

Glenmark South Africa Proprietary Limited
(Registration number 2003/008445/07)
Annual financial statements
for the year ended 31 March 2018

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

Independent Auditor's Report

To the Shareholder of Glenmark South Africa Proprietary Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Glenmark South Africa Proprietary Limited set out on pages 9 to 19, which comprise the statement of financial position as at 31 March 2018, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the financial year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

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

Other Information

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

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

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

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

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

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

Mazars Gauteng

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

Glenmark South Africa Proprietary Limited
(Registration number 2003/008445/07)
Annual Financial Statements for the year ended 31 March 2018
Statement of Financial Position as at 31 March 2018

Figures in Rand	Notes	2018	2017
Assets			
Non-Current Assets			
Investments in subsidiaries	3	<u>105,279,300</u>	<u>105,279,300</u>
Current Assets			
Cash and cash equivalents	4	<u>184,263</u>	<u>213,266</u>
Total Assets		<u>105,463,563</u>	<u>105,492,566</u>
Equity and Liabilities			
Equity			
Share capital	5	106,424,917	106,424,917
Accumulated loss		(967,262)	(932,351)
Total Equity and Liabilities		<u>105,457,655</u>	<u>105,492,566</u>
Current Liabilities			
Trade and other payables	6	<u>5,908</u>	<u>-</u>
Total Equity and Liabilities		<u>105,463,563</u>	<u>105,492,566</u>

Glenmark South Africa Proprietary Limited
(Registration number 2003/008445/07)
Annual Financial Statements for the year ended 31 March 2018
Statement of Profit or Loss and Other Comprehensive Income

Figures in Rand	Notes	2018	2017
Other operating expenses		(37,221)	(35,544)
Operating loss	9	(37,221)	(35,544)
Investment income	10	2,310	2,314
Loss before taxation		(34,911)	(33,230)
Taxation	11	-	-
Loss for the year		(34,911)	(33,230)
Other comprehensive income		-	-
Total comprehensive loss for the year		(34,911)	(33,230)

Glenmark South Africa Proprietary Limited
(Registration number 2003/008445/07)
Annual Financial Statements for the year ended 31 March 2018
Statement of Changes in Equity

Figures in Rand	Share capital	Share premium	Total share capital	Accumulated loss	Total equity
Balance at 01 April 2016	113,656	106,311,261	106,424,917	(899,121)	105,525,796
Loss for the year	-	-	-	(33,230)	(33,230)
Other comprehensive income	-	-	-	-	-
Total comprehensive Loss for the year	-	-	-	(33,230)	(33,230)
Balance at 01 April 2017	113,656	106,311,261	106,424,917	(932,351)	105,492,566
Loss for the year	-	-	-	(34,911)	(34,911)
Other comprehensive income	-	-	-	-	-
Total comprehensive Loss for the year	-	-	-	(34,911)	(34,911)
Balance at 31 March 2018	113,656	106,311,261	106,424,917	(967,262)	105,457,655

Glenmark South Africa Proprietary Limited
(Registration number 2003/008445/07)
Annual Financial Statements for the year ended 31 March 2018
Statement of Cash Flows

Figures in Rand	Notes	2018	2017
Cash flows from operating activities			
Cash used in operations	12	(31,313)	(35,545)
Interest income		2,310	2,315
Net cash from operating activities		(29,003)	(33,230)
Total cash movement for the year		(29,003)	(33,230)
Cash at the beginning of the year		213,266	246,496
Total cash at end of the year	4	184,263	213,266

Glenmark South Africa Proprietary Limited
(Registration number 2003/008445/07)
Annual Financial Statements for the year ended 31 March 2018
Accounting Policies

1. Significant accounting policies

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

1.1 Basis of preparation

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

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

These accounting policies are consistent with the previous period.

1.2 Investments in subsidiaries

Investments in subsidiaries are carried at cost less any accumulated impairment losses.

1.3 Financial instruments

Classification

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

- Loans and receivables

Classification depends on the purpose for which the financial instruments were obtained / incurred and takes place at initial recognition. Classification is re-assessed on an annual basis.

Initial recognition and measurement

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

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

Financial instruments are measured initially at fair value.

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

Subsequent measurement

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

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

Derecognition

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

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

Glenmark South Africa Proprietary Limited
(Registration number 2003/008445/07)
Annual Financial Statements for the year ended 31 March 2018
Accounting Policies

1.3 Financial instruments (continued)

Impairment of financial assets

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

Impairment losses are recognised in profit or loss.

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

Reversals of impairment losses are recognised in profit or loss .

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

Cash and cash equivalents

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

1.4 Share capital and equity

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

Ordinary shares are classified as equity.

Glenmark South Africa Proprietary Limited
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Annual Financial Statements for the year ended 31 March 2018
Notes to the Annual Financial Statements

2. New Standards and Interpretations

2.1 Standards and interpretations effective and adopted in the current year

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

2.2 Standards and interpretations not yet effective

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

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

Glenmark South Africa Proprietary Limited
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Annual Financial Statements for the year ended 31 March 2018
Notes to the Annual Financial Statements

Figures in Rand			2018	2017
3. Interests in subsidiaries				
Name of company	%	%	Carrying	Carrying
	holding	holding	amount 2018	amount 2017
	2018	2017		
Glenmark Pharmaceuticals SA Proprietary Limited	100.00	%100.00	105,279,300	105,279,300

Included in the investment is a loan to subsidiary of R94,500,000. The loan is unsecured, bears no interest and is repayable at the discretion of the subsidiary.

The carrying value of this investment has not been impaired as the company is in the development phase and the directors believe it will generate considerable economic benefits in future.

Analysis of investment in subsidiary

Net asset value	589,612	589,612
Goodwill at purchase	5,389,288	5,389,288
Loan to Glenmark Pharmaceuticals SA Proprietary Limited	94,500,000	94,500,000
Additional share capital introduced	4,800,400	4,800,400
	<u>105,279,300</u>	<u>105,279,300</u>

Application of consolidation exemption

The annual financial statements presented are not consolidated annual financial statements as the entity qualifies for the consolidation exemption in IAS 27 Separate and Consolidated Financial Statements.

The exemption is allowed provided that all of the following criteria are complied with:

- The entity is wholly owned or partially owned, where none of the other shareholder's object to the fact that consolidated annual financial statements are not prepared,
- The entity's debt or equity instruments are not traded in a public market,
- The entity did not file, and is not in the process of filing its annual financial statements with a securities commission or other regulatory organisation for the purpose of issuing any class of instrument in a public market, and
- The entity's ultimate or intermediary parent produces consolidated annual financial statements available for public use which comply with International Financial Reporting Standards.

Glenmark Pharmaceuticals Limited, incorporated in India, produces consolidated annual financial statements available for public use. These annual financial statements can be obtained from Mahalaxmi Chambers, 22, Bhulabhai Desai Road, Mumbai – 400 026.

4. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	<u>184,263</u>	<u>213,266</u>
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Glenmark South Africa Proprietary Limited
(Registration number 2003/008445/07)
Annual Financial Statements for the year ended 31 March 2018
Notes to the Annual Financial Statements

Figures in Rand	2018	2017
5. Share capital		
Authorised		
200,000 Ordinary shares of R1 each	200,000	200,000
Issued		
113,656 Ordinary shares of R1 each	113,656	113,656
Share premium	106,311,261	106,311,261
	106,424,917	106,424,917
6. Trade and other payables		
Trade payables	5,908	-
7. Financial assets by category		
The accounting policies for financial instruments have been applied to the line items below:		
2018		
	Loans and receivables	Total
Cash and cash equivalents	184,263	184,263
2017		
	Loans and receivables	Total
Cash and cash equivalents	213,266	213,266
8. Financial liabilities by category		
The accounting policies for financial instruments have been applied to the line items below:		
2018		
	Financial liabilities at amortised cost	Total
Trade and other payables	5,908	5,908
9. Operating profit (loss)		
Operating loss for the year is stated after charging (crediting) the following, amongst others:		
Auditor's remuneration - external		
Audit fees	35,532	34,065
10. Investment income		
Interest income		
Bank	2,310	2,314

Glenmark South Africa Proprietary Limited
(Registration number 2003/008445/07)
Annual Financial Statements for the year ended 31 March 2018
Notes to the Annual Financial Statements

Figures in Rand	2018	2017
11. Taxation		
No provision has been made for 2018 tax as the company has no taxable income. The estimated tax loss available for set off against future taxable income is R (240,117) (2017: R 205,206).		
12. Cash used in operations		
Loss before taxation	(34,911)	(33,230)
Adjustments for:		
Interest income	(2,310)	(2,314)
Changes in working capital:		
Trade and other payables	5,908	(1)
	<u>(31,313)</u>	<u>(35,545)</u>

13. Related parties

Relationships	
Holding company	Glenmark Pharmaceuticals Limited
Subsidiary	Glenmark Pharmaceuticals South Africa Proprietary Limited
Members of key management	MN Vanjari TM Desai

Related party balances

Loan accounts - Owing (to) by related parties

Glenmark Pharmaceuticals South Africa Proprietary Limited	94,500,000	94,500,000
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No transactions occurred or balances exist between related parties for the period (2017: R -).

14. Directors' emoluments

No emoluments were paid to the directors or any individuals holding a prescribed office during the year.

15. Risk management

Capital risk management

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

The capital structure of the company consists of cash and cash equivalents disclosed in note 4, and equity as disclosed in the statement of financial position.

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

There are no externally imposed capital requirements.

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

Glenmark South Africa Proprietary Limited
(Registration number 2003/008445/07)
Annual Financial Statements for the year ended 31 March 2018
Notes to the Annual Financial Statements

15. Risk management (continued)

Liquidity risk

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

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

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

Glenmark South Africa Proprietary Limited
(Registration number 2003/008445/07)
Annual Financial Statements for the year ended 31 March 2018
Detailed Income Statement

Figures in Rand	Notes	2018	2017
Other operating expenses			
Audit fees	9	(35,532)	(34,065)
Bank charges		(1,689)	(1,479)
		(37,221)	(35,544)
Operating loss	9	(37,221)	(35,544)
Investment income	10	2,310	2,314
Loss before taxation		(34,911)	(33,230)
Taxation	11	-	-
Loss for the year		(34,911)	(33,230)