Glenmark Pharmaceuticals South Africa Proprietary Limited
(Registration number 2001/020429/07)
Annual financial statements
for the year ended 31 March 2018

These annual financial statements were prepared by:
T De Koker
Chartered Accountant (SA)

These annual financial statements have been audited in compliance with the applicable requirements of the Companies Act 71, of 2008.

Issued 11 May 2018

Independent Auditor's Report

To the Shareholder of Glenmark Pharmaceuticals South Africa Proprietary Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Glenmark Pharmaceuticals South Africa Proprietary Limited set out on pages 9 to 34, which comprise the statement of financial position as at 31 March 2018, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the financial year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at 31 March 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and the requirements of the Companies Act 71, of 2008.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Independent Regulatory Board for Auditors Code of Professional Conduct for Registered Auditors (IRBA Code), together with the ethical requirements that are relevant to our audit of the financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with these requirements and the IRBA Code. The IRBA Code is consistent with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Part A and B). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

The directors are responsible for the other information. The other information comprises the Directors' Report as required by the Companies Act 71, of 2008, the Detailed Income Statement and Tax Computation. The other information does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

REGISTERED AUDITOR – A FIRM OF CHARTERED ACCOUNTANTS (SA) • IRBA REGISTRATION NUMBER 900222

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A FULL LIST OF NATIONAL PARTNERS IS AVAILABLE ON REQUEST OR AT WWW.MAZARS.CO.ZA

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act 71, of 2008, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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 auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's 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, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Mazars Gauteng

Mazars Gauteng
GJ De Beer
Partner
Registered Auditor
11 May 2018
Pretoria

Statement of Financial Position as at 31 March 2018

Figures in Rand	Notes	2018	2017
Assets			
Non-Current Assets			
Property, plant and equipment	3	266,047	304,739
Intangible assets	4	8,500,000	9,120,000
Deferred tax	5	25,504,419	25,094,248
		34,270,466	**34,518,987**
Current Assets			
Inventories	6	15,329,236	17,044,273
Trade and other receivables	7	31,891,923	23,558,585
Cash and cash equivalents	8	15,968,993	13,603,057
		63,190,152	**54,205,915**
Total Assets		**97,460,618**	**88,724,902**
Equity and Liabilities			
Equity			
Share capital	10	4,800,400	4,800,400
Loan from parent	11	94,500,000	-
Accumulated loss		(72,346,655)	(70,646,238)
		26,953,745	**(65,845,838)**
Liabilities			
Non-Current Liabilities			
Loan from parent	11	-	94,500,000
Current Liabilities			
Trade and other payables	12	70,506,873	60,070,740
Total Liabilities		**70,506,873**	**154,570,740**
Total Equity and Liabilities		**97,460,618**	**88,724,902**

Statement of Profit or Loss and Other Comprehensive Income

Figures in Rand	Notes	2018	2017
Revenue	14	204,404,284	173,095,811
Cost of sales	15	(62,507,082)	(64,439,023)
Gross profit		**141,897,202**	**108,656,788**
Other operating gains (losses)	16	5,306,202	3,555,987
Other operating expenses		(149,561,317)	(119,945,236)
Operating loss	17	**(2,357,913)**	**(7,732,461)**
Investment income	18	247,326	143,810
Loss before taxation		**(2,110,587)**	**(7,588,651)**
Taxation	19	410,170	2,460,821
Loss for the year		**(1,700,417)**	**(5,127,830)**
Other comprehensive income		-	-
Total comprehensive loss for the year		**(1,700,417)**	**(5,127,830)**

Glenmark Pharmaceuticals South Africa Proprietary Limited
(Registration number 2001/020429/07)
Annual Financial Statements for the year ended 31 March 2018
Statement of Cash Flows

Figures in Rand	Notes	2018	2017
Cash flows from operating activities			
Cash receipts from customers		196,201,328	164,070,307
Cash paid to suppliers and employees		(194,004,445)	(166,347,279)
Cash generated from/(used in) operations	20	2,196,883	(2,276,972)
Interest income		247,326	143,810
Net cash from operating activities		**2,444,209**	**(2,133,162)**
Cash flows from investing activities			
Purchase of property, plant and equipment	3	(78,273)	(191,038)
Sale of property, plant and equipment	3	-	5,148
Net cash from investing activities		**(78,273)**	**(185,890)**
Cash flows from financing activities			
Total cash movement for the year		**2,365,936**	**(2,319,052)**
Cash at the beginning of the year		13,603,057	15,922,109
Total cash at end of the year	8	**15,968,993**	**13,603,057**

1. Significant accounting policies

The principal accounting policies applied in the preparation of these annual financial statements are set out below.

1.1 Basis of preparation

The annual financial statements are prepared on the going concern basis in accordance with International Financial Reporting Standards, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council and the Companies Act 71, of 2008 and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The annual financial statements have been prepared on the historic cost convention, unless stated otherwise in the accounting policies which follow and incorporate the principal accounting policies set out below. They are presented in South African Rands, which is the company's functional currency.

These accounting policies are consistent with the previous period.

1.2 Significant judgements and sources of estimation uncertainty

The preparation of annual financial statements in conformity with IFRS requires management, from time to time, to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. These estimates and associated assumptions are based on experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Key sources of estimation uncertainty

Trade receivables

The company assesses its trade receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in profit or loss, the company makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from the financial asset.

Impairment testing

The company reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. When such indicators exist, management determine the recoverable amount by performing value in use and fair value calculations. These calculations require the use of estimates and assumptions. When it is not possible to determine the recoverable amount for an individual asset, management assesses the recoverable amount for the cash generating unit to which the asset belongs.

The company reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. In addition, indefinite useful life intangible assets are tested on an annual basis for impairment. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates of expected future cash flows are prepared for each group of assets. Expected future cash flows used to determine the value-in-use of intangible and tangible assets are inherently uncertain and could materially change over time.

1.2 Significant judgements and sources of estimation uncertainty (continued)

Useful lives of property, plant and equipment

Management assess the appropriateness of the useful lives of property, plant and equipment at the end of each reporting period. The useful lives of motor vehicles, furniture and computer equipment are determined based on company replacement policies for the various assets. Individual assets within these classes, which have a significant carrying amount are assessed separately to consider whether replacement will be necessary outside of normal replacement parameters.

When the estimated useful life of an asset differs from previous estimates, the change is applied prospectively in the determination of the depreciation charge.

Taxation

Judgement is required in determining the provision for income taxes due to the complexity of legislation. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of those matters is different from the amounts that are initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

The company recognises the net future tax benefit related to deferred income tax assets to the extent that it is probable that the deductible temporary differences will reverse in the forseeable future. Assessing the recoverability of deferred income tax assets requires the company to make significant estimates related to expectations of future taxable income. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the company to realise the net deferred tax assets recorded at the end of the reporting period could be impacted.

1.3 Property, plant and equipment

Property, plant and equipment are tangible assets which the company holds for its own use or for rental to others and which are expected to be used for more than one year.

An item of property, plant and equipment is recognised as an asset when it is probable that future economic benefits associated with the item will flow to the company, and the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost. Cost includes all of the expenditure which is directly attributable to the acquisition or construction of the asset.

Expenditure incurred subsequently for major services, additions to or replacements of parts of property, plant and equipment are capitalised if it is probable that future economic benefits associated with the expenditure will flow to the company and the cost can be measured reliably. Day to day servicing costs are included in profit or loss in the year in which they are incurred.

Property, plant and equipment is subsequently stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation of an asset commences when the asset is available for use as intended by management. Depreciation is charged to write off the asset's carrying amount over its estimated useful life to its estimated residual value, using a method that best reflects the pattern in which the asset's economic benefits are consumed by the company.

1.3 Property, plant and equipment (continued)

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life
Furniture and fixtures	Straight line	5 years
Office equipment	Straight line	5 years
Computer software	Straight line	5 years

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting year. If the expectations differ from previous estimates, the change is accounted for prospectively as a change in accounting estimate.

The depreciation charge for each year is recognised in profit or loss.

Impairment tests are performed on property, plant and equipment when there is an indicator that they may be impaired. When the carrying amount of an item of property, plant and equipment is assessed to be higher than the estimated recoverable amount, an impairment loss is recognised immediately in profit or loss to bring the carrying amount in line with the recoverable amount.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its continued use or disposal. Any gain or loss arising from the derecognition of an item of property, plant and equipment, determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, is included in profit or loss when the item is derecognised.

1.4 Intangible assets

An intangible asset is recognised when:
- it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity; and
- the cost of the asset can be measured reliably.

Intangible assets are initially recognised at cost. Intangible assets acquired separately are measured on initial recognition at cost and following initial recognition, intangible assets are carried at cost less accumulated amortisation and any accumulated impairment. Internally generated intangible assets, excluding capitalised development, are not capitalised and expenditure is reflected in profit or loss as incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:
- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The residual value, useful life and the amortisation method for intangible assets are reviewed every period-end. If expectation differ from previous estimates, the change is accounted for as a change in estimate.

1.4 Intangible assets (continued)

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Gains and losses arising from derecognition of an intangible assets are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss on derecognition.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Useful life
Intellectual property rights purchased (Covarex)	Indefinite

1.5 Financial instruments

Classification

The company classifies financial assets and financial liabilities into the following categories:

- Loans and receivables
- Financial liabilities measured at amortised cost

Classification depends on the purpose for which the financial instruments were obtained / incurred and takes place at initial recognition.

Initial recognition and measurement

Financial instruments are recognised initially when the company becomes a party to the contractual provisions of the instruments.

The company classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial instruments are measured initially at fair value.

For financial instruments which are not at fair value through profit or loss, transaction costs are included in the initial measurement of the instrument.

Transaction costs on financial instruments at fair value through profit or loss are recognised in profit or loss.

Subsequent measurement

Loans and receivables are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Financial liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest method.

For all financial instruments carried at amortised cost where the impact of discounting is not considered to be material, these instruments are not discounted as their original fair values adjusted for transaction costs approximate their amortised cost values.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the company has transferred substantially all risks and rewards of ownership.

Financial liabilities are derecognised when the obligation is discharged, cancelled or expires.

1.5 Financial instruments (continued)

Impairment of financial assets

At each reporting date the company assesses all financial assets, other than those at fair value through profit or loss, to determine whether there is objective evidence that a financial asset or group of financial assets has been impaired.

For amounts due to the company, significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default of payments are all considered indicators of impairment.

Impairment losses are recognised in profit or loss.

Impairment losses are reversed when an increase in the financial asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the financial asset at the date that the impairment is reversed shall not exceed what the carrying amount would have been had the impairment not been recognised.

Reversals of impairment losses are recognised in profit or loss.

Where financial assets are impaired through use of an allowance account, the amount of the loss is recognised in profit or loss within operating expenses. When such assets are written off, the write off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses.

Loan from shareholder

The loan is classified as financial liabilities measured at amortised cost.

Trade and other receivables

Trade and other receivables are classified as loans and receivables.

Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in profit or loss within operating expenses. When a trade receivable is uncollectable, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in profit or loss.

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method.

Trade and other payables

Trade and other payables are measured at initial recognition at fair value and are subsequently measured at amortised cost using the effective interest rate method.

Trade and other payables are classified as financial liabilities at amortised cost.

1.5 Financial instruments (continued)

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially recorded at fair value and subsequently at amortised cost. These financial assets are classified as loans and receivables.

1.6 Tax

Current tax assets and liabilities

Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

Current tax liabilities (assets) for the current and prior periods are measured at the amount expected to be paid to (recovered from) the tax authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

A deferred tax asset is recognised 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 utilised. A deferred tax asset is not recognised when it arises from the initial recognition of an asset or liability in a transaction at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A deferred tax asset is recognised for the carry forward of unused tax losses and/or unutilised capital allowances to the extent that it is probable that future taxable profit will be available against which the unused tax losses and/or unutilised capital allowances can be utilised. Deferred tax assets are reviewed at each reporting date and are adjusted if recovery is no longer probable.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Tax expenses

Current and deferred taxes are recognised as income or an expense and included in profit or loss for the period, except to the extent that the tax arises from:

- a transaction or event which is recognised, in the same or a different period, in other comprehensive income, or
- a business combination.

Current tax and deferred taxes are charged or credited other comprehensive income if the tax relates to items that are credited or charged, in the same or a different period, other comprehensive income.

Current tax and deferred taxes are charged or credited directly to equity if the tax relates to items that are credited or charged, in the same or a different period, directly in equity.

1.7 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Operating leases – lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease liability. This liability is not discounted.

Any contingent rents are expensed in the period they are incurred.

1.8 Inventories

Inventories are measured at the lower of cost and net realisable value on the weighted average cost formula.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

When inventories are sold, the carrying amount of those inventories are recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.9 Impairment of non-financial assets

The company assesses at each end of the reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the company estimates the recoverable amount of the asset.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable amount of an asset is less than its carrying amount, the asset is considered impaired and the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in profit or loss.

An impairment loss is recognised for cash-generating units if the recoverable amount of the unit is less than the carrying amount of the units. The impairment loss is allocated to reduce the carrying amount of the assets of the unit in the following order:

- first, to reduce the carrying amount of any goodwill allocated to the cash-generating unit and
- then, to the other assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

An entity assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets other than goodwill may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

1.9 Impairment of non-financial assets (continued)

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation other than goodwill is recognised immediately in profit or loss.

1.10 Share capital and equity

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

Ordinary shares are classified as equity.

Loans from the parent company which are repayable at the discretion of the subsidiary are classified as equity.

1.11 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those that are expected to be settled wholly before 12 months after the end of the annual reporting period in which the service is rendered, such as sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

Post-employment defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as the related service is rendered.

1.12 Revenue

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the company has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the company; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue is measured at the fair value of the consideration received or receivable and represents the amounts receivable for goods and services provided in the normal course of business, net of trade discounts and volume rebates, and value added tax.

Revenue comprises sales to customers and is stated at the invoice amount and is exclusive of value added taxation.

Interest is recognised, in profit or loss, using the effective interest rate method.

1.13 Cost of sales

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.14 Translation of foreign currencies

Foreign currency transactions

A foreign currency transaction is recorded, on initial recognition in Rands, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

At the end of the reporting period:
- foreign currency monetary items are translated using the closing rate;
- non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction; and
- non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous annual financial statements are recognised in profit or loss in the period in which they arise.

When a gain or loss on a non-monetary item is recognised other comprehensive income and accumulated in equity, any exchange component of that gain or loss is recognised other comprehensive income and accumulated in equity. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

Cash flows arising from transactions in a foreign currency are recorded in Rands by applying to the foreign currency amount the exchange rate between the Rand and the foreign currency at the date of the cash flow.

1.15 Related parties

A related party is related to an entity if any of the following situations apply to it:
- Individual control - The party is controlled or significantly influenced by a member of key management personnel a person who controls the entity.
- Key management - The party is a member of an entity's or it's parent's key management personnel.

2. New Standards and Interpretations

2.1 Standards and interpretations effective and adopted in the current year

There were no new standards nor amendments to standards and interpretations applicable for the first time during the year under review which had a material impact on the financial statements.

2.2 Standards and interpretations not yet effective

The company has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the company's accounting periods beginning on or after 01 April 2018 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• IFRS 16 Leases	01 January 2019	Impact is currently being assessed
• IFRS 9 Financial Instruments	01 January 2018	Impact is currently being assessed
• IFRS 15 Revenue from Contracts with Customers	01 January 2018	Impact is currently being assessed
• Amendments to IFRS 15: Clarifications to IFRS 15 Revenue from Contracts with Customers	01 January 2018	Impact is currently being assessed

3. Property, plant and equipment

	2018			2017		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Furniture and fixtures	642,576	(572,310)	70,266	635,188	(518,997)	116,191
Office equipment	581,228	(400,550)	180,678	510,344	(341,666)	168,678
Computer software	134,843	(119,740)	15,103	134,843	(114,973)	19,870
Total	**1,358,647**	**(1,092,600)**	**266,047**	**1,280,375**	**(975,636)**	**304,739**

Reconciliation of property, plant and equipment - 2018

	Opening balance	Additions	Depreciation	Total
Furniture and fixtures	116,191	7,388	(53,313)	70,266
Office equipment	168,678	70,885	(58,885)	180,678
Computer software	19,870	-	(4,767)	15,103
	304,739	**78,273**	**(116,965)**	**266,047**

Reconciliation of property, plant and equipment - 2017

	Opening balance	Additions	Disposals	Depreciation	Total
Furniture and fixtures	93,593	65,755	-	(43,157)	116,191
Office equipment	96,775	101,447	(12)	(29,532)	168,678
Computer software	884	23,836	-	(4,850)	19,870
	191,252	**191,038**	**(12)**	**(77,539)**	**304,739**

Figures in Rand	2018	2017

4. Intangible assets

	2018			2017		
	Cost	Accumulated amortisation	Carrying value	Cost	Accumulated amortisation	Carrying value
Product development cost (Mometasone)	-	-	-	620,000	-	620,000
Intellectual property rights purchased (Covarex)	8,500,000	-	8,500,000	8,500,000	-	8,500,000
Total	**8,500,000**	**-**	**8,500,000**	**9,120,000**	**-**	**9,120,000**

Reconciliation of intangible assets - 2018

	Opening balance	Disposals	Total
Product development cost (Mometasone)	620,000	(620,000)	-
Intellectual property rights purchased (Covarex)	8,500,000	-	8,500,000
	9,120,000	**(620,000)**	**8,500,000**

Reconciliation of intangible assets - 2017

	Opening balance	Total
Product development cost (Mometasone)	620,000	620,000
Intellectual property rights purchased (Covarex)	8,500,000	8,500,000
	9,120,000	**9,120,000**

Impairment testing for indefinite useful life intangible assets

The useful life of the product development cost (Covarex) is considered indefinite. It is not bound by any expiry period as there is no foreseeable limit to the period over which the asset is expected to generate net cash flows for the company.

An impairment assessment is performed on indefinite useful life intangible assets annually, or more frequently if there are indicators that the balance might be impaired. Finite useful life intangible assets are reviewed annually, but only assessed for impairment when there are indicators that the balance might be impaired. Impairment testing is performed by comparing the recoverable amount to the carrying value of the intangible asset.

The recoverable amounts of the intangible assets are determined as the higher of value-in-use and fair value less costs to sell.

Figures in Rand	2018	2017

4. Intangible assets (continued)

Value in use:

Key assumptions relating to this valuation include the discount rate and cash flows used to determine the value-in-use. Future cash flows are estimated based on the most recent budgets and forecasts approved by management. The estimated future cash flows and discount rates used are pre-tax based on assessment of the current risks applicable to the specific asset and/or entity and country in which it operates or the product is sold.

Management determines the expected performance of the assets based on the following:

- an assessment of products in questions against existing market conditions taking into account past performance.

Key assumptions on the impairment test for indefinite useful life assets were as follow:

Product	Carrying value	Period covered by forecast	Average growth in turnover	Pre-tax discount rate applied to cash flows (% per annum)
Covarex	8,500,000	7 years	10%	10%

Cash flows were projected based on actual operating results and forecasts as listed above.

A sensitivity analysis has been performed adjusting the growth rate by 1%. This analysis did not result in any material impact on the valuation of the product development cost (Covarex).

5. Deferred tax

The deferred tax assets and the deferred tax liability relate to income tax in the same jurisdiction, and the law allows net settlement. Therefore, they have been offset in the statement of financial position as follows:

	2018	2017
Deferred tax asset	25,504,419	25,094,248

Analysis of deferred tax asset / (liability)

	2018	2017
Temporary difference on tax loss available for set off against future taxable income	24,177,096	24,932,443
Temporary difference on provision for leave pay	195,749	212,626
Temporary difference on discounting of trade receivables	-	803
Temporary difference on discounting of payables	-	(51,624)
Temporary difference on accruals	64,759	-
Temporary difference on non-deductible provisions	1,066,815	-
	25,504,419	**25,094,248**

Recognition of deferred tax asset

The deferred tax asset originating from the provision on deferred tax on the estimated taxable loss from the current and previous financial years. The entity is expecting to utilise the assessed loss in the near future against taxable profits.

Figures in Rand	2018	2017

6. Inventories

Raw materials, components	1,612,678	1,353,817
Work in progress	3,099,825	813,188
Finished goods	8,911,544	13,304,078
Packaging material	1,705,189	1,573,190
	15,329,236	**17,044,273**

7. Trade and other receivables

Trade receivables	31,518,707	23,312,884
Prepayments	133,515	6,000
Deposits	239,701	239,701
	31,891,923	**23,558,585**

Credit quality of trade and other receivables

Trade and other receivables that are neither past due nor impaired are considered to be of good credit quality and no significant default in payment is expected. This assessment is based on the fact that the vast majority of these debtors are established large enterprises and there is no pattern of default by these customers.

Trade and other receivables past due but not impaired

Trade and other receivables which are less than 3 months past due are not considered to be impaired. At 31 March 2018, R 16,120,558 (2017: 9,420,266) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

1 month past due	3,923,416	6,912,604
2 months past due	7,373,240	2,277,169
3 months past due	4,823,902	230,693

Currencies

The carrying amount of trade and other receivables are denominated in the following currencies:

Rand	31,545,847	23,319,824
US Dollar	346,076	238,761

8. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	15,968,993	13,603,057

All the company's bank balances are denominated in South African Rand.

Figures in Rand	2018	2017

9. Financial assets by category

The accounting policies for financial instruments have been applied to the line items below:

2018

	Loans and receivables	Total
Trade and other receivables	31,518,707	31,518,707
Cash and cash equivalents	15,968,993	15,968,993
	47,487,700	**47,487,700**

2017

	Loans and receivables	Total
Trade and other receivables	23,312,884	23,312,884
Cash and cash equivalents	13,603,057	13,603,057
	36,915,941	**36,915,941**

10. Share capital

	2018	2017
Authorised		
1,000 Ordinary shares of R1 each	1,000	1,000
Issued		
500 Ordinary shares of R1 each	500	500
Share premium	4,799,900	4,799,900
	4,800,400	**4,800,400**

11. Loan from parent

	2018	2017
Glenmark South Africa Proprietary Limited	94,500,000	94,500,000

The loan is unsecured, bears no interest and is repayable at the discretion of the subsidiary. The loan was reclassified to equity during the year as the loan was previously repayable on demand of the parent once the company was restored to solvency but is now repayable at the discretion of the subsidiary.

12. Trade and other payables

	2018	2017
Trade payables	63,969,494	53,535,123
Value added tax	562,948	68,275
Payroll liabilities	554,761	574,142
Accrued expenses	5,419,670	5,893,200
	70,506,873	**60,070,740**

The carrying amounts of trade and other payables are denominated in the following currencies:

	2018	2017
Rand	15,786,307	9,530,021
US Dollar	54,706,377	50,540,720
Namibian Dollar	14,189	-

Figures in Rand	2018	2017

13. Financial liabilities by category

The accounting policies for financial instruments have been applied to the line items below:

2018

	Financial liabilities at amortised cost	Total
Trade and other payables	69,389,164	69,389,164

2017

	Financial liabilities at amortised cost	Total
Loan from parent	94,500,000	94,500,000
Trade and other payables	59,428,323	59,428,323
	153,928,323	**153,928,323**

14. Revenue

	2018	2017
Sale of goods	204,404,284	173,095,811

15. Cost of sales

	2018	2017
Cost of goods sold	52,165,106	54,784,652
Freight charges	7,693,837	8,100,215
Expired products	2,648,139	1,554,156
	62,507,082	**64,439,023**

16. Other operating gains (losses)

	2018	2017
Gains (losses) on disposals, scrappings and settlements		
Property, plant and equipment	-	5,136
Intangible assets (Mometasone)	(620,000)	-
	(620,000)	**5,136**
Foreign exchange gains (losses)		
Net foreign exchange gains	5,926,202	3,550,851
Total other operating gains (losses)	**5,306,202**	**5,136**

17. Operating profit (loss)

Operating loss for the year is stated after charging (crediting) the following, amongst others:

	2018	2017
Auditor's remuneration - external		
Audit fees	307,130	297,950
Tax and secretarial services	5,750	-
	312,880	**297,950**

Figures in Rand	2018	2017

17. Operating profit (loss) (continued)

Remuneration, other than to employees

Consulting and professional services	7,560,720	6,627,233

Employee costs

Salaries, wages, bonuses and other benefits	19,837,959	19,813,946
Short term benefits	152,358	250,768
Total employee costs	**19,990,317**	**20,064,714**

Leases

Rentals on operating leases

Premises	657,320	864,055

Refer to note 21 commitments for additional details of operating leases.

Depreciation and amortisation

Depreciation of property, plant and equipment	116,965	77,539

Other

Advertising	9,860,497	13,745,268
Distribution cost	97,623,815	68,726,588
Promotions	5,217,099	1,370,076

Expenses by nature

The total selling and distribution expenses, marketing expenses, general and administrative expenses, maintenance expenses and other operating expenses are analysed by nature as follows:

Sales promotion expenses	121,677,944	90,673,344
Telephone expenses	245,289	211,237
Travelling expenses	1,960,997	2,045,265
Repairs & Maintenance	84,958	937,753
Electricity charges	75,987	85,807
Other operating expenses	5,588,378	5,432,051

18. Investment income

Interest income

Bank	247,326	143,810

Figures in Rand	2018	2017

19. Taxation

Major components of the tax income

Deferred		
Originating and reversing temporary differences	(410,170)	(2,460,821)

Reconciliation of the tax expense

Reconciliation between accounting profit and tax expense.

Accounting loss	(2,110,587)	(7,588,651)
Tax at the applicable tax rate of 28% (2017: 28%)	(590,964)	(2,124,822)
Tax effect of adjustments on taxable income		
Non-deductible expenses	4,962	5,282
Loss on disposal of intangible asset not deductible	173,600	-
Prior period error in deferred tax	2,232	(341,280)
	(410,170)	**(2,460,820)**

No provision has been made for 2018 tax as the company has no taxable income. The estimated tax loss available for set off against future taxable income is R (86,368,869) (2017: R 89,051,368).

20. Cash generated from/(used in) operations

Loss before taxation	(2,110,587)	(7,588,651)
Adjustments for:		
Depreciation and amortisation	116,965	77,539
Losses (gains) on disposals, scrappings and settlements of assets and liabilities	620,000	(5,136)
(Gains) losses on foreign exchange	(2,767,910)	(4,248,925)
Interest income	(247,326)	(143,810)
Changes in working capital:		
Inventories	1,715,037	(2,264,945)
Trade and other receivables	(8,333,338)	(9,025,504)
Trade and other payables	13,204,042	20,922,460
	2,196,883	**(2,276,972)**

21. Commitments

Operating leases – as lessee (expense)

Minimum lease payments due		
- within one year	729,156	663,373
- in second to fifth year inclusive	2,261,713	2,961,841
	2,990,869	**3,625,214**

Operating lease payments represent rentals payable by the company for its office property and office equipment. Leases are negotiated for an average term of 5 years and escalates at an average rate of 10%. No contingent rent is payable.

Figures in Rand	2018	2017

22. Related parties

Relationships	
Ultimate holding company	Glenmark Pharmaceuticals Limited
Holding company	Glenmark South Africa Proprietary Limited
Fellow subsidiaries	Glenmark Pharmaceuticals Kenya Proprietary Limited
	Glenmark Farmaceutica Ltda, Brazil
Members of key management	MN Vanjari
	TM Desai

Related party balances

	2018	2017
Loan accounts - Owing (to) by related parties		
Glenmark South Africa Proprietary Limited	(94,500,000)	(94,500,000)

Refer to note 11 for terms and conditions.

	2018	2017
Amounts included in Trade receivable (Trade Payable) regarding related parties		
Glenmark Pharmaceuticals Kenya Proprietary Limited	346,076	238,761
Glenmark Pharmaceuticals Limited	(52,519,904)	(50,013,982)
Glenmark Farmaceutica Ltda, Brazil	(2,129,305)	(411,826)

Amounts included in trade receivables and trade payables are unsecured and have no fixed payment terms.

Related party transactions

	2018	2017
Purchases from (sales to) related parties		
Glenmark Pharmaceuticals Kenya Proprietary Limited	(452,041)	(321,560)
Glenmark Pharmaceuticals Limited	27,867,178	40,337,261
Glenmark Farmaceutica Ltda, Brazil.	4,399,812	2,053,853

23. Directors' and prescribed officer's emoluments

Prescribed officers

2018

	Remuneration	Total
For services rendered	5,294,576	5,294,576

2017

	Remuneration	Total
For services rendered	4,649,463	4,649,463

Prescribed officers are involved in the strategic and operational processes of the company.

No emoluments were paid to the directors during the year from the company.

Figures in Rand	2018	2017

24. Retirement benefits

Defined contribution plan

It is the policy of the company to provide retirement benefits to all its employees. A number of defined contribution provident funds, all of which are subject to the Pensions Fund Act exist for this purpose.

The company is under no obligation to cover any unfunded benefits.

	2018	2017
The total group contribution to such schemes	657,693	700,284

25. Comparative figures

Certain comparative figures have been reclassified to provide a more accurate reflection of their nature.

The effects of the reclassification are as follows:

	2018	2017
Profit or Loss		
Cost of sales	-	11,531,977
Operating expenses	-	(7,981,126)
Other operating gains	-	(3,550,851)

26. Risk management

Capital risk management

The company's objectives when managing capital are to safeguard the company's ability to continue as a going concern in order to provide returns for shareholder and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the company consists of debt, which includes the borrowings disclosed in note 11, cash and cash equivalents disclosed in note 8, and equity as disclosed in the statement of financial position.

In order to maintain or adjust the capital structure, the company may adjust the amount of dividends paid to shareholder, return capital to shareholder, issue new shares or sell assets to reduce debt.

There are no externally imposed capital requirements.

There have been no changes to what the entity manages as capital, the strategy for capital maintenance or externally imposed capital requirements from the previous year.

Financial risk management

The company's activities expose it to a variety of financial risks: credit risk, foreign currency risk and liquidity risk.

The company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the company's financial performance.

There have been no changes to the company's overall risks or financial management objectives, policies and processes from the previous period.

Figures in Rand	2018	2017

26. Risk management (continued)

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions.

The company's risk to liquidity is a result of the obligations associated with financial liabilities and funds available to cover those obligations. The company manages liquidity risk through an ongoing review of future commitments and credit facilities.

Cash flow forecasts are prepared and adequately utilised borrowing facilities are monitored.

The table below analyses the company's financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

At 31 March 2018	Less than 1 year
Trade and other payables	69,943,925

At 31 March 2017	Less than 1 year	Between 2 and 5 years
Loan from parent	-	94,500,000
Trade and other payables	60,002,466	-

Credit risk

Credit risk consists mainly of cash deposits, loan receivables, cash equivalents, and trade debtors. The company only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards.

Financial assets exposed to credit risk at year end were as follows:

Financial instrument	2018	2017
Trade and other receivables	31,518,707	23,312,884
Cash and cash equivalents	15,968,993	13,603,057

Foreign exchange risk

The company operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

The company does not hedge foreign exchange fluctuations.

Exchange rates used for conversion of foreign items were:

USD	11.825	13.42

The company reviews its foreign currency exposure, including commitments on an ongoing basis.

Figures in Rand	2018	2017

27. Going concern

We draw attention to the fact that at 31 March 2018, the company had accumulated losses of R (72,346,655) and that the company's total liabilities exceed its assets by R 26,953,745.

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the company to continue as a going concern is dependent on a number of factors. The most significant of these is that the directors continue to procure funding for the ongoing operations for the company and that the letter of support from Glenmark Pharmaceuticals Limited will remain in force for so long as it takes to restore the solvency of the company.

Detailed Income Statement

Figures in Rand	Notes	2018	2017
Other operating expenses			
Advertising		14,087,555	13,864,357
Audit fees	17	312,880	297,950
Bank charges		56,967	67,749
Commission paid		507,977	1,650,560
Computer expenses		61,028	100,714
Consulting and professional fees - other		660,711	552,099
Consumables		73,013	44,013
Depreciation		116,965	77,539
Distribution costs		97,623,815	68,726,588
Donations		17,720	14,900
Drug registration fee		1,822,985	1,085,193
Employee costs		19,990,317	20,064,714
Insurance		177,534	197,136
Lease rentals on operating lease		657,320	864,055
Legal expenses		10,000	18,866
Origination and agency cost		662,724	488,811
Petrol and oil		744,133	615,368
Postage		12,059	9,650
Printing and stationery		151,943	117,538
Professional fees		6,890,009	6,056,268
Promotions		2,369,716	1,370,076
Repairs and maintenance		84,958	998,765
Royalties and license fees		386,001	312,472
Security		5,434	35,912
Staff welfare		11,000	96,400
Subscriptions		10,529	114,459
Telephone and fax		245,289	424,990
Training		106,202	37,177
Transport and freight		238,404	191,460
Travel - local		937,893	1,216,144
Travel - overseas		414,161	-
Utilities		114,075	233,313
		149,561,317	**119,945,236**

The supplementary information presented does not form part of the annual financial statements and is unaudited