BIOCON FZ-LLC
DUBAI DEVELOPMENT AUTHORITY,
DUBAI , UNITED ARAB EMIRATES

INDEPENDENT AUDITOR'S REPORT AND
FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2019

BIOCON FZ-LLC
DUBAI DEVELOPMENT AUTHORITY,
DUBAI , UNITED ARAB EMIRATES

INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2019

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Biocon FZ-LLC
Dubai Development Authority
Dubai, United Arab Emirates

General Information

Principal Office Address:	Shared Desk 2-18, Ground Floor, Building: Block No.09, Dubai – United Arab Emirates	
Website	: www.biocon.com	
The Shareholder	: Name M/s. Biocon Limited	Nationality India
The Auditor	: M&M Al Menhali Auditing Dubai – United Arab Emirates	
The Bank	: Citi Bank N.A. Bank of Baroda	

Directors' Report

The Directors present the annual report and the audited financial statements for the year ended March 31, 2019.

Legal Aspect

M/s Biocon FZ-LLC, ("the Company") is registered with Dubai Development Authority (earlier knows as Dubai Creative Clusters Authority) as a Free Zone Company with Limited Liability and operates under the License No. 93004 originally issued on June 16, 2015.

The company is licensed by Dubai Development Authority to engage in marketing & sales promotion, import and re export and storage of pharmaceuticals including providing support service.

Authorised, issued and paid up capital of the Company is AED 150,000 divided in to 150 shares of AED 1,000 each fully paid and held by the shareholder,

Name of the Shareholders	Nominal Value	No of shares	Value in AED	Nationality
Biocon Limited	1,000	150	150,000	India (Corporate)
Total	**1,000**	**150**	**150,000**	

Financial performance

During the year under review, the Company's summary of financial performance is as follows:

	March 31, 2019	March 31, 2018
Revenue	**88,338,232**	100,129,984
Gross profit	**7,187,405**	6,420,665
Gross profit margin	**8%**	6%
Net Profit/(loss) for the year	**1,201,095**	(740,555)

Changes in accounting polices

Accounting polices has been consistently applied during the year. There have been no significant changes in accounting policies.

Events after the Reporting Date

As on the date of Board Meeting there were no adjusting or non-adjusting events after March 31, 2019 that will impact the financial statements.

Going Concern

The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis in preparing the annual financial statements. There are no material events affecting the continuation of **M/s Biocon FZ-LLC** and its ability to continue its operations during the next financial year.

Auditors

M/s M & M Al Menhali Auditing (Independent member of CPAAI Associates International), the auditors of the Company, have indicated their willingness to continue in office.

Statement of Director's responsibility

The management is responsible to ensure that the financial statements have been prepared in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board (IASB), interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) and the requirements U.A.E Federal Commercial Companies Law No. 2 of 2015, rules and regulations of Dubai Development Authority and the Company's Memorandum and Articles of Association which might have materially affected the financial position of the Company or its financial performance.

Approved by the Board and Signed on its behalf by:

Director,
April 18, 2019

Director,
April 18, 2019

INDEPENDENT AUDITOR'S REPORT

To,

The Shareholder,
Of M/s Biocon FZ-LLC.

Report on the Financial Statements

We have audited the accompanying financial statements of **M/s Biocon FZ-LLC**, which is registered under Dubai Development Authority as a Free Zone Limited liability company, Dubai, U.A.E.

What we have audited

The company's financial statements comprising,

- The statement of financial position,
- The statement of income,
- The statement of changes in equity,
- The statement of cash flows,
- The notes to the financial statements, which include a summary of significant accounting policies.

Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of **M/s Biocon FZ-LLC** and of its financial performance and its cash flows for the year March 31, 2019. We further confirm that the financial statements have been prepared in accordance with International Financial Reporting Standards and applicable financial framework under UAE Federal law no 2 of 2015 and rules and regulations of Dubai Development Authority.

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 International Ethics Standards Board for ***Accountants' Code of Ethics for Professional Accountants (IESBA Code)*** together with the ethical requirements that are relevant to our audit of the financial statements of the Company in U.A.E, and we have fulfilled our other ethical responsibilities 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.

Other information

Management is responsible for other information. The other information comprises Directors' report set up on page 2 and 3. 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 have 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 of the financial statements in accordance with International Financial Reporting Standard, UAE Federal law no 2 of 2015, rules and regulations of Dubai Development Authority and to implement and monitor such internal control as management determines it 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.

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.

Report on Other Legal and Regulatory Requirements

Further, as required by rules and regulations of Dubai Development Authority, we report that:

i. We have obtained all the information we considered necessary for the purposes of our audit
ii. The financial statements have been prepared and complied in all material respects, with applicable provisions of rules and regulations of Dubai Development Authority;
iii. The company has maintained proper books of account and the company has not invested or purchased in shares during the year March 31, 2019;
iv. Notes to the financial statements discloses material related party transactions and balances, the terms under which they are conducted and principles ;
v. Based on information available to us nothing has come to our attention which causes us to believe that the company has contravened, during the financial year ended March 31, 2019 any of the applicable provisions of the rules and regulations of Dubai Development Authority or of its Articles of Association which would materially affect its activities or its financial position as at March 31, 2019.

M&M Al Menhali Auditing,

P.O. Box 43711
Dubai - U.A.E.
M&M AL MENHALI AUDITING

Mr. Sudhir Appukuttan Panikassery,
Auditors' Registration No: 768
Dubai, United Arab Emirates.

April 24, 2019

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هاتف: ٤٢٤ ٤٤٨٦ ٤ ٩٧١+ فاكس: ٤٢٣ ٤٤٨٦ ٤ ٩٧١+
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M&M Al Menhali Auditing is a member firm of CPA Associates International (www.cpaai.com).
TRN : 100287541500003

Biozon FZ- LLC
Dubai
Statement of Financial Position
As at March 31, 2019
(In Arab Emirates Dirhams)

		March 31,	
	Notes	**2019**	2018
Assets			
Non-current assets		**-**	-
Total non current assets		**-**	-
Current assets			
Trade and Other receivables	*6*	**53,810,367**	47,024,113
Cash and cash equivalents	*7*	**2,645,490**	4,181,625
Total current assets		**56,455,857**	51,205,738
Total Assets		**56,455,857**	51,205,738
Equity and Liabilities			
Equity			
Share capital		**150,000**	150,000
Accumulated losses		**(545,882)**	(1,746,977)
Total Equity		**(395,882)**	(1,596,977)
Non Current liabilities			
Provision for end of service benefits	*8*	**184,449**	112,152
Total non current liabilities		**184,449**	112,152
Current liabilities			
Trade and other payables	*9*	**56,667,290**	52,690,563
Total current liabilities		**56,667,290**	52,690,563
Total Liabilities		**56,851,739**	52,802,715
Total Equity and Liabilities		**56,455,857**	51,205,738

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

The Report of the Auditor is set out on page 4-6

The financial statements and notes on were approved by the Board on April 18, 2019 and signed on its behalf by:

Director ***Director***

P.O. Box: 43711 Dubai - U.A.E. M & M AL MENHALI AUDITING

Biozon FZ- LLC
Dubai

Statement of Income

For the year ended March 31, 2019
(In Arab Emirates Dirhams)

		For the year ended March 31,	
	Notes	**2019**	2018
Revenue	*11*	**88,338,232**	100,129,984
Cost of revenue	*12*	**(81,150,827)**	(93,709,319)
Gross Profit		**7,187,405**	6,420,665
General and administrative expenses	*13*	**(8,844,390)**	(7,161,220)
Total Operating Expenses		**(8,844,390)**	(7,161,220)
(Loss) from operating activities		**(1,656,984)**	(740,555)
Other Income	*14*	**2,858,079**	-
Net Profit/(loss) for the year		**1,201,095**	(740,555)

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

The Report of the Auditor is set out on page 4-6

The financial statements and notes on were approved by the Board on April 18, 2019 and signed on its behalf by:

Director

M & AL MENHALI AUDITING
P.O. Box: 43711
Dubai - U.A.E.

Director

Biozon FZ- LLC
Dubai

Statement of Changes in Equity

For the year ended March 31, 2019

(In Arab Emirates Dirhams)

	Share capital	Accumulated losses	Total
Balance at April 01, 2017	150,000	(1,006,422)	**(856,422)**
Net loss for the year	-	(740,555)	**(740,555)**
Balance at March 31, 2018	150,000	(1,746,977)	**(1,596,977)**
Net profit for the year	-	1,201,095	**1,201,095**
Balance at March 31, 2019	**150,000**	**(545,882)**	**(395,882)**

M & M AL MENHALI AUDITING
P.O. Box: 43711
Dubai - U.A.E.

Biozon FZ- LLC
Dubai
Statement of Cash Flows
For the year ended March 31, 2019
(In Arab Emirates Dirhams)

	March 31,	
	2019	2018
Cash flows from/(used in) operating activities:		
Net loss for the year	1,201,095	(740,555)
Provision for employess' service end benefit	72,297	60,623
Decrease/(Increase) in trade and other receivables	(6,786,254)	(14,380,708)
Increase in trade and other payables	3,976,727	15,861,631
Payment of employees end of service benefits	-	-
Net Cash flows (used in) operating activities	(1,536,135)	800,991
Cash flows from/(used in) investing activities:	-	-
Net Cash flows (used in) investing activities	-	-
Cash flows from/(used in) financing activities:	-	-
Net cash flows from financing activities	-	-
Net (Decrease)/ Increase in cash and cash equivalents	(1,536,135)	800,991
Cash and cash equivalents, beginning of the year	4,181,625	3,380,634
Cash and cash equivalents, end of the year	2,645,490	4,181,625
Represented by:		
Cash	-	-
Bank Balances	2,645,490	4,181,625
	2,645,490	4,181,625

P.O. Box: 43711
Dubai - U.A.E.
M & M AL MENHALI AUDITING

Notes to the Financial Statements
For the year ended March 31, 2019

1. LEGAL STATUS & ACTIVITIES:

a) **M/s Biocon FZ-LLC** ("the Company") is registered with Dubai Creative Clusters Authority as a Free Zone Company with Limited Liability and operates under the License No. 93004 originally issued on June 16, 2015 (current issue date is June 01, 2018).

b) The company is licensed by Dubai Development Authority to engage in marketing & sales promotion, import and re export and storage of pharmaceuticals including providing support service.

c) The reporting date of M/s Biocon FZ-LLC is March 31, 2019.

d) The registered office is in Premises: Shared Desk 2-18, Ground Floor, Building: Block No.09, Dubai, U.A.E.

e) Authorised, issued and paid up capital of the Company is AED 150,000 divided in to 150 shares of AED 1,000 each fully paid and held by the shareholder,

Name of the Shareholders	Nominal Value	No of shares	Value in AED	Nationality
Biocon Limited	1,000	150	150,000	Company based in India
Total	**1,000**	**150**	**150,000**	

2. BASIS OF PREPARATION

2.1 Basis of accounting

The financial statements for the year ended March 31, 2018 is unaudited. As at the reporting date, the Company reflects equity deficit of AED 395,882 (2018: AED 1,596,977). These financial statements have been prepared on a going concern basis on the assumption of continued financial support from the parent company to enable the Company to meet its obligations as and when they become due. The parent company continues to support the Company as it does not intent to liquidate in the near future.

The financial statements of the entity are prepared in accordance with International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB), interpretations issued by International Financial Reporting Interpretations Committee (IFRIC) and requirements of the U.A.E. Federal Law No 2 of 2015 and rules and regulations of Dubai Development Authority. The requirements of the standards applied have been satisfied in full, and the financial statements therefore provide a true and fair view of the Company's net assets, financial position and results of operations.

The financial statements consist of Statement of financial position , statement of income, statement of changes on equity, statement of cash flows and notes comprising accounting policies and other information. In order to improve the clarity of presentation, various items in the statement of financial position and in the income, statement have been combined. These items are disclosed and explained separately in the Notes.

The financial statements are prepared using accrual basis of accounting. The income statement has been classified in accordance with the nature of expense method. Cash flow has been presented under indirect method. The financial statements are prepared under the historical cost convention modified to incorporate the movements on carrying values of assets and liabilities except those assets and liabilities which are recognized at fair value as required under the relevant accounting policy.

2.2 Application of new and revised International Financial Reporting Standards (IFRS)

New standards or amendments;

The Company has applied the following standards, interpretations and amendments for the first time, which are effective for annual periods beginning on or after January 1, 2018.

- **IFRS 9, Financial instruments**: Classification and Measurement (effective from 1 January 2018).
- **IFRIC 22**: **Foreign Currency Transactions and Advance Consideration;**
- **IFRS 15, Revenue from contracts with customers** (effective from 1 January 2018).

Annual Improvements 2014-2016 cycle

- **IFRS 1: First- time adoption of International Financial reporting Standards-** Deletion of short-term exemptions for the first time adopters; and
- **IAS 28: Investments in Associates and Joint Ventures-** Clarification that measuring investees at fair value through profit or loss is an investment-by-investment choice.

The application of these new standards, interpretation and amendments, did not have a material impact on the financial statements of the Company.

2.3 Currency

The financial statements are presented in ("AED"), which is the lawful currency of UAE (United Arab Emirates Dirhams). All other foreign transactions are recorded at the date of exchange rate ruling at the date of transaction.

At each reporting date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at the reporting date. Income and expense items are translated at the exchange rate prevailing on the date of transactions. Foreign currency translations are recognised in profit and loss.

3. Accounting estimates and judgements

In the preparation of financial statements in accordance with International Financial Reporting Standards (IFRS) management has made a number of judgements, estimates and assumptions in the application of certain accounting policies that affect the reported assets, liabilities, income and expenses (IAS 8). These estimates and assumptions are reviewed on an ongoing basis and are based on historical experiences and other factors, including expectations of future events that are assumed to be reasonable under the current conditions.
These assumptions and estimation uncertainties to disclose about the information related to the assumptions and estimation uncertainties that have a significant risk of resulting in material adjustment to the financial statements.

In the absence of specific accounting requirement that applies to a particular transaction, as per IFRS, management need to use judgement in developing and applying an accounting policy that results in information that is relevant to the economic decision made by the users and reliable to the financial statements. Therefore, for each transaction, management need to consider the requirement under IFRS and recognition, measurement concepts for assets, liabilities, income and expense in the conceptual framework.

An entity shall change an accounting policy only if the change is required by an IFRS or results in the financial statements providing reliable and more relevant information about the effects of transactions, other events or conditions on the entity's financial position, financial performance or cash flows. **A change in accounting policy will be applied retrospectively.**

A change in accounting estimate is an adjustment of the carrying amount of an asset or a liability, or the amount of the periodic consumption of an asset, that results from the assessment of the present status of, and expected future benefits and obligations associated with, assets and liabilities. **Changes in accounting estimates result from new information or new developments and, accordingly, are not corrections of errors and are applied prospectively.**

3.1 Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial assets include in particular cash and cash equivalents, trade receivables, originated loans and receivables, and derivative financial assets held for trading. Financial liabilities include contractual obligations to deliver cash or another financial asset to another entity. These mainly comprise trade payables, liabilities to banks, liabilities arising from bonds and finance leases, and derivative financial liabilities.

A. Financial Instruments – Recognition and measurement

Financial assets are accounted for in accordance with the provisions of IAS 39, which distinguishes between four categories of financial instruments

Trade receivables

Trade receivables are amounts due from customers for the sale of goods or provision of services in the ordinary course of business. A receivable is recognised at the undiscounted amount of cash receivable from that entity, which is normally the invoice price.

At the end of each reporting period, an assessment is made whether there is an objective evidence of impairment. Estimates of the collectible amount of trade receivable are made when collection of the full amount is no longer probable. This estimation is performed on an individual basis. Amount which are not individually insignificant, but which are past due, are assessed collectively and an allowance applied accordingly to the length of time past due, based on historical recovery rates.

Other receivables

Other receivables are considered as current assets if they mature not more than 12 months after the balance sheet date; otherwise, they are recognised as non-current asset. It is initially recognised at fair value including transaction costs and carried at amortised cost using the effective interest method.

A prepaid expense is a type of asset that arises on balance sheet as a result of the entity making payments for goods or services to be received in the near future. While prepaid expenses are initially recorded as asset, their value is expensed over time as the benefit is received.

Deposits consist of cash deposited as security for electricity, visa fee etc.

Cash and cash equivalents

Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to insignificant risk of changes in value. They are held to meet short-term cash commitments instead of for investment or other purposes. They are carried at their principal amount.

B. Financial liabilities

IAS 39 recognises two classes of financial liabilities: Financial liabilities at fair value through profit or loss and other financial liabilities measured at amortised cost using effective interest method. On initial recognition, financial liabilities are carried at fair value less transaction costs. The price determined on a price-efficient and liquid market or a fair value .In subsequent periods the financial liabilities are measured at amortised cost. Any differences between the amount received and the amount repayable are recognised in income over the term of the loan using the effective interest method.

Trade and Other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business. Trade payables are initially recorded at fair value and subsequently measured at amortised cost using the effective interest method.

An accrued expense is an accounting expense recognized in the books before it is paid for. It is a liability and is usually current. These expenses are typically periodic and documented on a Company's balance sheet due to the high probability that they will be collected.

C. Derecognizing financial instruments

Derecognition of financial asset

An entity shall derecognize financial asset only when the contractual right to the cash flow expires or settled or when the risk and reward is transferred in such case the entity shall derecognize the asset and recognize any rights and obligations retained.

Derecognition of financial liability

An entity shall derecognize financial liability only when it is extinguished i.e., when the obligation specified in contract is discharged, cancelled or expired. An entity shall recognize in profit or loss the difference in the carrying amount and consideration paid.

3.2 Employee Benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service.

Post-employment benefits are employee benefits (other than termination benefits and short-term employee benefits) that are payable after the completion of employment.

Other long-term employee benefits are all employee benefits other than short-term employee benefits, post-employment benefits and termination benefits.

Defined contribution

Post-employment benefit plans under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. Under this scheme, the employee bears the risk regarding the value of the pension that will be paid on retirement. The management is of the opinion that no significant difference would have arisen had the liability been calculated on an actuarial basis as salary inflation and discount rates are likely to have approximately equal and opposite effects.

As per UAE, labour law

The entity provides end-of service benefits to employees on the basis prescribed under the United Arab Emirates (UAE) labour laws. The end of service entitlement is usually depended on the employees' final basic salary and the length of service subject to the completion of the minimum service period. The expected costs of these benefits are accrued over the period of employment and the benefits are paid to employees on termination or completion of their term of employment.

3.3 Related party transactions

The Company enters into transactions with companies and entities that fall within the definition of a related party as contained in IAS 24 Related party.

A related party comprises of companies and entities under common ownership and/or common management and control; their parents and key management personnel.
Additionally, if the Company is able to directly or indirectly control or exercise significant influence over a party in making financial and operating decisions, or vice versa are considered to be related to the entity.

The Company believes that the terms of such transactions are not significantly different from those that could have been obtained from third parties. Such transactions are carried out on a mutually agreed term. The following are the transactions during the year.

Name of related party	Relationship	Nature of transactions	Amount
NeoBiocon	Associate	Purchases during the year	77,752,340
Biocon Limited	Parent company	Purchases during the year	3,398,487

3.4 Revenue Recognition

Revenue is recognised to the extent that it is probable that any economic benefits associated with that revenue item will flow to the entity and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable taking into account contractually defined terms of payment excluding discounts.

In the current year, the Company has applied IFRS 15 Revenue from Contracts with Customers (as amended in April 2016) which is effective for an annual period that begins on or after 1 January 2018. IFRS 15 introduced a 5-step approach to revenue recognition.

- Identify the contract with the customer;
- Identify the performance obligations in the contract;
- Determine the transaction price;
- Allocate the transaction price to the performance obligations in the contract;
- Recognize the revenue when (or as) the entity satisfies the performance obligation.

Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios.

Revenue is recognised to the extent that it is probable that any economic benefits associated with that revenue item will flow to the entity and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable taking into account contractually defined terms of payment excluding discounts.

4. DETERMINATION OF FAIR VALUES

The standard for fair value measurement applies on initial recognition and subsequent measurement when it required or permitted by other IFRS's. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Fair value measurement is applied under the presumption that the transaction to sell the asset or transfer a liability takes place either in the principal market for that asset or liability or the most advantageous market for that asset or liability.
All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, the levels of fair value hierarchy are defined as follows:

Level 1: Measurement is made by using quoted prices (unadjusted) from an active market.
Level 2: Measurement is made by means of valuation methods with parameters derived directly or indirectly from observable market data.

Level 3: Measurement is made by means of valuation methods with parameters not based exclusively on observable market data.

Certain financial assets and liabilities are reported at their fair values, in estimating fair value of an asset or liability the entity uses observable data to the extent it is available. When level 1 input are not available such data a value needs to be determined based on variety of valuation techniques that include the use of mathematical models. If inputs to these models cannot be obtained from observable data, judgements have to be made regarding factors such as present value calculation, prepayment rates etc. Under the fair value option, financial assets or financial liabilities may be measured at fair value through profit or loss on initial recognition if this eliminates or significantly reduces a measurement or recognition inconsistency (accounting mismatch).

There are no material differences between carrying value and fair value for assets and liabilities.

5. FINANCIAL RISK MANAGEMENT

Overview

Generally, the Company have exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital.

The Company's directors' has overall responsibility and oversight of the Company's risk management framework. The Company's risk management framework is a combination of formally documented policies in certain areas and informal approach to risk management in others.

The Company's approach to risk management is established to identify and analyse the risk faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and its activities.

The Company's principal financial liabilities other than derivatives interest bearing loans and borrowings and accounts payable, the main purpose of these financial instruments is to raise finance for the Company's operations. Its financial assets include bank balances and cash, trade and other receivables and deposits that arise directly from its operations.

5.1 Credit risk

Credit risk is the risk of financial loss to the Company, if a customer or counterparty to a financial instrument fails to meet its contractual obligations; it arises principally from the Company's receivables from customers, other receivables, balances with bank and amounts due from related parties. The exposure to credit risk on accounts receivables and other receivables is monitored on an ongoing basis by management and these are considered recoverable by the Company's management. The Company's cash is placed with banks of good repute. **One customer account for 100% of the Trade receivables.**

5.2 Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. Liquidity risk mainly relates to payables to suppliers amounts due to related parties.

The Company approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company currently has sufficient asset to meet expected operational expenses, including the servicing of financial obligations.

As at March 31, 2019, the financial assets and liabilities have contractual maturities as below:

Financial Assets	**Less than 180 days**	**Less than 360 days**
Cash and cash equivalents	2,645,490	-
Trade and other receivables	49,019,645	4,790,723
Total	**51,665,135**	**4,790,723**
Financial Liabilities	**Less than 180 days**	**Less than 360 days**
Trade and other payables	56,667,290	-
Total	**56,667,290**	-

5.3 Market risk

Market risk is the risk that changes in market prices, such as foreign currency exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposure within acceptable parameters, while optimising the return.

5.3.1 Currency risk

Currency risk is the risk that the fair value or future cash flows of financial instrument will fluctuate because of changes in foreign exchange rates. Generally, the Company is exposed to currency risk mainly on purchases and sales that are denominated in a currency other than the functional currency of the Company.

All the transactions are denominated in the same currency as functional currency hence currency risk is minimal.

5.3.2 Interest rate risk

Interest rate risk is the risk that the fair value of financial instruments will fluctuate because of the changes in the market interest rates.

At the reporting date the Company has no exposure to interest rate risk as it has no interest rate bearing financial instruments.

5.4 Capital management

Capital includes equity attributable to the equity holders of the company; the primary objective of the Company is to maintain a strong capital base so as to maintain investor, creditor and market confidence for the future development of the business.

There were no changes in the Company approach to capital management during the year.

The Company is not subject to externally enforced capital requirements other than those that are statutory requirements in the jurisdictions it operates.

Notes to the Financial Statements
For the year ended March 31, 2019

The Company monitors risk using gearing ratio

	2019	2018
Total Liabilities	**56,851,739**	52,802,715
Less: Cash & Cash equivalents	**(2,645,490)**	(4,181,625)
Net Debt	**54,206,249**	48,621,090
Net Equity	**(395,882)**	**(1,596,977)**

6 Trade and Other receivables

	March 31,	
	2019	2018
Trade receivables	**53,785,774**	47,006,598
Deposits	**10,371**	10,480
Prepayments	**6,670**	6,754
Other receivables	**7,552**	281
	53,810,367	47,024,113

Ageing analysis

	March 31,	
	2019	2018
Neither due nor impaired		
Less than 180 days	**46,224,576**	47,006,598
More than 180 days	**7,561,199**	-
Past due and impaired	-	-
	53,785,774	47,006,598

7 Cash and cash equivalents

	March 31,	
	2019	2018
Cash	-	-
Bank balances	**2,645,490**	4,181,625
	2,645,490	4,181,625

8 Provision for end of service benefits

	March 31,	
	2019	2018
Balance at beginning of the year	**112,152**	51,529
Paid during the year	-	-
Add: Provision for the year	**72,297**	60,623
	184,449	112,152

9 Trade and other payables

	March 31, 2019	2018
Trade payable	**54,673,732**	52,337,514
Staff payable	**26,832**	5,377
Accruals	**1,966,725**	347,672
	56,667,290	52,690,563

10 Transactions with related party

Amount due to related parties- Included in Trade payables

	March 31, 2019	2018
NeoBiocon	**54,192,170**	51,740,757
Biocon Limited	**481,562**	596,756
	54,673,732	52,337,514
Due within 1 year	**54,673,732**	52,337,514

11 Revenue

	For the year ended March 31, 2019	2018
Sales	**88,338,232**	100,129,984
	88,338,232	100,129,984

12 Cost of revenue

	For the year ended March 31, 2019	2018
Purchases during the year	**81,150,827**	93,709,319
	81,150,827	93,709,319

13 General and administrative expenses

	For the year ended March 31, 2019	2018
Sales promotion expenses	**5,825,366**	4,613,845
Salary and other related benefits	**2,323,909**	2,278,774
Rates and fees	**390,276**	15,356
Transportation Expenses	**188,972**	188,783
Legal and professional charges	**48,000**	2,000
Communication expense	**38,042**	33,000
Rent	**25,000**	24,996
Bank charges	**2,519**	3,220
Forex loss	**1,280**	871
Office Expenses	**1,026**	375
	8,844,390	7,161,220

14 Other Income

	For the year ended March 31, 2019	2018
Miscellaneous income	**2,858,079**	-
	2,858,079	-