable net of value added tax (VAT).

Consultancy and technical service fees, interest income

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 is recognized as the interest accrues. Commission income is recognized as per agreed terms with the client.

Foreign currency transactions

Transactions in currencies other than US Dollars are converted into US Dollars at the rate of exchange ruling on the date of the transaction. Assets and liabilities expressed in currencies other than USD 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 uncertainty**

4.1 **Significant judgment employed**

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

Impairment of non-financial assets

The establishment assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. If any of such indication exists, the establishment estimates the asset's recoverable amount. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

4.2 **Key sources of estimation uncertainty**

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

FLEX MIDDLE EAST FZE**Notes to the Financial Statements
for the year ended 31 March 2019****Key sources of estimation uncertainty (cont'd)****Useful lives of assets**

The useful lives of the establishment's assets with definite life are estimated based on the period over which the assets are expected to be available for use. The estimated useful lives of establishment's property, plant and equipment and intangible assets are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the establishment's assets. In addition, the estimation of the useful lives is based on the establishment's collective assessment of industry practice, internal technical evaluation and experience with similar assets.

Impairment of investment in subsidiaries

Determining whether investments in subsidiaries are impaired requires an estimation of the value in use of the investments and the cash-generating units to which the investments have been allocated. The value in use calculation requires the establishment to estimate the future cash flows expected to arise from the assets or cash generating unit and a suitable discount rate in order to calculate present value. Management has determined that no impairment is required in respect of the investments in subsidiaries.

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 obsolescence, the rate at which goods are being sold and the physical damage. Based on the assessment, assumptions are made as to the level of provisioning required.

Impairment of loans and receivables

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

Impairment of trade and other receivables

The loss allowance for trade and other receivables are based on assumptions about risk of default and expected credit loss rates. The establishment uses judgment in making these assumptions and selecting the inputs to the impairment calculation, based on the establishment's past history, existing market conditions as well as forward-looking estimates at the end of each reporting period.

Any difference between the amounts actually collected in the future period and the amounts expected, will be recognized in the establishment's statement of profit or loss in that period. As at date of statement of financial position, management believes that the recoverability of its trade and other receivables are certain, accordingly, the provision provided in the previous years are adequate.

Staff end of service gratuity

The establishment computes provision for the liability to staff end-of-service gratuity assuming that all employees were to leave as of the reporting date.

The management is of the opinion that no significant difference would have arisen had the liability been calculated on an actuarial basis as salary inflation and discount rates are likely to have approximately equal and opposite effects.

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Notes to the Financial Statements
for the year ended 31 March 2019

	Opening balance 2019 US \$	Additions US \$	Transfer/ disposals US \$	Closing balance 2019 US \$
5. Property, plant and equipment (2019)				
Cost				
Capital advance (a)	-	503,163	-	503,163
Lease hold land *	9,744,474	-	-	9,744,474
Buildings:				
- Staff accommodation †	1,274,871	-	-	1,274,871
- Factory and administrative ~ #	7,571,903	-	-	7,571,903
Machinery & equipment #	59,721,913	458,170	(923,745)	59,256,338
Furniture, fixtures & office equipment	365,262	46,846	(124,293)	287,815
Vehicles	319,000	-	-	319,000
Total cost	78,997,423	1,008,179	(1,048,038)	78,957,564
Depreciation/amortization				
Lease hold land	458,312	229,156	-	687,468
Buildings:				
- Staff accommodation	261,754	24,001	-	285,755
- Factory and administrative	2,738,806	246,438	-	2,985,244
Machinery & equipment	33,412,352	3,303,576	(923,745)	35,792,183
Furniture, fixtures & office equipment	229,808	27,565	(124,293)	133,080
Vehicles	144,119	25,927	-	170,046
Total depreciation	37,245,151	3,856,663	(1,048,038)	40,053,776
Net book value				
Capital advance	-			503,163
Lease hold land	9,286,162			9,057,006
Buildings:				
- Staff accommodation	1,013,117			989,116
- Factory and administrative	4,833,097			4,586,659
Machinery & equipment	26,309,561			23,464,155
Furniture, fixtures & office equipment	135,454			154,735
Vehicles	174,881			148,954
Total net book value	41,752,272			38,903,788

(a) Represents advance payment made to a supplier for purchase of machinery spare part.

* Represents payment made for acquiring leasehold right to a plot of land measuring 21,576 sq. ft on renewable lease for 50 years ending on 19 July 2058 in Jebel Ali Industrial area for the employee housing requirements. The management is negotiating terms for such use and the requirements are expected to met by the year 2021.

† Constructed on leased plot of land in Jebel Ali Industrial area (refer note 8).

~ Constructed on leased plot of land in Jebel Ali Free Zone (refer note 31).

Mortgaged in bank against facilities availed (refer note 17).

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Notes to the Financial Statements
for the year ended 31 March 2019

	<i>Opening balance 2018 US \$</i>	<i>Additions US \$</i>	<i>Transfer/ disposals US \$</i>	<i>Closing balance 2018 US \$</i>
Property, plant and equipment (2018)				
Cost				
Lease hold land	9,744,474	-	-	9,744,474
Buildings:				
- Staff accommodation	1,274,871	-	-	1,274,871
- Factory and administrative	7,571,903	-	-	7,571,903
Machinery & equipment	59,643,892	78,021	-	59,721,913
Furniture, fixtures & office equipment	365,912	30,935	(31,585)	365,262
Vehicles	<u>332,351</u>	<u>-</u>	<u>(13,351)</u>	<u>319,000</u>
Total cost	<u>78,933,403</u>	<u>108,956</u>	<u>(44,936)</u>	<u>78,997,423</u>
Depreciation/amortization				
Lease hold land	229,156	229,156	-	458,312
Buildings:				
- Staff accommodation	237,753	24,001	-	261,754
- Factory and administrative	2,492,368	246,438	-	2,738,806
Machinery & equipment	30,250,988	3,161,364	-	33,412,352
Furniture, fixtures & office equipment	236,744	24,649	(31,585)	229,808
Vehicles	<u>121,397</u>	<u>31,222</u>	<u>(8,500)</u>	<u>144,119</u>
Total depreciation	<u>33,568,406</u>	<u>3,716,830</u>	<u>(40,085)</u>	<u>37,245,151</u>
Net book value				
Lease hold land	9,515,318			9,286,162
Buildings:				
- Staff accommodation	1,037,118			1,013,117
- Factory and administrative	5,079,535			4,833,097
Machinery & equipment	29,392,904			26,309,561
Furniture, fixtures & office equipment	129,168			135,454
Vehicles	<u>210,954</u>			<u>174,881</u>
Total net book value	<u>45,364,997</u>			<u>41,752,272</u>
			<i>2019 US \$</i>	<i>2018 US \$</i>
6. Investments				
	<i>Country of incorporation</i>	<i>% of Ownership</i>	<i>Total</i>	<i>Total</i>
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	39,000,000	39,000,000
Flex Films RUS LLC	Russia	100	3,261,471	-
Flex Films Africa Pvt. Limited	Nigeria	100	<u>27,597</u>	<u>-</u>
Total investments in subsidiaries			<u>122,980,058</u>	<u>119,690,990</u>

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Notes to the Financial Statements
for the year ended 31 March 2019

Investments (cont'd)

			2019	2018
			US \$	US \$
	Country of incorporation	% of Ownership	Total	Total
Investment in an associate:				
UPET Holdings Limited	Mauritius	37	17,725,000	17,725,000
Total Investments			<u>140,705,058</u>	<u>137,315,990</u>
Share of net book value[^]				
Flex P Films (Egypt) S.A.E			61,861,572	54,427,135
Flex Films Europa SP.Z.o.o.			90,355,500	82,330,300
Flex Films (USA) Inc.			44,124,958	36,570,177
Flex Films RUS LLC			3,359,187	-
Flex Films Africa Pvt. Limited			5,236,738	-
Upet Holdings Limited			14,150,012	14,154,673
			<u>219,087,967</u>	<u>187,482,285</u>

[^]As per management accounts

- a) The principal activity of Flex P Films (Egypt) S.A.E is manufacturing of BOPP, Polyester, CPP & OPP films. On 30 November 2010 the establishment had signed an agreement for pledge of 14,990,900 shares of its subsidiary, Flex P, Films Egypt S.A.E in favor of overseas bank against long term loan availed by its subsidiary.
- b) The principal activity of Flex Films Europa SP.Z.o.o. is manufacturing of polyester films.
- c) The principal activity of Flex Films (USA) Inc. is manufacturing of polyester films.
- d) Flex Films RUS LLC is incorporated to carry out polyester film manufacturing.
- e) Flex Films Africa Pvt. Limited is incorporated to carry out manufacturing of films and flexible packaging.
- f) 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 polyester films. As at 31 March 2019, the fair value of the investment is below the carrying value. However, in the opinion of the management, the depletion in fair value of the investment is not of a permanent nature and hence no impairment is considered necessary.

7. Advance for investments

This represents amount paid towards investment in the share capital of Flex Films Africa Pvt. Limited. The investee company has commenced process of filing with corporate affairs commission (CAC) for the increase in Authorized and Issued Share Capital.

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Notes to the Financial Statements
for the year ended 31 March 2019

		US \$
8.	Other financial assets	
	Operating lease**	
	As at 01.04.2018	514,959
	As at 31.03.2019	<u>544,959</u>
	Amortization	
	As at 01.04.2018	261,580
	Charge for the year	<u>21,798</u>
	As at 31.03.2019	<u>283,378</u>
	Unexpired portion of operating lease	
	As at 31.03.2019	<u>261,581</u>
	As at 31.03.2018	<u>283,379</u>

*Represents amount paid for 20,000 sq. ft leased plot of land for 25 years ending on 30 June 2028 in the Jebel Ali Industrial Area.

		<i>Product technology know how</i> US \$	<i>Software</i> US \$	<i>Total</i> US \$
9.	Intangible assets			
	Cost			
	As at 01.04.2018	3,156,991	9,968	3,166,959
	Additions during the year	25,111	-	25,111
	Adjustment	(63)	-	(63)
	Write off during the year	-	<u>(9,968)</u>	<u>(9,968)</u>
	As at 31.03.2019	<u>3,182,039</u>	-	<u>3,182,039</u>
	Amortization			
	As at 01.04.2018	947,962	9,968	957,930
	Charge for the year	632,731	-	632,731
	Adjustment	(63)	-	(63)
	Relating to write off during the year	-	<u>(9,968)</u>	<u>(9,968)</u>
	As at 31.03.2019	<u>1,580,630</u>	-	<u>1,580,630</u>
	Net book value			
	As at 31.03.2019	<u>1,601,409</u>	-	<u>1,601,409</u>
	As at 31.03.2018	<u>2,209,029</u>	-	<u>2,209,029</u>

*This represents amount spent for the development of new product technology internally using establishment's resources. Consequently, trial run materials consumption, salaries, wages and related expenses have been capitalized under the head product technology know how. In the opinion of the management, the carrying value of intangible assets is fairly stated.

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Notes to the Financial Statements
for the year ended 31 March 2019

	2019	2018
	US \$	US \$
10. Loan to subsidiaries		
Flex Films Africa Pvt. Limited *	3,480,552	-
Flex Films (USA) Inc. ^(a)	<u>-</u>	<u>3,500,000</u>
	<u>3,480,552</u>	<u>3,500,000</u>
<i>*This represents unsecured 6.50% interest per annum bearing loan payable fully on or before 27 June 2020. The loan is advanced to meet with project funding requirements. (a) Fully received during the year.</i>		
	2019	2018
	US \$	US \$
11. Inventories		
Raw materials	2,618,917	3,137,605
Materials in transit	<u>1,012,295</u>	<u>3,326,292</u>
	3,631,212	6,463,897
Consumables and packing materials	723,179	753,413
Work in progress	1,249,575	1,505,783
Finished goods	<u>1,908,328</u>	<u>1,882,826</u>
	<u>7,512,294</u>	<u>10,905,919</u>
12. Trade receivables		
Trade receivables #	37,254,562	36,671,704
Less: Provision for doubtful debts	<u>1,257,753</u>	<u>158,982</u>
	<u>35,996,809</u>	<u>36,512,722</u>

Includes US \$ 103,074 (previous year US \$ 557,593) due from related parties on trade account (refer note 29).

The establishment's average credit period is 0-90 days after which trade receivables are considered to be past due. As at 31 March 2019, the aging of trade receivables is as follows:

	Total	0-90 Days	91-150 Days	151-360 Days	>360 Days
	US \$	US \$	US \$	US \$	US \$
2019	37,254,562	23,048,944	258,084	188,710	13,758,824
Provision	<u>(1,257,753)</u>	-	-	-	<u>(1,257,753)</u>
Net of provision	35,996,809	23,048,944	258,084	188,710	12,501,071
2018	36,671,704	15,689,069	4,633,919	589,151	15,759,265

Although trade receivables of US \$ 12,947,865 (net of provisions) are long past due, they are considered good and recoverable by the management. Since the date of financial position, the management has negotiated and agreed for recovery of long outstanding balance of US \$ 5,595,426 from a customer with repayment terms up to 6 months without any interest charge. In the view of above, in the opinion of the management the provision carried in the accounts is considered adequate.

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

	2019	2018
	US \$	US \$
Provision as at beginning of the year	458,982	180,115
Provision created	<u>798,771</u>	<u>58,657</u>
Provision as at the end of the year	<u>1,257,753</u>	<u>458,982</u>

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Notes to the Financial Statements
for the year ended 31 March 2019

	2019	2018
	US \$	US \$
13. Advances and other receivables		
Advance to suppliers and others #	206,863	908,737
Due from a subsidiary – funding	153,362	
Dividend receivable	-	4,791,441
Other receivables	-	1,593,630
Interest receivable from a related party	130,016	8,755
Advances to staff	147,515	139,548
VAT receivable	489,863	126,455
Deposits	<u>705,616</u>	<u>802,874</u>
	<u>1,833,235</u>	<u>8,371,440</u>
	<i># Includes US \$ 138 (previous year US \$ 9,555) due from related parties on trade account.</i>	
14. Capital advance		
This represents capital advance amount paid for purchase of plot of land in Industrial Park, Russian Federation for setting up polyester film manufacturing facilities by Flex Films Russia Rus LLC, an overseas related party in Russia.		
	2019	2018
	US \$	US \$
15. Cash and bank balances		
Cash on hand	13,718	15,440
Bank balances in:		
Current accounts	2,107,671	3,034,410
Margin deposits	<u>177,827</u>	<u>13,624</u>
	<u>2,299,216</u>	<u>3,063,474</u>
16. Share capital		
Authorized, issued and paid up: 107 shares of AED 1 million each (1 US \$ = AED 3.67)	<u>29,155,313</u>	<u>29,155,313</u>
17. Bank borrowings		
Term loan	-	6,000,000
Trust receipts	6,097,758	3,946,221
Bills discounted	-	722,039
Bank overdraft	<u>937,682</u>	<u>713,797</u>
	<u>7,035,440</u>	<u>11,412,057</u>

Bank borrowings are secured against the following:

- Mortgage over plant and machinery
- Mortgage over building
- Assignment of property, plant and equipment and inventory insurance policies.
- Hypothecation of all current assets.

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Notes to the Financial Statements
for the year ended 31 March 2019

	2019	2018
	US \$	US \$
18. Trade payables		
Merchandise *	8,694,245	10,891,958
Accounts payable - capex	785,800	-
Bills payable	<u>661,493</u>	<u>3,326,292</u>
	<u>10,141,538</u>	<u>14,218,250</u>
<i>* Includes US \$ 267,643 (previous year US \$ 137,084) due to related parties on trade account.</i>		
<i>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.</i>		
	2019	2018
	US \$	US \$
19. Advances and other payables		
Customer advances and credit balances #	2,119,033	401,385
Accruals and provisions	<u>826,720</u>	<u>1,045,791</u>
	<u>2,945,753</u>	<u>1,450,176</u>
<i># Includes US \$ 1,946,979 (previous year US \$ 185,304) due to related parties.</i>		
20. Sales and other operating income		
Sales		
Manufactured and traded goods	<u>100,443,593</u>	<u>79,269,337</u>
Other operating income		
Technical and marketing service fees	1,000,681	2,000,000
Commission income	288,359	-
Interest income	136,625	46,650
Credit balance written back	-	150,833
Other income	<u>6,950</u>	<u>40,886</u>
	<u>101,876,208</u>	<u>81,487,706</u>
21. Cost of materials		
Opening inventories	6,826,214	5,482,057
Purchases	61,756,132	52,082,581
Closing inventories	<u>(5,776,821)</u>	<u>(6,826,214)</u>
	<u>62,805,525</u>	<u>50,738,424</u>
22. Other manufacturing expenses		
Power and fuel consumed	8,417,447	7,690,691
Machinery repairs and maintenance	1,086,897	967,159
Stores consumed	437,048	515,147
Packing materials consumed	3,508,507	3,048,480
Other manufacturing expenses	486,178	381,995
Depreciation (refer note 23)	<u>3,303,575</u>	<u>3,431,799</u>
	<u>17,239,652</u>	<u>16,038,271</u>

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Notes to the Financial Statements
for the year ended 31 March 2019

	2019	2018
	US\$	US\$
23. Administrative and selling expenses		
Rent	404,931	357,098
Selling expenses	6,473,222	4,508,933
Provision for doubtful debts	798,771	78,664
Amortization	654,529	654,840
Depreciation (<i>per below</i>)	553,088	285,031
Other administrative expenses	<u>1,891,240</u>	<u>1,355,484</u>
	<u>10,775,781</u>	<u>7,240,050</u>
Depreciation:		
Total depreciation charge (<i>refer note 5</i>)	3,856,663	3,716,830
Less: Charged to other manufacturing expenses (<i>refer note 22</i>)	<u>3,303,575</u>	<u>3,431,799</u>
	<u>553,088</u>	<u>285,031</u>
24. Finance costs		
Interest on term loans	203,848	789,824
Interest on trust receipts	361,047	269,375
Bank charges and commission	767,126	493,082
Interest on bills discounting	<u>15,372</u>	<u>77,751</u>
	<u>1,347,393</u>	<u>1,630,029</u>
25. Cash and cash equivalents (<i>for the purpose of statement of cash flows</i>)		
Cash on hand	13,718	15,440
Bank balances in:		
Current accounts	2,107,671	3,034,410
Less: bank overdraft	<u>937,682</u>	<u>743,797</u>
	<u>1,183,707</u>	<u>2,306,053</u>

26. Capital management

The establishment manages its capital to ensure that the concern will be able to continue as a going concern while maximizing the return to the parent shareholder company through optimization of the debt and equity balance. The capital structure of the establishment comprises net debt (interest bearing borrowings offset by cash and cash equivalents) and equity (comprising share capital and retained earnings).

27. Financial instruments: Credit, liquidity and market risk exposures**Credit risk**

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Financial assets, which potentially expose the establishment to concentrations of credit risk, comprise principally of trade and other receivables and bank balances. The establishment's bank balances in current and margin deposit accounts are placed with high credit quality financial institutions.

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Notes to the Financial Statements
for the year ended 31 March 2019

Financial instruments: Credit, liquidity and market risk exposures (cont'd)

As at 31 March 2019, 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. is 67% (previous year 69%). Its ten largest customers account for 59% (previous year 62%) of outstanding trade receivables at 31 March 2019.

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 customers and monitoring outstanding receivables.

Advance to suppliers and others are unsecured and are periodically monitored by the management. Due from related parties on trade and funding accounts are arising in the normal course of business and are not perceived as 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 ensure 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 March 2019.

	<i>Carrying amounts US \$</i>	<i>Payable within next 12 months US \$</i>	<i>Payable after 12 months US \$</i>
Trust receipts	6,097,758	6,097,758	-
Bank overdraft	937,682	937,682	-
Staff end of service gratuity	1,397,292	-	1,397,292
Trade payables	10,141,538	10,141,538	-
Accruals and provisions	<u>826,720</u>	<u>826,720</u>	-
	<u>19,400,990</u>	<u>18,003,698</u>	<u>1,397,292</u>

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. Bank borrowings are at floating rates at levels, which are generally obtained in the U.A.E. Interest income from loan to a subsidiary is at fixed rate of interest.

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Notes to the Financial Statements
for the year ended 31 March 2019

Financial instruments: Credit, liquidity and market risk exposures (cont'd)

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 currency risks as substantially all financial assets and financial liabilities are denominated in US Dollars or U.A.E Dirhams to which the US Dollar is fixed:

	2019 Equivalent US \$	2018 Equivalent US \$
Foreign currency financial assets		
Euro	1,935,935	1,661,523
Great Britain Pound	<u>4,768</u>	<u>81,416</u>
	<u>1,940,703</u>	<u>1,742,939</u>
Foreign currency financial liabilities		
Russian Rouble (RUB)	785,800	-
Euro	477,349	90,829
Great Britain Pound	<u>-</u>	<u>42,409</u>
	<u>1,263,149</u>	<u>133,238</u>

28. Financial instruments: Fair values

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

29. Related party transactions and balances

The establishment in the normal course of business enters into transactions with other parties that fall within the definition of related party contained in the International Accounting Standard - 24. Related parties comprise the parent shareholder company, subsidiaries, associate, step down subsidiary of associate company and key officers 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
- Flex Films Africa Pvt Limited – Nigeria
- Flex Films RUS LLC – Russia

Associate:

- UPET Holdings Limited – Mauritius

Step down subsidiary of associate company:

- Flex Americas S.A DE CV-Mexico

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Notes to the Financial Statements
for the year ended 31 March 2019

Related party transactions and balances (cont'd)

Key Officers:

- Ashok Chaturvedi
- Anant Shree Chaturvedi
- Sundeep Saksena

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

		<i>Parent shareholder company</i>	<i>Key officers</i>	<i>Subsidiaries / Associate</i>	<i>Subsidiaries of parent shareholder company</i>	<i>Total</i>
		<i>US \$</i>	<i>US \$</i>	<i>US \$</i>	<i>US \$</i>	<i>US \$</i>
		<i>Dr/(Cr)</i>	<i>Dr/(Cr)</i>	<i>Dr/(Cr)</i>	<i>Dr/(Cr)</i>	<i>Dr/(Cr)</i>
<u>Balances:</u>						
Investments	2019	-	-	140,705,058	-	140,705,058
	2018	-	-	137,415,990	-	137,415,990
Advance for investment	2019	-	-	5,232,403	-	5,232,403
	2018	-	-	-	-	-
Loan to subsidiaries	2019	-	-	3,480,552	-	3,480,552
	2018	-	-	3,500,000	-	3,500,000
Trade receivables	2019	-	-	-	103,074	103,074
	2018	3,610	-	553,983	-	557,593
Due from a subsidiary	2019	-	-	153,362	-	153,362
	2018	-	-	-	-	-
Dividend receivable	2019	-	-	-	-	-
	2018	-	-	4,791,441	-	4,791,441
Advance to suppliers	2019	138	-	-	-	138
	2018	-	-	9,555	-	9,555
Interest receivable	2019	-	-	130,016	-	130,016
	2018	-	-	8,755	-	8,755
Trade payables	2019	(114,043)	-	(153,600)	-	(267,643)
	2018	(137,084)	-	-	-	(137,084)
Advance from customers	2019	-	-	(1,946,979)	-	(1,946,979)
	2018	-	-	(185,304)	-	(185,304)
<u>Transactions:</u>						
Investments	2019	-	-	3,289,068	-	3,289,068
	2018	-	-	1,000,000	-	1,000,000

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Notes to the Financial Statements
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Related party transactions and balances (cont'd)

		<i>Parent shareholder company</i>	<i>Key officers</i>	<i>Subsidiaries / Associate</i>	<i>Subsidiaries of parent shareholder company</i>	<i>Total</i>
		<i>US \$</i>	<i>US \$</i>	<i>US \$</i>	<i>US \$</i>	<i>US \$</i>
		<i>Dr/(Cr)</i>	<i>Dr/(Cr)</i>	<i>Dr/(Cr)</i>	<i>Dr/(Cr)</i>	<i>Dr/(Cr)</i>
Advance for investments	2019	-	-	5,232,403	-	5,232,403
	2018	-	-	-	-	-
Purchases	2019	1,476,083	-	89,875	-	1,565,958
	2018	901,422	-	145,740	-	1,047,162
Sales	2019	-	-	(4,350,386)	(562,477)	(5,112,862)
	2018	-	-	(110,927,692)	(68,352)	(110,996,044)
Interest income	2019	-	-	(135,564)	-	(135,564)
	2018	-	-	(8,755)	(19,192)	(27,947)
Travelling expenses	2019	-	-	-	-	-
	2018	19,788	-	-	-	19,788
ERP maintenance	2019	104,265	-	-	-	104,265
	2018	111,912	-	-	-	111,912
Remuneration	2019	-	271,806	-	-	271,806
	2018	-	85,008	-	-	85,008
Advance for freight	2019	-	-	-	-	-
	2018	628	-	-	2,759	3,387
Commission Income	2019	-	-	(288,359)	-	(288,359)
	2018	-	-	(152,120)	-	(152,120)
Commission Expenses	2019	-	-	5,688	-	5,688
	2018	-	-	-	-	-
Marketing and Selling Support Fees	2019	-	-	-	-	-
	2018	-	-	25,835	-	25,835
Claim	2019	-	-	522	300,000	300,522
	2018	-	-	50,411	-	50,411
Withholding Tax	2019	-	-	1,664	-	1,664
	2018	-	-	15,845	-	15,845

The establishment also advances interest bearing and or otherwise funds to overseas related parties to meet with their capital and working capital requirements. The establishment has pledged its 14,990,900 shares held in Flex P Films (Egypt) S.A.E in favor of overseas bank against long term loan availed by Flex P Films (Egypt) S.A.E.

	<i>2019</i>	<i>2018</i>
	<i>US \$</i>	<i>US \$</i>
30. Contingent liabilities		
Letters of credit	8,576,250	3,332,987
Letter of guarantee	533,481	-

The establishment had also given corporate guarantee for banking facilities taken by Flex P Films (Egypt) S.A.E.

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31. 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 \$ 879,828/-.

32. 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 as of 31 March 2019 is US \$ 30,275,000 (*previous year US \$ 30,275,000*).

33. Comparative figures

Previous year's figures have been regrouped / reclassified wherever necessary to conform to the presentation adopted in the current year. Such reclassifications do not affect the previously reported profit, net assets or equity of the company.

34. Approval of the financial statements

The financial statements were approved by the board and authorized for issue on 22 May 2019.