

Registration Number C 57355

**ALEMBIC PHARMACEUTICALS
EUROPE LTD.**

Report and Financial Statements

for the year ended 31 March 2018

ALEMBIC PHARMACEUTICALS EUROPE LTD.

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ALEMBIC PHARMACEUTICALS EUROPE LTD.

Statement of Directors' Responsibilities

The Maltese Companies Act, 1995 requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of the affairs of the company and of the profit or loss of the company for that year. In preparing these the directors are required to:

- adopt the going concern basis unless it is inappropriate to presume that the company will continue in business;
- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- account for income and charges relating to the accounting period on the accruals basis;
- value separately the components of asset and liability items; and
- report comparative figures corresponding to those of the preceding accounting period.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Maltese Companies Act 1995. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

ALEMBIC PHARMACEUTICALS EUROPE LTD.

Notes to the Financial Statements

for the year ended 31 March 2018

Opinion

We have audited the accompanying financial statements of Alembic Pharmaceuticals Europe Ltd., which comprise the Statement of Financial Position as at 31 March 2018, and the Statement of Profit or Loss and Other Comprehensive Income, Statement of Changes in Equity and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

In our opinion, the financial statements give a true and fair view of the financial position of Alembic Pharmaceuticals Europe Ltd. as of 31 March 2018 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU, and have been properly prepared in accordance with the Maltese Companies Act (Cap. 386).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the entity in accordance with International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in accordance with the Accountancy Profession Act in Malta, and we have fulfilled our ethical responsibilities in accordance with these requirements and the IESBA Code.

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

Material Uncertainty Related to Going Concern

As shown in the accompanying financial statements, the company incurred significant net losses during the year ended 31 March 2018, and as at that date the company's liabilities exceeded its assets by € 387,204. As disclosed in Note 4, the future of the company is dependent on the continued support of its parent company, who pledged its commitment to continue to provide financial support to the company so as to ensure that the company continues as a going concern. The financial statements do not include any adjustments that might result from the outcome of this fundamental uncertainty. Our opinion is not qualified in this respect.

Responsibilities of the directors

The directors are responsible for the preparation of the financial statements that give a true and fair view in accordance to International Financial Reporting Standards as adopted by the EU and for such internal controls as the directors are necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

In preparing the financial statements the directors are responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either to liquidate the entity or to cease operations, or have no realistic alternative but to do so.

ALEMBIC PHARMACEUTICALS EUROPE LTD.

Notes to the Financial Statements

for the year ended 31 March 2018

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the Directors' use of going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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Notes to the Financial Statements

for the year ended 31 March 2018

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



Mr Manuel Castagna

for and on behalf of

Nexia BT

Certified Public Accountants

The Penthouse, Suite 2

Capital Business Centre, Entrance C

Triq taz-Zwejt

San Gwann SGN 3000

Malta

Date : 24 April 2018

ALEMBIC PHARMACEUTICALS EUROPE LTD.

Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 March 2018

	Notes	2018 €	2017 €
Regulatory filing fees and legal expenses		(132,269)	(196,726)
Loss before taxation	5	<u>(132,269)</u>	<u>(196,726)</u>
Income tax	6	-	(1,488)
Loss for the year		<u>(132,269)</u>	<u>(198,214)</u>
Total comprehensive expense		<u>(132,269)</u>	<u>(198,214)</u>

The notes on pages 9 to 14 form an integral part of these financial statements.

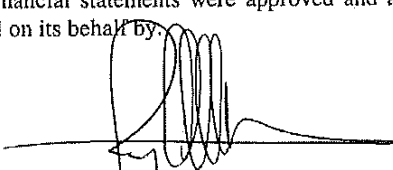
ALEMBIC PHARMACEUTICALS EUROPE LTD.

Statement of Financial Position

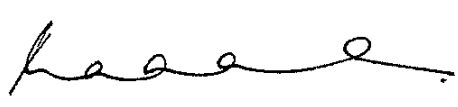
at 31 March 2018

	Notes	2018 €	2017 €
ASSETS			
Current assets			
Trade and other receivables	7	10,420	2,543
Cash at bank and in hand	8	80,221	28,296
Total assets		<u>90,641</u>	<u>30,839</u>
EQUITY AND LIABILITIES			
Capital and reserves			
Called up issued share capital	9	600,000	600,000
Accumulated losses		(987,204)	(854,935)
Deficiency		<u>(387,204)</u>	<u>(254,935)</u>
Current liabilities			
Trade and other payables	10	477,845	285,774
Total liabilities		<u>477,845</u>	<u>285,774</u>
Total equity and liabilities		<u>90,641</u>	<u>30,839</u>

The financial statements were approved and authorised for issue by the Board of Directors on 24 April 2018, and signed on its behalf by:



Mr Raymond Attard
Director



Mr Pranav Chirayu Amin
Director

The notes on pages 9 to 14 form an integral part of these financial statements.

ALEMBIC PHARMACEUTICALS EUROPE LTD.

Statement of Changes in Equity for the year ended 31 March 2018

	Called-up issued share capital	Shareholder's loan	Accumulated losses	Total
	€	€	€	€
At 1 April 2016	10,000	590,000	(656,721)	(56,721)
Loss for the year	-	-	(198,214)	(198,214)
Other comprehensive income	-	-	-	-
Total comprehensive expense	-	-	(198,214)	(198,214)
Capitalisation	590,000	(590,000)	-	-
At 31 March 2017	600,000	-	(854,935)	(254,935)
Loss for the year	-	-	(132,269)	(132,269)
Other comprehensive income	-	-	-	-
Total comprehensive expense	-	-	(132,269)	(132,269)
At 31 March 2018	600,000	-	(987,204)	(387,204)

ALEMBIC PHARMACEUTICALS EUROPE LTD.

Statement of Cash Flows

for the year ended 31 March 2018

	2018	2017
	€	€
Cash flows from operating activities		
Loss before taxation	(132,269)	(196,726)
Working capital changes:		
Movement in trade and other receivables	(7,877)	2,348
Movement in trade and other payables	192,071	47,151
Net cash flows from operating activities	<u>51,925</u>	<u>(147,227)</u>
Cash flows from investing activities		
Net cash flows from investing activities	<u>-</u>	<u>-</u>
Cash flows from financing activities		
Net cash flows from financing activities	<u>-</u>	<u>-</u>
Movement in cash and cash equivalents	<u>51,925</u>	<u>(147,227)</u>
Reconciliation of net cash flow to movement in net funds		
Movement in cash and cash equivalents	51,925	(147,227)
Cash and cash equivalents at start of year	<u>28,296</u>	<u>175,523</u>
Cash and cash equivalents at end of year	<u>80,221</u>	<u>28,296</u>
Cash and cash equivalents		
Cash at bank and in hand	<u>80,221</u>	<u>28,296</u>

ALEMBIC PHARMACEUTICALS EUROPE LTD.

Notes to the Financial Statements

for the year ended 31 March 2018

1. General information

Alembic Pharmaceuticals Europe Ltd. is a limited liability company incorporated in Malta. The company was engaged in the pharmaceuticals industry. Its registered office is at Palazzo Pietro Stiges, 103, Strait Street, Valletta VLT 1436, Malta.

2. Accounting policies

Accounting convention and basis of preparation

These financial statements are presented using the Euro, being the currency that reflects the economic substance of the underlying events and circumstances relevant to the entity. They are prepared under the historical cost convention as modified by the fair valuation convention where required by International Financial Reporting Standards, in accordance with the provisions of the Maltese Companies Act (Cap. 386), and the requirements of International Financial Reporting Standards as adopted by the EU. The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

The preparation of financial statements in conformity with International Financial Reporting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies (see Note 3 - Critical accounting estimates and judgements).

Financial assets

Loans and receivables are stated at fair value, net of any impairment. A provision for impairment of loans and receivables is established where there is objective evidence that the company will not be able to collect all amounts due according to the original terms of payment. Loans and receivables are considered for impairment on a case by case basis and any provision is based on the directors' assessment of the amount recoverable on each receivable. Any change in value of loans and receivables is recognised in the Statement of Profit or Loss and Other Comprehensive Income.

Financial liabilities

The company's financial liabilities include trade and other payables, which are measured at amortised cost using the effective interest rate method.

Financial liabilities are recognised when the company becomes a party to the contractual agreements of the instrument. Any changes in fair value are reported in the Statement of Profit or Loss and Other Comprehensive Income.

Interest-related charges are recognised as an expense in the period in which they are incurred.

Share capital

Ordinary shares are classified as equity.

Dividends are recognised in the period in which they are declared.

ALEMBIC PHARMACEUTICALS EUROPE LTD.

Notes to the Financial Statements

for the year ended 31 March 2018

Impairment

The carrying amounts of the company's assets, other than deferred tax assets, are reviewed annually to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of the asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognised in the Statement of Profit or Loss and Other Comprehensive Income.

An impairment loss is reversed if there has been a change in the estimate used to determine the recoverable amount.

Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. The tax expense is calculated on net income, adjusted for non-temporary differences between taxable and accounting income. The tax effect of temporary differences, arising from items brought into account in different periods for income tax and accounting purposes, is carried in the Statement of Financial Position as deferred tax debits or credits. Such deferred tax balances are calculated on the liability method taking into account the estimated tax that will be paid or recovered when the temporary differences reverse.

Deferred tax debits are only carried forward if there is a reasonable expectation of realisation. Deferred tax debits, arising from tax losses yet to be recovered, are only carried forward if there is a reasonable assurance and to the extent that future taxable income will be sufficient to allow the benefit of the tax loss to be realised or to the extent of the net credits in the deferred tax balance.

Foreign currencies

The financial statements are presented in Euro, being both the company's functional and presentation currency. Transactions denominated in foreign currencies are translated into Euro at the rates of exchange in operation on the dates of the transactions. Monetary assets and liabilities expressed in foreign currencies are translated into Euro at the rates of exchange prevailing at the date of the Statement of Financial Position. Translation differences are dealt with through the Statement of Profit or Loss and Other Comprehensive Income in the period in which they arise.

Cash and cash equivalents

Cash and cash equivalents consist of cash in hand and balances with banks.

3. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances.

In the opinion of the directors, the accounting estimates and judgements made in the course of preparing these financial statements are not difficult, subjective or complex to a degree which would warrant their description as critical in terms of the requirements of IAS1 (revised).

ALEMBIC PHARMACEUTICALS EUROPE LTD.

Notes to the Financial Statements

for the year ended 31 March 2018

4. Going concern

As shown in the accompanying financial statements, as at 31 March 2018, the company's liabilities exceeded its assets by € 387,204. This factor indicates that the company may be unable to continue as a going concern, unless with the continued support of its parent company. It could hence be unable to realize its assets and discharge its liabilities in the normal course of business. The parent company has pledged to continue to support the company.

5. Loss before taxation

	2018	2017
	€	€
Loss before taxation is stated after charging:		
Director's fees	2,360	2,360
Realised loss on exchange	21	-
Auditors' remuneration	<u>2,071</u>	<u>2,071</u>
and after crediting:		
Realised gain on exchange	<u>-</u>	<u>2</u>

6. Income tax

No income taxation has been provided in these financial statements in view of the company's unabsorbed capital allowances.

As at year-end, unabsorbed tax losses for which no deferred tax asset is recognised amounted to € 609,325 (2017 : € 609,325).

	2018	2017
	€	€
Malta Income Tax :		
- under provision in respect of previous years	<u>-</u>	<u>1,488</u>

ALEMBIC PHARMACEUTICALS EUROPE LTD.

Notes to the Financial Statements

for the year ended 31 March 2018

The accounting loss and the tax charge for the year are reconciled as follows:

	2018	2017
	€	€
Loss before taxation	(132,269)	(196,726)
Tax thereon at 35%	(46,294)	(68,854)
Tax effect of permanent differences	46,294	68,854
Under provision in respect of previous years	-	1,488
Tax charge for the year	-	1,488

7. Trade and other receivables

	2018	2017
	€	€
Other receivables	1,064	2,543
Financial assets	1,064	2,543
Prepayments	9,356	-
	10,420	2,543

8. Cash at bank and in hand

As at year-end, the company did not have any restrictions on its cash at bank and in hand.

ALEMBIC PHARMACEUTICALS EUROPE LTD.

Notes to the Financial Statements

for the year ended 31 March 2018

9. Called up issued share capital

	2018	2017
	€	€
Authorised		
999,999 Ordinary 'A' shares of €1 each	999,999	999,999
1 Ordinary 'B' share of €1	1	1
	<u>1,000,000</u>	<u>1,000,000</u>
Called up issued and fully paid-up		
599,999 Ordinary 'A' shares of €1 each	599,999	599,999
1 Ordinary 'B' share of €1	1	1
	<u>600,000</u>	<u>600,000</u>

Each ordinary 'A' share gives the right to one vote while Ordinary 'B' share does not have any voting rights. Both classes participate equally in profits distributed by the company and carries equal rights upon the distribution of assets by the company in the event of a winding up.

10. Trade and other payables

	2018	2017
	€	€
Trade payables	1,440	7,161
Amounts owed to parent company	<i>Note</i> 462,398	262,398
Amounts owed to ultimate parent company	<i>Note</i> 12,007	12,007
Accruals	2,000	4,208
	<u>477,845</u>	<u>285,774</u>

Amounts owed to parent company

Amounts owed to parent company are unsecured, interest-free and have no fixed date of repayment.

Amounts owed to ultimate parent company

Amounts owed to ultimate parent company are unsecured, interest-free and have no fixed date of repayment.

ALEMBIC PHARMACEUTICALS EUROPE LTD.

Notes to the Financial Statements

for the year ended 31 March 2018

11. Risk management objectives and policies

The company is exposed to credit risk, liquidity risk and market risk through its use of financial instruments which result from its operating and investing activities. The company's risk management is coordinated by the directors and focuses on actively securing the company's short to medium term cash flows by minimising the exposure to financial risks.

The most significant financial risks to which the company is exposed to are described below.

Credit risk

The company's credit risk is limited to the carrying amount of financial assets recognised at the date of the Statement of Financial Position, which are disclosed in Notes 7 and 8.

The company continuously monitors defaults of customers and other counterparties, and incorporates this information into its credit risk controls. The company's policy is to deal only with creditworthy counterparties.

None of the company's financial assets is secured by collateral or other credit enhancements.

The credit risk for liquid funds is considered to be negligible, since the counterparties are reputable institutions with high quality external credit ratings.

Liquidity risk

The company's exposure to liquidity risk arises from its obligations to meet financial liabilities, which comprise trade and other payables. Prudent liquidity risk management includes maintaining sufficient cash and committed credit facilities to ensure the availability of an adequate amount of funding to meet the company's obligations when they become due.

At 31 March 2018 and 31 March 2017, there were no contractual maturities on the financial liabilities of the company. Contractual maturities reflect gross cash flows, which may differ from the carrying values of financial liabilities at the date of the Statement of Financial Position.

Foreign currency risk

Most of the company's transactions are carried out in Euro. Exposure to currency exchange rates arises from the company's transactions in foreign currencies.

Interest rate risk

The company's exposure to interest rate risk is limited as it does not have any borrowings bearing variable interest rates.

12. Ultimate controlling party

The company's ultimate parent company is Alembic Pharmaceuticals Limited of Alembic Road, Gorwa, Vadodara-390007, Gujarat, India, while the direct parent company is Alembic Global Holdings S.A. The latter company holds 99.9% of the voting of Alembic Pharmaceuticals Europe Limited, and its registered address is Rue Fritz Courvoisier 40, CH 2300 La Chaux De Fonds, Switzerland. The equity of the ultimate parent company is held by individual shareholders, none of whom holds the majority of voting rights of the company.

ALEMBIC PHARMACEUTICALS EUROPE LTD.

Detailed Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 March 2018

	2018		2017	
	€	€	€	€
Administrative expenses				
Director's fees	2,360		2,360	
Regulatory filing fees	98,062		110,567	
Research costs written off	-		9,560	
Legal and professional	26,525		70,400	
Accountancy	2,900		1,500	
Audit	2,071		2,071	
Bank charges	314		270	
Realised difference on exchange	21		(2)	
Penalties and fines	16		-	
		<u>(132,269)</u>		<u>(196,726)</u>
Loss on ordinary activities before taxation		<u><u>(132,269)</u></u>		<u><u>(196,726)</u></u>

This page does not form part of the statutory financial statements.