Financial Statements
(In Canadian dollars)

LUPIN PHARMA CANADA LTD.

Year ended March 31, 2019

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Lupin Pharma Canada Ltd.

Opinion

We have audited the financial statements of Lupin Pharma Canada Ltd. (the Entity), which comprise:

- the statement of financial position as at March 31, 2019
- the statement of comprehensive income for the year then ended
- the statement of deficit for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

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

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the ***"Auditors' Responsibilities for the Audit of the Financial Statements"*** section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards (IFRS), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the 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 management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

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 Canadian generally accepted auditing standards 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 the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism 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 management.
- Conclude on the appropriateness of management's use of the 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.
- Communicate with those charged with governance 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.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

May 8, 2019

Vaughan, Canada

LUPIN PHARMA CANADA LTD.

Statement of Financial Position
(In thousands of Canadian dollars)

March 31, 2019, with comparative information for 2018

	Note	2019	2018
Assets			
Current assets:			
Cash and cash equivalents		$ 1,457	$ 1,193
Accounts receivable	10	4,356	2,519
Due from related parties	14	2,313	2,958
Inventories	4	16,655	28,416
Prepaid expenses and deposits		107	83
		24,888	35,169
Non-current assets:			
Property and equipment	5	7	15
Deferred tax assets	8	314	594
		$ 25,209	$ 35,778
Liabilities and Equity (Deficiency)			
Current liabilities:			
Accounts payable	10	$ 716	$ 375
Accrued liabilities		944	785
Due to related parties	14	20,667	31,781
		22,327	32,941
Non-current liabilities:			
Due to related parties	14	1,001	1,630
		23,328	34,571
Equity (deficiency):			
Common shares	9	3,300	3,300
Deficit		(1,419)	(2,093)
		1,881	1,207
		$ 25,209	$ 35,778

The accompanying notes are an integral part of these financial statements.

LUPIN PHARMA CANADA LTD.

Statement of Comprehensive Income
(In thousands of Canadian dollars)

Year ended March 31, 2019, with comparative information for 2018

	Note	2019	2018
Revenue:			
Product		$ 20,528	$ 16,674
Cost of goods sold	4	16,484	13,474
Gross profit		4,044	3,200
Expenses:			
Selling and marketing	6	4,441	3,591
General and administrative	6, 12, 14	4,402	3,838
Foreign exchange (gain) loss		76	(154)
		8,919	7,275
Loss from operating activities		(4,875)	(4,075)
Finance costs		(50)	(80)
Other income	14	5,880	4,831
Income before income taxes		955	676
Deferred tax (expense) recovery	8	(281)	594
Net income and comprehensive income		$ 674	$ 1,270

Statement of Deficit
(In thousands of Canadian dollars)

Year ended March 31, 2019, with comparative information for 2018

	2019	2018
Deficit, beginning of year	$ (2,093)	$ (3,363)
Net income	674	1,270
Deficit, end of year	$ (1,419)	$ (2,093)

The accompanying notes are an integral part of these financial statements.

LUPIN PHARMA CANADA LTD.

Statement of Cash Flows
(In thousands of Canadian dollars)

Year ended March 31, 2019, with comparative information for 2018

	2019	2018
Cash provided by (used in):		
Operations:		
Net income	$ 674	$ 1,270
Items not involving cash:		
Depreciation of property and equipment	7	15
Deferred tax recovery	281	(594)
	962	691
Change in non-cash operating working capital:		
Accounts receivable	(1,837)	(1,227)
Due from related parties	645	(1,640)
Inventories	11,761	(21,483)
Prepaid expenses and deposits	(24)	102
Accounts payable and accrued liabilities	500	173
Due to related parties	(11,132)	24,127
	875	743
Financing:		
Repayment of shareholder loans	(611)	(1,084)
Investments:		
Purchase of property and equipment	–	(3)
Increase (decrease) in cash and cash equivalents	264	(344)
Cash and cash equivalents, beginning of year	1,193	1,537
Cash and cash equivalents, end of year	$ 1,457	$ 1,193

The accompanying notes are an integral part of these financial statements.

Lupin Pharma Canada Ltd. (the "Company") was incorporated June 18, 2009. The Company is domiciled in Canada and the head office and registered address is 15 Wertheim Court, Suite 707, Richmond Hill, Ontario. As at March 31, 2019, the Company is a 99.99% subsidiary of Lupin Atlantis Holdings S.A, (the "Parent"), which is a 100% subsidiary of Lupin Limited (the "Ultimate Parent"). Its core business is to trade in pharmaceutical products, to provide marketing services and to register and/or license dossiers/products/brands in Canada.

1. Basis of preparation:

(a) Statement of compliance and basis of measurement:

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

These financial statements have been prepared under the historical cost convention.

The financial statements were authorized for issue by the Board of Directors on May 8, 2019.

(b) Functional and presentation currency:

These financial statements are presented in Canadian dollars, which is the functional currency of the Company. All financial information is presented in Canadian dollars.

(c) Use of estimates and judgments:

The preparation of the financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenue and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future years affected.

1. Basis of preparation (continued):

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements is included in note 11.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in note 2(a).

2. Changes in accounting policies:

(a) IFRS 15, Revenue from Contracts with Customers ("IFRS 15"):

The Company adopted IFRS 15 with a date of initial application of April 1, 2018, using the modified retrospective approach. The adoption of IFRS 15 did not have a material impact on the financial statements.

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Company recognizes revenue using the five step model framework:

- Identify the contract with a customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations of the contract
- Recognize revenue when (or as) the Company satisfies a performance obligation

The Company derives revenue from the sale of generic and branded pharmaceutical products and service charges. The primary contracts to provide products and services to customers are purchase orders which provide the Company's performance obligations and transaction price.

2. Changes in accounting policies (continued):

For performance obligations satisfied at a point in time, revenue is recognized when the Company has a present right to payment, the customer has legal title to the product, physical possession of the product has transferred to the customer and the customer has the significant risks and rewards of ownership. Generally, the customer obtains control at the time products are delivered or services are rendered.

Revenue from sale of products is recognized net of returns, product expiry claims, trade discounts, rebates and allowances. Estimated returns for non-saleable products from the customers are determined based on historical returns. No element of financing is deemed present as the sales are made with credit terms standard for the market.

(b) IFRS 9, Financial Instruments ("IFRS 9"):

The Company adopted IFRS 9, effective April 1, 2018. The adoption of IFRS 9 did not have a material impact on the financial statements.

Classification and measurement of financial assets:

IFRS 9 eliminates the previous IAS 39 categories for financial assets of held to maturity, loans and receivables, and available for sale.

Under IFRS 9, on initial recognition, a financial asset is classified and measured at: amortized cost; FVOCI – debt investment, FVOCI - equity investment; or FVTPL. The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- It is held within a business model whose objective is to hold assets to collect contractual cash flows; and

- Its contractual terms give rise on specific dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

2. Changes in accounting policies (continued):

The Company's financial assets are comprised of cash and cash equivalents, accounts receivable and due from related parties and are recognized initially at fair value plus any directly attributable transaction costs.

Cash and cash equivalents comprise of cash balances and callable deposits with original maturities of three months or less. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Accounts receivable do not include a significant financing component and are initially measured at the transaction price under IFRS 15.

Cash and cash equivalents, accounts receivable and due from related parties are subsequently measured at amortized cost using the effective interest method.

Classification and measurement of financial liabilities:

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities.

Financial liabilities at FVTPL - At the end of each reporting period subsequent to initial recognition, financial liabilities at FVTPL are measured at fair value, with changes in fair value recognized directly in profit or loss in the period inwhich they arise.

Financial liabilities at amortized cost - These financial liabilities are recognized initially at fair value, net of any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are carried at amortized cost using the effective interest rate method.

Derecognition of financial instruments:

A financial asset is derecognized when the contractual rights to the cash flows from the asset expire or when the Company transfers the financial asset to another party without retaining control or substantially all the risks and rewards of ownership of the assets. Any interest in transferred assets that are created or retained by the Company is recognized as a separate asset or liability.

2. Changes in accounting policies (continued):

A financial liability is derecognized when the underlying contractual obligation is legally discharged, cancelled or expires.

Offsetting of financial instruments:

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

Impairment of financial assets:

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' ("ECL") model. The new impairment model applies to financial assets measured at amortized cost, contract assets and FVOCI - debt investments, but not to investments in FVOCI - equity instruments. Under IFRS 9, credit losses are recognized earlier than under IAS 39.

Under IFRS 9, loss allowances are measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; and

- lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

The Company has elected to measure loss allowances for trade receivables at an amount equal to lifetime ECLs. There was no material effect on the carrying value of the Company's financial assets under IFRS 9 related to this new requirement.

2. Changes in accounting policies (continued):

The table below summarizes the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Company's financial assets and liabilities as at April 1, 2018.

Financial instrument	IAS 39	IFRS 9
Financial assets:		
Cash and cash equivalents	Loans and receivables	Amortized cost
Accounts receivable	Loans and receivables	Amortized cost
Due from related parties	Loans and receivables	Amortized cost
Financial liabilities:		
Accounts payable	Other financial liabilities	Amortized cost
Accrued liabilities	Other financial liabilities	Amortized cost
Due to related parties	Other financial liabilities	Amortized cost

The fair values of cash and cash equivalents, accounts receivable, due from related parties, accounts payable, accrued liabilities and current portion of due to related parties approximate their carrying amounts because of the short-term maturity of these financial instruments. The fair value of non-current portion of due to related parties (measured under Level 2 fair value hierarchy) approximates its carrying value as the debt bears interest at market rates.

3. Significant accounting policies:

(a) Foreign currency transactions:

Transactions in foreign currencies are comprised of purchases from affiliated companies. These transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Monetary items denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rates at that date. The resulting foreign currency gains or losses are recognized in profit or loss in the statement of comprehensive income. Non-monetary items are carried at historical cost.

3. Significant accounting policies (continued):

(b) Inventories:

Inventories are comprised of generic and branded pharmaceutical products and are stated at the lower of cost and net realizable value. Cost is determined using the first-in-first-out cost method and includes all costs incurred in bringing the products to their present location. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(c) Property and equipment:

(i) Recognition and measurement:

Items of property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset. When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

Gains and losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount of property and equipment, and are recognized net in profit or loss.

(ii) Subsequent costs:

The cost of replacing a part of an item of property and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company, and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property and equipment are recognized in profit or loss as incurred.

3. Significant accounting policies (continued):

(iii) Depreciation:

Depreciation is charged so as to allocate the cost of assets less their residual values over their estimated useful lives using the straight-line method. The estimated useful lives for the current and comparative years are as follows:

Office equipment	2 - 3 years

Depreciation methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.

(d) Leases:

Leases under which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and the leased assets are not recognized in the Company's statement of financial position. Payments made under operating leases are recognized in profit or loss on a straight-line basis over the term of the lease.

(e) Finance costs:

Finance costs comprise interest expense on related party borrowings and impairment losses recognized on financial assets.

3. Significant accounting policies (continued):

(f) Impairment of non-financial assets:

The carrying amounts of the Company's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

Impairment losses on non-financial assets recognized in prior years are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(g) Income taxes:

Income tax expense represents the sum of current and deferred tax. Income tax is recognized in the statement of comprehensive income except to the extent that it relates to items recognized directly in equity.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from goodwill (or negative goodwill) or from the initial recognition of other assets and liabilities in a transaction (other than in a business combination) that affects neither the tax profit nor the accounting profit. Deferred tax is calculated at the tax rate that is expected to apply to the year when the asset is realized or the liability is settled.

3. Significant accounting policies (continued):

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different taxable entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(h) Share capital:

Common shares are classified as equity if they are non-redeemable, or redeemable only at the Company's option, and any dividends are discretionary. Dividends thereon are recognized within equity.

(i) New standards and interpretations not yet adopted:

IFRS 16, Leases ("IFRS 16"):

In January 2016, the IASB issued IFRS 16. The new standard is effective for annual periods beginning on or after January 1, 2019, with earlier adoption permitted if IFRS 15 has been adopted. IFRS 16 will replace IAS 17, Leases. The new standard requires all leases to be reported on the statement of financial position unless certain criteria for exclusion are met. The Company intends to adopt IFRS 16 in its financial statements for the annual period beginning on April 1, 2019. The extent of the impact of adoption of the standard has not yet been determined.

(In thousands of Canadian dollars)

4. Inventories:

	2019	2018
Pharmaceutical products	$ 16,655	$ 28,416
Cost of goods sold	16,484	13,474
Inventory write-downs	(33)	(57)

5. Property and equipment:

	Office equipment	Total
Cost		
Balance, March 31, 2017	$ 2,564	$ 2,564
Additions	3	3
Balance, March 31, 2018	2,567	2,567
Additions	(1)	(1)
Balance, March 31, 2019	$ 2,566	$ 2,566
Accumulated depreciation		
Balance, March 31, 2017	$ 2,537	$ 2,537
Depreciation	15	15
Balance, March 31, 2018	2,552	2,552
Depreciation	7	7
Balance, March 31, 2019	$ 2,559	$ 2,559
Carrying amounts		
At March 31, 2018	$ 15	$ 15
At March 31, 2019	7	7

(In thousands of Canadian dollars)

6. Expenses:

The following is a breakdown of the personnel and general and administrative expenses.

	2019	2018
Personnel expenses	$ 4,178	$ 3,591
Marketing and advertising	1,787	1,915
Other	646	403
Professional and consulting	1,183	393
Travel	312	343
Management fees	242	296
Distribution	247	267
Occupancy	133	122
Insurance	107	84
Depreciation	8	15
	$ 8,843	$ 7,429

7. Income taxes:

	2019	2018
Deferred tax expense (recovery):		
Origination and reversal of temporary differences	$ 281	$ (594)
Total income tax expense (recovery)	$ 281	$ (594)

Income taxes differs from the amount that would have been computed by applying the combined Canadian federal and provincial statutory income tax rate of 26.56% for the year ended March 31, 2019 (2018 - 26.60%) to income before income taxes.

(In thousands of Canadian dollars)

7. Income taxes (continued):

The reason for the differences are as follows:

	2019	2018
Income before income taxes	$ 955	$ 676
Expected tax expense at the combined Canadian federal and provincial statutory income tax rate of 26.56% (2018 - 26.60%)	$ 254	$ 180
Increase (decrease) in income taxes resulting from:		
Permanent differences	27	40
Losses and other deferred tax assets for which no benefit has been recognized	–	(814)
Actual income tax recovery	$ 281	$ (594)

8. Deferred tax assets and liabilities:

Deferred tax assets are attributable to the following:

			2019			2018
	Assets	Liabilities	Net	Assets	Liabilities	Net
Non capital losses carry forwards	$ 311	$ –	$ 311	$ 590	$ –	$ 590
Property and equipment	1	–	1	3	–	3
Tax benefit not recognized	2	–	2	1	–	1
Deferred tax assets	$ 314	$ –	$ 314	$ 594	$ –	$ 594

(In thousands of Canadian dollars)

9. Share capital:

As at March 31, 2019, the Company's authorized share capital is comprised of unlimited common shares with no par value. The holders of common shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the shareholders.

Prior to November 14, 2016, Lupin Holdings B.V. ("LHBV") held 330,000,000 shares (representing 99.99% shareholding) and the Parent held 100 shares (representing 0.01% shareholding) in the Company. On that date, as part of a strategic internal restructuring exercise, LHBV transferred its 99.99% shareholdings in the Company to the Parent for consideration of U.S. $3,729. After this transaction, the Parent holds 330,000,100 shares (representing 100% shareholding) in the Company.

	Amount	Number of shares
Balance, March 31, 2018 and 2019	$ 3,300	330,000,100

10. Financial risk management:

The Company's exposure to risks from its use of financial instruments and the Company's risk management framework are as follows:

(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, and arises principally from the Company's receivables from customers.

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. Management also considers the demographics and geography of the Company's customer base, as these factors may have an influence on credit risk. Accounts receivable are past due when a customer fails to make a payment when contractually due. The Company specifically identifies customers with past due balances over credit terms and provides for these accounts where appropriate.

(In thousands of Canadian dollars)

10. Financial risk management (continued):

During the year ended March 31, 2019, approximately 83% (2018 - 85%) of the Company's revenue is attributable to sales transactions with four customers.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date is as follows:

	2019	2018
Accounts receivable	$ 4,356	$ 2,519
Due from related parties	2,313	2,958

The aging of accounts receivables and due from related parties at the reporting date is as follows:

	Current	31 - 60 days	61 - 90 days	91+ days	Total
March 31, 2019	$ 6,527	$ 9	$ 7	$ 126	$ 6,669
March 31, 2018	2,467	66	1,319	1,625	5,477

(b) Liquidity risk:

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due without incurring unacceptable losses or risking damage to the Company's reputation. The Company aims to maintain a sufficient level of its cash and cash equivalents to ensure liquidity to meet liabilities as they come due. The Company's approach consists primarily of monitoring the level of expected cash inflows on accounts receivable, together with expected cash outflows on accounts payable and debt, as well as monitoring expenses.

(In thousands of Canadian dollars)

10. Financial risk management (continued):

The following are the contractual maturities of financial liabilities by contractual maturity date.

	Carrying amount		
	2019	2020	Thereafter
Accounts payable	$ 375	$ 716	$ –
Accrued liabilities	785	944	–
Due to related parties	31,781	20,667	1,001
	$ 32,941	$ 22,327	$ 1,001

(c) Market risk:

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

Foreign currency risk refers to the risk that the value of financial instruments or cash flows associated with the instruments will fluctuate due to changes in foreign exchange rates. The Company is exposed to currency risk on purchases that are denominated in U.S. dollars. If the exchange rates had been 100 basis points (1¢) higher or lower during the year ended March 31, 2019, with all other variables held constant, total comprehensive income would have increased or decreased by $6 (2018 - $18).

The Company's exposure to U.S. dollar currency risk is as follows:

	2019	2018
Accounts payable	$ 42	$ 24
Accrued liabilities	8	4
Due to related parties	1,053	1,877
	$ 1,103	$ 1,905

10. Financial risk management (continued):

(d) Capital management:

Management defines capital as the Company's equity. The Company's objective is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of its business, including future capital expenditures and working capital to sustain growth of operations. In order to achieve this objective, the Company recognizes the need to increase its capital base by issuing common shares or other equity based financial instruments.

Management continually monitors its capital in relation to its business risks, including its liabilities. Assessment of capital needs are done with the benefit of a review of net working capital, assets relative to liabilities among other measures. There were no changes in the Company's approach to capital management during the year.

11. Share-based payments:

The Ultimate Parent implemented Lupin Subsidiary Companies Employees Stock Option Plan 2005, Lupin Subsidiary Companies Employees Stock Option Plan 2011 and Lupin Subsidiary Companies Employees Stock Option Plan 2014 in earlier years; as approved by the Shareholders of the Ultimate Parent and the Remuneration/Compensation/Nomination and Remuneration Committee of the Board of Directors of the Ultimate Parent. The charge is borne by the Ultimate Parent and no charge had been allocated to the Company until April 1, 2015.

The Ultimate Parent issues stock options on its shares (publicly traded on the Indian stock market) to the Vice-President and General Manager of the Company based on their performance. The Company doesn't have any obligation to settle the award and classifies the share-based payments as equity-settled. Under the recharge arrangement with the Ultimate Parent, the Company recognizes an expense with corresponding payables to the Ultimate Parent for the grant date fair value of the award over the vesting period which ranges from 1 to five years for the services received from its employees. The Ultimate Parent calculates the fair value of each stock option grant using the Black-Scholes option pricing model at the grant date which takes stock price, volatility, risk-free rate, exercise price, dividend yield and other factors into consideration.

(In thousands of Canadian dollars)

11. Share-based payments (continued):

The stock option transactions for the years ended March 31, 2019 and 2018 are summarized as follows:

	2019	2018
Outstanding, beginning of year	16,500	29,375
Granted	2,860	–
Vested	(8,750)	(12,875)
Outstanding, end of year	10,610	16,500

The expense for year ended March 31, 2019 of $47 (2018 - $87) is recognized through an intercompany charge from the Ultimate Parent.

12. Commitments:

As at January 1, 2017, the Company leases 2 offices, in Richmond Hill, Ontario and Montreal, Quebec, for which both leases expire on December 31, 2021.

Non-cancellable operating lease payments are as follows:

	2019	2018
Less than 1 year	$ 147	$ 113
Between 1 and 5 years	265	314
	$ 412	$ 427

During the year ended March 31, 2019, $113 was recognized as an expense (2018 - $110) for operating leases.

The Company had no material contractual obligations for outstanding capital expenditures as at March 31, 2019.

(In thousands of Canadian dollars)

13. Contingencies:

The Company's business includes entering into numerous legal contracts with clients, customers, employees, contractors, suppliers and vendors. In the normal course of business, disputes arise around these legal agreements.

14. Related parties:

(a) Transactions with related parties:

	2019	2018
Income		
Pass through marketing and mark up:		
Ultimate Parent	$ 102	$ 88
Parent	5,778	4,743
Expenditures		
Purchase:		
Parent	2,834	28,363
Ultimate Parent	1,904	6,573
Management fees:		
Lupin Pharmaceuticals, Inc.	–	190
Lupin GmbH	103	106
Lupin Inc.	139	–

Income earned from related parties is comprised of gross income for reimbursement of marketing and other related expenses by the Parent and the Ultimate Parent.

The Company purchases pharmaceutical products and medical devices from its Parent and pharmaceutical products from the Ultimate Parent.

Lupin Pharmaceuticals, Inc. and Lupin GmbH are wholly owned subsidiaries of the Parent and they provide administrative services to the Company.

(In thousands of Canadian dollars)

14. Related parties (continued):

(b) Balances due to/from related parties:

	2019	2018
Assets		
Due from related parties:		
Ultimate Parent	$ 180	$ 210
Parent	2,133	2,748
Liabilities		
Due to related parties:		
Parent	18,936	27,042
Ultimate Parent	1,535	4,492
Lupin Pharmaceuticals, Inc.	2	20
Lupin GmbH	32	53
Lupin Inc.	156	174
Loan:		
LHBV	1,007	1,630

(c) Other related party transactions:

Key management personnel compensation:

Key management personnel includes all employees at the Company in a director level position. Key management personnel compensation for the year ended March 31, 2019 was $2,159 (2018 - $1,873).