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Ref: MO/CL-342/MAY18

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDER

Report on the Financial Statements

We have audited the accompanying financial statements of **Glenmark Pharmaceuticals FZE, Jebel Ali Free Zone, Dubai – United Arab Emirates** which comprise the statement of financial position as at March 31, 2018 and the statement of comprehensive income, statement of changes in shareholder's equity, statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and to ensure that the financial statements comply with the provisions of the Implicating Regulation 1/92 pursuant to Law No. 9 of 1992 applicable to Jebel Ali Free Zone entities. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance, whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements 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. An audit also includes evaluating the appropriateness of accounting principles used and reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly in all material respects, the financial position of **Glenmark Pharmaceuticals FZE, Jebel Ali Free Zone, Dubai– United Arab Emirates** as of March 31, 2018 and of its financial performance and cash flows for the year then ended, in accordance with International Financial Reporting Standards (IFRS).

Report on other legal and regulatory requirements

As required by the provisions of the Implicating Regulation 1/92 pursuant to Law No. 9 of 1992 applicable to Jebel Ali Free Zone entities, we further confirm that,

1. We have obtained all the information and explanations necessary for our audit.
2. Proper books of accounts have been maintained by the Establishment.
3. We are not aware of any contraventions during the year of the above mentioned law; which may have materially affected the financial position of the Establishment, or the result of its operations for the year.



K. Ramu
Managing Partner
AL KTTBI & ASSOCIATES
CHARTERED ACCOUNTANTS
DUBAI – UNITED ARAB EMIRATES
Reg. No.: (465)

Date: May 14, 2018

[Glenmark'18]

Glenmark Pharmaceuticals FZE
Jebel Ali Free Zone, Dubai - United Arab Emirates

Statement of Financial Position
As of March 31, 2018 and 2017
(In United Arab Emirates Dirham)

	Notes	31.03.2018	31.03.2017
<i>Assets</i>			
<i>Noncurrent assets:</i>			
Property, plant and equipment	4	13,234	14,499
<i>Current assets:</i>			
Inventories	5	511,857	1,335,940
Trade receivables	6	4,379,667	2,477,145
Other receivables	7	596,669	184,774
Amounts due from related party	8	6,779,732	4,310,274
Cash and bank balance	9	1,275,433	1,191,387
Total current assets		<u>13,543,358</u>	<u>9,499,520</u>
Total assets		<u>13,556,592</u>	<u>9,514,019</u>
<i>Shareholder's funds & liabilities</i>			
<i>Shareholder's funds:</i>			
Share capital	2	1,000,000	1,000,000
Retained earnings	10	10,071,018	7,689,900
Total shareholder's equity		<u>11,071,018</u>	<u>8,689,900</u>
<i>Noncurrent liabilities:</i>			
Staff gratuity provision		<u>283,449</u>	<u>273,424</u>
<i>Current liabilities:</i>			
Trade payable	11	997,024	187,430
Accrued expense	12	1,205,101	360,886
Amount due to related party	8	-	2,379
Total current liabilities		<u>2,202,125</u>	<u>550,695</u>
Total liabilities		<u>2,485,574</u>	<u>824,119</u>
Total liabilities and shareholder's funds		<u>13,556,592</u>	<u>9,514,019</u>

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

The Report of the Auditors is set out on pages 1 and 2.

The financial statements on pages 3 to 17 were approved and signed on May 14, 2018 by:



Director
Glenmark Pharmaceuticals FZE



Director
Glenmark Pharmaceuticals FZE



Glenmark Pharmaceuticals FZE
Jebel Ali Free Zone, Dubai - United Arab Emirates

Statement of Comprehensive Income
For the year ended March 31, 2018 and 2017
(In United Arab Emirates Dirham)

	<u>Notes</u>	<u>2017-18</u>	<u>2016-17</u>
Revenue	13	7,403,361	5,166,317
Cost of sales	14	(4,426,351)	3,734,198
Gross income		2,977,010	1,432,119
Revenue from marketing fees	8 c	9,063,069	7,373,395
Administrative expense	15	(9,636,186)	(7,632,506)
Finance cost		(10,765)	(4,132)
Depreciation	4	(12,010)	(11,913)
Total comprehensive income for the year	10	2,381,118	1,156,963

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

The Report of the Auditors is set out on pages 1 and 2.

The financial statements on pages 3 to 17 were approved and signed on May 14, 2018 by:



Director
Glenmark Pharmaceuticals FZE



Director
Glenmark Pharmaceuticals FZE



Glenmark Pharmaceuticals FZE
Jebel Ali Free Zone, Dubai - United Arab Emirates
Statement of Changes in Shareholder's Equity
For the year ended March 31, 2018 and 2017
(In United Arab Emirates Dirham)

	<u>Share capital</u>	<u>Retained earnings</u>	<u>Total</u>
As at April 1, 2016	1,000,000	6,532,937	7,532,937
<i>Changes in shareholder's equity:</i>			
Total comprehensive income for the year	-	1,156,963	1,156,963
As at March 31, 2017	1,000,000	7,689,900	8,689,900
<i>Changes in shareholder's equity:</i>			
Total comprehensive income for the year	-	2,381,118	2,381,118
As at March 31, 2018	1,000,000	10,071,018	11,071,018

The accompanying notes form an integral part of these financial statements.
The Report of the Auditors is set out on pages 1 and 2.



Glenmark Pharmaceuticals FZE
Jebel Ali Free Zone, Dubai - United Arab Emirates

Statement of Cash Flows
For the year ended March 31, 2018 and 2017
(In United Arab Emirates Dirham)

	<u>2017-18</u>	<u>2016-17</u>
Cash flows from operating activities:		
Total comprehensive income for the year	2,381,118	1,156,963
Adjustments for non cash items:		
Depreciation of property, plant, and equipment	12,010	11,913
Allowance for slow moving inventory	-	442,340
Provision for employees' end of service gratuity	34,114	108,361
Total income before changes in operating assets and liabilities	2,427,242	1,719,577
Decrease/(increase) in inventories	824,083	(268,791)
(Increase) in trade receivable	(1,902,522)	(640,339)
(Increase)/decrease in other receivables	(411,895)	39,799
(Increase)/decrease in due from related party	(2,469,458)	430,915
Increase/(decrease) in trade payable	809,594	(476,521)
(Decrease)/increase in due to related party	(2,379)	2,379
Increase in accrued expense	820,126	50,054
Net cash from operating activities	94,791	857,073
Cash flow from investing activities		
Purchase of property, plant & equipment	(10,745)	(5,328)
Net cash flow (used in) investing activities	(10,745)	(5,328)
Net increase in cash and cash equivalents	84,046	851,745
Cash and cash equivalents, beginning of the year	1,191,387	339,642
Cash and cash equivalents, end of the year	1,275,433	1,191,387
Represented by:		
Cash in hand	42,500	44,913
Bank balance	1,232,933	1,146,474
	1,275,433	1,191,387

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

The Report of the Auditors is set out on pages 1 and 2.



Glenmark Pharmaceuticals FZE
Jebel Ali Free Zone, Dubai – United Arab Emirates

Notes to the Financial Statements
For the year ended March 31, 2018 and 2017

1 Legal status and business activity:

- 1.1 **Glenmark Pharmaceuticals FZE, Jebel Ali Free Zone, Dubai – United Arab Emirates** (“the Establishment”) has been duly formed as a Free Zone Establishment on November 19, 2008 with limited liability pursuant to Law No. 9 of 1992 applicable to Jebel Ali Free Zone entities. The Establishment 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 Establishment 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 Establishment is located at office No. LB12009, Jebel Ali, Dubai, United Arab Emirates.
- 1.4 These financial statements incorporate the operating results of the Establishment with trading license No. 112327 issued by Jebel Ali Free Zone Authority.

2 Capital:

Authorised, issued and paid up capital of the Establishment is AED 1,000,000/- constituted by one share of AED 1,000,000/- held by Glenmark Pharmaceuticals Limited, a Company incorporated in India.



Glenmark Pharmaceuticals FZE
Jebel Ali Free Zone, Dubai – United Arab Emirates

Notes to the Financial Statements (continued)
For the year ended March 31, 2018 and 2017

3 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



Glenmark Pharmaceuticals FZE
Jebel Ali Free Zone, Dubai – United Arab Emirates

Notes to the Financial Statements (continued)
For the year ended March 31, 2018 and 2017

3 Summary of significant accounting policies (continued):

c) Impairment of assets

Property, plant and equipments 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 Establishment recognises all the expenses as and when incurred, but recognises income only to the extent it is deemed to be recoverable.



Glenmark Pharmaceuticals FZE
Jebel Ali Free Zone, Dubai – United Arab Emirates

Notes to the Financial Statements (continued)
For the year ended March 31, 2018 and 2017

3 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 Establishment 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.



Glenmark Pharmaceuticals FZE
Jebel Ali Free Zone, Dubai – United Arab Emirates

Notes to the Financial Statements (continued)
For the year ended March 31, 2018 and 2017

3 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
Jebel Ali Free Zone, Dubai - United Arab Emirates

Notes to the Financial Statements (continued)
For the year ended March 31, 2018 and 2017

4 Property, plant and equipment	Computer & software		Furniture & fixtures		Office equipment		Total	
	AED	AED	AED	AED	AED	AED	AED	AED
<i>Cost</i>								
As at April 1, 2017	2,000	103,410	78,402	183,812				
Additions during the year	-	-	10,745	10,745				
Disposals during the year	-	(28,700)	(4,824)	(33,524)				
As at March 31, 2018	2,000	74,710	84,323	161,033				
<i>Accumulated depreciation</i>								
As at April 1, 2017	2,000	101,108	66,205	169,313				
Depreciation for the year	-	2,302	9,708	12,010				
Adjustment relating to disposals	-	(28,700)	(4,824)	(33,524)				
As at March 31, 2018	2,000	74,710	71,089	147,799				
<i>Net book value</i>								
As at March 31, 2018	-	-	13,234	13,234				
As at March 31, 2017	-	2,302	12,197	14,499				



Glenmark Pharmaceuticals FZE
Jebel Ali Free Zone, Dubai - United Arab Emirates

Notes to the Financial Statements (continued)

For the year ended March 31, 2018 and 2017

5 Inventories

	March 31,	
	2018	2017
	AED	AED
Inventories	511,857	1,778,280
Less: Allowance for slow moving inventories	-	442,340
	<u>511,857</u>	<u>1,335,940</u>

6 Trade receivables

	March 31,	
	2018	2017
	AED	AED
Trade receivables	4,379,667	2,477,145
	<u>4,379,667</u>	<u>2,477,145</u>

7 Other receivables

	March 31,	
	2018	2017
	AED	AED
Prepayments and advances	387,726	36,398
Deposits	157,664	148,376
Duties and taxes	51,279	-
	<u>596,669</u>	<u>184,774</u>

8 Related parties transactions

The Establishment enters into transactions with companies and entities that fall within the definition of a related party. Such transactions are in normal course of business and at terms that correspond to those on normal arms-length transactions with third parties. Related parties comprise companies and entities under common ownership and/or common management and control; their partners and key management personnel.



Glenmark Pharmaceuticals FZE
Jebel Ali Free Zone, Dubai - United Arab Emirates

Notes to the Financial Statements (continued)
For the year ended March 31, 2018 and 2017

8 Related parties transactions (continued)

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

The Establishment provides/receives funds to/from related parties as and when required as working capital.

a) Amounts due from related party

	March 31,	
	2018	2017
	AED	AED
Glenmark Pharmaceuticals Ltd.	6,779,732	4,310,274
	<u>6,779,732</u>	<u>4,310,274</u>

b) Amount due to related party

	March 31,	
	2018	2017
	AED	AED
Glenmark Pharmaceuticals Europe Ltd.	-	2,379
	<u>-</u>	<u>2,379</u>

c) The nature of significant related-party transactions during the year and the amounts involved were as follows:

	March 31,	
	2018	2017
	AED	AED
Purchases from Glenmark Pharmaceuticals Europe	1,505	-
Revenue from marketing service fees charged to Glenmark Pharmaceuticals Ltd.	<u>9,063,069</u>	<u>7,373,395</u>

9 Cash and bank balance

	March 31,	
	2018	2017
	AED	AED
Cash in hand	42,500	44,913
Cash at bank	<u>1,232,933</u>	<u>1,146,474</u>
	<u>1,275,433</u>	<u>1,191,387</u>



Glenmark Pharmaceuticals FZE
Jebel Ali Free Zone, Dubai - United Arab Emirates

Notes to the Financial Statements (continued)

For the year ended March 31, 2018 and 2017

10 Retained earnings

	For the year ended March 31,	
	2018	2017
	AED	AED
Opening balance	7,689,900	6,532,937
Total comprehensive income for the year	2,381,118	1,156,963
	10,071,018	7,689,900

11 Trade payable

	March 31,	
	2018	2017
	AED	AED
Trade payable	997,024	187,430
	997,024	187,430

12 Accrued expense

	March 31,	
	2018	2017
	AED	AED
Accrued expense	1,197,968	360,886
Staff gratuity provision - current portion	7,133	-
	1,205,101	360,886

13 Revenue

	For the year ended March 31,	
	2018	2017
	AED	AED
Revenue	7,403,361	5,166,317
	7,403,361	5,166,317



Glenmark Pharmaceuticals FZE
Jebel Ali Free Zone, Dubai - United Arab Emirates

Notes to the Financial Statements (continued)

For the year ended March 31, 2018 and 2017

14 Cost of sales

	For the year ended March 31,	
	2018	2017
	AED	AED
Inventories, beginning of the year	1,778,280	1,509,489
Add: Purchases (including direct expenses)	3,602,268	4,002,989
	5,380,548	5,512,478
Less: Inventory written off	(442,340)	-
Less: Inventories, end of the year	(511,857)	(1,778,280)
	4,426,351	3,734,198

15 Administrative expense

	For the year ended March 31,	
	2018	2017
	AED	AED
Salaries and benefits	2,917,785	1,750,317
Staff airfare benefits	76,540	78,173
Gratuity	34,114	116,395
Outsourced staff salaries	2,839,192	2,522,850
Rent	160,509	181,764
Communication & utilities	142,287	139,125
Visa expense	41,680	83,576
Printing & stationery	2,470	10,062
Audit fees	10,000	10,000
Legal and professional	60,822	55,083
Travelling and conveyance	381,411	134,819
Commission to agency	1,529,008	500,744
Marketing & provision for loss on stock	936,985	1,080,427
Intellectual property registration	339,961	815,276
Miscellaneous	163,422	153,895
	9,636,186	7,632,506



Glenmark Pharmaceuticals FZE
Jebel Ali Free Zone, Dubai - United Arab Emirates

Notes to the Financial Statements (continued)

For the year ended March 31, 2018 and 2017

16 Financial instruments

Financial instruments of the Establishment comprise of cash at bank, due from related party, trade and other receivables, trade and other payable.

Credit risk

Financial assets which potentially expose the Establishment to concentration of credit risk comprise principally bank account, due from related party, trade and other receivable.

The Establishment's bank accounts are placed with high credit quality financial institution:

Trade receivables are stated net of allowance for doubtful recoveries.

Currency risk

There are no significant exchange rate risks as substantially all financial assets and financial liabilities are denominated in Arab Emirates Dirhams or US Dollars to which the conversion of Dirhams into US Dollar is fixed.

Interest rate risk

The Establishment is not exposed to any significant interest rate risk.

Fair values

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

17 Contingent liability and capital commitments

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 or capital commitments on Establishment's account, as of statement of financial position date.

