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**Lupin Middle East FZ-LLC**  
**Dubai, UAE**

**Financial statements**  
**Year ended 31 March 2019**

**Independent Auditor's Report  
to the Shareholder of Lupin Middle East FZ-LLC  
on the audit of the financial statements  
for the year ended 31 March 2019**

**Opinion**

We have audited the financial statements of **Lupin Middle East FZ-LLC (the Company)**, Dubai, UAE, which comprise the statement of financial position as at **31 March 2019**, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes set out on pages 4 to 18.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Company as of 31 March 2019 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

**Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA code) and have fulfilled our other ethical responsibilities. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Emphasis of matter**

We draw attention to Note 2 (c) to the financial statements, which explains the reasons for preparation of the financial statements on a going concern basis.

Our opinion is not modified in respect of this matter.

**Key audit matters**

We have determined that there are no key audit matters other than those emphasised above.

**Responsibilities of management and those charged with governance**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, requirements of The DCC Private Companies Regulations 2016 issued under Law No. (15) of 2014 Concerning the Creative Clusters in the Emirate of Dubai, read with the UAE Federal Law No. (2) of 2015 Concerning Commercial Companies and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Management and those charged with governance are responsible for overseeing the Company's financial reporting process.

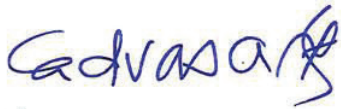
**Auditor's responsibilities for the audit of the financial statements**

The objectives of our audit are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonable be expected to influence the economic decisions of users taken on the basis of these financial statements.

**Report on other legal and regulatory requirements**

As required by the requirements of Dubai Development Authority Regulations issued under Law No. (15) of 2014 and Law No. (10) of 2018, read with the applicable provisions of the UAE Federal Law No. (2) of 2015 Concerning Commercial Companies, we further report that:

- i) we have obtained all the information and explanations as we considered necessary for the purpose of our audit;
- ii) the financial statements have been prepared and comply, in all material respects, with the aforesaid Laws;
- iii) proper books of account have been kept by the Company;
- iv) the financial information contained in the Directors' report, in so far as it relates to these financial statements is consistent with the books of account of the Company;
- v) Note 22 to the financial statements discloses material related party transactions and the terms under which they were transacted; and
- vi) based on the information that has been made available to us nothing has come to our attention which causes us to believe that the Company has contravened during the financial year under audit any of the aforesaid Laws or of its Memorandum and Articles of Association, which would have had a material effect on the business of the Company or on its financial position as at 31 March 2019.



Vasant Lad  
Partner  
Registration No. 299  
Behl, Lad & Al Sayegh

Dubai, United Arab Emirates  
30 April 2019



**Lupin Middle East FZ-LLC**

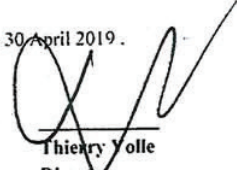
**Statement of profit or loss and other comprehensive income  
Year ended 31 March 2019**

|  | Notes | 31 March 2019<br>USD      | 31 March 2018<br>USD    |
|--|-------|---------------------------|-------------------------|
| <b>Sales</b>                                 | 6     | <b>1,993,688</b>          | 3,336,863               |
| Cost of sales                                | 7     | <u>(996,869)</u>          | <u>(2,098,873)</u>      |
| <b>Gross profit</b>                          |       | <b>996,819</b>            | 1,237,990               |
| Other income                                 | 8     | 13,050                    | -                       |
| Selling expenses                             | 9     | (712,634)                 | (719,037)               |
| Administrative expenses                      | 10    | (804,990)                 | (704,393)               |
| Other expenses -                             | 11    | (1,570,728)               | -                       |
| Finance costs                                | 12    | <u>(20,433)</u>           | <u>(2,522)</u>          |
| <b>Loss for the year</b>                     |       | <b>(2,098,916)</b>        | (187,962)               |
| Other comprehensive income for the year      |       | -                         | -                       |
| <b>Total comprehensive loss for the year</b> |       | <b><u>(2,098,916)</u></b> | <b><u>(187,962)</u></b> |

The accompanying notes on pages 8 to 18 form an integral part of these financial statements.  
The Independent Auditor's report is set forth on pages 2 & 3.

Approved by the Directors of the Company and authorised for issue on 30 April 2019.

  
Sunil Makharia  
Director

  
Thierry Yolle  
Director



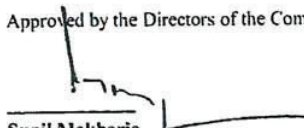
## Lupin Middle East FZ-LLC

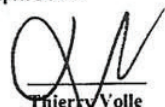
### Statement of financial position As at 31 March 2019

|   |       | 31 March 2019      | 31 March 2018    |
|---|-------|--------------------|------------------|
|   | Notes | USD                | USD              |
| <b>Non-current assets</b>                                     |       |                    |                  |
| Property and equipment  | 13    | 19,861             | 14,256           |
| Intangible assets   | 14    | 275,461            | 216,079          |
| Staff visa deposits   | 15    | <u>2,721</u>       | <u>2,721</u>     |
|   |       | <u>298,043</u>     | <u>233,056</u>   |
| <b>Current assets</b>   |       |                    |                  |
| Trade and other receivables                                   | 16    | 51,005             | 2,097,077        |
| Cash and cash equivalents                                     | 17    | <u>772,475</u>     | <u>265,648</u>   |
|   |       | <u>823,480</u>     | <u>2,362,725</u> |
| <b>Total assets</b>   |       | <u>1,121,523</u>   | <u>2,595,781</u> |
| <b>Shareholder's equity</b>                                   |       |                    |                  |
| Share capital   | 18    | 544,218            | 544,218          |
| Accumulated losses  |       | <u>(3,028,352)</u> | <u>(929,436)</u> |
| Deficit   |       | <u>(2,484,134)</u> | <u>(385,218)</u> |
| <b>Non-current liabilities</b>                                |       |                    |                  |
| Provision for staff end-of-service gratuity                   | 19    | <u>3,708</u>       | <u>31,106</u>    |
| <b>Current liabilities</b>                                    |       |                    |                  |
| Borrowings  | 20    | 2,100,000          | 100,000          |
| Trade and other payables                                      | 21    | <u>1,501,949</u>   | <u>2,849,893</u> |
|   |       | <u>3,601,949</u>   | <u>2,949,893</u> |
| <b>Total liabilities</b>                                      |       | <u>3,605,657</u>   | <u>2,980,999</u> |
| <b>Total liabilities less deficit on Shareholder's equity</b> |       | <u>1,121,523</u>   | <u>2,595,781</u> |

The accompanying notes on pages 8 to 18 form an integral part of these financial statements.  
The Independent Auditor's report is set forth on pages 2 & 3.

Approved by the Directors of the Company and authorised for issue on 30 April 2019.

  
Sunil Makharia  
Director

  
Thierry Volle  
Director



## Lupin Middle East FZ-LLC

### Statement of changes in equity Year ended 31 March 2019

|                     | Share<br>capital      | Accumulated<br>losses     | Total                     |
|---------------------|-----------------------|---------------------------|---------------------------|
|                     | USD                   | USD                       | USD                       |
| As at 31 March 2017 | 544,218               | (741,474)                 | (197,256)                 |
| Loss for the year   | <u>-</u>              | <u>(187,962)</u>          | <u>(187,962)</u>          |
| As at 31 March 2018 | 544,218               | (929,436)                 | (385,218)                 |
| Loss for the year   | <u>-</u>              | <u>(2,098,916)</u>        | <u>(2,098,916)</u>        |
| As at 31 March 2019 | <u><u>544,218</u></u> | <u><u>(3,028,352)</u></u> | <u><u>(2,484,134)</u></u> |

The accompanying notes on pages 8 to 18 form an integral part of these financial statements.  
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## Lupin Middle East FZ-LLC

### Statement of cash flows Year ended 31 March 2019

|  | Notes   | 31 March 2019<br>USD | 31 March 2018<br>USD |
|--|---------|----------------------|----------------------|
| <b>Cash flows from operating activities</b>                              |         |                      |                      |
| Loss for the year  |         | (2,098,916)          | (187,962)            |
| <b>Adjustments for:</b>  |         |                      |                      |
| Depreciation of property and equipment                                   | 10      | 3,853                | 2,848                |
| Amortisation on intangible assets  | 11      | 29,778               | -                    |
| Provision for doubtful debts   | 11      | 1,536,844            | -                    |
| Interest expense   | 12      | 20,433               | 2,522                |
| <b>Operating loss before changes in operating assets and liabilities</b> |         |                      |                      |
|  |         | (508,008)            | (182,592)            |
| Decrease/(increase) in trade and other receivables                       | 16      | 500,865              | (1,678,818)          |
| (Decrease)/increase in trade and other payables                          | 21      | (1,362,920)          | 1,679,802            |
| (Decrease)/increase in staff end-of-service gratuity provision (net)     | 19      | (27,398)             | 10,129               |
| <b>Cash used in operations</b>   |         |                      |                      |
|  |         | (1,397,461)          | (171,479)            |
| Interest paid  | 12 & 21 | (5,457)              | (2,830)              |
| <b>Net cash used in operating activities (A)</b>                         |         |                      |                      |
|  |         | (1,402,918)          | (174,309)            |
| <b>Cash flows from investing activities</b>                              |         |                      |                      |
| Purchase of property and equipment                                       | 13 & 16 | (1,095)              | (6,758)              |
| Payments for intangible assets   | 14      | (89,160)             | (216,079)            |
| Increase in staff visa deposits  | 15      | -                    | (680)                |
| <b>Net cash used in investing activities (B)</b>                         |         |                      |                      |
|  |         | (90,255)             | (223,517)            |
| <b>Cash flows from financing activities</b>                              |         |                      |                      |
| Proceeds from long-term loans (net)                                      | 20      | 2,000,000            | 40,000               |
| <b>Net cash from financing activities (C)</b>                            |         |                      |                      |
|  |         | 2,000,000            | 40,000               |
| <b>Net increase/(decrease) cash and cash equivalents (A+B+C)</b>         |         |                      |                      |
|  |         | 506,827              | (357,826)            |
| Cash and cash equivalents at beginning of the year                       |         | 265,648              | 623,474              |
| <b>Cash and cash equivalents at end of the year</b>                      |         |                      |                      |
|  | 17      | 772,475              | 265,648              |

The accompanying notes on pages 8 to 18 form an integral part of these financial statements.  
The Independent Auditor's report is set forth on pages 2 & 3.



# Lupin Middle East FZ-LLC

## Notes to the financial statements Year ended 31 March 2019

### 1 Legal status and business activities

- a) **Lupin Middle East FZ-LLC** (the **Company**) is registered on 13 June 2012, as a free zone company with limited liability under Commercial Licence No. 91072 issued under Dubai Development Authority Authority Regulations issued under Law No. (15) of 2014 and Law No. (10) of 2018, read with the UAE Federal Law No. (2) of 2015 Concerning Commercial Companies, Dubai, United Arab Emirates. The address of the registered office of the Company is Executive office No. 109, Floor No. 1, Building 3, Dubai International Academic City, Dubai, UAE.
- b) The licensed activity of the Company are imports and re-exports, marketing and sales promotion and support services. Presently, the Company trades in pharmaceuticals products.
- c) The Company is a wholly-owned subsidiary of M/s. Lupin Atlantis Holdings S.A. (the Parent company), a limited liability Company registered in the Switzerland. The address of the registered office of the Parent company is at Landis + Gyr-Strasse 1, 6300 Zug, Switzerland.
- d) The Ultimate Holding company is Lupin Limited, India, with its registered office at Kalpataru Inspire, 3rd Floor, Off Western Express Highway, Santacruz (East), Mumbai 400055, India.

### 2 Basis of preparation

#### a) Statement of compliance

These financial statements are prepared under the historical cost convention and in accordance with International Financial Reporting Standards (IFRS) and interpretations issued by the IFRS Interpretations Committee (IFRSIC) or adopted by the International Accounting Standards Board (IASB) and the requirements of Dubai Development Authority Regulations issued under Law No. (15) of 2014 and Law No. (10) of 2018, read with the applicable provisions of the UAE Federal Law No. (2) of 2015 Concerning Commercial Companies.

The following standards and amendments are effective for the first time from the current year, however except for IRFS 15, they do not apply to the Company or do not have any material impact on the Company's financial statements as they merely clarify the existing requirements and do not affect the Company's accounting policies or any other disclosures.

- IFRS 15 - Revenue from contracts with customers and associated amendments to various other standards. This establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 - Revenue, IAS 11 - Construction Contracts and IFRIC 13 - Customer Loyalty Programmes - Effective 1 January 2018.
- IFRS 9 Financial Instruments and associated amendments to various other standards - This standard published in July 2014 replaces the existing guidance in IAS 39 - Financial Instruments, Recognition and Measurements. This includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39 - Effective 1 January 2018.
- Classification and Measurement of Share-based Payment Transactions - Amendments to IFRS 2 - Effective 1 January 2018.
- Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts - Amendments to IFRS 4 - Effective 1 January 2018 or when the entity first applies IFRS 9.
- Annual Improvements 2014 - 2016 Cycle - Effective 1 January 2018.
- Transfer of Investment Property - Amendments to IAS 40 - Effective 1 January 2018.
- Interpretation 22 Foreign Currency Transactions and Advance Consideration - Effective 1 January 2018.





# Lupin Middle East FZ-LLC

## Notes to the financial statements Year ended 31 March 2019

### 2 Basis of preparation (Continued)

#### b) Functional and presentation currency

Though the functional currency of the Company is US Dollar (USD), these financial statements are presented in US Dollar (USD). The amounts in UAE Dirham (AED) have been translated into USD at the fixed parity are of 1 USD = 3.675 AED.

The figures have been rounded off to the nearest US Dollar.

#### c) Going concern basis of accounting

At the end of the reporting period, the Company had accumulated losses of USD 3,028,352 which have eroded the entire share capital of the Company and its equity was negative at USD 2,484,134. In addition, its current liabilities exceeded current assets by USD 2,778,469. Article 301 of the UAE Federal Law No. (2) of 2015 stipulates that the Directors shall propose before the General Assembly of the Company to dissolve the Company. However, the Ultimate Holding company has agreed to continue with the business operations of the Company as it has plans to launch many new products in the UAE including products from India which will enhance profitability of the Company and it has also agreed to provide its continuing financial support to the Company to enable the later to meet its payment obligations as and when they fall due for payment. Accordingly, these financial statements have been prepared on a going concern basis.

#### d) Accrual basis of accounting

The Company prepares the financial statements, except for cash flows information, using the accrual basis of accounting i.e. all items of assets, liabilities, equity, income and expenses are recognised as they arise.

#### e) Use of significant estimates, assumptions and judgments

Based on the historical experience and reasonable expectations of future events, the management makes judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses and disclosure of contingencies and commitments. These relate to lives of items of property and equipment and their residual values and provision for staff end-of-service gratuity.

#### *Impairment of assets*

At each reporting date, financial assets are assessed to determine whether there is any evidence of impairment which is judged by default or delinquency by a debtor, its creditworthiness, the age of the debts and the management experience. In the case of non-financial assets a review is made to determine whether there is any indication of impairment. If any such indication exists, then the assets' recoverable amount is estimated and impairment loss is recognised in the statement of profit or loss, if the carrying amount of the asset exceeds its recoverable amount.

#### f) New and amended standards

The Company intends to adopt the following new standards, if applicable when they become effective.

- IFRS 16 - Leases - Effective date 1 January 2019.
- IFRS 17 Insurance Contracts - Effective 1 January 2021.
- Interpretation 23 Uncertainty over Income Tax treatments - Effective date 1 January 2019.
- Prepayment features with Negative Compensation - Amendments to IFRS 9 - Effective date 1 January 2019.
- Long-term interests in Associates and Joint Venture - Amendments to IAS 28 - Effective date 1 January 2019.
- Annual improvements to IFRS Standards 2015 - 2017 Cycle - Effective date 1 January 2019.
- Plan Amendment, Curtailment or Settlement - Amendments to IAS 19 - Effective date 1 January 2019.



# Lupin Middle East FZ-LLC

## Notes to the financial statements Year ended 31 March 2019

### 3 Summary of significant accounting policies

The significant accounting policies adopted and which have been consistently applied are as follows:

#### a) Sale of goods

The Company derives its revenue from trading in pharmaceuticals products and is recognised at a point in time at the time of delivery when the control and ownership are transferred to the customer, net of discounts with no other promises in the contract that are separate performance obligation. The Company's sales are also on transshipment basis i.e. the supplier ships goods directly to the customer.

#### b) Cost of sales

Cost of sales includes costs of goods purchased, customs duty and freight and handling charges, which are directly identifiable with the costs of products sold.

#### c) Borrowing costs

Interest expense incurred on funds obtained from the Shareholder and a fellow subsidiary is accrued and expensed out on period basis.

#### d) Taxation

As none of the individual entities of the Group is engaged in production of oil & gas or extraction of other natural resources in the UAE and they do not belong to the banking sector, they are not liable to income-tax as there is no Corporate Taxation in the UAE.

#### e) Leases

Leases under which substantially all the risks and rewards of ownership of the related asset remain with the lessor are classified as operating leases and the lease payments are charged to the statement of profit or loss on a straight line basis over the period of the lease.

#### f) Foreign currency transactions and balances

Transactions in foreign currencies are translated into US Dollar at the rate of exchange ruling on the date of the transactions.

Monetary assets and liabilities expressed in foreign currencies are translated into US Dollar at the rate of exchange ruling at the end of the reporting period. Non-monetary items that are measured at historical cost in a foreign currency are not translated. These items that are measured at a fair value in a foreign currency are translated into functional currency at the exchange rate when the fair value was determined.

Gains or losses resulting from settlement of foreign currency transactions and from the translation at the year-end exchange rates of monetary assets and liabilities are recognised in the statement of profit or loss on net basis as either foreign exchange gains or foreign exchange losses and included in other income or other expenses respectively.

#### g) Property and equipment

Item of property and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses. Gains/losses on disposal are determined by reference to their carrying amount and are included in the statement of profit or loss.

An assessment of residual value is undertaken at each end of the reporting period and if there is a change in estimate, an appropriate adjustment is made to the depreciation charge.



# Lupin Middle East FZ-LLC

## Notes to the financial statements Year ended 31 March 2019

### 3 Summary of significant accounting policies (Continued)

#### g) Property and equipment (Continued)

##### *Depreciation*

The cost less estimated residual value, where material, is depreciated using the straight-line method from the date of acquisition to the estimated useful lives of the assets as follows:

|                      |       |       |
|----------------------|-------|-------|
| Furniture & fixtures | 10    | years |
| Office equipment     | 3 - 5 | years |
| Computer software    | 5     | years |

##### *Impairment*

At each end of the reporting period, management assesses the property and equipment to determine whether there are any indications that they may be impaired. In the absence of such indications, no further action is taken. If such indications do exist, an analysis of each asset is undertaken to determine its net recoverable amount and, if this is below its carrying amount, a provision is made.

#### h) Intangible assets

Intangible asset represents amount paid for product brands and is stated at cost less accumulated amortisation and impairment losses. The cost of intangible asset is amortised using the straight-line method over the period of five years.

#### i) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less loss allowance. For further information about trade receivables and their impairment policies, refer Note 16.

#### j) Cash and cash equivalents

Cash and cash equivalents comprise cash and balance in bank current accounts and bank deposits free of encumbrance with a maturity date of three months or less from the date of deposit.

#### k) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred and subsequently measured at amortised cost using the effective interest method. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of the borrowing facilities are recognised as transaction costs to the extent the facility will be drawn down. In the case, the fee is deferred until the draw down occurs. To the extent there is no such evidence, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

#### l) Trade and other payables

These amounts represent liabilities for goods and services provided to the Company prior to the end of the reporting date. The amounts are unsecured and usually paid within 90 days of recognition. These balances are presented as current liabilities unless payment is not due within twelve months after the reporting date. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.



# Lupin Middle East FZ-LLC

## Notes to the financial statements Year ended 31 March 2019

### 3 Summary of significant accounting policies (Continued)

#### m) Staff end-of-service gratuity

Provision is made for end-of-service gratuity payable to the staff at the reporting date in accordance with the local labour laws assuming that all employees were to leave as at the reporting date (Note 19).

#### n) Statement of cash flows

Cash flows are reported using the indirect method, whereby profit/(loss) is adjusted for the effects of transactions of non-cash nature, any deferrals or accruals of past or future of cash receipts and payments and for items of income and expenses which are reflected in investing or financial activities. The cash flows from operating, investing and financing activities are segregated based on the nature of items.

#### o) Non-derivative financial assets and liabilities

##### *Receivables*

Receivables are those financial assets that have fixed or determinable payments and for which there is no active market are initially recognised at fair value plus any directly attributable transactions costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method. These comprise staff visa deposits, trade and other receivables and bank balances.

Trade receivables represent amounts due from customers for goods delivered in the ordinary course of business. If collection is expected in one year or less they are classified as current assets otherwise as non-current assets. These are carried at the invoiced amounts less an estimate of provision for doubtful receivables based on a review of all outstanding amounts at the year-end. Bad debts are written off when identified.

##### *Non-derivative financial liabilities*

The non-derivative financial liabilities comprise borrowings and trade and other payables.

##### *Derecognition of financial assets and liabilities*

The Company derecognizes a financial asset when the contractual rights to the cash flow from the assets cease and any interest in such derecognised financial assets that is created or retained by the Company is recognised as a separate asset. The Company derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

##### *Offsetting of financial assets and liabilities*

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

#### p) Value-added tax (VAT)

VAT input credits are accounted as VAT receivable and the VAT amounts charged to customers are accounted as VAT payable. The net amount of VAT payable after offsetting the VAT receivable is paid to the Government within the stipulated time of 28 days from the end of the Tax Period as allocated to the Company and is classified as VAT payable under trade and other payables. If the net amount is receivable, it is classified as VAT receivable under contracts/trade and other receivables.



# Lupin Middle East FZ-LLC

## Notes to the financial statements Year ended 31 March 2019

### 4 Risk management

The Company's activities are exposed to a variety of financial risks such as credit, market and liquidity risks as follows:

#### a) Credit risk

This is the risk of financial loss to the Company if a customer or a counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's customers and the bank.

The credit risk, where relevant is explained in the notes on the related account balance, namely trade receivables (Note 16) and bank balances (Notes 15 & 17).

#### b) Market risk

These are the risks arising from changes in market prices which would affect the Company's income or the value of its holdings of financial instruments. The management strives to manage market risk exposures within acceptable parameters, while optimizing the return.

##### - *Currency risk*

The Company is not exposed to any currency risk as its transactions are made in UAE Dirham or in US Dollar to which the Dirham is fixed.

##### - *Interest rate risk*

Loan from a fellow subsidiary is subject to a fixed rate of interest and is therefore exposed to a fair value interest rate risk.

#### c) Liquidity risk

This is the risk where the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

Management monitors its cash flows to determine its cash requirements to meet its payment obligations on time. If necessary, funds are made available by Shareholder to ensure that payment obligations are met on time.

### 5 Capital management

The Company manages its capital with an objective to ensure that adequate funds are available on an on-going basis to operate as a going concern. If required, funds are obtained from the Shareholder as and when required to ensure the continuity of the business operations. The Company strives to maintain financial ratios at acceptable levels under the prevailing economic conditions and the risks encountered to achieve reasonable rate of returns to the Shareholder.

### 6 Revenue

The Company derived its revenue by trading in pharmaceutical products directly and on trans-shipment basis to various customers at a point in time recognised upon delivery of goods when the control and ownership thereof are transferred to customers.



# Lupin Middle East FZ-LLC

## Notes to the financial statements Year ended 31 March 2019

### 6 Revenue (Continued)

The analysis of the sales is as below:

|   | 31 March 2019    | 31 March 2018    |
|---|------------------|------------------|
|   | USD              | USD              |
| <b>By product lines</b>   |                  |                  |
| Amox Clavulanic   | 528,188          | -                |
| Atorvastatin  | 850,551          | 96,326           |
| Cefdinir  | 38,922           | 77,487           |
| Cefepime  | -                | 138,028          |
| Cefixime  | 27,047           | 802,367          |
| Cefotaxime  | 111,536          | 137,211          |
| Cefpodoxime Proxetil  | 96,846           | 195,794          |
| Ceftriaxone   | 196,606          | 213,858          |
| Cefuroxime Axetil   | 97,980           | 1,394,851        |
| Clopidogrel   | -                | 39,000           |
| Esomeprazole  | 18,458           | 74,108           |
| Irbesartan  | -                | 50,442           |
| Lupifloxacin  | 27,554           | 41,102           |
| Tazobactum+Piperacillin   | -                | 76,290           |
| Total   | <u>1,993,688</u> | <u>3,336,863</u> |
| <b>By geographical areas</b>                                    |                  |                  |
| Local   | 1,496,367        | 2,281,499        |
| Yemen   | 497,321          | 1,055,364        |
| Total   | <u>1,993,688</u> | <u>3,336,863</u> |
| <b>By type of customers</b>                                     |                  |                  |
| Third parties   | <u>1,993,688</u> | <u>3,336,863</u> |
| <b>Sales to major customers in excess of 10% of the revenue</b> |                  |                  |
| Value   | 1,398,388        | 1,221,898        |
| Number of customers   | <u>1</u>         | <u>1</u>         |
| <b>7 Cost of sales</b>  |                  |                  |
| Purchases (including direct expenses) - (Note 22)               | <u>996,869</u>   | <u>2,098,873</u> |
| <b>8 Other income</b>   |                  |                  |
| Products promotion charges received from a distributor          | 7,758            | -                |
| Products profit share from a distributor                        | 5,292            | -                |
|   | <u>13,050</u>    | <u>-</u>         |
| <b>9 Selling expenses</b>                                       |                  |                  |
| Business promotion expenses (Note 22)                           | 428,278          | 424,398          |
| Sales commission  | 284,356          | 294,639          |
|   | <u>712,634</u>   | <u>719,037</u>   |



# Lupin Middle East FZ-LLC

## Notes to the financial statements Year ended 31 March 2019

|   | 31 March 2019                               | 31 March 2018                       |                                      |                      |
|---|---|-------------------------------------|--------------------------------------|----------------------|
|   | USD   | USD                                 |                                      |                      |
| <b>10 Administrative expenses</b>           |   |                                     |                                      |                      |
| Staff salaries and benefits                 | 362,180                                     | 372,791                             |                                      |                      |
| Staff end-of-service gratuity (Note 19)     | 11,826                                      | 10,130                              |                                      |                      |
| Rent  | 31,883                                      | 34,395                              |                                      |                      |
| Depreciation (Note 13)                      | 3,853                                       | 2,848                               |                                      |                      |
| Service charges (Note 22)                   | 122,249                                     | 133,583                             |                                      |                      |
| Legal & consultancy charges (Note 22)       | 62,637                                      | 61,344                              |                                      |                      |
| Other administrative expenses (Note 22)     | 210,362                                     | 89,302                              |                                      |                      |
|   | <u>804,990</u>                              | <u>704,393</u>                      |                                      |                      |
| <b>11 Other expenses</b>                    |   |                                     |                                      |                      |
| Provision for doubtful debts (Note 16)      | 1,536,844                                   | -                                   |                                      |                      |
| Amortisation on intangible asset (Note 14)  | 29,778                                      | -                                   |                                      |                      |
| Foreign exchange losses (net)               | 4,106                                       | -                                   |                                      |                      |
|   | <u>1,570,728</u>                            | <u>-</u>                            |                                      |                      |
| <b>12 Finance costs</b>                     |   |                                     |                                      |                      |
| Interest on long-term loans (Notes 20 & 22) | 20,433                                      | 2,522                               |                                      |                      |
|   | <u>20,433</u>                               | <u>2,522</u>                        |                                      |                      |
| <b>13 Property and equipment</b>            |   |                                     |                                      |                      |
|   | <b>Furniture<br/>&amp; fixtures<br/>USD</b> | <b>Office<br/>equipment<br/>USD</b> | <b>Computer<br/>software<br/>USD</b> | <b>Total<br/>USD</b> |
| <b>Net book values</b>                      |   |                                     |                                      |                      |
| <b>As at 31 March 2019</b>                  |   |                                     |                                      |                      |
| Cost  | 29,608                                      | 3,340                               | 1,275                                | 34,223               |
| Accumulated depreciation                    | (11,480)                                    | (2,397)                             | (485)                                | (14,362)             |
| Net book value                              | <u>18,128</u>                               | <u>943</u>                          | <u>790</u>                           | <u>19,861</u>        |
| <b>As at 31 March 2018</b>                  |   |                                     |                                      |                      |
| Cost  | 21,245                                      | 2,881                               | 639                                  | 24,765               |
| Accumulated depreciation                    | (8,836)                                     | (1,395)                             | (278)                                | (10,509)             |
| Net book value                              | <u>12,409</u>                               | <u>1,486</u>                        | <u>361</u>                           | <u>14,256</u>        |
| <b>Reconciliation of net book values</b>    |   |                                     |                                      |                      |
| As at 31 March 2017                         | 14,479                                      | 907                                 | 493                                  | 15,879               |
| Additions during the year                   | -   | 1,225                               | -                                    | 1,225                |
| Depreciation for the year (Note 10)         | (2,070)                                     | (646)                               | (132)                                | (2,848)              |
| As at 31 March 2018                         | 12,409                                      | 1,486                               | 361                                  | 14,256               |
| Additions during the year                   | 8,363                                       | 459                                 | 636                                  | 9,458                |
| Depreciation for the year (Note 10)         | (2,644)                                     | (1,002)                             | (207)                                | (3,853)              |
| As at 31 March 2019                         | <u>18,128</u>                               | <u>943</u>                          | <u>790</u>                           | <u>19,861</u>        |



## Lupin Middle East FZ-LLC

### Notes to the financial statements Year ended 31 March 2019

|                             | 31 March 2019         | 31 March 2018         |
|-----------------------------|-----------------------|-----------------------|
|                             | USD                   | USD                   |
| <b>14 Intangible assets</b> |                       |                       |
| Cost                        | 305,239               | 216,079               |
| Accumulated amortisation    | <u>(29,778)</u>       | <u>-</u>              |
| Net book value              | <u><u>275,461</u></u> | <u><u>216,079</u></u> |

#### Reconciliation of net book value

|                                     |                       |                       |
|-------------------------------------|-----------------------|-----------------------|
| Opening balance                     | 216,079               | -                     |
| Purchased during the year           | 89,160                | 216,079               |
| Amortisation for the year (Note 11) | <u>(29,778)</u>       | <u>-</u>              |
| Closing balance                     | <u><u>275,461</u></u> | <u><u>216,079</u></u> |

These represent licence fees paid for product brands and are amortised over a period of five years from the date of purchase.

#### 15 Staff visa deposits

These are kept as security for staff employment visas and are intended to be held for a period longer than one year from the end of the reporting period.

#### 16 Trade and other receivables

|  |                      |                         |
|--|----------------------|-------------------------|
| Trade receivables                            | 1,536,844            | 2,043,159               |
| Less: Provision for doubtful debts (Note 11) | <u>(1,536,844)</u>   | <u>-</u>                |
| Trade receivables (net)                      | -                    | 2,043,159               |
| Advance to a supplier                        | 1,210                | -                       |
| Advance for capital expenditure              | -                    | 8,363                   |
| Advances to staff                            | 841                  | 30,961                  |
| VAT receivable                               | 8,494                | 471                     |
| Prepayments                                  | 12,631               | 11,402                  |
| Deposits                                     | 2,721                | 2,721                   |
| Other receivables (Note 22)                  | <u>25,108</u>        | <u>-</u>                |
|  | <u><u>51,005</u></u> | <u><u>2,097,077</u></u> |

- a) As per the credit policy of the Company, customers are extended credit period of up to 3 months on the basis of assessment of their creditworthiness judged by their conduct in the past, management's trade experience, their reputation of financial standing, market information and the market in which they operate. The management regularly monitors the outstanding amounts and follows up for recovery with periodic calls and visits to the customers.
- b) The entire trade receivables was outstanding for less than eleven months as at the end of the reporting period, was due from a single customer situated in UAE (previous year: entire balances due from three customers situated in the UAE).

#### 17 Cash and cash equivalents

|   |                       |                       |
|---|-----------------------|-----------------------|
| Balances in current accounts with banks | <u>772,475</u>        | <u>265,648</u>        |
|   | <u><u>772,475</u></u> | <u><u>265,648</u></u> |

The Company places its bank accounts with reputed banks.





# Lupin Middle East FZ-LLC

## Notes to the financial statements Year ended 31 March 2019

|   | 31 March 2019<br>USD | 31 March 2018<br>USD |
|---|----------------------|----------------------|
| <b>18 Share capital</b>   |                      |                      |
| 2,000 shares of AED 1,000 each (converted at 1 USD = AED 3.675)   | <u>544,218</u>       | <u>544,218</u>       |
| <b>19 Provision for staff end-of-service gratuity</b>   |                      |                      |
| Opening balance   | 31,106               | 20,977               |
| Provision for the year (Note 10)  | 11,826               | 10,129               |
| Paid during the year  | <u>(39,224)</u>      | -                    |
| Closing balance   | <u>3,708</u>         | <u>31,106</u>        |
| <b>20 Borrowings<br/>(Current)</b>  |                      |                      |
| Loan from the Parent company  | 2,100,000            | -                    |
| Loan from a fellow subsidiary   | -                    | 100,000              |
|   | <u>2,100,000</u>     | <u>100,000</u>       |
| <p>Loan from the Parent company carries an interest of 3% per annum and is repayable before or as on 31 March 2020 (Note 22). Whereas the loan from a fellow subsidiary which was repaid during the year carried an interest of 3.10% per annum. For interest expenses, refer Note 12.</p>                        |                      |                      |
| <b>Movements during the year:</b>   |                      |                      |
| Opening balance   | 100,000              | 60,000               |
| Received during the year  | 2,100,000            | 40,000               |
| Repayment during the year   | <u>(100,000)</u>     | -                    |
| Closing balance   | <u>2,100,000</u>     | <u>100,000</u>       |
| <b>21 Trade and other payables</b>  |                      |                      |
| Trade payables (Note 22)  | 1,167,960            | 2,348,225            |
| Advance received from a customer  | -                    | 2,683                |
| Service charges payable (Note 22)   | -                    | 133,583              |
| Interest payable (Note 22)  | 15,752               | 776                  |
| Accruals  | <u>318,237</u>       | <u>364,626</u>       |
|   | <u>1,501,949</u>     | <u>2,849,893</u>     |
| <b>22 Related parties</b>   |                      |                      |
| <p>Related parties which fall within the definition of a related party as contained in International Accounting Standard 24 comprise Ultimate Holding company, the Parent company, fellow subsidiaries, Shareholders and Directors of the Company. Significant balances with related parties were as follows:</p> |                      |                      |
| <b>Ultimate Holding company</b>   |                      |                      |
| Included in trade and other receivables (Note 16)   | 25,108               | -                    |
| Included in trade payables (Note 21)  | <u>338,663</u>       | <u>2,348,225</u>     |
| <b>Parent company</b>   |                      |                      |
| Disclosed as borrowing (Note 20)  | 2,100,000            | -                    |
| Included in trade payables (Note 21)  | 258,103              | -                    |
| Disclosed as interest payable (Note 21)   | <u>15,752</u>        | <u>-</u>             |



**Lupin Middle East FZ-LLC**

**Notes to the financial statements  
Year ended 31 March 2019**

**22 Related parties (Continued)**

Significant balances with related parties were as follows:

|   | 31 March 2019<br>USD | 31 March 2018<br>USD |
|---|----------------------|----------------------|
| <b>Fellow subsidiaries</b>  |                      |                      |
| (Pharma Dynamics, South Africa)<br>Included in trade payables (Note 21) | <u>138,219</u>       | <u>-</u>             |
| (Lupin Holdings B.V., Netherlands)<br>Service charges payable (Note 21) | -                    | 133,583              |
| Disclosed as borrowing (Note 20):                                       | -                    | 100,000              |
| Disclosed as interest payable (Note 21)                                 | <u>-</u>             | <u>776</u>           |

Significant transactions with related parties during the year, which the management considers to be in the normal course of business and at terms which correspond with the terms with third parties, were as follows:

|   |               |               |
|---|---------------|---------------|
| <b>Ultimate Holding company</b>   |               |               |
| Purchases (Note 7)  | 457,877       | 2,098,873     |
| Legal & consultancy charges (Note 10)   | <u>57,004</u> | <u>61,344</u> |
| <b>Parent company</b>   |               |               |
| Service charges (Note 10)   | 122,249       | -             |
| Interest expense (Note 12)  | <u>17,850</u> | <u>-</u>      |
| <b>Fellow subsidiaries</b>  |               |               |
| (Lupin Holdings B.V., Netherlands)<br>Service charges (Note 10)                     | -             | 133,583       |
| Interest expense (Note 12)  | <u>2,583</u>  | <u>2,522</u>  |
| (Pharma Dynamics, South Africa)<br>Included in business promotion expenses (Note 9) | 41,523        | -             |
| Included in other administrative expenses (Note 10)                                 | <u>96,696</u> | <u>-</u>      |

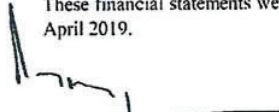
**23 Fair values of financial instruments**

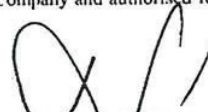
The fair value of a financial instrument is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

The fair value of the financial assets and financial liabilities which are required to be carried at cost or at amortised cost approximates to their carrying amounts, except for the short-term loan from the Parent company for which due to their inherent nature the fair values are below their carrying values.

**24 Approval of financial statements**

These financial statements were approved by the Directors of the Company and authorised for issue on 30 April 2019.

  
Sunil Makharria  
Director

  
Thierry Volle  
Director

