

**REXCEL EGYPT COMPANY (L.L.C)  
FINANCIAL STATEMENTS FOR  
THE YEAR ENDED 31 MARCH 2017  
TOGETHER WITH AUDITOR'S REPORT**

**REXCEL EGYPT COMPANY (L.L.C.)**  
**Financial Statements**  
**For the year ended 31 March 2017**

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## REXCEL EGYPT COMPANY (L.L.C.)

### STATEMENT OF FINANCIAL POSITION As of 31 March 2017

	Note	31/3/2017 LE	31/3/2016 LE
<b>Assets</b>			
<b>Noncurrent assets</b>			
Fixed assets	(3)	-	-
<b>Total noncurrent assets</b>		-	-
<b>Current assets</b>			
Inventory	(4)	465,949	678,361
Trade and notes receivable	(5)	201,465	401,047
Due from related parties	(11-1)	-	6,220,178
Prepayments and other receivables	(6)	710,825	986,657
Cash at banks	(7)	1,833,680	2,478,864
<b>Total current assets</b>		3,211,919	10,765,107
<b>TOTAL ASSETS</b>		3,211,919	10,765,107
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Paid up capital	(12)	240,000	240,000
Legal reserve		240,000	240,000
(Accumulated losses)		(1,362,346)	(1,145,754)
(Losses) for the year		(2,200,619)	(216,592)
<b>Total equity</b>		(3,082,965)	(882,346)
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Due to related parties - long term	(11-2)	2,173,000	2,173,000
<b>Total non-current liabilities</b>		2,173,000	2,173,000
<b>Current liabilities</b>			
Provisions	(8)	159,883	147,548
Trade payable		9,316	21,038
Due to related parties	(11-2)	3,327,438	8,853,192
Accrued expenses and other payables	(9)	625,247	452,675
<b>Total current liabilities</b>		4,121,884	9,474,453
<b>TOTAL LIABILITIES</b>		6,294,884	11,647,453
<b>TOTAL LIABILITIES AND EQUITY</b>		3,211,919	10,765,107

Financial Manager

Parmesh Adarkar

General Manager

Dr. Hany Mashaal

- The accompanying notes from (1) to (19) are an integral part of these financial statements.
- Auditor's report "attached".

## REXCEL EGYPT COMPANY (L.L.C.)

### STATEMENT OF PROFIT OR LOSS For The Year Ended 31 March 2017

	Note	31/3/2017 LE	31/3/2016 LE
Sales	(13)	<b>2,222,813</b>	3,005,747
Cost of sales	(14)	<b>(644,926)</b>	(788,697)
<b>GROSS PROFIT</b>		<b>1,577,887</b>	2,217,050
Selling and marketing expenses		<b>(1,616,832)</b>	(1,058,426)
General and administrative expenses		<b>(1,301,742)</b>	(1,214,739)
Provisions	(8)	<b>(61,178)</b>	(44,000)
Impairment in value of accounts receivable	(5)	<b>(12,573)</b>	(29,103)
Foreign exchange differences		<b>(594,590)</b>	(45,248)
Finance expenses		<b>(226,270)</b>	(323,995)
Other income		<b>34,679</b>	281,869
<b>(LOSSES) BEFORE INCOME TAXES</b>		<b>(2,200,619)</b>	(216,592)
Income taxes	(10)	-	-
<b>LOSSES FOR THE YEAR</b>		<b>(2,200,619)</b>	(216,592)

Financial Manager

Parmesh Adarkar

General Manager

Dr. Hany Mashaal

- The accompanying notes from (1) to (19) are an integral part of these financial statements.

## REXCEL EGYPT COMPANY (L.L.C.)

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### STATEMENT OF COMPREHENSIVE INCOME For The Year Ended 31 March 2017

	Notes	31/3/2017 LE	31/3/2016 LE
LOSSES FOR THE YEAR		(2,200,619)	(216,592)
OTHER COMPREHENSIVE INCOME		-	-
TOTAL COMPREHENSIVE INCOME		<u>(2,200,619)</u>	<u>(216,592)</u>

- The accompanying notes from (1) to (19) are an integral part of these financial statements.

## REXCEL EGYPT COMPANY (L.L.C.)

### STATEMENT OF CHANGES IN EQUITY

For The year ended 31 March 2017

	Capital LE	Legal reserve LE	Accumulated losses LE	Losses for the year LE	Total LE
<b>Balance as of 31 April 2015</b>	240,000	240,000	(432,478)	(713,276)	(665,754)
Transferred to accumulated losses	-	-	(713,276)	713,276	-
Losses for the year	-	-	-	(216,592)	(216,592)
<b>Balance as of 31 March 2016</b>	<b>240,000</b>	<b>240,000</b>	<b>(1,145,754)</b>	<b>(216,592)</b>	<b>(882,346)</b>
Transferred to accumulated losses	-	-	(216,592)	2,16,592	-
Losses for the year	-	-	-	(2,200,619)	(2,200,619)
<b>Balance as of 31 March 2017</b>	<b>240,000</b>	<b>240,000</b>	<b>(1,362,346)</b>	<b>(2,200,619)</b>	<b>(3,082,965)</b>

## REXCEL EGYPT COMPANY (L.L.C.)

### STATEMENT OF CASH FLOWS For The year ended 31 March 2017

	Note	31/3/2017 LE	31/3/2016 LE
<b>Cash Flows From Operating Activities</b>			
(Losses) before income taxes		(2,200,619)	(216,592)
Write down of inventory	(4)	248,918	718,855
Reversal of write down of inventory	(4)	(58,739)	(1,034,150)
Impairment of accounts receivables	(5)	12,573	29,103
Provisions	(8)	61,178	44,000
		<u>(1,936,689)</u>	<u>(458,784)</u>
Change in inventory		34,386	701,922
Change in trade and notes receivable		187,009	144,100
Change in due from related parties		6,220,178	(1,404,936)
Change in prepayments and other receivables	(6)	275,832	(533,161)
Change in trade and notes payable		(11,722)	(126,072)
Change in due to related parties		(5,525,754)	3,140,586
Change in accrued expenses and other payables	(9)	172,572	63,794
		<u>(584,188)</u>	<u>1,527,449</u>
<b>Cash Flows (Used in) Provided from Operating Activities</b>			
Income tax paid		-	(9,078)
Provisions used	(4)	(60,996)	(221,837)
		<u>(645,184)</u>	<u>1,296,534</u>
<b>Net Cash Flows (Used in) Provided from Operating Activities</b>			
		(645,184)	1,296,534
<b>Net increase (decrease) in cash and cash equivalents-during the year</b>		<u>2,478,864</u>	<u>1,182,330</u>
Cash and cash equivalent – beginning of the year			
<b>Cash and cash equivalent – end of the year</b>	(7)	<u>1,833,680</u>	<u>2,478,864</u>

- The accompanying notes from (1) to (19) are an integral part of these financial statements.

## **REXCEL EGYPT COMPANY (L.L.C.)**

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### **NOTES TO THE FINANCIAL STATEMENTS**

31 March 2017

#### **1 BACKGROUND**

**Rexcel Egypt (L.L.C.)** is an Egyptian Limited Liability Company was established under the Egyptian Law no. 159 of 1981 and its executive regulation.

The company's duration is 25 years starting from the date of registration in the commercial registry.

The company was located at 3 Ahmed Nessim St., Giza, Egypt.

According to the Extraordinary General Assembly dated 31 December 2016, the Company's shareholders approved the change of the main office location to be number 47 street number 270, Albasaten, New Maadi

The company is registered in the commercial registry under no. 102709 on August 6, 1998. The company's legal domicile is in Cairo – Arab Republic of Egypt.

According to the Extraordinary general assembly dated 10 December 2013 the financial year end was changed from 31 December to 31 March for each year.

The principal activities of the company are:

1. Manufacturing, trading, selling and distributing of all types of pharmaceutical and chemical products, and its related raw materials.
2. Construction and operation of factories for production of all types of pharmaceutical and chemical products.
3. The company has the right to import equipment, machines, tools, and all raw materials concerning pharmaceutical & chemical products that help the company achieve its purposes.
4. Export, import and Commercial agencies

The company undertakes its activities in compliance with applicable regulatory laws and regulations provided that they obtain necessary licenses as applicable.

#### **2 SIGNIFICANT ACCOUNTING POLICIES**

##### **2-1 BASIS OF PREPARATION**

The financial statements are prepared in accordance with the going concern and historical cost basis.

The financial statements are prepared and presented in Egyptian pound, which is the Company's functional currency.

##### **STATEMENT OF COMPLIANCE**

The financial statements of the company have been prepared in accordance with the Egyptian accounting standards and the applicable laws and regulations.

The accounting policies adopted this year are consistent with those of the previous year except for the amendments required by the new Egyptian Accounting Standards issued during the year 2015 that are effective for the periods starting on or after January 1, 2016. Disclosed below are the most prominent amendments which are applicable to the Company and the effects of this new amendments on the financial statements, if any.

##### **EAS (1) revised Presentation of Financial Statements**

The revised standard requires the Company to disclose all items of income and expenses that were recognized during the period in two statements, statement of profit or loss (statement of profit or loss) which disclose all items of income and expenses and statement of comprehensive income which starts with profit or loss and presents items of other comprehensive income (statement of comprehensive income).

It also requires an additional statement to the statement of financial position to disclose the balances as of the beginning of the first presented comparative period in case of retrospective implementation or change in an accounting policy or reclassification carried out by the Company.



## REXCEL EGYPT COMPANY (L.L.C.)

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### NOTES TO THE FINANCIAL STATEMENTS

31 March 2017

The amended standard does not require the presentation of working capital.

The Company has prepared the statement of comprehensive income and presented the financial statements in accordance with the revised standard and there are no retrospective adjustments that requires presenting the statement of financial position which include beginning balances of the first presented comparative period.

#### **EAS (10) revised Fixed Assets and Depreciation**

The revised standard has eliminated the option of using the revaluation model in the subsequent measurement of fixed assets.

The strategic (major) spare parts and stand-by equipment can be classified as fixed assets when the entity expects to use them for more than one period (when the definition of fixed assets applies thereto).

There is no impact for this amendment on the Company's financial statements.

#### **EAS (14) revised Borrowing Costs**

The revised standard has eliminated previous benchmark treatment that recognised the borrowing cost directly attributable to the acquisition, construction or production of a qualifying asset in the statement of profit or loss. The revised standard requires capitalisation of this cost on qualifying assets.

There is no impact for this amendment on the Company's financial statements.

#### **EAS (38) revised Employee Benefits**

Defined benefit plans

The revised standard requires immediate recognition for accumulated actuarial gains and losses in statement comprehensive income. Also, the recognition of past service cost as expense at the earlier of:

- A) When plan amended or curtailed or,
- B) When entity execute substantial restructure for its activities, hence the entity recognise related restructuring costs which comprise paying end of service benefits.

There is no impact for this amendment on the Company's financial statements.

#### **EAS (40) Financial Instruments "Disclosures"**

A new EAS (40) Financial instruments "Disclosures" has been issued to include all the required disclosures relating to financial instruments.

The Company made the required disclosures in the financial statements.

#### **EAS (41) Operating Segments**

The EAS (33) Segment Reporting was superseded by EAS (41) Operating segment. Accordingly, segment reporting which should be disclosed and the required disclosures basically depends on the information about segment in the way that operating decision maker use. As described in note (2-3-21) the Company currently has only one major operating segment.

#### **EAS (45) Fair Value Measurement:**

The new EAS (45) Fair Value measurement has been issued; this standard is applied when other standard requires or permits to measure or disclose the fair value. This standard defines fair value and set the frame to measure fair value in one standard and determine the required disclosure for measurements of fair value.

The Company has made the required disclosures according to the standards.

## REXCEL EGYPT COMPANY (L.L.C.)

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### NOTES TO THE FINANCIAL STATEMENTS

31 March 2017

#### 2-2 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of these financial statements requires management to make judgments and estimates that affect the reported amounts of revenues, expenses, assets and liabilities, the accompanying disclosures and the disclosure of contingent liabilities at the reporting date. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the assets or liabilities affected in future periods.

Estimates and their underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised.

The key judgements and estimates that have a significant impact on the financial statement of the Company are discussed below:

##### 2-2-1 Judgments

###### Revenue recognition for sale of goods

In making their judgment, management considered the detailed criteria for the recognition of revenue from the sale of goods as set out in "EAS 11 Revenue", and, in particular, whether the significant risks and rewards of ownership of the goods have passed to the buyer, which is usually upon the delivery of the goods and the issuance of an invoice.

##### 2-2-2 Estimates

###### Impairment of trade and other receivables

An estimate of the collectible amount of trade and other receivables is made when collection of the full amount is no longer probable. For individually significant amounts, this estimate is performed on an individual basis. Amounts which are not individually significant, but are past due, are assessed collectively and a provision is applied according to the length of time past due, based on historical recovery rates.

###### Useful lives of fixed assets

The Company's management determines the estimated useful lives of its fixed assets for calculating depreciation. This estimate is determined after considering the expected usage of the asset or physical wear and tear. The management periodically reviews the estimated useful lives and the depreciation method to ensure that the method and the period of depreciation are consistent with the expected pattern of economic benefits from these assets.

###### Taxes

The Company is subject to income taxes in Egypt. Significant judgment is required to determine the total provision for current and deferred taxes. The Company establishes provision, based on reasonable estimates, for possible consequences of audits by the tax authorities in Egypt. The amount of such provision is based on various factors, such as experience of previous tax audits and different interpretations of tax regulations by the Company and the responsible tax authority. Such differences of interpretations may be on a wide variety of issues depending on the conditions prevailing in Egypt.

Deferred tax assets are recognised for unused accumulated tax losses to the extent that it is probable that taxable profits will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

###### Impairment of non-financial assets

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

## REXCEL EGYPT COMPANY (L.L.C.)

### NOTES TO THE FINANCIAL STATEMENTS

31 March 2017

#### 2-3 SUMMARY SIGNIFICANT ACCOUNTING POLICIES

##### 2-3-1 Foreign currency translation

Transactions in foreign currencies are initially recorded using the exchange rates prevailing that on the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated using the exchange rates prevailing at the statement of financial position date. All differences are recognized in the statement of profit or loss.

Nonmonetary items that are measured at historical cost in foreign currencies are translated using the exchange rates prevailing at the date of the initial recognition.

Nonmonetary items measured at fair value in a foreign currency are translated using the exchange rates prevailing at the date when the fair value is determined.

##### 2-3-2 Fixed assets

Fixed assets are stated at historical cost net of accumulated depreciation and accumulated impairment losses. Such cost includes the cost of replacing part of the building, plant, and equipment when that cost is incurred, if the recognition criteria are met. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the building, plant, and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in statement of profit or loss as incurred.

Depreciation of an asset begins when it is in the location and condition necessary for it to be capable of operating in the manner intended by management, and is computed using the straight-line method according to the estimated useful life of the asset as follows:

	Years
Machinery and equipment	3 - 5

Fixed assets are derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognizing of the asset is included in the statement of profit or loss when the asset is derecognized.

The assets residual values, useful lives and methods of depreciation are reviewed at each financial year end.

The Company assesses at each statement of financial position date whether there is an indication that fixed assets may be impaired. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses are recognized in the statement of profit or loss.

A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, or the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of profit or loss.

##### 2-3-3 Inventory

Inventory is valued at the lower of cost (using the moving average method) or net realizable value.

Net realizable value is the estimated selling price in the ordinary course of business less estimated costs of completion and the estimated costs necessary to make the sale.

## REXCEL EGYPT COMPANY (L.L.C.)

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### NOTES TO THE FINANCIAL STATEMENTS

31 March 2017

The amount of any write down of inventories to net realizable value shall be recognized in cost of sales in the statement of profit or loss in the period the write down or loss occurs. The amount of any reversal of any write down of inventories, arising from an increase in net realizable value, shall be recognized as reduction of cost of sales in the statement of profit or loss in the period in which the reversal occurs.

#### 2-3-4 Accounts receivable and other receivables

Accounts receivable and other receivables are stated at original invoice amount net of any impairment losses.

Impairment losses are measured as the difference between the receivables carrying amount and the present value of estimated future cash flows. The impairment loss is recognized in the statement of **profit or loss**. Reversal of impairment is recognized in the statement of profit or loss in the period in which it occurs.

#### 2-3-5 Accounts and notes payable, accrued expenses and other payables

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

#### 2-3-6 Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources representing economic benefits will be required to settle the obligation, and reliable estimate of the amount of the obligation can be made. Provisions are reviewed at each statement of financial position date and adjusted to reflect the best estimate.

Where the effect of the time value of money is material, the amount of a provision should be the present value of the expected expenditures required to settle the obligation. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance expense.

#### 2-3-7 Social insurance

The Company makes contributions to the Social Insurance Authority calculated as a percentage of the employees' salaries. The Company's obligations are limited to these contributions, which are expensed when due.

#### 2-3-8 Employees' retirements benefits

The company contributes to the social insurance scheme for the benefits of its employees in pursuance of the Social Insurance Law No. 79 of 1975 as amended. Contributions are charged to expenses as incurred.

#### 2-3-9 Legal reserve

According to the Company's articles of association, 10% of the net profits of the year is transferred to the legal reserve until this reserve reaches 100% of the issued capital. The reserve is used upon a decision from the general assembly meeting based on the proposal of the management.

#### 2-3-10 Borrowings

Borrowings are initially recognized at the value of the consideration received. Amounts maturing within one year are classified as current liabilities, unless the Company has the right to postpone the settlement for a period exceeding one year after the statement of financial position date, then the loan balance should be classified as non-current liabilities.

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest rate method. Gains and losses are recognized in the statement of profit or loss when the liabilities are derecognized as well as through the effective interest rate method amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the effective interest rate. The effective interest rate amortization is included in finance expenses in the statement of profit or loss.

#### 2-3-11 Income taxes

Income tax is calculated in accordance with the Egyptian tax law.

## REXCEL EGYPT COMPANY (L.L.C.)

### NOTES TO THE FINANCIAL STATEMENTS

31 March 2017

#### **Current income tax**

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the tax authority.

#### **Deferred income tax**

Deferred income tax is recognized using the liability method on temporary differences between the amount attributed to an asset or liability for tax purposes (tax base) and its carrying amount in the statement of financial position (accounting base) using the applicable tax rate.

Deferred tax asset is recognized when it is probable that the asset can be utilized to reduce future taxable profits and the asset is reduced by the portion that will not create future benefit.

Current and deferred tax shall be recognized as income or an expense and included in the statement of profit or loss for the period, except to the extent that the tax arises from a transaction or an event which is recognized, in the same or a different period, directly in equity.

#### **2-3-12 Revenue recognition**

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured.

Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, and sales taxes or duty.

The following specific recognition criteria must also be met before revenue is recognized:

##### **Sale of goods**

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership of the goods have been transferred to the buyer, usually on delivery of the goods.

##### **Interest income**

Interest income is recognized on the basis of the proportion of time taking into account the effective rate of return on the asset.

#### **2-3-13 Expenses**

All operating expenses are accounted for including general and administrative costs, and are all included in the statement of profit or loss for the period in which they are incurred.

Some administrative, general and marketing are divided between Ranbaxy Egypt Ltd. and Rexcel Egypt by average of 92% and 8% respectively.

These expenses serve both companies according to present agreements.

#### **2-3-14 Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

#### **2-3-15 Related party transactions**

Related parties represent associated companies, major shareholders, directors and key management personnel of the Company, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the board of directors.

#### **2-3-16 Contingent Liabilities and Assets**

Contingent liabilities are not recognized in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

A contingent asset is not recognized in the financial statements but disclosed when an inflow of economic benefits is probable.

#### **2-3-17 Fair value measurement**

For assets traded in an active market, fair value is determined by reference to quoted market bid prices.

The fair value of interest-bearing items is estimated based on discounted cash flows using interest rates for items with similar terms and risk characteristics.

## REXCEL EGYPT COMPANY (L.L.C.)

### NOTES TO THE FINANCIAL STATEMENTS

31 March 2017

For unquoted assets, fair value is determined by reference to the market value of a similar asset or is based on the expected discounted cash flows.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – Fair value measurements are those derived from quoted prices in an active market (that are unadjusted) for identical assets or liabilities.
- Level 2 – Fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 – Fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation at the end of each reporting period.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

#### 2-3-18 Impairment

##### Impairment of financial assets

The Company assesses at each statement of financial position date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

##### Impairment of non financial assets

The Company assesses at each statement of financial position date whether there is an indication that an asset may be impaired. Where the carrying amount of an asset or cash-generating unit (CGU) exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses are recognized in the statement of profit or loss.

A previously recognized impairment loss is only reversed if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of profit or loss.

#### 2-3-19 Statement of cash flows

The statement of cash flows is prepared using the indirect method.

#### 2-3-20 Cash and cash equivalent

For the purpose of preparing the statement of cash flows, the cash and cash equivalent comprise cash on hand, current accounts with banks and time deposits maturing within three months less bank credit balances.

#### 2-3-21 SEGMENT INFORMATION

Currently the Company's main business segment is manufacturing, trading, selling and distributing of all types of pharmaceutical and chemical products, and its related raw materials. The company's revenues during the year ended 31 March 2017 were reported under one segment in the financial statements.

## REXCEL EGYPT COMPANY (L.L.C.)

### NOTES TO THE FINANCIAL STATEMENTS

31 March 2017

#### 3 FIXED ASSETS

	Machinery and Equipment LE	Total LE
<b>Cost</b>		
As of 31 March 2016	209,518	209,518
As of 31 March 2017	<u>209,518</u>	<u>209,518</u>
<b>Accumulated depreciation</b>		
As of 31 March 2016	(209,518)	(209,518)
As of 31 March 2017	<u>(209,518)</u>	<u>(209,518)</u>
<b>Net book value as of 31 March 2017</b>	<u>-</u>	<u>-</u>
Net book value as of 31 March 2016	<u>-</u>	<u>-</u>

The Machinery and Equipment are fully depreciated and still being used in operations.

#### 4 INVENTORY

	31/3/2017 LE	31/3/2016 LE
Raw and packing materials	148,280	464,401
Finished Goods	504,049	388,330
Expired Goods	351,881	185,865
	<u>1,004,210</u>	<u>1,038,596</u>
Impairment in value of inventory - slow moving items	(186,380)	(174,370)
Impairment in value of inventory – expired good	(351,881)	(185,865)
	<u>465,949</u>	<u>678,361</u>

- The amount of write down/reversal of write down of inventory was included in the cost of sales (note 14).
- Movement of impairment in value of inventory is as follows:

	Impairment in value of inventory- slow moving LE	Impairment in value of inventory - expired goods LE	Total LE
Balance as of 1 April 2015	673,558	223,809	897,367
Charged during the year	511,295	207,560	718,855
Used during the year	(10,873)	(210,964)	(221,837)
No longer required	(999,610)	(34,540)	(1,034,150)
<b>Balance as of 31 March 2016</b>	<u>174,370</u>	<u>185,865</u>	<u>360,235</u>
Charged during the year	65,590	183,328	248,918
Used during the year	(12,153)	-	(12,153)
No longer required	(41,427)	(17,312)	(58,739)
<b>Balance as of 31 March 2017</b>	<u>186,378</u>	<u>351,881</u>	<u>538,259</u>

## REXCEL EGYPT COMPANY (L.L.C.)

### NOTES TO THE FINANCIAL STATEMENTS

31 March 2017

#### 5 TRADE AND NOTES RECEIVABLE

	31/3/2017	31/3/2016
	LE	LE
Trade receivable	53,587	413,732
Notes receivable	189,554	16,418
	<u>243,141</u>	<u>430,150</u>
Impairments in value of trade and notes receivable	(41,676)	(29,103)
	<u>201,465</u>	<u>401,047</u>

Movement of impairment in value of accounts and notes receivables is as follows:

	31/3/2017	31/3/2016
	LE	LE
Beginning balance	29,103	-
Charged	12,573	29,103
Ending balance	<u>(41,676)</u>	<u>29,103</u>

#### 6 PREPAYMENTS AND OTHER RECEIVABLES

	31/3/2017	31/3/2016
	LE	LE
Employees' advances and imprests	106,454	2,244
Advances to suppliers	25,872	417,286
Tax authority – withholding taxes	575,729	567,957
Deposits with others	3,600	-
	<u>711,655</u>	<u>987,487</u>
Impairment in value of other debit balances	(830)	(830)
	<u>710,825</u>	<u>986,657</u>

#### 7 CASH AT BANKS

	31/3/2017	31/3/2016
	LE	LE
<b>a) Local Currency</b>		
Current accounts	1,818,890	1,324,037
	<u>1,818,890</u>	<u>1,324,037</u>
<b>b) Foreign currency</b>		
Current accounts	14,790	1,154,827
	<u>14,790</u>	<u>1,154,827</u>
	<u>1,833,680</u>	<u>2,478,864</u>



## REXCEL EGYPT COMPANY (L.L.C.)

### NOTES TO THE FINANCIAL STATEMENTS

31 March 2017

#### 8 PROVISIONS

	31/3/2017	31/3/2016
	LE	LE
Beginning balance	147,548	103,548
Charged during the year	61,178	44,000
Used during the year	<u>(48,843)</u>	-
Ending balance for the year	<u>159,883</u>	<u>147,548</u>

#### 9 ACCRUED EXPENSES AND OTHER PAYABLES

	31/3/2017	31/3/2016
	LE	LE
Accrued expenses	546,404	362,514
Tax authority – withholding tax	69,378	70,964
Tax authority – salaries tax	1,299	2,430
Tax authority – sales tax	-	957
Social insurance Authority	4,773	3,621
Medical professional stamp	933	12,189
Other credit Balances	<u>2,460</u>	-
	<u>625,247</u>	<u>452,675</u>

#### 10 INCOME TAX

	31/3/2017	31/3/2016
	LE	LE
Income tax payable	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>

#### Reconciliation of effective tax rate

	31/3/2017	31/3/2016
	LE	LE
Net (losses) before income taxes	(2,200,619)	(216,592)
Interest expenses	127,541	124,155
Impairment in value of inventory	248,918	718,855
Provision for expected claims	61,178	44,000
Impairment in value of account receivables	12,573	29,103
Provision for sales return	35,745	-
Foreign exchange differences – unrealized	594,590	44,841
Reversal of impairment in value of inventory	(58,739)	(1,034,150)
Inventory provision used	-	(210,964)
Non-deductible expenses	17,391	31,790
Foreign exchange differences realized - from prior year	(15,127)	-
Taxable (losses)	<u>(1,176,549)</u>	<u>(468,962)</u>

## REXCEL EGYPT COMPANY (L.L.C.)

### NOTES TO THE FINANCIAL STATEMENTS

31 March 2017

#### 11 DUE FROM / TO RELATED PARTIES

##### 11-1 Due from related parties

	31/3/2017	31/3/2016
	LE	LE
Ranbaxy Egypt (L.L.C)	-	6,220,178
	<u>-</u>	<u>6,220,178</u>

##### 11-2 Due to related parties

	31/3/2017	31/3/2016
	LE	LE
<b>Current</b>		
Ranbaxy Laboratories Limited (India)	1,317,337	8,834,480
Ranbaxy Egypt	1,974,488	-
Ranbaxy Egypt (L.L.C.) - (Loan accrued interest )	35,613	18,712
	<u>3,327,438</u>	<u>8,853,192</u>
<b>Non Current</b>		
Ranbaxy Egypt (L.L.C) - (long term loan) *	2,173,000	2,173,000
	<u>2,173,000</u>	<u>2,173,000</u>

\*This amount represents a loan granted from Ranbaxy Egypt (L.L.C) with an amount of L.E. 1,650,000 as per the contract dated 28 December 2009, with an annual fixed interest rate of 10%, and another loan with an amount of L.E. 523,000 as per the contract dated June 2010, with an annual fixed interest rate of 10%.

#### 12 CAPITAL

The company's authorized capital amounted to L.E 240,000 while the issued and paid up capital of the company amounts to L.E 240,000 divided over 2400 quotas of par value L.E 100 each.

	Number of quotas	LE	Percentage
Sarwat Girgis Abdel Shahid	1,200	120,000	50%
Ibrahim Wassim Shalaby	1,080	108,000	45%
Ola Abdel Kader Mohamed	60	6,000	2.5%
Ahmed Mohamed Faried Elmeligy	60	6,000	2.5%
	<u>2,400</u>	<u>240,000</u>	<u>100%</u>

The Extra Ordinary General Assembly meeting held on 31 January 2016 approved the selling of Ibrahim Wassim Shalaby quota to Hany Ibrahim El-Hussini Osman .and amendment of article 5 of the company's statutes as follows :

	Number of quotas	LE	Percentage
Sarwat Girgis Abdel Shahid	1,200	120,000	50%
Hany Ibrahim El-Hussini Osman	1,080	108,000	45%
Ola Abdel Kader Mohamed	60	6,000	2.5%
Ahmed Mohamed Faried Elmeligy	60	6,000	2.5%
	<u>2,400</u>	<u>240,000</u>	<u>100%</u>

## REXCEL EGYPT COMPANY (L.L.C.)

### NOTES TO THE FINANCIAL STATEMENTS

31 March 2017

#### 13 SALES

	31/3/2017	31/3/2016
	LE	LE
Sales	3,149,294	4,228,126
<b>Less:</b>		
Allowable discounts	(926,481)	(1,222,379)
	<u>2,222,813</u>	<u>3,005,747</u>

#### 14 COST OF SALES

	31/3/2017	31/3/2016
	LE	LE
Cost of goods sold	361,874	975,448
Other production expense	73,170	79,491
Product registration charges	16,700	1,300
Impairment in value of inventory (expired and slow moving) (Note 4)	248,918	718,855
Reversal of impairment in value of inventory (Note 4)	(58,739)	(1,034,150)
Other expenses	3,003	47,753
	<u>644,926</u>	<u>788,697</u>

#### 15 TAXES

##### 15-1 Corporate taxes

- The Company's records were inspected for the years from inception till year 2004 and the taxes due were paid.
- No tax inspection took place for the Company's records for the years from 2005 till year 31 March 2016.

##### 15-2 Salary Tax

- The Company's records were inspected from inception till year 2004 and the taxes due were paid.
- The Company's records were inspected for the years from 2005 till year 2011. The Company objected on the assessment and the issue is currently in the internal committee.
- No tax inspection took place for the Company's records for the years 2012 till year 31 March 2017.

##### 15-3 Sales Tax

- The Company's records were inspected from inception till year 2015 and the taxes due were paid.
- No tax inspection took place for the company's records for the years 2015 till year 31 March 2017.

##### 15-4 Stamp Tax

- No tax inspection took place for the company's records since inception till year 31 March 2017.

## REXCEL EGYPT COMPANY (L.L.C.)

### NOTES TO THE FINANCIAL STATEMENTS

31 March 2017

#### 16 RELATED PARTY DISCLOSURES

For the purpose of these financial statements, parties are considered to be related to the Company, if the Company has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Company and the party are subject to common control. Related parties may be individuals or other entities.

##### Related party transactions

During the year, the following were the significant related party transactions, which were carried out in the normal course of business on terms agreed between the parties:

The related parties' transactions described above resulted in the following balances:

##### a) Related party balances:

Company name	Nature of transaction	31/3/2017 LE	31/3/2016 LE
Ranbaxy Laboratories Limited (India)	Purchase of raw materials	8,460	397,139
	Commission for importing raw and packing materials (Revenues)	-	250,582
Ranbaxy company (Egypt)	Loan interest – Expenses	220,318	220,922
	Expenses charged from Ranbaxy (Cross Charge Expenses)	1,518,560	1,320,281
	Imported raw materials for Ranbaxy Egypt	-	9,383,621

#### 17 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

##### Overview

The Company has exposure to the following risks from its use of financial instruments:

- Credit risk,
- Market risk, and
- Liquidity risk.

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital.

The General Manager of the Company has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's senior management are responsible for developing and monitoring the risk management policies and report regularly to the Head Quarter on their activities.

The Company's current financial risk management framework is a combination of formally documented risk management policies in certain areas and informal risk management policies in other areas.

## REXCEL EGYPT COMPANY (L.L.C.)

### NOTES TO THE FINANCIAL STATEMENTS

31 March 2017

#### a) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company is exposed to credit risk principally from its receivables from customers, due from related parties, other receivables and from its financing activities, including deposits with banks and financial institutions.

##### Trade and notes receivables

The customer credit risk is established by the Company's policies, procedures and controls relating to customer credit risk management. Credit quality of a customer is assessed based on extensive credit rating scorecard and individual credit limits are defined in accordance with this assessment. Outstanding customer receivables are regularly monitored. An impairment analysis is performed at each reporting date on an individual bases.

##### Other financial assets and cash deposits

With respect to credit risk arising from the other financial assets of the Company, which comprise mainly bank balances and cash, the Company's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these assets.

Credit risk from balances with banks and financial institutions is managed by local Company's treasury supported by the Head Quarter. The Company limits its exposure to credit risk by only placing balances with international banks and local banks of good reputation. Given the profile of its bankers, management does not expect any counterparty to fail to meet its obligations.

##### Due from related parties

Due from related parties relates to transactions arising in the normal course of business with minimal credit risk, with a maximum exposure equal to the carrying amount of these balances.

#### b) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices, such as currency risk and interest rate risk, which will affect the Company's income. Financial instruments affected by market risk include interest-bearing loans and borrowings and deposits. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. The Company does not hold or issue derivative financial instruments.

##### Exposure to interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's obligations with floating interest rates and interest bearing time deposits.

#### Interest on financial instruments having floating rates is re-priced at intervals of less than one year.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates with all other variables held constant, of the Company's profit before tax (through the impact on floating rate borrowings). There is no impact on the Company's equity other than the profit impact stated below.

	31/3/2017		31/3/2016	
	Change in rate	Effect on profit before tax LE	Change in rate	Effect on profit before tax LE
Financial asset	+1%	524	+1%	418
	- 1%	(524)	- 1%	(418)
Financial liability	+1%	(2,173)	+1%	(2,173)
	- 1%	2,173	- 1%	2,173

Interest rates on loans from financial institutions are disclosed in Note 19 to the financial statements.

## REXCEL EGYPT COMPANY (L.L.C.)

### NOTES TO THE FINANCIAL STATEMENTS

31 March 2017

#### Exposure to foreign currency risk

The following tables demonstrate the sensitivity to a reasonably possible change in USD exchange rates, with all other variables held constant. The impact on the Company's profit before tax is due to changes in the value of monetary assets and liabilities. The Company's exposure to foreign currency changes for all other currencies is not material.

	31/3/2017	
	Change in rate	Effect on profit before tax LE
USD	+10%	(130,255)
	-10%	130,255

#### c) Liquidity risk

The cash flows, funding requirements and liquidity of the Company are monitored by local Company management supported by the headquarters. The Company's objective is to maintain a balance between continuity of funding and flexibility using bank borrowings. The Company manages liquidity risk by maintaining adequate reserves and borrowing facilities, by continuously monitoring forecasted and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The Company currently has sufficient cash on demand to meet expected operational expenses, including the servicing of financial obligations.

The table below summarises the maturity profile of the Company's financial liabilities based on contractual undiscounted payments.

#### Financial liabilities

	Less than 3 Months	3 to 12 months	1 to 5 years	Over 5 years	Total
<b>As at 31 March 2017</b>					
Trade and other payables	7,855	1,461	-	-	9,316
Due to related parties	-	12,548,070	-	-	12,548,070
<b>Total undiscounted financial liabilities</b>	<b>7,855</b>	<b>12,549,531</b>	<b>-</b>	<b>-</b>	<b>12,557,386</b>
	Less than 3 Months	3 to 12 months	1 to 5 years	Over 5 years	Total
<b>As at 31 March 2016</b>					
Trade and other payables	9,909	11,129	-	-	21,038
Due to related parties	-	771,241	-	-	771,241
<b>Total undiscounted financial liabilities</b>	<b>9,909</b>	<b>782,370</b>	<b>-</b>	<b>-</b>	<b>792,279</b>

## **REXCEL EGYPT COMPANY (L.L.C.)**

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### **NOTES TO THE FINANCIAL STATEMENTS**

31 March 2017

#### **18 FAIR VALUES OF FINANCIAL INSTRUMENTS**

Financial instruments comprise financial assets and financial liabilities.

Financial assets of the Company include cash at banks, accounts and notes receivable, due from related parties, other receivables and other debit balances. Financial liabilities of the Company include interest-bearing loans and borrowings, accounts payable, accrued expenses and other payables, due to related parties.

The fair values of the financial assets and liabilities are not materially different from their carrying value unless stated otherwise.

#### **19 COMPARATIVE FIGURES**

Certain comparative figures for the year ended 31 March 2016 have been reclassified to conform to the current year's presentation.