

**GLENMARK PHARMACEUTICALS (THAILAND)  
COMPANY LIMITED**

**FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2018**



บริษัท เคพี ออดิท จำกัด


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## Report of the Independent Certified Public Accountants

### To the Shareholders of Glenmark Pharmaceuticals (Thailand) Company Limited

#### Opinion

We have audited the financial statements of Glenmark Pharmaceuticals (Thailand) Company Limited (“the Company”), which comprise the statement of financial position as at March 31, 2018, and the statement of comprehensive income, statement of changes in shareholders' equity and 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 Company as at March 31, 2018, and its financial performance and its cash flows for the year then ended in accordance with Thai Financial Reporting Standards (“TFRS”).

#### Basis for Opinion

We conducted our audit in accordance with Thai Standards on Auditing (“TSAs”). 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 Code of Ethics for Professional Accountants issued by the Federation of Accounting Professions that is relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with TFRS, 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

  
  
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## **Auditor's Responsibilities for the Audit of the Financial Statements**

The objectives of our audit 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 TSAs 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 TSAs, 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 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.

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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.

Kitti W.



(Mr. Kitti Weratananon)

Certified Public Accountant (Thailand) No. 5196

KP Audit Limited

Samutprakan,

April 4, 2018

Glenmark Pharmaceuticals (Thailand) Company Limited

Statement of Financial Position

As at March 31, 2018

		2018	2017
Amounts: Baht			
	<u>Notes</u>		
Assets			
Current assets			
Cash and cash equivalents		2,560,342.28	1,399,611.82
Trade and other receivables	4	<u>2,487,216.87</u>	<u>2,266,819.71</u>
Total current assets		5,047,559.15	3,666,431.53
Non-current assets			
Leasehold improvements and equipment	5	11.00	18,266.19
Security deposits in connection with office rental agreement		22,060.00	22,060.00
Deferred tax asset	6	<u>1,031,704.80</u>	<u>1,271,422.49</u>
Total non-current assets		<u>1,053,775.80</u>	<u>1,311,748.68</u>
Total assets		<u><u>6,101,334.95</u></u>	<u><u>4,978,180.21</u></u>
Liabilities and shareholders' equity			
Current liabilities			
Trade and other payables	7	<u>5,988,741.84</u>	<u>5,422,550.45</u>
Total current liabilities		5,988,741.84	5,422,550.45
Non-current liabilities			
Long-term loan	8	<u>3,611,724.50</u>	<u>3,980,656.00</u>
Total non-current liabilities		<u>3,611,724.50</u>	<u>3,980,656.00</u>
Total liabilities		9,600,466.34	9,403,206.45
Shareholders' equity			
Share capital	9		
Authorised share capital		<u>5,350,000.00</u>	<u>5,350,000.00</u>
Issued and paid-in share capital		5,350,000.00	5,350,000.00
Deficit		<u>(8,849,131.39)</u>	<u>(9,775,026.24)</u>
Total shareholders' equity		<u>(3,499,131.39)</u>	<u>(4,425,026.24)</u>
Total liabilities and shareholders' equity		<u><u>6,101,334.95</u></u>	<u><u>4,978,180.21</u></u>

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

Glenmark Pharmaceuticals (Thailand) Company Limited

Statement of Comprehensive Income

For the year ended March 31, 2018

		Amounts: Baht	
	<u>Notes</u>	<u>2018</u>	<u>2017</u>
<b>Revenues</b>			
Sales		8,268,803.38	5,838,452.90
Other income		<u>944,614.77</u>	<u>215,236.55</u>
Total revenues		9,213,418.15	6,053,689.45
<b>Expenses</b>			
Cost of sales	10	6,934,001.90	5,232,261.78
Administrative expenses	11	<u>848,574.02</u>	<u>830,430.60</u>
Total expenses		<u>7,782,575.92</u>	<u>6,062,692.38</u>
Profit / (loss) before finance cost and tax expense		1,430,842.23	(9,002.93)
Finance cost		<u>265,229.69</u>	<u>282,736.56</u>
Profit / (loss) before tax expense		1,165,612.54	(291,739.49)
Tax expense	12	<u>239,717.69</u>	<u>177,965.44</u>
Profit / (loss) for the year		<u>925,894.85</u>	<u>(469,704.93)</u>
Basic earnings / (loss) per share	13	35.32	(17.92)

*Kiri W.*



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

Glenmark Pharmaceuticals (Thailand) Company Limited

Statement of Changes in Shareholders' Equity

For the year ended March 31, 2018

Amounts: Baht

	<u>Issued and paid-in share capital</u>		<u>Deficit</u>	<u>Total</u>
	<u>Preferred shares</u>	<u>Ordinary shares</u>		
Balance brought forward, April 1, 2016	2,728,500.00	2,621,500.00	(9,305,321.31)	(3,955,321.31)
Loss for the year	-	-	(469,704.93)	(469,704.93)
Closing balance at March 31, 2017	2,728,500.00	2,621,500.00	(9,775,026.24)	(4,425,026.24)
Profit for the year	-	-	925,894.85	925,894.85
Closing balance at March 31, 2018	<u>2,728,500.00</u>	<u>2,621,500.00</u>	<u>(8,849,131.39)</u>	<u>(3,499,131.39)</u>

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

Glenmark Pharmaceuticals (Thailand) Company Limited

Statement of Cash Flows

For the year ended March 31, 2018

	Amounts: Baht	
	<u>2018</u>	<u>2017</u>
<b>Cash flows from operating activities</b>		
Profit / (loss) before tax expense	1,165,612.54	(291,739.49)
Adjustments		
Unrealised gain on foreign currency exchange rate	(622,225.19)	(196,494.28)
Depreciation	18,255.19	24,229.57
Finance cost	265,229.69	282,736.56
Changes in operating assets and liabilities		
Trade and other receivables	(220,397.16)	(1,080,261.96)
Trade and other payables	<u>554,255.39</u>	<u>945,314.42</u>
Net cash provided by / (used in) operating activities	<u>1,160,730.46</u>	<u>(316,215.18)</u>
Net increase / (decrease) in cash and cash equivalents	1,160,730.46	(316,215.18)
Cash and cash equivalents at beginning of the year	<u>1,399,611.82</u>	<u>1,715,827.00</u>
Cash and cash equivalents at end of the year	<u><u>2,560,342.28</u></u>	<u><u>1,399,611.82</u></u>

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



Glenmark Pharmaceuticals (Thailand) Company Limited

Notes to Financial Statements

For the year ended March 31, 2018

1. General information

Glenmark Pharmaceuticals (Thailand) Company Limited ("the Company") was incorporated in Thailand on June 30, 2008 with its registered head office located at 8<sup>th</sup> Floor, Thairong Tower Building, 1350/84 Pattanakarn Road, Suanluang, Bangkok, Thailand.

The main objective of the Company is to engage in purchase, import, export, wholesale, domestic distribution of all types of medicine curing and preventing disease for human, pharmaceutical chemistry products and semi finished chemicals.

Glenmark Pharmaceuticals Limited incorporated in India holds 49% of the paid-in share capital of the Company in the form of ordinary shares carrying voting rights (refer note 9).

2. Basis of financial statement preparation

The financial statements have been prepared in conformity with accounting standards and practices generally accepted in Thailand and in accordance with the Notification of the Department of Business Development dated September 28, 2011 regarding "The Brief Particulars in the Financial Statements B.E. 2554 (2011)".

The financial statements are prepared in the Thai language for Thai statutory and regulatory reporting purpose. The financial statements in English have been translated from the Thai language financial statements for the convenience of the reader.

3. Summary of significant accounting policies

3.1 The measurement bases used in preparing the financial statements

Other than those disclosed in other outlines, the financial statements are prepared on the historical cost basis.

3.2 Cash and cash equivalents

Cash and cash equivalents consist of cash in hand, cash at banks, and all highly liquid investments with an original maturity of three months or less and not subject to withdrawal restrictions.

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3. Summary of significant accounting policies (Continued)

3.3 Leasehold improvements and equipment

Leasehold improvements and equipment are stated at cost less accumulated depreciation. Depreciation is computed by the straight-line method over the estimated useful lives of assets as follows:

Leasehold improvements	5 years
Office equipment	5 years

3.4 Foreign currencies

Transactions in foreign currencies are translated into Baht at the exchange rate ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies at the statements of financial position date are translated into Baht at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in profit or loss for the year.

3.5 Revenue recognition

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership have been transferred to the buyer.

3.6 Tax expense / (income)

Tax expense / (income) on the profit or loss for the year comprises current and deferred tax.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted at the statements of financial position date.

Deferred tax is providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities using tax rates that are expected to be applicable to the periods, based on tax rates which has been enacted at the statements of financial position date for those periods, when the asset is expected to get realised or the liability is expected to settled.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profit will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

3. Summary of significant accounting policies (Continued)

3.7 Basic earnings / (loss) per share

Basic earnings / (loss) per share is computed by dividing profit / (loss) for the year attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year.

3.8 Use of estimates and judgments

The preparation of financial statements in conformity with generally accepted accounting principles also requires the Company's management to exercise judgments in order to determine the accounting policies, estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the statement of financial position date and the reported amounts of revenue and expense for each reporting period. Actual results may differ from those estimates.

4. Trade and other receivables

Trade and other receivables as at March 31, consisted of:

	Amounts:Baht	
	<u>2018</u>	<u>2017</u>
Trade receivables	2,392,784.61	1,977,409.38
Refundable value added tax	81,388.46	272,871.65
Undue input tax	13,043.80	9,800.00
Other receivables	<u>-</u>	<u>6,738.68</u>
	<u>2,487,216.87</u>	<u>2,266,819.71</u>

5. Leasehold improvements and equipment

	At		Transfers/ Disposals		At	
	March 31, <u>2017</u>	<u>Additions</u>	<u>Disposals</u>	March 31, <u>2018</u>		
<u>Cost:</u>						
Leasehold improvements	36,597.94	-	-	36,597.94		
Office equipment	<u>93,666.42</u>	<u>-</u>	<u>-</u>	<u>93,666.42</u>		
	130,264.36	-	-	130,264.36		
<u>Accumulated depreciation:</u>						
Leasehold improvements	31,085.35	5,511.59	-	36,596.94		
Office equipment	<u>80,912.82</u>	<u>12,743.60</u>	<u>-</u>	<u>93,656.42</u>		
	<u>111,998.17</u>	<u>18,255.19</u>	<u>-</u>	<u>130,253.36</u>		
Net book value	<u>18,266.19</u>			<u>11.00</u>		

K. W.



6. Deferred tax asset

Deferred tax asset as at March 31, are attributable to the following:

	Amounts: Baht	
	<u>2018</u>	<u>2017</u>
Tax value of loss carry-forwards recognised	1,031,704.80	1,271,422.49

A number of pharmaceutical products have been registered and launched to the market thus far. Accordingly, the Company's management is confident that there will be sufficient future taxable profit against which the loss carry-forwards can be utilised.

7. Trade and other payables

Trade and other payables as at March 31, consisted of:

	Amounts: Baht	
	<u>2018</u>	<u>2017</u>
Trade payables	4,451,638.57	4,367,897.74
Accrual for audit fee	55,000.00	38,000.00
Accrual for accounting service fee	27,150.00	-
Accrual for office space rental	23,344.50	-
Accrual for legal and professional fees	193,984.80	149,800.00
Accrual for pharmacist fee	14,000.00	-
Accrual for interest expense	954,469.97	774,260.03
Withholding tax payable	-	2,478.68
Other payable	<u>269,154.00</u>	<u>90,114.00</u>
	<u>5,988,741.84</u>	<u>5,422,550.45</u>

8. Long-term loan

On May 21, 2012, the Company entered into a loan agreement with Glenmark Pharmaceuticals Limited (incorporated in India) granting a loan facility of USD 500,000. The loan is repayable over 6 years which bear interest rate at the average minimum loan rate (MLR) of commercial banks announced by the Bank of Thailand. The interest is payable on a quarterly basis. As at March 31, 2018 and 2017, the Company has drawdown and not yet repaid the loan amounting to USD 115,000.

*Kishu W.*



9. Share capital

Share capital as at March 31, consisted of:

	Amounts: Baht	
	<u>2018</u>	<u>2017</u>
<i>Authorised share capital:</i>		
Preferred shares		
27,285 shares, Baht 100 each	2,728,500.00	2,728,500.00
Ordinary shares		
26,215 shares, Baht 100 each	<u>2,621,500.00</u>	<u>2,621,500.00</u>
	<u>5,350,000.00</u>	<u>5,350,000.00</u>
<i>Issued and paid-in share capital:</i>		
Preferred shares		
27,285 shares, Baht 100 each, fully paid	2,728,500.00	2,728,500.00
Ordinary shares		
26,215 shares, Baht 100 each, fully paid	<u>2,621,500.00</u>	<u>2,621,500.00</u>
	<u>5,350,000.00</u>	<u>5,350,000.00</u>

Subject to the provisions of the Articles of Association of the Company, the distribution of profits by way of dividends shall be as follows:

- (a) Dividends from profits of the Company shall be prior allocated to the holders of preferred shares at the rate of 10% of the face value of the shares.
- (b) After allocation of dividends as per (a) above, the rest of the dividends shall be distributed among the holders of ordinary shares in the proportion to the shares held by them.
- (c) Dividends allocated to the holders of preferred shares in each year shall be at the rate as stated in (a) only. No additional dividends in each year shall be paid to the holders of preferred shares.
- (d) The dividends shall be non-cumulative with respect to preferred shares.

In casting votes at a general meeting, the voting rights with respect of each type of shares shall be as follows:

- (a) Ordinary shares: 1 share for 1 vote
- (b) Preferred shares: 10 share for 1 vote

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10. Cost of sales

Cost of sales for the years ended March 31, consisted of:

	Amounts: Baht	
	<u>2018</u>	<u>2017</u>
Purchases of merchandise	6,172,335.79	4,540,014.96
Custom duty	620,806.00	509,045.00
Custom clearance expenses	<u>140,860.11</u>	<u>183,201.82</u>
	<u>6,934,001.90</u>	<u>5,232,261.78</u>

11. Administrative expenses

Administrative expenses for the years ended March 31, consisted of:

	Amounts: Baht	
	<u>2018</u>	<u>2017</u>
Tap water	148.50	-
Office space rental	133,545.00	124,845.00
Repair and maintenance	850.00	-
Sample goods	22,975.47	-
Legal and professional fees	291,160.00	276,775.00
Pharmacist fee	86,164.94	86,814.38
Accounting service fee	199,550.00	206,531.00
Audit fee	56,650.00	39,375.00
Bank charge	4,040.00	4,622.00
Depreciation	18,255.19	24,229.57
Others	<u>35,234.92</u>	<u>67,238.65</u>
	<u>848,574.02</u>	<u>830,430.60</u>

*Kiri W.*



12. Tax expense / (income)

*Tax expense / (income) recognised in the statements of comprehensive income*

	Amounts: Baht	
	<u>2018</u>	<u>2017</u>
Current tax	-	-
Deferred tax		
Utilisation of unused tax losses	239,717.69	-
Benefit of tax loss recognised	-	(58,347.90)
Unused tax loss expired	-	<u>236,313.34</u>
Total tax expense / (income)	<u>239,717.69</u>	<u>177,965.44</u>

*Reconciliations of effective tax rate, and amounts of tax expense / (income) and the tax that would be expected by applying the current tax rate to accounting profit / (loss).*

	Amounts: Baht			
	<u>2018</u>		<u>2017</u>	
Profit / (loss) before tax expense		<u>1,165,612.54</u>		<u>(291,739.49)</u>
Income tax <sup>(1)</sup>	20.00%	233,122.51	(20.00%)	(58,347.90)
Unused tax loss expired	-	-	81.00%	236,313.34
Non-deductible expense	<u>0.57%</u>	<u>6,595.18</u>	-	-
	<u>20.57%</u>	<u>239,717.69</u>	<u>61.00%</u>	<u>177,965.44</u>

<sup>(1)</sup> using tax rates that are expected to apply to the period when loss carry forwards can be utilised, based on tax rates that have been enacted at the statements of financial position date

13. Basic earnings / (loss) per share

Basic earnings / (loss) per share for the years ended March 31, are calculated as follows:

	Amounts: Baht	
	<u>2018</u>	<u>2017</u>
Profit / (loss) for the year attributable to ordinary shareholders	<u>925,894.85</u>	<u>(469,704.93)</u>
Issued ordinary shares brought forward, April 1	26,215	26,215
Effect of shares issued during the year	-	-
Weighted average number of ordinary share at March 31	<u>26,215</u>	<u>26,215</u>
Basic earnings / (loss) per share	35.32	(17.92)

*Witi W.*



14. Financial instruments

Exposure to credit, interest rate and currency risk arises in the normal course of the Company's business. Credit risk refers to the risk that counterparty will fail to settle its obligation. Interest rate and currency risk are subject to the risk of market rates changing subsequent to acquisition.

*Credit risk*

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount. The Company does not require collateral in respect of financial assets.

At the statements of financial position date there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statements of financial position.

*Interest rate risk*

The Company incurs interest rate cash flow risk on long-term loan with a floating interest rate. The Company does not use any derivative financial instruments to reduce exposure to fluctuations in interest rates since the Company does not expect to incur material incremental effect on interest expense.

*Foreign currency risk*

The Company incurs foreign currency risk on purchases of goods and borrowing that are denominated in a currency other than Baht. The currency giving rise to this risk is US Dollars. The Company does not use any derivative financial instruments to reduce exposure to fluctuations in foreign exchange rates. However, the Company ensures that the exposure to the risk in respect of monetary liability held in a currency other than Baht is kept to an acceptable level.

15. Long-term agreements

As at March 31, 2018, the Company has commitments under lease agreements in respect of office space. The minimum future lease payments required under these agreements are as follows:

	Amounts: Baht
Payable in	
1 year	135,720.00
More than 1 year but less than 3 years	<u>67,860.00</u>
	<u>203,580.00</u>

Witi W.





16. Related party

The Company has a controlling related party relationship with Glenmark Pharmaceuticals Limited (refer note 1)

*Transactions with the related company for the year ended March 31,*

	Amounts: Baht	
	<u>2018</u>	<u>2017</u>
Purchases of merchandise	6,172,335.79	3,152,800.01
Interest expense	265,229.69	282,736.56

*Balance with the related company as at March 31,*

	Amounts: Baht	
	<u>2018</u>	<u>2017</u>
Trade payable	4,424,839.26	4,353,975.08
Accrual for interest expense	954,469.97	774,260.03
Long-term loan	3,611,724.50	3,980,656.00

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