

GLENMARK PHARMACEUTICALS (M) SDN. BHD.

(660397 W)

(Incorporated in Malaysia)

*Reports and audited financial statements
for the year ended 31 March 2018*

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
GLENMARK PHARMACEUTICALS (M) SDN. BHD.

(Incorporated in Malaysia)
Company No : 660397 W

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Glenmark Pharmaceuticals (Malaysia) Sdn. Bhd., which comprise the statement of financial position as at 31 March 2018, and the statement of income and retained earnings and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 10 to 30.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 March 2018, and of its financial performance and its cash flows for the year then ended in accordance with Malaysian Private Entities Reporting Standard and the requirements of the Companies Act, 2016 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Information Other than the Financial Statements and Auditors' Report Thereon

The directors of the Company are responsible for the other information. The other information comprises the Directors' Report but does not include the financial statements of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Company does not cover the Directors' Report and we do not express any form of assurance conclusion thereon.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
GLENMARK PHARMACEUTICALS (MALAYSIA) SDN. BHD. (CONTD.)**

(Incorporated in Malaysia)

Company No : 660397 W

Information Other than the Financial Statements and Auditors' Report Thereon (contd.)

In connection with our audit of the financial statements of the Company, our responsibility is to read the Directors' Report and, in doing so, consider whether the Directors' Report is materially inconsistent with the financial statements of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of the Directors' Report, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

The directors of the Company are responsible for the preparation of financial statements of the Company that give a true and fair view in accordance with Malaysian Private Entities Reporting Standard and the requirements of the Companies Act, 2016 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Company, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have 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 of the Company 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 approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
GLENMARK PHARMACEUTICALS (MALAYSIA) SDN. BHD. (CONTD.)**

(Incorporated in Malaysia)

Company No : 660397 W

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Company, 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of 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 Company'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 of the Company 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 Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Company, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
GLENMARK PHARMACEUTICALS (MALAYSIA) SDN. BHD. (CONTD.)**

(Incorporated in Malaysia)

Company No : 660397 W

Other Matter

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act, 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.



S P TAN & SUNDAR
AF No : 1527
Chartered Accountants



LEONG WAI LENG
2898/03/19 (J)
Chartered Accountant

Dated : 02 MAY 2018

Kuala Lumpur

GLENMARK PHARMACEUTICALS (MALAYSIA) SDN. BHD. (660397 W)
(Incorporated in Malaysia)

Statement of financial position
as at 31 March 2018

	<i>Note</i>	2018 RM	2017 RM
Non current assets			
Plant and equipment	6	277,799	342,140
Deferred tax assets	7	-	284,614
Total non current assets		<u>277,799</u>	<u>626,754</u>
Current assets			
Inventories	8	-	821,642
Trade and other receivables	9	27,792,353	25,582,241
Deposits and prepayments	10	46,674	42,361
Current tax assets		19,010	356,724
Cash and cash equivalents	11	7,284,199	8,875,659
Total current assets		<u>35,142,236</u>	<u>35,678,627</u>
Total assets		<u>35,420,035</u>	<u>36,305,381</u>
EQUITY AND LIABILITIES			
Equity			
Share capital	12	5,686,618	5,686,618
Retained earnings	13	4,833,924	458,033
Total equity		<u>10,520,542</u>	<u>6,144,651</u>
Non current liabilities			
Deferred tax liabilities	7	530,577	-
Current liabilities			
Trade and other payables	14	24,368,916	30,160,730
Total liabilities		<u>24,899,493</u>	<u>30,160,730</u>
Total equity and liabilities		<u>35,420,035</u>	<u>36,305,381</u>

The annexed notes form an integral part of these financial statements.

GLENMARK PHARMACEUTICALS (MALAYSIA) SDN. BHD. (660397 W)
(Incorporated in Malaysia)

**Statement of income and retained earnings
for the year ended 31 March 2018**

		2018 RM	2017 RM
Revenue	15	49,129,962	44,761,764
Other operating income		2,677,989	418,243
Changes in inventories of trading goods		(821,642)	821,642
Purchase of trading goods		(18,929,662)	(20,518,809)
Employee benefits expenses	16	(4,897,400)	(4,356,370)
Depreciation		(90,665)	(76,811)
Other operating expenses		(21,539,786)	(21,548,205)
Profit/(Loss) before tax	17	<u>5,528,796</u>	<u>(498,546)</u>
Tax expense	18	(1,152,905)	97,181
Profit/(Loss) for the year		<u>4,375,891</u>	<u>(401,365)</u>
Retained earnings brought forward		<u>458,033</u>	<u>859,398</u>
Retained earnings carried forward		<u>4,833,924</u>	<u>458,033</u>

The annexed notes form an integral part of these financial statements.

GLENMARK PHARMACEUTICALS (MALAYSIA) SDN. BHD. (660397 W)
(Incorporated in Malaysia)

Statement of cash flows
for the year ended 31 March 2018

	2018	2017
	RM	RM
Cash flows from operating activities		
Profit/(Loss) before tax	5,528,796	(498,546)
Adjustments for :-		
Depreciation of plant and equipment	90,665	76,811
Gain on disposal of plant and equipment	-	(65,092)
Previous year unrealised (loss)/gain written back	(509,819)	572,404
Unrealised loss on exchange	-	1,222,814
Unrealised gain on exchange	(2,168,170)	-
Operating profit before working capital changes	<u>2,941,472</u>	<u>1,308,391</u>
Inventories	821,642	(821,642)
Receivables	(2,295,686)	676,013
Amount due to holding company	(1,921,892)	2,605,465
Payables	<u>(1,110,672)</u>	<u>(2,040,494)</u>
Cash (outflow)/inflow from operating	(1,565,136)	1,727,733
Tax paid	-	(173,537)
Net cash (outflow)/inflow from operating activities	<u>(1,565,136)</u>	<u>1,554,196</u>
Cash flows used in investing activities		
Purchase of plant and equipment	<u>(26,324)</u>	<u>(346,718)</u>
Proceeds from disposal of plant and equipment	-	65,094
Net cash outflow from investing activities	(26,324)	(281,624)
Cash flows from financing activities	-	-
Net (decrease)/increase in cash and cash equivalents	<u>(1,591,460)</u>	<u>1,272,572</u>
Cash and cash equivalents at beginning of year	8,875,659	7,603,087
Cash and cash equivalents at end of year (Note 11)	<u>7,284,199</u>	<u>8,875,659</u>

The annexed notes form an integral part of these financial statements.

**Notes to the financial statements
for the year ended 31 March 2018**

1. General information

The Company, Glenmark Pharmaceuticals (Malaysia) Sdn. Bhd., is a private company incorporated and domiciled in Malaysia. The principal activity of the Company is trading in pharmaceutical products. There is no significant change in the nature of the Company's businesses during the year.

The Company's registered office is located at: Suite 12B-23, Level 12B, Wisma Zelan No. 1, Jalan Tasik Permaisuri 2, Bandar Tun Razak, Cheras 56000 Kuala Lumpur and its principal place of business is located at: Unit C-3-5, Block C, 3rd Floor, Megan Avenue 1, 189, Jalan Tun Razak, 50400 Kuala Lumpur

The financial statements of the Company are presented in Ringgit Malaysia (RM) which is also the Company's functional currency.

The financial statements were authorised for issue by the Board of Directors on 2 May 2018.

2. Compliance with Financial Reporting Standards and the Companies Act 2016

The financial statements have been prepared in compliance with the Malaysian Private Entities Reporting Standard issued by the Malaysian Accounting Standards Board and the provisions of the Malaysian Companies Act 2016.

3. Basis of preparation

The financial statements of the Company have been prepared using cost and fair value bases.

Management has used estimates and assumptions in measuring the reported amounts of assets and liabilities at the end of the reporting period and the reported amounts of revenue and expenses during the reporting period. Judgements and assumptions are applied in the measurement, and hence, the actual results may not coincide with the reported amounts. The areas involving significant judgements and estimation uncertainties are disclosed in Note 5.

4. Significant accounting policies

4.1 Plant and equipment

Operating tangible assets that are used for more than one accounting period in the production and supply of goods and services, for administrative purposes or for rental to others are recognised as plant and equipment when the Company obtains control of the assets. The assets, including major spares, stand-by equipment and servicing equipment, are classified into appropriate classes based on their nature. Any subsequent replacement of a significant component in an existing asset is capitalized as a new component in the asset and the old component is derecognised.

All plant and equipment are initially measured at cost. For a purchased asset, cost comprises purchase price plus all directly attributable costs incurred in bringing the asset to its present location and condition for management's intended use.

Plant and equipment are subsequently measured at cost less accumulated depreciation and accumulated impairment losses.

All plant and equipment are depreciated by allocating the depreciable amount of a significant component or of an item over the remaining useful life. The depreciation methods used and the annual rates of depreciation of the respective classes of plant and equipment are as follows:

	Method	Rate
Motor vehicles	Straight-line	20%
Computer equipment	Straight-line	20%
Office equipment	Straight-line	20%
Furniture and fixtures	Straight-line	20%

At the end of each reporting period, the residual values, useful lives and depreciation methods for the plant and equipment are reviewed for reasonableness. Any change in estimate of an item is adjusted prospectively over its remaining useful life, commencing in the current period.

4. Significant accounting policies (contd.)

4.2 *Inventories*

Inventories are measured at the lower cost and net realisable value (which is the estimated selling price less costs to complete and sell). Cost is calculated using the first-in first-out basis and comprises purchase price and directly attributable costs of bringing the inventories to their present location and condition. Net realisable value is determined on an item-by-item basis or on group of similar items basis.

4.3 *Impairment of non-financial assets*

An impairment loss arises when the carrying amount of a Company's asset exceeds its recoverable amount.

At the end of each reporting date, the Company assesses whether there is any indication that a stand-alone asset or a cash-generating unit may be impaired by using external and internal sources of information. If any such indication exists, the Company estimates the recoverable amount of the asset or cash-generating unit.

If an individual asset generates independent cash inflows, it is tested for impairment as a stand-alone asset. If an asset does not generate independent cash inflows, it is tested for impairment together with other assets in a cash-generating unit, at the lowest level in which independent cash inflows are generated and monitored for internal management purposes.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and the value in use. The Company determines the fair value less costs to sell of an asset or a cash-generating unit in a hierarchy based on: (i) price in a binding sale agreement; (ii) market price traded in an active market; and (iii) estimate of market price using the best available information. The value in use is estimated by discounting the net cash inflows (by an appropriate discount rate) of the asset or unit, using reasonable and supportable management's budgets and forecasts of five years and extrapolation of cash inflows for periods beyond the five-year forecast or budget.

For an asset measured on a cost-based model, any impairment loss is recognized in profit or loss.

4. Significant accounting policies (contd.)

4.3 *Impairment of non-financial assets (contd.)*

For a cash-generating unit, any impairment loss is allocated to the assets of the unit pro rata based on the relative carrying amounts of the assets.

The Company reassesses the recoverable amount of an impaired asset or a cash generating unit if there is any indication that an impairment loss recognized previously may have reversed. Any reversal of impairment loss for an asset carried at a cost-based model is recognized in profit or loss, subject to the limit that the revised carrying amount does not exceed the amount that would have been determined had no impairment loss been recognized previously.

4.4 *Translation of foreign currency transactions*

Transactions denominated in foreign currencies are translated and recorded at the rates of exchange prevailing at the respective dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the end of the period (i.e. the closing rates). Non-monetary items carried at fair values that are denominated in foreign currencies are retranslated at the rates prevailing at the dates the fair values were determined. Non-monetary items that are measured at their historical cost amounts continue to be translated at their respective historical rates and are not retranslated.

All exchange differences arising on settled transactions and on unsettled monetary items are recognized in profit or loss in the period.

4.5 *Share capital and distributions*

(a) *Share capital*

Ordinary shares issued are classified as equity instruments.

When ordinary shares are issued in a private placement or in a rights issue to existing shareholders, they are recorded at the issue price. For ordinary shares issued in exchange for non-monetary assets, they are measured by reference to the fair values of the assets received.

When ordinary shares are issued as consideration transferred in a business combination or as settlement of an existing financial liability, they are measured at their fair value at the date of the exchange transaction.

Transaction costs of an equity transaction are accounted for as a deduction from equity, net of any related income tax effect.

4. Significant accounting policies (contd.)

4.5 *Share capital and distributions (contd.)*

(b) *Distributions*

Liability is recognised for the amount of any dividend declared, which is appropriately authorized and no longer at the discretion of the Company, on or before the end of the reporting period but not distributed at the end of the reporting period.

Distributions to holders of an equity instrument are recognised directly in equity.

4.6 *Financial instruments*

(a) *Initial recognition and measurement*

The Company recognises a financial asset or financial liability in the statement of financial position when, and only when, the company becomes a party to the contractual provisions of the instrument.

On initial recognition, all financial assets and financial liabilities are measured at fair value, which is generally the transaction price, plus transaction costs if the financial asset or financial liability is not measured at fair value through profit or loss. For instruments measured at fair value through profit or loss, transaction costs are expensed to profit or loss when incurred.

(b) *Derecognition of financial instruments*

A financial asset is derecognized when, and only when, the contractual rights to receive the cash flows from the financial asset expire, or when the Company transfers the contractual rights to receive cash flows of the financial assets, including circumstances when the Company acts only as a collecting agent of the transferee, and retains no significant risks and rewards of ownership of the financial assets or no continuing involvement in the control of the financial asset transferred.

A financial liability is derecognized when, and only when, it is legally extinguished, which is either when the obligation specified in the contract is discharged or cancelled or expires. A substantial modification of the terms of an existing financial liability is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. For this purpose, the Company considers a modification as substantial if the present value of the revised cash flows of the modified terms discounted at the original effective interest rate differs by 10% or more when compared with the carrying amount of the original liability.

4. Significant accounting policies (contd.)

4.6 Financial instruments (contd.)

(c) *Subsequent measurement of financial assets*

For the purpose of subsequent measurement, the Company classifies financial assets into two categories, namely: (i) financial assets at fair value through profit or loss, and (ii) financial assets at amortised cost.

Other than financial assets measured at fair value through profit or loss, all other financial assets are subject to review for impairment in accordance with Note 4.6(g).

(d) *Subsequent measurement of financial liabilities*

After initial recognition, all financial liabilities are measured at amortised cost using the effective interest method.

(e) *Fair value measurement of financial instruments*

The fair value of a financial asset or a financial liability is determined by reference to the quoted market price in an active market, and in the absence of an observable market price, by a valuation technique using reasonable and supportable assumptions.

(f) *Recognition of gains or losses*

Fair value changes of financial assets and financial liabilities classified as at fair value through profit or loss are recognized in profit or loss when they arise.

For financial assets and liabilities carried at amortised cost, a gain or loss is recognised in profit or loss only when the financial asset or financial liability is derecognized or impaired, and through the amortization process of the instrument.

(g) *Impairment and uncollectibility of financial assets*

The company applies the incurred loss model to recognise impairment losses of financial assets. At the end of each reporting period, the Company examines whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

Evidence of trigger loss events include; (i) significant difficulty of the issuer or obligor; (ii) a breach of contract, such as a default or delinquency in interest or principal payments; (iii) granting exceptional concession to a customer; (iv) it is probable that a customer will enter bankruptcy or other financial reorganization; (v) the disappearance of an active market for that financial asset because of financial difficulties; or (v) any observable market data indicating that there may be a measurable decrease in the estimated future cash flows from a group of financial assets.

4. Significant accounting policies (contd.)

4.6 *Financial instruments (contd.)*

(g) *Impairment and uncollectibility of financial assets (contd.)*

For a non-current loan and receivable carried at amortised cost, the revised estimated cash flows are discounted at the original effective interest rate. Any impairment loss is recognized in profit or loss and a corresponding amount is recorded in a loss allowance account. Any subsequent reversal of impairment loss of the financial asset is reversed in profit or loss with a corresponding adjustment to the loss allowance account, subject to the limit that the reversal should not result in the revised carrying amount of the financial asset exceeding the amount that would have been determined had no impairment loss been recognized previously.

For short-term trade and other receivables, where the effect of discounting is immaterial, impairment loss is tested for each individually significant receivable wherever there is any indication of impairment. Individually significant receivables for which no impairment loss is recognized are grouped together with all other receivables by classes based on credit risk characteristics and aged according to their past due periods. A collective allowance is estimated for a class group based on the Company's experience of loss ratio in each class, taking into consideration current market conditions.

4.7 *Finance and operating leases*

The Company recognises a lease whenever there is an agreement, whether explicitly stated as a lease or otherwise, whereby the lessor conveys to the Company in return for a payment or series of payments the right to use an asset for an agreed period of time. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. Title may or may not eventually be transferred. All other leases that do not meet this criterion are classified as operating lease.

Short-term leases of land and buildings are treated as operating leases and the underlying leased assets are not capitalized and the lease payments are recognised as an expense on the straight-line basis over the lease term unless another systematic basis is more representative of the time pattern of the Company's benefit. Any upfront lease payments are classified as prepaid lease payment, an intangible asset in the nature of right-of-use asset.

4. Significant accounting policies (contd.)

4.8 *Tax assets and tax liabilities*

A current tax for current and prior periods, to the extent unpaid, is recognised as a current tax liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognized as a current tax asset. A current tax liability (asset) is measured at the amount the Company expects to pay (recover) using tax rates and laws that have been enacted or substantially enacted by the reporting date.

A deferred tax liability is recognized for all taxable temporary differences, except to the extent that the deferred tax liability arises from; (a) the initial recognition of goodwill; or (b) the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit (or tax loss). The exceptions for initial recognition differences include items of plant and equipment that do not qualify for capital allowances and acquired intangible assets that are not deductible for tax purposes.

A deferred tax asset is recognized for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized, unless the deferred tax asset arises from the initial recognition of an asset or liability in a transaction that is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit (or tax loss). The exceptions for the initial recognition differences include non-taxable government grants received and reinvestment allowances and investment tax allowances on qualifying plant and equipment.

A deferred tax asset is recognized for the carry-forward of unused tax losses and unused tax credits to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused tax credits can be utilized. Unused tax credits do not include unabsorbed reinvestment allowances and unabsorbed investment tax allowances because the Company treats these as part of initial recognition differences.

4. Significant accounting policies (contd.)

4.8 *Tax assets and tax liabilities (contd.)*

Deferred taxes are measured using tax rates (and tax laws) that have been enacted or substantially enacted at the end of the reporting period. The measurement of deferred taxes reflect the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets or liabilities.

At the end of each reporting period, the carrying amount of a deferred tax asset is reviewed, and is reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of a part or all of that deferred tax asset to be utilized. Any such reduction will be reversed to the extent that it becomes probable that sufficient taxable profit will be available.

A current or deferred tax is recognized as income or expense in profit or loss for the period. For items recognized directly in equity, the related tax effect is also recognised directly in equity.

4.9 *Employee benefits*

(a) *Short-term employee benefits*

Wages and salaries are usually accrued and paid on a monthly basis and are recognised as an expense, unless they relate to cost of producing inventories or other assets.

Paid absences (annual leave, maternity leave, paternity leave, sick leave, etc.) are accrued in each period if they are accumulating paid absences that can be carried forward, or in the case of non-accumulating paid absences, recognised as and when the absences occur.

(b) *Post-employment benefits - defined contribution plans*

The Company makes statutory contributions to approved provident funds and the contributions made are charged to profit or loss in the period to which they relate. When the contributions have been paid, the Company has no further payment obligations.

4. Significant accounting policies (contd.)

4.10 Provisions

The Company recognises a liability as a provision if the outflows required to settle the liability are uncertain in timing or amount.

A provision is recognised when the Company has a present legal or constructive obligation as a result of a past event, and of which the outflows of resources on settlement are probable and a reliable estimate of the amount can be made. No provision is recognised if these conditions are not met.

Any reimbursement attributable to a recognised provision from a counterparty (such as an insurer) is not off-set against the provision but recognised separately as an asset when, and only when, the reimbursement is virtually certain.

A provision is measured at the best estimate of the expenditure required to settle the present obligation at the end of the reporting period.

A provision is measured at the present value of the expenditures expected to be required to settle the obligation using a discount rate that reflects the time value of money and the risk that the actual outcome might differ from the estimate made. The unwinding of the discount is recognised as an interest expense.

4.11 Revenue recognition and measurement

The Company measures revenue from sale of pharmaceutical products at the fair value of the consideration received or receivable, which is usually the invoice price, net of any trade discounts and volume rebates given to the customer.

Revenue from sale of pharmaceutical products is recognised when: (a) the Company has transferred to the buyer the significant risks and rewards of ownership of the goods; (b) the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold; (c) the amount of the revenue can be measured reliably; (d) it is probable that the economic benefits associated with the transaction will flow to the Company; and (e) the costs incurred or to be incurred in respect of the transaction can be measured reliably.

5. Critical judgements and estimation uncertainty

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements other than the following:-

(a) Measurement of a provision

The Company uses a "best estimate" as the basis for measuring a provision. Management evaluates the estimates based on the Company's historical experiences and other inputs or assumptions, current developments and future events that are reasonably possible under the particular circumstances. In the case when a provision relates to large population of customers, a probability weighted estimate of the outflows required to settle the obligation is used. In the case of a single estimate, a referenced contractor's price or market price is used as the best estimate. If an obligation is to be settled over time, the expected outflows are discounted at a rate that takes into account the time value of money and the risk that the actual outcome might differ from the estimates made.

(b) Determining the value-in-use

In determining the value-in-use of stand-alone asset or a cash-generating unit, management uses reasonable and supportable inputs about sales, cost of sales and other expenses based upon past experiences, current events and reasonably possible future developments. Cash flows are projected based on those inputs and discounted at an appropriate discount rate(s). The actual outcome or events may not coincide with the inputs or assumptions and the discount rate applied in the measurement, and this may effect the Company's financial position and results.

(c) Loss allowances of financial assets

The Company recognises impairment losses for receivables using the incurred loss model. Individually significant receivables are tested for impairment separately by estimating the cash flows expected to be recoverable. All other receivables are categorized into credit risk classes and tested for impairment collectively, using the Company's past experiences of loss statistics, ageing of past due amounts and current economic trends. The actual eventual losses may be different from the allowances made and these may affect the Company's financial position and results.

(d) Depreciation of plant and equipment

The cost of an item of plant and equipment is depreciated on the straight-line method or another systematic method that reflects the consumption of the economic benefits of the asset over its useful life. Estimates are applied in the selection of the depreciation methods; the useful lives and the residual values. The actual consumption of the economic benefits of the plant and equipment may differ from the estimates applied and this may lead to a gain or loss on an eventual disposal of an item of plant and equipment.

5. Critical judgements and estimation uncertainty (contd.)

(e) *Measurement of income taxes*

Significant judgement is required in determining the Company's provision for current and deferred taxes because the ultimate tax liability for the Company as a whole is uncertain. When the final outcome of the tax payable is determined with the tax authorities, the amount might be different from the initial estimate of the tax payable. Such differences may impact the current and deferred taxes in the period when such determination is made. The Company will adjust for the differences as over- or under- provision of current or deferred taxes in the current period in which those differences arise.

6. Plant and equipment

	<i>Motor vehicles</i>	<i>Computer equipment</i>	<i>Office equipment</i>	<i>Furniture & fixtures</i>	<i>Total</i>
<i>Gross carrying amount</i>	RM	RM	RM	RM	RM
At beginning of year	325,927	142,207	24,836	155,219	648,189
Additions	-	21,878	4,446	-	26,324
At end of year	325,927	164,085	29,282	155,219	674,513
<i>Accumulated depreciation</i>					
At beginning of year	38,024	99,131	19,326	149,568	306,049
Charge for the year	65,185	21,175	2,842	1,463	90,665
At end of year	103,209	120,306	22,168	151,031	396,714
<i>Net book value</i>					
At 31 March 2018	222,718	43,779	7,114	4,188	277,799
At 31 March 2017	287,903	43,076	5,510	5,651	342,140

7. Deferred tax (liabilities)/assets

	2018	2017
	RM	RM
Plant and equipment	(10,317)	(8,862)
Provisions	(520,260)	293,476
Net deferred tax (liabilities)/ assets	(530,577)	284,614

7. Deferred tax (liabilities)/assets (contd.)

Movement in temporary differences during the year :-

	<i>At</i> <i>1 April</i> <i>2017</i> <i>RM</i>	<i>Recognised</i> <i>in profit or</i> <i>loss</i> <i>(Note 18)</i> <i>RM</i>	<i>At</i> <i>31 March</i> <i>2018</i> <i>RM</i>
Plant and equipment	(8,862)	(1,455)	(10,317)
Provisions	293,476	(813,736)	(520,260)
	<u>284,614</u>	<u>(815,191)</u>	<u>(530,577)</u>

8. Inventories

	<i>2018</i> <i>RM</i>	<i>2017</i> <i>RM</i>
Measured at the lower of cost and net realisable value:		
Trading goods	-	821,642
Inventories recognised as an expense	<u>19,751,304</u>	<u>19,697,320</u>

9. Trade and other receivables

Trade receivables		
- Third parties	27,406,762	25,406,696
Other receivables		
- Third parties	385,591	175,545
	<u>27,792,353</u>	<u>25,582,241</u>

10. Deposits and prepayments

Deposits	28,800	28,800
Prepayments	17,874	13,561
	<u>46,674</u>	<u>42,361</u>

11. Cash and cash equivalents

The components of cash and cash equivalents consist of:-

Cash and bank balances	<u>7,284,199</u>	<u>8,875,659</u>
------------------------	------------------	------------------

GLENMARK PHARMACEUTICALS (MALAYSIA) SDN. BHD. (660397 W)
(Incorporated in Malaysia)

12. Share capital

	<i>Number of ordinary shares</i>		<i>Amount</i>	
	<i>2018</i>	<i>2017</i>	<i>2018</i>	<i>2017</i>
			<i>RM</i>	<i>RM</i>
Ordinary shares issued and fully paid				
At beginning/ end of year	<u>5,686,618</u>	<u>5,686,618</u>	<u>5,686,618</u>	<u>5,686,618</u>

13. Retained earnings

The retained earnings of the Company are available for distribution by way of cash dividends or dividends in specie. Under the single-tier system of taxation, dividends payable to shareholders are deemed net of income taxes. There are no potential income tax consequences that would result from the payment of dividends to shareholders.

14. Trade and other payables

	<i>2018</i>	<i>2017</i>
	<i>RM</i>	<i>RM</i>
Trade payables		
- Holding company	24,052,819	28,734,094
- Related company	128,256	129,024
Accruals	137,841	77,612
Provisions	50,000	1,220,000
	<u>24,368,916</u>	<u>30,160,730</u>

All short term payables are measured at undiscounted amounts because the effect of discounting is immaterial.

The amounts due to holding and related company are interest free and repayable on demand.

GLENMARK PHARMACEUTICALS (MALAYSIA) SDN. BHD. (660397 W)
(Incorporated in Malaysia)

15. Revenue

	2018	2017
	RM	RM
Sale of pharmaceutical products	<u>49,129,962</u>	<u>44,761,764</u>

16. Employee benefits expenses

Staffs' remuneration		
- Salaries, bonus, allowances and incentives	4,430,325	3,846,498
- Defined contribution plan expenses	467,075	509,872
	<u>4,897,400</u>	<u>4,356,370</u>

17. Profit/(Loss) before tax

Profit/ (Loss) before taxation is stated:-

After charging

Audit fee	15,000	13,000
Drugs registration fees and expenses	133,686	40,641
Expired stocks written off	2,481,565	4,046,378
Loss on foreign exchange		
- Realised	-	1,109,577
- Unrealised	-	1,286,731
Promotion expenses	16,027,516	11,795,438
Rental of premises	88,584	88,584
Trademark application expenses	37,259	76,135
Unrealised gain on foreign exchange written back	<u>-</u>	<u>572,404</u>

and crediting:-

Gain on disposal of plant and equipment	-	65,092
Gain on foreign exchange		
- Realised	-	289,234
- Unrealised	2,168,170	63,917
Unrealised loss on exchange written back	<u>509,820</u>	<u>-</u>

18. Tax expense

	2018	2017
	RM	RM
Malaysian income tax		
- Current year	475,068	166,813
- Previous year	<u>(137,354)</u>	<u>-</u>
	337,714	166,813
Deferred tax expense		
- Current year	815,191	(268,892)
- Previous year	<u>-</u>	<u>4,898</u>
	<u>1,152,905</u>	<u>(97,181)</u>

The significant differences between the tax expense and accounting profit/(loss) multiplied by the statutory tax rate are due to the tax effects arising from the following items:-

Profit/(Loss) from ordinary activities before tax	<u>5,528,796</u>	<u>(498,546)</u>
Tax at the statutory income tax rate of 24% (2017 - 24%)	1,326,911	(119,651)
Tax effects of non-deductible expenses	28,231	28,438
Income tax - previous year	(137,354)	-
Deferred tax - previous year	-	4,898
Effects of change in tax rate on opening deferred tax	-	629
Tax savings as a result of reduced tax rate	(64,883)	-
Income not subject to tax	<u>-</u>	<u>(11,495)</u>
Tax expense	<u>1,152,905</u>	<u>(97,181)</u>

With effect from Y/A 2017, the tax rate of Companies which are not small medium enterprise has been reduced as follows :-

The Budget 2017 announced on October 21, 2016 proposed that the incremental portion of chargeable income compared to the immediate preceding year of assessment will enjoy a reduced income tax for years of assessment 2017 and 2018. Following these changes, the applicable tax rate to be used for the measurement of any applicable deferred tax will be at the below expected rates:

18. Tax expense (contd.)

Percentage of increase in chargeable income as compared to the immediate preceding year of assessment	Percentage point of reduction in tax rate	Tax rate after reduction %
Less than 5%	Nil	24
5% - 9.99%	1	23
10% - 14.99%	2	22
15% - 19.99%	3	21
20% and above	4	20

19. Related party disclosures

19.1 *Control relationship*

The Company's immediate and ultimate holding company is Glenmark Pharmaceuticals Limited (incorporated in India).

19.2 *Related party transactions*

The significant related party transactions are shown below. The balances related to the transactions are shown in Notes 14.

	2018 RM	2017 RM
<u>Purchases of trading goods</u>		
Holding Company	<u>18,808,675</u>	<u>20,388,181</u>
Related Company	<u>120,987</u>	<u>130,781</u>

All purchases are at prices prevailing at dates of the transactions.

The balance unpaid at the end of the year amounts to RM24,181,095 (31.03.17 - RM28,863,118) which is accumulated in the related party current payables. No interest is charged for such current payables and the amount is repayable on demand.

GLENMARK PHARMACEUTICALS (MALAYSIA) SDN. BHD. (660397 W)*(Incorporated in Malaysia)***20. Non-cancellable operating lease**

	2018 RM	2017 RM
Future minimum lease payments :-		
- Not later than 1 year	39,910	88,584
- Later than 1 year and not later than 5 years	10,250	-
Total lease commitments payable	<u>50,160</u>	<u>88,584</u>
Total lease payments recognised as an expense	<u>90,334</u>	<u>88,584</u>

21. Categories of financial instruments

The table below provides an analysis of financial instruments categorized as follows :-

- (a) Financial assets and financial liabilities measured at fair value through profit or loss ("FVTPL");
- (b) Financial assets and financial liabilities measured at amortised cost ("AC"); and
- (c) Financial assets that are equity instruments measured at cost less impairment ("CLI")

	<i>Carrying amount</i> RM	FVTPL RM	AC RM	CLI RM
2018				
Financial assets				
Trade and other receivables	27,792,353	-	27,792,353	-
Cash and cash equivalents	7,284,199	-	7,284,199	-
	<u>35,076,552</u>	<u>-</u>	<u>35,076,552</u>	<u>-</u>
Financial liabilities				
Trade and other payables	24,368,916	-	24,368,916	-
	<u>24,368,916</u>	<u>-</u>	<u>24,368,916</u>	<u>-</u>
2017				
Financial assets				
Trade and other receivables	25,582,241	-	25,582,241	-
Cash and cash equivalents	8,875,659	-	8,875,659	-
	<u>34,457,900</u>	<u>-</u>	<u>34,457,900</u>	<u>-</u>
Financial liabilities				
Trade and other payables	30,160,730	-	30,160,730	-
	<u>30,160,730</u>	<u>-</u>	<u>30,160,730</u>	<u>-</u>