Independent Auditor's Report

To the Board of Directors of Biocon Limited

Report on the audit of standalone Special purpose Ind AS financial statements of Biocon SA ('the Company')

We have audited the accompanying special purpose standalone Ind AS financial statements of Biocon SA, which comprise the balance sheet as at 31 March 2017, and the statement of profit and loss (including other comprehensive income), the cash flow statement and the statement of changes in equity for the year ended 31 March 2017, and a summary of the significant accounting policies and other explanatory information (herein after referred to as "special purpose standalone Ind AS financial statements"). The special purpose standalone Ind AS financial statements have been prepared by the management in accordance with Note 1.1(a) on the basis of the preparation of the special purpose standalone Ind AS financial statements.

Management's Responsibility for the Special Purpose Standalone Ind AS Financial Statements

The Company's Board of Directors is responsible for the special purpose preparation of these standalone Ind AS financial statements that give a true and fair view of the financial position, financial performance including other comprehensive income, cash flows and changes in equity of the Company in accordance with basis described in Note 1.1(a) of the special purpose standalone Ind AS financial statements.

This responsibility also includes maintenance of adequate accounting records for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the special purpose standalone Ind AS financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these special purpose standalone Ind AS financial statements based on our audit.

We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the special purpose standalone Ind AS financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the special purpose standalone Ind AS financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the special purpose standalone Ind AS financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the special purpose standalone Ind AS financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the special purpose standalone Ind AS financial statements.

Auditor's Responsibility (continued)

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the special purpose standalone Ind AS financial statements.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid special purpose standalone Ind AS financial statements give a true and fair view in conformity with the accounting principles generally accepted in India, including the Ind AS, of the financial position of the Company as at 31 March 2017, and its financial performance including other comprehensive income, its cash flows and the changes in equity for the year ended 31 March 2017.

Other matters

The comparative financial information of the Company for the year ended 31 March 2016 and the transition date opening balance sheet as at 1 April 2015 included in these standalone Ind AS financial statements, are based on the previously issued statutory financial statements prepared in accordance with the requirements of Swiss law and Company's article of incorporation, audited by the predecessor auditor whose report for the year ended 31 March 2016 and 31 March 2015 dated 22 June 2016 and 12 June 2015 respectively expressed an unmodified opinion on those standalone financial statements, as adjusted for the differences in the accounting principles adopted by the Company on transition to the Ind AS, which have been audited by us.

Our opinion is not modified in respect of this matter.

We draw attention to Note 1.1(a) to the financial statements, which describes the basis of accounting. As a result, the special purpose standalone financial statements may not be suitable for another purpose.

for **B S R & Co. LLP**
Chartered Accountants
Firm's registration number: 101248W/W-100022

S Sethuraman
Partner
Membership number: 203491

Place: Bengaluru
Date: July 14, 2017

BIOCON SA
BALANCE SHEET AS AT MARCH 31, 2017
(All amounts are in Indian Rupees Million, except share data and per share data, unless otherwise stated)

	Note	March 31, 2017	March 31, 2016	April 1, 2015
ASSETS				
Non-current assets				
Intangible assets	3	97	1,081	1,295
Financial assets				
(i) Investments	4	4,447	4,836	4,833
(ii) Other financial assets	5	-	-	93
Total non-current assets		**4,544**	**5,917**	**6,221**
Current assets				
Financial assets				
(i) Trade receivables	6	25	164	1
(ii) Cash and cash equivalents	7	107	160	1,292
(iii) Other financial assets	8	542	1,175	97
Other assets		-	-	6
Total current assets		**674**	**1,499**	**1,396**
TOTAL		**5,218**	**7,416**	**7,617**
EQUITY AND LIABILITIES				
Equity				
Equity share capital	10(a)	4	4	4
Other equity		4,227	3,534	2,455
Total equity		**4,231**	**3,538**	**2,459**
Non-current liabilities				
Other liabilities	11	-	2,187	3,764
Total non-current liabilities		**-**	**2,187**	**3,764**
Current liabilities				
Financial liabilities				
(i) Trade payables	12	857	1,507	580
Income tax liability (net)		98	126	1
Other current liabilities	13	32	58	813
Total current liabilities		**987**	**1,691**	**1,394**
TOTAL		**5,218**	**7,416**	**7,617**

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

As per our report of even date attached

for **B S R & Co. LLP**
Chartered Accountants
Firm Registration Number: 101248W/W-100022

S Sethuraman
Partner
Membership No.: 203491
Bengaluru
July 14, 2017

for **and on behalf of the Board of Directors of Biocon SA**

Kiran Mazumdar-Shaw
Director

John Shaw
Director

Bengaluru
July 14, 2017

BIOCON SA
STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED MARCH 31, 2017
(All amounts are in Indian Rupees Million, except share data and per share data, unless otherwise stated)

	Note	Year ended March 31, 2017	Year ended March 31, 2016
Income			
Revenue from operations	14	134	295
Other income	15	-	21
Total income		**134**	**316**
Expenses			
Finance costs	16	-	10
Depreciation and amortisation expense	17	-	199
Other expenses	18	1,699	1,760
		1,699	**1,969**
Less: Recovery of product development costs from co-development partners (net)		(1,120)	(1,696)
Total expenses		**579**	**273**
Profit / (Loss) before tax and exceptional item		(445)	43
Exceptional items, net	19	1,207	1,310
Profit before tax		**762**	**1,353**
Tax expense			
Current tax		78	125
Total tax expense		**78**	**125**
Profit for the year		**684**	**1,228**
Other comprehensive income		-	-
Items that will not be reclassified subsequently to profit or loss			
Foreign currency translation reserve		9	(149)
Other comprehensive income/ (expense) for the year, net of taxes		**9**	**(149)**
Total comprehensive income for the year		**693**	**1,079**
Earnings per share	20		
Basic and Diluted (in Rs.)		6,84,000.00	12,28,000.00

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

As per our report of even date attached

for **B S R & Co. LLP**
Chartered Accountants
Firm Registration Number: 101248W/W-100022

S Sethuraman
Partner
Membership No.: 203491

Bengaluru
July 14, 2017

for **and on behalf of the Board of Directors of Biocon SA**

Kiran Mazumdar-Shaw
Director

John Shaw
Director

Bengaluru
July 14, 2017

BIOCON SA
STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED MARCH 31, 2017
(All amounts are in Indian Rupees Million, except share data and per share data, unless otherwise stated)

(A) Equity share capital	**March 31, 2017**	**March 31, 2016**
Opening balance	4	4
Changes in equity share capital	-	-
Closing balance	**4**	**4**

(B) Other equity

Particulars	**General reserve**	**Retained earnings**	**Foreign Currency Translation Reserve**	**Total other equity**
Balance at April 01, 2015	**2**	**2,209**	**244**	**2,455**
Profit for the year	-	1,228	-	1,228
Other comprehensive (loss), net of tax	-	-	(149)	(149)
Balance at March 31, 2016	**2**	**3,437**	**95**	**3,534**
Profit for the year	-	684	-	684
Other comprehensive income, net of tax	-	-	9	9
Balance at March 31, 2017	**2**	**4,121**	**104**	**4,227**

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

As per our report of even date attached

for **B S R & Co. LLP**
Chartered Accountants
Firm Registration Number: 101248W/W-100022

for **and on behalf of the Board of Directors of Biocon SA**

S Sethuraman
Partner
Membership No.: 203491

Kiran Mazumdar-Shaw
Director

John Shaw
Director

Bengaluru
July 14, 2017

Bengaluru
July 14, 2017

BIOCON SA
STATEMENT OF CASH FLOWS FOR THE YEAR ENDED MARCH 31, 2017
(All amounts are in Indian Rupees Million, except share data and per share data, unless otherwise stated)

		March 31, 2017	March 31, 2016
I	**Cash flows from operating activities**		
	Profit for the year	**684**	**1,228**
	Adjustments to reconcile profit before tax to net cash flows		
	Depreciation and amortisation expense	-	199
	Provision/ (reversal of provision) for doubtful debts	-	(13)
	Interest expense	-	10
	Interest income	-	(21)
	Exceptional Item	(1,207)	(1,310)
	Tax expense	78	125
	Operating profit / (loss) before working capital changes	**(445)**	**218**
	Movements in working capital		
	Decrease/(increase) in trade receivables	140	(149)
	Decrease/(increase) in other assets	624	(1,100)
	Increase/(decrease) in trade payable, other liabilities and provisions	(861)	781
	Cash used in operations	**(542)**	**(250)**
	Direct taxes paid (net of refunds)	(104)	(1)
	Net cash flow used in operating activities	**(646)**	**(251)**
II	**Cash flows from investing activities**		
	Payment for internally developed intangible asset	(473)	(912)
	Proceeds from sale of intangible assets	667	-
	Purchase of Investment	-	(821)
	Proceeds from sale of investment	400	723
	Redemption/ maturity of bank deposits	-	1,315
		-	66
	Net cash flow generated from investing activities	**594**	**371**
III	**Cash flows from financing activities**		
	Interest paid	-	(10)
	Net cash flow generated from/ (used in) financing activities	**-**	**(10)**
IV	**Net increase/ (decrease) in cash and cash equivalents (I + II + III)**	**(51)**	**110**
V	Cash and cash equivalents at the beginning of the year	160	46
VI	Froeign Currency transalation impact	(2)	4
VII	**Cash and cash equivalents at the end of the year**	**107**	**160**

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

As per our report of even date attached

for **B S R & Co. LLP**
Chartered Accountants
Firm Registration Number: 101248W/W-100022

S Sethuraman
Partner
Membership No.: 203491

Bengaluru
July 14, 2017

for **and on behalf of the Board of Directors of Biocon SA**

Kiran Mazumdar-Shaw
Director

John Shaw
Director

Bengaluru
July 14, 2017

1. Company Overview

1.1 Reporting entity

Biocon SA ("the Company") was incorporated on May 28, 2008, as a wholly owned subsidiary of Biocon Limited. The Company incorporated and domiciled under Swiss Law and has its registered office in Delemont, Swiss. The Company is primarily involved in the development and commercialisation of generic recombinant human insulins and its analogues for global market under various internal as well as partnered programs.

Basis of preparation of financial statements

a) Statement of compliance

These special purpose financial statements have been prepared for inclusion in the annual report of the Holding Company (Biocon Limited) under the requirements of section 129(3) of the Companies Act, 2013.

These financial statements have been prepared in accordance with Indian Accounting Standards (Ind AS) as per the Companies (Indian Accounting Standards) Rules, 2015 notified under Section 133 of Companies Act, 2013, (the 'Act') and other relevant provisions of the Act.

These financial statements have been prepared for the Company as a going concern on the basis of relevant Ind AS that are effective at the Company's annual reporting date, March 31, 2017. These financial statements were authorised for issuance by the Company's Management on July 14, 2017.

Details of the Company's accounting policies are included in Note 2.

b) Functional and presentation currency

These financial statements are presented in Indian Rupees, which is different from the Company's functional currency United States Dollar ("USD"). All financial information are presented in Indian Rupees rounded-off to the nearest million, unless otherwise stated. The Company has determined its functional currency to be USD.

c) Basis of measurement

These financial statements have been prepared on the historical cost basis, except for the certain financial assets and liabilities are measured at fair value.

Use of estimates and judgements

The preparation of the financial statements in conformity with Ind AS requires management to make estimates, judgements and assumptions. These estimates, judgements and assumptions affect the application of accounting policies and the reported amounts of assets and liabilities, the disclosures of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the period. Accounting estimates could change from period to period. Actual results could differ from those estimates. Appropriate changes in estimates are made as management becomes aware of changes in circumstances surrounding the estimates. Changes in estimates are reflected in the financial statements in the period in which changes are made and, if material, their effects are disclosed in the notes to the financial statements.

Judgements

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the financial statements is included in the following notes:

- Note 1.1(b) — Assessment of functional currency;
- Note 2(a) and 22 — Financial instruments;
- Note 2(d) — Provision

1.2 Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ending March 31, 2018 is included in the following notes:

- Note 2(c) – impairment of financial assets; and
- Note 25 – recognition and measurement of provisions and contingencies: key assumptions about the likelihood and magnitude of an outflow of resources.

1.3 Measurement of fair values

A number of the Company's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

When measuring the fair value of an asset or a liability, the Company uses observable market data as far as possible. If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Company recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in Note 2(a) and 22 – financial instruments.

2 Significant accounting policies

a. Financial instruments

i. Recognition and initial measurement

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Company becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is initially measured at fair value plus, for an item not at fair value through profit and loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue.

ii. Classification and subsequent measurement

Financial assets

On initial recognition, a financial asset is classified as measured at

- Amortised cost;
- FVOCI – debt investment;
- FVOCI – equity investment; or
- FVTPL

Financial assets are not reclassified subsequent to their initial recognition, except if and in the period the Company changes its business model for managing financial assets.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in OCI (designated as FVOCI – equity investment). This election is made on an investment‐ by‐ investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets: Subsequent measurement and gains and losses

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in statement of profit and loss.
Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in statement of profit and loss. Any gain or loss on derecognition is recognised in statement of profit and loss.
Debt investments at FVOCI	These assets are subsequently measured at fair value. Interest income under the effective interest method, foreign exchange gains and losses and impairment are recognised in statement of profit and loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to statement of profit and loss.
Equity investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognised as income in statement of profit and loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are not reclassified to statement of profit and loss.

Financial liabilities: Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, or it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in statement of profit and loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in statement of profit and loss. Any gain or loss on derecognition is also recognised in statement of profit and loss.

iii. Derecognition

Financial assets

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control of the financial asset.

If the Company enters into transactions whereby it transfers assets recognised on its balance sheet, but retains either all or substantially all of the risks and rewards of the transferred assets, the transferred assets are not derecognised.

Financial liabilities

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

The Company also derecognises a financial liability when its terms are modified and the cash flows under the modified terms are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognised in statement of profit and loss.

iv. Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the balance sheet when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

v. Cash and cash equivalents

Cash and cash equivalent in the balance sheet comprise cash at banks and on hand and short-term deposits with an original maturity of three months or less, which are subject to an insignificant risk of changes in value. For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts as they are considered an integral part of the Company's cash management.

b. Intangible assets

Internally generated: Research and development

Expenditure on research activities is recognised in statement of profit and loss as incurred.

Development expenditure is capitalised as part of the cost of the resulting intangible asset only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Company intends to and has sufficient resources to complete development and to use or sell the asset. Otherwise, it is recognised in statement of profit and loss as incurred. Subsequent to initial recognition, the asset is measured at cost less accumulated amortisation and any accumulated impairment losses.

c. Impairment

i. Impairment of financial assets

In accordance with Ind AS 109, the Company applies expected credit loss ("ECL") model for measurement and recognition of impairment loss on following:

— financial assets measured at amortised cost; and
— financial assets measured at FVOCI- debt investments.

Loss allowance for trade receivables with no significant financing component is measured at an amount equal to lifetime expected credit losses. For all other financial assets, ECL are measured at an amount equal to the 12-month ECL, unless there has been a significant increase in credit risk from initial recognition in which case those are measured at lifetime ECL.

Loss allowance for financial assets measured at amortised cost are deducted from gross carrying amount of the assets. For debt securities at FVOCI, the loss allowance is charged to statement of profit and loss and is recognised in OCI.

ii. Impairment of non-financial assets

The Company assess at each reporting date whether there is any indication that the carrying amount may not be recoverable. If any such indication exists, then the asset's recoverable amount is estimated and an impairment loss is recognised if the carrying amount of an asset or CGU exceeds its estimated recoverable amount in the statement of profit and loss.

The Company's non-financial assets, inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For impairment testing, assets that do not generate independent cash inflows are grouped together into cash-generating units (CGUs). Each CGU represents the smallest group of assets that generates cash inflows that are largely independent of the cash inflows of other assets or CGUs.

Impairment loss recognised in respect of a CGU is allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets of the CGU (or groups of CGUs) on a pro rata basis.

d. Provisions

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows (representing the best estimate of the expenditure required to settle the present obligation at the balance sheet date) at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost. Expected future operating losses are not provided for.

Onerous contracts

A contract is considered to be onerous when the expected economic benefits to be derived by the Company from the contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision for an onerous contract is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before such a provision is made, the Company recognises any impairment loss on the assets associated with that contract.

e. Revenue

i. Milestone payments and out licensing arrangements

The Company enters into certain dossier sales, licensing and supply arrangements that, in certain instances, include certain performance obligations. Based on an evaluation of whether or not these obligations are inconsequential or perfunctory, we recognise or defer the upfront payments received under these arrangements. The deferred revenue is recognised in the Standalone statement of operations in the period in which we complete our remaining performance obligations.

These arrangements typically also consist of subsequent payments dependent on achieving certain milestones in accordance with the terms prescribed in the agreement. Milestone payments which are contingent on achieving certain clinical milestones are recognised as revenues either on achievement of such milestones, if the milestones are considered substantive, or over the period we have continuing performance obligations, if the milestones are not considered substantive. If milestone payments are creditable against future royalty payments, the milestones are deferred and released over the period in which the royalties are anticipated to be paid.

ii. Research services

In respect of research services involving 'time and materials' contracts, research fee are recognised as services are rendered, in accordance with the terms of the contracts. The rates charged to customers are arrived at a cost plus markup basis as per the terms of the agreement with each customer.

f. Income taxes

Income tax comprises current and deferred income tax. Income tax expense is recognised in statement of profit and loss except to the extent that it relates to an item recognised directly in equity in which case it is recognised in other comprehensive income. Current income tax for current year and prior periods is recognised at the amount expected to be paid or recovered from the tax authorities, using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred income tax assets and liabilities are recognised for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except when:

- taxable temporary differences arising on the initial recognition of goodwill;
- temporary differences arising on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss at the time of transaction;
- temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred income tax assets and liabilities are measured using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date and are expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect of changes in tax rates on deferred income tax assets and liabilities is recognised as income or expense in the period that includes the enactment or substantive enactment date. A deferred income tax assets is recognised to the extent it is probable that future taxable income will be available against which the deductible temporary timing differences and tax losses can be utilised. The Company offsets income-tax assets and liabilities, where it has a legally enforceable right to set off the recognised amounts and where it intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

g. Earnings per share

Basic earnings per share is computed using the weighted average number of equity shares outstanding during the period adjusted for treasury shares held. Diluted earnings per share is computed using the weighted-average number of equity and dilutive equivalent shares outstanding during the period, using the treasury stock method for options and warrants, except where the results would be anti-dilutive.

(All amounts are in Indian Rupees Million, except share data and per share data, unless otherwise stated)

3. Intangible assets

	Product under development	Marketing rights	Total
Gross carrying amount			
At April 01, 2015	59	3,044	3,103
Additions	1,010	-	1,010
Foreign currency translation	12	187	199
At March 31, 2016	**1,081**	**3,231**	**4,312**
Additions	505	-	505
Disposal [refer note (a) below]	(1,493)	-	(1,493)
Foreign currency translation	4	-	4
At March 31, 2017	**97**	**3,231**	**3,329**
Accumulated amortisation			
At April 01, 2015	-	1,808	1,808
Amortisation for the year	-	199	199
Impairment [refer note 19(a)]		1,106	1,106
Foreign currency translation	-	118	118
At March 31, 2016	**-**	**3,231**	**3,231**
Amortisation for the year	-	-	-
At March 31, 2017	**-**	**3,231**	**3,231**
Net carrying amount			
At April 1, 2015	59	1,236	1,295
At March 31, 2016	1,081	-	1,081
At March 31, 2017	97	-	97

(a) During the current year, Biocon SA ("BSA") and Biocon Sdn. Bhd. ("Biocon Malaysia") have entered into an Assignment and License Agreement pursuant to which BSA transferred all of its rights, interests and obligations in Insulin Analogs (IPR) to Biocon Malaysia. Consequent to this transfer BSA recorded a net gain of INR 1,207 in its books which is offered to tax under the Swiss tax laws.

(THIS SPACE HAS BEEN INTENTIONALLY LEFT BLANK)

BIOCON SA
Notes to the financial statements for the year ended March 31, 2017
(All amounts are in Indian Rupees Million, except share data and per share data, unless otherwise stated)

	March 31, 2017	March 31, 2016	April 1, 2015
4. Non-current investments			
I. Unquoted preference shares			
At cost:			
Biocon Sdn. Bhd., Malaysia - 6,611,053 (March 31, 2016: 8,558,972, April 1, 2015: 10,616,168) preference shares of RM 10 each	1,255	1,632	2,036
II. Others			
Share application money pending allotment	3,192	3,204	2,797
Total non-current investments	**4,447**	**4,836**	**4,833**
Aggregate value of unquoted investments	1,255	1,632	2,036
Aggregate amount of impairment in value of investments	-	-	-

5. Other financial assets (non-current)

	March 31, 2017	March 31, 2016	April 1, 2015
Capital advances	-	-	93
	-	**-**	**93**

6. Trade receivables

	March 31, 2017	March 31, 2016	April 1, 2015
Unsecured, considered good	25	151	1
Doubtful	-	-	12
	25	151	13
Reversal / (Provision) for credit loss	-	13	(12)
	25	**164**	**1**

7. Cash and cash equivalents

	March 31, 2017	March 31, 2016	April 1, 2015
Balances with banks:			
On current accounts	107	160	46
Deposits with maturity of less than three months	-	-	1,246
Total cash and cash equivalents	**107**	**160**	**1,292**

8. Other financial assets (current)

	March 31, 2017	March 31, 2016	April 1, 2015
Unbilled revenue	-	334	-
Interest accrued	-	-	42
Other receivables from:			
Related parties [also refer note 21]	7	59	55
Others	535	782	-
	542	**1,175**	**97**

9. Other assets (current)

	March 31, 2017	March 31, 2016	April 1, 2015
Balances with statutory / government authorities	-	-	6
	-	**-**	**6**

(All amounts are in Indian Rupees Million, except share data and per share data, unless otherwise stated)

	March 31, 2017	March 31, 2016	April 1, 2015
10(a). Equity share capital			
Issued, subscribed and fully paid-up			
1,000 (March 31, 2016 - 1,000; April 01, 2015 - 1,000) equity shares of CHF 100 each (March 31, 2016 - CHF 100 each, April 01, 2015 - CHF 100 each)	4	4	4

(i) Reconciliation of the shares outstanding at the beginning and at the end of the reporting year

Equity shares	March 31, 2017		March 31, 2016	
	No.	USD	No.	USD
At the beginning of the year	1,000	4	1,000	4
Issued during the year	-	-	-	-
Outstanding at the end of the year	**1,000**	**4**	**1,000**	**4**

(ii) Terms/ rights attached to equity shares

The Company has only one class of equity shares having a par value of CHF 100 per share. Each holder of equity shares is entitled to one vote per share. The Company declares and pays dividends in CHF. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting.

In the event of liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets of the Company, after distribution of all preferential amounts, if any. The distribution will be in proportion to the number of equity shares held by the shareholders.

(iii) Details of shareholders holding more than 5% shares in the Company

	March 31, 2017		March 31, 2016	
	No.	% holding	No.	% holding
Equity shares of CHF 100 each fully paid				
Biocon Limited	1,000	100%	1,000	100%

As per records of the Company, including its register of shareholders/ members, the above shareholding represents both legal and beneficial ownerships of shares.

10(b). Other equity

General reserve

General reserve is used from time to time to transfer profits from retained earnings for appropriation purposes.

Retained earnings

The amount that can be distributed by the Company as dividends to its equity shareholders.

11. Other liabilities (non-current)	March 31, 2017	March 31, 2016	April 1, 2015
Deferred revenues	-	2,121	3,702
Others	-	66	62
	-	**2,187**	**3,764**
12. Trade payables			
Trade payables [refer note 21]	**857**	**1,507**	**580**

All Trade Payables are 'current'. The Company's exposure to currency and liquidity risks related to trade payables is disclosed in note 22.

13. Other liabilities (current)			
Deferred revenues	-	-	812
Statutory taxes and dues payable	32	58	1
	32	**58**	**813**

(All amounts are in Indian Rupees Million, except share data and per share data, unless otherwise stated)

	March 31, 2017	March 31, 2016
14. Revenue from operations		
Sale of services		
Licensing and development fees	134	295
Revenue from operations	**134**	**295**
15. Other income		
Interest income on:		
Deposits with banks	-	21
	-	**21**
16. Finance costs		
Interest expense	-	10
	-	**10**
17. Depreciation and amortisation expense		
Amortisation of intangible assets [refer note 3]	-	199
	-	**199**
18. Other expenses		
Professional charges	12	8
Foreign exchange fluctuation, net	6	2
Development expenses	2,172	2,962
Provision/ (reversal) for doubtful debts, net	-	(13)
Miscellaneous expenses	14	-
	2,204	2,959
Less: Adjustment of product development expenses with deferred revenues	-	(288)
Less: Product development expenses capitalized	(505)	(911)
	1,699	**1,760**

(THIS SPACE HAS BEEN INTENTIONALLY LEFT BLANK)

(All amounts are in Indian Rupees Million, except share data and per share data, unless otherwise stated)

19. Exceptional items (net)	**March 31, 2017**	**March 31, 2016**
Profit from sale of intangible asset [refer note 3 (a)]	1,207	-
Impairment loss on intangible assets [refer note (a) below]	-	(1,106)
Recognition of deferred revenue [refer note (b) below]	-	2,416
	1,207	**1,310**

(a) Pursuant to the uncertainty in respect of the ability of the Company to license a product for development and commercialization in certain territories, the Company recorded an impairment of the carrying value of the intangible asset amounting to INR 1,106.

(b) Consequent to an agreement with a customer which resulted in changes to the nature of the Company's future obligations on the rh-insulin program, deferred revenue of INR 2,416 relating to the program has been recognized as income in the financial statements for the year ended March 31, 2016.

20. Earnings per share (EPS)	**March 31, 2017**	**March 31, 2016**
Earnings		
Profit for the year	**684**	**1,228**
Shares		
Basic outstanding shares	1,000	1,000
Less: Weighted average shares	-	-
Weighted average shares used for computing basic and diluted EPS	**1,000**	**1,000**
Earnings per share		
Basic and Diluted (in Rs.)	6,84,000	12,28,000

(THIS SPACE HAS BEEN INTENTIONALLY LEFT BLANK)

BIOCON SA

Notes to the financial statements for the year ended March 31, 2017
(All amounts are in Indian Rupees Million, except share data and per share data, unless otherwise stated)

21. Related party disclosure

Related parties where control exists and related parties with whom transactions have taken place during the year are listed below:

Sl No	Name of the related party	Relationship	Description	April 1, 2016 to March 31, 2017 Income/(Expenses)/ Other transactions	Balance as at March 31, 2017 (Payable)/Receivable	April 1, 2015 to March 31, 2016 Income/(Expenses)/ Other transactions	Balance as at March 31, 2016 (Payable)/Receivable
1	Biocon Limited	Holding company	Development expenses	(197)	(157)	(60)	(51)
			Research Services provided	24	-	-	-
2	Biocon SDN BHD	Fellow subsidiary	Development expenses	(1,073)	-	(935)	(913)
			Deferred Revenue	(219)	-	-	-
			Sale of intangibles	1,207	-	-	-
			Other receivables	-	-	-	59
					*		
3	Syngene International Limited	Fellow subsidiary	Development expenses	(60)	(65)	(38)	(35)
4	Biocon Research Limited	Fellow subsidiary	Development expenses	(498)	(484)	(780)	(359)
5	Biocon Pharma Inc	Fellow subsidiary	Receivables	-	7	-	-
6	Biocon Biologics Limited	Fellow subsidiary	Sale of non-current investment	377	-	404	-

(a) The above disclosures include related parties as per Ind AS 24 on "Related Party Disclosures" .

(b) All transactions with these related parties are priced on an arm's length basis and none of the balances are secured.

(All amounts are in Indian Rupees Million, except share data and per share data, unless otherwise stated)

22: Financial instruments: Fair value and risk managements

A. Accounting classification and fair values

	Carrying amount				Fair value			
March 31, 2017	**FVTPL**	**FVTOCI**	**Amortised Cost**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets								
Trade receivables	-	-	25	25	-	-	-	-
Cash and bank balances	-	-	107	107	-	-	-	-
Other financial asset	-	-	542	542	-	-	-	-
	-	-	674	674	-	-	-	-
Financial liabilities								
Trade payables	-	-	857	857	-	-	-	-
	-	-	857	857	-	-	-	-
March 31, 2016	**FVTPL**	**FVTOCI**	**Amortised Cost**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets								
Trade receivables	-	-	164	164	-	-	-	-
Cash and cash equivalents	-	-	160	160	-	-	-	-
Other financial asset	-	-	1,175	1,175	-	-	-	-
	-	-	1,499	1,499	-	-	-	-
Financial liabilities								
Trade payables	-	-	1,507	1,507	-	-	-	-
	-	-	1,507	1,507	-	-	-	-
April 1, 2015	**FVTPL**	**FVTOCI**	**Amortised Cost**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets								
Trade receivables	-	-	1	1	-	-	-	-
Cash and cash equivalents	-	-	1,292	1,292	-	-	-	-
Other financial asset	-	-	190	190	-	-	-	-
	-	-	1,483	1,483	-	-	-	-
Trade payables	-	-	580	580	-	-	-	-
	-	-	580	580	-	-	-	-

The carrying amounts of other financial asset, trade receivables, cash and cash equivalents and trade payables reasonably approximate their fair values due to the relatively short term nature of these financial instruments.

B. Financial risk management

The Company has exposure to the following risks arising from financial instruments:
- Credit risk
- Liquidity risk
- Market risk

(i) Risk management framework

The Company's risk management is carried out by the treasury department under policies approved by the Board of Directors. The Board provides written principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative and non-derivative financial instruments and investment of excess liquidity.

(ii) Credit risk

Credit risk is the risk that the counterparty will not meet its obligation under a financial instrument or customer contract, leading to financial loss. The credit risk arises principally from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions and other financial instruments.

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on customers requiring credit over a certain amount. As at the end of the reporting period, there were no significant concentrations of credit risk and the maximum exposure to credit risk arising from receivables is represented by the carrying amounts in the balance sheet. The Company uses ageing analysis to monitor the credit quality of its receivables.

The Company establishes an allowance for impairment that represents its estimate of expected losses in respect of trade and other receivables. The maximum exposure to credit risk as at reporting date is primarily from trade receivables amounting to Rs. 25 (March 31, 2016: Rs. 164). The movement in allowance for impairment in respect of trade and other receivables during the year was as follows:

(All amounts are in Indian Rupees Million, except share data and per share data, unless otherwise stated)

Allowance for Impairment	March 31, 2017	March 31, 2016	April 1, 2015
Opening balance	-	12	-
Impairment loss recognised / (reversed)	-	(13)	12
Translation difference		1	
Closing balance	**-**	**-**	**12**

Credit risk on cash and cash equivalent is limited as the Company generally transacts with banks and financial institutions with high credit ratings assigned by international and domestic credit rating agencies.

(iii) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company believes that the working capital is sufficient to meet its current requirements. Accordingly, no liquidity risk is perceived.

(iv) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices, such as foreign exchange rates, interest rates and equity prices.

Foreign currency risk

The fluctuation in foreign currency exchange rates may have potential impact on the statement of comprehensive income and equity, where any transaction references more than one currency or where assets/liabilities are denominated in a currecny other than the functional currency of the entiry. There is no significant foreign currecny risk, that the Company is exposed to.

23.Capital management

The key objective of the Company's capital management is to ensure that it maintains a stable capital structure with the focus on total equity to uphold investor, creditor, and customer confidence and to ensure future development of its business. The Company focused on keeping strong total equity base to ensure independence, security, as well as a high financial flexibility for potential future borrowings, if required without impacting the risk profile of the Company.

(THIS SPACE HAS BEEN INTENTIONALLY LEFT BLANK)

(All amounts are in Indian Rupees Million, except share data and per share data, unless otherwise stated)

24. Tax expense

	March 31, 2017	March 31, 2016
(a) Amount recognised in Statement of profit and loss		
Current tax	78	125
Tax expense for the year	**78**	**125**
(b) Reconciliation of effective tax rate		
Profit before tax	762	1,353
Tax at statutory income tax rate 10.30% (March 31, 2016 - 9.21%)	78	125
Tax effects of amounts which are not deductible / (taxable) in calculating taxable income	-	-
Income tax expense	**78**	**125**

25. Contingent liabilities and commitments

(i) Capital commitments:

The estimated amount of contracts remaining to be executed on capital account and not provided for as at March 31, 2017 (March 31, 2016: Nil, April 1, 2015: Nil) , net of advances, is Nil.

(ii) Contingent liabilities:
The Company has no contingent liability as at March 31, 2017 (March 31,2016: Nil, April 1, 2015)

As per our report of even date attached

for **B S R & Co. LLP**
Chartered Accountants
Firm Registration Number: 101248W/W-100022

S Sethuraman
Partner
Membership No.: 203491

Bengaluru
July 14, 2017

for **and on behalf of the Board of Directors of Biocon SA**

Kiran Mazumdar-Shaw
Director

John Shaw
Director

Bengaluru
July 14, 2017