

REXCEL EGYPT COMPANY (L.L.C)
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020
TOGETHER WITH AUDITOR'S REPORT

REXCEL EGYPT COMPANY (L.L.C.)
Financial Statements
For the year ended 31 March 2020

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AUDITOR'S REPORT

TO THE STOCKHOLDERS OF REXCEL EGYPT COMPANY (L.L.C.)

Report on the Financial Statements

We have audited the accompanying financial statements of **REXCEL EGYPT COMPANY (L.L.C.)**, represented in the statement of Financial position as of 31 March 2020, and the related statements of profit or loss, comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

These financial statements are the responsibility of the Company's Management, as Management is responsible for the preparation and fair presentation of the financial statements in accordance with Egyptian Accounting Standards and applicable Egyptian laws. Management responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error. This responsibility also includes selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on those financial statements based on our audit. We conducted our audit in accordance with Egyptian Standards on Auditing and applicable Egyptian laws. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance that the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's professional judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above, give a true and fair view, in all material respects, of the financial position of **REXCEL EGYPT COMPANY (L.L.C.)**, as of 31 March 2020, and of its financial performance and its cash flows for the year then ended in accordance with Egyptian Accounting Standards and the related applicable Egyptian laws and regulations.

Emphasis of a matter

Without qualifying our opinion, we draw attention to note (2-1) of the notes to the financial statements where the Company has negative working and accumulated losses exceeded the paid-up capital amounted to EGP 4,819,542 and EGP 7,149,542 respectively.as of the year ended 31 March 2020.

These events or conditions indicate that a material uncertainty exists that may cast an extraordinary general assembly meeting should be held to decide the continuity of the company's operations according to law no. 159 for 1981 which raises substantial doubts about the Company's ability to continue as going concern. The financial statements were prepared under the going concern assumption since the Head Office will continue to support the Company in meeting its liabilities as they full due within the coming 12 months, the matter which necessitates calling an Extraordinary General Assembly Meeting to decide the continuity of the company in accordance with the provisions of law 159 for the year 1981 .

Report on other legal and regulatory requirements

The Company maintains proper accounting records that comply with the laws and the Company's articles of association and the financial statements agree with the Company's records. The physical inventory count was undertaken by the Company's Management in accordance with the proper norms.

The financial information included in the General Managers' Report, prepared in accordance with Law No. 159 of 1981 and its executive regulation, is in agreement with the books of the Company insofar as such information is recorded therein.

Cairo: 21 May 2020

Amr Waheed Bayoumi

FESAA - FEST

(RAA.17555)

EFSA (358)

REXCEL EGYPT COMPANY (L.L.C.)

STATEMENT OF FINANCIAL POSITION

As of 31 March 2020

	Note	31 March 2020 EGP	31 March 2019 EGP
ASSETS			
Non-current assets			
Fixed assets	(3)	-	-
Total non-current assets		<u>-</u>	<u>-</u>
Current assets			
Inventory	(4)	197,191	132,592
Trade and notes receivable	(5)	-	-
Prepayments and other receivables	(6)	1,007,386	582,544
Cash at banks	(7)	45,151	2,208,439
Total current assets		<u>1,249,728</u>	<u>2,923,575</u>
Total Assets		<u>1,249,728</u>	<u>2,923,575</u>
Quota holders' equity and Liabilities			
Quota holders' equity			
Paid up capital	(12)	2,090,000	240,000
Legal reserve		240,000	240,000
Payment under increase capital		-	1,851,077
Accumulated losses		(6,542,246)	(5,572,755)
Losses for the year		(607,296)	(969,491)
Total quota holders' equity		<u>(4,819,542)</u>	<u>(4,211,169)</u>
LIABILITIES			
Current liabilities			
Provisions	(8)	162,399	162,399
Trade payable		4,357	54,009
Due to related parties	(11)	4,766,938	5,897,993
Accrued expenses and other payables	(9)	1,135,576	1,020,343
Total current liabilities		<u>6,069,270</u>	<u>7,134,744</u>
Total liabilities		<u>6,069,270</u>	<u>7,134,744</u>
Total Quota holders' equity and Liabilities		<u>1,249,728</u>	<u>2,923,575</u>

Financial Manager

Debdulal Sinha

General Manager

Dr. Hany Mashaal

- The accompanying notes from (1) to (18) are an integral part of these financial statements.

REXCEL EGYPT COMPANY (L.L.C.)

STATEMENT OF PROFIT OR LOSS
For The Year Ended 31 March 2020

	Note	31 March 2020 EGP	31 March 2019 EGP
Sales returns		(9,901)	(203,705)
Allowable discounts - sales returns		4,139	92,709
Cost of sales	(13)	(2,600)	(19,100)
Cost of sales - sales returns	(13)	(133,060)	(32,829)
GROSS PROFIT		(141,422)	(162,925)
Selling and marketing expenses		(55,728)	(274,946)
General and administrative expenses		(372,543)	(408,538)
Reversal of Impairment in value of accounts receivable		-	48,790
Foreign exchange differences		(49,386)	(23,496)
Finance expenses		-	(165,993)
interest income		11,783	17,617
(LOSSES) BEFORE INCOME TAXES		(607,296)	(969,491)
Income taxes	(10)	-	-
LOSSES FOR THE YEAR		(607,296)	(969,491)

Financial Manager

Debdulal Sinha

General Manager

Dr. Hany Mashaal

- The accompanying notes from (1) to (18) are an integral part of these financial statements.

REXCEL EGYPT COMPANY (L.L.C.)

STATEMENT OF COMPREHENSIVE INCOME
For The Year Ended 31 March 2020

	31 March 2020	31 March 2019
	EGP	EGP
LOSSES FOR THE YEAR	(607,296)	(969,491)
OTHER COMPREHENSIVE INCOME	-	-
TOTAL COMPREHENSIVE INCOME	<u>(607,296)</u>	<u>(969,491)</u>

- The accompanying notes from (1) to (18) 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 2020

	Capital EGP	Legal reserve EGP	Payment Under capital Increase	Accumulated losses EGP	Losses for the year EGP	Total EGP
Balance as of 1 April 2018	240,000	240,000	-	(3,562,965)	(2,009,790)	(5,092,755)
Transferred to accumulated losses	-	-	-	(2,009,790)	2,009,790	-
Payment Under capital Increase	-	-	1,851,077	-	-	1,851,077
Losses for the year	-	-	-	-	(969,491)	(969,491)
Balance as of 31 March 2019	240,000	240,000	1,851,077	(5,572,755)	(969,491)	(4,211,169)
Transferred to accumulated losses	-	-	-	(969,491)	969,491	-
Capital increase	1,850,000	-	(1,851,077)	-	-	(1,077)
Losses for the year	-	-	-	-	(607,296)	(607,296)
Balance as of 31 March 2020	2,090,000	240,000	-	(6,542,246)	(607,296)	(4,819,542)

REXCEL EGYPT COMPANY (L.L.C.)

STATEMENT OF CASH FLOWS For The year ended 31 March 2020

	Note	31 March 2020 EGP	31 March 2019 EGP
Cash Flows from Operating Activities			
(Losses) before income taxes		(607,296)	(969,491)
Write down of inventory	(4)	133,097	133,836
Reversal of write down of inventory	(4)	(36)	(91,733)
Reversal Impairment of accounts receivables	(5)	-	(48,790)
		<u>(474,235)</u>	<u>(976,178)</u>
Change in inventory	(4)	(136,183)	11,138
Change in trade and notes receivable	(5)	-	48,791
Change in prepayments and other receivables	(6)	(424,842)	57,406
Change in trade and notes payable		(49,652)	49,540
Change in due to related parties	(11)	(1,131,055)	2,854,172
Change in accrued expenses and other payables	(9)	115,233	(209,830)
Cash Flows (Used in) Provided from Operating Activities		<u>(2,100,734)</u>	<u>1,835,039</u>
Provisions used	(4)	(61,477)	(92,173)
Net Cash Flows (Used in) Provided from Operating Activities		<u>(2,162,211)</u>	<u>1,742,866</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Capital increase		(1,077)	1,851,077
Due to related parties - long term facility paid		-	(2,173,000)
NET CASH FLOWS (USED IN) FINANCING ACTIVITIES		<u>(1,077)</u>	<u>(321,923)</u>
Net (decrease in cash and cash equivalents-during the year		(2,163,288)	1,420,943
Cash and cash equivalent – beginning of the year	(7)	<u>2,208,439</u>	<u>787,496</u>
Cash and cash equivalent – end of the year	(7)	<u>45,151</u>	<u>2,208,439</u>

- The accompanying notes from (1) to (18) are an integral part of these financial statements.

REXCEL EGYPT COMPANY (L.L.C.)

NOTES TO THE FINANCIAL STATEMENTS

For The year ended 31 March 2020

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.

The General Manager approved the financial statements as of 31 March 2020 on 21 May 2020.

2 SIGNIFICANT ACCOUNTING POLICIES

2-1 BASIS OF PREPARATION

The financial statements have been prepared under the going concern assumption on a historical cost basis.

The Financial statements are prepared and presented on Egyptian pound, which is the company's Functional currency.

the Company has negative working and accumulated losses exceeded the paid-up capital amounted to EGP 4,819,542 and EGP 7,149,542 respectively.as of the year ended 31 March 2020, which raises substantial doubts about the Company's activity to continue as a going concern.

The financial statements were prepared under the going concern assumption, since the parent company will continue to support the Company in meeting its obligation as they full due in within the coming twelve months.

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 are consistent with those of the previous financial year.

NEW ISSUED STANDERDS BUT NOT EFFECTIVE

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's special purpose separate financial statements are disclosed below. The Company intends to adopt these standards, if applicable, when they become effective.

- **EAS 48 – "Revenue from Contracts with Customers"**

EAS 48 was issued in April 2019, and effective from 1 January 2020 in Egypt, establishes a five-step model to account for revenue arising from contracts with customers. EAS 48 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including EAS 11 Revenue, EAS 8 Construction Contracts. Under EAS 48, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

REXCEL EGYPT COMPANY (L.L.C.)

NOTES TO THE FINANCIAL STATEMENTS

For The year ended 31 March 2020

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2-1 BASIS OF PREPARATION (CONTINUED)

- **EAS 48 – “Revenue from Contracts with Customers” (continued)**

EAS 48 requires entities to exercise judgement, taking into consideration all the relevant facts and circumstances when applying each step of the model to contracts with their customers

- **EAS 49: Leases**

EAS 49 was issued in April 2019 and effective date is 1 January 2020 in Egypt. This standard will replace EAS 20 “Accounting for finance Leases”:

EAS 49 now requires lessees to recognize a lease liability reflecting future lease payments and a ‘right-of-use asset’ for virtually all lease contracts. There is an optional exemption of certain short-term leases and leases of low-value assets.

Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognized at the date of initial application.

- **EAS 47: Financial Instruments**

EAS 47 Financial Instruments that replaces EAS 26 Financial Instruments: Recognition and Measurement. EAS 47 is issued in April 2019 and is effective for annual periods beginning on or after 1 January 2020 in Egypt, with early application permitted. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. The Company not elected to early adopt EAS 47.

The new impairment model according to EAS 47 requires the recognition of impairment provisions based on expected credit losses rather than only incurred credit losses as is the case under EAS 26. It applies to financial assets classified at amortized cost, debt instruments measured at fair value through other comprehensive income, contract assets under EAS 48 Revenue from Contracts with Customers, lease receivables, loan commitments and certain financial guarantee contracts.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Company’s disclosures about its financial instruments

Management anticipates that these new standards, interpretations and amendments will be adopted in the Company’s financial statements as and when they are applicable and adoption of these new standards, interpretations and amendments, may have no material impact on the financial statements of the Company in the period of initial application..

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:

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.

REXCEL EGYPT COMPANY (L.L.C.)

NOTES TO THE FINANCIAL STATEMENTS

For The year ended 31 March 2020

2-2 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

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.

2-3 SUMMARY SIGNIFICANT ACCOUNTING POLICIES

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.

REXCEL EGYPT COMPANY (L.L.C.)

NOTES TO THE FINANCIAL STATEMENTS

For The year ended 31 March 2020

2-3 SUMMARY SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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:

	Year
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.

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.

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.

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.

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.

REXCEL EGYPT COMPANY (L.L.C.)

NOTES TO THE FINANCIAL STATEMENTS

For The year ended 31 March 2020

2-3 SUMMARY SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

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.

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.

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.

Income taxes

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

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.

REXCEL EGYPT COMPANY (L.L.C.)

NOTES TO THE FINANCIAL STATEMENTS

For The year ended 31 March 2020

2-3 SUMMARY SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

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.

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.

REXCEL EGYPT COMPANY (L.L.C.)

NOTES TO THE FINANCIAL STATEMENTS

For The year ended 31 March 2020

2-3 SUMMARY SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset that necessarily takes a substantial period 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.

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.

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.

Statement of cash flows

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

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.

REXCEL EGYPT COMPANY (L.L.C.)

NOTES TO THE FINANCIAL STATEMENTS

For The year ended 31 March 2020

3 FIXED ASSETS

	Machinery and Equipment EGP	Total EGP
Cost		
As of 1 April, 2019	209,518	209,518
As of 31 March, 2020	<u>209,518</u>	<u>209,518</u>
Accumulated depreciation		
As of 1 April, 2019	(209,518)	(209,518)
As of 31 March, 2020	<u>(209,518)</u>	<u>(209,518)</u>
Net book value as of 31 March 2020	<u>-</u>	<u>-</u>
Net book value as of 31 March 2019	<u>-</u>	<u>-</u>

The Machinery and Equipment are fully depreciated and still being used in operations.
There is no mortgage over the fixed assets.

4 INVENTORY

	31 March 2020 EGP	31 March 2019 EGP
Raw and packing materials	281,170	144,992
Finished Goods	<u>706,451</u>	<u>706,446</u>
	987,621	851,438
Impairment in value of inventory (Note 14)	<u>(790,430)</u>	<u>(718,846)</u>
	<u>197,191</u>	<u>132,592</u>

Movement of impairment in value of inventory is as follows:

	31 March 2020 EGP	31 March 2019 EGP
Beginning balance	718,846	768,916
Charged during the year (Note 14)	133,096	133,836
Used during the year	(61,476)	(92,173)
No longer required (Note 14)	<u>(36)</u>	<u>(91,733)</u>
Ending balance	<u>790,430</u>	<u>718,846</u>

REXCEL EGYPT COMPANY (L.L.C.)

NOTES TO THE FINANCIAL STATEMENTS

For The year ended 31 March 2020

5 TRADE AND NOTES RECEIVABLE

	31 March 2020	31 March 2019
	EGP	EGP
Trade receivable	50,767	50,767
Notes receivable	-	-
	<u>50,767</u>	<u>50,767</u>
Impairments in value of trade and notes receivable	<u>(50,767)</u>	<u>(50,767)</u>
	<u><u>-</u></u>	<u><u>-</u></u>

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

	31 March 2020	31 March 2019
	EGP	EGP
Beginning balance	50,767	99,558
Charged	-	-
No longer required	-	(48,791)
Ending balance	<u>50,767</u>	<u>50,767</u>

6 PREPAYMENTS AND OTHER RECEIVABLES

	31 March 2020	31 March 2019
	EGP	EGP
Employees' advances and imprests	1,030	2,130
Advances to suppliers	225,942	-
Tax authority – withholding taxes	776,250	576,250
Deposits with others	3,600	3,600
Other debit balances	1,394	1,394
	<u>1,008,216</u>	<u>583,374</u>
Impairment in value of other debit balances	<u>(830)</u>	<u>(830)</u>
	<u><u>1,007,386</u></u>	<u><u>582,544</u></u>

7 CASH AT BANKS

	31 March 2020	31 March 2019
	EGP	EGP
a) Local Currency		
Current accounts	45,151	380,824
	<u>45,151</u>	<u>380,824</u>
b) Foreign currency		
Current accounts	-	1,827,615
	-	1,827,615
	<u>45,151</u>	<u>2,208,439</u>

Bank balances are dominated in the following currencies:

	31 March 2020	31 March 2019
	EGP	EGP
Egyptian Pound (EGP)	45,151	380,824
US Dollar (USD)	-	1,827,615
	<u>45,151</u>	<u>2,208,439</u>

REXCEL EGYPT COMPANY (L.L.C.)

NOTES TO THE FINANCIAL STATEMENTS

For The year ended 31 March 2020

8 PROVISIONS

	Balance as of 1 April 2019 EGP	Charged during the year EGP	Used during the year EGP	No longer required EGP	Balance as of 31 March 2020 EGP
Provision for expected claims	162,399	-	-	-	162,399
	<u>162,399</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>162,399</u>
	Balance as of 1 April 2018 EGP	Charged during the year EGP	Used during the year EGP	No longer required EGP	Balance as of 31 March 2019 EGP
Provision for expected claims	162,399	-	-	-	162,399
	<u>162,399</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>162,399</u>

9 ACCRUED EXPENSES AND OTHER PAYABLES

	31 March 2020 EGP	31 March 2019 EGP
Accrued expenses	699,492	591,287
Tax authority – withholding tax	68,829	69,484
Tax authority – salaries tax	201	201
Social insurance Authority	2,051	3,285
Advance from Customers	365,003	356,086
	<u>1,135,576</u>	<u>1,020,343</u>

10 INCOME TAX

	31 March 2020 EGP	31 March 2019 EGP
Income tax payable	-	-
	<u>-</u>	<u>-</u>

Reconciliation of effective tax rate

	31 March 2020 EGP	31 March 2019 EGP
Net losses before income taxes	(607,296)	(969,491)
Interest expenses	-	92,660
Provision charged	133,096	133,836
Foreign exchange differences – unrealized	(204,185)	(23,496)
Reversal of impairment in value of inventory	(36)	(140,523)
Inventory provision used	(61,476)	(92,173)
Non-deductible expenses	13,000	-
Foreign exchange differences realized - from prior year	23,496	26,683
Taxable (losses)	<u>(703,401)</u>	<u>(972,504)</u>

REXCEL EGYPT COMPANY (L.L.C.)

NOTES TO THE FINANCIAL STATEMENTS

For The year ended 31 March 2020

11 DUE FROM / TO RELATED PARTIES

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 as follow:

Company name	Nature of transaction	31 March 2020 EGP	31 March 2019 EGP
	Loan interest – Expenses	-	165,993
Sun Pharma Egypt Limited (Egypt)	Expenses charged from Sun Pharma Egypt Limited (Cross Charge Expenses)	52,550	234,370

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

	31 March 2020		31 March 2019	
	Due from EGP	Due to EGP	Due from EGP	Due to EGP
Sun Pharmaceutical Industries Limited (India)	-	564,564	-	633,169
Sun Pharma Egypt Limited	-	4,202,374	-	5,264,824
	<u>-</u>	<u>4,766,938</u>	<u>-</u>	<u>5,897,993</u>

12 CAPITAL

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

	Number of quotas	EGP	Percentage
Hany Ibrahim El-Husseini Othman	2,280	228,000	95%
Ola Mohamed Abdel Kader Ibrahim	60	6,000	2.5%
Mahmoud Mohamed Mahmoud Abdelhamid	60	6,000	2.5%
	<u>2,400</u>	<u>240,000</u>	<u>100%</u>

The Extra Ordinary General Assembly meeting held on 15 August 2018 to decide and approve to increase the paid-up capital from 240,000 EGP to 2,090,000 EGP, divided over 20,900 quotas of par value EGP 100 each distributed as follows:

	Number of quotas	EGP	Percentage
Hany Ibrahim El-Husseini Othman	3,700	370,000	17%
Ola Mohamed Abdel Kader Ibrahim	3,700	370,000	17%
Mahmoud Mohamed Mahmoud Abdel Hamid	3,700	370,000	17%
Sun Pharma Netherlands	9,800	980,000	49%
	<u>20,900</u>	<u>2,090,000</u>	<u>100%</u>

REXCEL EGYPT COMPANY (L.L.C.)

NOTES TO THE FINANCIAL STATEMENTS

For The year ended 31 March 2020

13 COST OF SALES

	31 March 2020	31 March 2019
	EGP	EGP
Cost of goods sold returns	-	32,829
Other production expense	2,600	19,100
Impairment in value of inventory (expired and slow moving) (Note 4)	133,096	-
Reversal of impairment in value of inventory (Note 4)	(36)	-
	<u>135,660</u>	<u>51,929</u>

14 TAXES

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 2020.

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 Appeal committee. No tax inspection took place for the Company's records for the years 2012 till year 31 March 2020.

Sales Tax - Value Added Tax

The Company's records were inspected from inception till 31 March 2015 and the taxes due were paid.

No tax inspection took place for the company's records for the year from 1 April 2015 till year 31 March 2020.

The sales Tax law had been changed to value added tax law in 2016 which lead to exempting the pharmaceutical companies.

Stamp Tax

No tax inspection took place for the company's records since inception till year 31 March 2020.

REXCEL EGYPT COMPANY (L.L.C.)

NOTES TO THE FINANCIAL STATEMENTS

For The year ended 31 March 2020

15 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Overview

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

- a) Credit risk,
- b) Market risk, and
- c) 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.

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.

REXCEL EGYPT COMPANY (L.L.C.)

NOTES TO THE FINANCIAL STATEMENTS

For The year ended 31 March 2020

15 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

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 March 2020		31 March 2019	
	Change in rate	Effect on profit before tax EGP	Change in rate	Effect on profit before tax EGP
USD	+10%	(34,437)	+10%	(119,445)
	-10%	34,437	-10%	119,445

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
As at 31 March 2020					
Trade and other payables	4,357	-	-	-	4,357
Provision	-	-	162,399	-	162,399
Accrued expenses and other payables	-	1,135,576	-	-	1,135,576
Due to related parties	-	4,766,938	-	-	4,766,938
Total undiscounted financial liabilities	4,357	564,564	5,500,349	-	6,069,270
	Less than 3 Months	3 to 12 Months	1 to 5 years	Over 5 years	Total
As at 31 March 2019					
Trade and other payables	54,009	-	-	-	54,009
Provision	-	-	162,399	-	162,399
Accrued expenses and other payables	-	1,020,343	-	-	1,020,343
Due to related parties	-	5,897,993	-	-	5,897,993
Total undiscounted financial liabilities	54,009	633,170	6,447,565	-	7,134,744

REXCEL EGYPT COMPANY (L.L.C.)

NOTES TO THE FINANCIAL STATEMENTS

For The year ended 31 March 2020

16 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.

17 COMPARATIVE FIGURES

Certain comparative figures for the financial year ending in 31 March 2019 have been reclassified to conform with the presentation of the financial statements for the year.

18 SUBSEQUENT EVENTS

Subsequent to the date of preparing the financial statements and before the date of issuance, some major global events occurred, which included the Arab Republic of Egypt as well, where an outbreak of COVID19 occurred, and the World Health Organization "WHO" announced that the outbreak of the virus can be described as a global epidemic, and the government has introduced various measures to combat disease outbreaks, including travel restrictions and quarantine, business closures, and other locations, these government responses and their corresponding impacts are still evolving and which are expected to affect the economic climate and that, in turn, could expose the company to various risks, including a significant reduction in Revenues, and evaluation / impairment of assets and other risks.

These events did not affect the financial statements of the company as on March 31, 2020 but may affect the financial statements for future financial periods. If it is difficult to quantify this effect for now, this effect will appear in future financial statements. The magnitude of the impact varies according to the expected extent, the period during which those events are expected to end and their impact.