Financial Statements
(In Canadian dollars)

LUPIN PHARMA CANADA LTD.

Year ended March 31, 2018

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Lupin Pharma Canada Ltd.

We have audited the accompanying financial statements of Lupin Pharma Canada Ltd., which comprise the statement of financial position as at March 31, 2018, the statements of comprehensive income, deficit and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether 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 our 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, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

KPMG

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Lupin Pharma Canada Ltd. as at March 31, 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

May 10, 2018
Vaughan, Canada

LUPIN PHARMA CANADA LTD.

Statement of Financial Position
(In thousands of Canadian dollars)

March 31, 2018, with comparative information for 2017

	Note	2018	2017
Assets			
Current assets:			
Cash and cash equivalents		$ 1,193	$ 1,537
Accounts receivable	9	2,519	1,292
Due from related parties	13	2,958	1,318
Inventories	3	28,416	6,933
Prepaid expenses and deposits		83	185
		35,169	11,265
Non-current assets:			
Property and equipment	4	15	27
Deferred tax assets	7	594	–
		$ 35,778	$ 11,292
Liabilities and Equity (Deficiency)			
Current liabilities:			
Accounts payable	9	$ 375	$ 219
Accrued liabilities		785	768
Due to related parties	13	31,781	7,654
		32,941	8,641
Non-current liabilities:			
Due to related parties	13	1,630	2,714
		34,571	11,355
Equity (deficiency):			
Common shares	8	3,300	3,300
Deficit		(2,093)	(3,363)
		1,207	(63)
		$ 35,778	$ 11,292

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, 2018, with comparative information for 2017

	Note	2018	2017
Revenue:			
Product		$ 16,674	$ 10,635
Cost of goods sold	3	13,474	7,433
Gross profit		3,200	3,202
Expenses:			
Personnel	5	3,591	3,282
General and administrative	5, 11, 13	3,838	3,411
Foreign exchange (gain) loss		(154)	377
		7,275	7,070
Loss from operating activities		(4,075)	(3,868)
Finance costs		(80)	(101)
Other income	13	4,831	4,399
Income before income taxes		676	430
Deferred tax recovery	6	594	1
Net income and comprehensive income		$ 1,270	$ 431

Statement of Deficit
(In thousands of Canadian dollars)

Year ended March 31, 2018, with comparative information for 2017

	2018	2017
Deficit, beginning of year	$ (3,363)	$ (3,794)
Net income	1,270	431
Deficit, end of year	$ (2,093)	$ (3,363)

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, 2018, with comparative information for 2017

	2018	2017
Cash provided by (used in):		
Operations:		
Net income	$ 1,270	$ 431
Items not involving cash:		
Depreciation of property and equipment	15	12
Deferred tax recovery	(594)	(1)
	691	442
Change in non-cash operating working capital:		
Accounts receivable	(1,227)	(445)
Due from related parties	(1,640)	2,474
Inventories	(21,483)	(1,978)
Prepaid expenses and deposits	102	(158)
Accounts payable and accrued liabilities	173	(14)
Due to related parties	24,127	710
	743	1,031
Financing:		
Repayment of shareholder loans	(1,084)	–
Investments:		
Purchase of property and equipment	(3)	(21)
Increase (decrease) in cash and cash equivalents	(344)	1,010
Cash and cash equivalents, beginning of year	1,537	527
Cash and cash equivalents, end of year	$ 1,193	$ 1,537

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, 2018, 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 10, 2018.

(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 the following note:

- Note 10 - Share-based payments.

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 the following note:

- Note 2(a) - Revenue recognition.

2. Significant accounting policies:

The accounting policies set out below have been applied consistently to all years presented in these financial statements, unless otherwise indicated.

(a) Revenue recognition:

The Company derives revenue from the sale of generic and branded pharmaceutical products and service charges.

Revenue from sale of products is recognized net of returns, product expiry claims, trade discounts, rebates and allowances on transfer of significant risks and rewards in respect of ownership to the buyer. Estimated returns for non-saleable products from the customers are determined based on historical returns.

2. Significant accounting policies (continued):

(b) 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.

(c) Financial instruments:

The Company recognizes a financial asset or financial liability when it becomes a party to the instrument's contractual provisions. It initially measures financial assets and financial liabilities at their fair value adding or deducting directly attributable transactions costs (except for transaction costs directly attributable to acquiring financial assets or financial liabilities at fair value through profit or loss, which it recognizes immediately in profit or loss).

Non-derivative financial assets comprise cash and cash equivalents, accounts receivable and due from related parties. These financial assets are classified as loans and receivables.

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

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.

2. Significant accounting policies (continued):

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial assets that are created are recognized as a separate asset or liability.

Non-derivative financial liabilities comprise accounts payable, accrued liabilities and due to related parties.

Such financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method.

The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled or expired.

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.

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.

(d) 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.

2. Significant accounting policies (continued):

(e) 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.

(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.

2. Significant accounting policies (continued):

(f) 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.

(g) Impairment:

(i) Financial assets (including receivables):

Loans and receivables are assessed at each reporting date to determine whether there is objective evidence that they are impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Company on terms that the Company would not consider otherwise, indications that a debtor or issuer will enter bankruptcy.

(ii) 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.

2. Significant accounting policies (continued):

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.

(h) Finance costs:

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

(i) 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.

2. 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.

(j) Share capital:

Common shares:

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.

(k) New standards and interpretations not yet adopted:

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

On May 28, 2014, the International Accounting Standards Board ("IASB") issued IFRS 15 which is effective for the Company for annual periods beginning on or after April 1, 2018 and is available for early adoption.

IFRS 15 replaces all existing revenue requirements in IFRS and applies to all revenue arising from contracts with customers. It outlines the principles an entity must apply to measure and recognize revenue. The core principle is that an entity will recognize revenue at an amount that reflects the consideration to which the entity expects to be entitled in exchange for transferring goods or services to a customer.

2. Significant accounting policies (continued):

The principles in IFRS 15 will be applied using a five-step model: (a) identify the contract(s) with a customer; (b) identify the performance obligations in the contract; (c) determine the transaction price; (d) allocate the transaction price to the performance obligations in the contract; and (e) recognize revenue when (or as) the entity satisfies a performance obligation. The standard also specifies how to account for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. The Company has not yet evaluated the impact on its financial statements.

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

IFRS 9 was initially issued by IASB in November 2009 and reissued in its completed version in July 2014. It replaces IAS 39, Financial Instruments: Recognition and Measurement, and establishes principles for the financial reporting of financial assets and financial liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows.

The new standard is effective for the Company's financial statements commencing April 1, 2018. The Company intends to adopt the standard on its effective date and is assessing the impact on its financial statements.

(iii) 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)

3. Inventories:

	2018	2017
Pharmaceutical products	$ 28,416	$ 6,933
Cost of goods sold	13,474	7,433
Inventory write-downs	(57)	(82)

4. Property and equipment:

	Office equipment	Total
Cost		
Balance, April 1, 2016 (unaudited)	$ 2,543	$ 2,543
Additions	21	21
Balance, March 31, 2017	2,564	2,564
Additions	3	3
Balance, March 31, 2018	$ 2,567	$ 2,567
Accumulated depreciation		
Balance, April 1, 2016 (unaudited)	$ 2,525	$ 2,525
Depreciation	12	12
Balance, March 31, 2017	2,537	2,537
Depreciation	15	15
Balance, March 31, 2018	$ 2,552	$ 2,552
Carrying amounts		
At March 31, 2017	$ 27	$ 27
At March 31, 2018	15	15

(In thousands of Canadian dollars)

5. Expenses:

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

	2018	2017
Personnel expenses	$ 3,591	$ 3,282
Marketing and advertising	1,915	1,407
Other	403	515
Professional and consulting	393	579
Travel	343	454
Management fees	296	182
Distribution	267	121
Occupancy	122	73
Insurance	84	68
Depreciation	15	12
	$ 7,429	$ 6,693

6. Income taxes:

	2018	2017
Deferred tax recovery:		
Origination and reversal of temporary differences	$ (594)	$ (1)
Total income tax recovery	$ (594)	$ (1)

Income tax recovery differs from the amount that would have been computed by applying the combined Canadian federal and provincial statutory income tax rate of 26.60% for the year ended March 31, 2018 (2017 - 26.71%) to income before income taxes.

(In thousands of Canadian dollars)

6. Income taxes (continued):

The reason for the differences are as follows:

	2018	2017
Income before income taxes	$ 676	$ 430
Expected tax expense at the combined Canadian federal and provincial statutory income tax rate of 26.60% (2017 - 26.71%)	$ 180	$ 115
Increase (decrease) in income taxes resulting from:		
Permanent differences	40	46
Losses and other deferred tax assets for which no benefit has been recognized	(814)	(162)
Actual income tax recovery	$ (594)	$ (1)

7. Deferred income tax assets and liabilities:

Recognized deferred tax assets and liabilities:

Deferred tax assets are attributable to the following:

			2018			2017
	Assets	Liabilities	Net	Assets	Liabilities	Net
Non capital losses carry forwards	$ 590	$ –	$ 590	$ 817	$ –	$ 817
Property and equipment	3	–	3	10	–	10
Tax benefit not recognized	1	–	1	(827)	–	(827)
Deferred tax assets	$ 594	$ –	$ 594	$ –	$ –	$ –

(In thousands of Canadian dollars)

8. Capital:

Common shares:

As at March 31, 2018, 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, 2017 and 2018	$ 3,300	330,000,100

9. Financial risk management:

The Company's exposure to risks from its use of financial instruments and the Company's risk management framework are described in this note.

(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.

(In thousands of Canadian dollars)

9. Financial risk management (continued):

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, 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.

During the year ended March 31, 2018, approximately 61% (2017 - 75%) of the Company's revenue is attributable to sales transactions with two 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:

	2018	2017
Accounts receivable	$ 2,519	$ 1,292
Due from related parties	2,958	1,318

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, 2018	$ 2,467	$ 66	$ 1,319	$ 1,625	$ 5,477
March 31, 2017	2,051	121	263	175	2,610

(In thousands of Canadian dollars)

9. Financial risk management (continued):

(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.

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

	Carrying amount		
	2018	2019	Thereafter
Accounts payable	$ 375	$ 375	$ –
Accrued liabilities	785	785	–
Due to related parties	33,411	31,799	1,612
	$ 34,571	$ 32,959	$ 1,612

(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.

(In thousands of Canadian dollars)

9. Financial risk management (continued):

Foreign currency risk:

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, 2018, with all other variables held constant, total comprehensive income would have increased or decreased by $18 (2017 - $33).

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

	2018	2017
Accounts payable	$ 24	$ 21
Accrued liabilities	4	34
Due to related parties	1,877	4,272
	$ 1,905	$ 4,327

(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.

(In thousands of Canadian dollars)

10. 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 of its shares (publicly traded on the Indian stock market) to the Vice-President and President of the Company based on their performance. The Company doesn't have any obligation to settle the award and hence this arrangement is treated as an equity-settled transaction in the Company's financial statements. Since April 1, 2015, the Company has recognized 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 5 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.

The stock option transactions for the years ended March 31, 2018 and 2017 are summarized as follows:

	2018	2017
Outstanding, beginning of year	29,375	16,275
Granted	–	23,000
Vested	(12,875)	(9,900)
Forfeited	–	–
Outstanding, end of year	16,500	29,375

The stock options are granted to employees in senior management which includes the vice president and general manager of the Company. The expense is recognized through an intercompany charge from the Ultimate Parent. The financial impact for the year ended March 31, 2018 is $87 (2017 - $124). This is an equity-settled share-based plan.

(In thousands of Canadian dollars)

11. Commitments:

The Company, in 2016, has taken office premises under an operating lease. As at January 1, 2017, the Company leases 2 offices, in Richmond Hill, Ontario and Montreal, QC for which both leases expire on December 31, 2021.

Non-cancellable operating lease payments are as follows:

	2018	2017
Less than 1 year	$ –	$ 110
Between 1 and 5 years	427	454
More than 5 years	–	–
	$ 427	$ 564

During the year ended March 31, 2018, an amount of $110 was recognized as an expense (2017 - $56) in respect of operating leases.

The Company had no material contractual obligations for outstanding capital expenditures as at March 31, 2018.

12. 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.

(In thousands of Canadian dollars)

13. Related parties:

(a) Transactions with related parties:

	2018	2017
Income		
Pass through marketing and mark up:		
Ultimate Parent	$ 88	$ 21
Parent	4,743	4,378
Expenditures		
Purchase:		
Parent	28,363	7,079
Ultimate Parent	6,573	2,427
Management fees:		
Lupin Pharmaceuticals, Inc.	190	55
Lupin GmbH	106	127
LHBV	–	101

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)

13. Related parties (continued):

(b) Balances due to/from related parties:

	2018	2017
Assets		
Due from related parties:		
Ultimate Parent	$ 210	$ 308
Parent	2,748	1,007
Lupin GmbH	–	3
Liabilities		
Due to related parties:		
Parent	27,042	5,660
Ultimate Parent	4,492	1,544
Lupin Pharmaceuticals, Inc.	20	287
Lupin GmbH	53	126
Lupin Inc.	174	37
Loan:		
LHBV	1,630	2,714

(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, 2018 was $1,807 (2017 - $1,807).