

# **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 2017**

AMOUNTS EXPRESSED IN EURO

Dear Shareholder,

The financial statements for the year ended 31 March 2017, submitted for your approval, made up of the balance sheet, income statement and explanatory notes, have been drawn up in compliance with the Italian Civil Code. They highlight a profit of Euro 679,713 after taxes of Euro (201,750) and amortisation, depreciation and provisions for Euro 1,236,180.

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 2017.

To this end, we will go through the contents of the Balance Sheet and Income Statement, reclassifying them by a number of criteria to highlight figures and results that can help to understand and calculate useful ratios.

We will now look at the assets and liabilities of the company, as well income-related and cash flow items, taking into account costs, revenues and investments made in particular.

### **PRELIMINARY INFORMATION**

Thanks to the significant investments in new improvements to certain parts of the plant during the year, management has made strategic changes to the production process and this has made it possible to increase the efficiency of the diphenol plant.

## OPERATIONAL PERFORMANCE

CFS Europe S.p.A. produces and sells chemical products for industrial use, with business concentrating particularly on diphenols: catechol and hydroquinone. Again in 2016/2017 there was a slight decrease of the oil price that led to a general drop in both purchase and sales prices of products, with the effect that revenues decreased by 4% compared to past financial year. The trend for raw materials purchase costs, on the other hand, saw a significant increase of 10%, with the effect that EBITDA fell by 60% compared to the previous year.

## STAFF

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

<b>WORKFORCE / FINANCIAL YEAR</b>	<b>31/03/2016</b>	<b>31/03/2017</b>	<b>AV. NUMBER</b>
Manual workers	19	17	18.00
Office staff	18	21	19.50
Management	6	6	6.00
Executives	1	1	1.00
<b>TOTAL EMPLOYEES</b>	<b>44</b>	<b>45</b>	<b>44.50</b>

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

## BALANCE SHEET

The company's capital structure consists of substantial tangible and intangible investments, significant inventories of raw materials, semi-finished and finished products and receivables, mainly trade receivables still to be collected, as well as deferred tax assets amounting to approximately Euro 2 million. Compared to the previous year, note the significant increase in net investments (up by around Euro +1.2 million) and an increase in inventories (up by a total of approximately Euro +1.6 million, especially semi-finished and finished products).

As regards liabilities, mirroring the increase in balance sheet assets, note that the amounts due to banks are in line with the figures in the previous financial statements, trade payables are up by around Euro +1.4 million and amounts due to parent companies increased by approximately Euro +2.4 million.

Short-term bank liabilities of approximately Euro 7.4 million include about Euro 0.7 million relating to accounts receivable financing and around Euro 3.25 million to the presentation and early deposit of letters of credit that have not yet reached their natural maturity for collection. On the date of collection of the invoices issued there will be a reduction in trade receivables and payables due to banks for the same amount.

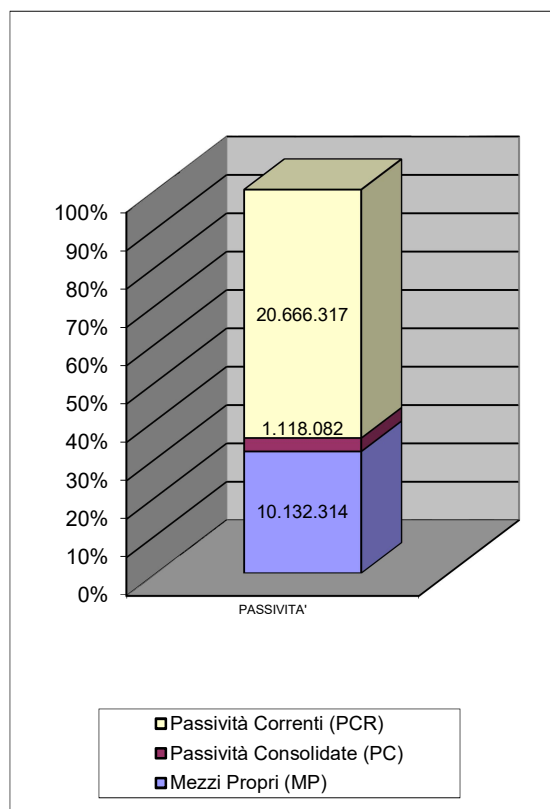
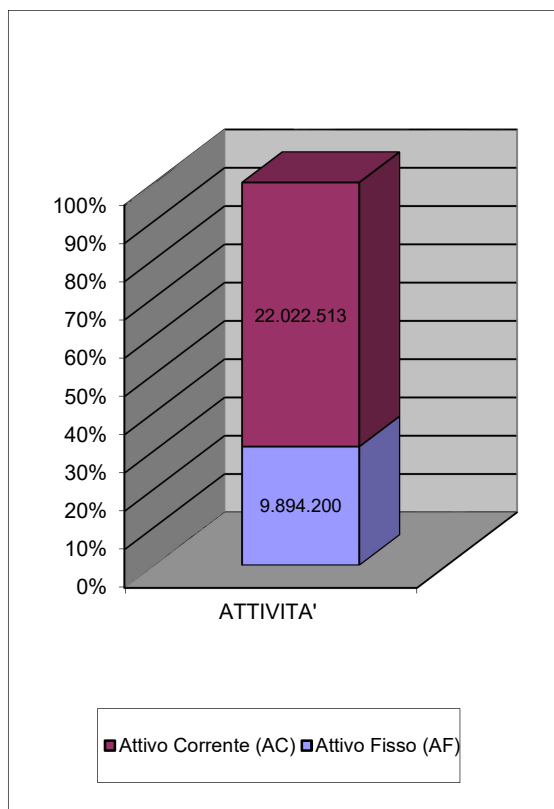
The amounts payable as employee severance indemnity and on the bank loan have been included in medium- and long-term payables.

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	
<b>Fixed assets (AF)</b>	
Intangible fixed assets	301,600
Tangible fixed assets	9,417,748
Financial fixed assets	174,853
Total fixed assets	9,894,200
<b>Current assets (AC)</b>	
Inventories	9,835,291
Deferred assets (LD)	11,644,845
Liquid assets (LI)	542,377
Total current assets	22,022,513
<b>Capital invested</b>	<b>31,916,713</b>

LIABILITIES	
<b>Equity (MP)</b>	
Share capital	2,000,000
Reserves, profit and shareholder loans	8,132,314
Total equity	10,132,314
<b>Consolidated liabilities (PC)</b>	
Medium/long-term liabilities	1,118,082
- of which borrowing (pf)	566,692
<b>Current liabilities (PCR)</b>	
Short-term payables	20,666,317
- of which borrowing (pf)	6,796,594
<b>Funding capital</b>	<b>31,916,713</b>



## 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 uses are financed, as well as the composition of the sources of financing.

In more detail:

CAPITAL ADEQUACY RATIOS		31/03/2016	31/03/2017
Equity to fixed assets ratio	MP / AF	111.08%	102.41%
Equity + consolidated liabilities to fixed assets ratio	(MP+PC) / AF	118.08%	113.71%
Total borrowing ratio	(PC+PCR) / MP	1.659	2.150

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. Though reduced from last year, the two ratios show excellent balance and coverage. The total borrowing ratio indicates that third-party resources are around 2.15 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.

## ANALYSIS OF FINANCIAL POSITION AND SOLVENCY RATIOS

After initial analysis of the solidity of the company, i.e. the ability to maintain financial stability over the medium- to long-term, let's 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 RATIOS - LIQUIDITY		31/03/2016	31/03/2017
Current ratio	AC - PCR	1,774,258	1,356,196
Net working capital	AC / PCR	110.20%	106.56%
Quick ratio	LD + LI - PCR	(6,444,745)	(8,479,095)
Solvency ratio	(LD+LI) / PCR	62.95%	58.97%

The results obtained from calculation of the various ratios show how the company has more short-term assets than liabilities in the same category (net working capital).

The quick ratio highlights how the difference between current liabilities and assets increases when inventories are not considered. In any event, note that the change in the ratio between the last financial year and this, approximately Euro 1.6 million, was caused by the increase in inventories of finished products ready for sale and therefore can be liquidated quickly.

This ratio (also referred to as the acid test) removes the inventory component from the net working capital, generating as a result a more prudent solvency ratio, given that inventories are less likely to be transformed into cash than the remaining current asset components.

Comparative analysis of the ratios for the two years shows substantial stability of the current ratio and net working capital, whilst the quick ratio was down by approximately Euro 2 million euro and the solvency ratio by around 4% on an annual basis.

## ANALYSIS OF THE INCOME SITUATION

An analysis of income is provided below for the period covered by the financial statements ended 31 March 2017.

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	31/03/2017	31/03/2016
RV	Revenues from sales	30,108,497	31,226,242
PI	In-house production	2,778,749	1,857,638
<b>VP</b>	<b>Value of operating production</b>	<b>32,887,246</b>	<b>33,083,879</b>
External costs	External operating costs	28,227,259	25,675,322
<b>VA</b>	<b>Added value</b>	<b>4,659,987</b>	<b>7,408,557</b>
CP	Staff and related costs	2,689,014	2,483,735
<b>MOL</b>	<b>EBITDA</b>	<b>1,970,973</b>	<b>4,924,823</b>
Am/Dep and Prov.	Amortization, depreciation and provisions	1,236,180	1,075,967
<b>RO</b>	<b>Operating result (EBIT)</b>	<b>734,793</b>	<b>3,848,856</b>
	Result: accessory area	0	0
	Result: financial area	33,132	433
	<b>Full EBIT</b>	<b>767,925</b>	<b>3,849,288</b>
OF	Financial charges	289,962	331,119
<b>RL</b>	<b>Gross profit (loss)</b>	<b>477,963</b>	<b>3,518,169</b>
	Income taxes	(201,750)	1,005,071
<b>RN</b>	<b>Net profit (loss)</b>	<b>679,713</b>	<b>2,513,098</b>

INCOME RATIOS		31/03/2016	31/03/2017
Return on equity	RN / MP	23.05%	6.71%
Return on investments	RO / CI	13.28%	2.30%
Return on sales	RO / RV	12.33%	2.44%

From an economic point of view, highlights include:

- Decrease in revenues from sales by around 4% on an annual basis;
- Increase in raw materials purchase costs, utilities and external operating costs by around 10% on an annual basis;
- Staff and related costs rose as a direct consequence of the strengthening of the workforce compared to the previous year;
- Amortisation and depreciation are essentially in line with the previous year's values, net of the effect of write-downs of receivables recorded for approximately Euro 300,000. The amortisation of intangible fixed assets was down by around Euro 400,000, offset by an approximate Euro 350,000 increase in depreciation of tangible fixed assets;
- The various economic results decreased as a direct consequence of the above.

As highlighted above, the revenues and costs decrease is a global scale phenomenon in chemical and oil & gas industry connected to the general decrease of the oil price. This is demonstrated by the substantial stability of the EBITDA despite the lower revenues.

## RESEARCH AND DEVELOPMENT ACTIVITIES

No research and development costs were incurred during the year, whilst those of previous years, in compliance intervening changes in the Accounting Standards, were fully eliminated from the financial statements, reducing the reserves included among shareholders' equity items by the same amount.

## TRANSACTIONS WITH RELATED PARTIES

The company has as its sole shareholder 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 shares or quotas in parent companies during the year, either directly or through trust companies or third parties.

The only shareholding the company owns is in Ravenna Servizi Industriali (RSI), Consortium that provides site services to all the companies in Ravenna Chemical district.

## **BUSINESS OUTLOOK**

On the basis of the tests, technical trials and research and development activities carried out during the past two years, and thanks to the most recent investments, as already mentioned, the company has reviewed its production process, making significant changes which have made it possible to increase the efficiency of the diphenol plant and achieve positive economic results. In the foreseeable future, the company aims to further improve the efficiency of the diphenol production process and to intensify the sale of their by-products, also in the food production industry.

In fact, the Camlin Group chose CFS Europe S.p.A. as its support base for marketing its proprietary food antioxidants on the European market, in pure and prepared formats. The preparations sector in particular is growing strongly and forecasts an increase in volumes sold over the next few years that will achieve a good level of profitability for the company.

## **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 medium term by a corresponding increase of diphenols prices. Also currency exchange risk is generally balanced by a similar effect on purchases and sales, as explained better in the Explanatory Notes in current financial year, where currency losses and profits are in good part neutralized.

In 2016 the company signed a bank loan to mitigate any negative effect of a potential future increase in rates, and also arranged a hedging derivative contract.

## **SUCCESSIVE EVENTS**

In the first few months of 2017 the company was audited by the Ravenna Tax Office. After the audit activities were completed, at the beginning of April the company received the related Report on Findings.

As at the reporting date, the company is still analysing the contents of the report and assessing the most suitable defence strategy.

Also note that in April an employee launched a legal dispute against the company, for which developments are still pending.

\* \* \*

Dear Shareholder,

The Board of Directors invites you to approve these financial statements and proposes that the profit for the year be retained in order to further strengthen the company's equity and financial resources.

For the Board of Directors  
Antonio Menezes



## **INDEPENDENT AUDITOR'S LIMITED REVIEW REPORT**

To  
B. K. Khare & Co  
Mumbai

As requested in your "Group Audit Instructions for CFSL ("the Instructions"), we have audited the special purpose financial information comprising the balance sheet, statement of profit and loss and cash flows for CFS Europe S.p.A. ("the Company") expressed in Euro as of March 31, 2017 and for the year then ended. This special purpose financial information has been prepared solely to enable CFSL to prepare consolidated financial statements and not to report on CFS Europe S.p.A. as a separate entity.

### **Management's Responsibility for the special purpose financial information**

Management is responsible for the preparation and fair presentation of this special purpose financial information in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation of financial information that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on this special purpose financial information based on our audit. We conducted our audit in accordance with International Standards on Auditing and the Instructions. Those standards and Instructions require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance 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 special purpose condensed financial information. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the special purpose condensed financial information, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the special purpose condensed financial information in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the special purpose financial information.

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

### **Scope**

Except as explained in the paragraph below, we conducted our audit in accordance with International Standards on Auditing.

**RB AUDIT Italia S.r.l.**

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## Opinion

In our opinion, based on our audit performed, the accompanying special purpose financial information as of March 31, 2017 and for the year then ended give a true and fair view in accordance with IFRS

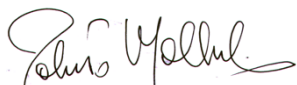
- a. in the case of the Balance Sheet, of the state of affairs of the CFS Europe S.p.A. as at March 31, 2017;
- b. in the case of the Statement of Profit and Loss, for the year ended on that date; and
- c. in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

## Emphasis of Matter – Basis of Preparation

Without qualifying our opinion, we draw attention to the fact that the accompanying special purpose financial information is not presented in accordance with and does not include all the information required to be disclosed in the full financial statements by accounting principles generally accepted in India. Accordingly, the accompanying special purpose financial information is not intended to present fairly, in all material respects the financial position of CFS Europe S.p.A. as of March 31, 2017, or the results of its operations or its cash flows for the year then ended.

Rome May 17<sup>th</sup>, 2017

Dott. Roberto Mallardo



Engagement Partner  
RB AUDIT Italia  
Chartered Accountants

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# CFS EUROPE SPA UNIPERSONALE

Financial statements to 31-03-2017

Name and id code	
Company site	VIA AGOSTINO DEPRETIS 6 - 48123 RAVENNA (RA)
Fiscal code	03902320823
Registration number	RA 000000134927
VAT number	11310150153
Share capital Euro	2.000.000 f.p.
Legal form	SOCIETA' PER AZIONI
Activity Code (ATECO)	201409
Company being wound up	no
Company with a single shareholder	yes
Company subject to the management and coordination of others	yes
Name of the company or entity that exercises management and coordination	CAMLIN FINE SCIENCES LTD. (INDIA)
Belonging to a group	yes
Name of the controlling entity	CAMLIN FINE SCIENCES LTD. (INDIA)
Country of the controlling entity	INDIA

All amounts are expressed in units of Euro

## Balance sheet (mandatory scheme)

	31-03-2017	31-03-2016
Balance sheet (mandatory scheme)		
Assets		
B) Fixed assets		
I - Intangible fixed assets		
2) Development costs	0	1.245.075
3) industrial patents and intellectual property rights	8.165	7.440
4) concessions, licenses, trademarks and similar rights	291.272	185.306
7) other	2.163	2.884
Total intangible fixed assets	301.600	1.440.705
II - Tangible fixed assets		
1) land and buildings	1.416.556	350.827
2) plant and machinery	7.833.016	4.601.130
3) industrial and commercial equipment	20.503	101.078
4) other assets	65.972	70.069
5) assets under construction and payments on account	81.700	3.074.074
Total tangible fixed assets	9.417.747	8.197.178
III - Financial fixed assets		
1) equity investments		
d-b) other companies	141.783	141.783
Total equity investments	141.783	141.783
2) receivables due from		
d-b) due from others		
due beyond the following year	33.070	33.947
Total receivables due from third parties	33.070	33.947
Total receivables	33.070	33.947
Total financial fixed assets	174.853	175.730
Total fixed assets (B)	9.894.200	9.813.613
C) Current assets		
I - Inventories		
1) raw, ancillary and consumable materials	2.047.318	1.793.622
2) work in progress and semi-finished products	3.630.709	3.571.052
4) finished products and goods for resale	4.141.634	2.747.220
5) advances	15.630	107.109
Total inventories	9.835.291	8.219.003
II - Receivables		
1) trade accounts		
due within the following year	9.346.446	8.609.968
Total trade accounts	9.346.446	8.609.968
5-b) tax receivables		
due within the following year	283.492	174.844
Total receivables due from tax authorities	283.492	174.844
5-c) prepaid tax	1.955.248	1.719.287
5-d) other receivables		
due within the following year	0	1.256
Total receivables due from third parties	0	1.256
Total receivables	11.585.186	10.505.355
IV - Liquid funds		

1) bank and post office deposits	541.972	410.684
3) cash and equivalents on hand	406	414
Total liquid funds	542.378	411.098
Total current assets (C)	21.962.855	19.135.456
D) Accrued income and prepayments	59.658	33.342
Total assets	31.916.713	28.982.411
Liabilities and shareholders' equity		
A) Shareholders' equity		
I - Share capital	2.000.000	2.000.000
IV - Legal reserve	400.000	282.924
VI - Other reserves, indicated separately		
Extraordinary reserve	1.897.693	1.897.693
Reserve from exchange gains not redeemed	0	24.198
Miscellaneous other reserves	78.903	78.903
Total other reserves	1.976.596	2.000.794
VII - Reserve for hedging expected cash flow operations	(2.991)	0
VIII - Retained earnings (accumulated losses)	5.078.996	3.903.850
IX - Net profit (loss) for the year	679.713	2.513.098
Total shareholders' equity	10.132.314	10.700.666
B) Reserves for contingencies and other charges		
2) taxation	3.297	12.431
3) passive derivative financial instruments	2.991	0
4) other	33.000	0
Total reserves for contingencies and other charges	39.288	12.431
Total reserve for severance indemnities (TFR)	512.102	519.809
D) Payables		
3) due to partners for financing		
due within the following year	0	200.730
Total payables due to partners for financing	0	200.730
4) due to banks		
due within the following year	6.796.594	7.132.530
due beyond the following year	566.692	154.235
Total payables due to banks	7.363.286	7.286.765
6) advances		
due within the following year	350.000	580.125
Total advances	350.000	580.125
7) trade accounts		
due within the following year	8.433.553	7.021.967
Total trade accounts	8.433.553	7.021.967
11) due to parent companies		
due within the following year	4.378.146	1.976.628
Total payables due to parent companies	4.378.146	1.976.628
11-b) payables due to companies controlled by parent companies		
due within the following year	988	0
Total payables due to companies controlled by parent companies	988	0
12) due to tax authorities		
due within the following year	42.044	41.695
Total payables due to tax authorities	42.044	41.695
13) due to social security and welfare institutions		
due within the following year	66.106	53.773
Total payables due to social security and welfare institutions	66.106	53.773

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14) other payables		
due within the following year	325.528	299.632
Total other payables	325.528	299.632
Total payables (D)	20.959.651	17.461.315
E) Accrued liabilities and deferred income	273.358	288.190
Total liabilities and shareholders' equity	31.916.713	28.982.411

## Income statement (value and cost of production)

	31-03-2017	31-03-2016
Income statement (value and cost of production)		
A) Value of production		
1) Revenues from sales and services	30.108.497	31.226.242
2) Change in work in progress, semi-finished and finished products	1.454.072	1.575.173
4) Increases in internally constructed fixed assets	161.929	185.970
5) Other income and revenues		
other	1.162.748	96.494
Total Other income and revenues	1.162.748	96.494
Total value of production	32.887.246	33.083.879
B) Costs of production		
6) Raw, ancillary and consumable materials and goods for resale	18.755.956	16.854.291
7) Services	9.457.494	8.957.830
8) Use of third party assets	114.238	107.508
9) personnel		
a) wages and salaries	1.980.294	1.821.446
b) related salaries	576.908	541.595
c) severance	131.812	120.693
Total payroll and related costs	2.689.014	2.483.734
10) depreciation, amortisation and write downs		
a) amortisation of intangible fixed assets	15.459	501.145
b) depreciation of tangible fixed assets	923.792	574.822
d) write-downs of accounts included among current assets	296.929	0
Total Amortisation, depreciation and write-downs	1.236.180	1.075.967
11) Changes in inventories of raw, ancillary and consumable materials and goods for resale	(253.696)	(390.611)
12) Provisions for contingencies and other charges	33.000	0
14) Other operating expenses	120.267	146.305
Total cost of production	32.152.453	29.235.024
Difference between value and cost of production (A - B)	734.793	3.848.855
C) Financial income and charges		
16) other financial income		
d) income other than the above		
other	92	433
Total income other than the above	92	433
Total other financial income	92	433
17) Interest and other financial expense		
other	158.098	251.237
Total interest and other financial expense	158.098	251.237
17-bis) Currency gains and losses	(98.824)	(79.882)
Total financial income and expense (15 + 16 - 17 + - 17-bis)	(256.830)	(330.686)
Pre-tax result (A - B + - C + - D)	477.963	3.518.169
20) Income tax for the year, current, deferred and prepaid		
Current taxes	43.345	292.413
deferred and prepaid tax	(245.095)	712.658
Total taxes on the income for the year	(201.750)	1.005.071
21) Profit (loss) for the year	679.713	2.513.098

## Financial statement, indirect method

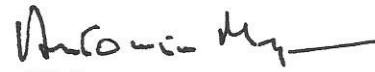
	31-03-2017	31-03-2016
Financial statement, indirect method		
A) Cash flows from current activities (indirect method)		
Profit (loss) for the year	679.713	2.513.098
Income tax	(201.750)	1.005.071
Payable (receivable) interest	158.006	250.804
1) Profit (loss) for the year before income tax, interest, dividends and capital gains/losses from conveyances.	635.969	3.768.973
Adjustments to non monetary items that were not offset in the net working capital.		
Allocations to preserves	164.812	120.693
Fixed asset depreciation/amortisation	939.251	1.075.967
total adjustments for non-monetary items that were not offset in the net working capital	1.104.063	1.196.660
2) Cash flow before changing net working capital	1.740.032	4.965.633
Changes to the net working capital		
Decrease/(increase) in inventory	(1.616.288)	(2.068.666)
Decrease/(increase) in payables to customers	(736.477)	790.457
Increase/(decrease) in trade payables	1.411.586	1.559.431
Increase/(decrease) from prepayments and accrued income	(26.317)	9.570
Increase/(decrease) from accruals and deferred income	(14.831)	8.077
Other decreases/(other increases) in net working capital	2.237.552	225.198
Total changes to net working capital	1.255.225	524.067
3) Cash flow after changes to net working capital	2.995.257	5.489.700
Other adjustments		
Interest received/(paid)	(158.006)	(250.804)
(Income tax paid)	(176.453)	(682.919)
(Use of reserves)	(139.519)	(85.265)
Total other adjustments	(473.978)	(1.018.988)
Cash flow from current activities	2.521.279	4.470.712
B) Cash flows from investments		
Tangible fixed assets		
(Investments)	(2.144.362)	(3.661.167)
Intangible fixed assets		
(Investments)	(121.428)	(84.008)
Cash flows from investments (B)	(2.265.790)	(3.745.175)
C) Cash flows from financing activities		
Loan capital		
Increase/(decrease) in short term bank loans	(445.421)	(102.855)
New loans	750.000	-
(Loan repayments)	(428.788)	(1.132.671)
Cash flows from financing activities ( C)	(124.209)	(1.235.526)
Increase (decrease) in liquid assets (A ± B ± C)	131.280	(509.989)
Liquid assets at the start of the year		
Bank and post office deposits	410.684	920.893
Cash and valuables in hand	414	194
Total liquid assets at the start of the year	411.098	921.087
Liquid assets at the end of the year		
Bank and post office deposits	541.972	410.684
Cash and valuables in hand	406	414



Total liquid assets at the end of the year

542.378

411.098



CFS EUROPE Spa  
Amministratore Delegato  
Managing Director  
Dr. Antonio Menezes

# Explanatory notes to the Financial Statements for the year ended 31 March 2017

## Explanatory Notes - Introduction

### **PREPARATION PRINCIPLES**

The financial statements for the tax period 1 April 2016 to 31 March 2017 were 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) in force for financial statements for years beginning on or after 1 January 2016. In this respect, note that numerous accounting standards were amended and updated in 2016 as part of the OIC review process following the adoption into Italian law - through the Decree - of Directive 2013/34/EU (the "Accounting Directive").

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 set-offs between losses that must be recognised and profits that must not be recognised as they are unrealised.

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.

### **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 brought to account 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 half the above ratios, 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. Vice versa, 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 capitalised internal costs directly attributable to the contracts.

The rates applied, unchanged since the previous year, are:

<b>Asset category</b>	<b>31/03/2017</b>	<b>31/03/2016</b>
Civil Buildings	5.50%	5.50%
General Plants	7.70% - 10%	7.70% - 10%
Specific less corrosive plants	12%	12%
Specific highly corrosive plants	17.50%	17.50%
Motor goods and other vehicles	25%	25%
Lab equipment	40%	40%
Office furnishings and furniture	12%	12%
Electronic office equipment	20%	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.

Inventories of obsolete items are measured on the basis of their usage options and realization potential, and the lower values attributed to them are booked to a specific provision.

Note that during the year, after various analyses and studies of their production process, the company changed the production cost breakdown between hydroquinone and catechol, which represent the company's two main finished products originating from a single process. This change was necessary in order to better record the effective cost of production.

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 starting 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 arising in the current year are measured at amortised cost in the financial statements, taking into account the time factor and to the extent of their estimated recoverable amount, and are therefore recorded in the Balance Sheet net of a related provision for doubtful account considered adequate to cover any losses due to reasonable foreseeable non-collection.

The Company assumes the effects of the application of amortised cost and discounting to be immaterial when receivables are due within 12 months.

Accounts receivable from previous years are measured and posted 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 such a way as 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 recognised when the company has an obligation to the counterparty, identified on the basis of legal and contractual requirements. The payables arising during the year are recorded using the amortised cost criterion, taking the time factor into account. The Company assumes the effects of the application of amortised cost and discounting to be immaterial when payables are due within 12 months.

Accounts payable from previous years are posted 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 brought to account, 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 recognised 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 brought to account as they are considered to be of long-term utility and, as necessary, with the previous 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.

In accordance with the new OIC 24, the amount of research and development costs capitalised in previous years was fully eliminated through the use of shareholders' equity reserves, adopting the methods stated in OIC 29.

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	Development costs	Industrial patents and intellectual property rights	Concessions, licences, trademarks and similar rights	Other intangible fixed assets	Total intangible fixed assets
<b>Opening balance</b>						
<b>Cost</b>	327,595	2,075,125	33,555	234,561	108,061	2,778,897
<b>Amortization (Accumulated depreciation)</b>	327,595	830,050	26,115	49,255	105,177	1,338,192
<b>Book value</b>	-	1,245,075	7,440	185,306	2,884	1,440,705
<b>Changes during the year</b>						
<b>Increases for acquisitions</b>	-	-	4,935	116,493	-	121,428
<b>Amortization for the year</b>	-	-	4,210	10,527	721	15,458
<b>Other changes</b>	-	(1,245,075)	-	-	-	(1,245,075)
<b>Total changes</b>	-	(1,245,075)	725	105,966	(721)	(1,139,105)
<b>Closing balance</b>						
<b>Cost</b>	327,595	-	38,490	351,054	108,061	825,200
<b>Amortization (Accumulated depreciation)</b>	327,595	-	30,325	59,782	105,898	523,600
<b>Book value</b>	-	0	8,165	291,272	2,163	301,600

## 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 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, with breakdown by category.

No revaluations or write-downs were made during the year.

Changes in each of the fixed asset categories are highlighted one by one in the tables 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
<b>Opening balance</b>						
<b>Cost</b>	1,162,113	22,437,182	483,812	256,285	3,074,074	27,413,466
<b>Depreciation (Accumulated depreciation)</b>	811,286	17,836,052	382,734	186,216	-	19,216,288
<b>Book value</b>	350,827	4,601,130	101,078	70,069	3,074,074	8,197,178
<b>Changes during the year</b>						
<b>Increases for acquisitions</b>	1,116,520	3,988,615	11,780	19,822	-	5,136,737
<b>Depreciation for the year</b>	50,791	756,729	92,355	23,919	-	923,794
<b>Other changes</b>	-	-	-	-	(2,992,374)	(2,992,374)
<b>Total changes</b>	1,065,729	3,231,886	(80,575)	(4,097)	(2,992,374)	1,220,569
<b>Closing balance</b>						
<b>Cost</b>	2,278,633	26,425,797	495,592	276,107	81,700	29,557,829
<b>Depreciation (Accumulated depreciation)</b>	862,077	18,592,781	475,089	210,135	-	20,140,082
<b>Book value</b>	1,416,556	7,833,016	20,503	65,972	81,700	9,417,747

There are also contract works in progress for Euro 81,700 which relate to contracts not yet completed at 31 March 2017.

Contracts in progress at the end of the previous year and completed in the year under review were restated to their respective reference categories. In reference to the most significant contracts, note the completed construction of an evaporator for around Euro 2,761,000 and a diathermic oil boiler for approximately Euro 930,000.

Lastly, note that following the review performed during the year ended 31 March 2014 of the general plants amortization plan, these financial statements record lower amortization for Euro 230,258, which net of tax effects led to higher profit for the year, i.e. an increase in shareholders' equity of Euro 208,614.

## Finance lease transactions

At 31 March 2017 the company had two ongoing lease agreements for two 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, in relation to a mortgage loan payment, for example;

- 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 20%.

<b>Lease 1 (terminated)</b>	<b>Values at 31/03/2016</b>	<b>Values at 31/03/2017</b>
Residual debt to the lessor	4,663	0
Financial charges	699	0
Total gross assets at year end	53,890	53,890
Depreciation for the year	(5,389)	0
Total accumulated depreciation	(53,890)	(53,890)
<b>Total net assets</b>	<b>0</b>	<b>0</b>

<b>Lease 2</b>	<b>Values at 31/03/2016</b>	<b>Values at 31/03/2017</b>
Residual debt to the lessor	0	10,434
Financial charges	0	472
Total gross assets at year end	0	13,655
Depreciation for the year	0	1,366
Total accumulated depreciation	0	1,366
<b>Total net assets</b>	<b>0</b>	<b>12,289</b>

<b>Lease 3</b>	<b>Values at 31/03/2016</b>	<b>Values at 31/03/2017</b>
Residual debt to the lessor	8,058	5,348
Financial charges	192	139
Total gross assets at year end	11,648	11,648
Depreciation for the year	2,330	2,330
Total accumulated depreciation	3,495	5,825
<b>Total net assets</b>	<b>8,153</b>	<b>5,823</b>

Lease 1 figures (amounts net of VAT)

Asset cost: Euro 53,890

Rate: 6%

Initial balloon payment: Euro 5,422

Lease option: Euro 13,555.

Contract start date 29.06.2011

Contract end date 28.06.2016 (terminated)

Lease 2 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 3 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 capitalised derivative receivables

This item did not change. 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 booked under this category. CFS EUROPE is a partner of RSI with other companies operating from within the Ravenna chemical plant.

	Equity investments in other companies	Total equity investments
<b>Opening balance</b>		
<b>Cost</b>	141,783	141,783
<b>Book value</b>	141,783	141,783
<b>Closing balance</b>		
<b>Cost</b>	141,783	141,783
<b>Book value</b>	141,783	141,783

### Changes and due dates of long-term receivables

Long-term receivables include the following guarantee deposits:

- Euro 8,576 paid to an insurance company for the issue of sureties;
- Euro 852 paid to utility providers.
- Euro 23,642 to a temp agency.

	Opening balance	Changes during the year	Closing balance	Due beyond the following year
<b>Long-term receivables from others</b>	33,947	(877)	33,070	33,070
<b>Total long-term receivables</b>	33,947	(877)	33,070	33,070

### Breakdown of long-term receivables by geographic area

Geographic area	Long-term receivables from others	Total long-term receivables
<b>ITALY</b>	9,428	9,428
<b>EU</b>	23,642	23,642
<b>Total</b>	33,070	33,070

## **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
<b>Raw, ancillary and consumable materials</b>	1,793,622	253,696	2,047,318
<b>Work in progress and semi-finished products</b>	3,571,052	59,657	3,630,709
<b>Finished products and goods for resale</b>	2,747,220	1,394,414	4,141,634
<b>Payments on account</b>	107,109	(91,479)	15,630
<b>Total inventories</b>	8,219,003	1,616,288	9,835,291

The total of inventories at year end increased compared to the previous year by Euro 1,616,288. This increase is mainly due to higher inventories of finished products as a result of a decline in the reference market in certain months of the year. These inventories were all sold after the end of the 2016/2017 financial year.

## 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	8,609,968	736,478	9,346,446	9,346,446
Tax receivables recognized as current assets	174,844	108,648	283,492	283,492
Deferred tax assets recognized as current assets	1,719,287	235,961	1,955,248	
Other receivables recognized as current assets	1,256	(1,256)	0	0
<b>Total receivables recognized as current assets</b>	<b>10,505,355</b>	<b>1,079,831</b>	<b>11,585,186</b>	<b>9,629,938</b>

All the receivables indicated in the above table 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 1,484,646, equal to 50% of total receivables accrued as due from Versalis S.p.A. on 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, except the above mentioned, there were no collection difficulties.

The table below shows the breakdown of and changes in trade receivables:

Description	Value at 31/03/2016	Value at 31/03/2017	Change
Trade receivables	7,858,619	8,892,026	1,033,407
Receivables on invoices to be issued	1,939,066	1,939,066	0
Provision for doubtful	(1,187,717)	(1,484,646)	(296,929)
<b>Category total</b>	<b>8,609,968</b>	<b>9,346,446</b>	<b>736,478</b>

The increase in total receivables refers entirely to invoices issued at the close of the year and not yet past due at 31 March 2017, under the contractual terms for collection.

### TAX RECEIVABLES

VAT receivables were formed by the balance after the monthly settlement for March 2017.

The remaining tax receivables (payments on account made during the year for IRES/IRAP taxes and withholding tax on interest income accrued on current accounts) are recorded net of IRAP tax payables as there is a real option to offset from a legal point of view, as required by OIC 15.

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

Description	Value at 31/03/2016	Value at 31/03/2017	Change
Tax offsetting	115,892	249,024	133,132
VAT	58,952	34,468	(24,484)
<b>Category total</b>	<b>174,844</b>	<b>283,492</b>	<b>108,648</b>

## 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 1,955,248, recording an increase of Euro 346,804 and a decrease of Euro 110,843, therefore up by a total of Euro 235,961 compared to the previous year.

The increase was due mainly to new deferred tax assets calculated on the total tax deduction for economic development aid (ACE) and on residual amortization of research and development costs, whilst the decrease was attributable to partial use of previous years' tax losses.

In consideration of future production activity developments, 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
<i>IRES-IRAP deferred tax assets from the previous year</i>	1,719,287
Deferred tax assets generated during the year	346,804
Deferred tax assets reabsorbed during the year	(110,843)
<i>IRES-IRAP deferred tax assets from the current year</i>	1,955,248
<i>Change</i>	235,961

## OTHER RECEIVABLES

Other receivables existing at the end of the previous year were collected in full.

Description	Value at 31/03/2016	Value at 31/03/2017	Change
Other receivables	1,256	0	(1,256)
<b>Category total</b>	<b>1,256</b>	<b>0</b>	<b>(1,256)</b>

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	1,994,062	1,432,462	5,919,922	9,346,446
Tax receivables recognized as current assets	283,492	-	-	283,492
Deferred tax assets recognized as current assets	1,955,248	-	-	1,955,248
Other receivables recognized as current assets	-	-	-	0
<b>Total receivables recognized as current assets</b>	<b>4,232,802</b>	<b>1,432,462</b>	<b>5,919,922</b>	<b>11,585,186</b>

## 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	410,684	131,288	541,972
Cash and equivalents on hand	414	(8)	406
<b>Total cash and cash equivalents</b>	<b>411,098</b>	<b>131,280</b>	<b>542,378</b>

## Accrued income and prepayments

	Opening balance	Change during the year	Closing balance
Prepayments	33,342	26,316	59,658
<b>Total accrued income and prepayments</b>	<b>33,342</b>	<b>26,316</b>	<b>59,658</b>

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

Description	Value at 31/03/2016	Value at 31/03/2017	Change
Lease instalments and balloon payments on leases	1,941,808		(1,132)
Insurance premiums	11,513	14,497	2,985
Vehicle costs	110	113	3
Other lease instalments	9,683	5,053	(4,631)
Other services	8,182	12,079	3,897
Interest and charges	1,914	11,370	9,456
Maintenance	-	9,905	9,905
Subscriptions		5,833	5,833
<b>Category total</b>	<b>33,342</b>	<b>59,658</b>	<b>26,317</b>

Balance sheet items included in the balance sheet assets are not accounted for a value higher than their fair value.

## 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 1,897,693, the non-distributable profit reserve for Euro 78,903, the cash flow hedge reserve for a negative Euro 2,991 and retained earnings of Euro 5,078,996.

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	Increases	Decreases		
Share capital	2,000,000	-	-	-		2,000,000
Legal reserve	282,924	117,076	-	-		400,000
Other reserves						
Extraordinary reserve	1,897,693	-	-	-		1,897,693
Unrealized exchange gains reserve	24,198	-	-	24,198		0
Miscellaneous other reserves	78,903	-	-	-		78,903
Total other reserves	2,000,794	-	-	24,198		1,976,596
Cash flow hedge reserve	0	-	-	2,991		(2,991)
Retained earnings (accumulated losses)	3,903,850	2,396,023	24,198	1,245,075		5,078,996
Profit (loss) for the year	2,513,098	(2,513,098)	-	-	679,713	679,713
Total shareholders' equity	10,700,666	1	24,198	1,272,264	679,713	10,132,314

### Breakdown of miscellaneous other reserves

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

The allocation of the previous year's profit was Euro 117,076 to top up the legal reserve and the remaining Euro 2,396,022 was retained.

The reserve for unrealized exchange gains set up in previous years was reclassified to the retained earnings reserve as, from the year-end translation of all receivables and payables in foreign currency, it emerged that no exchange gains were unrealized.

The cash flow hedge reserve represents the negative fair value of the derivative financial instrument, described in the comments on the item Provisions - B3).

Lastly, note that the retained earnings reserve was drawn down by Euro 1,245,075, corresponding to the residual book value at 31 March 2016 of research and development costs capitalised in previous years. As a result of new regulations introduced by Italian Legislative Decree 139/2015, in fact, the requirements for capitalisation of such costs was removed and therefore the entire amount was eliminated from assets and a balancing entry recorded as a decrease in shareholders' equity.

## Availability and use of shareholders' equity

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

	Amount	Source/type	Possibility of utilisation	Available
Share capital	2,000,000	SHARE CAPITAL		-
Legal reserve	400,000	PROFIT RESERVE	B	-
<b>Other reserves</b>				
Extraordinary reserve	1,897,693	PROFIT AND CAPITAL RESERVE	A,B,C,D,E	1,897,693
Unrealized exchange gains reserve	0			-
Miscellaneous other reserves	78,903	PROFIT RESERVE	A,B	78,903
<b>Total other reserves</b>	<b>1,976,596</b>			<b>1,976,596</b>
Cash flow hedge reserve	(2,991)	EQUITY ADJUSTMENT RESERVE		-
Retained earnings	5,078,996	PROFIT RESERVE	A,B,C,D,E	5,078,996
<b>Total</b>	<b>9,452,601</b>			<b>7,055,592</b>
<b>Non-distributable portion</b>				<b>78,903</b>
<b>Remaining distributable portion</b>				<b>6,976,689</b>

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

## Source, possibility of use and availability for use of other reserves

Description	Amount	Source/type	Possibility of utilisation
<b>NON-DISTRIBUTABLE RESERVE</b>	78,903	PROFIT RESERVE	A,B
<b>Total</b>	<b>78,903</b>		

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, the possibility of distribution to shareholders is not indicated in the table.

In addition, pursuant to article 2426, paragraph 5) of the Italian Civil Code and taking into account the elimination of research and development costs from the balance sheet assets, at the end of the year all shareholders' equity reserves were distributable except for the Euro 78,903 indicated above.

## Changes in the cash flow hedge reserve

During the year the company signed an unsecured loan and, to protect against any increase in interest rates, signed a derivative contract at the same time.

Pursuant to article 2427-bis of the Italian Civil Code, information on the derivative financial instrument is as follows:

- negative fair value at 31 March 2017 (mark to market) of Euro 2,991, 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: Euro 750,000 (original value of unsecured loan granted to the company)

bank benchmark rate: 3M/365 Euribor; minimum -1.50%; company benchmark rate: fixed rate 0.05%

benchmark rate period: quarterly

	Cash flow hedge reserve
Opening balance	0
Changes during the year	
Decrease due to change in fair value	2,991
Closing balance	(2,991)

## **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 refer to the initial estimate of legal costs that the company expects to incur in the proceedings brought by the USL for a workplace accident at the Ravenna plant in April 2016, and against the Report on Findings served on 6 April 2017 by the Tax Office in relation to 2014/2015, further details of which are provided in the specific section of these Explanatory Notes.

	Provision for current and deferred taxes	Derivative payables	Other provisions	Total provisions for risks and charges
Opening balance	12,431	0	0	12,431
Changes during the year				
Allocations during the year	-	2,991	33,000	35,991
Other changes	(9,134)	-	-	(9,134)
Total changes	(9,134)	2,991	33,000	26,857
Closing balance	3,297	2,991	33,000	39,288

## 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	519,809
Changes during the year	

	Employee severance indemnity (TFR)
Allocations during the year	131,813
Utilisation during the year	57,113
Other changes	(82,407)
Total changes	(7,707)
Closing balance	512,102

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 57,113 and the amount due to supplementary pension funds for Euro 82,407.

## Payables

### Changes and due dates of payables

	Opening balance	Change during the	Closing balance	Due within the following year	Due beyond the following year
Payables due to shareholders for loans	200,730	(200,730)	0	0	-
Due to banks	7,286,765	76,521	7,363,286	6,796,594	566,692
Payments on account	580,125	(230,125)	350,000	350,000	-
Trade payables	7,021,967	1,411,586	8,433,553	8,433,553	-
Due to parent companies	1,976,628	2,401,518	4,378,146	4,378,146	-
Payables to companies controlled by parent companies	0	988	988	988	-
Tax payables	41,695	349	42,044	42,044	-
Due to social security and welfare institutions	53,773	12,333	66,106	66,106	-
Other payables	299,632	25,896	325,528	325,528	-
<b>Total payables</b>	<b>17,461,315</b>	<b>3,498,336</b>	<b>20,959,651</b>	<b>20,392,959</b>	<b>566,692</b>



**PAYABLES DUE TO SHAREHOLDERS FOR LOANS**

Payables to shareholders for loans paid in full during the year.

**PAYABLES TO BANKS**

Description	Value at 31/03/2016	Value at 31/03/2017	Change
Current accounts	2,535,625	2,635,836	100,211
Letters of credit	3,625,540	3,245,008	(380,532)
Accounts receivable financing	933,271	768,171	(165,100)
Loans due within the following year	38,094	147,579	109,485
Loans due beyond the following year	154,235	566,692	412,457
Category total	7,286,765	7,363,286	76,521

Amounts due to banks are represented by the current account overdraft, the amount of letters of credit presented for payment clause subject to clearance and credited to the account, but whose effective maturity is future, and also the amount due to banks for accounts receivable financing.

During the year the company fully repaid the loan originally obtained for Euro 200,000 and signed a new unsecured loan for a total of Euro 750,000 to be repaid in 20 quarterly instalments and maturing on 30 November 2021.

**PAYMENTS ON ACCOUNT**

The company received payments on account from customers for Euro 350,000.

**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 31/03/2016	Value at 31/03/2017	Change
Trade payables	6,424,949	7,884,356	1,459,407
Invoices to be received	627,130	589,920	(37,210)
Credit notes to be received	(30,111)	-40,723	(10,612)
Category total	7,021,967	8,433,553	1,411,586

The increase in payables is in line with the general increase in operating costs.

**DUE TO PARENT COMPANIES**

This category represents only accounts payable by the company to other group companies. The amount qualifies as a trade payable for various supplies.

The table below illustrates changes compared to the previous year.

Description	Value at	Value at	Change
Due to parent companies	1,976,628	4,378,146	2,401,518
Category total	1,976,628	4,378,146	2,401,518

The significant increase is attributable to supplies received at the end of the year.

**PAYABLES TO COMPANIES CONTROLLED BY PARENT COMPANIES**

This category includes certain payables to companies in the same group.

Description	Value at 31/03/2016	Value at 31/03/2017	Change
Due affiliated companies	0	988	988
Category total	0	988	988

**TAX PAYABLES**

Tax payables are outlined in the following table:

Description	Value at 31/03/2016	Value at 31/03/2017	Change
IRPEF withholdings for employees	36,855	39,522	2,667
Self-employed withholdings	4,623	1,860	(2,763)
Other tax payables	217	662	445
Category total	41,695	42,044	349

The tax payables refer mainly to withholdings on employee and self-employed income.

**DUE 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 31/03/2016	Value at 31/03/2017	Change
Social security payables	41,971	52,800	10,829
Payables to other institutions	12,412	12,902	490
INAIL contributions	(610)	405	1,015
Category total	53,773	66,106	12,333

**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 2017, and other amounts payable to employees and third parties.

The specification of amounts for the two-year period 2016-2017 is contained in the table below with an indication of the changes.

Description	Value at 31/03/2016	Value at 31/03/2017	Change
Other payables	149,125	170,848	21,723
Additional monthly salaries	148,954	153,420	4,466
Payables for other withholdings	1,553	1,260	(293)
Category total	299,632	325,528	25,896

There are no payables due in more than 5 years.

**Breakdown of payables by geographic area**

Geographic area	ITALY	EU	NON-EU	Total
Payables due to shareholders for loans	-	-	-	0
Due to banks	1,482,442	5,880,844	-	7,363,286
Payments on account	-	-	350,000	350,000
Trade payables	5,607,055	2,750,283	76,215	8,433,553
Due to parent companies	-	-	4,378,146	4,378,146
Payables to companies controlled by parent companies	-	-	988	988
Tax payables	42,044	-	-	42,044
Due to social security and welfare institutions	66,106	-	-	66,106
Other payables	325,528	-	-	325,528
Payables	7,523,175	8,631,127	4,805,349	20,959,651

## Payables collateralized by corporate assets

There are no payables collateralized by corporate 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:

<b>Description</b>	<b>Value at 31/03/2016</b>	<b>Value at 31/03/2017</b>	<b>Change</b>
Membership contributions	3,023	0	(3023)
Insurance premiums	788	0	(788)
Utilities and other	17	0	(17)
Accrued leave, absence permits, reduced working hours	284,362	273,358	(11,004)
<b>Category total</b>	<b>288,190</b>	<b>273,358</b>	<b>(14,832)</b>

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

## Explanatory Notes - Income Statement

### Value of production

Description	Values at 31/03/2016	Values at 31/03/2017
Revenues from sales and services	31,226,242	30,108,497
Changes in finished goods	1,575,173	1,454,072
Increases in internal work	185,970	161,929
Other revenues and income	96,494	1,162,748
<b>TOTAL</b>	<b>33,083,879</b>	<b>32,887,246</b>

During the year ending 31 March 2017 the revenues from sales fell by around 4% compared to the previous year, whilst the significant increase in "other revenues and income" is due to the fact that during the year the company signed an agreement with Camlin Fine Sciences Ltd. for the sale of know-how.

### 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.

Asset category	Current year value
<b>CHEMICAL PRODUCT SALES</b>	30,108,497
<b>Total</b>	30,108,497

### 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
<b>ITALY</b>	2,194,193
<b>EU</b>	7,599,396
<b>NON-EU</b>	20,314,908
<b>Total</b>	30,108,497

## Cost of production

Costs are broken down by category.

Description	Values at 31/03/2016	Values at 31/03/2017
Purchase costs	16,854,291	18,755,956
Service costs	8,957,830	9,457,494
Leased asset costs	107,508	114,238
Staff-related costs	2,483,735	2,689,014
Amortization and	1,075,967	939,251
Write-downs	0	296,929
Change in raw materials	(390,611)	(253,696)
Provisions for risks	0	33,000
Other operating costs	146,305	120,267
<b>TOTAL</b>	<b>29,235,024</b>	<b>32,152,453</b>

The increase in costs for purchases and services, by 10% year on year, is mainly attributable to the increase in cost of the main raw materials and utilities used in the production process.

Also note the increase of approximately 8% in payroll and related costs and the decrease in amortization due to the elimination of research and development costs capitalised in previous years.

Other operating costs were essentially in line with the figures of the previous year.

## Financial income and charges

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

Description	Values at 31/03/2016	Values at 31/03/2017
Other income	433	33,132
Interest and financial charges	(251,237)	(191,138)
Foreign exchange gains and losses	(79,882)	(98,825)
<b>CATEGORY TOTAL</b>	<b>(330,686)</b>	<b>(256,830)</b>

Financial income refers in full to interest accrued on the company current account and to financial discounting inflows.

Financial charges can be split between bank interest payable (Euro 174,183) and other financial expense (Euro 16,955).

The item "foreign exchange gains and losses" includes gains of Euro 102,298 and losses of Euro 201,123.

The main changes in currencies are attributable to the EUR-USD and EUR-GBP exchange rates.

### Breakdown of interest and other financial expense by payable type

	Interest and other financial expense
Due to banks	174,183
Other	16,955
<b>Total</b>	<b>191,138</b>

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

Income taxes for the year, resulting from the algebraic 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	
	Values at 31/03/2016	Values at 31/03/2017
<b>Current taxes</b>	<b>292,413</b>	<b>43,345</b>
IRES tax for the year	130,818	0
IRAP tax for the year	161,595	43,345
<b>Deferred tax assets and liabilities</b>	<b>712,658</b>	<b>(245,094)</b>
IRES deferred tax liabilities	(5,912)	(9,134)
IRES deferred tax assets	(718,570)	(235,960)
<b>Total taxes</b>	<b>1,005,071</b>	<b>(201,749)</b>

The algebraic sum of current taxes and deferred tax assets/liabilities gives a total tax amount for the year that is negative.

	Previous	Change	Current	Previous	Change	Current
<b>DEFERRED TAX ASSETS</b>	<b>ITEM</b>			<b>IRES</b>		
Unrealized foreign exchange losses	125,094	- 78,285	46,809	30,023	- 18,788	11,234
Membership contributions not paid	5,140	- 308	4,832	1,234	- 74	1,160
Membership contributions not paid	-	20,047	20,047	-	4,811	4,811
Default interest not paid (2015/2016)	8,366	- 8,366	-	2,008	- 2,008	-
Default interest not paid (2016/2017)	-	14,396	14,396	-	3,455	3,455
R&D costs	-	830,050	830,050	-	199,212	199,212
Tax losses	5,947,474	- 374,894	5,572,580	1,427,394	- 89,974	1,337,419
Receivable write-downs	1,074,638	242,774	1,317,412	257,913	58,266	316,179
Provisions for risks	-	33,000	33,000	-	9,207	9,207
Economic aid (ACE) to be carried forward	-	207,133	207,133	-	49,712	49,712
Temporarily non-deductible	2,989	92,255	95,244	717	22,141	22,859
<b>Total items</b>	<b>7,163,701</b>	<b>977,802</b>	<b>8,141,503</b>	<b>1,719,288</b>	<b>235,960</b>	<b>1,955,248</b>
	Previous	Change	Current	Previous	Change	Current
<b>DEFERRED TAX</b>	<b>ITEM</b>			<b>IRES</b>		
Unrealized foreign exchange gains net of	51,794	- 38,057	13,737	12,431	- 9,134	3,297
Total items	51,794	- 38,057	13,737	12,431	- 9,134	3,297
<b>TOTAL DIFFERENCES between items generating /recovering deferred tax</b>	<b>7,111,907</b>		<b>8,127,766</b>	<b>1,706,858</b>	<b>245,094</b>	<b>1,951,951</b>

## Recognition of deferred tax assets and liabilities, and resulting effects

	IRES
<b>A) Temporary differences</b>	
Total deductible temporary differences	8,141,503
Total taxable temporary differences	13,737
Net temporary differences	(8,127,766)
<b>B) Tax effects</b>	

	IRES
Provision for deferred tax liabilities (deferred tax assets) - opening balance	1,706,857
Deferred tax liabilities (assets) for the year	245,094
Provision for deferred tax liabilities (deferred tax assets) - closing balance	1,951,951

## Information on tax losses

	Current year			Previous year		
	Amount	Tax rate	Deferred tax assets	Amount	Tax rate	Deferred tax assets
<b>Tax losses</b>						
previous years	5,572,580			5,947,474		
Total tax losses	5,572,580			5,947,474		
Tax losses carried forward with reasonable certainty of recovery	5,572,580	24.00%	1,337,419	5,947,474	24.00%	1,427,394

## **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	6
Office staff	21
Manual workers	17
Total employees	45

### **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.

	Statutory Auditors
Remuneration	28,000

### **Independent auditor remuneration**

The audit of company accounts is assigned to an auditing firm for an annual remuneration of Euro 14,000. In the year under review no other remuneration or requests for other advisory services were envisaged.

	Value
Independent audit of annual accounts	14,000
Total independent auditor remuneration	14,000

### **Information on transactions with related parties**

#### **TRANSACTIONS WITH RELATED PARTIES**

In accordance with and pursuant to article 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.

Details of transactions during the year between the shareholder and the Indian parent are provided below. Items in the income statement that refer to transactions with related parties are reported below:



	<b>Value at 31/03/2016</b>	<b>Value at 31/03/2017</b>
<b>Transactions with related parties</b>		
Revenues	17,187,667	12,911,051
Total value of production (A)	33,083,879.48	32,887,246.28
Impact	52%	39%
Costs	3,233,434	3,895,410
Total cost of production (B)	29,235,024	32,152,453
Impact	11%	12%

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

Moving on to examine items in the balance sheet, those regarding related party transactions are listed below:

<b>Transactions with related parties</b>	<b>Value at 31/03/2016</b>	<b>Value at 31/03/2017</b>
Trade receivables	3,200,344	2,028,992
Total C-II)-1) Trade receivables	8,609,968.49	9,346,445.63
Impact	37%	22%
Trade payables	1,976,628	4,379,134
Total D - Payables	17,461,314	20,959,651
Impact	11%	21%
Interest-free shareholder loan	200,730	-
Total D - Payables	17,461,314	-
Impact	1%	-
Payments on account received	580,125	350,000
Total D - Payables	17,461,314	20,959,651
Impact	3%	2%
Other payables	84,000	84,000
Total D - Payables	17,461,314	20,959,651
Impact	0.5%	0.4%

## **Information on off-balance sheet arrangements**

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

## **Information on significant events after year end**

Note that on 6 April 2017 the company was served a Report on Findings by the Tax Office and its contents are currently being assessed.

With regard to the accident that occurred in April 2016, the outcome of investigations by the competent authorities is still pending.

## Information on derivative financial instruments pursuant to article 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 Article 2497-bis of the Italian Civil Code, the key figures from the last financial statements (years ended 31 March 2015 and 31 March 2016) 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 2016 (Euro-Rupee 75.0955).

### BALANCE SHEET

BALANCE SHEET ITEMS	All amounts are expressed in Euro	
	31/03/2016	31/03/2015
<b>I - SHAREHOLDERS' EQUITY AND LIABILITIES</b>		
<b>1) Shareholders' equity</b>		
a) Share capital	1,287,241	1,425,335
b) Reserves and surpluses	14,818,944	13,116,613
<b>Total shareholders' equity</b>	<b>16,106,185</b>	<b>14,541,948</b>
<b>2) Consolidated liabilities</b>		
Loans	2,663,781	3,970,791
Deferred tax liabilities	432,130	556,441
Long-term payables	246,699	218,509
<b>Total consolidated liabilities</b>	<b>3,342,610</b>	<b>4,745,741</b>
<b>3) Current liabilities</b>		
Short-term loans	16,746,583	14,508,057
Trade payables	10,685,367	13,918,170
Other short-term payables	3,313,581	2,864,970
Short-term payables available for consolidation	731,069	809,154
<b>Total current liabilities</b>	<b>31,476,600</b>	<b>32,100,351</b>
<b>Total liabilities and shareholders' equity</b>	<b>50,925,395</b>	<b>51,388,040</b>
<b>II - ASSETS</b>		
<b>1) Fixed assets</b>		
a) Fixed assets	12,036,886	9,394,595
b) Long-term investments	893,928	680,456
c) Assets in process of formation	1,571,226	1,138,969
<b>Total fixed assets</b>	<b>14,502,041</b>	<b>11,214,020</b>
<b>2) Current assets</b>		
a) Inventories	15,720,729	13,391,949
b) Trade receivables	13,094,180	18,421,545
c) Cash and cash equivalents	1,769,360	1,816,467
d) Loans and payments on account	2,175,550	1,641,912
e) Other current assets	3,663,535	4,902,146
<b>Total current assets</b>	<b>36,423,354</b>	<b>40,174,020</b>
<b>Total assets</b>	<b>50,925,395</b>	<b>51,388,040</b>

**INCOME STATEMENT**All amounts are expressed in  
Euro

<b>BALANCE SHEET ITEMS</b>	<b>31/03/2016</b>	<b>31/03/2015</b>
<b>Revenues</b>		
Net operating revenues	54,888,149	64,021,658
Other operating income	493,039	289,324
<b>Total revenues</b>	<b>55,381,188</b>	<b>64,310,982</b>
<b>OPERATING COSTS</b>		
Raw materials consumption	34,143,351	39,185,629
Goods purchased	1,816,434	3,601,941
Change in inventories	(3,425,239)	(1,387,564)
Staff and related costs	2,593,138	2,632,384
Financial charges	2,906,872	3,144,023
Amortization and depreciation	1,351,426	1,480,958
Research and development costs	279,750	368,478
Other costs	10,487,672	10,562,610
<b>Total costs</b>	<b>50,153,405</b>	<b>59,588,459</b>
<b>Profit (loss) before tax and exceptional events</b>	<b>5,227,783</b>	<b>4,722,523</b>
Exceptional events	(605,536)	0
Profit (loss) before tax	<b>4,622,248</b>	<b>4,722,523</b>
Current taxes	1,034,070	1,092,146
Deferred tax liabilities and MAT	158,958	(207,301)
<b>Net profit (loss) for the year</b>	<b>3,429,220</b>	<b>3,837,679</b>

**Proposed allocation of profits or loss coverage**

The financial statements for the year ended 31 March 2017 closed with profit for the year of Euro 679,713. We propose that the entire amount is allocated to retained earnings.

## **Explanatory Notes - Final Comments**

The financial statements for the year ended 31 March 2017 were drafted in compliance with applicable statutory regulations and in accordance with Italian national accounting standards.

These Explanatory Notes, and likewise the entire financial statements of which they form an integral part, represents 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, \_\_\_\_\_

For the Board of Directors

Antonio MENEZES