

Biocon Sdn. Bhd.

Registration Number: 201101002193 (930330-U)
(Incorporated in Malaysia)

**Financial statements for the
year ended 31 March 2021**

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Directors' report for the year ended 31 March 2021

The Directors have pleasure in submitting their report and the audited financial statements of the Company for the financial year ended 31 March 2021.

Principal activities

The Company is engaged in the manufacture of various insulin products and in research and development activities of biopharmaceutical products. The Company has set up state of the art integrated manufacturing facility for insulin active pharmaceutical ingredients and insulin drug formulation at the Southern Industrial and Logistics Clusters ("SiLC"), Johor, Malaysia. There were no significant change to the nature of business activities during the current financial year.

Holding companies

During the financial year and until the date of this report, the immediate holding and intermediate holding companies are Biocon Biologics UK Limited (formerly known as Biocon Biologics Limited.), a company incorporated in the United Kingdom and Biocon Biologics Limited (formerly known as Biocon Biologics India Limited.), a company incorporated in India, respectively. The ultimate holding company is Biocon Limited., a company incorporated in India and is listed on the Bombay Stock Exchange and National Stock Exchange of India.

Results

	RM'000
Loss for the year	<u>139,251</u>

Reserves and provisions

There were no material transfers to or from reserves and provisions during the financial year under review except as disclosed in the statement of changes in equity.

Dividends

There is no retained earnings available for distribution as dividend for the financial year under review.

Directors of the Company

Directors who served during the financial year until the date of this report are:

Kiran Mazumdar Shaw
John McCallum Marshall Shaw
Teo Jua Chi
Lim Lih Chau
Shreehas Pradeep Tambe (appointed on 1 July 2020)
Dr. Christiane Hamacher (appointed on 1 July 2020; resigned on 20 January 2021)
Dr. Arun Suresh Chandavarkar (resigned on 1 July 2020; reappointed on 21 January 2021)

Directors' interests in shares

The interests and deemed interests in the ordinary shares of the Company and of its related corporations of those who were Directors at financial year end (including the interests of the spouses or children of the Directors who themselves are not Directors of the Company) as recorded in the Register of Directors' Shareholdings are as follows:

Name of Director	Interest	Number of ordinary shares			At 31 March 2021
		At 1 April 2020/ date of appointment	Bought	Sold	
Ultimate holding company - <i>Biocon Limited.</i>					
Kiran Mazumdar Shaw	Direct	475,725,384	--	--	475,725,384
Dr. Arun Suresh Chandavarkar	Direct	13,200,000	--	--	13,200,000
John McCallum Marshall Shaw	Direct	8,445,348	--	--	8,445,348
	Indirect	237,211,164	--	--	237,211,164
Shreehas Pradeep Tambe	Direct	--	298,090	--	298,090
Intermediate holding company - <i>Biocon Biologics Limited</i> <i>(Formerly known as Biocon Biologics India Limited.)</i>					
Dr. Arun Suresh Chandavarkar	Direct	120,000	480,000	--	600,000
Related companies - <i>Syngene International Limited</i>					
Kiran Mazumdar Shaw	Direct	15,276	--	--	15,276
Dr. Arun Suresh Chandavarkar	Direct	154,198	--	--	154,198
Shreehas Pradeep Tambe	Direct	--	26,580	--	26,580

By virtue of their interest in the shares of the ultimate holding company, Kiran Mazumdar Shaw and John McCallum Marshall Shaw are also deemed interested in the shares of all the subsidiaries of the ultimate holding company to the extent the ultimate holding company has an interest.

None of the other Directors holding office at 31 March 2021 had any interest in the shares of the Company and of its related corporations during the financial year.

Directors' benefits

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than those fees and other benefits included in the aggregate amount of remuneration received or due and receivable by Directors as shown in the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest, except for professional fee paid to a company in which certain Directors are members.

There were no arrangements during and at the end of the financial year which had the object of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Issue of shares

During the financial year, the Company issued 74,630,105 new non-cumulative redeemable convertible preference shares of RM10.00 each by way of capitalisation of advances from immediate holding company amounting to RM746,301,050.

There were no other changes in the issued and paid-up capital of the Company during the financial year.

Options granted over unissued shares

No options were granted to any person to take up unissued shares of the Company during the financial year.

Indemnity and insurance costs

There were no indemnity given to or insurance effected for any Director, officer or auditor of the Company during the financial year.

Other statutory information

Before the financial statements of the Company were made out, the Directors took reasonable steps to ascertain that:

- i) all known bad debts have been written off and adequate provision has been made for doubtful debts, and
- ii) any current assets which were unlikely to be realised in the ordinary course of business have been written down to an amount which they might be expected so to realise.

At the date of this report, the Directors are not aware of any circumstances:

- i) that would render the amount written off for bad debts, or the amount of the provision for doubtful debts in the Company inadequate to any substantial extent, or
- ii) that would render the value attributed to the current assets in the financial statements of the Company misleading, or
- iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Company misleading or inappropriate, or
- iv) not otherwise dealt with in this report or the financial statements that would render any amount stated in the financial statements of the Company misleading.

At the date of this report, there does not exist:

- i) any charge on the assets of the Company that has arisen since the end of the financial year and which secures the liabilities of any other person, or
- ii) any contingent liability in respect of the Company that has arisen since the end of the financial year.

No contingent liability or other liability of the Company has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Company to meet its obligations as and when they fall due.

In the opinion of the Directors, the financial performance of the Company for the financial year ended 31 March 2021 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

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Auditors

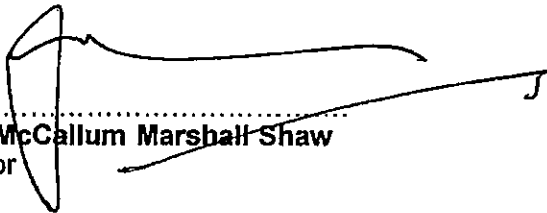
The auditors, KPMG PLT, have indicated their willingness to accept re-appointment.

The auditors' remuneration is disclosed in Note 17 to the financial statements.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:



.....
Kiran Mazumdar Shaw
Director



.....
John McCallum Marshall Shaw
Director

Date: 26 APR 2021

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Statement of financial position

As at 31 March 2021

	Note	2021 RM'000	2020 RM'000
Assets			
Property, plant and equipment	3	1,097,822	1,148,790
Intangible assets	4	289,891	232,325
Prepayments and other assets	5	12,097	14,027
Total non-current assets		<u>1,399,810</u>	<u>1,395,142</u>
Inventories	6	191,581	142,998
Trade and other receivables	7	199,169	178,391
Prepayments and other assets	5	12,583	17,204
Cash and cash equivalents	8	11,677	1,940
Total current assets		<u>415,010</u>	<u>340,533</u>
Total assets		<u>1,814,820</u>	<u>1,735,675</u>
Equity			
Share capital	9	286,627	171,794
Reserves	9	(383,750)	(252,271)
Total equity		<u>(97,123)</u>	<u>(80,477)</u>
Liabilities			
Loans and borrowings	10	1,499,122	1,422,612
Contract liabilities	11	7,681	10,203
Deferred income		26,267	18,920
Derivative financial liabilities	12	340	3,058
Deferred tax liabilities	13	1,726	1,797
Total non-current liabilities		<u>1,535,136</u>	<u>1,456,590</u>
Trade and other payables	14	168,095	152,865
Loans and borrowings	10	205,944	200,850
Derivative financial liabilities	12	2,768	5,847
Total current liabilities		<u>376,807</u>	<u>359,562</u>
Total liabilities		<u>1,911,943</u>	<u>1,816,152</u>
Total equity and liabilities		<u>1,814,820</u>	<u>1,735,675</u>

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

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Statement of profit or loss and other comprehensive income

For the year ended 31 March 2021

	Note	2021 RM'000	2020 RM'000
Revenue	15	300,193	158,404
Other income		64	2,075
Raw materials and packing materials consumed		(158,299)	(72,565)
Change in inventories of finished goods, traded goods and work-in-progress		52,536	17,840
Employee benefits expense		(80,356)	(69,222)
Research and development expense		(37,247)	(49,163)
Depreciation and amortisation		(100,455)	(75,237)
Other expenses		(62,255)	(32,332)
Total expenses		<u>(386,076)</u>	<u>(280,679)</u>
Results from operating activities		<u>(85,819)</u>	<u>(120,200)</u>
Finance costs		<u>(53,432)</u>	<u>(43,186)</u>
Loss before tax		<u>(139,251)</u>	<u>(163,386)</u>
Tax expense	16	<u>--</u>	<u>(68)</u>
Loss for the year	17	<u>(139,251)</u>	<u>(163,454)</u>
Other comprehensive income/(expense), net of tax			
Items that are or may be reclassified subsequently to profit or loss			
Cash flow hedge		4,292	(4,312)
Foreign currency translation differences		<u>3,480</u>	<u>(1,135)</u>
Total other comprehensive income/(expense) for the year, net of tax		<u>7,772</u>	<u>(5,447)</u>
Total comprehensive expense for the year		<u>(131,479)</u>	<u>(168,901)</u>

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Statement of changes in equity
For the year ended 31 March 2021

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Statement of cash flows

For the year ended 31 March 2021

	Note	2021 RM'000	2020 RM'000
Cash flows from operating activities			
Loss before tax		(139,251)	(163,386)
Adjustments for:			
Depreciation and amortisation		100,455	75,237
Finance costs		53,432	43,186
Unrealised loss/(gain) on foreign exchange		322	(1,466)
Gain on disposal of property, plant and equipment		(42)	--
Operating profit/(loss) before changes in working capital		14,916	(46,429)
Change in inventories		(54,625)	(51,544)
Change in trade and other receivables		(24,162)	(72,670)
Change in trade and other payables		27,984	7,796
Change in deferred income		8,154	4,696
Change in contract liabilities		(2,137)	1,911
Net cash used in operating activities		<u>(29,870)</u>	<u>(156,240)</u>
Cash flows from investing activities			
Acquisition of:			
- property, plant and equipment		(77,209)	(67,569)
- intangible assets		(91,198)	(34,801)
- Proceeds from disposal of property, plant and equipment		42	--
Net cash used in investing activities		<u>(168,365)</u>	<u>(102,370)</u>
Cash flows from financing activities			
Repayment of:			
- Term loans		(167,943)	(145,364)
- Working capital loan		656	(13,486)
Interest paid		(12,919)	(19,076)
Advances from holding company		383,464	439,501
Net cash from financing activities		<u>203,258</u>	<u>261,575</u>
Net increase in cash and cash equivalents		5,023	2,965
Effect of foreign exchange rate changes		446	(717)
Cash and cash equivalents at 1 April		<u>(12,395)</u>	<u>(14,643)</u>
Cash and cash equivalents at 31 March	8	<u><u>(6,926)</u></u>	<u><u>(12,395)</u></u>

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

Statement of cash flows

For the year ended 31 March 2021

(continued)

Cash outflows for leases as a lessee

	Note	2021 RM'000	2020 RM'000
Included in net cash from operating activities			
Payment relating to short-term leases	17	718	75
Payment relating to leases of low-value assets	17	246	210
Total cash outflows for leases		<u>964</u>	<u>285</u>

Reconciliation of movement of liabilities to cash flows arising from financing activities

	At 1 April 2020 RM'000	Conversion of debt to NCRCPs RM'000	Net changes from financing cash flows RM'000	Effect of foreign exchange rate changes RM'000	At 31 March 2021 RM'000
Working capital loan	13,034	--	656	(517)	13,173
Term loans	516,859	--	(167,943)	(19,032)	329,884
Advances from immediate holding company	517,336	(746,301)	383,464	(17,711)	136,788
Total liabilities from financing activities	<u>1,047,229</u>	<u>(746,301)</u>	<u>216,177</u>	<u>(37,260)</u>	<u>479,845</u>

	At 1 April 2019 RM'000	Net changes from financing cash flows RM'000	Effect of foreign exchange rate changes RM'000	At 31 March 2020 RM'000
Working capital loan	25,562	(13,486)	958	13,034
Term loans	631,840	(145,364)	30,383	516,859
Advances from immediate holding company	58,383	439,501	19,452	517,336
Total liabilities from financing activities	<u>715,785</u>	<u>280,651</u>	<u>50,793</u>	<u>1,047,229</u>

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

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Notes to the financial statements

Biocon Sdn. Bhd. is a private company, incorporated and domiciled in Malaysia. The addresses of the principal place of business and registered office of the Company are as follows:

Principal place of business

No. 1, Jalan Bioteknologi 1
Kawasan Perindustrian SiLC
79200 Iskandar Puteri
Johor

Registered office

Level 7, Menara Milenium
Jalan Damanlela
Pusat Bandar Damansara
Damansara Heights
50490 Kuala Lumpur

The Company is engaged in the manufacture of various insulin products and in research and development activities of biopharmaceutical products. The Company has set up state of the art integrated manufacturing facility for insulin active pharmaceutical ingredients and insulin drug formulation at the Southern Industrial and Logistics Clusters ("SiLC"), Johor, Malaysia.

The immediate holding and intermediate holding companies are Biocon Biologics UK Limited (formerly known as Biocon Biologics Limited.), a company incorporated in the United Kingdom and Biocon Biologics Limited (formerly known as Biocon Biologics India Limited.), a company incorporated in India, respectively. The ultimate holding company is Biocon Limited., a company incorporated in India and is listed on the Bombay Stock Exchange and National Stock Exchange of India.

These financial statements were authorised for issue by the Board of Directors on 26 APR 2021.

1. Basis of preparation

(a) Statement of compliance

The financial statements of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

The following are accounting standards, interpretations and amendments of the MFRSs that have been issued by the Malaysian Accounting Standards Board ("MASB") but have not been adopted by the Company:

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 June 2020

- Amendment to MFRS 16, *Leases – Covid-19-Related Rent Concessions*

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2021

- Amendments to MFRS 9, *Financial Instruments*, MFRS 139, *Financial Instruments: Recognition and Measurement*, MFRS 7, *Financial Instruments: Disclosures*, MFRS 4, *Insurance Contracts* and MFRS 16, *Leases – Interest Rate Benchmark Reform – Phase 2*

(a) Statement of compliance (continued)***MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 April 2021***

- Amendment to MFRS 16, *Leases – Covid-19-Related Rent Concessions beyond 30 June 2021*

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2022

- Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2018–2020)*
- Amendments to MFRS 3, *Business Combinations – Reference to the Conceptual Framework*
- Amendments to MFRS 9, *Financial Instruments (Annual Improvements to MFRS Standards 2018–2020)*
- Amendments to Illustrative Examples accompanying MFRS 16, *Leases (Annual Improvements to MFRS Standards 2018–2020)*
- Amendments to MFRS 116, *Property, Plant and Equipment – Proceeds before Intended Use*
- Amendments to MFRS 137, *Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts – Cost of Fulfilling a Contract*
- Amendments to MFRS 141, *Agriculture (Annual Improvements to MFRS Standards 2018–2020)*

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2023

- MFRS 17, *Insurance Contracts*
- Amendments to MFRS 101, *Presentation of Financial Statements – Classification of Liabilities as Current or Non-current and Disclosures of Accounting Policies*
- Amendments to MFRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Accounting Estimates*

MFRSs, interpretations and amendments effective for annual periods beginning on or after a date yet to be confirmed

- Amendments to MFRS 10, *Consolidated Financial Statements* and MFRS 128, *Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The Company plans to apply the abovementioned accounting standards, interpretations and amendments in the respective financial year when the above accounting standards, interpretations and amendments become effective, if applicable.

The initial application of the accounting standards, interpretations and amendments are not expected to have any material financial impacts to the current period and prior period financial statements of the Company upon their first adoption.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis and on a going concern basis. The Company incurred net loss of RM139,251,329 for the year ended 31 March 2021 and, as of that date, the Company has accumulated losses of RM466,538,352 and deficit in equity of RM97,122,927.

(b) Basis of measurement (continued)

The going concern assumption under which the financial statements are prepared is dependent on the financial support from the intermediate holding company. It is the intention of the Company to continue as a going concern and the intermediate holding company has undertaken to provide financial support as and when required. Should the Company be unable to continue as a going concern, adjustments might have to be made to reflect the situation that assets may need to be realised other than in the amounts at which they are currently recorded in the statement of financial position. In addition, the Company might have to provide for further liabilities that may arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively.

(c) Functional and presentation currency

These financial statements are presented in Ringgit Malaysia ("RM"), which is different from the Company's functional currency US Dollar ("USD"). All financial information are presented in RM and has been rounded to nearest thousand, unless otherwise stated.

(d) Use of estimates and judgements

The preparation of the financial statements in conformity with MFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements.

2. Significant accounting policies

The accounting policies set out below have been applied consistently to the periods presented in these financial statements, unless otherwise stated.

(a) Foreign currency**(i) Foreign currency transactions**

Transactions in foreign currencies are translated to the functional currency of the Company at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are retranslated to the functional currency at the exchange rate at that date.

Non-monetary assets and liabilities denominated in foreign currencies are not retranslated at the end of the reporting date.

Foreign currency differences arising on retranslation are recognised in profit or loss.

(a) Foreign currency (continued)**(ii) Translation to the presentation currency**

The financial statements of the Company have been translated from its functional currency to the presentation currency on the following basis:

- (a) assets and liabilities are translated at the closing rate prevailing at the reporting date;
- (b) income and expenses are translated at the average exchange rate for the period; and
- (c) exchange differences are recognised separately in equity under translation reserve.

(b) Financial instruments**(i) Recognition and initial measurement**

A financial asset or a financial liability is recognised in the statement of financial position when, and only when, the Company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without significant financing component) or a financial liability is initially measured at fair value plus or minus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issuance. A trade receivable without a significant financing component is initially measured at the transaction price.

(ii) Financial instrument categories and subsequent measurement***Financial assets***

Categories of financial assets are determined on initial recognition and are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change of the business model.

The categories of financial assets at initial recognition are as follows:

(a) *Amortised cost*

Amortised cost category comprises financial assets that are held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The financial assets are not designated as fair value through profit or loss. Subsequent to initial recognition, these financial assets are 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 profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Interest income is recognised by applying effective interest rate to the gross carrying amount except for credit impaired financial assets (see Note 2(i)(i)) where the effective interest rate is applied to the amortised cost.

(b) Financial instruments (continued)**(ii) Financial instrument categories and subsequent measurement (continued)*****Financial assets (continued)******(b) Fair value through profit or loss***

All financial assets not measured at amortised cost as described above are measured at fair value through profit or loss. This includes derivative financial assets (except for a derivative that is a designated and effective hedging instrument). On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost as at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets categorised as fair value through profit or loss are subsequently measured at their fair value. Net gains or losses, including any interest or dividend income, are recognised in the profit or loss.

All financial assets, except for those measured at fair value through profit or loss, are subject to review for impairment (see Note 2(i)(i)).

Financial liabilities

The categories of financial liabilities at initial recognition are as follows:

(a) Fair value through profit or loss

Fair value through profit or loss category comprises financial liabilities that are derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument), contingent consideration in a business combination and financial liabilities that are specifically designated into this category upon initial recognition.

On initial recognition, the Company may irrevocably designate a financial liability that otherwise meets the requirements to be measured at amortised cost as at fair value through profit or loss:

- (a) if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise;
- (b) a group of financial liabilities or assets and financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the Company's key management personnel; or
- (c) if a contract contains one or more embedded derivatives and the host is not a financial asset in the scope of MFRS 9, where the embedded derivative significantly modifies the cash flows and separation is not prohibited.

Financial liabilities categorised as fair value through profit or loss are subsequently measured at their fair value with gains or losses, including any interest expense are recognised in the profit or loss.

For financial liabilities where it is designated as fair value through profit or loss upon initial recognition, the Company recognise the amount of change in fair value of the financial liability that is attributable to change in credit risk in the other comprehensive income and remaining amount of the change in fair value in the profit or loss, unless the treatment of the effects of changes in the liability's credit risk would create or enlarge an accounting mismatch.

(b) Financial instruments (continued)**(ii) Financial instrument categories and subsequent measurement (continued)*****Financial liabilities (continued)*****(b) Amortised cost**

Financial liabilities not categorised as fair value through profit or loss are subsequently measured at amortised cost using the effective interest method.

Interest expense and foreign exchange gains and losses are recognised in the profit or loss. Any gains or losses on derecognition are also recognised in the profit or loss.

(iii) Regular way purchase or sale of financial assets

A regular way purchase or sale of financial assets is recognised and derecognised, as applicable, using trade date or settlement date accounting in the current year.

Trade date accounting refers to:

- (a) the recognition of an asset to be received and the liability to pay for it on the trade date, and
- (b) derecognition of an asset that is sold, recognition of any gain or loss on disposal and the recognition of a receivable from the buyer for payment on the trade date.

Settlement date accounting refers to:

- (a) the recognition of an asset on the day it is received by the Company, and
- (b) derecognition of an asset and recognition of any gain or loss on disposal on the day that is delivered by the Company.

Any change in the fair value of the asset to be received during the period between the trade date and the settlement date is accounted in the same way as it accounts for the acquired asset.

Generally, the Company applies settlement date accounting unless otherwise stated for the specific class of asset.

(iv) Hedge accounting

At inception of a designated hedging relationship, the Company document the risk management objective and strategy for undertaking the hedge. The Company also document the economic relationship between the hedged item and the hedging instrument, including whether the changes in cash flows of the hedged item and hedging instrument are expected to offset each other.

Cash flow hedge

A cash flow hedge is a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with all, or a component of, a recognised asset or liability or a highly probable forecast transaction and could affect the profit or loss. In a cash flow hedge, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised in other comprehensive income and accumulated in equity and the ineffective portion is recognised in profit or loss. The effective portion of changes in the fair value of the derivative that is recognised in other comprehensive income is limited to the cumulative change in fair value of the hedged item, determined on a present value basis, from inception of the hedge.

(b) Financial instruments (continued)**(iv) Hedge accounting (continued)*****Cash flow hedge (continued)***

Subsequently, the cumulative gain or loss recognised in other comprehensive income is reclassified from equity into profit or loss in the same period or periods during which the hedged forecast cash flows affect profit or loss. If the hedge item is a non-financial asset or liability, the associated gain or loss recognised in other comprehensive income is removed from equity and included in the initial amount of the asset or liability. However, loss recognised in other comprehensive income that will not be recovered in one or more future periods is reclassified from equity into profit or loss immediately.

The Company designates only the change in fair value of the spot element of forward contracts as the hedging instrument in cash flow hedging relationships. The change in fair value of the forward element of forward exchange contracts ("forward points") and/or the foreign currency basis spread are separately accounted for as cost of hedging and recognised in a cost of hedging reserve within equity.

Cash flow hedge accounting is discontinued prospectively when the hedging instrument expires or is sold, terminated or exercised, the hedge is no longer highly effective, the forecast transaction is no longer expected to occur or the hedge designation is revoked. If the hedge is for a forecast transaction, the cumulative gain or loss on the hedging instrument remains in equity until the forecast transaction occurs. When hedge accounting for cash flow hedges is discontinued, the amount that has been accumulated in the hedging reserve and the cost of hedging reserve remains in equity until, for a hedge of a transaction resulting in recognition of a non-financial item, it is included in the non-financial item's cost on its initial recognition or, for other cash flow hedges, it is reclassified to profit or loss in the same period or periods as the hedged expected future cash flows affect profit or loss.

If the hedged future cash flows are no longer expected to occur, then the amounts that have been accumulated in the hedging reserve and the cost of hedging reserve are immediately reclassified to profit or loss.

(v) Derecognition

A financial asset or part of it is derecognised when, and only when, the contractual rights to the cash flows from the financial asset expire or transferred, or control of the asset is not retained or substantially all of the risks and rewards of ownership of the financial asset are transferred to another party. On derecognition of a financial asset, the difference between the carrying amount of the financial asset and the sum of consideration received (including any new asset obtained less any new liability assumed) is recognised in profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged, cancelled or expires. A financial liability is also derecognised when its terms are modified and the cash flows of the modified liability are substantially different, in which case, a new financial liability based on modified terms is recognised at fair value. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

(vi) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position 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 liability simultaneously.

(c) Property, plant and equipment**(i) Recognition and measurement**

Items of property, plant and equipment are measured at cost less any accumulated depreciation.

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes the cost of materials and direct labour. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and is recognised net within "other income" and "other expenses" respectively in profit or loss.

(ii) Subsequent costs

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Company, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised to profit or loss. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed, and if a component has a useful life that is different from the remainder of that asset, then that component is depreciated separately.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment from the date that they are available for use. Property, plant and equipment under construction are not depreciated until the assets are ready for their intended use. Freehold land is not depreciated.

The estimated useful lives for the current and comparative periods are as follows:

Buildings	12 - 30 years
Furniture and fixtures	6 years
Motor vehicles	6 years
Plant and machineries	3 - 15 years

Depreciation methods, useful lives and residual values are reviewed at end of the reporting period, and adjusted as appropriate.

(d) Leases**Definition of a lease**

A contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

- the contract involves the use of an identified asset - this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the customer has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the customer has the right to direct the use of the asset. The customer has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the customer has the right to direct the use of the asset if either the customer has the right to operate the asset; or the customer designed the asset in a way that predetermines how and for what purpose it will be used.

At inception or on reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices. However, for leases of properties in which the Company is a lessee, it has elected not to separate non-lease components and will instead account for the lease and non-lease components as a single lease component.

As a lessee**(i) Recognition and initial measurement**

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments less any incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee;
- the exercise price under a purchase option that the Company is reasonably certain to exercise; and
- penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

(d) Leases (continued)**As a lessee (continued)****(i) Recognition and initial measurement (continued)**

The Company excludes variable lease payments that linked to future performance or usage of the underlying asset from the lease liability. Instead, these payments are recognised in profit or loss in the period in which the performance or use occurs.

The Company has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(ii) Subsequent measurement

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a revision of in-substance fixed lease payments, or if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

(e) Intangible assets**(i) Intellectual property rights**

The intellectual property rights acquired by the Company are measured at fair value upon initial recognition, which forms its cost of acquisition, less any accumulated amortisation and any accumulated impairment losses.

(ii) Research and development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in profit or loss as incurred.

Expenditure on development activities, whereby the application of research findings are applied to a plan or design for the production of new or substantially improved products and processes, is capitalised only if development costs can be measured reliably, the products or processes 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 to sell the asset.

The expenditure capitalised includes the cost of materials, direct labour and overheads costs that are directly attributable to preparing the assets for its intended use. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs. Other development expenditure is recognised in profit or loss as incurred.

Capitalised development expenditure is measured at cost less any accumulated amortisation and any accumulated impairment losses.

A contract liability is stated at cost and represents the obligation of the Company to transfer goods and services to a customer for which consideration has been received (or the amount is due) from the customers.

(i) Impairment**(i) Financial assets**

The Company recognises loss allowances for expected credit losses on financial assets measured at amortised cost. Expected credit losses are a probability-weighted estimate of credit losses.

The Company measures loss allowances at an amount equal to lifetime expected credit loss, except for cash and bank balance for which credit risk has not increased significantly since initial recognition, which are measured at 12-month expected credit loss. Loss allowances for trade receivables are always measured at an amount equal to lifetime expected credit loss.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit loss, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information, where available.

Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of the asset, while 12-month expected credit losses are the portion of expected credit losses that result from default events that are possible within the 12 months after the reporting date. The maximum period considered when estimating expected credit losses is the maximum contractual period over which the Company is exposed to credit risk.

The Company estimates the expected credit losses on trade receivables using a provision matrix with reference to historical credit loss experience.

An impairment loss in respect of financial assets measured at amortised cost is recognised in profit or loss and the carrying amount of the asset is reduced through the use of an allowance account.

At each reporting date, the Company assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

The gross carrying amount of a financial asset is written off (either partially or full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery amounts due.

(ii) Other assets

The carrying amounts of other assets except for inventories are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each period at the same time.

(i) Impairment (continued)**(ii) Other assets (continued)**

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets or cash-generating units.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit exceeds its estimated recoverable amount.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (group of cash-generating units) and then to reduce the carrying amounts of the other assets in the cash-generating unit (groups of cash-generating units) on a *pro rata* basis.

Impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(j) Equity instruments

Instruments classified as equity are measured at cost on initial recognition and are not remeasured subsequently.

(i) Issue expenses

Costs directly attributable to the issue of instruments classified as equity are recognised as a deduction from equity.

(ii) Ordinary shares

Ordinary shares are classified as equity.

(iii) Preference share capital

Preference share capital is classified as equity if it is non- redeemable, or is redeemable but only at the Company's option, and any dividends are discretionary. Dividends thereon are recognised as distributions within equity.

Preference share capital is classified as financial liability if it is redeemable on a specific date or at the option of the equity holders, or if dividend payments are not discretionary. Dividends thereon are recognised as interest expense in profit or loss as accrued.

(k) Compound financial instruments

A compound financial instrument is a non-derivative financial instrument that contains both a liability and an equity component.

Compound financial instruments issued by the Company comprise non-cumulative redeemable convertible preference shares that can be converted to share capital or redeemed at the option of the holder.

The proceeds are first allocated to the liability component, determined based on the fair value of a similar liability that does not have a conversion feature or similar associated equity component. The residual amount is allocated as the equity component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortised cost using the effective interest method. The equity component of a compound financial instrument is not remeasured subsequent to initial recognition.

Interest and losses and gains relating to the financial liability are recognised in profit or loss. On conversion, the financial liability is reclassified to equity; no gain or loss is recognised on conversion.

(l) Borrowing costs

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

(m) Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous financial years.

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is not recognised for the temporary differences arising from 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. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

(m) Income tax (continued)

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax assets and liabilities on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Unutilised reinvestment allowance and investment tax allowance, being tax incentive that is not a tax base of an asset, is recognised as a deferred tax asset to the extent that it is probable that the future taxable profits will be available against which the unutilised tax incentive can be utilised.

(n) Revenue and other income**(i) Sale of products**

Revenue is measured based on the consideration specified in a contract with a customer in exchange for transferring goods or services to a customer, excluding amounts collected on behalf of third parties. The Company recognises revenue when (or as) it transfers control over a product or service to customer. An asset is transferred when (or as) the customer obtains control of the asset.

The Company transfers control of a good or service at a point in time unless one of the following over time criteria is met:

- (a) the customer simultaneously receives and consumes the benefits provided as the Company performs;
- (b) the Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- (c) the Company's performance does not create an asset with an alternative use and the Company has an enforceable right to payment for performance completed to date.

The consideration received by the Company in exchange for its goods may be fixed or variable. Variable consideration is only recognised when it is considered highly probable that a significant revenue reversal will not occur once the underlying uncertainty related to variable consideration is subsequently resolved.

(ii) Service income**(a) 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, the Company recognises or defers the upfront payments received under these arrangements.

(n) Revenue and other income (continued)**(ii) Service income (continued)****(a) Milestone payments and out licensing arrangements (continued)**

Income from out-licensing agreements typically arises from the receipt of upfront, milestone and other similar payments from third parties for granting a license to product or technology-related intellectual property ("IP"). These agreements may be entered into with no further obligation or may include commitments to regulatory approval, co-marketing or manufacturing. These may be settled by a combination of upfront payments, milestone payments and other fees. 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. Whether to consider these commitments as a single performance obligation or separate ones, or even being in scope of MFRS 15 *Revenues from Contracts with Customers*, is not straightforward and requires some judgement. Depending on the conclusion, this may result in all revenue being calculated at inception and either being recognised at point in time or spread over the term of a longer performance obligation. Where performance obligations may not be distinct, this will be bundled with the subsequent product supply obligations. The new standard provides an exemption for sales-based royalties for licenses of intellectual property which will continue to be recognised as revenue as underlying sales are incurred.

(b) Research and manufacturing services income

Research fee is recognised when performance obligation is satisfied and collection is probable.

(c) Contribution received from customers/co-development partners towards plant and equipment

Contributions received from customers/co-development partners towards items of property, plant and equipment which require an obligation to supply goods to the customer in the future, are recognised as a credit to deferred revenue. The contribution received is recognised as revenue from operations over the useful life of the assets. The Company capitalises the gross cost of these assets as the Company controls these assets.

(iii) Government grants

The recognition of government grant starts when it is reasonably assured that the Company will comply with the conditions attached to the grant and when it is reasonably assured that the grant will be received.

Government grants related to assets are deducted from the cost of the related asset and thereby reduce depreciation expense in future periods.

Government grants related to expenses incurred are recognised in the profit or loss.

(iv) Interest income

Interest income is recognised as it accrues using the effective interest method in profit or loss except for interest income arising from temporary investment of borrowings taken specifically for the purpose of obtaining a qualifying asset which is accounted for in accordance with the accounting policy on borrowing costs.

(o) Employee benefits**(i) Short-term employee benefits**

Short-term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided.

A provision is recognised for the amount expected to be paid under short term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(ii) State plan

The Company's contributions to statutory pension funds are charged to profit or loss in the financial year to which they relate. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

(p) Fair value measurements

Fair value of an asset or a liability, except for share-based payment and lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

For non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

When measuring the fair value of an asset or a liability, the Company uses observable market data as far as possible. Fair value is categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company can access at the measurement date.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: unobservable inputs for the asset or liability.

The Company recognises transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

3. Property, plant and equipment

	Freehold land RM'000	Buildings RM'000	Furniture and fixtures RM'000	Motor vehicles RM'000	Plant and machineries RM'000	Construction -in- progress RM'000	Total RM'000
At cost							
At 1 April 2019	60,425	371,416	2,986	521	761,745	39,083	1,236,176
Additions	--	--	--	--	--	67,569	67,569
Transfer	12,869	2,776	150	--	72,189	(87,984)	--
Written-off	--	--	--	--	(4)	--	(4)
Effect of movement in exchange rates	3,905	21,205	173	22	45,933	1,473	72,711
At 31 March 2020/1 April 2020	77,199	395,397	3,309	543	879,863	20,141	1,376,452
Additions	--	--	--	--	--	77,209	77,209
Transfer	581	171	698	--	4,461	(5,911)	--
Disposal	--	--	--	(206)	--	--	(206)
Adjustment	--	(2,435)	--	--	(4,144)	--	(6,579)
Effect of movement in exchange rates	(3,040)	(15,529)	(135)	(19)	(34,597)	(1,339)	(54,659)
At 31 March 2021	74,740	377,604	3,872	318	845,583	90,100	1,392,217
Accumulated depreciation							
At 1 April 2019	--	31,042	998	294	112,548	--	144,882
Depreciation charge	--	14,595	529	104	56,690	--	71,918
Written-off	--	--	--	--	(4)	--	(4)
Effect of movement in exchange rates	--	2,296	75	20	8,475	--	10,866
At 31 March 2020/1 April 2020	--	47,933	1,602	418	177,709	--	227,662
Depreciation charge	--	14,649	635	46	61,145	--	76,475
Disposal	--	--	--	(206)	--	--	(206)
Effect of movement in exchange rates	--	(1,997)	(68)	(14)	(7,457)	--	(9,536)
At 31 March 2021	--	60,585	2,169	244	231,397	--	294,395
Carrying amounts							
At 1 April 2019	60,425	340,374	1,988	227	649,197	39,083	1,091,294
At 31 March 2020/1 April 2020	77,199	347,464	1,707	125	702,154	20,141	1,148,790
At 31 March 2021	74,740	317,019	1,703	74	614,186	90,100	1,097,822

3. Property, plant and equipment (continued)

Security

At 31 March 2021, the entire property, plant and equipment are pledged with banks for credit facilities granted to the Company as disclosed in Note 10.

4. Intangible assets

	Intangible assets			
	Development cost RM'000	Intellectual property rights RM'000	Intangible assets under development RM'000	Total RM'000
At cost				
At 1 April 2019	5,365	91,396	93,338	190,099
Additions	--	--	34,801	34,801
Transfer	6,078	--	(6,078)	--
Effect of movement in exchange rate	528	5,195	6,356	12,079
At 31 March 2020/1 April 2020	11,971	96,591	128,417	236,979
Additions	--	--	91,198	91,198
Transfer	116,475	--	(116,475)	--
Effect of movement in exchange rate	(1,365)	(3,798)	(4,855)	(10,018)
At 31 March 2021	127,081	92,793	98,285	318,159
Accumulated amortisation				
At 1 April 2019	454	694	--	1,148
Amortisation charge	1,310	2,009	--	3,319
Effect of movement in exchange rate	74	113	--	187
At 31 March 2020/1 April 2020	1,838	2,816	--	4,654
Amortisation charge	13,644	10,336	--	23,980
Effect of movement in exchange rate	(177)	(189)	--	(366)
At 31 March 2021	15,305	12,963	--	28,268
Carrying amounts				
At 1 April 2019	4,911	90,702	93,338	188,951
At 31 March 2020/1 April 2020	10,133	93,775	128,417	232,325
At 31 March 2021	111,776	79,830	98,285	289,891

In February 2013, a related company, Biocon SA ("BSA") entered into an agreement with Mylan GmbH, granting a right to become exclusive co-development partner and manufacturer for bio similar insulin analogs in the territory stipulated. During the year ended 31 March 2017, BSA has transferred the commercialisation and development rights for insulin and insulin analogs to the Company.

Pursuant to the above transaction during the year ended March 2017, an amount of RM52,366,087, being the difference between the fair value of USD22.3 million (equivalent to RM94.6 million) and the consideration of USD10 million (equivalent to RM42.3 million) was recorded in capital reserve (Note 9).

5. Prepayments and other assets

	2021 RM'000	2020 RM'000
Non-current		
Deposits	3,843	2,504
Capital advances	5,017	11,024
Prepayments	3,237	499
	<u>12,097</u>	<u>14,027</u>
Current		
Advances recoverable	6,061	8,674
Prepayments	6,522	8,530
	<u>12,583</u>	<u>17,204</u>
	<u>24,680</u>	<u>31,231</u>

6. Inventories

	2021 RM'000	2020 RM'000
Raw materials	66,773	67,348
Semi-finished/Finished goods	124,808	75,650
	<u>191,581</u>	<u>142,998</u>
Recognised in profit or loss:		
- Inventories recognised as cost of goods sold	<u>348,829</u>	<u>231,516</u>

Security

At 31 March 2021, the entire inventories are pledged with banks for credit facilities granted to the Company as disclosed in Note 10.

7. Trade and other receivables

	2021 RM'000	2020 RM'000
Trade receivables	74,453	29,949
Other receivables	124,716	129,208
Due from ultimate holding company – trade	--	18,708
Due from immediate holding company – trade	--	526
	<u>199,169</u>	<u>178,391</u>

Security

At 31 March 2021, the trade receivables are pledged with banks for credit facilities granted to the Company as disclosed in Note 10.

8. Cash and cash equivalents

	2021 RM'000	2020 RM'000
Cash and bank balances/ Cash and cash equivalents in the statement of financial position	11,677	1,940
Less: Bank overdrafts	<u>(18,603)</u>	<u>(14,335)</u>
Cash and cash equivalents in the statement of cash flows	<u>(6,926)</u>	<u>(12,395)</u>

9. Capital and reserves**Share capital**

	2021 RM'000	2020 RM'000	Number of shares	
			2021 '000	2020 '000
Issued and fully paid				
Ordinary shares				
At 1 April/31 March	<u>66,528</u>	<u>66,528</u>	<u>6,653</u>	<u>6,653</u>
Non-cumulative redeemable convertible preference shares ("NCRCPs")				
At 1 April	613,321	586,001	54,335	54,335
Capitalised from advances from immediate holding company	746,301	--	74,630	--
Effect of movement in exchange rates	<u>(24,837)</u>	<u>27,320</u>	<u>--</u>	<u>--</u>
At 31 March	<u>1,334,785</u>	<u>613,321</u>	<u>128,965</u>	<u>54,335</u>
	<u>1,401,313</u>	<u>679,849</u>	<u>135,618</u>	<u>60,988</u>

	2021 RM'000	2020 RM'000
Classified as follows:		
Equity		
- Ordinary shares	66,528	66,528
- NCRCPs	220,099	105,266
	286,627	171,794
Liability - NCRCPs	<u>1,114,686</u>	<u>508,055</u>
	<u>1,401,313</u>	<u>679,849</u>

Reserves

	2021 RM'000	2020 RM'000
Non-distributable		
Translation reserve	33,219	29,739
Capital reserve	52,366	52,366
Hedging reserve	(2,797)	(7,089)
Accumulated losses	<u>(466,538)</u>	<u>(327,287)</u>
	<u>(383,750)</u>	<u>(252,271)</u>

9. Capital and reserves (continued)

Non-cumulative redeemable convertible preference shares

The Company issued 74,630,105 (2020: NIL) new non-cumulative redeemable convertible preference shares ("NCRCPs") at an issue price and par value of RM10 each. The NCRCPs rank pari passu with one another without any preference or priority among themselves.

The salient features of the NCRCPs are as follows:

- (a) Each NCRCP shall confer on the holder thereof a right to receive a non-cumulative coupon of 2.5% per annum, subject to the availability of the post taxation profits for distribution.
- (b) The NCRCPs shall not confer any further rights of participation in the profits of the Company.
- (c) The NCRCPs shall have no voting right or right to move or second any resolutions at any general meetings of the Company, except:
 - (i) upon any resolution which varies or is deemed to vary the right and privileges attached to the NCRCPs; and
 - (ii) upon any resolution for the winding up of the Company.
- (d) The Company shall have the rights to create or issue further NCRCPs provided always that they are issued on such terms and conditions that agreeable by the existing NCRCPs holders.
- (e) The NCRCPs shall be redeemable at a premium, equal or discount to the par value, in full or in part, and in any number of tranches in RM equivalent to the amounts received in USD at the time of the initial subscription of the NCRCPs at the option of the Company or NCRCPs shareholder at any time after ten years from the date of issue of the NCRCPs.
- (f) The NCRCPs shall be convertible at par value to ordinary shares of the Company of RM10 each at any time at the option of the NCRCPs shareholder.

Based on the above terms, the Company has a potential obligation to deliver cash to the shareholder of the NCRCPs shareholder arising from the non-cumulative coupon of 2.5% per annum and the shareholders' option to redeem the NCRCPs at any time after ten years from the date of issue of the NCRCPs. Accordingly, an amount of RM1,069,556,977 (2020: RM438,088,174) representing the fair value of the liability component has been classified as non-current liability. The balance of RM220,099,063 (2020: RM105,266,176) has been classified as equity.

Translation reserve

The translation reserve relates to foreign currency differences arising from the translation of the financial statements of the Company from functional currency to presentation currency.

Capital reserve

The capital reserve is in respect of capital contribution from the preference shareholders and the amount is non-reciprocal.

Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred.

10. Loans and borrowings

	2021 RM'000	2020 RM'000
Non-current		
Term loans - secured	155,716	343,378
Non-convertible redeemable preference shares - unsecured (see Note 9)	1,206,618	561,898
Advances from immediate holding company	136,788	517,336
	<u>1,499,122</u>	<u>1,422,612</u>
Current		
Term loans - secured	174,168	173,481
Bank overdraft - secured	18,603	14,335
Working capital loan - secured	13,173	13,034
	<u>205,944</u>	<u>200,850</u>
	<u>1,705,066</u>	<u>1,623,462</u>

The portion of NCRCPs that are classified as liability is as follows:

	2021 RM'000	2020 RM'000
Issued and fully paid (Note 9)	1,114,686	508,055
Accrued interests	91,932	53,843
	<u>1,206,618</u>	<u>561,898</u>

The term loans are secured by:

- (a) a fixed and floating charge over all present and future assets of the Company;
- (b) a charge over the entire property, plant and equipment of the Company as disclosed in Note 3; and
- (c) letter of undertaking from the ultimate holding company.

The bank overdraft and working capital loan is secured by a charge over the inventories and trade receivables of the Company as disclosed in Notes 6 and 7 respectively.

Significant covenants

The borrowings of the Company is subject to the following covenants:

- (a) Maintain debt to tangible net worth ratio of not more than 75:25 as defined by financial institution. Tangible net worth includes ordinary shares, preference shares, reserves and advances from immediate holding company.
- (b) Maintain security ratio of not less than 1.15:1 as defined by financial institution.

The advances from immediate holding company is unsecured, interest free and not repayable within the next twelve months.

11. Contract liabilities

The contract liabilities primarily relates to the advance consideration received from customers arising from licensing arrangement, which revenue is recognised over time. The contract liabilities are expected to be recognised as revenue over the period which the customers could benefit from the licensing arrangement.

12. Derivative financial liabilities

	2021 RM'000	2020 RM'000
Derivatives liabilities used for hedging which relates to interest rate swap		
- non-current	340	3,058
- current	2,768	5,847
	<u>3,108</u>	<u>8,905</u>

The Company had interest rate swap with carrying amount of RM3.1 million (2020: RM8.9 million) to hedge the cash flow risk in relation to the floating interest rate of a bank loan (see Note 10).

13. Deferred tax liabilities

Recognised deferred tax liabilities

Deferred tax liabilities are attributable to the following:

	2021 RM'000	2020 RM'000
Property, plant and equipment	<u>1,726</u>	<u>1,797</u>

Movements in temporary difference during the year are as follows:

	At 1 April 2020 RM'000	Recognised in profit or loss (Note 16) RM'000	Exchange difference RM'000	At 31 March 2021 RM'000
Property, plant and equipment	<u>1,797</u>	<u>--</u>	<u>(71)</u>	<u>1,726</u>

	At 1 April 2019 RM'000	Recognised in profit or loss (Note 16) RM'000	Exchange difference RM'000	At 31 March 2020 RM'000
Property, plant and equipment	<u>1,633</u>	<u>68</u>	<u>96</u>	<u>1,797</u>

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items (stated at gross):

	2021 RM'000	2020 RM'000
Taxable temporary differences	(495,121)	(455,950)
Unutilised tax losses	185,919	147,130
Unabsorbed capital allowances	775,341	670,457
	<u>466,139</u>	<u>361,637</u>

13. Deferred tax liabilities (continued)

Unrecognised deferred tax assets (continued)

The Company has been granted 100% income tax exemption under P.U. (A) 112 Income Tax Order (Exemption) (No. 11) 2006 for a period of 10 years and an additional 5 years from the first year statutory income is derived.

The deferred tax assets have not been recognised in the financial statements in respect of above temporary differences as they are expected to be crystallised during the tax incentive period.

The comparative figures have been restated to reflect the revised tax losses and capital allowances carry-forward available to the Company.

Pursuant to the Finance Act 2018, unutilised tax losses can only be carried forward up to 7 consecutive years of assessment.

The unutilised tax losses will expire in the following year of assessment:

	2021 RM'000	2020 RM'000
2025	62,835	65,407
2026	78,508	81,723
2027	44,576	--
	<u>185,919</u>	<u>147,130</u>

Unabsorbed capital allowances do not expire under the current tax legislation.

14. Trade and other payables

	2021 RM'000	2020 RM'000
Trade		
Trade payables	133,845	75,124
Due to ultimate holding company	420	--
Due to intermediate holding company	9,844	16,589
Due to related companies	1,161	48,022
	<u>145,270</u>	<u>139,735</u>
Non-trade		
Other payables	<u>22,825</u>	<u>13,130</u>
	<u>168,095</u>	<u>152,865</u>

15. Revenue

	2021 RM'000	2020 RM'000
Revenue from contracts with customers	<u>300,193</u>	<u>158,404</u>

15. Revenue (continued)

15.1 Disaggregation of revenue

	2021 RM'000	2020 RM'000
Primary geographical markets		
United States	111,810	2,959
Malaysia	64,813	41,245
India	25,769	40,953
Mexico	41,567	36,409
Europe	30,702	11,983
Others	25,532	24,855
	<u>300,193</u>	<u>158,404</u>
Major services and product line		
Sales on insulin	297,637	157,193
Licensing income	2,556	1,211
	<u>300,193</u>	<u>158,404</u>
Timing and recognition		
Point in time	297,637	157,193
Over time	2,556	1,211
	<u>300,193</u>	<u>158,404</u>

15.2 Nature of goods and services

The following information reflects the typical transactions of the Company:

Nature of goods or services	Timing of recognition or method used to recognise revenue	Significant payment terms
Sale of insulin	Revenue is recognised when the goods are delivered and accepted by the customers	Credit period of 90 days from invoice date
Licensing income	Revenue is recognised overtime over the period which the customers are expected to benefit from the licensing arrangement	Based on agreed milestone

15.3 Transaction price allocated to the remaining performance obligations

The following table shows revenue from performance obligations that are unsatisfied (or partially unsatisfied) at the reporting date. The disclosure is only providing information for contracts that have a duration of more than one year.

	2022 RM'000	2023 RM'000	2024 RM'000	2025 RM'000	Total RM'000
Licensing income	<u>1,896</u>	<u>1,420</u>	<u>1,050</u>	<u>241</u>	<u>4,607</u>

The Company applies the practical expedient for exemption on disclosure of information on remaining performance obligation that have original expected durations of one year or less.

16. Tax expense

Recognised in profit or loss

Major components of income tax expense include:

	2021 RM'000	2020 RM'000
Deferred tax expense		
- Reversal of temporary differences	--	68
Reconciliation of tax expense		
Loss before tax	(139,251)	(163,386)
Income tax calculated using Malaysian tax rate of 24%	(33,420)	(39,213)
Unrecognised deferred tax assets	23,697	33,454
Non-deductible expenses	9,723	5,827
Tax expense	--	68

17. Loss for the year

	Note	2021 RM'000	2020 RM'000
Loss for the year is arrived at after charging/(crediting)			
Audit remuneration:			
- Audit fee		210	195
- Non-audit fees		30	40
Expenses relating to short-term leases	a	718	75
Expenses relating to leases of low value assets	b	246	210
Personnel expenses (including key management personnel):			
- Contributions to state plans		5,833	4,803
- Wages, salaries and others		74,523	64,419
Facility charges to development partner		(55,092)	(58,517)
Gain on disposal of property, plant and equipment		(42)	--
Net foreign exchange loss/(gain)		325	(2,025)
Research and development expense			
- Incurred		114,768	140,777
- Amount received/receivable from development partner		(36,590)	(56,812)
- Capitalised		(40,931)	(34,801)
- Government grant received		--	(14,934)

Note a

The Company leases guest houses with contract terms of 1 year, external warehouse with a contract terms of 6 months and freezers with a contract terms of 6 months. These leases are short-term leases. The Company has elected not to recognise right-of-use assets and lease liabilities for these leases.

Note b

The Company leases office equipment with contract terms of 3 years. These leases are low-value assets. The Company has elected not to recognise right-of-use assets and lease liabilities for these leases.

18. Financial instruments

18.1 Categories of financial instruments

The table below provides an analysis of financial instruments categorised as follows:

(a) Amortised cost ("AC")

	Carrying amount RM'000	AC RM'000	Derivative used for hedging RM'000
2021			
Financial assets			
Trade and other receivables	199,169	199,169	--
Cash and cash equivalents	11,677	11,677	--
	<u>210,846</u>	<u>210,846</u>	<u>--</u>
Financial liabilities			
Loans and borrowings	(1,705,066)	(1,705,066)	--
Trade and other payables	(168,095)	(168,095)	--
Derivatives financial liabilities	(3,108)	--	(3,108)
	<u>(1,876,269)</u>	<u>(1,873,161)</u>	<u>(3,108)</u>
2020			
Financial assets			
Trade and other receivables	178,391	178,391	--
Cash and cash equivalents	1,940	1,940	--
	<u>180,331</u>	<u>180,331</u>	<u>--</u>
Financial liabilities			
Loans and borrowings	(1,623,462)	(1,623,462)	--
Trade and other payables	(152,865)	(152,865)	--
Derivatives financial liabilities	(8,905)	--	(8,905)
	<u>(1,785,232)</u>	<u>(1,776,327)</u>	<u>(8,905)</u>

18.2 Net gains and losses arising from financial instruments

	2021 RM'000	2020 RM'000
Net (losses)/gains on:		
Financial assets recognised as amortised cost	(325)	2,025
Financial liabilities recognised as amortised cost	(53,432)	(43,186)
Derivatives designated as hedging instrument:		
- Recognised in other comprehensive expenses	4,292	(4,312)
	<u>(49,465)</u>	<u>(45,473)</u>

18.3 Financial risk management

The Company has exposure to the following risks from its financial instruments:

- Credit risk
- Liquidity risk
- Market risk

18. Financial instruments (continued)

18.4 Credit risk

Credit risk is the risk of a financial loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company's exposure to credit risk arises principally from its receivables from customers. There are no significant changes as compared to prior period.

Trade receivables

Risk management objectives, policies and processes for managing the risk

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Normally credit evaluations are performed on customers requiring credit over a certain amount.

At each reporting date, the Company assesses whether any of the trade receivables are credit impaired.

The gross carrying amounts of credit impaired trade receivables are written off (either partially or full) when there is no realistic prospect of recovery. This is generally the case when the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. Nevertheless, trade receivables that are written off could still be subject to enforcement activities.

There are no significant changes as compared to prior period.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk arising from trade receivables is represented by the carrying amounts in the statement of financial position.

Concentration of credit risk

The Company trades extensively with a few established customers which the Company has a long standing business relationship. As at the end of the reporting period, the Company's three largest group of customers constitute approximately 86% (2020: 90%) of the total trade receivables.

Recognition and measurement of impairment loss

In managing credit risk of trade receivables, the Company manages its debtors and takes appropriate actions (including but not limited to legal actions) to recover long overdue balances. Generally, trade receivables will pay within 90 days.

As there are only a few customers, the Company assessed the risk of loss of each customer individually based on their financial information, past trend of payments and external credit ratings, where applicable. All of these customers have low risk of default.

18. Financial instruments (continued)

18.4 Credit risk (continued)

Trade receivables (continued)

Recognition and measurement of impairment loss (continued)

The following table provides information about the exposure to credit risk and expected credit losses ("ECLs") for trade receivables as at the end of reporting period which are grouped together as they are expected to have similar risk nature.

	Gross carrying amount/Net balance	
	2021	2020
	RM'000	RM'000
Current (not past due)	68,865	27,562
1 - 30 days past due	5,049	2,387
31 - 60 days past due	539	--
	<u>74,453</u>	<u>29,949</u>

The movements in the allowance for impairment in respect of trade receivables during the financial year are shown below:

	Credit impaired/ Total RM'000
Balance at 1 April 2019	147
Written off	<u>(147)</u>
Balance at 31 March 2020/1 April 2020/31 March 2021	<u>--</u>

Cash and cash equivalents

The cash and cash equivalents are held with banks. As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position.

These banks have low credit risks. In addition, some of the bank balances are insured by government agencies. Consequently, the Company is of the view that the loss allowance is not material and hence, it is not provided for.

Other receivables

The Company monitors the exposure to credit risk on individual basis.

As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position and the Company does not recognise any allowance for impairment losses.

18. Financial instruments (continued)

18.4 Credit risk (continued)

Inter-company balances

Risk management objectives, policies and processes for managing the risk

The Company monitors the ability of the ultimate holding company and immediate holding company to repay the balances on an individual basis.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position.

Recognition and measurement of impairment loss

The Company considers amounts due from ultimate holding company and immediate holding company have low credit risk. The Company assumes that there is a significant increase in credit risk when the ultimate holding company's and immediate holding company's financial position deteriorates significantly. The Company considers amounts due from ultimate holding company and immediate holding company to be credit impaired when:

- The ultimate holding company and immediate holding company are unlikely to repay its amount due to the Company in full; or
- The ultimate holding company and immediate holding company are continuously loss making and is having a deficit shareholders' fund.

The Company determines the profitability of default for these balances individually using internal information available.

	Gross carrying amount/ Net balance	
	2021	2020
	RM'000	RM'000
Low credit risk	--	19,234

As at the end of the reporting, the Company does not recognise any loss allowance as for impairment losses.

18.5 Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's exposure to liquidity risk arises principally from various payables and loans and borrowings.

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

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

18. Financial instruments (continued)

18.5 Liquidity risk (continued)

Maturity analysis

The table below summarises the maturity profile of the Company's financial liabilities as at the end of the reporting period based on undiscounted contractual payments:

	Carrying amount RM'000	Contractual interest rate/ coupon %	Contractual cash flows RM'000	Under 1 year RM'000	1 - 2 years RM'000	2 - 5 years RM'000	More than 5 years RM'000
2021							
<i>Non-derivative financial liabilities</i>							
Term loan - secured	329,884	2.36 - 3.70	333,911	177,683	156,228	--	--
Working capital loan - secured	13,173	2.00 - 7.00	13,173	13,173	--	--	--
Bank overdraft - unsecured	18,603	2.00 - 7.00	18,603	18,603	--	--	--
Due to ultimate holding company	420	--	420	420	--	--	--
Due to intermediate holding company	9,844	--	9,844	9,844	--	--	--
Due to related companies	1,161	--	1,161	1,161	--	--	--
Non-cumulative redeemable convertible preference shares	1,206,618	2.50	1,627,596	33,705	33,705	229,866	1,330,320
Advances from immediate holding company	136,788	--	136,788	--	136,788	--	--
Trade and other payables	156,670	--	156,670	156,670	--	--	--
	<u>1,873,161</u>		<u>2,298,166</u>	<u>411,259</u>	<u>326,721</u>	<u>229,866</u>	<u>1,330,320</u>
<i>Derivative financial liabilities</i>							
Interest rate swap	3,108	--	2,773	2,433	340	--	--
	<u>1,876,269</u>		<u>2,300,939</u>	<u>413,692</u>	<u>327,061</u>	<u>229,866</u>	<u>1,330,320</u>
2020							
<i>Non-derivative financial liabilities</i>							
Term loan - secured	516,859	3.00 - 5.00	543,254	189,014	190,763	163,477	--
Working capital loan - secured	13,034	2.00 - 7.00	13,034	13,034	--	--	--
Bank overdraft - secured	14,335	2.00 - 7.00	14,335	14,335	--	--	--
Due to intermediate holding company	16,589	--	16,589	16,589	--	--	--
Due to related companies	48,022	--	48,022	48,022	--	--	--
Non-cumulative redeemable convertible preference shares	561,898	2.50	756,646	15,804	15,804	184,968	540,070
Advances from immediate holding company	517,336	--	517,336	--	517,336	--	--
Trade and other payables	88,254	--	88,254	88,254	--	--	--
	<u>1,776,327</u>		<u>1,997,470</u>	<u>385,052</u>	<u>723,903</u>	<u>348,445</u>	<u>540,070</u>
<i>Derivative financial liabilities</i>							
Interest rate swap	8,905	--	6,879	4,148	2,403	328	--
	<u>1,785,232</u>		<u>2,004,349</u>	<u>389,200</u>	<u>726,306</u>	<u>348,773</u>	<u>540,070</u>

18.6 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates that will affect the Company's financial position or cash flows.

18. Financial instruments (continued)

18.6 Market risk (continued)

Currency risk

The Company is exposed to foreign currency risk on sales and purchases that are denominated in a currency other than the functional currency of the Company. The currencies giving rise to this risk are primarily Ringgit Malaysia ("RM"), Euro ("EUR") and Swiss Franc ("CHF").

Further, certain expenses of the Company are in respective transaction currency i.e. RM, EUR and CHF, thereby rendering only the residual foreign exchange risk to be hedged through derivative instruments.

Risk management objectives, policies and processes for managing the risk

The Company holds derivative instruments such as range forward contract to mitigate the risk of changes in exchange rates and foreign currency exposure.

Exposure to foreign currency risk

The Company's exposure to foreign currency (a currency which is other than the functional currency of the Company) risk, based on carrying amounts as at the end of the reporting period was:

	CHF RM'000	Denominated in EUR RM'000	RM RM'000
2021			
Trade and other receivables	--	5,198	22,843
Cash and cash equivalents	--	--	(13,749)
Trade and other payables	--	(11,780)	(27,519)
	--	(6,582)	(18,425)
2020			
Trade and other receivables	--	--	5,833
Cash and cash equivalents	--	--	(13,954)
Trade and other payables	(7,331)	(3,141)	(11,223)
	(7,331)	(3,141)	(19,344)

Currency risk sensitivity analysis

A 10% (2020: 10%) strengthening of the US Dollar against the following currencies at the end of the reporting period would have increased/(decreased) post-tax profit or loss by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Company considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates and remained constant.

	Profit or loss	
	2021 RM'000	2020 RM'000
CHF	--	557
EUR	500	239
RM	1,400	1,470

A 10% (2020: 10%) weakening of US Dollar against the above currencies at the end of the reporting period would have had equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remained constant.

18. Financial instruments (continued)

18.6 Market risk (continued)

Interest rate risk

The Company's main interest rate risk arises from long-term loans and borrowings with variable rates, which expose the company to cash flow interest rate risk.

Risk management objectives, policies and processes for managing the risk

The Company's policy is to maintain most of its loans and borrowings at fixed rate using interest rate swaps to achieve this when necessary. They are therefore not subject to interest rate risk since neither the carrying amount nor the future cash flows will fluctuate because of change in market interest rates.

Cash flow hedge

The Company held the following instruments to hedge exposures to changes in interest rates.

	Under 1 year RM'000	Maturity 1 - 2 years RM'000	2 - 5 years RM'000
2021			
Interest rate risk			
Interest rate swaps			
Net exposure	2,434	340	--
Fixed interest rates	<u>2.62% - 3.28%</u>	<u>2.62% - 3.28%</u>	<u>2.62% - 3.28%</u>

2020

Interest rate risk			
Interest rate swaps			
Net exposure	4,148	2,403	328
Fixed interest rates	<u>2.62% - 3.28%</u>	<u>2.62% - 3.28%</u>	<u>2.62% - 3.28%</u>

The Company has entered into an interest rate swap to hedge the cash flow risk in relation to the floating interest rate of a bank loan of RM329.9 million (2020: RM516.9 million). The interest swaps have nominal value of RM356.5 million (2020: RM371.0 million) and is settled every quarter, consistent with the interest repayment schedule of the loan.

The amounts at the reporting date relating to items designated as hedged items were as follows:

	Change in value used for calculation of hedge ineffectiveness RM'000	Cash flow hedge reserve RM'000
2021		
Interest rate risk		
Variable rate instruments	<u>1,199</u>	<u>2,797</u>
2020		
Interest rate risk		
Variable rate instruments	<u>1,194</u>	<u>7,089</u>

18. Financial instruments (continued)**18.6 Market risk (continued)****Cash flow hedge (continued)**

The amount relating to items designated as hedging instruments and hedge effectiveness are as follows:

	Nominal amount RM'000	Carrying amount liabilities RM'000	Line item in the statement of financial position where the hedging instrument is included
2021			
Interest rate risk			
Interest rate swaps	<u>356,452</u>	<u>3,108</u>	Derivative financial liabilities
2020			
Interest rate risk			
Interest rate swaps	<u>371,040</u>	<u>8,905</u>	Derivative financial liabilities
	Changes in the value of hedging instrument recognised in OCI RM'000	Hedge ineffective -ness recognised in profit or loss RM'000	Line item in profit or loss that includes hedge ineffective -ness
2021			
Interest rate risk			
Interest rate swaps	<u>(4,292)</u>	<u>1,199</u>	Finance cost
2020			
Interest rate risk			
Interest rate swaps	<u>4,312</u>	<u>1,194</u>	Finance cost

The following table provides reconciliation by risk category of components of equity and analysis of other comprehensive income ("OCI") items, net of tax, resulting from cash flow hedge accounting:

	Hedging reserves	
	2021	2020
	RM'000	RM'000
Balance at 1 April	7,089	2,777
Cash flow hedge		
<i>Changes in fair value:</i>		
- Interest rate risk	<u>(4,292)</u>	<u>4,312</u>
Balance at 31 March	<u>2,797</u>	<u>7,089</u>

18. Financial instruments (continued)

18.7 Fair value information

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

The carrying amount of floating rates term loans approximate its fair value as its effective interest rate changes accordingly to movements in the market interest rate.

The carrying amount of the liability portion of the non-cumulative redeemable convertible preference shares approximate its fair value as the interest rate has not changed significantly from the market interest rate since initial recognition.

The table below analyses other financial instruments at fair value.

	Fair value of financial instruments carried at fair value Level 2 RM'000	Carrying amount RM'000
2021		
Financial liabilities		
Interest rate swap	<u>3,108</u>	<u>3,108</u>
2020		
Financial liabilities		
Interest rate swap	<u>8,905</u>	<u>8,905</u>

Level 2 fair value

Derivatives

The fair value of forward exchange contracts is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate (based on government bonds).

Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the end of the reporting period. In respect of the liability component of convertible notes, the market rate of interest is determined by reference to similar liabilities that do not have a conversion option.

Transfers between Level 1 and Level 2 fair values

There has been no transfer between Level 1 and Level 2 fair values during the financial year (2020: no transfer in either directions).

No disclosures of fair value of advances from immediate holding company as it is not practicable to determine its fair values with sufficient reliability since this balance has no fixed terms of repayment.

19. Capital management

The Company's objectives when managing capital is to maintain a strong capital base and safeguard the Company's ability to continue as a going concern, so as to maintain market confidence and to sustain future development of the business. The Directors monitor and maintain an optimal security ratio and debt-to-equity ratio as defined by the financial institution that complies with debt covenants.

The Company's strategy was to maintain the debt-to equity ratio not more than 75:25. The debt-to-equity ratios at 31 March 2021 and at 31 March 2020 were as follows:

	2021	2020
Debt-to-equity ratio	<u>26:74</u>	<u>41:59</u>

20. Capital commitment

	2021 RM'000	2020 RM'000
Capital expenditure commitments		
Property, plant and equipment		
Contracted but not provided for	<u>50,752</u>	<u>73,527</u>

21. Related parties

Identity of related parties

For the purposes of these financial statements, parties are considered to be related to the Company if the Company has the ability, directly or indirectly, to control or jointly control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Company and the party are subject to common control. Related parties may be individuals or other entities.

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Company either directly or indirectly and entity that provides key management personnel services to the Company. The key management personnel include all the Directors of the Company, and certain members of senior management of the Company.

The Company has related party relationship with its holding companies, related companies and key management personnel.

Significant related party transactions

Related party transactions have been entered into in the normal course of business under normal trade terms. The significant related party transactions of the Company are shown below. The balances related to the below transactions are shown in Notes 7 and 14.

	2021 RM'000	2020 RM'000
A. Ultimate holding company		
Sale of goods	10,460	37,204
Recharge of expenses	(1,420)	(3,787)
Corporate guarantee	<u>(1,094)</u>	<u>(1,486)</u>

21. Related parties (continued)**Significant related party transactions (continued)**

	2021 RM'000	2020 RM'000
B. Intermediate holding company		
Sale of goods	15,372	3,751
Purchase of materials	(19,403)	(14,866)
Recharge of expenses	(50,510)	(11,791)
	<u>(34,541)</u>	<u>(22,906)</u>
C. Immediate holding company		
Advances from	(383,464)	(439,501)
	<u>(383,464)</u>	<u>(439,501)</u>
D. Related companies		
Recharge of expenses	(1,366)	(45,590)
Purchase of materials	(259)	--
	<u>(1,625)</u>	<u>(45,590)</u>
E. Fees paid to a company in which certain Directors are members		
	(7)	(7)
	<u>(7)</u>	<u>(7)</u>

Biocon Sdn. Bhd.

Registration Number: 201101002193 (930330-U)
(Incorporated in Malaysia)

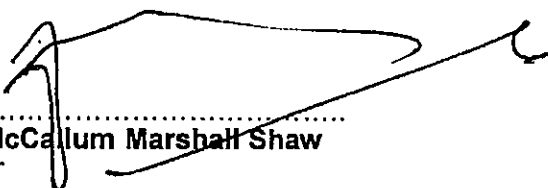
**Statement by Directors pursuant to
Section 251(2) of the Companies Act 2016**

In the opinion of the Directors, the financial statements set out on pages 5 to 47 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Company as of 31 March 2021 and of its financial performance and cash flows for the year then ended.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:



.....
Kiran Mazumdar Shaw
Director



.....
John McCallum Marshall Shaw
Director

Date: 26 APR 2021

Biocon Sdn. Bhd.

Registration Number: 201101002193 (930330-U)
(Incorporated in Malaysia)

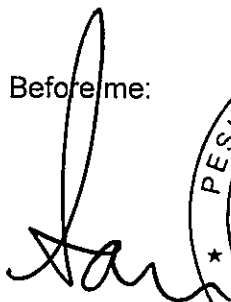
Statutory declaration pursuant to Section 251(1)(b) of the Companies Act 2016


I, **Vikas Jain**, the officer primarily responsible for the financial management of BIOCON SDN. BHD., do solemnly and sincerely declare that the financial statements set out on pages 5 to 47 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the declaration to be true, and by virtue of the Statutory Declarations Act 1960.

Subscribed and solemnly declared by the above named Vikas Jain, Passport No. Z3428989, at Johor Bahru in the State of Johor on **26 APR 2021**


.....
Vikas Jain

Before me:





No. 18-01, Jalan Bestari 5/2,
Taman Nusa Bestari,
81300 Johor Bahru, Johor



KPMG PLT
(LLP0010081-LCA & AF 0758)
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INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BIOCON SDN. BHD.

Registration Number: 201101002193 (930330-U)
(Incorporated in Malaysia)

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Biocon Sdn. Bhd., which comprise the statement of financial position as at 31 March 2021, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 5 to 47.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 March 2021, and of its financial performance and its cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our auditors' report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of the Company in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Information Other than the Financial Statements and Auditors' Report Thereon

The Directors of the Company are responsible for the other information. The other information comprises the information included in the Directors' Report, but does not include the financial statements of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Company does not cover the Directors' Report and we do not express any form of assurance conclusion thereon.

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

Responsibilities of the Directors for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Company, the Directors are responsible for assessing the ability of the Company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

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



- Evaluate the overall presentation, structure and content of the financial statements of the Company, including the disclosures, and whether the financial statements of the Company represent the underlying transactions and events in a manner that gives a true and fair view.

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

Other Matter

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

KPMG PLT
(LLP0010081-LCA & AF 0758)
Chartered Accountants

Tan Teck Eng
Approval Number: 02986/05/2022 J
Chartered Accountant

Johor Bahru

Date: **26 APR 2021**