

**UFLEX PACKAGING INC**

**FINANCIAL STATEMENTS**  
**AS OF MARCH 31, 2019, AND 2018**  
**TOGETHER WITH**  
**INDEPENDENT AUDITORS' REPORT**

UFLEX PACKAGING INC.  
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MARCH 31, 2019 AND 2018

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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, 2019 and 2018, 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.

### Basis for Qualified Opinion

As mentioned in Note 4, there has been a substantial decline in sales and as mentioned in note 11 there has been a significant concentration in volume of business transacted with a particular customer. The accompanying financial statement have been prepared assuming the company will continue as a going concern.

### Qualified Opinion

In our opinion, except for the possible effects of the matter discussed in basis of Qualified opinion paragraph, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the Company as of March 31, 2019 and 2018, 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.

### 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*

S Grover, CPA, LLC  
Edison, New Jersey  
April 19, 2019

UFLEX PACKAGING INC.  
BALANCE SHEETS  
MARCH 31, 2019 AND 2018  
(in U.S. Dollars)

	2019	2018
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash	\$ 18,859	\$ 9,319
Accounts receivable, trade - net	1,207,061	2,002,734
Inventory	2,300,281	2,899,333
Total current assets	\$ 3,526,201	\$ 4,911,386
<b>NON-CURRENT ASSETS</b>		
Property and equipment, net	17,030	33,803
Other assets	15,087	18,087
Total non-current assets	\$ 32,117	\$ 51,890
Total assets	\$ 3,558,318	\$ 4,963,276
<b>LIABILITIES AND STOCKHOLDER'S EQUITY</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable, trade	\$ 163,067	\$ 400,127
Accounts payable, related parties	261,905	2,057,574
Accrued expenses	76,973	36,278
Notes payable - vehicle	6,075	7,920
Provision for taxes	209,800	54,902
Total current liabilities	\$ 717,820	\$ 2,556,801
<b>NON CURRENT LIABILITIES</b>		
Notes payable - vehicle	\$ -	\$ 6,064
	0	6,064
<b>STOCKHOLDER'S EQUITY</b>		
Common stock	3,675,000	3,675,000
Retained earnings	(834,503)	(1,274,589)
Total stockholder's equity	2,840,497	2,400,411
Total liabilities and stockholder's equity	\$ 3,558,317	\$ 4,963,276

*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, 2019 AND 2018  
(in U.S. Dollars)

	2019	2018
REVENUES	\$ 10,946,755	\$ 17,543,587
COST OF SALES	8,628,741	14,937,711
GROSS PROFIT	2,318,014	2,605,876
OPERATING EXPENSES		
General, selling and administrative	1,082,442	1,209,016
Depreciation	17,304	17,353
Total operating expenses	1,099,746	1,226,369
NET INCOME FROM OPERATIONS	1,218,268	1,379,506
OTHER INCOME (EXPENSE)		
Other income	74,862	0
Interest income	(214)	(355)
Gain on sale of property and equipment	(1,248)	
Total other income (Expense)	73,400	(355)
NET INCOME BEFORE PROVISION FOR INCOME TAX	1,291,668	1,379,152
INCOME TAXES	300,332	55,506
NET INCOME	991,336	1,323,646
RETAINED EARNINGS, BEGINNING OF YEAR	(1,274,589)	(2,598,235)
DIVIDEND PAID	(551,250)	
RETAINED EARNINGS, END OF YEAR	\$ (834,503)	\$ (1,274,589)

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

UFLEX PACKAGING INC.  
 STATEMENTS OF CASH FLOWS  
 FOR THE YEARS ENDED MARCH 31, 2019 AND 2018  
 (in U.S. Dollars)

	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income	\$ 991,336	\$ 1,323,646
Adjustments to reconcile net income to net cash from operating activities:		
Depreciation	17,304	17,353
(Gain)/Loss on sale of property and equipment	1,248	
 (Increase) decrease in operating assets		
Accounts receivable, trade	795,673	808,249
Inventory	599,052	971,610
Other assets	3,000	(3,000)
Increase (decrease) in operating liabilities		
Accounts payable, trade	(237,060)	142,555
Accrued expenses	40,695	4,000
Accounts payable, related parties	(1,795,669)	(3,383,486)
Provision for Taxes	154,900	50,501
Other Liabilities		(202)
Net cash from operating activities	\$ 570,480	\$ (68,774)
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property and equipment	(1,780)	(1,964)
Net cash from investing activities	(1,780)	(1,964)
 <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Net borrowing (repayment) on note receivable, related parties	(7,909)	(7,565)
Dividend	(551,250)	
Net cash from financing activities	(559,159)	(7,565)
 <b>NET CHANGES IN CASH</b>	9,540	(78,303)
 <b>CASH - BEGINNING OF THE YEAR</b>	9,319	87,622
 <b>CASH - END OF THE YEAR</b>	18,859	9,319
 <b>SUPPLEMENTAL CASH FLOW INFORMATION</b>		
Cash paid during the year for:		
Income taxes	\$ 95,100	\$ 55,506

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

UFLEX PACKAGING INC.  
NOTES TO THE FINANCIAL STATEMENTS  
MARCH 31, 2019 AND 2018  
(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 and imports its products mainly from the parent company in India. It has storage facilities with public warehouses located in New Jersey, California and Illinois. Uflex Packaging Inc. is a 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"), using 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 management's assessment of the credit worthiness of customers 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 as they occur.

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, 2019 and 2018.



## 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, 2019 and 2018, 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 2015 through 2018 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 \$ 326,708 which is being carried forward and is set to expire March 31, 2031. The current year profits are set off against the same. There will be a balance 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, 2019 and 2018 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, its 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 year balances have been reclassified for comparative purposes.

#### ACCOUNTS RECEIVABLE

This represents all trade accounts receivable that were outstanding as of March 31<sup>st</sup> 2019 and 2018.

#### BUSINESS OPERATIONS

Total Revenues for the year have dropped by approximately 37.6% as compared to the previous year. Decrease is mainly resulting due to increased competition.

#### INVENTORY

Inventory consists of the following at March 31:

	2019	2018
Finished goods	\$ 841,675	\$ 1,722,479
Inventory in transit	1,458,606	1,176,854
Less: Inventory reserve	-	-
	<u>\$ 2,300,281</u>	<u>\$ 2,899,333</u>

6 PROPERTY AND EQUIPMENT

Property and equipment consist of the following at March 31:

	<u>2019</u>	<u>2018</u>
AutoMobiles	\$ 52,163	\$ 52,163
Furniture and fixtures	37,593	37,593
Computer	8,247	8,492
	<u>98,002</u>	<u>98,247</u>
Less: Accumulated Depreciation	<u>(80,973)</u>	<u>(64,444)</u>
	<u>\$ 17,030</u>	<u>\$ 33,803</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, 2019 and 2018, total depreciation expense was \$ 17,304 and \$ 17,353 respectively.

7 RELATED PARTIES

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

	<u>2019</u>	<u>2018</u>
<b>Due to Uflex Limited</b>	\$ 261,905	\$ 1,807,645
<b>Due to Ultimate Flexipak Limited</b>	<u>\$ -</u>	<u>\$ 249,929</u>
	<u>\$ 261,905</u>	<u>\$ 2,057,574</u>

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

## 8. NOTE PAYABLE

Notes Payable represents an auto loan from Citizens One for a BMW car. The original loan is \$38,663 at an interest rate of 1.951%. The equal monthly installment payment amounts to \$ 676.83. The outstanding balance as of March 31st, 2019 and 2018 is \$6,075 and \$13,983 respectively.

## 9. TRANSFER PRICING

According to management, all transactions with the holding company are executed at arm's length and are undertaken in a single currency. The invoices are generated and payments are made in US (Dollars) only. However, management understands the importance and implications of fair pricing practices. Consequently, it appointed an independent tax consulting firm to render an opinion on the company's application of existing transfer pricing laws and regulations. As of the report date, a report from the tax consultant is not made available for review for the period ended March 31<sup>st</sup>, 2018.

## 10. COMPENSATED ABSENCES

The Company has no formal policy for paid vacations, paid sick days, and personal day off for their employees. Accordingly, the Company chose not to accrue liability in the accompanying financial statements.

## 11. CONCENTRATION OF RISK AND SIGNIFICANT CUSTOMERS

The company currently has three significant customers who together accounted for approximately 73% of total sales, but only one significant customer who accounted for approximately 68% of total accounts receivable, trade. Comparatively, there were two significant customers in 2018 who accounted for approximately 51% of the company's total sales and approximately 61% of total accounts receivable, trade.

## 12. COMMITMENTS AND CONTINGENCIES

### Operating leases

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

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

2020	104,381
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Rent paid for the years ending March 31, 2019 and 2018, was \$ 105,703 and \$ 104,419, respectively.

## 13. SHIPPING AND HANDLING COSTS

Shipping costs, for 2019 and 2018 are \$433,147 and \$ 511,249 respectively. The Company recovers certain freight cost from its customers on agreed terms.

## 14. 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 carryforward losses are set to be used up this year, the company has made provision of \$209,800 for federal and state taxes.

## 15. SUBSEQUENT EVENTS

The date on which events occurring after March 31, 2019, the date of the most recent balance sheet, have been evaluated for possible adjustment to the financial statements or additional disclosures is April 19, 2019, which is the date the financial statements are available to be issued. As of report date IRS has erroneously issued refund of \$94,690.22 which was paid towards estimated taxes for the year 2018-2019. Adequate provisions for taxes have been made in the books to cover the tax liability

## 16. Interim Dividend:

On March 12, 2019, at the meeting of Board of Directors, Interim Dividend was declared to be paid to shareholders of Uflex Limited, New Delhi, on March 26, 2019. The Interim dividend amounted to \$551,250.00 which is .15 cents per share of the total issued and outstanding shares which are 367,500. There was a backup withholding of \$82,687.50 and a net amount of \$468,562.50 was paid as Interim Dividend to shareholders on March 26, 2019

UFLEX PACKAGING INC.  
 SUPPLEMENTAL SCHEDULE – COST OF GOODS SOLD  
 MARCH 31, 2019 AND 2018  
 (in U.S. Dollars)

	2019	2018
Inventory-beginning of the year	\$ 2,899,333	\$ 3,870,943
Purchases	7,633,661	12,267,341
Freight Duty and Brokerage	308,818	1,407,940
Warehouse Expenses	71,380	164,363
Rewinding and zipping charges	15,830	126,457
	10,929,022	17,837,044
Less: Inventory- end of year	(2,300,281)	(2,899,333)
Total- Cost of Sales	8,628,741	14,937,711

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

UFLEX PACKAGING INC.  
 SUPPLEMENTAL SCHEDULE – SELLING, GENERAL AND ADMINISTRATIVE  
 MARCH 31, 2019 AND 2018  
 (in U.S. Dollars)

	2019	2018
Freight outward	\$ 433,147	\$ 511,249
Payroll , Payroll Taxes & Fees	268,507	270,353
Rent and Related Expense	105,703	104,419
Insurance	76,992	92,118
Travel	75,981	70,796
Audit Fees	39,992	40,911
Telephone	20,646	22,898
Legal & Professional Fees	14,192	6,427
Office Expense	8,558	12,682
Advertising and Promotion	6,656	4,862
Postage & Delivery	6,654	8,350
Utlites	6,148	3,330
Bank Charges	5,867	23,553
Commission	4,642	4,196
Discount & Rebate	4,620	6,124
Repairs & Maintenance	2,866	24,471
Dues & Subscription	789	89
Miscellaneous	479	341
Bad Debts		1,847
	<u>\$ 1,082,442</u>	<u>\$ 1,209,016</u>

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