

INDEPENDENT AUDITOR'S REPORT

To,

The Board of Directors, **Glenmark Farmaceutica Ltda.**

Report on the Financial Statements

We have audited the accompanying financial statements of **Glenmark Farmaceutica Ltda.**, which comprise the statement of financial position as at March 31, 2018, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. 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 the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, 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.

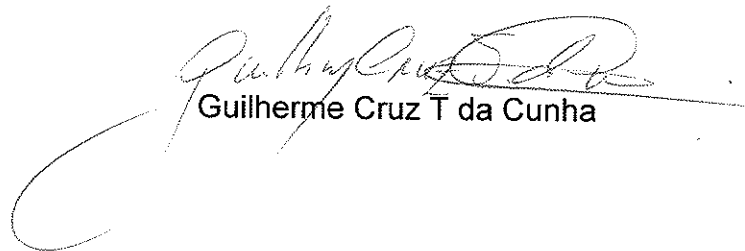


Boucinhas, Campos & Conti
Auditores Independentes

Opinion

In our opinion, the financial statements present fairly, in all material respects, (or give a true and fair view of) the financial position of **Glenmark Farmaceutica Ltda.** as at March 31, 2018, and (of) its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

São Paulo, April 25, 2018



Guilherme Cruz T da Cunha

Glenmark Farmaceutica Ltda.

Amt In BRL

Statement of Financial Position	Sch	March 31, 2018	March 31, 2017
ASSETS			
<i>Non current assets</i>			
Property, plant and equipment	S 1	26.806.881	20.734.723
Goodwill	S 2 A	6.516.141	3.052.784
Other Intangible Assets	S 2 B	22.229.939	38.735.214
Investments accounted for using the equity method	S 3	-	-
Long term financial assets	S 4	-	-
Deferred tax assets	S 3	93.479.406	92.485.087
Restricted cash	S 6	-	-
<i>Total non- current assets</i>		<i>149.032.367</i>	<i>155.007.808</i>
Inventories	S 4	19.690.724	17.889.747
Trade receivables	-	36.858.423	50.839.096
Unbilled revenue	S 9	-	-
Derivative financial instruments	S 10	-	-
Short term investment	S 11	-	-
Other short-term financial assets	S 6	9.264.077	4.978.498
Current tax assets	S 7	16.644.606	14.534.613
Cash and cash equivalents	S 8	5.308.281	443.322
Restricted cash	S 6	-	-
<i>Total current assets</i>		<i>87.766.111</i>	<i>88.685.276</i>
Assets and disposal group classified as held for sale	S 15	-	-
<i>Total assets</i>		<i>236.798.478</i>	<i>243.693.084</i>
EQUITY AND LIABILITIES			
Equity			
Equity attributable to owners of the parent:			
Share capital		470.677.438	463.003.208
APIC/ Share Premium		-	-
Retained earnings		(268.262.008)	(245.241.764)
Reserves & Surplus		-	-
Currency translation reserve		-	-
Non Controlling Interest		-	-
<i>Total Equity</i>		<i>202.415.430</i>	<i>217.761.444</i>
Liabilities			
<i>Current liabilities</i>			
Provisions	S 9	3.445.860	3.552.624
Trade payables	S 10	19.684.837	14.808.995
Other current liabilities	S 11	7.788.994	7.570.021
Current portion of borrowings		-	-
Current tax liabilities		-	-
<i>Total current liabilities</i>		<i>30.919.691</i>	<i>25.931.640</i>
Liabilities included in disposal group held for sale		-	-
<i>Total liabilities</i>		<i>30.919.691</i>	<i>25.931.640</i>
<i>Total equity and liabilities</i>		<i>233.335.121</i>	<i>243.693.084</i>


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Statement of Comprehensive Income	Sch	March 31, 2018	March 31, 2017
INCOME			
Income from operations		119.110.827	115.699.318
Other income	S16	2.326.804	577.399
Total		121.437.631	116.276.717
Cost of materials	S 12	53.820.277	60.857.570
Employee benefit expenses	S 13	41.560.634	40.041.291
Depreciation, amortisation and impairment of non-financial assets	S1/S 2 S26	19.373.377	22.260.343
Other expenses	S 14	26.229.428	23.832.248
Total	-	140.983.716	146.991.452
Operating profit		(19.546.085)	(30.714.735)
Share of profit from equity accounted investments		-	-
Finance costs	S17	4.468.478	58.861
Finance income	S 28	-	-
Other financial expenses		-	-
Profit/(Loss) before tax		(24.014.563)	(30.773.596)
Income tax (expense)/credit	S15	(994.319)	(7.067.755)
Profit/(Loss) after tax from continuing operations		(23.020.244)	(23.705.841)
Post tax profit/ (loss) for the year from discontinued operations		-	-
Profit/(Loss) after tax carried to balance sheet		(23.020.244)	(23.705.841)
Profit for the year attributable to:			
Non Controlling Interest			
Owners of the parent			

Glenmark Farmaceutica Ltda.

Amt In BRL

Statement of Comprehensive Income	Sch	March 31, 2018	March 31, 2017
Profit for the year		(23.020.244)	(23.705.841)
Other comprehensive income:			
Exchange differences on translating foreign operations	-	-	-
Other comprehensive income for the period, net of tax		-	-
Total comprehensive income for the period		(23.020.244)	(23.705.841)
Total Comprehensive Income attributable to:			
Non Controlling Interest			
Owners of the parent		(23.020.244)	(23.705.841)



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Statement of Cash Flows

Amt In BRL

Particulars	March 31, 2018	March 31, 2017
(A) Cash flow from operating activities		
Profit before tax	(24.014.563)	(30.773.596)
<i>Adjustments for non cash items:</i>		
Depreciation	19.390.458	22.269.961
Interest expenses	4.468.478	2.179.862
Profit / Loss on sale of assets	(417.408)	51.889
Cash flows from operations before changes in working capital	(573.035)	(6.271.883)
<i>Changes in operating assets and liabilities</i>		
Non current liabilities, trade payables and other current liabilities	4.988.051	(16.125.081)
Trade receivables and unbilled revenue	13.980.673	(20.993.059)
Other current assets	(8.196.549)	5.607.510
Taxes paid	-	-
Net cash generated from operating activities	10.772.175	(31.510.630)
(B) Cash flow from investing activities		
Purchase of property, plant and equipment	(9.418.695)	(2.621.913)
Purchase of other intangible assets	-	(69.824)
Proceeds from sale of property, plant and equipment	878.762	2.236.449
Net cash generated from/ (used in) investing activities	(8.539.933)	(455.288)
(C) Cash flows from financing activities		
Proceeds from issue of shares	7.674.230	38.388.703
Repayment of borrowings	-	-
Interest paid on borrowings	(4.468.478)	(2.179.862)
Net cash (used in)/ generated from financing activities	3.205.752	36.208.841
Net change in cash and cash equivalents from continuing operations	4.864.959	(2.028.960)
Net cash flows from discontinued operations	-	-
Net change in cash and cash equivalents	4.864.959	(2.028.960)
Cash and cash equivalents at the beginning of the year	443.322	2.472.282
Cash and cash equivalents at the end of the year	5.308.281	443.322


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Statement of Changes in Equity

[All amounts are stated in Brazilian Real, unless otherwise stated]

Particulars	Share Capital	APIC/ Share Premium	Capital redemption reserve	Retained earnings	Capital Reserve	Employee compensation reserve	Exchange fluctuation reserve	Foreign Currency monetary translation reserve	General reserve	Total equity
Balance as at March 31, 2017	463.003.298	-	-	(245.241.764)	-	-	-	-	-	217.761.444
Dividends	-	-	-	-	-	-	-	-	-	-
Dividend tax	-	-	-	-	-	-	-	-	-	-
Residual Dividend and Dividend Tax	-	-	-	-	-	-	-	-	-	-
Transfer to General Reserve	-	-	-	-	-	-	-	-	-	-
Lease hold land - Accumulated depn	-	-	-	-	-	-	-	-	-	-
FCCB Impact	-	-	-	-	-	-	-	-	-	-
GPL India ESOP impact	-	-	-	-	-	-	-	-	-	-
Transfer of exchange fluctuation reserve	-	-	-	-	-	-	-	-	-	-
Transactions with owners	7.674.230	-	-	-	-	-	-	-	-	7.674.230
Profit for the year	-	-	-	(23.020.244)	-	-	-	-	-	(23.020.244)
Other comprehensive income:										
Asset Revaluation Adjustment	-	-	-	-	-	-	-	-	-	-
Cash flow hedging	-	-	-	-	-	-	-	-	-	-
- current year gains (losses)	-	-	-	-	-	-	-	-	-	-
- reclassification to profit or loss	-	-	-	-	-	-	-	-	-	-
Available-for-sale financial assets	-	-	-	-	-	-	-	-	-	-
- current year gains (losses)	-	-	-	-	-	-	-	-	-	-
- reclassification to profit or loss	-	-	-	-	-	-	-	-	-	-
Exchange differences on translating foreign operations	-	-	-	-	-	-	-	-	-	-
Share of other comprehensive income of equity accounted investments	-	-	-	-	-	-	-	-	-	-
- reclassification to profit or loss	-	-	-	-	-	-	-	-	-	-
Deferred tax adjustment of earlier period	-	-	-	-	-	-	-	-	-	-
Income tax relating to components of other comprehensive income	-	-	-	-	-	-	-	-	-	-
Total comprehensive income for the year	470.677.438	-	-	(248.242.008)	-	-	-	-	-	202.415.430
Balance as at March 31, 2018										

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

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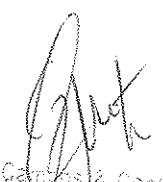
Property, plant and equipment

The Group's property, plant and equipment comprise freehold and leasehold land, IT and office equipment, and furniture and fixture. The carrying amount are analysed as follows:

Particulars	Factory Building	Other Building	Plant & Machinery	Furniture and fixture	Equipment	Vehicles	ASII Fixed asset	Capital work in progress	Amt In BRL	
									Total	
Balance at April 1, 2017	2.323.186	14.086.189	5.294.809	942.099	1.907.100	6.546.105	-	533.990	31.633.478	
- Acquisitions through business combinations										
- Other acquisitions	-	-	-	-	102.689	2.475.724		6.840.282	9.418.695	
- Disposals/Transfers	-	-	83.298	8.663	155.091	1.613.130			1.860.182	
- Translation adjustment										
Balance as at March 31, 2018	2.323.186	14.086.189	5.211.511	933.436	1.854.698	7.408.699	-	7.374.272	39.191.991	
Accumulated Depreciation										
Balance at April 1, 2017	579.445	4.271.824	2.149.176	379.774	1.025.911	2.492.625	-	-	10.898.755	
- Depreciation charge for the year	213.125	495.658	404.353	60.779	293.615	1.417.653			2.885.183	
- Impairment loss recognized										
- Disposals/Transfers	-	-	70.316	6.268	155.091	1.167.153			1.398.828	
- Translation adjustment										
Balance as at March 31, 2018	792.570	4.767.482	2.483.213	434.285	1.164.435	2.743.125	-	-	12.385.110	

Carrying value

At April 1, 2017	1.743.741	9.814.365	3.145.633	562.325	881.189	4.053.480	-	533.990	20.734.723
At March 31, 2018	1.530.616	9.318.707	2.728.298	499.151	690.263	4.665.574	-	7.374.272	26.806.881


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S 2 A

Goodwill

Goodwill appearing as on April 1, 2011 is in relation to business combinations done prior to the transition date. Company has availed exemption under IFRS 1 in respect of such business combinations.

The net carrying amount of goodwill can be analysed as follows:

Amt In BRL

Particulars	March 31, 2018	March 31, 2017
Gross carrying amount		
Balance as on April 1	6.516.141	6.516.141
Acquired through business combination	-	-
Accumulated depreciation	3.463.357	3.463.357
Disposals/ Transfers	-	-
Translation adjustment	-	-
Balance as at March 31, 2018	3.052.784	3.052.784
Accumulated impairment		
Balance as on April 1	3.463.357	3.463.357
Impairment loss recognised		
Translation adjustment	-	-
Balance as at March 31, 2018	3.463.357	3.463.357
Carrying amount at	3.052.784	3.052.784


S 2 B

Other intangible assets

The Group's other intangible assets comprises of acquired computer softwares, website costs and softwares under development. The carrying amounts for the reporting periods under review are analysed as follows:

Amt In BRL

Particulars	Computer software	Brands	Total
Cost			
Balance at April 1, 2017	4.301.854	96.463.680	100.765.534
- Internally developed	-	-	-
- Acquired through business combinations	-	-	-
- Other acquisitions	-	-	-
- Disposals/ Transfers	-	-	-
- Translation adjustment	-	-	-
Balance as at March 31, 2018	4.301.854	96.463.680	100.765.534
Amortisation and impairment			
Balance at April 1, 2017	3.104.721	58.925.599	62.030.320
- Amortisation charge for the year	-	-	-
- Amortisation / Impairment for the year	215.275	16.290.000	16.505.275
- Amortisation charge for disposals/ transfers	-	-	-
- Translation adjustment	-	-	-
Balance as at March 31, 2018	3.319.996	75.215.599	78.535.595
Carrying value			
Balance at April 1, 2017	1.197.133	37.538.081	38.735.214
Balance as at March 31, 2018	981.858	21.248.081	22.229.939


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Deferred tax assets and liabilities

Deferred taxes arising from temporary differences and unused tax losses are summarized as follows:


		Amt In BRL					
	Particulars	April 1, 2017	Recognised in other comprehensive income	Recognised in business combination	Recognised in profit and loss account	Translation adjustment	March 31, 2018
Deferred tax assets							
	Intangible assets					-	
	Property, plants and equipments					-	
	Retirement benefits and other employee benefits					-	
	Straight lining of rent					-	
	Minimum Alternative Tax credit entitlement					-	
	Impact of change on tax rates from previous year					-	
	Unused tax losses	92,485,087			994,319	-	93,479,406
	Others					-	
	Total	92,485,087	-	-	994,319	-	93,479,406
Deferred tax liabilities							
	Intangible assets					-	
	Other current assets					-	
	Total	-	-	-	-	-	-
Net deferred tax asset		92,485,087	-	-	994,319	-	93,479,406

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S 4
Inventories

Inventories recognised in the statement of financial position can be analysed as follows:
Amt In BRL

Particulars	March 31, 2018	March 31, 2017
Raw Materials	163.251	163.251
Packing Material	55.961	55.961
Work-in-Process	7.711	7.711
Finished Goods	19.463.801	17.662.824
Total	19.690.724	17.889.747



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S 5

Trade receivables

The carrying amount of trade receivables are analysed as follows:


Particulars	Amt In BRL	
	March 31, 2018	March 31, 2017
Gross value Receivables	37.419.100	51.359.770
Less: Allowance for credit losses	560.677	520.674
Net trade receivables	36.858.423	50.839.096


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Other short term financial assets

Particulars	Amt In BRL	
	March 31, 2018	March 31, 2017
Advance tax and tax deducted at source(net of provision for current taxes)	513.467	465.966
Short term - deposit	1.738.355	1.469.813
Advance to Vendors	6.007.893	2.493.432
Others	1.004.362	549.287
Total	9.264.077	4.978.498



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Current tax assets

Amt In BRL

Particulars	March 31, 2018	March 31, 2017
Input Taxes Receivable	16.644.606	14.534.613
Total	16.644.606	14.534.613



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Cash and cash equivalents

Cash and cash equivalents include the components as follows:

Particulars	Amt In BRL	
	March 31, 2018	March 31, 2017
Cash on hand	12.401	7.614
Cheques in hand	-	-
Cash in current accounts	5.295.880	435.708
Total	5.308.281	443.322



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Provisions

All provisions are considered current. The carrying amounts may be analysed as follows:

Particulars	Amt In BRL
Carrying amount on April 01, 2017	3.552.624
Additional provisions	3.445.860
Amount utilised	3.552.624
Reversals	
Carrying amount on March 31, 2018	3.445.860


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Schedule - S 10
Trade payables

Amt In BRL

Particulars	March 31, 2018	March 31, 2017
Sundry creditors		
Foreign Creditors	11.876.300	11.930.487
Local Creditors	7.808.537	2.878.508
Total	19.684.837	14.808.995



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S 11


Other current liabilities

Other current liabilities are summarized as follows:

Particulars	Amt In BRL	
	March 31, 2018	March 31, 2017
Employee dues	3.156.775	2.877.432
Statutory dues	1.376.351	956.926
Others	3.255.868	3.735.663
Total	7.788.994	7.570.021

March 31, 2018	INR in Mn	
	March 31, 2018	March 31, 2017
62	59	
27	20	
64	77	
-	-	
153	156	

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Schedule - S 12

Cost of materials

Amt In BRL


Particulars	March 31, 2018	March 31, 2017
Consumption of Raw and Packing material		
Opening Stock	219.212	4.141.964
Less: Sales	-	3.922.752
Less: Closing stock	219.212	219.212
Finished goods purchased	51.455.579	46.634.680
Other Charges	4.165.675	1.517.752
(Increase)/Decrease in Stock of Finished goods/WIP		
Opening Stock		
- Work in progress	7.711	32.403
- Finished goods	17.662.824	22.497.766
Less: Closing Stock	-	-
- Work in progress	7.711	7.711
- Finished goods	19.463.801	17.662.824
Total	53.820.277	60.857.570

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Schedule - 13

Employee benefit expenses

Particulars	March 31, 2018	March 31, 2017
Salaries and bonus	39.026.874	37.673.658
Staff welfare expenses	2.533.760	2.367.632
Total	41.560.634	40.041.290


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Schedule - S 14


Other expenses

Particulars	March 31, 2018	March 31, 2017
Sales Promotion Expenses	6.833.621	4.317.720
Travelling Expenses	4.195.774	4.574.102
Freight Outward Expenses	4.682.710	3.821.263
Telephone Expenses	595.640	762.165
Rates and Taxes	476.646	586.465
Insurance Expenses	4.028	28.011
Electricity Charges	113.268	304.262
Rent	870.090	(112.854)
Repairs and Maintenance	704.709	921.616
Legal and Professional Fees	2.160.771	4.688.581
Exchange Loss	2.444.584	1.312.882
Audit Fee	568	76.852
Other Operating Expenses	3.147.019	5.788.092
Total	26.229.428	27.069.157

Schedule - S15

Income tax (expense)/credit

Particulars	March 31, 2018	March 31, 2017
Current income tax		
IAT Credit		
Deferred tax	(994.319)	(7.067.755)
Prior period tax		
Wealth tax		
Total	(994.319)	(7.067.755)


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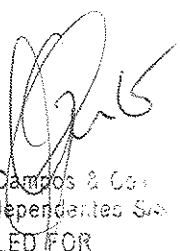
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Other income

Other income is summarised as follows:

	Amt In BRL	
	March 31, 2018	March 31, 2017
Profit on sale of fixed assets	451.123	577.399
Exchange Gain	1.906.390	5.357.909
Miscellaneous income	(30.709)	(54.330)
Total	2.326.804	5.880.978

	INR in Mn	
	March 31, 2018	March 31, 2017
	9	12
	37	110
	(1)	(1)
	-	-
	46	121


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Finance income and finance costs

1.1 Finance income

Finance income is analysed as follows:


Particulars	Amt In BRL	
	March 31, 2018	March 31, 2017
Interest income on		
Inter company balances		
Fixed deposits		
Fair valuation of financial assets and liabilities		
Interest on security deposits for operating leases		
Total	-	-

INR in Mn	
March 31, 2018	March 31, 2017
-	-
-	-
-	-
-	-
-	-
-	-

1.2 Finance costs

Particulars	March 31, 2018	
	March 31, 2018	March 31, 2017
Borrowings recognised at amortised cost:		
- Interest expense on short term borrowings		
Term loans		
Cash credit		
Others	2.108.069	119.153
- Bank charges	2.360.409	2.060.709
Total	4.468.478	2.179.862

March 31, 2018	
March 31, 2018	March 31, 2017
-	-
-	-
-	-
41	2
46	42
88	45


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S 18

Equity

1.1 Share capital

The share capital of 470.677.438, Glenmark Holding S.A with 470.677.437 shares and Glenmark Pharmaceuticals S.A with 1 share, consists of only of fully paid ordinary shares with a par value of R\$ 1/- per share. The total number of authorised shares of the company as on each statement of financial position date is summarized as follows:

Particulars	Amt In BRL	
	March 31, 2018	March 31, 2018
Total number of authorised shares	470.677.438	463.003.208
Shares issued and fully paid up		
Beginning of the year	463.003.208	424.614.505
Issued under share-based payments	-	-
Share issue	7.674.230	38.388.703
Shares issued and fully paid	470.677.438	463.003.208


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1 Financial assets and liabilities


Fair value or carrying amounts of assets and liabilities presented in the statement of financial position relates to the following categories of assets and liabilities:

Amt In BRL

Financial Assets	March 31, 2018	March 31, 2017
Non-current assets		
<i>Held to maturity investments</i>		
- Equity and preference shares		
<i>Available for sale financial assets</i>		
- Debentures		
<i>Loans and receivables</i>		
- Security deposits for operating leases and others services		
- Restricted cash		
Current assets		
<i>Loans and receivables</i>		
- Trade receivables	36.858.423	50.839.096
- Other current assets *	45.599.407	37.402.858
- Cash and cash equivalents*	-	443.322
<i>Financial assets held for trading (carried at fair value through profit or loss)</i>		
- Short term investments		
Total	82.457.830	88.685.276

Financial Liabilities	March 31, 2018	March 31, 2017
Non current liabilities		
<i>Financial liabilities measured at amortised cost:</i>		
- Borrowings from related parties		
- Other liabilities		
Current liabilities		
<i>Financial liabilities measured at amortised cost:</i>		
- Trade payables *	19.684.837	14.808.995
- Other current liabilities *	11.234.854	11.122.645
- Current portion of borrowings from related parties		
- Other borrowings		
- Current tax liabilities		
Total	30.919.691	25.931.640

* These financial assets and liabilities have been recorded at their respective carrying amounts as the management considers the fair values to be not materially different from their carrying amounts recognized in the statement of financial positions as these are expected to realize within one year from the statement of financial position dates.


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GLENMARK FARMACEUTICA LTDA
NOTES TO THE FINANCIAL STATEMENTS

1. Reporting entity

Glenmark Farmaceutica Ltda ("Glenmark") is located at Gomes de Carvalho, Sao Paulo, Brazil. The Company's principal areas are selling and marketing of pharmaceutical products. These financial statements were authorized for issuance by the Company's Directors on 17th April 2018.

2. Basis of preparation of financial statements

a. Statement of compliance

These financial statements as at and for the year ended March 31, 2018 have been prepared in accordance with the International Financial Reporting Standards and its interpretations ("IFRS") issued by the International Accounting Standards Board ("IASB").

b. Basis of measurement

These financial statements have been prepared using accounting policies specified by those IFRS that are in effect as at March 31, 2018.

Significant accounting policies have been applied in preparation of these financial statements are summarized below:

c. Functional and presentation currency

The financial statements are presented in Brazilian Reais, which is also functional currency of the entity.

d. Use of estimates and judgments

The preparation of 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, income 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 period in which the estimates are revised and in any future periods affected.

3. Significant accounting policies

a. Foreign currency

Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of entities within the Company at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the period, adjusted for payments during the period, and the amortized cost in foreign currency translated at the exchange rate at the end of the period. Foreign currency differences arising upon retranslation are recognized in profit or loss.

b. Financial instruments

Cash and cash equivalents

Cash and cash equivalents consist of current cash balances and time deposits with banks. 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.

Others

Other non-derivative financial instruments are measured at amortized cost using the effective interest method, less any impairment losses.

Derivative financial instruments

The Company does not hold any derivative financial instruments.

Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and stock options are recognized as a deduction from equity, net of any tax effects.

c. Property, plant and equipment

Recognition and measurement

Items of property, plant 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. The cost of self-constructed assets includes the cost of materials and other costs directly attributable to bringing the asset to a working condition for its intended use.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses upon disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognized within "other income/expense" in profit or loss.

The cost of replacing part of an item of property, plant 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 costs of repairs and maintenance are recognized in profit or loss as incurred.

Depreciation

Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of property, plant and equipment. Land is not depreciated.

The estimated useful lives are as follows:

Buildings

- Factory and administrative buildings 25 – years

- Ancillary structures 25 – years

Plant and equipment 10 – years

Furniture, fixtures and office equipment 10 – years

Vehicles 5 – years

Computer equipment 5 – years

Depreciation methods, useful lives and residual values are reviewed at each reporting date. Software for internal use, which is primarily acquired from third-party vendors, including consultancy charges for implementing the software, is capitalized. Subsequent costs are charged to the profit or loss as incurred. The capitalized costs are amortized over the estimated useful life of the software.

Advances paid towards the acquisition of property, plant and equipment outstanding at each balance sheet date and the cost of property, plant and equipment not put to use before such date are disclosed under capital work-in-progress.

d. Intangible assets

Goodwill

Goodwill is measured at cost less accumulated impairment losses.

Research and development

Expenditures on research activities undertaken with the prospect of gaining new scientific or technical knowledge and understanding are recognized in profit or loss when incurred.

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditures are capitalized only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Company intends to and has sufficient resources to complete development and to use or sell the asset. The expenditures capitalized include the cost of materials and other costs directly attributable to preparing the asset for its intended use. Other development expenditures are recognized in profit or loss as incurred.

Payments to in-license products and compounds from third parties generally taking the form of up-front payments and milestones are capitalized and amortized, generally on a straight-line basis, over their useful economic lives from product launch.

Intangible assets relating to products in development, other intangible assets not available for use and intangible assets having indefinite useful life are subject to impairment testing at each balance sheet date. All other intangible assets are tested for impairment when there are indications that the carrying value may not be recoverable. Any impairment losses are recognized immediately in the income statement.

Amortization

Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than for goodwill, intangible assets not available for use and intangible assets having indefinite life, from the date that they are available for use.

The estimated useful lives are as follows:

Product related intangibles	10 – years
Other Intangibles	5 – years

e. Leases

At the inception of a lease, the lease arrangement is classified as either a finance lease or an operating lease, based on the substance of the lease arrangement.

Finance leases

The Company does not have any finance leases.

Operating leases

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

f. Inventories

Inventories of finished goods, consumable stores and spares are valued at cost or net realizable value, whichever is lower. Cost of raw materials and packing materials are ascertained on a weighted average cost basis. Cost of work-in-progress and finished goods include the cost of materials consumed, labour

and manufacturing overheads. Customs duty or any other taxes and levy accrued on production or import of goods, as applicable, is included in the valuation of inventories.

The factors that the Company considers in determining the allowance for slow moving, obsolete and other non-saleable inventory includes estimated shelf life, planned product discontinuances, price changes, aging of inventory and introduction of competitive new products, to the extent each of these factors impact the Company's business and markets.

g. Impairment

Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its fair value.

All significant financial assets are tested for impairment on an individual basis. All impairment losses are recognized in profit or loss. Any cumulative loss in respect of an available-for-sale financial asset recognized previously in equity is transferred to profit or loss. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. For financial assets measured at amortized cost and available-for-sale financial assets that are debt securities, the reversal is recognized in profit or loss. For available-for-sale financial assets that are equity securities, the reversal is recognized in Other Comprehensive Income.

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. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

The recoverable amount of an asset or cash-generating unit (as defined below) is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination is, for the purpose of impairment testing, allocated to cash-generating units that are expected to benefit from the synergies of the combination.

An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit on a pro-rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognized in prior periods 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. Employee benefits

Defined contribution plan / Defined benefit plans / Termination benefits / Compensated leave of absence

The Company does not have any of the above benefits.

Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Share-based payment transactions

The Company does not have any share-based payment transactions.

i. Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

j. Revenue

Sale of goods

Revenue is recognized when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods and the amount of revenue can be measured reliably. Revenue from the sale of goods includes duties if any, and is measured at the fair value of the consideration received or receivable, net of returns, sales tax and applicable trade discounts and allowances.

k. Finance income and expense

Finance income consists of interest income on funds invested. Interest income is recognized as it accrues in profit or loss, using the effective interest method.

Finance expenses consist of interest expense on loans and borrowings and impairment losses recognized on financial assets. Borrowing costs are recognized in profit or loss using the effective interest method. Foreign currency gains and losses are reported on a net basis.

1. Income tax

Income tax expense consists of current and deferred tax. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized in Other Comprehensive Income, in which case it is recognized in equity. Current tax is the expected tax payable on the taxable income 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 recognized using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising upon the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. 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 tax 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 to the extent that it is probable that future taxable profits will be available against which the temporary difference 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.

Management annually conducts long range profitability plan review and it is used to validate the deferred tax assets recorded in the books in accordance with the concept mentioned above.

4) Auditors Remuneration

Auditors remuneration included in the financials in professional expenses under other operating expenses is R\$ 78.345,00.

5) Other intangible assets:

Other intangible asset of total R\$ 22.229.939 includes intangible assets related to acquired brands and new product developments to the tune of R\$ 21.248.081 and the balance R\$ 981.858 is related to Computer Software.

During the year management has conducted the impairment test for the brands by obtaining the valuation report from group Valuation firm and recorded R\$ 16.290.000 as impairment of value for the year.

6) Related Party disclosure

Transaction with related parties during the year

- i) Purchase of Finished products and services
 - Glenmark Pharmaceuticals Ltd. India - R\$ 5,406,380
 - Glenmark Generics Argentina - R\$ 12,150,486
 - Glenmark Generics – USA - R\$ 189,686

ii)	Sale of Finished products and services	
	Glenmark Pharmaceuticals Mexico	- R\$ 1,595,182
	Glenmark Generics India	- R\$ 26,271,190
	Glenmark Pharmaceuticals Peru	- R\$ 1,121,399
	Glenmark Pharmaceuticals South Africa	- R\$ 1,103,611
	Glenmark Pharmaceuticals (M) Sdn Bdh.	- R\$ 107,991
	Glenmark Pharmaceuticals Ecuador	- R\$ 690,476

7) Related Party balances

Payable to Glenmark Pharmaceuticals Ltd. India	- R\$ 3,555,970
Payable to Glenmark Generics S. A., Argentina	- R\$ 1,427,385
Payable to Glenmark Generics S. A., USA	- R\$ 168,579
Receivable from Glenmark Pharmaceuticals Mexico	- R\$ 456,605
Receivable from Glenmark Pharmaceuticals Peru	- R\$ 1,098,346
Receivable from Glenmark Generics India	- R\$ 12,742,760
Receivable from Glenmark Pharma South Africa	- R\$ 583,766
Receivable from Glenmark Pharmaceuticals (M) Sdn Bdh.	- R\$ 107,991
Receivable from Glenmark Pharmaceuticals Ecuador	- R\$ 363,535