

**GLENMARK PHARMACEUTICALS
EGYPT COMPANY, S.A.E
FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2019
TOGETHER WITH AUDITOR'S REPORT**



GLOBAL VIEW – HSA
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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Glenmark Pharmaceuticals Egypt Company - S.A.E;

Report on the Financial Statements

We have audited the accompanying financial statements of Glenmark Pharmaceuticals Egypt Company, S.A.E. which comprise the statement of financial position as of March 31, 2019, and the related statements of profit or loss, comprehensive income, changes in owners' 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 the 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 these 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 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, and evaluating the overall presentation of the financial statements.



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

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 Glenmark Pharmaceuticals Egypt Company, S.A.E. as of March 31, 2019, 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.

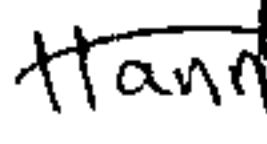
Other matters

Without qualifying our opinion, we draw attention to note no. (17) in the notes to the financial statements; where the accumulated losses, including net loss for the year, amounted to approximately EGP 56.9 million as of March 31, 2019, which exceeded the paid up capital as of that date. These conditions, among other matters, indicate the existence of a material uncertainty that may cast significant doubt about the company's ability to continue as a going concern. The company's management believes that the company will continue its operations despite the accumulated losses incurred, as the company shareholders are willing to support the company's financial obligations, as they fall due.

According to the Companies' Law No. 159 of 1981, the Company shall convene an extraordinary general assembly meeting to decide on the continuity of the Company as a going concern.

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. Inventory count was conducted by management according to relevant practices.




Hanna Makandouh
Public Accountant
E.R:A.A 13 659

Cairo: May 10, 2019



Glenmark Pharmaceuticals Egypt Company, S.A.E
Statement of Financial Position
As of March 31, 2019

	Note	March 31, 2019 EGP	March 31, 2018 EGP
NON - CURRENT ASSETS			
Property, plant and equipment, net	(4)	182,615	372,169
Intangible assets, net	(5)	840,137	1,143,256
Total non - current assets		1,022,751	1,515,425
CURRENT ASSETS			
Inventories	(6)	6,583,076	5,797,884
Trade and other receivables , net	(7)	15,252,079	12,275,075
Debit balances and other assets, net	(8)	1,140,546	2,109,123
Cash and bank balances	(9)	560,386	6,163,441
Total current assets		23,536,087	26,345,524
Total Assets		24,558,839	27,860,950
SHAREHOLDERS' EQUITY			
Paid up capital	(13)	55,426,520	55,426,520
Accumulated (Losses)		(50,240,944)	(45,165,536)
Net loss for the year		(6,716,061)	(5,075,564)
Total shareholders' equity		(1,530,486)	5,185,420
CURRENT LIABILITIES			
Provisions	(10)	1,260,881	672,948
Trade and notes payables		478,959	309,736
Creditors and other credit balances	(11)	2,524,273	1,477,211
Due to Glenmark Pharmaceuticals - India	(12)	21,825,211	20,215,635
Total current liabilities		26,089,324	22,675,530
Total shareholder's equity and liabilities		24,558,839	27,860,950

The accompanying notes from (1) to (18) form an integral part of the financial statements.

Amr Kamel
 Financial Controller
 Amr Kamel

Moh Hefny
 Country Manager
 Dr. Mohamed Hefny

- Auditor's report attached

Hanna
 Hanna Makanota Fahim
 E.R.A.A 13659



Glenmark Pharmaceuticals Egypt Company, S.A.E.
Statement of Cash Flows
For the year ended March 31, 2019

	<u>Note</u>	<u>Year ended</u> <u>March 31, 2019</u> <u>EGP</u>	<u>Year ended</u> <u>March 31, 2018</u> <u>EGP</u>
<u>Cash flows from operating activities</u>			
Net loss before income tax		(6,716,061)	(5,075,564)
Depreciation and amortization of long term assets		496,144	465,912
Provisions formed (utilized and adjusted)- net		587,933	(106,076)
Foreign exchange loss (gain) - unrealized		(250,560)	(627,278)
Adjusted net profit (loss)		<u>(5,882,544)</u>	<u>(5,343,006)</u>
<u>Movements in working capital</u>			
(Increase) Decrease in inventories		(785,192)	2,122,698
(Increase) in trade and other receivables		(2,977,004)	(3,301,205)
(Increase) Decrease in debit balances and other assets		968,576	1,694,728
(Decrease) Increase in trade payables and other credit balances		1,216,285	176,369
Net cash (used in) operating activities		<u>(7,459,878)</u>	<u>(4,650,416)</u>
<u>Cash flows from investing activities</u>			
Payments for long term assets		(3,470)	(202,267)
Net cash (used in) investing activities		<u>(3,470)</u>	<u>(202,267)</u>
<u>Cash flows from financing activities</u>			
Paid up capital		-	8,892,363
Due to Glenmark Pharamceuticals - India		1,860,294	(1,460,847)
Net cash generated by financing activities		<u>1,860,294</u>	<u>7,431,515</u>
Net increase (decrease) in cash and cash equivalents during the year		(5,603,054)	2,578,832
Cash and cash equivalents at the beginning of the year		6,163,441	3,584,608
Cash and cash equivalents at the end of the year	(9)	<u>560,386</u>	<u>6,163,441</u>

The accompanying notes from (1) to (18) form an integral part of the financial statements.

Glenmark Pharmaceuticals Egypt Company, S.A.E.

Statement of changes in Shareholders' Equity

For the year ended March 31, 2019

	<u>Paid up capital</u>	<u>Accumulated (Loss)</u>	<u>Net (loss) for the year</u>	<u>Total</u>
	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>
Balance at March 31, 2017	46,534,157	(39,117,932)	(6,047,605)	1,368,621
Increase in paid up capital	8,892,363	-	-	8,892,363
Transfer of FY 2017 loss to accumulated losses	-	(6,047,605)	6,047,605	-
Net loss for the year	-	-	(5,075,564)	(5,075,564)
Balance at March 31, 2018	55,426,520	(45,165,536)	(5,075,564)	5,185,420
Transfer of FY 2018 loss to accumulated losses	-	(5,075,564)	5,075,564	-
Adjustment	-	157	-	157
Net loss for the year	-	-	(6,716,061)	(6,716,061)
Balance at March 31, 2019	55,426,520	(50,240,944)	(6,716,061)	(1,530,485)

The accompanying notes from (1) to (18) form an integral part of the financial statements.

Glenmark Pharmaceuticals Egypt Company, S.A.E
Statement of Profit or Loss
For the year ended March 31, 2019

	<u>Note</u>	<u>Year Ended</u> <u>March 31, 2019</u>	<u>Year Ended</u> <u>March 31, 2018</u>
		<u>EGP</u>	<u>EGP</u>
<u>Continuing operation</u>			
Sales revenue		37,155,765	27,463,733
Cost of sales		(19,373,883)	(13,190,801)
Gross profit		<u>17,781,883</u>	<u>14,272,932</u>
<u>Less:</u>			
General and administrative expenses		(13,418,498)	(10,424,382)
Provision expenses		(1,127,091)	(240,000)
Advertising and marketing expenses		(8,218,155)	(6,977,030)
Bank charges and financing expenses		(1,851,442)	(1,899,087)
Depreciation expenses		(193,025)	(133,582)
Net operating loss		<u>(7,026,329)</u>	<u>(5,401,149)</u>
Foreign exchange Gain (Loss)		264,227	302,722
Other Income (Loss)		46,040	22,862
Net (Loss) before taxes		<u>(6,716,061)</u>	<u>(5,075,564)</u>
Income tax - current		-	-
NET LOSS FOR THE YEAR		<u>(6,716,061)</u>	<u>(5,075,564)</u>

The accompanying notes from (1) to (18) form an integral part of the financial statements.

Glenmark Pharmaceuticals Egypt Company, S.A.E.

Statement of Comprehensive income

For the year ended March 31, 2019

	<u>Year ended</u> <u>March 31, 2019</u> <u>EGP</u>	<u>Year ended</u> <u>March 31, 2018</u> <u>EGP</u>
Net (loss) for the year	(6,716,061)	(5,075,564)
<u>Other Comprehensive Income items</u>		
Items that will be not be reclassified subsequently to Profit or Loss	-	-
Items that may be reclassified subsequently to Profit or Loss	-	-
Total other comprehensive income items	-	-
Total Comprehensive Income (loss) for the year	(6,716,061)	(5,075,564)

The accompanying notes from (1) to (18) form an integral part of the financial statements.

Glenmark Pharmaceuticals Egypt Company, S.A.E.

Notes to the financial statements
For the year ended March 31, 2019

1. Background on the company and purpose

Glenmark Pharmaceuticals' Egypt Company, S.A.E. was established on November 6, 2008 as a joint Stock Company in Egypt under the provisions of Companies' Law no. 159 for year 1981 and Law no. 95 for year 1992 and their executive regulations.

The company was registered under number 35429 in the commercial register on November 6, 2008.

The purpose of the company is trading in medical and pharmaceutical products of all types (purchasing, selling, and exporting), obtaining, acquiring, utilizing, and selling patents, invention certificates, licences, inventions, and developments relevant to technical procedures, trademarks, commercial names relating to intellectual rights whether on its own or through others.

2. Compliance and basis of preparation

a. Statement of compliance

These financial statements have been prepared in accordance with Egyptian Accounting Standards (EAS) issued in 2015 and the applicable Laws and regulations and are the statutory financial statements of the company.

b. Basis of preparation

The financial statements have been prepared on the historical cost basis and the going concern basis, except for certain financial instruments that are measured at revalued amounts or fair values at the end of each reporting period.

Historical cost is generally based on the fair value of the consideration given in exchange for goods or services. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using a valuation technique.

3. Significant accounting policies

The principal accounting policies are set out below.

a. Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and is reduced for estimated customers' returns; rebates and other similar allowances. Revenues from the sale of goods is recognized when the goods are delivered and titles have passed, at which time the company had transferred to the buyer the significant risks and rewards of ownership of the goods; the amount of revenue can be measured reliably and the costs incurred in respect of the transaction can be measured reliably.

b. Foreign currencies

The functional and reporting currency of the company is the Egyptian pound. In preparing the financial statements of the company, transactions in currencies other than the company's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date.

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Exchange differences are recognized in profit or loss in the period in which they arise.

c. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax. Income tax is calculated in accordance with the Egyptian tax law.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from "profit before tax" as reported in the company's statement of profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognized for all taxable temporary differences, and deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

A deferred tax asset is recognized for the unused tax losses carried forward only to the extent that the company has sufficient taxable temporary differences against which unused tax losses can be utilized.

d. Property, plant and equipment

Property, plant and equipment are stated in the statement of financial position at the acquisition cost less accumulated depreciation and any recognized impairment loss. Items of property, plant and equipment are depreciated using the straight line method.

Depreciation is charged so as to write off the cost of assets, over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

The estimated useful lives for each class of fixed assets are illustrated below:

Asset category	Estimated useful life
Computers and software	3 years
Office furniture	3 years
Leasehold improvements	4.8 years
Air Conditions	4 years

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of the asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

e. Intangible assets

Intangible assets are purchased products' licenses that are stated at cost less accumulated amortization and any recognized accumulated impairment losses. They are amortized over their estimated life which is the period since its acquisition date (date of approval of the Ministry of Health to transfer title of the product to Glenmark Pharmaceuticals' Egypt) to invalidation date (i.e. 10 years from registering the product at the Ministry of Health).

Acquisition took place after registering the products within a period from 0 to 2.7 years at Ministry of Health, thus amortization period varies from (7.3 to 10 years). Amortization starts in the month following the acquisition date using the straight-line method.

The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

f. Inventories

Inventories are stated at the lower of cost and net realizable value. Net realizable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. Costs of inventories are determined on weighted average basis, as follows:

- Raw materials: at the lower of cost using the weighted average method or net realizable value.
- Finished products: at the lower of the cost of production of each batch based on the costing sheets or net realizable value.

c) Work in process: at the lower of the cost of production of the latest completed phase based on the costing sheets or net realizable value.

g. Impairment of tangible and intangible assets

At the end of each reporting period, the company reviews the carrying amounts of its property, plant and equipment, and intangible assets, to determine whether there is any indication that those assets have suffered an impairment loss. If there is an indication of possible impairment, the recoverable amount of any affected asset is estimated and compared with its carrying amount. If the recoverable amount of the asset is estimated to be lower than its carrying amount, then the carrying amount of the asset is reduced to its estimated recoverable amount, and an impairment loss is recognized immediately in profit or loss.

Similarly, at each reporting date, inventories are assessed for impairment by comparing the carrying amount of each item of inventory (or group of similar items) with its selling price less costs to complete and sell. If an item of inventory (or group of similar items) is impaired or expired, its carrying amount is reduced to selling price less costs to complete and sell, and an impairment loss is recognized immediately in profit or loss. Impairment loss on expired inventory items is charged to the statement of profit or loss.

If an impairment loss subsequently reverses, the carrying amount of the asset (or group of related assets) is increased to the revised estimate of its recoverable amount but not in excess of the amount that would have been determined had no impairment loss been recognized for the asset (group of related assets) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

h. Provisions

Provisions are recognized when the company has a present obligation (legal or constructive) as a result of a past event, and it is probable that the company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

i. Financial instruments

Financial assets and financial liabilities are recognized when the branch becomes a party to the contractual provisions of the instruments. Financial assets and financial liabilities are initially measured at fair value. Financial assets are represented in cash and bank balances,

trade and other receivables and debtors and other debit balances. Financial liabilities are represented mainly in other credit balances; trade payables and other credit balances.

All recognized financial assets are measured subsequently, in their entirety at either amortized cost using effective interest method or fair value depending on their classification. Financial assets held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows; are measured subsequently at amortized cost. These include trade receivables, debit balances and banks balances. The company derecognizes a financial asset only when the contractual rights to cash flows from the asset expire or when it transfers financial asset and substantially all the risks and rewards of ownership of the asset to another party.

All financial liabilities are measured subsequently at amortized cost using the effective interest method.

Other financial liabilities (including trade and other payables) are obligations on the basis of normal credit terms and do not bear interest.

j. De-recognition of financial assets and financial liabilities

The company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. On de-recognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of consideration received or receivable is recognized in profit or loss.

The company derecognizes a financial liability when, and only when, the company's obligations are discharged, cancelled, or expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid or payable is recognized in profit or loss.

k. Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

l. Cash and cash equivalent in the statement of cash flows

For the purpose of preparing the cash flow statement, cash and cash equivalents comprise cash in hand and cash at banks balances. Statement of cash flows has been prepared using the indirect method.

m. Use of estimates

In the application of the company's accounting policies described in this section, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources.

The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. Significant areas of estimates include provisions, and useful lives of tangible and intangible assets.

4. Property, plant and equipment (net)

<i>Egyptian pound</i>	Computers and software	Office Furniture	Leasehold Improvement	Air Conditions	Total
Cost					
Balance at March 31, 2017	266,904	121,529	46,322	25,558	460,313
Additions during the year	128,176	74,091	-	-	202,267
Disposals during the year	(3,751)	(4,200)	-	-	(7,951)
Balance at March 31, 2018	391,329	191,420	46,322	25,558	654,629
Additions during the year	-	3,470	-	-	3,470
Adjustments	(11,506)	-	-	-	(11,506)
Balance at March 31, 2019	379,823	194,890	46,322	25,558	646,593
Accumulated depreciation					
Balance at March 31, 2017	80,992	29,132	31,098	13,836	155,057
Depreciation expense for the year	73,746	43,079	10,367	6,390	133,582
Accumulated Depreciation of Disposals	(1,980)	(4,200)	-	-	(6,180)
Balance at March 31, 2018	152,760	68,011	41,465	20,226	282,461
Depreciation expense for the year	113,733	69,103	4,857	5,332	193,025
Adjustments	(11,510)	-	-	-	(11,510)
Balance at March 31, 2019	254,983	137,114	46,322	25,558	463,978
Carrying amount, Net book value					
Balance at March 31, 2019	124,840	57,776	(0)	(0)	182,615
Balance at March 31, 2018	238,571	123,409	4,857	5,332	372,169

5. Intangible assets (net)

<i>Egyptian pound</i>	<i>Products' licences</i>
<u>Cost</u>	
Balance at March 31, 2017	2,997,296
Additions during the year	-
Balance at March 31, 2018	<u>2,997,296</u>
Additions during the year	-
Balance at March 31, 2019	<u>2,997,296</u>
<u>Accumulated amortization</u>	
Balance at March 31, 2017	1,521,710
Amortization expense for the year	332,335
Balance at March 31, 2018	<u>1,854,046</u>
Amortization expense for the year	303,119
Balance at March 31, 2019	<u>2,157,165</u>
<u>Carrying amount, Net book value</u>	
Balance at March 31, 2019	840,137
Balance at March 31, 2018	<u>1,143,256</u>

6. Inventories

Inventory balance amounted to EGP 6 583 076 as of March 31, 2019 comprised of raw and packing materials as well as finished goods inventories.

7. Trade and other receivables, net

<i>Egyptian pound</i>	<u>March 31, 2019</u>	<u>March 31, 2018</u>
Trade receivables - Distributors	15,252,079	12,275,075
Total	<u>15,252,079</u>	<u>12,275,075</u>

11. Creditors and other credit balances

<i>Egyptian pound</i>	<u>March 31, 2019</u>	<u>March 31, 2018</u>
Accrued expenses	2,082,811	1,155,459
Stamp Tax Payable	4,752	4,752
Sales Tax payable	(3,475)	(3,596)
Accrued Salaries	194,803	219,409
Others	245,382	101,187
Total	<u>2,524,273</u>	<u>1,477,211</u>

12. Due to Glenmark Pharmaceuticals – India

Due to Glenmark Pharmaceuticals India (major shareholder) balance amounted to EGP 21 825 211 as of March 31, 2019 represents interest bearing loans and cash transfers made to Glenmark Egypt during the year; in addition to accrued interest due as of the same date.

The interest expense amounting to EGP 1 823 808 was charged to profit or loss during the financial year ended March 31, 2019.

13. Capital

As of March 31, 2018, the company's authorized capital amounted to EGP 90 million, whereas the issued capital amounted to EGP 70 million distributed among 70 million nominal shares of EGP 1 each. An amount of EGP 55 426 520 was paid as of the same date, distributed among the following shareholders as follows:

Shareholder	<u>%</u>	<u>No. of Shares</u>	<u>Value EGP</u>
Glenmark Pharmaceuticals Ltd. India	99.9957%	55,423,520	55,423,520
Rajesh Vaseudio Desai	0.0021%	1,500	1,500
Abhina Sundar Mohanti	0.0021%	1,500	1,500
Total	<u>100%</u>	<u>55,426,520</u>	<u>55,426,520</u>

14. Tax position

Corporate tax

The Corporate tax return is filed on the due date by the company. The company books were inspected on an estimate basis by the Tax Authority on form (19) for year 2010. The Company has filed a petition on the legal date. The whole file was transferred to an internal committee for re-inspection for year 2010. The company was requested by Tax Authority to inspect the books for years 2011/2012 and the company is in the process of preparing the relevant analysis.

Stamp Tax

The company books were not yet inspected by the Tax Authority since company inception to the balance sheet date with respect to stamp tax.

Salary Tax

The company withholds payroll tax from employees and makes payments to payroll tax authority monthly on legal dates. The company books were inspected since Company inception to year 2014 with respect to salary tax. The tax differences resulting from inspection concluded by the internal committee were settled.

Value Added tax

The company books were inspected by the Tax Authority since company inception till March 31, 2015 with respect to sales tax and the company has settled tax differences resulting from the inspection and additional tax. The company files the VAT return on monthly basis and duly pays VAT due.

15. Unrecognized Deferred tax Assets

<i>Egyptian pound</i>	<u>March 31, 2019</u>	<u>March 31, 2018</u>
<u>Deferred tax assets (liabilities)</u>		
Difference in net book value of PP&E	(59,740)	121,778
Taxable difference	(59,740)	121,778
Effective tax rate	22.5%	22.5%
Deferred tax (liabilities) assets	13,442	(27,400)
<u>Deferred tax assets</u>		
Provisions, impairment losses and inventory write down	1,127,091	240,000
Amortization of intangible assets	303,119	1,026,219
Tax losses carried forward	5,336,382	5,069,676
Taxable difference	6,766,592	6,335,895
Effective tax rate	22.5%	22.5%
Total deferred tax assets	1,522,483	1,425,576
Unrecognized deferred tax assets for the year	1,535,925	1,398,176
Total Unrecognized def tax assets as of reporting date	12,819,795	11,283,870

16. Fair value of financial instruments and risk management

(a) Fair value of financial instruments

The company's financial instruments are represented in financial assets and liabilities, the financial assets comprise cash at banks, accounts receivables and other debit balances, whereas the financial liabilities are comprised of accounts payable, and creditors and other credit balances and amounts due to shareholders.

The significant accounting policies applied for the recognition and measurement of the above mentioned financial assets and liabilities and the related income and expenses are included in note (3) of the notes to the financial statements.

According to the measurement principles used for measuring the company's assets and liabilities included in the notes to these financial statements, the carrying amounts of the

financial assets and liabilities referred to above are not materially different from their fair values as of the balance sheet date.

(b) Credit risk

Credit risk refers to the risk that credit customers will default on their contractual obligations. This risk is limited as the company has adopted a policy of only dealing with creditworthy customers and gets advance payments from main customers. In addition the company is currently dealing with main distributors to distribute company products and reduced all deals with other small pharmacies.

(c) Foreign currency risk

The foreign currency risk is the risk that the value of the financial assets and liabilities and the related cash inflows and outflows in foreign currencies will fluctuate due to changes in foreign currency exchange rates. To mitigate this risk, the company maintains a balanced foreign currency position for each foreign currency, and most of its operations are in local currency.

17. Going concern

The company incurred accumulated losses, including net loss for the year, amounted to approximately EGP 56.9 million as of March 31, 2019 which exceeded the paid up capital as of that date. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the company's ability to continue as a going concern. The company's management decided on the continuity of the company despite accumulated losses as the company shareholders shall continue financing the company to meet its obligations as they fall due.

The company management decided to convene an extraordinary general assembly meeting to decide on the continuity of the company.

18. Approval of financial statements

These financial statements were approved by the board of directors and authorized for issuance on April 15, 2019.

Amr Kamel
Financial Controller
Amr Kamal



Dr. Mohamed Hefny
Country Manager
Dr. Mohamed Hefny