

**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 Biologics Limited ('the Company')

We have audited the accompanying special purpose standalone Ind AS financial statements of Biocon Biologics Limited, 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 period 2 March 2016 to 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.

Biocon Limited
Independent Auditor's Report (continued)

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 period 2 March 2016 to 31 March 2017.

Other matters

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 BIOLOGICS LIMITED**BALANCE SHEET AS AT MARCH 31, 2017**

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

	<u>Note</u>	<u>March 31, 2017</u>
ASSETS		
Non-current assets		
Intangible assets	3	3,560
Financial assets		
(i) Investments	4	1,927
Total non-current assets		5,487
Current assets		
Inventories	5	56
Financial assets		
(i) Trade receivables	6	202
(ii) Cash and cash equivalents	7	676
(iii) Other financial assets	8	60
Total current assets		994
TOTAL		6,481
EQUITY AND LIABILITIES		
Equity		
Equity share capital	9(a)	4,453
Other equity	9(b)	(190)
Total equity		4,263
Current liabilities		
Financial liabilities		
(i) Trade payables	10	2,200
Income tax liability (net)		18
Total current liabilities		2,218
TOTAL		6,481

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 Biologics Limited

S Sethuraman
Partner
Membership No.: 203491

Kiran Mazumdar-Shaw
Director

Russell Walls
Director

Bengaluru
July 14, 2017

Bengaluru
July 14, 2017

London
July 14, 2017

BIOCON BIOLOGICS LIMITED**STATEMENT OF PROFIT AND LOSS FOR THE PERIOD FROM MARCH 2, 2016 TO MARCH 31, 2017**

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

	<u>Note</u>	<u>For the period from March 2, 2016 to March 31, 2017</u>
Income		
Revenue from operations	11	2,020
Other income	12	5
Total income		<u>2,025</u>
Expenses		
Changes in inventories of traded goods		(56)
Purchases of traded goods		673
Other expenses	13	1,507
Total expenses		<u>2,124</u>
Loss before tax		(99)
Tax expense		
Current tax		18
Total tax expense		<u>18</u>
Loss for the period		(117)
Other comprehensive income		
Items that will be reclassified subsequently to profit and loss		
Foreign currency translation reserve		(73)
Other comprehensive expense for the period, net of taxes		<u>(73)</u>
Total comprehensive expense for the period		<u>(190)</u>
Loss per equity share	14	
Basic and Diluted (in Rs.)		(2.48)

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 Biologics Limited

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

Kiran Mazumdar-Shaw
Director
Bengaluru
July 14, 2017

Russell Walls
Director
London
July 14, 2017

BIOCON BIOLOGICS LIMITED**STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD FROM MARCH 2, 2016 TO 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
Opening balance	-
Shares issued during the year	4,453
Closing balance	4,453

(B) Other equity

Particulars	Retained earnings	Foreign currency translation reserve	Total other equity
Loss for the period	(117)	-	(117)
Other comprehensive expenses, net of tax	-	(73)	(73)
Balance at March 31, 2017	(117)	(73)	(190)

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 Biologics Limited

S Sethuraman

Partner

Membership No.: 203491

Bengaluru

July 14, 2017

Kiran Mazumdar-Shaw

Director

Bengaluru

July 14, 2017

Russell Walls

Director

London

July 14, 2017

BIOCON BIOLOGICS LIMITED**STATEMENT OF CASH FLOWS FOR THE PERIOD FROM MARCH 2, 2016 TO MARCH 31, 2017**

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

	<u>For the period from March 2, 2016 to March 31, 2017</u>
I Cash flows from operating activities	
Loss for the period	(117)
<u>Adjustments to reconcile loss after tax to net cash flows</u>	
Interest income	(2)
Tax expense	18
Operating loss before working capital changes	<u>(101)</u>
Movements in working capital	
Decrease/(increase) in inventories	(56)
Decrease/(increase) in trade receivables	(202)
Decrease/(increase) in other assets	(60)
Increase/(decrease) in trade payables, other liabilities and provisions	2,200
Cash generated from operations	<u>1,781</u>
Direct taxes paid (net of refunds)	-
Net cash flow generated from operating activities	<u><u>1,781</u></u>
II Cash flows from investing activities	
Acquisition of intangible assets / product development cost capitalised	(3,665)
Purchase of Investment	(1,927)
Interest received	2
Net cash flow used in investing activities	<u><u>(5,590)</u></u>
III Cash flows from financing activities	
Proceeds from issue of equity shares	4,453
Net cash flow generated from financing activities	<u><u>4,453</u></u>
IV Net increase in cash and cash equivalents (I + II + III)	644
V Cash and cash equivalents at the beginning of the period	-
VI Foreign currency translation impact	32
VII Cash and cash equivalents at the end of the period (IV + V + VI)	<u><u>676</u></u>

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 Biologics Limited

S Sethuraman

Partner

Membership No.: 203491

Bengaluru

July 14, 2017

Kiran Mazumdar-Shaw

Director

Bengaluru

July 14, 2017

Russell Walls

Director

London

July 14, 2017

BIOCON BIOLOGICS LIMITED

Notes to the standalone financial statements for the period from March 2, 2016 to March 31, 2017

1. Company Overview

1.1 Reporting entity

Biocon Biologics Limited (“the Company”) is a company incorporated and domiciled in the United Kingdom. The registered number is 10038295 and the registered address is 16 Great Queen Street, Covent Garden, London, United Kingdom, WC2B AH.

The Company is primarily involved in the development and commercialisation of biosimilar biologics business for global market.

Basis of preparation of financial statements

a) Statement of compliance

This 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. Since the Company was incorporated on March 2, 2016, the financial information is provided for the period March 2, 2016 to March 31, 2017 for which the Company was subsidiary of Biocon Limited.

These financial statements are 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 (INR), the national currency of India which is different from the Company’s functional currency United States Dollar (USD). All amounts have been 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 certain financial assets and liabilities which 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 standalone 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 16 — Financial instruments; and
- Note 2(g) and 17 — Provision for income taxes;

BIOCON BILOGICS LIMITED

Notes to the standalone financial statements for the period from March 2, 2016 to March 31, 2017 (continued)

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 16 – impairment of financial assets;
- Note 3 – Intangible assets; and
- Note 18 – 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 16 – 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

BIOCON BILOGICS LIMITED**Notes to the standalone financial statements for the period from March 2, 2016 to March 31, 2017 (continued)**

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.

BIOCON BILOGICS LIMITED

Notes to the standalone financial statements for the period from March 2, 2016 to March 31, 2017 (continued)

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.

BIOCON BILOGICS LIMITED

Notes to the standalone financial statements for the period from March 2, 2016 to March 31, 2017 (continued)

c. Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the first-in first-out formula, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

Raw materials, components and other supplies held for use in the production of finished products are not written down below cost except in cases where material prices have declined and it is estimated that the cost of the finished products will exceed their net realisable value.

The comparison of cost and net realisable value is made on an item-by-item basis.

d. 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.

e. 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

BIOCON BILOGICS LIMITED

Notes to the standalone financial statements for the period from March 2, 2016 to March 31, 2017 (continued)

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.

f. 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. Sale of goods

Revenue is recognized when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimate reliably, there is no continuing management involvement with the goods and the amount of revenue can be measured reliably. The timing of transfers of risks and rewards varies depending on the individual terms of sale. Revenue from the sale of goods includes excise duty and is measured at the fair value of the consideration received or receivable, net of returns, sales tax and applicable trade discounts and allowances.

iii. Interest income

Interest income is recognised as it accrues using the effective interest method in profit or loss.

g. 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.

BIOCON BILOGICS LIMITED**Notes to the standalone financial statements for the period from March 2, 2016 to March 31, 2017 (continued)**

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.

h. 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.

BIOCON BIOLOGICS LIMITED

Notes to the financial statements for the period from March 2, 2016 to March 31, 2017

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

March 31, 2017**3. Intangible assets****Product under development****Gross carrying amount**

Additions

3,665

Foreign currency translation

(105)

At March 31, 2017**3,560****Accumulated amortisation**

Amortisation for the period

-

At March 31, 2017**3,560****Net carrying amount****At March 31, 2017****3,560**

In March 2016, the Company acquired the licensing rights of global commercialisation (excluding India) pertaining to Biosimilar Monoclonal Antibodies ("Mabs") and certain Proteins from Biocon Research Limited, a fellow subsidiary for Rs. 2,811.

4. Investments (Non-current)**I. Unquoted equity instruments****In subsidiary companies at cost:**

Biocon Sdn. Bhd., Malaysia - 6,652,758 equity shares of RM 10 each

1,118

II. Unquoted preference shares**In subsidiary companies at cost:**

Biocon Sdn. Bhd., Malaysia - 4,005,116 preference shares of RM 10 each

809

Total investments (I + II)**1,927**

Aggregate value of unquoted investments

1,927

Aggregate amount of impairment in value of investments

-

5. Inventories

Traded goods

56

56**6. Trade receivables**

Unsecured, considered good [also refer note 16]

202

202**7. Cash and cash equivalents**

Balances with banks:

On current accounts

676

676

BIOCON BIOLOGICS LIMITED

Notes to the financial statements for the period from March 2, 2016 to March 31, 2017

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

March 31, 2017**8. Other financial assets**

Other receivables

60

60**9(a). Equity share capital****Issued, subscribed and fully paid-up**

47,183,101 equity shares of GBP 1 each

4,453**(i) Terms/ rights attached to equity shares**

Holders of ordinary shares are entitled to dividends as declared from time to time and are entitled to one vote per share at general meetings of the Company.

(ii) Details of shareholders holding more than 5% shares in the Company**March 31, 2017****Equity shares of GBP 1 each fully paid**

Biocon Limited

4,71,83,101

100%

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

9(b). Other equity**Retained earnings**

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

10. Trade payables

Trade payables [also refer note 15]

2,200

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BIOCON BIOLOGICS LIMITED

Notes to the financial statements for the year from March 2, 2016 to March 31, 2017

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

March 31, 2017**11. Revenue from operations**

Sale of products	
Traded goods	1,074
Sale of services	
Licensing and development fees	941
Royalty Income	5
Revenue from operations	<u>2,020</u>

12. Other income

Interest income on:	
Deposits with banks	2
Foreign exchange differences (net)	3
	<u>5</u>

13. Other expenses

Research and development expenses	2,342
Miscellaneous expenses	1
	<u>2,343</u>
Less: Product development cost capitalised	(836)
	<u>1,507</u>

14. Reconciliation of basic and diluted shares used in computing earnings/(loss) per share (EPS)*Earnings*

Loss for the period	(117)
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Shares

Basic outstanding shares	4,71,83,101
Less: Weighted average shares	-
Weighted average shares used for computing basic and diluted EPS	<u>4,71,83,101</u>

Loss per equity share

Basic and Diluted (in Rs.)	(2.48)
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BIOCON BIOLOGICS LIMITED

Notes to the financial statements for the year period from March 2, 2016 to March 31, 2017

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

15. Related party disclosure

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

Sl No.	Name of the related party	Relationship	Description	March 2, 2016 to March 31, 2017 Income/(Expenses)/ Other transactions	Balance as at March 31, 2017 (Payables)/Receivables
1	Biocon Limited	Holding company	Product development expenses	(1,134)	-
			Purchase of traded goods	(673)	-
			Royalty income	5	
			Payables	-	(1,741)
2	Biocon Sdn. Bhd.	Wholly-owned subsidiary	Investment in subsidiary	1,927	1,927
3	Syngene International Limited	Fellow Subsidiary	Research services	(146)	-
			Trade paybles	-	(82)
4	Biocon Research Limited	Fellow Subsidiary	Research services	(835)	-
			Purchase of intangibles	(2,830)	
			Trade paybles	-	(324)

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

BIOCON BIOLOGICS LIMITED

Notes to the financial statements for the year period from March 2, 2016 to March 31, 2017

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

16: Financial instruments: Fair value and risk managements**A. Accounting classification and fair values**

March 31, 2017	Carrying amount				Fair value			
	FVTPL	FVTOCI	Amortised Cost	Total	Level 1	Level 2	Level 3	Total
Financial assets								
Trade receivables	-	-	202	202	-	-	-	-
Cash and bank balances	-	-	676	676	-	-	-	-
Other financial assets	-	-	60	60	-	-	-	-
	-	-	2,866	2,866	-	-	-	-
Financial liabilities								
Trade payables	-	-	2,200	2,200	-	-	-	-
	-	-	2,200	2,200	-	-	-	-

The carrying amounts of other financial assets, 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. 202. As at March 31, 2017, there is no impairment losses to be provided for. The Company uses ageing analysis to monitor the credit quality of its receivables.

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.

Impairment losses

The ageing of trade receivables as at the end of the reporting period was:

	March 31, 2017
Not past due	202
	202

The ageing of other receivables as at the end of the reporting period was:

	March 31, 2017
Past due 31 - 120 days	60
	60

There is no allowance for impairment loss of trade and other receivables for the financial period.

As on March 31, 2017, customers which individually accounted for more than 10% of total trade receivables amounted to Rs. 178 million.

BIOCON BIOLOGICS LIMITED

Notes to the financial statements for the year period from March 2, 2016 to March 31, 2017

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

(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 maintains a level of cash and cash equivalents deemed adequate by the management to ensure, as far as possible, that it will have sufficient liquidity to meet its liability when they fall due.

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 of more than one currency or where assets/liabilities are denominated in a currency other than the functional currency of the entity. The Company is not exposed to any significant foreign currency risk.

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.

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BIOCON BIOLOGICS LIMITED

Notes to the financial statements for the year period from March 2, 2016 to March 31, 2017

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

17. Tax expense

(a) Amount recognised in Statement of profit and loss	<u>March 31, 2017</u>
Current tax	18
Tax expense for the period	<u>18</u>
(b) Reconciliation of effective tax rate	
Loss before tax	(99)
Tax at statutory income tax rate 20%	(20)
<i>Tax effects of amounts which are not deductible / (taxable) in calculating taxable income:</i>	
Others	18
Deferred tax asset not recognised	20
Income tax expense	<u>18</u>

18. 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, net of advances, is Nil.

(ii) Contingent liabilities:

The Company has no contingent liability as at March 31, 2017.

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 Biologics Limited

S Sethuraman
Partner
Membership No.: 203491

Kiran Mazumdar-Shaw
Director

Russell Walls
Director

Bengaluru
July 14, 2017

Bengaluru
July 14, 2017

London
July 14, 2017