INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF GLENMARK PHARMACEUTICALS (MALAYSIA) 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 2019, 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 2019, 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.

Suite 12B-22, Level 12B, Wisma Zelan, No 1 Jalan Tasik Permaisuri 2, Bandar Tun Razak, Cheras, 56000 Kuala Lumpur.

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

(Incorporated in Malaysia)
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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
2898/03/21 (J)
Chartered Accountant

Dated : 23 APR 2019

Kuala Lumpur

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

Statement of financial position as at 31 March 2019

	Note	2019 RM	2018 RM
Non current assets			
Plant and equipment	6	623,763	277,799
Current assets			
Trade and other receivables	7	25,583,616	27,792,353
Deposits and prepayments	8	109,684	46,674
Current tax assets		168,405	19,010
Cash and cash equivalents	9	6,545,607	7,284,199
Total current assets		32,407,312	35,142,236
Total assets		33,031,075	35,420,035
EQUITY AND LIABILITIES			
Equity			
Contributed share capital	10	5,686,618	5,686,618
Retained earnings	11	3,285,196	4,833,924
Total equity		8,971,814	10,520,542
Non current liabilities			
Deferred tax liabilities	12	15,592	530,577
Current liabilities			
Trade and other payables	13	24,043,669	24,368,916
Total liabilities		24,059,261	24,899,493
Total equity and liabilities		33,031,075	35,420,035

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 2019

	Note	2019 RM	2018 RM
Revenue	14	55,656,370	49,129,962
Other operating income		685,807	2,677,989
Changes in inventories of trading goods		-	(821,642)
Purchase of trading goods		(22,413,490)	(18,929,662)
Employee benefits expenses	15	(4,901,580)	(4,897,400)
Depreciation		(136,951)	(90,665)
Other operating expenses		(30,862,994)	(21,539,786)
(Loss)/Profit before tax	16	(1,972,838)	5,528,796
Tax expense	17	424,110	(1,152,905)
(Loss)/Profit for the year		(1,548,728)	4,375,891
Retained earnings brought forward		4,833,924	458,033
Retained earnings carried forward		3,285,196	4,833,924

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 2019

	2019	2018
Cash flows from operating activities	RM	RM
(Loss)/Profit before tax	(1,972,838)	5,528,796
Adjustments for :-		
Depreciation of plant and equipment	136,951	90,665
Previous year unrealised gain/(loss) written back	2,168,170	(509,819)
Unrealised loss on exchange	19,960	-
Unrealised gain on exchange	(4,219)	(2,168,170)
Operating profit before working capital changes	348,024	2,941,472
Inventories	-	821,642
Receivables	2,207,028	(2,295,686)
Amount due to holding company	(2,421,830)	(1,921,892)
Payables	(148,629)	(1,110,672)
Cash outflow from operations	(15,407)	(1,565,136)
Tax paid	(248,028)	-
Tax penalty	7,758	-
Net cash outflow from operating activities	(255,677)	(1,565,136)
Cash flows used in investing activities		
Purchase of plant and equipment	(482,915)	(26,324)
Cash flows from financing activities	-	-
Net decrease in cash and cash equivalents	(738,592)	(1,591,460)
Cash and cash equivalents at beginning of year	7,284,199	8,875,659
Cash and cash equivalents at end of year (Note 9)	6,545,607	7,284,199

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

**Notes to the financial statements
for the year ended 31 March 2019**

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 D-31-02, Menara Suezcap 1, No. 2, Jalan Kerinchi, 59200, 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 23 April 2019.

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.

4.2 Inventories

Inventories are measured at the lower of 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. Significant accounting policies (contd.)

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.

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. Significant accounting policies (contd.)

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.

(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. Significant accounting policies (contd.)

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.

(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).

4. Significant accounting policies (contd.)

4.6 Financial instruments (contd.)

(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 reflects 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.

4.10 Cash and cash equivalents

Cash and cash equivalents consists of cash on hand, balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in fair value with original maturities of three months or less, and are used by the Company in the management of their short-term commitments. For the purpose of the statement of cash flows, cash and equivalents are presented net of bank overdrafts and pledged deposits.

4. Significant accounting policies (contd.)

4.11 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 counter-party (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.

4.12 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

	Motor vehicles	*Computer equipment*	*Office equipment*	*Furniture & fixtures*	*Total*
Gross carrying amount	*RM*	*RM*	*RM*	*RM*	*RM*
At beginning of year	325,927	164,085	29,282	155,219	674,513
Additions	-	14,505	32,188	436,222	482,915
At end of year	325,927	178,590	61,470	591,441	1,157,428
Accumulated depreciation					
At beginning of year	103,209	120,306	22,168	151,031	396,714
Charge for the year	65,186	15,992	5,049	50,724	136,951
At end of year	168,395	136,298	27,217	201,755	533,665
Net book value					
At 31 March 2019	157,532	42,292	34,253	389,686	623,763
At 31 March 2018	222,718	43,779	7,114	4,188	277,799

7. Trade and other receivables

	2019	*2018*
	RM	*RM*
Trade receivables		
- Third parties	25,443,582	27,406,762
Other receivables		
- Third parties	140,034	385,591
	25,583,616	27,792,353

8. Deposits and prepayments

	2019 RM	2018 RM
Deposits	87,420	28,800
Prepayments	22,264	17,874
	109,684	46,674

9. Cash and cash equivalents

The components of cash and cash equivalents consist of:-

	2019 RM	2018 RM
Cash and bank balances	6,545,607	7,284,199

10. Contributed share capital

	Number of shares		*Amount*	
	2019	*2018*	*2019 RM*	*2018 RM*
Ordinary shares issued and fully paid				
At beginning/ end of year	5,686,618	5,686,618	5,686,618	5,686,618

11. 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.

12. Deferred tax liabilities

	2019 RM	2018 RM
Plant and equipment	(19,372)	(10,317)
Provisions	3,780	(520,260)
Net deferred tax liabilities	(15,592)	(530,577)

12. Deferred tax liabilities (contd.)

Movement in temporary differences during the year :-

	At 1 April 2018 *RM*	*Recognised in profit or loss (Note 17)* *RM*	*At 31 March 2019* *RM*
Plant and equipment	(10,317)	(9,055)	(19,372)
Provisions	(520,260)	524,040	3,780
	(530,577)	514,985	(15,592)

13. Trade and other payables

	2019 *RM*	*2018* *RM*
Trade payables		
- Holding company	23,876,334	24,052,819
- Related company	-	128,256
Accruals	167,335	137,841
Provisions	-	50,000
	24,043,669	24,368,916

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

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

14. Revenue

Sale of pharmaceutical products	55,656,370	49,129,962

15. Employee benefits expenses

	2019 RM	2018 RM
Staffs' remuneration		
- Salaries, bonus, allowances and incentives	4,372,695	4,430,325
- Defined contribution plan expenses	528,885	467,075
	4,901,580	4,897,400

16. (Loss)/ Profit before tax

(Loss) / Profit before tax is stated:-

	2019 RM	2018 RM
After charging :-		
Audit fee		
- Statutory	15,000	15,000
- Non statutory	14,052	-
Drugs registration fees and expenses	10,198	133,686
Expired stocks written off	3,302,632	2,481,565
Loss on foreign exchange		
- Realised	186,662	-
- Unrealised	19,960	-
Promotion expenses	22,152,552	16,027,516
Rental of premises	175,272	88,584
Trademark application expenses	121,819	37,259
Unrealised gain on exchange written back	2,168,170	-
and crediting:-		
Gain on foreign exchange		
- Realised	681,588	-
- Unrealised	4,219	2,168,170
Unrealised loss on exchange written back	-	509,819

17. Tax expense

	2019	*2018*
	RM	*RM*
Malaysian income tax		
- Current year	93,870	475,068
- Previous year	(2,995)	(137,354)
	90,875	337,714
Deferred taxation (Note 12)		
- Current year	(514,985)	815,191
- Previous year	-	-
	(424,110)	1,152,905

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

(Loss) /Profit from ordinary activities before tax	(1,972,838)	5,528,796
Tax at the statutory income tax rate of 24% (2018 - 24%)	(473,481)	1,326,911
Tax effects of non-deductible expenses	52,366	28,231
Income tax - previous year	(2,995)	(137,354)
Tax savings as a result of reduced tax rate	-	(64,883)
Tax expense	(424,110)	1,152,905

18. Related party disclosures

18.1 Identities of related parties

Parties are considered to be related to the Company if the Company has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Company and the party are subject to common control or common significant influence. Related parties may be individuals or other parties.

The Company has controlling related party relationship with its immediate holding company, ultimate holding company and other companies in the Group.

18. Related party disclosures (contd.)

18.2 Key management personnel compensation

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the entity, directly and indirectly, including any Director of the Company.

There was no compensation paid to key management personnel.

18.3 Related party transactions

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

	2019	*2018*
	RM	*RM*
Purchases of trading goods		
Holding Company	22,258,064	18,808,675
Related Company	160,782	120,987

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

The balance unpaid at the end of the year amounts to RM23,876,334 (2018 - RM24,181,095) which is accumulated in the related party current payables. No interest is charged for such current payables and the amount is repayable on demand.

19. Non-cancellable operating lease

Future minimum lease payments :-		
- Not later than 1 year	264,960	39,910
- Later than 1 year and not later than 5 years	356,530	10,250
Total lease commitments payable	621,490	50,160
Total lease payments recognised as an expense	178,522	90,334

20. Categories of financial instruments

	2019 RM	2018 RM
Financial assets		
Financial assets measured at amortised cost		
Trade and other receivables and deposits, excluding prepayments	25,671,036	27,821,153
Cash and cash equivalents	6,545,607	7,284,199
	32,216,643	35,105,352
Financial liabilities		
Financial liabilities measured at amortised cost		
Trade and other payables	24,043,669	24,368,916

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

Management income statement for the year ended 31 March 2019

		2019	2018
		RM	RM
Revenue		55,656,370	49,129,962
Less: Cost of sales			
Opening inventories		-	821,642
Purchases		22,413,490	18,929,662
Closing inventories		-	-
		22,413,490	19,751,304
Gross profit		33,242,880	29,378,658
Other operating income			
Gain on exchange			
- Realised		681,588	-
- Unrealised		4,219	2,168,170
Unrealised loss on exchange written back		-	509,819
		685,807	2,677,989
Employee benefits expenses	*Appendix I-I*	(4,901,580)	(4,897,400)
Depreciation	*Appendix I-I*	(136,951)	(90,665)
Other operating expenses	*Appendix I-II*	(30,862,994)	(21,539,786)
(Loss)/Profit before taxation		(1,972,838)	5,528,796

This management income statement is prepared from information furnished by the management Glenmark Pharmaceuticals (Malaysia) Sdn. Bhd. and does not form part of the audited financial statements of the Company.

Management schedule of operating expenses for the year ended 31 March 2019

	2019	*2018*
	RM	*RM*
Employee benefits expenses		
Staffs' remuneration		
- Salaries, allowances, bonus and incentives	4,372,695	4,430,325
- Defined contribution plan expenses	528,885	467,075
	4,901,580	4,897,400
Depreciation		
Computer equipment	15,992	21,175
Furniture and fixtures	50,724	1,463
Office equipment	5,049	2,842
Motor vehicles	65,186	65,185
	136,951	90,665
Other operating expenses		
Audit fee		
- Statutory	15,000	15,000
- Non statutory	14,052	-
Bank charges	2,764	4,239
CME expenses	12,208	22,486
Consultancy and professional fees	58,188	64,349
Courier and transportation	176,635	57,207
Custom and duty charges	26,883	-
Drugs registration fee and expenses	10,198	133,686
Electricity expenses	15,022	11,603
Expired stocks written off	3,302,632	2,481,565
GST expenses	-	4,943
Insurance and road tax	5,276	5,477
International and national conferences	281,417	307,675
Loss on exchange		
- Realised	186,662	-
- Unrealised	19,960	-
Balance carried forward	4,126,897	3,108,230

This management income statement is prepared from information furnished by the management Glenmark Pharmaceuticals (Malaysia) Sdn. Bhd. and does not form part of the audited financial statements of the Company.

Management schedule of operating expenses for the year ended 31 March 2019

	2019	*2018*
	RM	*RM*
Other operating expenses (contd.)		
Balance brought forward	4,126,897	3,108,230
Marketing expenses	396,463	765,238
Membership fee	10,000	291
Printing and stationery	22,870	18,080
Promotion expenses	22,152,552	16,027,516
Recruitment expenses	19,844	2,600
Rental of equipment	3,250	1,750
Rental of premises	175,272	88,584
Secretarial fee and expenses	20,617	25,866
Staff welfare	125,498	115,043
Stamp duty	2,098	-
Sundry expenses	1,166	564
Tax penalty	7,758	-
Telephone and fax charges	6,898	7,126
Trademark application expenses	121,819	37,259
Training and development	20,573	7,974
Travelling expenses	1,435,789	1,308,091
Unrealised gain on exchange written back	2,168,170	-
Upkeep of motor vehicles	5,379	-
Upkeep of office equipment and premises	40,081	25,574
	30,862,994	21,539,786

This management schedule of operating expenses is prepared from information furnished by the management of Glenmark Pharmaceuticals (Malaysia) Sdn. Bhd. and does not form part of the audited financial statements of the Company.