

**Glenmark Pharmaceuticals
FZE**

Dubai, United Arab Emirates.

Auditor's Report and Financial Statements

For the year ended March 31, 2020



Axis Line International

Auditors & Accountants

Phone: +97143433074, Fax: +97143433079
Web: www.axisline.ae , support@axisline.ae

INDEPENDENT AUDITOR'S REPORT

**M/s. Glenmark Pharmaceuticals FZE
Dubai-United Arab Emirates**

Report on the audit of the financial statements:

Opinion:

We have audited the financial statements of M/s. Glenmark Pharmaceuticals FZE, Dubai - United Arab Emirates ("the Entity"), which comprise the statement of financial position as at March 31, 2020, the statement of other comprehensive income, statement of changes in shareholder's equity, statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at March 31, 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

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 Entity in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the other ethical requirements that are relevant to our audit of the Entity's financial statements in the United Arab Emirates, and we have fulfilled our other ethical responsibilities requirements in accordance with these requirements and IESBA code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the management 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 compliance with the applicable provisions of the UAE Federal Law No. (2) of 2015, 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 Entity'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 Entity or to cease operations, or has no realistic alternative but to do so. The Management is responsible for overseeing the Entity's financial reporting process.



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INDEPENDENT AUDITOR'S REPORT (Continued)

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 skepticism 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 risk, 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 the 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 Entity'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 evidenced obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity'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 Entity 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.



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INDEPENDENT AUDITOR'S REPORT (Continued)

Auditor's responsibilities for the audit of the financial statements (Continued):

- Obtain sufficient appropriate audit evidence regarding the financial information of the Entity and business activities within the Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Entity audit. We remain solely responsible for our audit opinion.

We communicate with management 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.

Report on other legal and regulatory requirements

As required by the UAE Federal Law No. (2) of 2015, we report that:

1. We have obtained all the information and explanations we considered necessary for the purposes of our audit;
2. The Entity has maintained proper books of account.
3. According to the information made available to us, we are not aware of any contraventions during the year of the UAE Federal Law No. (2) of 2015 or the Articles of Association of the Entity; which might have a material effect on the financial position of the Entity or on the results of its operations for the year.

Axis Line International Auditors and Accountants

Axis Line International

Ali Mohammed Khalifa Almuwaijei Alshamsi
Registration No. 642
Dubai-United Arab Emirates
May 27, 2020



Glenmark Pharmaceuticals FZE
Dubai, United Arab Emirates.

Statement of Financial Position as at March 31, 2020

	Notes	31-Mar-20 AED	31-Mar-19 AED
ASSETS			
Non-current assets			
Property, plant and equipment	3	67,235	98,567
Total non current assets		67,235	98,567
Current assets:			
Inventories	4	494,726	940,672
Trade receivables	5	2,046,843	2,389,993
Due from related parties	6	12,803,682	10,823,210
Deposits, prepayments and other receivables	7	636,071	588,076
Cash and cash equivalents	8	2,341,591	1,738,386
Total current assets		18,322,913	16,480,337
Total assets		18,390,148	16,578,904
EQUITY AND LIABILITIES			
Equity:			
Share capital	9	1,000,000	1,000,000
Retained earnings/(Accumulated losses)	10	14,948,504	12,924,653
Total equity		15,948,504	13,924,653
Non-current liabilities:			
Total non-current liabilities		-	-
Current liabilities:			
Trade payables	11	650,175	1,328,223
Accruals and other payables	12	1,791,469	1,326,028
Total current liabilities		2,441,644	2,654,251
Total liabilities		2,441,644	2,654,251
Total equity and liabilities		18,390,148	16,578,904

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

These financial statements were approved and authorised for issue on _____ and signed on behalf of the Entity by:

Director
Glenmark Pharmaceuticals FZE

Director
Glenmark Pharmaceuticals FZE

Glenmark Pharmaceuticals FZE
Dubai, United Arab Emirates.

Statement of Comprehensive Income for the year ended March 31, 2020

	Notes	2019-20 AED	2018-19 AED
Revenue	13	4,717,662	6,234,224
Cost of sales	14	(2,616,589)	(3,806,870)
Gross profit		2,101,073	2,427,354
Other income	15	12,821,605	10,862,431
Administrative, selling and other expenses	16	(12,840,687)	(10,612,481)
Depreciation	3	(37,491)	(11,769)
Profit for the year		2,044,500	2,665,535
<i>Other comprehensive income</i>			
Remeasurement of net defined benefits plans		(20,649)	188,100
Total comprehensive income for the year		2,023,851	2,853,635

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

These financial statements were approved and authorised for issue on _____ and signed on behalf of the Entity by:

Director
Glenmark Pharmaceuticals FZE

Director
Glenmark Pharmaceuticals FZE

Glenmark Pharmaceuticals FZE
Dubai, United Arab Emirates.

Statement of Changes in Shareholder's Equity for the year ended March 31, 2020

	Share capital	Retained earnings / (Accumulated losses)	Total equity
	AED	AED	AED
Balance as at April 01, 2018	1,000,000	10,071,018	11,071,018
Total comprehensive income for the year	-	2,853,635	2,853,635
Balance as at March 31, 2019	1,000,000	12,924,653	13,924,653
Total comprehensive income for the year	-	2,023,851	2,023,851
Balance as at March 31, 2020	1,000,000	14,948,504	15,948,504

Glenmark Pharmaceuticals FZE
Dubai, United Arab Emirates.

Statement of Cash Flows for the year ended March 31, 2020

	2019-20	2018-19
	AED	AED
OPERATING ACTIVITIES:		
Total comprehensive income for the year	2,023,851	2,853,635
Adjustments for:		
Depreciation on property, plant and equipment	37,491	11,769
Cash flows from operating activities before working capital changes	2,061,342	2,865,404
(Increase) / decrease in inventories	445,946	(428,815)
(Increase) / decrease in trade receivables	343,150	1,989,674
(Increase) / decrease in due from related parties	(1,980,472)	(4,043,478)
(Increase) / decrease in deposits, prepayments and other receivables	(47,995)	8,593
Increase / (decrease) in trade payables	(678,048)	331,199
Increase / (decrease) in accruals and other payables	465,441	(162,522)
Net cash from operating activities	609,364	560,055
INVESTING ACTIVITIES:		
Purchase of property, plant and equipment	(6,159)	(97,102)
Net cash (used in) investing activities	(6,159)	(97,102)
FINANCING ACTIVITIES:		
Net cash from/(used in) financing activities	-	-
Net increase in cash and cash equivalents	603,205	462,953
Cash and cash equivalents, beginning of the year	1,738,386	1,275,433
Cash and cash equivalents, end of the year	2,341,591	1,738,386
Cash and cash equivalents		
Cash in hand	77,674	75,400
Cash at banks	2,263,917	1,662,986
	2,341,591	1,738,386

Glenmark Pharmaceuticals FZE

Dubai – United Arab Emirates

Notes to the Financial Statements for the year ended March 31, 2020

1 Legal status and business activity:

- 1.1 **Glenmark Pharmaceuticals FZE, Dubai – United Arab Emirates** (“the Entity”) was incorporated as a Free Zone Establishment (Limited Liability) on November 19, 2008. The Entity operates in the United Arab Emirates under a trade license issued by the Jebel Ali Free Zone Authority, the Government of Dubai.
- 1.2 The main activity of the Entity as per trade license is trading in medical herbs, health food, baby care requisites, beauty and personal care requisites and medicines.
- 1.3 The registered office of the Entity is located at office No. LB12009, Jebel Ali, Dubai, United Arab Emirates.
- 1.4 These financial statements incorporate the operating results of the Entity with trading license no. 112327 issued by Jebel Ali Free Zone Authority and its branch “Glenmark Pharmaceuticals FZE Rep. Office” with commercial license no. 819029 issued by Department of Economic Development, Dubai-UAE.

2 Summary of significant accounting policies:

Basis of preparation:

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), interpretations issued by International Financial Reporting Interpretations Committee (IFRIC), and applicable requirements of the U.A.E. Law. A summary of the significant accounting policies, which have been applied consistently, are set out below:

a) Accounting convention

These financial statements have been prepared under historical cost convention basis.

b) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and identified impairment loss, if any. The costs comprise of purchase price, levies, duties and any directly attributable costs of bringing the asset to its working condition. The cost of property, plant and equipment is depreciated using the straight-line method over their estimated useful economic lives as follows:

	<u>Years</u>
Furniture and fixtures	3-5
Office equipment	3
Computer & software	3

2 Summary of significant accounting policies (continued):

c) Impairment of assets

Property, plant and equipment are reviewed for impairment, whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognised in the statement of comprehensive income.

d) Revenue recognition

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

- i. The entity has transferred to the buyer the significant risks and rewards of ownership of the goods;
- ii. The entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- iii. The amount of revenue can be measured reliably;
- iv. It is probable that the economic benefit associated with the transaction will flow to the entity; and
- v. The cost incurred or to be incurred in respect of the transaction can be measured reliably.

In respect of revenue relating to rendering of services, when the outcome of the transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to stage of completion of the transaction at the financial statement date. In other cases, the Entity recognises all the expenses as and when incurred, but recognises income only to the extent it is deemed to be recoverable.

2 Summary of significant accounting policies (continued):

e) Financial expenses

Financial expenses are accounted in the statement of comprehensive income in the year in which they are incurred.

f) Provisions

Provisions are recognised when the Entity has a present obligation as a result of a past event, which it is probable, will result in an outflow of economic benefits that can be reasonably estimated.

g) Financial instruments

Financial instruments comprise financial assets and financial liabilities. Financial assets and financial liabilities are recognised on the entity's statement of financial position when the entity has become a party to the contractual provisions of the instrument. A financial asset is any asset that is cash, a contractual right to receive cash or other financial asset, a contractual right to exchange financial instruments under conditions that are potentially favourable or an equity instrument. A financial liability is any liability that is a contractual obligation to deliver cash or another financial asset, or to exchange financial instruments under conditions that are potentially unfavourable.

Trade receivables

Revenue made on credit are included in trade receivables at the statement of financial position date, and reduced by appropriate allowances for estimated doubtful amounts. Bad debts are written off as they arise.

2 Summary of significant accounting policies (continued):

g) Financial instruments (continued)

Trade payables

Trade payables are stated at their nominal value.

h) Foreign currencies

Transactions denominated in foreign currencies are initially recorded at the rates of exchange prevailing on the dates of the transactions. Monetary assets and liabilities denominated in such currencies are translated at the rates prevailing on the financial statement date. Gains and losses arising are included in the statement of comprehensive income. Non-monetary items that are measured in a foreign currency are translated using the exchange rate at the date when the fair value was determined.

i) Inventories

Inventories are stated at the lower of cost and net realisable value using weighted average method. Costs comprise direct materials and, where applicable, direct labour costs and the overheads that have been incurred in bringing the inventories to their present location and condition. Net realisable value represents the estimated selling price less all estimated costs to completion and costs to disposal.

j) Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents comprise cash in hand, balance with bank and deposits with banks, within a maturity date of three months or less from the date of deposit, free of encumbrances.

Glenmark Pharmaceuticals FZE
Dubai, United Arab Emirates.

Notes to the Financial Statements for the year ended March 31, 2020

3 Property, plant and equipment

	Computer & Softwares AED	Furniture & Fixture AED	Office Equipment AED	Total AED
Cost				
As at April 01, 2018	2,000	74,710	84,323	161,033
Additions during the year	-	93,212	3,890	97,102
As at March 31, 2019	2,000	167,922	88,213	258,135
Additions during the year	-	-	6,159	6,159
As at March 31, 2020	2,000	167,922	94,372	264,294
Accumulated depreciation				
As at April 01, 2018	2,000	74,710	71,089	147,799
Charge for the year	-	2,589	9,180	11,769
As at March 31, 2019	2,000	77,299	80,269	159,568
Charge for the year	-	31,071	6,420	37,491
As at March 31, 2020	2,000	108,370	86,689	197,059
Carrying value as at March 31, 2019	-	90,623	7,944	98,567
Carrying value as at March 31, 2020	-	59,552	7,683	67,235

Glenmark Pharmaceuticals FZE
Dubai, United Arab Emirates.

Notes to the Financial Statements for the year ended March 31, 2020

4 Inventories

	31-Mar-20	31-Mar-19
	AED	AED
Inventories	494,726	940,672
	494,726	940,672

5 Trade receivables

	31-Mar-20	31-Mar-19
	AED	AED
Trade debtors	2,046,843	2,389,993
	2,046,843	2,389,993

6 Related party transactions

The Entity enters into transactions with other entities that fall within the definition of a related party as contained in IAS 24, Related party disclosures. Such transactions are in the normal course of business and at terms that correspond to those on normal arms-length transactions (except revenue related transactions) with third parties. Related parties comprise entities under common ownership and/or common management and control; their partners and key management personnel.

The Entity believes that the terms of such transactions are not significantly different from those that could have been obtained from third parties.

Due from related parties

	31-Mar-20	31-Mar-19
	AED	AED
Glenmark Pharmaceuticals Limited.	12,803,682	10,823,210
	12,803,682	10,823,210

Transactions with related parties

The nature of significant related party transactions and the amounts involved were as follows:

	31-Mar-20	31-Mar-19
	AED	AED
Revenue from marketing service fees charged to Glenmark Pharmaceuticals Limited.	12,790,579	10,823,210

Glenmark Pharmaceuticals FZE
Dubai, United Arab Emirates.

Notes to the Financial Statements for the year ended March 31, 2020

7 Deposits, prepayments and other receivables

	31-Mar-20	31-Mar-19
	AED	AED
Prepayments and advances	305,643	281,137
Deposits	281,664	281,664
Duties and taxes	16,671	25,275
Advances to suppliers	32,093	-
	636,071	588,076

8 Cash and cash equivalents

	31-Mar-20	31-Mar-19
	AED	AED
Cash in hand	77,674	75,400
Cash at banks	2,263,917	1,662,986
	2,341,591	1,738,386

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Glenmark Pharmaceuticals FZE
Dubai, United Arab Emirates.

Notes to the Financial Statements for the year ended March 31, 2020

9 Share capital

Authorised, issued and paid up capital of the Entity is AED 1,000,000, constituted by one share of AED 1,000,000 held by Glenmark Pharmaceuticals Limited (a company incorporated in India).

The details of the shareholding as at reporting date are as follows:

Name of Shareholder	Percentage	No of shares	31-Mar-20 AED	31-Mar-19 AED
Glenmark Pharmaceuticals Limited, India	100%	1	1,000,000	1,000,000
	100%	1	1,000,000	1,000,000

10 Retained earnings/(Accumulated losses)

	31-Mar-20 AED	31-Mar-19 AED
Balance at the beginning of the year	12,924,653	10,071,018
Total comprehensive income for the year	2,023,851	2,853,635
Balance at the end of the year	14,948,504	12,924,653

11 Trade payables

	31-Mar-20 AED	31-Mar-19 AED
Trade creditors	650,175	1,328,223
	650,175	1,328,223

12 Accruals and other payables

	31-Mar-20 AED	31-Mar-19 AED
Accruals and other payables	881,482	637,809
Professional fees payables	240,435	482,027
Gratuity	368,940	206,192
Leave encashment	300,612	-
	1,791,469	1,326,028

Amounts required to cover end of service indemnity at the statement of financial position date are computed based on actuarial valuation and pursuant to the applicable Labour Law based on the employees' accumulated period of service and current basic remuneration at the end of reporting period.

13 Revenue	For the year ended	
	31-Mar-20	31-Mar-19
	AED	AED
Sale of goods	4,717,662	6,234,224
	4,717,662	6,234,224

14 Cost of sales	For the year ended	
	31-Mar-20	31-Mar-19
	AED	AED
Inventories at the beginning of the year	940,672	511,857
Purchases during the year (including direct expenses)	2,170,643	4,235,685
Available for sale	3,111,315	4,747,542
Less: Inventories written off	-	-
Less: Inventories at the end of the year	(494,726)	(940,672)
	2,616,589	3,806,870

15 Other income	For the year ended	
	31-Mar-20	31-Mar-19
	AED	AED
Marketing fees	12,790,579	10,823,210
Commission	8,677	39,221
Miscellaneous	22,349	-
	12,821,605	10,862,431

16 Administrative, selling and other expenses	For the year ended	
	31-Mar-20	31-Mar-19
	AED	AED
Salaries and related benefits	3,270,094	3,111,388
Outsourced staff salaries	4,229,066	3,852,957
Rent	213,860	182,016
Communication and utilities	131,095	139,857
Visa expenses	18,281	19,525
Legal and professional fees	604,964	169,259
Travelling and conveyance	537,104	422,282
Commission to agency	957,115	724,055
Marketing expenses	1,865,959	1,289,862
Intellectual property registration	813,681	447,705
Miscellaneous	185,780	246,177
Bank charges	13,688	7,398
	12,840,687	10,612,481

17 Financial instruments:

Financial instruments of the Entity comprises cash in hand, cash at bank, deposits and prepayment and other payables.

Credit Risk:

Financial assets which may potentially expose the Entity to concentration of credit risk comprise principally bank account and deposits and prepayments. The Entity's bank account is placed with high credit quality financial institution.

Deposits and prepayments are stated net of allowance for doubtful recoveries.

Fair values:

At the statement of financial position date, the fair values of the financial assets and liabilities, approximate to their carrying amounts.

18 Contingent liabilities:

Except for the ongoing business obligations which are under normal course of business against which no loss is expected, there has been no known contingent liability on the Entity's account, as of statement of financial position date.

19 Previous year numbers:

The previous year figures have been regrouped or reclassified wherever necessary to make them comparable with current year classifications or disclosures.