CFS EUROPE S.p.A.

(Sole Shareholder Company)
Company subject to the management and co-ordination of Camlin Fine Sciences Ltd. (India)

Registered Office: Via Agostino Depretis 6 – 48123 Ravenna (RA)
Tax Code 03902320823 - VAT No. 11310150153

Register of Companies of Ravenna No. 03902320823 - REA Ravenna No. 134927
Share Capital Euro 2,000,000 fully paid in

Directors' Report on the Financial Statements at 31 March 2018

AMOUNTS EXPRESSED IN EURO

Dear Shareholder,

The financial statements for the year ended 31 March 2018, submitted for your approval, made up of the balance sheet, income statement, cash flow statement, and explanatory notes, have been drawn up in compliance with the Italian Civil Code. They present a loss of Euro 1,657,535 after a provision for deferred tax assets of Euro 514,328. A detailed explanation for the recognition of these deferred tax assets is provided in the explanatory notes, to which reference should be made.
This Directors' Report has been prepared in accordance with the provisions of art. 2428 of the aforementioned Civil Code, and aims to provide a true and accurate analysis of the company and its operating results for the year ended 31 March 2018.
To this end, we will review the contents of the Balance Sheet and Income Statement, reclassifying them by different criteria to highlight figures and results that are helpful in analysis and in calculating specific ratios.
We will now look at the company's assets and liabilities, as well as income-related and cash flow items, taking into account costs, revenues and investments carried out.

PRELIMINARY INFORMATION

During the year, management maintained the changes to the production process implemented in previous years in order to improve the level of efficiency achieved.
The following should be noted:

- Acquisition of 43.35% of the Chinese company CFS Wanglong Flavors (Ningbo) Co. Ltd., a company that produces synthetic vanillin, a product whose raw material is catechol;
- Directors decided to maintain the historical cost at recognition of this shareholding, although it is higher than the corresponding value of the

portion of shareholders' equity because they believe that it has not suffered impairment, as explained in the Explanatory Notes, to which reference should be made.

- Directors drafted the financial statements as at 31 March 2018 based on the going-concern assumption, as the budget submitted to the shareholder shows positive economic results for the next three years;
- Construction has begun on the technology laboratory on the premises of the registered office.

OPERATIONAL PERFORMANCE

CFS Europe S.p.A. produces and sells chemical products for industrial use, with the business concentrating particularly on diphenols: catechol and hydroquinone. During the year 2017-2018, the production of the diphenol plant was higher than the previous year. However, the trend in raw materials purchase costs saw a significant increase of 6%.

STAFF

The average number of employees working for the company the previous year and this year is shown below, broken down by category:

WORKFORCE/FINANCIAL YEAR	31/03/2018	31/03/2017	AVERAGE NO.
Manual workers	17	17	17.08
Office staff	22.5	21	20.75
Management	7	6	7.00
Executives	1	1	1.00
TOTAL EMPLOYEES	**47.5**	**45**	**45.83**

Industrial relations are normal and, as at the end of the financial year, there is no litigation pending.

Breakdown of business personnel by educational qualification

	No.	Perc.
University degree	10	21%
Secondary school diploma	28	58%
Lower secondary education	10	21%
Total	**48**	**100%**

Changes in workforce

The following changes in the business workforce took place during the year:

New hires: 2 plant operators, 1 process technician, 1 laboratory technician for the new food department, 1 administrative manager, to replace administrative manager on maternity leave.

Terminations: 1 plant operator, for retirement, and 1 plant operator whose apprentice contract was not converted.

Changes in qualification:
- 1 administrative employee - change from C1 to B2 with conversion from 87.50% part-time transformation to full-time
- 1 plant operator - change from E3 to E1
- 3 plant operators - change from E1 to D3
- 1 plant operator - change from D3 to D1

Trade Union Agreements: 3 meetings were held with internal union representatives and sector representatives during the year, to examine various aspects of business performance. The agreement for the profit-sharing bonus for 2017/2018 was signed at the meeting on 19 September 2017. The agreement envisages a fixed bonus of Euro 400 upon reaching a positive contribution margin, and a variable premium of Euro 1,350 base for level D, upon achieving certain objectives for which a parameter scale has been defined.
The objectives identified are: accidents, environmental incidents, complaints, service factor, out-of-spec, and production.

Occupational illness: no occupational illnesses were reported.

Disciplinary measures: only one disciplinary procedure was undertaken during the year, which, however, was resolved without taking action.

Information, education, and training
Training courses were organized for a total of 529 hours during the year.
The courses were related to legal and safety requirements for 360 hours, while 169 hours were dedicated to professional training courses.
Overall, training involved both administrative and plant employees, for a total cost of Euro 10,272, as budgeted.

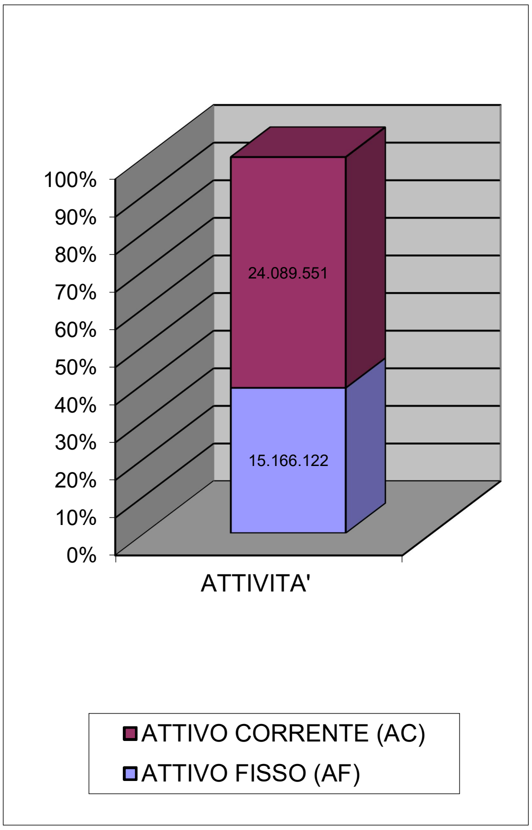
BALANCE SHEET

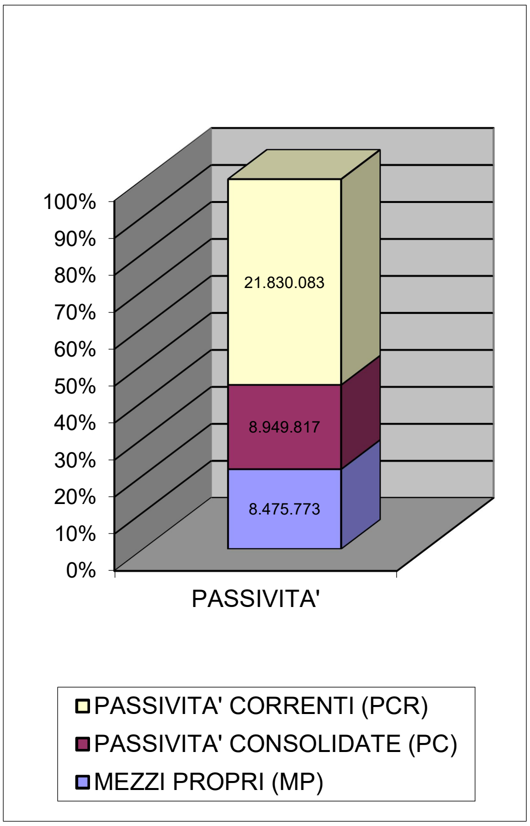
The company's capital structure consists of substantial tangible and intangible assets (38% of total invested capital), significant inventories of raw materials, semi-finished and finished products and receivables, mainly trade receivables to be collected, as well as deferred tax assets amounting to approximately Euro 2.5 million. Compared to the previous year, note the significant increase in net investments (Euro +5.2 million), a reduction in inventories (Euro -0.8 million), and an increase in receivables (Euro +3.2 million).

The increase in investments refers to the purchase of a strategic shareholding in a foreign company for Euro 5.1 million, while the increase in receivables is consistent with the growth in the business and revenues; note the increase in receivables for deferred tax assets for Euro 0.6 million.
With regard to liabilities, a loan was opened in connection with the purchase of the shareholding for a total amount of Euro 8.2 million and trade payables increased by Euro 2.2 million.
Short-term bank liabilities of Euro 5.9 million (down Euro 6.8 million from the previous year) include Euro 1.1 million relating to accounts receivable financing and Euro 1.8 million for the presentation and early deposit of letters of credit that have not yet reached their natural maturity for collection. The remainder represents current account overdrafts maintained within the limits of the credit facilities obtained and the portion of loans due within the following year.
Medium- and long-term payables include amounts due for employee severance indemnity, the bank loan, as well as provisions for risks and charges that the company has decided to allocate over time. This includes the increase in the provision for deferred taxes for Euro 0.1 million.
The increase in the company's total invested capital compared to the previous year is equal to Euro 7.3 million, or 23%, reaching a total value of Euro 39.3 million.
The table below shows figures reported in the Balance Sheet, but reclassified on the basis of financial criteria, i.e. sorting assets and liabilities by increasing "liquidity".
Note that the deferred tax assets, reclassified among deferred assets, will be recovered by the company in a period of time that will depend upon its future economic results.

ASSETS	
FIXED ASSETS (AF)	
Intangible fixed assets	398,622
Tangible fixed assets	9,216,594
Financial fixed assets	5,550,906
Total fixed assets	15,166,122
CURRENT ASSETS (AC)	
Inventories	9,048,045
Deferred assets (LD)	14,778,208
Liquid assets (LI)	263,298
Total current assets	24,089,551
CAPITAL INVESTED	**39,255,673**

LIABILITIES	
EQUITY (MP)	
Share capital	2,000,000
Reserves and profit/(loss) for the year	6,475,773
Total equity	8,475,773
CONSOLIDATED LIABILITIES (PC)	
Medium/long-term liabilities	8,949,817
- of which borrowings (pf)	*8,264,378*
CURRENT LIABILITIES (PCR)	
Short-term payables	21,830,083
- of which borrowings (pf)	*486,559*
FUNDING CAPITAL	**39,255,673**





ANALYSIS OF THE CAPITAL STRUCTURE

As a result of the reclassification, we are able to calculate a number of capital adequacy ratios, which highlight how medium- and long-term requirements are financed, as well as the composition of the sources of financing. In more detail:

CAPITAL ADEQUACY RATIOS		31/03/2018	31/03/2017
Equity to fixed asset ratio	MP / AF	55.89%	102.41%
Equity plus non-current liabilities to fixed asset ratio	(MP+PC) / AF	114.90%	113.71%
Total liability ratio	(PC+PCR) / MP	3.632	2.150
Financial debt ratio	PF / MP	0.654	0.992

The first two ratios look at the extent to which investments (fixed assets) are covered by financial resources destined to remain in the company over the long term, and represented by own resources and consolidated liabilities. The first ratio reflects the considerable increase in investments and the simultaneous partial reduction in shareholders' equity following the loss recorded for the year.

Instead, the second ratio is essentially unchanged, as it considers not only equity but also the medium/long-term loans.
This second figure shows how the company has acted effectively in carrying out the transactions necessary to guarantee the appropriate balance of its capital structure.
The total borrowing ratio indicates that third-party resources are around 3.63 times the amount of the company's own resources. The increase seen in the table is a direct consequence of the increase in the value of total capital invested, or investments made; the ratio is more than satisfactory, given the company's general structure.

ANALYSIS OF FINANCIAL POSITION AND SOLVENCY RATIOS

After initial analysis of the company's solidity, i.e. the ability to maintain financial stability over the medium- to long-term, let us now look at the solvency ratios. A number of solvency ratios can be calculated that are based on reclassified short-term balance sheet data. In more detail:

SOLVENCY - LIQUIDITY RATIOS		**31/03/2018**	**31/03/2017**
Current margin	AC - PCR	2,259,468	1,356,196
Current ratio	AC / PCR	110.35%	106.56%
Quick margin	LD + LI - PCR	(6,788,577)	(8,479,095)
Quick ratio	(LD+LI) / PCR	68.90%	58.97%

The results obtained from calculating the various ratios show that the company has more short-term assets than liabilities in the same category (net working capital) and that the "margin" improved by Euro 0.9 million.
The quick ratio highlights that the difference between current liabilities and assets increases when inventories are not considered, showing marked improvement of Euro 1.7 million.
This ratio (also referred to as the "acid test") removes the inventory component from net working capital, generating a more prudent solvency ratio, given that inventories are less likely to be transformed into cash than the remaining current asset components because they must first be distributed on the market.
The comparative analysis of the ratios for the two years shows an improvement in both absolute and percentage terms.

ANALYSIS OF THE INCOME SITUATION

An analysis of income is provided below for the period covered by the financial statements ended 31 March 2018.
In any event, we have included the reclassified income statement, which highlights the results generated from operations for the company's core business and also other accessory, financial, non-recurring and tax figures.
The format used is that recommended by the Italian National Council for Chartered Accountants:

Acronyms	Aggregates	31/03/2018	31/03/2017
RV	Revenues from sales	36,733,965	30,108,497
PI	In-house production	(628,728)	2,778,749
VP	***Value of operating production***	**36,105,237**	**32,887,246**
External costs	External operating costs	(33,919,996)	(28,314,124)
VA	***Added value***	**2,185,241**	***4,573,122***
CP	Staff and related costs	(2,708,765)	(2,569,149)
MOL	***EBITDA***	**(523,524)**	***2,003,973***
Am/Dep and Prov.	Amortization, depreciation and provisions	(1,343,636)	(1,269,180)
RO	***Operating result (EBIT)***	**(1,867,160)**	***734,793***
	Result: accessory area	0	0
	Result: financial area	307,701	33,132
	Normalized EBIT	**(1,559,459)**	***767,925***
	Result: extraordinary area	0	0
	Full EBIT	**(1,559,459)**	***767,925***
OF	Financial expenses	(602,590)	(289,962)
RL	***Gross profit (loss)***	**(2,162,049)**	***477,963***
	Income taxes	504,514	201,750
RN	***Net profit (loss)***	**(1,657,535)**	**679,713**

INCOME RATIOS		**31/03/2018**	**31/03/2017**
Return on equity	RN / MP	(19.56%)	6.71%
Return on investments	RO/ CI	(4.76%)	2.30%
Return on sales	RO/ RV	(5.08%)	2.44%

From an economic point of view, highlights include:

- Total increase in the value of production of Euro 3.2 million (revenues from sales Euro +6.6 million), or 10% on an annual basis (revenues on from sales +22%);

- Increase in raw materials purchase costs, utilities and external operating costs of Euro 5.6 million, or 20% on an annual basis;
- Staff and related costs rose as a direct consequence of the strengthening of the workforce compared to the previous year, but with an insignificant absolute variation (Euro +0.14 million)
- Amortization and depreciation essentially in line with the values from the previous year, though with a slight increase due to investments carried out;
- Substantial increase in financial expense following the opening of loans (Euro +0.31 million), partially offset by the increase in foreign exchange gains recognized but not yet realized (Euro +0.27 million) due to the “temporary” reduction in payables following the favourable trend in the Euro/US Dollar exchange rate during the year.
- The various economic results decreased as a direct consequence of the above and generated a loss for the year.

The company has increased production, grown sales revenues and reduced overall inventories; however, the selling prices on the market were not sufficient to cover the full production and operating costs, posting a loss for the year.
With the recovery of the price of hydroquinone, the trend in economic results should quickly reverse in the near term.

HEALTH, SAFETY AND THE ENVIRONMENT

- **Accident statistics:** During the 2017-2018 fiscal year, there was an accident resulting in absence from work (10 days of recovery). While descending from a ladder used to manipulate the valves of an instrument placed at a high level, an operator hit another valve with his elbow, causing the hot glycerine to escape from a purge that was left uncapped. The operator suffered 1st and 2nd degree burns. The instrument valves of the instrument were made accessible from the ground by inserting extensions and the staff was made aware that they needed to replace the caps on the valve purges after use.
- **Incidents**: there were 2 incipient fires at the finishing station, due to the accumulation of catechol near the bagging hopper. A weekly cleaning of the equipment, recorded on a dedicated form, has been instituted.
- During the period under review, 7 near-accidents were reported, all resolved with the exception of one involving the movement of a valve, to be performed during the October 2018 shutdown.

During the year, three products were registered: Veratrole, Ter-butilidrochinone and hydroquinone monomethyl ether. These registrations were necessary to comply with legal obligations.

RESEARCH AND DEVELOPMENT ACTIVITIES

No research and development costs were incurred during the year.

TRANSACTIONS WITH RELATED PARTIES

The company's sole shareholder is CFL Mauritius PVT Ltd., which is part of the Camlin Fine Sciences Ltd. Group, listed on the Mumbai Stock Exchange (India) and exercising management and coordination activities over CFS Europe S.p.A. During the year, a number of transactions were carried out with Camlin Fine Sciences Ltd. and with other Group companies; these are discussed in more detail in the Explanatory Notes, to which reference should be made.

SHARES OR QUOTAS HELD

The company does not possess, nor has it purchased and/or sold during the year, own shares or quotas in parent companies, either directly or through trust companies or third parties.
The company's only strategic shareholdings are those described and listed in the Explanatory Notes, to which reference should be made for further explanations.

BUSINESS OUTLOOK

Looking ahead, the company expects to strengthen its presence in the antioxidant market, particularly in the feed sector, with a 50% increase in forecasted revenues. In fact, the Camlin Group chose CFS Europe S.p.A. as its support base for marketing its proprietary food antioxidants products on the European market, in pure and prepared formats. For this purpose, the company also plans to complete the construction of the mixing plant and launch production of XTENDRA and NASURE products by 2018.

FINANCIAL INSTRUMENTS, COMPANY STRATEGY AND RISK EXPOSURE

The company is mainly exposed to the risk of an increase in the cost of specific raw materials, particularly phenol, and to euro/dollar exchange rate risk, the US dollar being the currency in which the company deals with some commercial partners. The effect on the income statement of the increase of the phenol price is generally balanced in the medium term by a corresponding increase in diphenol prices. Moreover, currency exchange risk is generally balanced by a similar effect on purchases and sales, as more fully explained in the Explanatory Notes. During 2017, the company signed a loan agreement with an English bank in order to acquire the shareholding in the Chinese company.

* * *

Dear Shareholder,
The Board of Directors invites you to approve these financial statements as prepared and accompanied by reports and disclosures drafted pursuant to the Law.

For the Board of Directors
Antonio Menezes

Report of the auditors of CFS Europe S.p.A.,
to Kalyaniwalla & Mistry LLP, auditors of Camlin Fine Sciences Limited Group

We have audited the accompanying Financial Statements of CFS Europe S.p.A. ("the Company"), which comprises the Balance Sheet as at March 31, 2018, and the Statement of Profit and Loss (including other comprehensive income), the Statement of Cash Flows and the Statement of Changes in Equity for the year then ended, a summary of significant accounting policies and other explanatory information and the accompanying special purpose financial information of CFS Europe S.p.A. together called the Fit for Consolidation Financial Statement (FFC).

Management's Responsibility for the Fit for Consolidation Accounts (FFC)

The Company's Management is responsible for the preparation and fair presentation of the FFC in accordance with the instructions received from Camlin Fine Sciences Limited and Kalyaniwalla & Mistry LLP, the auditors of Camlin Fine Sciences Limited and the accounting policies set out in the group audit instructions. This responsibility also includes maintenance of adequate accounting records in accordance with the provision of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the FFC Financial Statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these FFC based on our audit. We conducted our audit in accordance with the International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the FFC are free from material misstatement.
An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the FFC Financial Statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the FFC Financial Statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the FFC Financial Statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's Management, as well as evaluating the overall presentation of the FFC financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the FFC Financial Statements.

RB Audit Italia
società di revisione ed organizzazione contabile

Opinion

As requested by you, vide your communication dated March, 26 2018, and solely for your use for expressing an audit opinion on the Consolidated Financial Statements of Camlin Fine Sciences Limited, we report that the attached FFC present fairly, in all material respects, the financial position of CFS Europe S.p.A. as at March 31 2018 and of its financial performance and cash flows for the year then ended and are properly prepared in accordance with the group accounting policies and the instructions referred to above and are in conformity with Group Accounting Policies and Instructions on a basis consistent with that of the preceding year.

We further state that, in our judgment and for the purpose as mentioned above, there are no other matters that need to be reported to you.

Other matters

In particular and with respect to Camlin Fine Sciences Limited and the other components in the Camlin Fine Sciences Limited Group, referred to in Para 1.2 of the Group Audit Instructions, we are independent and comply with the applicable requirements of the International Standards on Auditing.

The FFC has been prepared for purposes of providing information to Camlin Fine Sciences Limited to enable it to prepare the consolidated financial statements of Camlin Fine Sciences Limited. The special purpose financial information is not a complete set of financial statements of the Company and thus not suitable for any other purpose. This report is intended solely for the purpose of expressing an audit opinion on the Consolidated financial statements of Camlin Fine Sciences Limited by Kalyaniwalla & Mistry LLP and should not be used for any other purpose or distributed to other parties.

Rome May, 18 2018

Roberto MALLARDO
RB AUDIT Italia - Audit Partner
(Registration n. 135061)

RB Audit Italia
società di revisione ed organizzazione contabile

CFS EUROPE SPA (SOLE SHAREHOLDER COMPANY)

Financial statements for the year ended 31 March 2018

Company data	
Registered office	VIA AGOSTINO DEPRETIS 6 - 48123 RAVENNA (RA)
Tax code	03902320823
Economic administrative index no.	RA 000000134927
VAT NO.	11310150153
Share Capital (in Euro)	2,000,000 fully paid-up
Legal format	JOINT STOCK COMPANY
Business activity code (ATECO)	201409
Company in liquidation	no
Sole shareholder company	yes
Company subject to management and coordination	yes
Name of the company or entity exercising management and coordination activities	CAMLIN FINE SCIENCES LTD. (INDIA)
Member of a group	yes
Parent Company name	CAMLIN FINE SCIENCES LTD. (INDIA)
Country of the Parent Company	INDIA

Balance Sheet

	31/03/2018	31/03/2017
Balance Sheet		
Assets		
B) Fixed assets		
I - Intangible fixed assets		
3) industrial patents and intellectual property rights	5,613	8,165
4) concessions, licences, trademarks and similar rights	391,567	291,272
7) other	1,442	2,163
Total intangible fixed assets	398,622	301,600
II - Tangible fixed assets		
1) land and buildings	1,331,861	1,416,556
2) plant and machinery	7,719,709	7,833,016
3) industrial and commercial equipment	5,311	20,503
4) other assets	60,455	65,972
5) assets in process of formation and advances	99,258	81,700
Total tangible fixed assets	9,216,594	9,417,747
III - Financial fixed assets		
1) equity investments in		
d) companies controlled by parent companies	5,076,387	0
d-bis) third parties	141,783	141,783
Total equity investments	5,218,170	141,783
2) receivables		
d) due from companies controlled by parent companies		
due beyond the following year	322,538	0
Total receivables due from companies controlled by parent companies	322,538	0
d-*bis*) due from others		
due beyond the following year	10,198	33,070
Total other receivables	10,198	33,070
Total receivables	332,736	33,070
Total financial fixed assets	5,550,906	174,853
Total fixed assets (B)	15,166,122	9,894,200
C) Current assets		
I - Inventories		
1) raw, ancillary and consumable materials	1,989,651	2,047,318
2) work in progress and semi-finished products	4,509,400	3,630,709
4) finished products and goods for resale	2,524,439	4,141,634
5) payments on account	24,555	15,630
Total inventories	9,048,045	9,835,291
II - Receivables		
1) trade receivables		
due within the following year	4,782,439	7,317,454
Total trade receivables	4,782,439	7,317,454
4) due from parent companies		
due within the following year	7,171,941	2,028,992
Total receivables due from parent companies	7,171,941	2,028,992
5-*bis*) tax receivables		
due within the following year	203,523	283,492
Total tax receivables	203,523	283,492

5-*ter*) deferred tax assets	2,577,878	1,955,248
Total receivables	14,735,781	11,585,186
IV - Cash and cash equivalents		
1) bank and postal deposits	262,872	541,972
3) cash and equivalents on hand	426	406
Total cash and cash equivalents	263,298	542,378
Total current assets (C)	24,047,124	21,962,855
D) Accruals and deferrals	42,427	59,658
Total assets	39,255,673	31,916,713
Liabilities		
A) Shareholders' equity		
I - Share capital	2,000,000	2,000,000
IV - Legal reserve	400,000	400,000
VI - Other reserves, indicated separately		
Extraordinary reserve	2,577,406	1,897,693
Miscellaneous other reserves	78,903	78,903
Total other reserves	2,656,309	1,976,596
VII - Cash flow hedge reserve	(1,996)	(2,991)
VIII - Retained earnings (accumulated losses)	5,078,995	5,078,996
IX - Net profit (loss) for the year	(1,657,535)	679,713
Total shareholders' equity	8,475,773	10,132,314
B) Provisions for risks and charges		
2) for current and deferred taxes	111,599	3,297
3) derivative payables	1,996	2,991
4) other	33,000	33,000
Total provisions for risks and charges	146,595	39,288
C) Employee severance indemnity (TFR)	538,843	512,102
D) Payables		
4) due to banks		
due within the following year	5,865,705	6,796,594
due beyond the following year	8,264,378	566,692
Total payables due to banks	14,130,083	7,363,286
6) payments on account		
due within the following year	162,497	350,000
Total payments on account	162,497	350,000
7) trade payables		
due within the following year	7,779,960	8,433,553
Total trade payables	7,779,960	8,433,553
11) due to parent companies		
due within the following year	7,264,281	4,378,146
Total payables due to parent companies	7,264,281	4,378,146
11-*bis*) payables to companies controlled by parent companies		
due within the following year	0	988
Total payables to companies controlled by parent companies	0	988
12) tax payables		
due within the following year	38,227	42,044
Total tax payables	38,227	42,044
13) due to social security and welfare institutions		
due within the following year	74,892	66,106
Total payables due to social security and welfare institutions	74,892	66,106
14) other payables		

due within the following year	357,507	325,528
Total other payables	357,507	325,528
Total payables	29,807,447	20,959,651
E) Accruals and deferrals	287,015	273,358
Total liabilities and shareholders’ equity	39,255,673	31,916,713

Income Statement

	31/03/2018	31/03/2017
Income Statement		
A) Value of production:		
1) revenues from sales and services	36,733,965	30,108,497
2) change in inventories of work in progress, semi-finished and finished products	(738,505)	1,454,072
4) increase in internal work capitalized	0	161,929
5) other revenues and income		
other	109,777	1,162,748
Total other revenues and income	109,777	1,162,748
Total value of production	36,105,237	32,887,246
B) Cost of production:		
6) for raw, ancillary and consumable materials and goods for resale	22,795,529	18,755,956
7) for services	10,798,257	9,577,359
8) for leased assets	97,849	114,238
9) for staff		
a) salaries and wages	1,978,262	1,860,429
b) social security contributions	595,692	576,908
c) employee severance indemnity	134,811	131,812
Total staff costs	2,708,765	2,569,149
10) amortization, depreciation and write-downs		
a) amortization of intangible fixed assets	18,348	15,459
b) depreciation of tangible fixed assets	1,028,359	923,792
d) write-downs of receivables recognized as current assets, cash and cash equivalents	296,929	296,929
Total amortization, depreciation and write-downs	1,343,636	1,236,180
11) changes in inventories of raw, ancillary and consumable materials and goods for resale	57,667	(253,696)
12) provisions for risks	0	33,000
14) other operating costs	170,694	120,267
Total cost of production	37,972,397	32,152,453
Difference between value and cost of production (A - B)	(1,867,160)	734,793
C) Financial income and expense:		
16) other financial income:		
a) from receivables held as financial fixed assets		
from companies controlled by parent companies	12,498	0
Total financial income from receivables held as financial fixed assets	12,498	0
d) income other than the above		
other	9	33,132
Total income other than the above	9	33,132
Total other financial income	12,507	33,132
17) interest and other financial expense		
other	602,590	191,138
Total interest and other financial expense	602,590	191,138
17-bis) Foreign exchange gains and losses	295,194	(98,824)
Total financial income and expense (15 + 16 - 17 +/- 17-bis)	(294,889)	(256,830)
Profit (loss) before taxes (A - B +/- C +/- D)	(2,162,049)	477,963
20) Income taxes for the year, current and deferred tax assets and liabilities		
current taxes	0	43,345
taxes pertaining to previous years	9,814	0
deferred tax assets and liabilities	(514,328)	(245,095)

Total income taxes for the year, current and deferred tax assets and liabilities	(504,514)	(201,750)
21) Profit (loss) for the year	(1,657,535)	679,713

Cash Flow Statement, indirect method

	31/03/2018	31/03/2017
Cash Flow Statement, indirect method		
A) Cash flows from operating activities (indirect method)		
Profit (loss) for the year	(1,657,535)	679,713
Income taxes	(504,514)	(201,750)
Interest expense/(income)	590,083	158,006
1) Profit (loss) for the year before taxes, interest, dividends and disposal gains /losses	(1,571,966)	635,969
Adjustments for non-cash items with no balancing entry in net working capital		
Allocations to provisions	134,811	164,812
Amortization/depreciation of fixed assets	1,046,706	939,251
Total adjustments for non-cash items with no balancing entry in net working capital	(1,181,517)	1,104,063
2) Cash flows before changes in net working capital	(390,449)	1,740,032
Changes in net working capital		
Decrease/(Increase) in inventories	787,247	(1,616,288)
Decrease/(Increase) in trade receivables	(2,607,934)	(736,477)
Increase/(Decrease) in trade payables	2,231,553	1,411,586
Decrease/(Increase) in accrued income and prepayments	17,232	(26,317)
Increase/(Decrease) in accrued expenses and deferred income	13,656	(14,831)
Other decreases/(Other increases) in net working capital	(302,265)	2,237,552
Total changes in net working capital	139,489	1,255,225
3) Cash flows after changes in net working capital	(250,960)	2,995,257
Other adjustments		
Interest collected/(paid)	(590,083)	(158,006)
(Income taxes paid)	222,858	(176,453)
(Utilization of provisions)	(109,064)	(139,519)
Total other adjustments	(476,289)	(473,978)
Cash flows from operating activities (A)	(727,249)	2,521,279
B) Cash flows from investment activities		
Tangible fixed assets		
(Investments)	(827,206)	(2,144,362)
Intangible fixed assets		
(Investments)	(115,370)	(121,428)
Financial fixed assets		
(Investments)	(5,376,053)	-
Cash flows from investment activities (B)	(6,318,629)	(2,265,790)
C) Cash flows from financing activities		
Third-party funding		
Increase/(Decrease) in short-term payables to banks	(1,269,869)	(445,421)
New loans	8,183,680	750,000
(Repayment of loans)	(147,013)	(428,788)
Cash flows from financing activities (C)	6,766,798	(124,209)
Increase (decrease) in cash and cash equivalents (A ± B ± C)	(279,080)	131,280
Cash and cash equivalents - opening balance		
Bank and postal deposits	541,972	410,684
Cash and equivalents on hand	406	414
Total cash and cash equivalents - opening balance	542,378	411,098

Cash and cash equivalents - closing balance

Bank and postal deposits	262,872	541,972
Cash and equivalents on hand	426	406
Total cash and cash equivalents - closing balance	263,298	542,378

Explanatory Notes to the Financial Statements for the year ended 31 March 2018

Explanatory Notes - Introduction

Dear Shareholder,

The financial statements for the tax period 1 April 2017 to 31 March 2018, which we submit for your approval, record a loss for the year of Euro 1,657,535. This document was drawn up in accordance with the Italian Civil Code, as amended by Italian Legislative Decree 139/2015 (the "Decree"), interpreted and supplemented by the Italian accounting standards issued by the OIC (Italian Accounting Body).
The Financial Statements comprise the Balance Sheet (prepared in the format envisaged in articles 2424 and 2424-*bis* of the Italian Civil Code), the Income Statement (prepared according to articles 2425 and 2425-*bis*), the Cash Flow Statement (the contents of which comply with article 2425-*ter* and are presented in compliance with the principles of accounting standard OIC 10), and these Explanatory Notes, prepared in accordance with articles 2427 and 2427-*bis* of the Italian Civil Code).
The Explanatory Notes below analyse and supplement the financial statements data with additional information considered necessary for a truthful and fair representation of the data illustrated, taking into account that no exceptions pursuant to articles 2423 and 2423-*bis* of the Italian Civil Code were applied.
The items in the financial statements were valued following the general criteria of prudence and on an accrual basis, under the assumption of going concern, as well as by taking into account the economic function of the asset or liability item considered, in accordance with the provisions of article 2423-*bis* of the Italian Civil Code. For each transaction or circumstance, and for any corporate event, its substance was therefore identified regardless of its origin and any interdependence on multiple contracts forming part of complex transactions was assessed.
Application of the principle of prudence led to the individual valuation of the components of the individual headings or items of the assets or liabilities, to avoid offsetting between losses that must be recognized and profits that must not be recognized, as they are unrealized.
In accordance with the accruals principle, the effects of the transactions and other events have been recorded in the accounts and allocated to the accounting period to which said transactions and events refer, and not to the period when the related cash movements (collections and payments) took place.
The application continuity over time of the valuation criteria is an aspect necessary for the comparability of the company's financial statements in different years.
The items not specifically recorded in the Balance Sheet and Income Statement, envisaged in articles 2424 and 2425 of the Italian Civil Code, and in the Cash Flow Statement presented in compliance with accounting standard OIC 10, had a zero balance. The option not to indicate such items related only to cases in which a zero balance was recorded both in the current year and the previous year.
For purposes of data comparability, some items in the previous year's financial statements required reclassification.

ACCOUNTING STANDARDS
The most important accounting standards adopted in drawing up these financial statements are described below.

INTANGIBLE FIXED ASSETS
Intangible assets were measured on the basis of the actual purchase cost incurred by the company and the resulting value amortized on a line-by-line basis every year in relation to the remaining useful life.

TANGIBLE FIXED ASSETS
Tangible assets are recognized at their historical purchase or production cost, net of related accumulated depreciation, including all directly associated accessory costs.
The value of these assets does not include any interest expense. Routine maintenance costs are charged in full to the income statement for the year in which they are incurred, whereas improvement, modernization and transformation costs increasing the value of an asset are recognized as balance sheet assets.
As required in applicable regulations, all tangible assets are subject to depreciation on a straight-line basis at rates, which depend on the remaining useful life and physical wear of the assets.

The depreciation on assets acquired during the year was calculated by applying one-half of the ratios below, in that the value determined in this manner does not deviate significantly from what would have been the value based on the actual period of possession of the new assets. Conversely, if the difference was found to be significant, the calculation is made from the time the assets became available and ready for use.
Assets in process of formation are measured at the purchase cost of the assets and services directly relating to implementation of the planned investments, including any accessory charges and capitalized internal costs directly attributable to the contracts.
The rates applied are:

Asset category	31/03/2018
Civil buildings	5.50%
General plants	7.70% - 10%
Specific less corrosive plants	12%
Specific highly corrosive plants	17.50%
Motor goods and other vehicles	25%
Lab equipment	40%
Office furnishings and furniture	12%
Electronic office equipment	20%

In the year ending 31 March 2014, the amortization plan for generic plants was modified and the rate adjusted to the results of a special report prepared by an external expert who, basing his evaluation on the technical checks and inspections carried out, estimated that at 31 March 2014 the remaining useful life of the assets was a further 12 years. The effects of this change on the income statement and on shareholders' equity are explained and detailed in the relevant section of these notes. In general, generic plants have a depreciation period of between 10 and 13 years.

FINANCIAL FIXED ASSETS
Equity investments are shown at their purchase value.
Long-term receivables are recorded at nominal value, considered to represent the recovery value.

INVENTORIES
Raw material, consumables and finished goods inventories are measured at either the average purchase or production cost incurred during the year or the realizable value, net of sales costs, whichever is lower.
Raw materials and finished goods are valued using the weighted average cost method, i.e. with purchase and production volumes for the year contributing in different proportions to the beginning inventories.
As in previous years, materials are valued using the weighted average cost method based on movements recorded.

RECEIVABLES
Receivables originating from revenues from sale of goods or provision of services are recorded as current assets based on the accrual principle when the conditions are met for recognition of the related revenues.
Receivables originating for other reasons are recorded if there is "entitlement" to the receivable, i.e. when they actually represent a third-party obligation to the company.
Receivables, within the limit of their estimated recoverable amount, are recorded in the balance sheet net of a related provision for doubtful accounts considered adequate to cover any losses due to reasonable foreseeable non-collection. The Company assumes the effects of the application of amortized cost and discounting to be immaterial when receivables are due within 12 months.
Receivables generated prior to 1 April 2016 are measured and recognized at their estimated recoverable amount.

CASH AND CASH EQUIVALENTS
This reflects actual amounts of cash on hand.

ACCRUALS AND DEFERRALS
Accruals and deferrals are calculated in capitalized to charge to the current year only the correct portion of costs and income that refer to more than one year.

PROVISIONS FOR RISKS AND CHARGES

Provisions for risks and charges are allocated to cover losses or liabilities of certain or probable existence, but for which the exact amount or due date cannot be calculated at year-end. The allocations reflect the best possible estimate based on known elements. The assessment of these risks also takes into account information that became available after the end of the financial year.

EMPLOYEE SEVERANCE INDEMNITY (TFR)

The overall liability for employee severance indemnity is calculated in compliance with applicable legislation governing employment contracts, and equals the actual amount the company has accrued for each individual member of the staff at the end of the financial year, less any advances paid or amounts transferred to INPS or other supplementary funds.

PAYABLES

Payables originating from goods purchases are recorded in the balance sheet when the significant risks, charges and benefits associated with ownership are substantially transferred. Payables relating to services are recorded when the services are provided, i.e. when provision of the service is complete.
Payables arising for reasons other than the purchase of goods and services are recognized when the company has an obligation to the counterparty, identified on the basis of legal and contractual requirements.
Payables generated on or after 1 April 2016 are recorded using the amortized cost criterion, taking the time factor into account. The company assumes the effects of the application of amortized cost and discounting to be immaterial when payables are due within 12 months.
Payables generated prior to 1 April 2016 are measured and recognized at their nominal value.

AMOUNTS IN FOREIGN CURRENCY

Any receivables and payables originating in other, non-Eurozone currencies are calculated using the exchange rate in effect on the date the relative transaction was executed. The exchange rate differences arising at the time receivables are collected and the payables paid are posted in the income statement.
At year-end, foreign currency, receivables and payables, with the exception of fixed non-monetary investments, are recorded in the income statement using the spot exchange rate in effect at the date of the financial statements.
Any net gains are allocated to a specific non-distributable equity reserve until realized.

REVENUES AND CHARGES

Revenues and charges are recognized, net of returns, discounts, allowances and bonuses, on an accruals basis and irrespective of the collection or payment date associated with a concept of a financial nature. In particular, for product sales, revenues are recognized at the time they are delivered or shipped, while revenues from services are recognized on an accrual accounting basis.

TAXES

Direct taxes for the year are recorded based on the estimated taxable income, in compliance with legal provisions and the current rates, and taking into account any applicable exemptions.
Analysis is also performed to check for any temporary differences between the book values of assets and liabilities and the corresponding values for tax purposes and/or between income components in the income statement and those taxable or deductible in future years for the purpose of recognition of taxes for the year, in accordance with the provisions of OIC 25.
Any taxable temporary differences found are recognized in the financial statements as deferred tax liabilities, unless the exceptions envisaged in OIC 25 apply.
Any deductible temporary differences are recorded as deferred tax assets in the financial statements only if there is reasonable certainty of their future recovery.
Deferred tax assets and liabilities are calculated on the aggregate total of all temporary differences for the year, applying the tax rates in forces for the year in which the temporary differences will be reversed, as envisaged in the tax regulations in force at the financial statements reporting date.
Deferred tax assets and liabilities are not discounted.
For classification in the financial statements, tax receivables and payables are offset only if there is a legal right to offset the amounts recorded based on tax laws and there is the intention to settle the tax payables and receivables on a net basis by means of a single payment.

Explanatory Notes - Assets

Receivables due from shareholders

The share capital is fully paid-in.

Fixed assets

Intangible fixed assets

The intangible assets were recognized as they are considered to be of long-term utility and, where necessary, with the prior consent of the Statutory Auditors Board.
The amount recorded in balance sheet assets is already net of amortization applied over the years.
The amortization process for start-up and expansion costs has ended, whilst the process for intellectual property rights and other intangible assets will be completed, as scheduled, over a five-year period.
The amortization plan for costs incurred for Reach Centrum rights will be completed in 2044; until this time, CFS will have leaseholder rights on the production systems at the Ravenna plant.
The tables below provide details of changes in the last financial year.

Changes in intangible fixed assets

	Start-up and expansion costs	Industrial patents and intellectual property rights	Concessions, licences, trademarks and similar rights	Other intangible fixed assets	Total intangible fixed assets
Opening balance					
Cost	327,595	38,490	351,054	108,061	825,200
Accumulated amortization	327,595	30,325	59,782	105,898	523,600
Book value	-	8,165	291,272	2,163	301,600
Changes during the year					
Increases for acquisitions	-	398	114,973	-	115,371
Amortization for the year	-	2,950	14,678	721	18,349
Total changes	-	(2,552)	100,295	(721)	97,022
Closing balance					
Cost	327,595	38,888	466,027	108,061	940,571
Accumulated amortization	327,595	33,275	74,460	106,619	541,949
Book value	-	5,613	391,567	1,442	398,622

Tangible fixed assets

In relation to buildings, note that those located on the premises of the Ravenna chemical complex are available to the company under the terms of special land usage rights expiring in 2044, whilst the building purchased during the previous year has become the company's registered office and is fully owned. For the former, it was necessary to arrange unbundling of the value of the underlying land, whilst for the latter the land value was determined on the basis of a special external technical appraisal as Euro 214,000.

Investments made during the year are shown in the table below, broken down by category.
No revaluations or write-downs were made during the year.
Changes in each of the fixed asset categories are highlighted individually in the summary table below.

Changes in tangible fixed assets

	Land and buildings	Plant and machinery	Industrial and commercial equipment	Other tangible fixed assets	Tangible assets in process of formation and advances	Total tangible fixed assets
Opening balance						
Cost	2,278,633	26,425,797	495,592	276,107	81,700	29,557,829
Accumulated depreciation	862,077	18,592,781	475,089	210,135	-	20,140,082
Book value	1,416,556	7,833,016	20,503	65,972	81,700	9,417,747
Changes during the year						
Increases for acquisitions	-	790,101	749	18,797	17,558	827,205
Depreciation for the year	84,695	903,408	15,941	24,314	-	1,028,358
Total changes	(84,695)	(113,307)	(15,192)	(5,517)	17,558	(201,153)
Closing balance						
Cost	2,278,633	27,215,898	496,341	294,904	99,258	30,385,034
Accumulated depreciation	946,772	19,496,189	491,030	234,449	-	21,168,440
Book value	1,331,861	7,719,709	5,311	60,455	99,258	9,216,594

There are also contract works in progress for Euro 99,258, which relate to contracts not yet completed at 31 March 2018.
Contracts in progress at the end of the previous year and completed in the year under review were restated to their respective reference categories. The most significant investments refer to modernization and installation of new parts of plants.
Lastly, note that following the review performed during the year ended 31 March 2014 of the general plant depreciation plan, these financial statements record lower depreciation for Euro 169,651, which net of tax effects led to a smaller loss for the year, i.e. an increase in shareholders' equity, of Euro 128,935.

Finance lease transactions

At 31 March 2018, the company had two ongoing lease agreements for vehicles.
The following data are provided in the table below:
- the current value of remaining instalments and the redemption price which, as hypothetical assets, represent the company's outstanding debt;
- the actual financial expense relating to the reporting period, i.e. the interest expense to be charged to the income statement, under the assumption of a loan payment;
- the book value, equal to the net carrying amount of the asset, if it is booked as a balance sheet asset. The amount disclosed equals the difference between the theoretical purchase value of the asset and the relative accumulated depreciation;
- the value of depreciation for the period is calculated on the basis of a predefined schedule at a rate of 25%.

Lease 1	Values at 31/03/2017	Values at 31/03/2018
Residual debt to the lessor	10,434	7,721
Financial expenses	472	349
Total gross assets at year end	13,655	13,655
Depreciation for the year	1,707	3,414
Total accumulated depreciation	1,707	5,121
Total net assets	**11,948**	**8,534**

Lease 2	Values at 31/03/2017	Values at 31/03/2018
Residual debt to the lessor	5,348	2,583
Financial expenses	139	84
Total gross assets at year end	11,648	11,648
Depreciation for the year	2,912	2,912
Total accumulated depreciation	7,280	10,192
Total net assets	**4,368**	**1,456**

Lease 1 figures (amounts net of VAT) Asset cost:
Euro 13,655
Rate: 5.49%
Initial balloon payment: Euro 407
Lease option: Euro 136 Contract
start date 11/07/2016 Contract end
date 11/07/2019

Lease 2 figures (amounts net of VAT) Vehicle
sale price: Euro 11,648
Rate: 2%
Initial balloon payment: Euro 1,204
Lease option: Euro 120 Contract
start date 25/02/2015 Contract end
date 25/02/2019

Financial fixed assets

Changes in equity investments, other securities and capitalized derivative receivables

On 7 July 2017, the company acquired a 43.35% shareholding in a Chinese company that is also active in the chemical sector and is part of the same supply chain that operates downstream from CFS. This strategic investment enabled the parent company CFSL to indirectly exercise control over the Chinese company.
The cost of the equity investment recorded in financial statements, including accessory charges, is higher than the corresponding value of the percentage of shareholders' equity resulting from the latest financial statements of the Chinese company. Having evaluated the financial statements and operating results historically achieved by the Chinese investee company, the higher value was maintained in financial statements as its acquisition allowed the company to increase the sale price of catechol along with the certainty of selling the entire production to the parent company CFSL, which in turn transforms the catechol into guaiacol necessary for the Chinese subsidiary to produce vanillin.
The data required by point 5) of art. 2427 of the Italian Civil Code relating to the investee company CFS WANGLONG FLAVORS (NINGBO) CO. LTD based in China.

	All amounts are expressed in RMB Yuan	Euro/RMB Yuan exchange rate at 29 March 2018	All amounts are expressed in units of Euro
Share capital	80,000,000	7.7468	10,326,845
Profit (loss) for the year at 31 March 2018	(2,751,633)		(355,196)
Shareholders' equity at 31 March 2018	77,248,367		9,971,649

	All amounts are expressed in units of Euro
Book value of shareholders' equity at 31 March 2018	5,076,387
Corresponding portion of SE of investee as at 31 March 2018 (43.35% of Euro 9,971,649)	4,322,710

The shareholding in Ravenna Servizi Industriali S.C.p.A. (RSI), equal to 2.533% of the company's share capital with 141,783 shares, is also booked under this category. CFS EUROPE is a partner of RSI with other companies operating from within the Ravenna chemical plant.

	Equity investments in companies controlled by parent companies	Equity investments in other companies	Total equity investments
Opening balance			
Cost	-	141,783	141,783
Book value	0	141,783	141,783
Changes during the year			
Increases for acquisitions	5,076,387	-	5,076,387
Total changes	5,076,387	-	5,076,387
Closing balance			
Cost	-	141,783	141,783
Book value	5,076,387	141,783	5,218,170

Changes and due dates of long-term receivables

Long-term receivables consist of the following items:
- interest-bearing loan (6.75% annual rate) granted to the Chinese investee company for Euro 322,538, which must be repaid no later than 30 September 2020;
- security deposits paid to an insurance company for the issue of sureties for Euro 10,147 and to utility providers for Euro 50.

	Opening balance	Changes during the year	Closing balance	Due beyond the following year
Long-term receivables due from companies controlled by parent companies	0	322,538	322,538	322,538
Long-term receivables from others	33,070	(22,872)	10,198	10,198
Total long-term receivables	33,070	299,666	332,736	332,736

Breakdown of long-term receivables by geographic area

Geographic area	Long-term receivables due from companies controlled by parent companies	Long-term receivables from others	Total long-term receivables
ITALY	-	10,198	10,198
NON-EU	322,538	-	322,538
Total	322,538	10,198	332,736

Current assets

Inventories

Inventories disclosed refer to specific raw materials used in the sector, as well as technical materials, packaging, semi-finished products and finished goods ready for sale.
The table below provides highlights of the numerical changes compared to the previous year.

	Opening balance	Change during the year	Closing balance
Raw, ancillary and consumable materials	2,047,318	(57,667)	1,989,651
Work in progress and semi-finished products	3,630,709	878,691	4,509,400
Finished products and goods for resale	4,141,634	(1,617,195)	2,524,439
Payments on account	15,630	8,925	24,555
Total inventories	9,835,291	(787,246)	9,048,045

The total closing balance of inventories decreased compared to the previous year by Euro 787,246.

Receivables recognized as current assets

Changes and due dates of receivables recognized as current assets

	Opening balance	Change during the year	Closing balance	Due within the following year
Trade receivables recognized as current assets	7,317,454	(2,535,015)	4,782,439	4,782,439
Receivables due from parent companies recognized as current assets	2,028,992	5,142,949	7,171,941	7,171,941
Tax receivables recognized as current assets	283,492	(79,969)	203,523	203,523
Deferred tax assets recognized as current assets	1,955,248	622,630	2,577,878	
Total receivables recognized as current assets	11,585,186	3,150,595	14,735,781	12,157,903

All receivables indicated in the table above are collectible within the next year. The breakdown for each category is provided below.

TRADE RECEIVABLES
Trade receivables reflect commercial accounts still to be received.
In compliance with the principle of prudence, during the year the company considered it necessary to increase the provision for doubtful accounts to Euro 1,781,576, equal to 60% of total receivables due from Versalis S.p.A. in reference to the 1994-2014 contract for a catalytic converter, which are proving difficult to collect.
In relation to other trade receivables, no additional amount has been set aside to the provision for doubtful accounts because, with the exception noted above, there were no collection difficulties.
The table below shows the breakdown of and changes in trade receivables:

Description	**Value at 31/03/2017**	**Value at 31/03/2018**	**Change**
Trade receivables	6,863,034	4,621,149	(2,241,885)
Trade receivables on invoices to be issued	1,939,066	1,939,066	0
Provision for doubtful accounts	(1,484,646)	(1,781,576)	(296,930)
Category total	7,317,454	4,778,639	(2,538,815)

RECEIVABLES DUE FROM PARENT COMPANY
Trade receivables due from the parent company have increased considerably following the extension of contractual terms for collection; there are no past due and unpaid receivables as at 31 March 2018 nor any collection difficulties.
Lastly, as can be seen below, it should be emphasized that the company has contracted payables to the parent company for a total of Euro 7,264,281.

Description	Value at 31/03/2017	Value at 31/03/2018	Change
Receivables due from the parent company	2,028,992	7,171,941	5,142,949
Category total	2,028,992	7,171,941	5,142,949

TAX RECEIVABLES

VAT receivables were formed by the balance after the monthly settlement for March 2018 and the balance of the annual VAT declaration for 2017.
The remaining portion of tax receivables refers to the IRAP advance paid during the year and withholdings on interest income accrued on current accounts.
The table below shows the breakdown of and changes in tax receivables:

Description	Value at 31/03/2017	Value at 31/03/2018	Change
Tax offsetting	249,024	17,348	(231,676)
VAT	34,468	186,175	151,707
Category total	283,492	203,523	(266,144)

DEFERRED TAX ASSETS

In accordance with OIC accounting standard 25, deferred tax asset allocation in the financial statements is based on the following items:
- previous tax losses expected to be recovered;
- residual amortization of past research and development costs, eliminated from the financial statements in compliance with new accounting standards, and other temporary misalignments in the amortization process for certain assets;
- write-downs and provisions for risks;
- economic aid (ACE) to be carried forward;
- other items not deductible under current tax regulations

The deferred tax assets recorded in the financial statements total Euro 2,577,878, recording an increase of Euro 753,614 and a decrease of Euro 130,984, therefore up by a total of Euro 622,630 compared to the previous year.
The increase was due mainly to new deferred tax assets calculated on the tax loss generated during the year, the tax deduction for economic development aid (ACE), and on the additional increase in the provision for doubtful accounts. The decrease was primarily attributable to the recovery of amortization charges for previous research and development costs.
In consideration of future growth in production activities and based on the preliminary Business Plan drafted by the administrative body, the company believes there is a reasonable certainty of achieving positive results over the next few years to ensure reabsorption of all the deferred tax assets recognized.

The table below shows the breakdown of and changes in deferred tax assets:

Description	Amounts
IRES-IRAP deferred tax assets from the previous year	1,955,248
Deferred tax assets generated during the year	753,614
Deferred tax assets reabsorbed during the year	(130,984)
IRES-IRAP deferred tax assets from the current year	2,577,878
Change	622,630

There are no receivables due in more than 5 years.

Breakdown of receivables recognized as current assets by geographic area

Geographic area	ITALY	EU	NON-EU	Total
Trade receivables recognized as current assets	1,624,051	1,899,974	1,258,414	4,782,439
Receivables due from parent companies recognized as current assets	-	-	7,171,941	7,171,941

Geographic area	ITALY	EU	NON-EU	Total
Tax receivables recognized as current assets	203,523	-	-	203,523
Deferred tax assets recognized as current assets	2,577,878	-	-	2,577,878
Total receivables recognized as current assets	4,405,452	1,899,974	8,430,355	14,735,781

Cash and cash equivalents

The company's cash and cash equivalents comprise the following:

	Opening balance	Change during the year	Closing balance
Bank and postal deposits	541,972	(279,100)	262,872
Cash and equivalents on hand	406	20	426
Total cash and cash equivalents	542,378	(279,080)	263,298

Accrued income and prepayments

Prepayments remove all costs pertaining to future years from the income statement. The table below provides a breakdown by type:

Description	Value at 31/03/2017	Value at 31/03/2018	Change
Lease instalments and balloon payments	808	519	(289)
Insurance premiums	14,497	14,303	(194)
Vehicle costs	113	112	(1)
Other lease instalments	5,053	2,189	(2,864)
Other services	12,079	7,077	(5,002)
Interest and charges	11,370	3,935	(7,435)
Maintenance	9,905	9,294	(611)
Subscriptions	5,833	4,998	(835)
Total	**59,658**	**42,427**	**(17,231)**

Explanatory Notes - Liabilities and Shareholders' Equity

Shareholders' equity

The company's share capital of Euro 2,000,000 is wholly owned by the sole shareholder CFL Mauritius PVT Ltd., part of the Camlin Fine Sciences Ltd. group (India).
Other items making up shareholders' equity include the legal reserve for Euro 400,000, which has reached its legal minimum, the extraordinary reserve for Euro 2,577,406, the non-distributable profit reserve for Euro 78,903, the cash flow hedge reserve for a negative Euro 1,996 and retained earnings of Euro 5,078,995.
As far as the Board of Directors is aware, the shares are fully available to the sole shareholder, given that there are no liens, encumbrances or other restrictions upon them.
The following table shows changes over the past three years in items of shareholders' equity.

Changes in shareholders' equity items

	Opening balance	Allocation of previous year's profit (loss)	Other changes	Profit (loss) for the year	Closing balance
		Other allocations	Decreases		
Share capital	2,000,000	-	-		2,000,000
Legal reserve	400,000	-	-		400,000
Other reserves					
Extraordinary reserve	1,897,693	679,713	-		2,577,406
Miscellaneous other reserves	78,903	-	-		78,903
Total other reserves	1,976,596	679,713	-		2,656,309
Cash flow hedge reserve	(2,991)	-	(995)		(1,996)
Retained earnings (accumulated losses)	5,078,996	-	1		5,078,995
Profit (loss) for the year	679,713	(679,713)	-	(1,657,535)	(1,657,535)
Total shareholders' equity	10,132,314	-	(994)	(1,657,535)	8,475,773

Breakdown of miscellaneous other reserves

Description	Amount
NON-DISTRIBUTABLE PROFIT RESERVE	78,903
Total	78,903

The profit for the previous year of Euro 679,713 was allocated in full to the extraordinary reserve.
The cash flow hedge reserve represents the negative fair value of the derivative financial instrument, described in the comments on the item Provisions - B3).

Availability and use of shareholders' equity

Shareholders' equity items are illustrated in the following table by source, possibility of utilization, availability for distribution and utilization in the three previous financial years.

	Amount	Source/type	Possibility of utilization	Available
Share capital	2,000,000	SHARE CAPITAL		-
Legal reserve	400,000	PROFIT RESERVE	B	-
Other reserves				
Extraordinary reserve	2,577,406	PROFIT AND CAPITAL RESERVE	A,B,C,D,E	2,577,406
Miscellaneous other reserves	78,903	PROFIT RESERVE	A,B,D	78,903
Total other reserves	2,656,309			2,656,309
Cash flow hedge reserve	(1,996)	EQUITY ADJUSTMENT RESERVE		-
Retained earnings	5,078,995	PROFIT RESERVE	A,B,C,D,E	5,078,996
Total	10,133,308			7,735,305
Non-distributable portion				78,903
Remaining distributable portion				7,656,402

Key: A: for share capital increase; B: to cover losses; C: for distribution to shareholders; D: other statutory restrictions; E: other

Note that, in accordance with a specific shareholders' meeting resolution, "Other reserves" include a non-distributable profit reserve for Euro 78,903 as this is subordinated to the collection of a receivable due from Versalis S.p.A. It is for this reason that, despite it being a net item, it is not indicated as being available for distribution to shareholders.
All shareholders' equity reserves were distributable except for the Euro 78,903 indicated above.

Changes in the cash flow hedge reserve

During the previous year, the company signed an unsecured loan and, to protect against a possible increase in interest rates, subscribed a "protected IRS" derivative contract at the same time.
Pursuant to art. 2427-bis of the Italian Civil Code, information on the derivative financial instrument is as follows:
- negative fair value at 31 March 2018 (mark to market) of Euro 1,996, recorded in the special liability item B.3) with balancing entry of the corresponding negative shareholders' equity reserve in item A.VII).

Technical characteristics
duration: 30/11/2016-
30/11/2021
notional reference value at end of year: Euro 566,692
bank benchmark rate: 3M/365 Euribor; minimum -1.50%; company benchmark rate: fixed rate 0.05%
benchmark rate period: quarterly

Provisions for risks and charges

The provision for deferred tax liabilities, recognized in compliance with accounting standard OIC 25, generated a temporary misalignment between the statutory and tax values of certain balance sheet items, giving rise to taxes which though pertaining to the year will only be due in later years.
In this particular case, they arose from unrealized foreign exchange gains.
The provision for derivative payables represents the negative fair value of the hedging instrument described in the previous point.
Other provisions for risks are unchanged compared to the previous year and refer to the initial estimate of legal fees and possible penalties that the company may assume against a proceeding initiated

by USL for a workplace accident in April 2016 at the Ravenna plant and the receipt, on 6 April 2017, of a Report on Findings (PVC) concerning the 2014/2015 year.
In relation to PVC, note that the company has filed specific defines briefs to support its operations and began initial negotiations with the Tax Authorities.
At present, no assessment notice has been served.

	Provision for current and deferred taxes	Derivative payables	Other provisions	Total provisions for risks and charges
Opening balance	3,297	2,991	33,000	39,288
Changes during the year				
Utilization during the year	108,302	-	-	108,302
Other changes	-	(995)	-	(995)
Total changes	(108,302)	(995)	-	(109,297)
Closing balance	111,599	1,996	33,000	146,595

Employee severance indemnity (TFR)

Employee severance indemnities are allocated over the term of employment for each employee in compliance with labour law and agreements. The amount reported in the balance sheet reflects the company's liability at the year-end date.
The following changes took place during the financial year:

	Employee severance indemnity (TFR)
Opening balance	512,102
Changes during the year	
Allocations during the year	133,334
Other changes	(106,593)
Total changes	26,741
Closing balance	538,843

The increases relate to the employee severance indemnity accrued during the year, while decreases refer to the amounts paid to employees via their salaries as advances and/or settlements for Euro 24,440 and the amount due to supplementary pension funds for Euro 82,153.

Payables

Changes and due dates of payables

	Opening balance	Change during the year	Closing balance	Due within the following year	Due beyond the following year
Due to banks	7,363,286	6,766,797	14,130,083	5,865,705	8,264,378
Payments on account	350,000	(187,503)	162,497	162,497	-
Trade payables	8,433,553	(653,593)	7,779,960	7,779,960	-
Payables to parent companies	4,378,146	2,886,135	7,264,281	7,264,281	-
Payables to companies controlled by parent companies	988	(988)	0	0	-
Tax payables	42,044	(3,817)	38,227	38,227	-
Payables to social security and welfare institutions	66,106	8,786	74,892	74,892	-
Other payables	325,528	31,979	357,507	357,507	-
Total payables	20,959,651	8,847,796	29,807,447	21,543,069	8,264,378

PAYABLES TO BANKS

Description	Value at 31/03/2017	Value at 31/03/2018	Change
Current accounts	2,635,836	2,476,835	(159,001)
Letters of credit	3,245,008	1,782,891	(1,462,117)
Accounts receivable financing	768,171	1,119,420	351,249
Loans due within the following year	147,579	486,559	338,980
Loans due beyond the following year	566,692	8,264,378	7,697,686
Category total	7,363,286	14,130,083	6,766,797

Amounts due to banks are represented by the current account overdraft, the amount of letters of credit presented for payment with the “subject to clearance” clause and credited to the account, but whose effective maturity is in the future, to which are added both the payable to banks for the accounts receivable financing as well as the payables to banks for new loans.
The information relating to medium/long-term loans outstanding at the reporting date is shown below:

- unsecured loan of Euro 567,258, of which Euro 418,623 relating to the principal payable after 31 March 2019. This loan was stipulated during the previous year and envisages a repayment plan of 20 quarterly instalments, with a duration up to 30 November 2021;
- unsecured loan of Euro 8,183,780, of which Euro 7,845,757 relating to the principal payable after 31 March 2019. This loan was stipulated during the year and envisages a repayment plan of 43 monthly instalments beginning from the 18th month after its disbursement, which took place in July/August 2017. Therefore, no principal amount has since been repaid, as the loan is still in the pre-amortization phase at the end of the year.

PAYMENTS ON ACCOUNT
The company received payments on account from customers for Euro 162,497.

TRADE PAYABLES
All trade payables are due within the next year and have increased compared to the previous year. A more detailed breakdown of accounts payable is provided in the table below.

Description	Value at 31/03/2017	Value at 31/03/2018	Change
Trade payables	7,884,356	6,628,099	(1,256,257)
Invoices to be received	589,920	1,151,861	561,941
Credit notes to be received	(40,723)	0.00	40,723
Category total	8,433,553	7,779,960	(653,593)

PAYABLES TO PARENT COMPANIES
This category represents trade accounts payable by the company to other group companies. The table below illustrates changes compared to the previous year.

Description	Value at 31/03/2017	Value at 31/03/2018	Change
Due to parent companies	4,378,146	7,264,281	2,886,135
Category total	4,378,146	7,264,281	2,886,135

The significant increase can be attributed to the extension in payment terms, as previously described in relation to receivables.

TAX PAYABLES
Tax payables are outlined in the following table:

Description	Value at 31/03/2017	Value at 31/03/2018	Change
IRPEF withholdings for employees, similar, and contractors	41,382	37,737	(3,645)
Other tax payables	662	490	(172)
Category total	42,044	38,227	(3,817)

The tax payables refer mainly to withholdings on employee and contractor income.

PAYABLES TO SOCIAL SECURITY AND WELFARE INSTITUTIONS
This category includes the liabilities specified in the table below, which also indicate changes compared to the previous year:

Description	Value at 31/03/2017	Value at 31/03/2018	Change
Social security and INAIL payables	53,204	51,239	(1,965)
Payables to other institutions	12,902	23,653	10,751
Category total	66,106	74,892	8,786

DUE TO OTHERS

This remaining category groups together amounts payable for trade union dues and other items withheld from employees, amounts payable to employees for additional salaries accrued during the year but still to be paid at 31 March 2018, and other amounts payable to employees and third parties.
Detailed amounts are contained in the table below, with an indication of the changes.

Description	Value at 31/03/2017	Value at 31/03/2018	Change
Other payables	170,848	190,596	19,748
Additional monthly salaries	153,420	164,127	10,707
Payables for other withholdings	1,260	2,784	1,524
Category total	325,528	357,507	31,979

There are no payables due in more than 5 years.

Breakdown of payables by geographic area

Geographic area	ITALY	EU	NON-EU	Total
Due to banks	1,686,677	12,443,406	-	14,130,083
Payments on account	-	-	162,497	162,497
Trade payables	4,998,438	2,711,338	70,184	7,779,960
Due to parent companies	-	-	7,264,281	7,264,281
Payables to companies controlled by parent companies	-	-	-	0
Tax payables	38,227	-	-	38,227
Payables to social security and welfare institutions	74,892	-	-	74,892
Other payables	273,507	-	84,000	357,507
Payables	7,071,741	15,154,744	7,580,962	29,807,447

Payables collateralized by corporate assets

Loans received during the year, discussed in the section “Payables due to banks", are backed by a first mortgage of a total value of Euro 20,000,000 on the property owned by the company at which the registered office is located as well as on the industrial facility containing the Ravenna chemical complex, for which the company owns the land. With reference to these loans, a first-degree special lien of a total value of Euro 20,000,000 was established on the comprehensive amount of existing or future business assets.

Accrued expenses and deferred income

Accrued expenses group together all relevant costs for the year in the income statement. The table below provides a breakdown by type:

Description	Value at 31/03/2017	Value at 31/03/2018	Change
Utilities, miscellaneous charges and other	0	1,471	1,471)
Accrued leave, absence permits, reduced working hours	273,358	43,190	(230,168)
Category total	**273,358**	**44,661**	**(228,697)**

There are no accrued expenses with a duration of more than five years.

Explanatory Notes - Income Statement

Value of production

Description	Values at 31/03/2017	Values at 31/03/2018
Revenues from sales and services	30,108,497	36,733,965
Changes in finished and semi-finished goods	1,454,072	(738,505)
Increases in internal work	161,929	0
Other revenues and income	1,162,748	109,777
TOTAL	**32,887,246**	**36,105,237**

During the year ended 31 March 2018, revenues from sales increased by 22%.
The decrease in the ending balance of finished and semi-finished product inventories reflects he decrease in inventories at 31 March 2018 compared to the previous year.

Breakdown of revenue from sales and services by business activity

Revenues from sales and services include amounts for the sale of various chemical products generated by the production process.

Business activity category	Current year value
CHEMICAL PRODUCT SALES	36,733,965
Total	36,733,965

Breakdown of revenue from sales and services by geographic area

Revenues from sales break down by macro geographical area as follows:

Geographic area	Current year value
ITALY	1,816,163
EU	6,923,223
NON-EU	27,994,579
Total	36,733,965

Cost of production

Costs are broken down by category.

Description	Values at 31/03/2017	Values at 31/03/2018
Purchase costs	18,755,956	22,795,529
Service costs	9,457,494	10,798,257
Leased asset costs	114,238	97,849
Staff-related costs	2,689,014	2,708,765
Amortization and depreciation	939,251	1,046,707
Write-downs	296,929	296,929
Change in raw materials	(253,696)	57,667
Provisions for risks	33,000	0
Other operating costs	120,267	170,694
TOTAL	**32,152,453**	**37,972,397**

Production costs increased as a result of the increase in production volumes, as well as due to the increase in the prices of certain raw materials.
Production costs increased as a result of the increase in production volumes, as well as due to the increase in the prices of certain raw materials.
The increase in costs is rather generalized, although there is an increase in disposal costs of Euro 700,000. Lastly, there was also a slight increase in personnel costs and amortization and depreciation due to new investments made during the year.

Financial income and expenses

The results of the financial management of the company can be summarized as follows:

Descripti on	Values at 31/03/2017	Values at 31/03/2018
Other income	33,132	12,507
Interest and financial expenses	(191,138)	(602,590)
Foreign exchange gains and losses	(98,824)	295,194
CATEGORY TOTAL	**(256,830)**	**(294,889)**

Financial income refers primarily to interest income on the interest-bearing loan granted by CFS EUROPE S.p.A. to the Chinese investee, and to a minimal extent, to interest income on current accounts.
Financial expenses mainly refer to bank interest expense, which increased considerably due to the new loans stipulated during the year that are in the pre-amortization phase.
The item “foreign exchange gains and losses” shows overall gains of Euro 555,774 and losses of Euro 260,580. In particular, note that unrealized gains amounted to Euro 464,993 while unrealized losses amounted to Euro 16,357. Considering that the net unrealized exchange rate gain does not apply to the loss for the year, the company will not enter the relative reserve envisaged by art. 2426, 8 bis of the Italian Civil Code. The main currency fluctuation is attributable to the EUR/USD exchange rate.

Breakdown of interest and other financial expense by payable type

	Interest and other financial expense
Due to banks	592,522
Other	10,068
Total	602,590

Income taxes for the year, current and deferred tax assets and liabilities

Income taxes for the year, resulting from the sum of the tax currently payable and deferred tax liabilities, net of deferred tax assets, are as follows:

Financial statements item	20 - Income taxes for the year	
Description	**Values at 31/03/2017**	**Values at 31/03/2018**
Current taxes	**43,345**	**0**
IRES tax for the year	0	0
IRAP tax for the year	43,345	0
Taxes pertaining to previous years	**0**	**9,814**
Deferred tax assets and liabilities	**(245,095)**	**(514,328)**
IRES deferred tax liabilities	(9,135)	239,286
IRES deferred tax assets	(235,960)	(753,614)
Total taxes	**(201,750)**	**(504,514)**

The sum of current taxes and deferred tax assets/liabilities provides the total tax amount for the year, which is negative.

	Previous	Change	Current	Previous	Change	Current
DEFERRED TAX ASSETS	**ITEMS**			**IRES**		
Fixed asset misalignments	925,294	(415,025)	510,269	222,071	(99,606)	122,465
Tax losses	5,572,580	2,699,789	8,272,369	1,337,419	647,949	1,985,368
Write-downs and allocations	1,350,412	228,249	1,578,661	325,386	54,780	380,166
Economic aid (ACE) to be carried forward	207,133	111,165	318,298	49,712	26,680	76,392
Other temporary differences	86,084	(29,887)	56,197	20,660	(7,173)	13,487
Total items	**8,141,503**	**2,594,292**	**10,735,794**	**1,955,248**	**622,630**	**2,577,878**
	Previous	Change	Current	Previous	Change	Current
DEFERRED TAX LIABILITIES	**ITE MS**			**IRES**		
Unrealized exchange gains	13,737	451,256	464,993	3,297	108,302	111,598
Total items	**13,737**	**451,256**	**464,993**	**3,297**	**108,302**	**111,598**
Differences between items generating /reabsorbing def. tax asset and liab.	**8,127,766**		**10,270,802**	**1,951,951**		**2,466,279**

Recognition of deferred tax assets and liabilities, and resulting effects

	IRES
A) Temporary differences	
Total deductible temporary differences	10,735,795
Total taxable temporary differences	464,993
Net temporary differences	(10,270,802)
B) Tax effects	
Provision for deferred tax liabilities (deferred tax assets) - opening balance	1,951,951
Deferred tax liabilities (assets) for the year	514,328
Provision for deferred tax liabilities (deferred tax assets) - closing balance	2,466,279

Information on tax losses

	Previous year		
	Amount	Tax rate	Deferred tax assets recognized
Tax losses			
for the year	2,774,973		
for previous years	5,497,396		
Total tax losses	8,272,369		
Tax losses carried forward with reasonable certainty of recovery	8,272,369	24.00%	1,985,369

Explanatory Notes - Other Information

Employment data

The average number of employees at year-end is provided below, broken down by category.

	Average number
Executives	1
Management	7
Office staff	21
Manual workers	17
Total employees	46

Remuneration, advances and loans granted to directors and statutory auditors, and commitments undertaken on their behalf

The Board of Directors of the company consists of four members who will remain in office until approval of the financial statements as at 31 March 2019. No remuneration is envisaged for Board members. The Board of Statutory Auditors, which terminates on the same date, is composed of three permanent members, one of which is the Chairman. The entire Board is given an overall remuneration of Euro 28,000 per annum in addition to social security contributions and expense reimbursement.

Independent auditor remuneration

The audit of the company is awarded to a firm of auditors for the annual fee of Euro 19,000. An additional fee of Euro 5,000 was envisaged for support activities requested by auditors of the parent company. Other than the items noted, no other compensation or other requests for consulting activities were provided for during the year just ended.

Information on transactions with related parties

TRANSACTIONS WITH RELATED PARTIES

In accordance with and pursuant to art. 2497 of the Italian Civil Code, CFS EUROPE S.p.A. is subject to management and coordination by Camlin Fine Sciences Ltd (India). The concept of related parties, as laid down in IAS 24, includes all companies which may be related and/or directly or indirectly controlled by the Indian company, as members of the same group of companies.
CFS is indirectly controlled by Camlin Fine Sciences Ltd, as the Indian company owns all the shares in the sole shareholder CFL Mauritius PVT LTD.
In addition, Camlin Fine Sciences Ltd indirectly controls a Chinese company in which CFS EUROPE S.p.A. owns a 43.35% stake.
Details of transactions during the year between the shareholder, the Indian parent company, and the Chinese investee are provided below.

Income statement items that refer to transactions with related parties

Transactions with related parties **INCOME STATEMENT**	**Value at 31/03/2017**	**Value at 31/03/2018**
Revenues	12,911,051	20,065,415
Total value of production (A)	32,887,246	36,105,237
Percentage	39%	56%
Costs	3,895,410	5,241,324
Total cost of production (B)	32,152,453	37,972,397
Percentage	12%	14%

CFS Europe S.p.A. sells hydroquinone and catechol, both of which obtained from the production process, to Camlin Fine Sciences Ltd.

Balance sheet items that refer to transactions with related parties

Transactions with related parties **BALANCE SHEET**	**Value at 31/03/2017**	**Value at 31/03/2018**
Long-term receivables	0	322,538
Total B-II)-2) Receivables due from companies controlled by parent companies	0	322,538
Percentage	0%	100%
Trade receivables	2,028,992	7,171,941
Total C-II)-4) Receivables due from parent companies	2,028,992	7,171,941
Percentage	100%	100%
Trade payables	4,379,134	7,264,281
Total D - Payables	20,959,651	29,807,447
Percentage	21%	24%
Payments on account received	350,000	0
Total D - Payables	20,959,651	29,807,447
Percentage	2%	0%
Other payables	84,000	84,000
Total D - Payables	20,959,651	29,807,447
Percentage	0.40%	0.28%

Information on off-balance sheet arrangements

There are no off-balance sheet arrangements of any nature.

Information on significant events after year end

On 18 April and 10 May, two claims for damages were received from the attorney of the family members of the employee that died in the fatal accident in April 2016. The company has instructed its attorneys to contact the insurance company in order to initiate compensation claims.

Information on derivative financial instruments pursuant to art. 2427-*bis* of the Italian Civil Code

Reference should be made to the comments provided previously on the cash flow hedge reserve and on the provision for derivative payables.

Summary financial statements of the company exercising management and coordination activities

In accordance with sub-section 4 of art. 2497-*bis* of the Italian Civil Code, the key figures from the last financial statements (years ended 31 March 2016 and 31 March 2017) of Camlin Fine Sciences Ltd., which exercises management and coordination over the company, are provided below.
These figures have been translated to Euro using the exchange rate at 31 March 2017 (Euro/Rupee 69.3965).

BALANCE SHEET

	All amounts are expressed in Euro	All amounts are expressed in Euro
BALANCE SHEET ITEMS	**31/03/2017**	**31/03/2016**
I - SHAREHOLDERS' EQUITY AND LIABILITIES		
1) Shareholders' equity		
a) Share capital	1,494,456	1,287,241
b) Reserves and surpluses	24,189,404	14,818,944
Total shareholders' equity	**25,683,860**	**16,106,185**
2) Consolidated liabilities		
Loans	1,592,660	2,663,781
Deferred tax liabilities	569,150	432,130
Long-term payables	308,993	246,699
Total consolidated liabilities	**2,470,802**	**3,342,610**
3) Current liabilities		
Short-term loans	30,784,161	16,746,583
Trade payables	5,265,986	10,612,021
Other short-term payables	3,029,648	3,367,139
Short-term payables available for consolidation	46,602	731,069
Total current liabilities	**39,126,397**	**31,456,812**
Total liabilities and shareholders' equity	***67,281,059***	***50,905,607***
II - ASSETS		
1) Fixed assets		
Fixed assets	13,316,464	12,036,886
Long-term investments	4,413,479	893,928
Assets in process of formation	4,130,324	1,571,226
Total fixed assets	**21,860,267**	**14,502,041**
2) Current assets		
Current investments	1,607,070	-
Inventories	16,781,956	15,720,729
Trade receivables	18,327,236	13,094,180
Cash and cash equivalents	1,878,020	1,769,360
Loans and payments on account	2,821,987	2,175,550
Other current assets	4,004,525	3,643,747
Total current assets	**45,420,792**	**36,403,566**
Total assets	***67,281,059***	***50,905,607***

INCOME STATEMENT

	All amounts are expressed in Euro	All amounts are expressed in Euro
BALANCE SHEET ITEMS	**31/03/2017**	**31/03/2016**
Revenues		
Net operating revenues	46,781,062	54,888,149
Other operating income	1,884,720	493,039
Total revenues	**48,665,783**	**55,381,188**
OPERATING COSTS		
Raw materials consumption	29,177,077	34,143,351
Goods purchased	3,222,223	1,816,434
Change in inventories	(3,058,425)	(3,425,239)
Staff and related costs	2,897,163	2,593,138
Financial expenses	3,722,551	2,906,872
Amortization and depreciation	1,670,070	1,351,426
Research and development costs	368,304	279,750
Other costs	10,504,708	10,487,672
Total costs	**48,503,671**	**50,153,405**
Profit (loss) before tax and exceptional events	**162,112**	**5,227,783**
Exceptional events	0	(605,536)
Profit (loss) before tax	**162,112**	**4,622,248**
Current taxes	23,330	1,034,070
Deferred tax liabilities and MAT	133,451	158,958
Net profit (loss) for the year	**5,332**	**3,429,220**

Proposed allocation of profits or loss coverage

The financial statements for the year ended 31 March 2018 closed with a loss for the year of Euro 1,657,535, which we propose to cover in full by using the retained earnings reserve under shareholders' equity.
Furthermore, the administrative body proposes to restrict the entire extraordinary reserve, equal to Euro 2,577,406, for prudential purposes, until the approval date of the next financial statements at 31 March 2019, in order not to distribute dividends from this extraordinary reserve before a significant reduction in deferred tax assets.

Explanatory Notes - Final Comments

The financial statements for the year ended 31 March 2018 were drafted in compliance with applicable statutory regulations and in accordance with Italian national accounting standards.
These Explanatory Notes, and the entire financial statements of which they form an integral part, represent a truthful and fair view of the company's assets and liabilities and the income for the year.
The financial statements were filed at the registered office by the deadline envisaged by law and will be submitted to the Shareholders' Meeting for approval.

Ravenna, 15 May 2018

For the Board of Directors Antonio
MENEZES