

# Reliance GeneMedix Limited

Annual report and financial statements  
for the year ended 31 March 2014

Registered number: 03467317



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## **Strategic Report**

### **Background**

Reliance GeneMedix is a globally-focused biopharmaceutical Group, specialising in the development and manufacture of high-quality, cost-effective treatments for some of the world's most serious diseases. Since February 2007, the Group is part of the Reliance Life Sciences Group of companies. The Group is working towards the development, manufacture and marketing of a portfolio of bio-similar recombinant therapeutic proteins for global markets.

### **Principal activities**

The principal activities of the Group are the development and manufacture of biopharmaceuticals, including bio-similar, which are a generic version of innovative recombinant therapeutic proteins. There are plans to expand the business in the future to include sales and distribution. The activities of the company are carried out entirely from its facilities in Ireland.

### **Business overview**

I am pleased to present the results for the financial year 2013-14. The company has registered its lead product EPO, in markets outside EU including India, Algeria, Peru, Kenya, Vietnam, Nepal, Maldives, and Paraguay through its parent company, Reliance Life Sciences. Sales momentum in some markets did not continue as expected and hence the sales volumes dropped substantially during the year. However the company continues to sell EPO in these markets through Reliance Life Sciences.

The licensing project was not progressing as envisaged in partnership with the earlier licensing partner, hence the company was scouting for another licensing partner. During the year the company has entered into a licensing arrangement with another partner on similar terms. The company is making good progress in working with this partner in validating the development programme for markets of US and EU. Under this new arrangement the partner is responsible for development, regulatory approvals and marketing of the product in US and EU.

The company generated cash flow to fund its operations by supplying its product to Reliance Life Sciences. The Company does not envisage any capital infusion from its parent company in future. The company would generate cash flow from milestone payments from its licensing partner based on development programme for US and EU markets. The Company continues to operate as a private limited company and does not envisage accessing equity or debt markets in the current year.

### **Financial review**

Operating losses of € 2.942 million (2013: € 1.669 million) for the period are in line with budget and indicative of planned expenditure. The group continues to exercise strict financial discipline and cost control in order to run its operations and development programmes in a cost-effective manner.

The Group has capitalised development expenditure of €nil (2013: € 0.421 million) incurred on the EPO development programme. The company ceased capitalisation in October 2012 following the commercial launch in

number of international markets. The Board has concluded that capitalisation of EPO development costs remains appropriate and in accordance with the criteria of IAS 38 as set out in Note 2.6(c) to the financial statements. Current assets and current liabilities are in line with the level of operations of the Group.

#### **Board changes**

Since becoming a private limited company, the board of directors was restructured. Mr. Dileep Choksi, Mr. Atul Dayal and Mr. Vinay Ranade stepped down from the board during the current year. However Mr. Vinay Ranade continues to work in his position as a CEO of the company.

#### **Charitable donations**

During the period, the Company made no charitable donations (2012-13: € nil).

#### **Political support**

Reliance GeneMedix did not support, or make any donations to, political parties in the period (2012-13: € nil).

#### **Supplier payment policy**

The Group's policy is to settle terms of payment with suppliers when agreeing the terms of each transaction, ensure that suppliers are made aware of the terms of payment and abide by the terms of payment. Trade creditors of the Group at 31 March 2014 were equivalent to 119 days of purchases (2013: 87 days).

#### **Employee commitment**

I would like to thank the staff of the Group for their dedication and commitment to the development and manufacturing programmes and look forward to their on-going commitment for the coming year.

By order of the Board



**Vinay Ranade**

**Chief Executive Officer & Company Secretary**

29 September 2014

## **Directors, Secretary and Advisors**

### **Non-Executive Director**

#### **Dr. R. A. Mashelkar – Non Executive Chairman**

Dr. R. A. Mashelkar, aged 71, was appointed as Non-executive chairman of the company on 24 January 2008. Dr. Mashelkar is an eminent scientist with an outstanding academic record and has held a number of very high profile positions in the field of science and technology including mentorship of the Indian Prime Minister's Science Academy for over two decades. He was awarded second highest civil honour – *Padma Vibhushan* by President of India in 2013. He is presently the President of Global Research Alliance, a network of publicly funded R&D institutes from Asia Pacific, Europe and USA with over 60,000 scientists. He was the President of the Indian National Science Academy (INSA). Prior to this he served as Director General of the Council of Scientific and Industrial Research (CSIR). Dr. Mashelkar has 27 honorary doctorates and is only the third engineer to have been elected as a Fellow of Royal Society (FRS) London in the twentieth Century.

### **Executive Director**

#### **Mr. K. V. Subramaniam – Executive Director**

Mr. Subramaniam, aged 57, is the President and CEO of Reliance Life Sciences. He is a Chemical Engineer from Madras University, a Management Graduate from the Indian Institute of Management, Ahmedabad and a Chartered Financial Analyst. He started his career with Indian Petrochemicals Corporation Limited, where he spent fourteen years in several functions. He joined Reliance Industries Limited in 1994 to lead the corporate business development function, where he was involved in several new initiatives of the organisation in petrochemicals, power, infrastructure, agriculture and insurance. Mr. Subramaniam has been instrumental in conceiving and developing Reliance Life Sciences, which has several programs covering stem cells and tissue engineering, molecular diagnostics and genetics, therapeutic proteins, biopolymers, bio fuels, biochemical, plant biotechnology, clinical research and contract research. He serves on the US-India Biopharma Summit Advisory Council and is also a Fellow of the Indian National Academy of Engineers.

#### **Mr. Vinay Ranade – Secretary and Chief Executive Officer**

Mr. Ranade, aged 47, was appointed as CEO of the company from January 1, 2008. Mr. Ranade is a Chartered Accountant and a management graduate by qualification and has over 20 years of experience in various fields including investment banking, finance and commercial functions, business, projects and operations. He has been a core team member in developing the biotechnology initiatives at Reliance Life Sciences since 2001. He has been associated with the Company during the acquisition process since December 2005 and has been part of the integration team since that date. In his role as CEO, he is responsible for pursuing the company's objective of delivering high quality, cost effective biopharmaceuticals to a global healthcare market.

<b>Registered office</b>	8 <sup>th</sup> floor 105 Wigmore Street London W1U 1QY, UK
<b>Plant and Administration Office</b>	IDA Business and Technology Park Sragh, Tullamore, Co Offaly Ireland
<b>Registered number</b>	03467317
<b>Registrars</b>	SLC Registrars Thames House Portsmouth road Esher, Surrey KT10 9AD
<b>Auditor</b>	Ernst & Young Annville House, Newtown Waterford, Ireland

## Directors' report

The directors present their report on the affairs of the Group and the audited financial statements for the year ended 31 March 2014. The comparative period is for the year ended 31 March 2013.

The Headline figures from the Group's financial statements for the year are as follows

	€'000	€'000	
	31.3.2014	31.3.2013	Change (%)
Revenue	1,337	2,210	(39.50)
R&D costs	-	468	(100.00)
Operating loss	(2,942)	(1,669)	76.27
Loss before tax	(3,989)	(2,680)	48.84
Shareholders' funds	(3,190)	995	(420.60)
Intangible assets	14,483	16,189	(10.54)

Revenue decreased by 39.50% mainly because the company supplied lesser volume of EPO drug substance to its parent company Reliance Life Sciences due to decreased orders from international markets.

There were no R & D Costs because the company has not taken up additional studies in line with the licensing arrangement. The company ceased capitalisation in October 2012 following the commercial launch in a number of international markets.

Operating loss increased by 76.27% and loss before tax increased by 48.84% mainly due to lower commercial sales combined with increase in costs.

The decrease in Shareholders' funds by 420.60% is due to the loss incurred during the year. Intangible assets decreased by 10.54% as a result of amortisation.

## Business review

Please refer to Business overview section as set out in the Chief Executive Officer's statement on page 3.

## The Company and the environment

The Group's environmental responsibility spans from raw materials, conversion into products and product impact after use. The Group is committed to work on reducing the use of energy and other resources as well as minimising waste generation. The waste treatment meets high environmental standards.

## Going Concern

Please refer to the point 2.1 in the Notes to the Consolidated Financial Statements.

### **Principal risks and uncertainties**

The Group's business is influenced by a range of factors, some of which may be beyond the control of the Group and its Board. The risk factors set out below generally affect the entire biopharmaceutical sector, not only the company.

#### *Regulatory approval*

The clinical evaluation, manufacture and marketing of the group's drug candidates and its on-going research and development activities are subject to regulation by government and other regulatory agencies in countries where the Group intends to test or market products. Many countries, including all members of the EU and the US, have very high standards of appraisal and, accordingly, the approval process can be lengthy. It is noteworthy that the regulatory process in EU for biosimilars is well defined and is relatively less rigorous when compared to the regulatory process for an innovator product.

#### *Commercial launch*

The Group has successfully registered its own product in various markets around the world through a licensing agreement with its parent company, Reliance Life Sciences and intends to launch its products in US, Canada, Mexico, Japan and the EU through a licensing agreement with a third party. The Group has currently no access to any marketing, sales or distribution functions in its main market, EU. This may affect Group's success in market launch and subsequent sales in EU.

#### *Competition and Market share*

The Group's competitors include, amongst others, major pharmaceutical and biotechnology companies with substantially large financial resources. There is no assurance that the group's competitor's strategies and products will not adversely affect the market shares that the Group can gain.

#### *Global economic environment*

Many countries in which the Group currently operates and plans to expand into in the future are facing recession and experiencing liquidity problems and constrained credit availability. Such conditions may pose challenges in achieving the sales targets and also may adversely affect Group's ability to raise capital.

### **Key performance indicators (KPIs)**

Research and development costs have reduced as compared to research and development costs in the last year since company ceased capitalisation in October 2012 following the commercial launch in number of international markets. The Company has commercialized its lead product EPO outside EU market. The Directors believe that launching its products in new markets and achieving operating efficiencies to reduce product costs are the KPIs for the Group to be successful in achieving commercial efficacy. The company is evaluating alternative Raw materials in manufacturing process for reducing the cost and be competitive in International market. The company is working out strategy for completion of the development of Epostim programme based on scientific advice received from EMA (European Medical Agency) along with its licensing partner which would be the milestone KPI for 2014-15.



## **Results and dividends**

The loss for the period was € 4.185million (2012-13: € 4.077 million).

In view of the accumulated losses of the Group, the Directors do not recommend the payment of a dividend for the year (2012-13: € nil).

## **Research and development**

Reliance GeneMedix is a part of the Reliance Life Sciences Group which has extensive research and development programmes, commercial and R&D infrastructure facilities in India. During the period, Reliance GeneMedix incurred research and development costs of €nil (2012-13: €0.468 million) on its EPO programme.

## **Financial instruments and associated risks**

The Board reviews and agrees overall treasury policies, delegating appropriate authority to the Chief Executive Officer. Financial instruments are used to manage the financial risks facing the Group – speculative transactions are not permitted.

The Group's financial instruments comprise primarily cash, cash equivalents and borrowings. In addition to the primary financial instruments mentioned above, the Group also has other financial instruments, such as trade creditors and accruals that arise directly from the Group's operations. The main purpose of these financial instruments is to provide working capital for the Group's operations.

The main risks arising from the Group's activities, and involving the use of financial instruments, are foreign currency risk, interest rate risk and liquidity risk. Note 3 to the financial statements sets out the risks in respect of financial instruments, along with numerical disclosures for each category of financial instrument.

## **Board changes**

Please refer to Board changes section as set out in the Chief Executive Officer's statement on page 3.

## **Post balance sheet events**

There have been no significant events since the balance sheet date.

## **Future Developments**

There are no future developments requiring comment.

## **Related Party Transactions**

Please refer to Note 28 in the Notes to the Consolidated Financial Statements

## **Directors' interests**

The directors who held office at 31 March 2014 and 31 March 2013 had no interest in the shares of the Company.

## **International Financial Reporting Standards ("IFRS")**

The company is a Private limited company; the Directors have elected to prepare its consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS") and with those parts of the

Companies Act 2006 applicable to companies reporting under IFRS. Details regarding IFRS compliance and applicability are set out in Note 2.1 to the financial statements.

#### **Disclosure of information to the auditors**

The directors in office at the date of this Report have each confirmed that

- so far as he or she is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- He or she has taken all the steps that he or she ought to have taken as a Director to make himself or herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This confirmation is given in and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

#### **Auditor**

The auditor, Ernst & Young, Chartered Accountants, have expressed their willingness to continue in office as auditor and in accordance with Section 485 of the Companies Act 2006, a resolution proposing their re-appointment will be submitted at the Annual General Meeting.

#### **Directors' responsibilities statement in respect of the Annual Report and the financial statements**

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRS) as adopted by the European Union.

The directors are responsible for preparing financial statements for each financial year, which give a true and fair view, in accordance with IFRS, of the state of affairs of the Company and Group and of the profit or loss of the Company and Group for that period. In preparing these financial statements, the directors are required to:

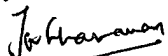
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors confirm that they have complied with the above requirements in preparing the financial statements.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) and comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the update, maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

By order of the Board



**K. V. Subramaniam**

**Director**

**29 September 2014**

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF RELIANCE GENEMEDIX Ltd**

We have audited the financial statements of Reliance GeneMedix Ltd. for the year ended 31 March 2014 which comprise the Group and Parent Company Statements of Financial Position, the Group Statement of Comprehensive Income, the Group and Parent Company Statements of Cash Flows, the Group and Parent Company Statements of Changes in Equity and the related notes 1 to 31. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

### **Respective responsibilities of directors and auditor**

As explained more fully in the Directors' Responsibilities Statement set out on page 12, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors;
- And the overall presentation of the financial statements.

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 March 2014 and of the group's and the parent company's loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- Have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation.

### **Opinion on other matters prescribed by the Companies Act 2006**

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- The information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF RELIANCE GENEMEDIX LIMITED**

We have audited the financial statements of Reliance GeneMedix Limited for the year ended 31 March 2014 which comprise the Group and Parent Company Statements of Financial Position, the Group Statement of Comprehensive Income, the Group and Parent Company Statements of Cash Flows, the Group and Parent Company Statements of Changes in Equity and the related notes 1 to 31. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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- whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors;
- and the overall presentation of the financial statements.

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 March 2014 and of the group's and the parent company's loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation.

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- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF RELIANCE GENEMEDIX LIMITED (continued)

**Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



Ian Venner (Senior statutory auditor)

For and on behalf of Ernst & Young, Statutory Auditor

Waterford

29 September 2014

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF RELIANCE GENEMEDIX PLC (continued)**

### **Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- We have not received all the information and explanations we require for our audit.

Ian Venner (Senior Statutory Auditor)

**For and on behalf of Ernst & Young, Statutory Auditor**

**Waterford, Ireland**

**29 September 2014**

## Consolidated Statement of Comprehensive Income

For the year ended 31 March 2014

	Notes	Year ended 31 Mar 2014 €'000	Year ended 31 Mar 2013 €'000
<b>Continuing Operations</b>			
Revenue		1,337	2,210
Cost of Sales		(218)	(543)
<b>Gross Profit</b>		<b>1,119</b>	<b>1,667</b>
Research and development costs		-	(47)
Administrative expenses		(4,061)	(3,289)
Operating Loss		(2,942)	(1,669)
Finance Cost	6	(1,047)	(1,011)
<b>Loss before Taxation</b>		<b>(3,989)</b>	<b>(2,680)</b>
Taxation	11	(196)	(1,397)
<b>Loss for the year attributable to equity holders of the parent</b>	10	<b>(4,185)</b>	<b>(4,077)</b>
<b>Other comprehensive income</b>		-	-
<b>Other comprehensive income for the year net of tax</b>		-	-
<b>Total comprehensive income for the year, net of tax</b>		<b>(4,185)</b>	<b>(4,077)</b>

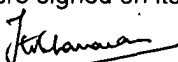


# Consolidated Statement of Financial Position: Registered in England No. 03467317

As at 31 March 2014

	Notes	31 Mar 2014 €'000	31 Mar 2013 €'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets	13	14,483	16,189
Property, plant and equipment	14	217	313
Investment at cost	15	-	-
Deferred tax asset	11	1,660	1,856
		<b>16,360</b>	<b>18,358</b>
<b>Current assets</b>			
Inventories	16	568	296
Trade and other receivables	17	207	722
Restricted cash	24	118	155
Cash and cash equivalents	24	48	63
		<b>941</b>	<b>1,236</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	18	(1,686)	(808)
Borrowings	19	(1,159)	(1,137)
		<b>(2,845)</b>	<b>(1,945)</b>
<b>Net current liabilities</b>		<b>(1,904)</b>	<b>(709)</b>
<b>Total assets less current liabilities</b>		<b>14,456</b>	<b>17,649</b>
<b>Non-current liabilities</b>			
Trade and other payables	18	(3,488)	(2,496)
Borrowings	19	(14,158)	(14,158)
		<b>(17,646)</b>	<b>(16,654)</b>
<b>Net assets</b>		<b>(3,190)</b>	<b>995</b>
<b>Shareholders' equity</b>			
Share capital	20	26,412	26,412
Share premium	20	41,601	41,601
Other reserves	22	(206)	(206)
Retained losses		(70,997)	(66,812)
<b>Total equity attributable to equity holders of the parent</b>		<b>(3,190)</b>	<b>995</b>

The financial statements on pages 14 to 53 were approved by the Board of Directors on 29 September 2014 and were signed on its behalf by:

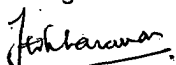
  
K. V. Subramaniam  
Director

# Company Statement of Financial Position: Registered in England No. 03467317

As at 31 March 2014

	Notes	31 Mar 2014 €'000	31 Mar 2013 €'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets	13	14,483	16,189
Property, plant and equipment	14	217	313
Investment at cost	15	-	-
Deferred tax assets	11	1,660	1,856
		<b>16,360</b>	<b>18,358</b>
<b>Current assets</b>			
Inventories	16	568	296
Trade and other receivables	17	207	722
Restricted cash	24	118	155
Cash and cash equivalents	24	48	63
		<b>941</b>	<b>1,236</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	18	(1,686)	(808)
Borrowings	19	(1,159)	(1,137)
		<b>(2,845)</b>	<b>(1,945)</b>
<b>Net current liabilities</b>		<b>(1,904)</b>	<b>(709)</b>
<b>Total assets less current liabilities</b>		<b>14,456</b>	<b>17,649</b>
<b>Non-current liabilities</b>			
Trade and other payables	18	(3,488)	(2,496)
Borrowings	19	(14,158)	(14,158)
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<b>Shareholders' equity</b>			
Share capital	20	26,412	26,412
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Other reserves	22	(206)	(206)
Retained losses		(70,997)	(66,811)
<b>Total equity attributable to equity holders of the parent</b>		<b>(3,190)</b>	<b>995</b>

The financial statements on pages 14 to 53 were approved by the Board of Directors on 29 September 2014 and were signed on its behalf by:

  
K. V. Subramaniam  
Director

## Consolidated Statement of Changes in Equity

For the year ended 31 March 2014

	Notes	Share capital €'000	Share premium €'000	Other reserves €'000	Retained losses €'000	Total €'000
Balance at 01 Apr 2012		26,412	41,601	(206)	(62,735)	5,072
Loss for the year		-	-	-	(4,077)	(4,077)
Balance at 31 Mar 2013		26,412	41,601	(206)	(66,812)	995
Loss for the year		-	-	-	(4,185)	(4,185)
Balance at 31 Mar 2014		26,412	41,601	(206)	(70,997)	(3,190)

## Company Statement of Changes in Equity

For the year ended 31 March 2014

	Notes	Share capital €'000	Share premium €'000	Other reserves €'000	Retained losses €'000	Total €'000
Balance at 01 Apr 2012		26,412	41,601	(206)	(62,735)	5,072
Loss for the year		-	-	-	(4,077)	(4,077)
Balance at 31 Mar 2013		26,412	41,601	(206)	(66,812)	995
Loss for the year		-	-	-	(4,185)	(4,185)
Balance at 31 Mar 2014		26,412	41,601	(206)	(70,997)	(3,190)

## Consolidated Cash Flow Statement

For the year ended 31 March 2014

	Notes	Year ended 31 Mar 2014 €'000	Year ended 31 Mar 2013 €'000
<b>Cash flow from operating activities</b>			
Cash used in operating activities	23	(53)	(1,368)
<b>Net cash used in operations</b>		<b>(53)</b>	<b>(1,368)</b>
<b>Cash flows from investing activities:</b>			
Payments for intangible assets		-	(421)
Payments for Plant Property & Equipment		-	(3)
Decrease in restricted cash		37	41
<b>Net cash flows used in investing activities</b>		<b>37</b>	<b>(383)</b>
<b>Cash flows from financing activities:</b>			
Proceeds from borrowings		-	1,610
		-	1,610
<b>Net decrease in cash and cash equivalents</b>		<b>(16)</b>	<b>(141)</b>
Cash and cash equivalents at the beginning of year	24	63	204
Net currency translation effect		1	-
<b>Cash and cash equivalents</b>	24	<b>48</b>	<b>63</b>

## Company Cash Flow Statement

For the year ended 31 March 2014

	Notes	Year ended 31 Mar 2014 €'000	Year ended 31 Mar 2013 €'000
<b>Cash flow from operating activities</b>			
Cash used in operating activities	23	(53)	(1,368)
<b>Net cash used in operations</b>		<b>(53)</b>	<b>(1,368)</b>
<b>Cash flows from investing activities:</b>			
Payments for intangible assets		-	(421)
Payments for Plant Property & Equipment		-	(3)
Decrease in restricted cash		37	41
<b>Net cash flows used in investing activities</b>		<b>37</b>	<b>(383)</b>
<b>Cash flows from financing activities:</b>			
Proceeds from borrowings		-	1,610
		-	1,610
<b>Net decrease in cash and cash equivalents</b>		<b>(16)</b>	<b>(141)</b>
Cash and cash equivalents at the beginning of year	24	63	204
Net currency translation effect		1	-
<b>Cash and cash equivalents</b>	24	<b>48</b>	<b>63</b>

## Notes to the Consolidated Financial Statements

For the year ended 31 March 2014

### 1. General information

Reliance GeneMedix Ltd ('the Company') and its subsidiaries (collectively referred to as 'the Group' or 'RGMX') develop, manufacture and distribute comparable biotechnology pharmaceuticals, 'Bio-similar's, which are a generic version of high value therapeutic proteins.

The Company was a public limited company incorporated and domiciled in the United Kingdom. The address of its registered office is 8th Floor, 105 Wigmore Street, London, W1U 1QY, UK. The Company had its primary listing on the Alternative Investment Market (AIM) of the London Stock Exchange. The Company subsequently delisted from AIM of London Stock exchange during 2012-13 and a fresh certificate of re-registration as a private limited company was issued to the Company on 19 November 2012 by Companies House.

The Company is a subsidiary of Reliance Life Sciences Private Limited, India

These consolidated financial statements were authorised for issue by the board of directors on 29 September 2014

At the date of authorisation of these financial statements, there were International Financial Reporting Standards and Interpretations in issue but not yet effective which have not been applied. Further details are included in Note 2.1.

### 2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

#### 2.1. Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") adopted by the European Union, which comprises standards and interpretations approved by the International Accounting Standards Board ("IASB") and with those parts of Companies Act 2006 applicable to companies reporting under IFRS. The basis of preparation of financial statement was not changed by the Directors of the company after delisting and re-registration as a private limited company.

All IFRSs issued by the IASB that were effective at the time of preparing the financial statements and adopted by the European Commission for use inside the EU were applied by Reliance GeneMedix Ltd. These financial statements have been prepared under the historical cost convention except for investment properties, land and building classified as property, plant and equipment, derivative financial instruments available for sale that have been measured at fair value. The consolidated financial statements are presented in euro and all values are rounded to nearest thousand except when otherwise indicated.

#### *Use of estimates and judgements*

The preparation of the financial statements requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to these financial statements are disclosed in Note 4: Critical accounting estimates and judgements.

*Going concern*

Reliance GeneMedix is a globally-focused biopharmaceutical company, specialising in the development and manufacture of high-quality, cost-effective treatments for some of the world's most serious diseases. Since February 2007, the company is part of the Reliance Life Sciences (RLS) Group of companies. The Company is working towards the development, manufacture and marketing of a portfolio of bio-similar recombinant therapeutic proteins for global markets. The current product under development is Erythropoietin (EPO).

The company has launched its products in some markets like India, Algeria, Peru, Kenya, Vietnam, Nepal, Maldives, and Paraguay. The company has initiated commercial manufacturing of the product from October 2012. The company supplies its product (drug substance) to Reliance Life Sciences. In turn Reliance Life Sciences fills the product in syringes and sells it to various territories through its own distributors. The earlier licensing partner with whom the company had an agreement for development and regulatory approvals of EPO in markets of US, EU, Canada and Mexico backed out of the arrangement. The company however identified a new licensing partner and has finalised Anew licensing arrangement on similar terms.

The company currently has licensing arrangements for US, EU, Canada and Mexico as well as Rest of the World markets. Under these arrangements the partners are responsible for development and regulatory approvals in the respective territories.

Under the arrangements, the company will sell its product at commercial prices based on competitive conditions of individual markets. The company does not envisage incurring any further development expenditure on EPO product.

During 2013 – 14 the company has met all its cash outflow requirements through sale of EPO to Reliance Life Sciences and advance against orders from its parent company RLS. Based on the business plan of the company, there is no additional funds requirement for next one year.

The directors, having assessed the financial budget of 2014-15 and business plan for the next 3 years, have no reason to believe that a material uncertainty exists that may cast significant doubt about the ability of the company to continue its operations as envisaged in the budget. Thus directors approve the "Going Concern" Basis for preparing the financial statements. The Board reviews the business plan on a regular basis and remains satisfied that it is a realistic reflection of the Company's funding needs and prospects.

**(a) New accounting Standards, amendment and interpretations effective in this financial Year.**

The Group has adopted the following new and revised IFRS and IFRIC interpretations in respect of this financial year:

- Transition guidance (amendments to IFRS 10, 11, 12) Effective Date 1 January 2014
- IAS 32 (Amendment) – Offsetting Financial Assets and Financial Liabilities Effective Date 1 January 2014
- Investment entities (Amendments to IFRS 10, 12 and IAS 27) Effective Date 1 January 2014
- IAS 28 (Amendment) – Investments in Associates and Joint Ventures Effective Date 1 January 2014
- IAS 32 (Amendment) – Offsetting Financial Assets and Financial Liabilities Effective Date 1 January 2014

The application of the standards and interpretations noted above did not result in material changes in the Group's Consolidated Financial Statements.

(b) **Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the group**

The Group has not applied the following standards and interpretations that have been issued but are not effective:

- IFRS 9 (Revised) Financial Instruments : Classification and measurement Effective Date 1 January 2015
- IFRS 14 Regulatory Deferral Accounts Effective Date 1 January 2016
- IAS 19 Defined Benefit Plans: Employee Contributions Effective Date 1 July 2014

The effective dates stated here are those given in the Original IASB/IFRIC standards and interpretations. As the Group prepares its financial statements in accordance with IFRS as adopted by European Union, the application of new standards and interpretations will be subject to their being endorsed for use in the EU via the EU Endorsement mechanism. In the majority of cases this will result in an effective date consistent with that given in the original standard or interpretation but the need for endorsement restricts the Group's discretion to adopt standards early.

The Standards and interpretations addressed above will be applied for the purpose of the Group's Consolidated Financial Statements with effect from the dates listed. The Directors do not anticipate that adoption of these standards and interpretations will have a material impact on the Group's Consolidated Financial Statements.

There are no other IFRSs or IFRIC interpretations that are not effective that would be expected to have a material impact on the Group.

(c) **Company income statement**

In accordance with the provisions of section 408 of the Companies Act 2006, no separate income statement has been presented for the Company. The results for the Company are also presented under IFRS.



## 2.2. Consolidation

The underlying financial statements comprise a consolidation of the accounts of the Company and all its subsidiaries. The results of the branch activities are included in the results of the company. There are no trading entities consolidated and hence there is no difference between consolidated and company accounts. The accounts are made up to 31 March.

### (a) *Subsidiaries*

Subsidiaries are all entities over which the Group has control. Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date on which control ceases. The results of subsidiaries acquired or disposed during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

The Group uses the purchase method to account for the acquisition of subsidiaries. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the business combination. Identifiable assets acquired and liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3R Business combinations are recognised at their fair values at the acquisition date.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Subsidiaries' accounting policies are changed where necessary to ensure consistency with the policies adopted by the Group.

### (b) *Transactions and minority interests*

The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Disposals to minority interests result in gains and losses for the Group that are recorded in the income statement. Purchases from minority interests result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary.

## 2.3. Revenue Recognition

Revenues principally comprise income from sales of product manufactured. Revenues are recognised upon transfer to the customer of significant risks and rewards, usually upon despatch of goods where the sales price is agreed and collectability is reasonably assured.

## 2.4. Foreign currency translation

### (a) *Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in euro ('€'), which is the Company's presentation currency and are rounded to €'000s. All monetary assets and liabilities denominated in Pound Sterling as on 31 March 2014 have been converted to euro at an exchange rate of 1.20865 and other Pound Sterling assets and liabilities have been converted to euro at historical rates. Further details are shown in Note 4.3.

(b) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in a foreign currency are recognised in the statement of comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

(c) *Group companies*

The results and financial position of all the Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each Statement of Financial Position presented are translated at the closing rate at the date of that Statement of Financial Position;
- income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- all resulting exchange differences are recognised in Other Comprehensive Income.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations are recognised in Other Comprehensive Income. Where branches or subsidiaries are funded centrally, using long-term intercompany loans and settlement of these loans is neither planned nor likely to occur in the foreseeable future, they are treated as a deduction in arriving at the net investment and related exchange translation differences are taken to reserves. When a foreign operation is disposed of or sold, exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss on sale.

## 2.5. Property, plant and equipment

Property, plant and equipment is stated at the cost of purchase or construction less provision for depreciation and impairment. The cost of property, plant and equipment includes acquisition costs and labour and overhead costs arising directly from the construction or acquisition of an item of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance expenditures are charged to the income statement during the financial year in which they are incurred.

Property, plant and equipment depreciation is provided on the difference between the cost of an item and its estimated residual value, in equal annual instalments over the estimated useful lives of the assets as follows:

Plant and machinery	10%–20%
Office equipment	10%–20%
Fixtures and fittings	10%–20%
Leasehold improvements/land and buildings	10%–20%

Assets in the course of construction are depreciated when they have been brought into operational use.

Residual values of assets and their useful lives are reviewed, and adjusted if appropriate, at each Statement of Financial Position date. An impairment loss is recognised for the amount by which an asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sale and value in use.

Gains and losses on disposals are determined by comparing the disposal proceeds with the carrying amount and are included in the income statement.

## 2.6. Intangible assets

### a) *Licences and technical knowhow*

Acquired technical knowhow and licences are shown at historical cost. Technical knowhow and licences have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of technical knowhow and licences over their estimated useful lives (15 years).

### b) *Research and development*

Research expenditure is charged to the income statement in the period in which it is incurred. Development expenditure is capitalised when the criteria for recognising it as an asset are met—

- The technical feasibility of completing the asset so that it will be available for use or sale
- The intention to complete the asset and use or sell it
- The ability to use the asset
- The asset will generate probable future economic benefits and demonstrate the existence of a market or the usefulness of the asset if it is to be used internally
- The availability of adequate technical, financial and other resources to complete the development and to use or sell it
- The ability to measure reliably the expenditure attributable to the intangible asset.

Research and development expenditure that does not create, produce or prepare an asset for future use is expensed as incurred. Further details are included in Note 4.1.

Where development costs are capitalised they are amortised over their useful economic lives (10 years) from product launch. Useful economic life has been based on the estimated life cycle for products under development.

## 2.7. Impairment of assets

Assets that are subject to amortisation or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Prior to the commencement of amortisation, intangible assets are reviewed for impairment at least annually. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Any impairment loss is charged to the income statement in the year concerned. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows (cash generating units).

The expected cash flows generated by the assets are discounted using asset specific discount rates which reflect the risks associated with the groups of assets.

## 2.8. Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the Statement of Financial Position date. These are classified as non-current assets. The Group's loans and receivables comprise 'trade and other receivables' and 'cash and cash equivalents' in the Statement of Financial Position. (Note 2.10)

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade or other receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement within 'administrative expenses'. When another receivable is uncollectible, it is written off against the allowance account for other receivables. Subsequent recoveries of amounts previously written off are credited against 'administrative expenses' in the income statement.

## 2.9. Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first in, first out (FIFO) method. The cost of finished goods comprises raw materials, direct labour, other direct costs and an appropriate proportion of related production overheads. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Provision is made for obsolete, slow-moving or defective items where appropriate.

## 2.10. Cash and cash equivalents

Cash and cash equivalents are cash in hand, deposits held at call with banks and other short term highly liquid investments with original maturities of three months or less, that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Cash and cash equivalents are carried in the Statement of Financial Position at amortised cost. For the purposes of the cash flow statement, net cash and cash equivalents comprise cash at bank and in hand and short-term deposits.

Restricted cash is carried in the Statement of Financial Position at amortised cost. Restricted cash comprises reserve funds required for financial guarantee contracts and collateral against certain operating leases.

## 2.11. Trade payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

## 2.12. Borrowings

### (a) Loans

Obligations for loans are recognised when the Group becomes party to the related contracts and are measured initially at fair value less directly attributable transaction costs. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Gains and losses

## Notes to the Consolidated Financial Statements – Continued

arising on the repurchase, settlement or other cancellation of liabilities are recognised respectively in finance revenue and finance cost.

### *(b) Convertible loan notes*

Convertible loan notes are separated into liability and equity components based on the terms of issue.

On issuance of a convertible loan note, the fair value of the liability portion is determined by applying a market interest rate for an equivalent non-convertible loan note to the forecast cash flows under the convertible loan note agreement. This amount is recorded as a financial liability on an amortised cost basis until extinguished on conversion or redemption of the loan notes.

The remainder of the proceeds of the loan note is allocated to the conversion option which is recognised and included in shareholders' equity. The value of the conversion option is not changed in subsequent periods.

Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the Statement of Financial Position date.

### *(c) De-recognition of financial liabilities*

A financial liability is generally derecognised when the contract that gives rise to it is settled, sold, cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, such that the difference in the respective carrying amounts together with any costs or fees incurred are recognised in profit or loss.

### *(d) Borrowing costs*

Borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that the Group incurs in connection with borrowing of funds.

## **2.13. Leases**

Lease agreements which transfer to the Group substantially all the risks and rewards of ownership of an asset are classified as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased property, plant and equipment and the present value of minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate of interest on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in other long-term payables. These payments are split between capital and interest elements using the annuity method. The interest element of the lease rental is included in the income statement. Assets held under finance leases are depreciated on a basis consistent with similar owned assets or the lease term if shorter.

All other leases are classified as operating leases. Payments made under operating leases, net of lease incentives or premiums received, are charged to the income statement on a straight-line basis over the period of the lease.

## **2.14. Employee benefits**

### *(a) Pension obligations*

The Group operates a Group Pension plan for its employees. The Group's contributions to this plan are charged to the income statement in the period to which they relate. The Group contributes a sum equal to a proportion of

basic salary (currently a maximum of 7%) to Group Pension Scheme on behalf of each participating employee each month. The Group has no further payment obligations once the contributions have been paid.

(b) *Share-based compensation*

Incentives in the form of shares are provided to employees under share option and long-term incentive plans. In accordance with IFRS 2 Share-based Payment, charges for these incentives are expensed through the income statement on a straight-line basis over their vesting period, based on the Group's estimate of shares that will eventually vest. The total amount to be expensed is determined by reference to the fair value of the options or awards at the date they were granted excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in estimates about the number of options that are expected to become exercisable or are released.

At each Statement of Financial Position date, the entity revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the income statement, and a corresponding adjustment to equity over the remaining vesting period.

In the event of an individual's employment being terminated by the company, any unvested options at the date of termination are treated as being forfeited.

(c) *Termination benefits*

Termination benefits are payable when employment is terminated before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either: (i) terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or (ii) providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the Statement of Financial Position date are discounted to present value.

(d) *Holiday pay*

The Group's holiday period runs for each financial year and the Group allows employees to carry over holidays into the next year as long as they are used by 30 September of that year. An accrual is made for any unused holidays at the year end.

(e) *Profit-sharing and bonus plan*

The Group recognises a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

## 2.15. Provisions

Provisions for legal claims are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as an interest expense.

## **2.16. Share capital**

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where any Group company purchases the Company's equity share capital (treasury shares) the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

## **2.17. Warrants**

Proceeds from the issuance of warrants, net of issue costs, are credited to warrants reserve. Warrants reserve is non-distributable and will be transferred to share premium account upon the exercise of warrants. Balance of warrants reserve in relation to the unexercised warrants at the expiry of the warrants period will be transferred to accumulated profits. The Company does not reclassify a warrant instrument following a change of circumstances which, had it occurred before initial recognition of the warrant instrument, would have changed its classification.

## **2.18. Taxation**

### **(a) Current tax**

Current tax is the expected tax payable on the taxable income for the year using the tax rates and laws that have been enacted or substantially enacted at the Statement of Financial Position date in the countries where the Group's branch and subsidiaries operate and generate taxable income, and any adjustment to tax payable in respect of previous years.

### **(b) Deferred tax**

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit / loss. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the Statement of Financial Position date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the group and it is probable that the temporary difference will not reverse in the foreseeable future.

### **(c) Research and development tax credits/relief**

The Group makes claims each year for Research and Development Tax relief. In the past the Group elected to take the cash equivalent amount under the Small/Medium Enterprise ("SME") scheme. Since acquisition by Reliance Life Sciences in 2007, it is not eligible for claiming cash equivalent under the SME scheme and hence has elected for tax loss enhancement under the large company scheme.

### 3. Financial risk management

#### 3.1. Financial risk factors

The Group holds financial instruments to finance its operations and to manage the currency risk that arises from these operations. It is the Group's policy that no speculative trading in financial instruments shall be undertaken. The Group finances its operations through a combination of equity, bridge loans and convertible loan notes as disclosed in Note 20: Borrowings. The main risks arising from the Group's financial instruments are liquidity risk, market risk, and credit risk.

##### a) Market risk

##### *Foreign currency exchange risk*

The Group is exposed to movements in foreign exchange rates against the Euro for trading transactions and the translation of net assets, liabilities and expenses of the UK entity and subsidiaries. The main trading currencies of the Group are Pound Sterling and the Euro (2013: Pound Sterling and the Euro).

The Group has certain minor investments in foreign operations, whose net assets are exposed to foreign currency translation risk. Currency exposure arising from the net assets of the group's foreign operations is managed primarily through borrowings denominated in the relevant foreign currencies.

Almost all of the Group's operations are based in Ireland and UK giving rise to exposures to changes in foreign exchange rates between the Euro and the Pound Sterling. To minimise the impact of any fluctuations, the Group's policy has historically been to maintain natural hedges by relating the structure of borrowings to the trading cash flows that generate them.

The aggregate carrying amounts of foreign currency denominated monetary assets and liabilities held by the Group, which are not denominated in its functional currency, as at the reporting date are as follows:

	<u>2014</u>		<u>2013</u>	
	<u>Liabilities</u>	<u>Assets</u>	<u>Liabilities</u>	<u>Assets</u>
	€'000	€'000	€'000	€'000
Pound Sterling	(1,775)	162	(1,835)	152

The Group is mainly exposed to the Pound Sterling. In addition, the Group is exposed to cross currency rates, as operating costs of the UK entity and subsidiaries are often in currencies other than their functional currency.

The following table details the Group's loss before tax sensitivity to a 10% increase and decrease in euro as at the Statement of Financial Position date against the relevant foreign currencies, with all other variables held constant. It includes foreign currency denominated monetary items and adjusts their translation at the year-end for a 10% change in foreign currency rates. A positive number indicates a strengthening of the relevant currency. For a weakening there would be an equal and opposite impact on the loss, and the balances below would be reversed.



## Notes to the Consolidated Financial Statements – Continued

	€ / £
	€'000
2014	(162)
2013	206

At 31 March 2014, if the all currencies had weakened/strengthened by 10% against the euro with all other variables held constant, loss for the year would have been €154,687 (2013: €198,631) higher/lower, mainly as a result of foreign exchange gains/losses on translation of Pound Sterling denominated borrowings.

### Price risk

The Group is exposed to price risk including labour and material costs. The Group addresses the materials price risk through competitive and alternate sourcing strategies. Though the Group has little control over the labour price risk, the extent of variation is monitored continuously to assess its impact on budget and product / project costing.

### Interest rate risk

The Group borrows at fixed and floating rates of interest as deemed appropriate for its circumstances. All borrowings are at fixed rates, but deposits are at floating rates the Group is therefore exposed to interest rate risk.

The Group's exposure to interest rates on financial assets and liabilities is detailed in Note 19: Borrowings. The sensitivity analysis has been prepared to show the effect of a 1% increase in market interest rates on interest income and expense. For floating rate financial assets the analysis is prepared assuming the amount of asset that was outstanding as at 31 March 2014. A 1% decrease would have an equal and opposite effect on the change in loss.

	Effect on loss before tax	
	31 March 2014	31 March 2013
	€'000	€'000
Pound Sterling	2	2
Euro	2	2

### Credit risk

Financial instruments that potentially expose the Group to concentrations of credit risk consist primarily of cash and cash equivalents, restricted cash and other receivables. Cash and cash equivalents present minimal risk. Excess cash is invested in short-term money market instruments, including bank term deposits, money market and liquidity funds. These investments typically bear minimal risk.

The Group's revenue from product sales are likely to be mainly derived from agreements with major pharmaceutical companies and relationships with pharmaceutical wholesale distributors and retail pharmacy chains. However, for the year ended 31 March 2014, only one invoice for services was raised in US Dollars and was settled before 31 March 2014. All revenue generated from product sales was pertaining to Reliance Life Sciences, the parent company, so as such there is no anticipated credit risk for trade receivable. The Group will take positive steps to manage any credit risk associated with future trade account receivable and operates clearly defined credit evaluation procedures.

With respect to credit risk arising from other financial assets in the Group, the maximum exposure is equal to the carrying value of the instrument.

### b) Liquidity risk

## Notes to the Consolidated Financial Statements – Continued

The Group's policy is to maintain continuity of funding through a mixture of long-term debt and bank loans, raised to cover specific projects, and through the issue of shares to collaborative partners, where necessary, to finance development contracts. Short-term flexibility is provided through the use of bridge loans and bank overdrafts.

As set out in Note 19: Borrowings, the Group has in issue a €1.5 million convertible loan note which should have been redeemed at par on 30 August 2008. The Directors have carried out a detailed appraisal of a number of potential approaches to renegotiate or refinance the loan note. The details about how the company plans to continue to operate in future can be found in Note 2.1 under "Going concern".

The maturity of the debt is disclosed in Note 19: Borrowings.

Management monitors rolling forecasts of the Group's liquidity reserve (comprising equity raisings, debenture loan notes and loans) (Financial review in directors report) and cash and cash equivalents (Note 25) on the basis of expected cash flow.

**Forecasted liquidity reserve per 31 March 2014 based on business plan projections is as follows:**

	2015 €'000	2016-2019 €'000
Opening balance for the year	48	18
Operating proceeds	1,914	43,891
Operating cash outflows	(1,944)	(26,362)
Capital expenditure	-	(588)
Net financing proceeds /(repayments)	-	(16,841)
Closing balance for the year	18	118

These business plan projections are based on the expectation that the company's product will receive EMA approval in line with the revised timetable and will achieve market share and pricing in line with norms for the bio similar sector

### 3.2. Capital risk management

The capital structure of the Group consists of debts, which includes the borrowings disclosed in Note 19, cash and cash equivalents disclosed in Note 24 and capital, reserves and retained losses disclosed in the 'Consolidated and Company Statement of Changes in Equity' and Note 22. The Group manages its capital to ensure that in the future, the Group will be able to continue as going concern and has sufficient capital available to meet future funding requirements. The company has decided to utilise the funds from its parent company RLS for Development of its product EPO and launch the product in EU and not pay any dividend until the company earns cash profit.

The Group is not subject to any externally imposed capital requirements.

### 3.3. Fair value estimation

The nominal value less estimated credit adjustments of other receivables and trade payables are assumed to approximate to their fair values. The fair value of the liabilities for disclosure purposes is estimated by discounting

the future cash flows at the current market interest rates that are available to the Group for similar financial instruments.

At 31 March 2014, the group had 4% convertible loan stock of €1.65million, which had a carrying value of €1.65 million and 7% unsecured loan of €17.65 million, which had a carrying value of €17.65 million. As the 4% convertible loan stock was unique to the Group, the Directors decided to estimate its fair value using a discounted cash flow analysis. Further details on fair value of secured and unsecured loan are shown in Note 4.5 and 19.

#### **4. Critical accounting estimates and judgements**

The preparation of the financial statements in accordance with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The Notes to the financial statements set out areas involving a higher degree of judgment or complexity, or areas where assumptions are significant to the financial statements such as intangible assets (Note 13). The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised.

##### **4.1. Intangible assets – development costs**

Expenditure on pure and applied research is charged to the income statement in the year in which it is incurred. Internally generated expenditure arising from development (or from the development phase of an internal project) may be capitalised if it satisfies all of the criteria as specified in IAS 38 "Intangible assets" summarised in Note 2.6.

Further to meeting these criteria, only such costs that relate solely to the development phase of a self-initiated project are capitalised. Any costs that are classified as part of the research phase of a self-initiated project are expensed as incurred. If the research phase cannot be clearly distinguished from the development phase, the respective project related costs are treated as if they were incurred in the research phase only.

Expenditure on product development is capitalised as an intangible asset and amortised over the expected useful life of the product concerned. Capitalisation commences from the point at which technical feasibility, commercial viability and resource availability of the product can be demonstrated and the group is satisfied that it is probable that future economic benefit will result from the product once completed. Capitalisation ceases when the product is ready for launch.

The Directors believe that the Group continues to meet the recognition criteria in relation to EPO stated in IAS 38 "Intangible assets" from 1 September 2007, therefore development costs incurred between 2007 and 2012 has been capitalised as an intangible asset. Management made a decision to capitalise the expenditure on EPO development from the date of receipt of approval for conducting EPO confirmatory clinical trials in Poland. So from September 2007 all EPO related development costs are capitalised. In October 2012, based on the present status of the programme, the Directors have concluded that it is appropriate to discontinue to recognise the EPO development costs as an intangible asset and hence capitalisation ceased on 1 October 2012 and amortisation commenced over an expected useful life of 10 years as the company has now commercialised its product - EPO. The company plans to continue with Development and commercialisation of EPO in Europe and US through

a licensing arrangement. The carrying cost as on 31 March 2014 are €14.47m (2013 €16.2m) is after amortisation charged for the year 2013-14.

All other development costs were expensed as incurred during the year.

*Estimated impairment of intangible assets – Development costs*

The Group test annually whether intangible assets have suffered any impairment, in accordance with the accounting policy stated in Note 2.6. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations which are derived from business plan projections of the Group. Business plan projections have been worked out using various assumptions which include projected market share of the company's products. These calculations require the use of estimates.

The Group uses a discounted cash flow model to value intangible assets, which requires assumptions about the timing and amount of future cash inflows and outflow risk, the cost of capital and terminal value. A discount rate of 10% is used for the Model. Each of these assumptions is significant to the value of the intangible assets. The Group reviews intangible assets for impairment, if there is an indication of impairment or at least annually, in accordance with IAS 36 'Impairment of Assets'. A prolonged general economic downturn, new products, sustained government pressure on prices and specifically, competitive pricing, could create an imbalance of industry supply and demand, or otherwise diminish volumes or profits. Such events, combined with changes in interest rates, and changes to or the potential delay of the development project to which the intangible asset relates, could adversely affect the Group's valuation of the estimated future net cash flows generated by its intangible assets. As a result, future operating results could be materially and adversely affected by impairment charges related to the recoverability of intangible assets.

Even if the estimated Group's pre-tax discount rate applied to the discounted cash flows for EPO product had been 5% higher than management's estimates (for example, 15% instead of 10%), with all other variables held constant, the Group would not have to recognise an impairment against intangible assets.

**4.2. Amortisation lives**

Other intangible assets are recorded at their fair value at acquisition date and are amortised on a straight-line basis over their estimated useful economic lives from the time they are available for use. Any change in the estimated useful economic lives could affect the future results of the Group.

**4.3. Functional currency**

The Directors consider the suggested factors under IAS 21 that are relevant in determining the functional currency for each individual entity within the Group.

The Company's functional currency is euro. The directors will continue to monitor the changes in underlying economic environments with regard to functional currency in the future.

**4.4. Share-based payments**

RGMX has historically granted options to the Group's Directors and employees over ordinary shares under two share option plans.

The Group accounts for share-based compensation in accordance with IFRS 2, 'Share-based Payment'.

The Group measures share-based compensation cost for awards classified as equity at the grant date, based on the estimated fair value of the award, and recognizes the cost as an expense on a straight-line basis (net of estimated forfeitures) over the employee requisite service years. The Group measures share-based compensation cost for awards classified as liabilities at fair value, which is re-measured at the end of each reporting year.

The Group estimates the fair value of share-based awards without market-based performance conditions using a Black-Scholes valuation model and awards with market-based performance conditions are valued using a binomial valuation model.

Several critical assumptions are made in the determination of the Group's share-based compensation cost. The Group believes that the most critical assumptions are the expected life of the award and the weighted average volatility of the Reliance GeneMedix's shares. Other assumptions made by the Group in respect of the determination of share-based compensation cost include the risk free rate, the expected dividend yield and the expected forfeiture rate.

The Group's estimate of the expected life of the award is based on the 'simplified' method and the weighted average volatility is based upon historical share price data of the Company's shares for the requisite expected life of the awards. Post de-listing from AIM historical share price data of the company's shares from November 2012 is not available therefore company has based its calculation on the share price data available until October 2012 and average volatility is based on 7 months historical share price. Given the related nature of each of the assumptions underlying the valuation of share-based payment awards, it would not be meaningful to quantify the sensitivity to change for each individual assumption.

The Group believes that the valuation technique and the approach utilised to develop the underlying assumptions are appropriate in estimating the fair values of Reliance GeneMedix's share-based payment awards. Estimates of fair value are not intended to predict actual future events or the value ultimately realized by employees who receive equity awards, and subsequent events are not indicative of the reasonableness of the original estimates of fair value made by the Group under IFRS 2.

#### **4.5. Fair value of financial instrument**

The Directors use judgement in selecting an appropriate valuation technique for financial instruments not quoted in an equity market. Financial instruments have been valued using a discounted cash flow analysis. This valuation requires the Group to make estimates of expected future cash flows and discount rates, which are subject to uncertainty. The amounts are disclosed in Note 20.

#### **4.6. Contingency and commitments**

In the normal course of business, contingent liabilities may arise from litigation and other claims against the Group. Where the potential liabilities are not probable or are very difficult to quantify reliably, the Group treat them as contingent liabilities. Such liabilities are disclosed in the notes but are not provided for in the financial statements. Although there can be no assurance regarding the final outcome of the legal proceedings, the Directors do not expect them to have a materially adverse impact on the Group's financial position or profitability. Further details are included in Note 27

#### **4.7. Deferred income tax**

Deferred tax assets and liabilities require management judgement in determining the amounts to be recognised. In particular, significant judgement is used when assessing the extent to which deferred tax assets should be

recognised with consideration given to the timing and level of future taxable income together with any future tax planning strategies.

## 5. Segment information

The Directors are of the opinion that under IFRS 8 – 'Operating Segments' the Group has only one business segment, being drug development (EPO) and there was turnover of € 1.337million in the year to 31 March 2014 (€ 2.210 min 2013).

### Revenue from external customers

	Year ended 31 Mar 2014 €'000	Year ended 31 Mar 2013 €'000
India	1,337	2,210
	<b>1,337</b>	<b>2,210</b>

Revenue information is based on the location of the customer.

### Information about major customers

Revenue is earned from the Group's only customer Reliance Life Sciences P. Ltd., India, a related party.

### Non-current assets by location

	Year ended 31 Mar 2014 €'000	Year ended 31 Mar 2013 €'000
UK	15	18
Ireland	14,685	16,484
	<b>14,700</b>	<b>16,502</b>

Non-current assets consist of property, plant and equipment, intangible assets and investments.

**6. Finance costs**

	Year ended 31 Mar 2014 €'000	Year ended 31 Mar 2013 €'000
<i>Interest payable</i>		
Convertible debenture interest payable	(56)	(56)
Loan interest payable to a related party	(991)	(955)
	<u>(1,047)</u>	<u>(1,011)</u>

**7. Expense by nature**

	Year ended 31 Mar 2014 €'000	Year ended 31 Mar 2013 €'000
Changes in inventories (Note 16)	272	(78)
Employee benefit expense (Note 10)	1,398	895
Depreciation, amortisation and impairment charges (Note 13 and 14)	1,802	1,137
Research and non-capitalised development costs	-	47
Operating lease payments (Note 10)	156	153
Foreign exchange loss	42	73
Other expenses	427	1,145
Total Operating expenses	<u>4,097</u>	<u>3,372</u>

## 8. Employee, directors and key management

### Employees

The average number of persons (including Executive Directors) employed by the Group during the year was:

	Year ended 31 Mar 2014 Number	Year ended 31 Mar 2013 Number
By activities		
Research and development/ Manufacturing	21	19
Administration	5	5
	<b>26</b>	<b>24</b>

Aggregate remuneration of Directors:

	€'000	€'000
Emoluments	28	32
	<b>28</b>	<b>32</b>

Remuneration of each Directors:

Dr. R. A. Mashelkar	12	12
Mr. Atul Dayal	7	9
Mr. Dileep Choksi	7	9
Mr. K. V. Subramaniam	2	2
Mr. Vinay Ranade	-	-

There are no post-employment benefits accruing to any executive director.

No fees were payable to third parties in respect of Directors' services for either year.

The above amounts for remuneration include the following in respect to the highest paid director:

	Year ended 31 Mar 2014 €'000	Year ended 31 Mar 2013 €'000
Emoluments	12	12
	<b>12</b>	<b>12</b>

Aggregate remuneration of key management:

	Year ended 31 Mar 2014 €'000	Year ended 31 Mar 2013 €'000
Emoluments	197	251
	<b>197</b>	<b>251</b>

The key management figures given above include Executive and Non-Executive Directors.



**9. Post-employment benefits**

The Group operates a defined contribution Group personal pension scheme for employees and Executive Directors. The total pension cost for the Group was €73,508 (2012-13: €65,358). The outstanding pension contributions as at 31 March 2014 were €8,622.02 (2012-13: €NIL).

**10. Loss for the year**

Loss for the year has been arrived at after charging:

	Year ended 31 Mar 2014 €'000	Year ended 31 Mar 2013 €'000
Staff costs:		
- Wages and salaries	1,166	1,093
- Social security costs	127	120
- Post employment benefit – defined contribution plans	73	65
- Other benefits	32	27
	<b>1,398</b>	<b>1,305</b>
Less Development payroll costs capitalised as intangible assets	-	(410)
	<b>1,398</b>	<b>895</b>

*Services provided by the Group's auditors and network firms*

It is the Group's policy to employ the auditors on assignments additional to their statutory audit duties where their expertise and experience with the Group are important, principally tax advice and as reporting accountants on significant transactions, or where they are awarded assignments on a competitive basis. During the year the Group obtained the following services from the Group's auditors at costs detailed below:

	Year ended 31 Mar 2014 €'000	Year ended 31 Mar 2013 €'000
<i>Services provided by Group's auditors</i>		
Auditors' remuneration for audit services		
- Auditors' remuneration in relation to audit of accounts	35	44
Total Auditors' remuneration	<b>35</b>	<b>44</b>

10. Loss for the year (continued)

	Year ended 31 Mar 2014 €'000	Year ended 31 Mar 2013 €'000
Depreciation of property, plant and equipment (Note 14)		
- Owned assets	96	283
Amortisation of intangible assets (Note 13)		
- Capitalised Expenses	1,702	851
- Know-how	4	3
Total depreciation and amortisation expense	1,802	1,137
	€'000	€'000
Operating lease rental:		
- Property, plant and equipment	149	149
- Others	7	4
	156	153

11. Income tax

	Year ended 31 Mar 2014 €'000	Year ended 31 Mar 2013 €'000
Deferred tax -(Charge)/ Credit	(196)	(1,397)
	(196)	(1,397)

There are tax losses available to be carried forward at 31 March 2014 subject to the agreement of HM Revenue & Customs. The losses are attributable to the parent company and its Irish branch.

**11. Income tax (continued)**

The tax on the Group's losses before tax differs from the theoretical amount that would arise using the standard rate of corporation tax in the UK of 23% (2013: 24%)

	Year ended 31 Mar 2014 €'000	Year ended 31 Mar 2013 €'000
Loss for the financial year	(3,989)	(2,680)
Loss on ordinary activities multiplied by the standard rate of corporation tax of 23% (2013: 24%)	(917)	(643)
Effects of:		
Expenses not deductible for tax purposes	-	-
Research & development tax relief	-	(167)
Loss not utilised	952	1,126
Deferred tax -(Charge)/ Credit (see below)	196	1,397
Difference between capital allowances and depreciation	(35)	(316)
Tax on loss on ordinary activities (Credit)/ Charge	196	1,397

**Deferred tax**

The Group has tax losses not utilised at the Statement of Financial Position date, a portion of which have been recognised as a deferred tax asset. On the basis of projections it is considered probable that sufficient taxable profits will be available to enable the deferred tax asset to be recovered. The projections are on the same basis as those used for the impairment review of the intangible fixed assets (see 4.1 above).

	Year ended 31 Mar 2014 €'000	Year ended 31 Mar 2013 €'000
Opening Balance at 1 April	1,856	3,253
(Charge)/ Credit during the year	(196)	(1,397)
Closing Balance at 31 March	1,660	1,856

A further potential deferred tax asset in the amount of €6,361,339 (2013: €5,072,320) is not recognised, as on the basis of projections, it is not considered probable that sufficient taxable profits will be available in the foreseeable future to enable it to be recovered. These losses are available indefinitely.

**New Finance Act**

Reductions to the UK corporation tax rate were announced in the June 2010 Budget. The changes, which were expected to be enacted separately each year, proposed to reduce the rate by 1% per annum to 23% by 1 April 2014. These reductions were amended by the 2011 Budget on 23 March 2011. An additional reduction of 1% was made in to the financial year beginning 1 April 2011 and rates will be reduced by three further 1% cuts to 23% by 1 April 2014. The changes have not been substantively enacted at the balance sheet date and therefore are not recognised in these financial statements.

## 12. Loss of holding company

Of the loss for the financial year, a deficit of €4.185m (2012-13: a loss of €4.077 m.) is dealt with in the accounts of Reliance GeneMedix Limited. As per section 408 of the Companies Act 2006 the directors have presented a profit and loss account on a consolidated basis only and not for the Company alone. The consolidated loss and the Company loss did not differ from one another in either year.

## 13. Intangible assets

<i>Group and Company</i>	Know-how €'000	Licence fee €'000	R&D costs <sup>1</sup> €'000	Total €'000
<b>Year ended 31 March 2013</b>				
Opening net book amount	22	-	16,600	16,622
Additions	-	-	421	421
Amortisation charge <sup>2</sup> (Note 7 and 10)	(3)	-	(851)	(854)
<b>Closing net book amount</b>	<b>19</b>	<b>-</b>	<b>16,170</b>	<b>16,189</b>
<b>At 31 March 2013</b>				
Cost	48	81	17,021	17,150
Accumulated amortisation and impairment	(29)	(81)	(851)	(961)
<b>Net book amount</b>	<b>19</b>	<b>-</b>	<b>16,170</b>	<b>16,189</b>
<b>Year ended 31 March 2014</b>				
Opening net book amount	19	-	16,170	16,189
Amortisation charge <sup>2</sup> (Note 7 and 10)	(4)	-	(1,702)	(1,706)
<b>Closing net book amount</b>	<b>15</b>	<b>-</b>	<b>14,468</b>	<b>14,483</b>
<b>At 31 March 2014</b>				
Cost	48	81	17,021	17,150
Accumulated amortisation and impairment	(33)	(81)	(2,553)	(2,667)
<b>Net book amount</b>	<b>15</b>	<b>-</b>	<b>14,468</b>	<b>14,483</b>

<sup>1</sup> The Company capitalised development costs in the amount of € nil million for the year (2012-13: €0.421million) as an internally generated intangible asset for EPO programmes. The amount of € nil (2012-13: €0.05million) was recognised as Research and non-capitalised development cost and charged to operating expenses in the income statement. Further details are shown in Note 4.1.

<sup>2</sup> Amortisation of €1.706million (2012-13: €0.854m) is included in the 'administrative expenses' in the income statement.

<sup>3</sup> There are no intangible assets with indefinite useful lives. All amortisation charges in the year have been charged through Administrative expenses.

## 14. Property, plant and equipment

<i>Group and Company</i>	Leasehold improvements / land and buildings €'000	Office equipment €'000	Fixtures and fittings €'000	Plant and machinery €'000	Total €'000
<b>Year ended 31 March 2013</b>					
Opening net book amount	384	86	61	271	802
Addition	-	-	-	3	3
Disposal	(209)	-	-	-	(209)
Depreciation charge <sup>1</sup> (Note 7 and 10)	(112)	(15)	(14)	(142)	(283)
<b>Closing net book amount</b>	<b>63</b>	<b>71</b>	<b>47</b>	<b>132</b>	<b>313</b>
<b>At 31 March 2013</b>					
Cost	4,798	848	214	3,615	9,475
Accumulated depreciation and impairment	(4,735)	(777)	(167)	(3,483)	(9,162)
<b>Net book amount</b>	<b>63</b>	<b>71</b>	<b>47</b>	<b>132</b>	<b>313</b>
<b>Year ended 31 March 2014</b>					
Opening net book amount	63	71	47	132	313
Depreciation charge <sup>1</sup> (Note 7 and 10)	(19)	(12)	(12)	(53)	(96)
<b>Closing net book amount</b>	<b>44</b>	<b>59</b>	<b>35</b>	<b>79</b>	<b>217</b>
<b>At 31 March 2014</b>					
Cost	4,798	848	214	3,615	9,475
Accumulated depreciation and impairment	(4,754)	(789)	(179)	(3,536)	(9,162)
<b>Net book amount</b>	<b>44</b>	<b>59</b>	<b>35</b>	<b>79</b>	<b>217</b>

<sup>1</sup>Depreciation expense of €96,343 (2012-13: €282,504) has been charged in Administrative expenses in the Statement of comprehensive Income.

There is no finance lease rental expense relating to the lease of plant, machinery and equipment charged in the Statement of Comprehensive Income. Leasehold land and buildings are held under operating leases. (Note 10).

**15. Investment in subsidiaries**

<i>Company</i>	<b>€'000</b>
<b>Year ended 31 March 2013</b>	
Opening net book amount	10
Dissolution of subsidiary	(10)
<b>Closing net book amount</b>	-
<b>As at 31 March 2013</b>	
Cost	-
Accumulated amortisation and impairment	-
<b>Net book amount</b>	-
<b>Year ended 31 March 2014</b>	
Opening net book amount	-
<b>Closing net book amount</b>	-
<b>As at 31 March 2014</b>	
Cost	-
Accumulated amortisation and impairment	-
<b>Net book amount</b>	-

*Principal group investments*

The parent company has investments in the following subsidiary undertakings

- a) GeneMedix Ireland Limited incorporated in Ireland with 50% ordinary shareholding. The company is not operational. The value of the investment is € 2 while numbers in above table is mentioned in €'000 therefore the same is not reflected in the above table. The Company was dissolved on 4<sup>th</sup> December 2013 and investment was charged to profit and loss account.
- b) Biometrix Marketing Private Limited incorporated in Singapore with 99% of voting shares ownership (99% of Class A shares – that confers right to vote, dividend, and return of capital upon liquidation, to the extent available, with no right to participate in the surplus assets, if any). The specific objective of the company is to engage in marketing, distribution and sale of all or any of biological, chemical, biochemical, pharmaceutical, pharmacological, medicinal, and related products. The accounts of Biometrix Marketing Private Limited are not consolidated with Group accounts in accordance with paragraphs 13, 14 and 15 of IAS 27. The said company was dissolved through a members voluntary wind up during the year 2012-13 and the consequent loss on investment has been charged to the Statement of Comprehensive Income.

**16. Inventories**

	Group		Company	
	31 Mar 2014	31 Mar 2013	31 Mar 2014	31 Mar 2013
	€'000	€'000	€'000	€'000
Raw materials and consumables	568	296	568	296
	568	296	568	296

There is no material difference between the Statement of Financial Position value of inventories and their replacement cost.

**17. Trade and other receivables**

	Group		Company	
	31 Mar 2014	31 Mar 2013	31 Mar 2014	31 Mar 2013
	€'000	€'000	€'000	€'000
Trade receivables	100	441	100	441
Other receivables	3	2	3	2
Prepayments	104	279	105	279
	207	722	208	722

Trade receivables are non-interest bearing and are generally on up to 30 day terms.

As at 31 March 2014, no impairment is provided for trade receivables, as the directors believe that full amount will be recovered.

The Group considers that the carrying amount of other receivables approximates their fair value.

As at 31 March 2014, the aged analysis of trade receivables was as follows.

Group and Company	Total	Neither past due nor impaired	Past due but not impaired	
	€'000	€'000	<30 days €'000	> 30 days €'000
<b>2014</b>	<b>100</b>	-	<b>100</b>	-
<b>2013</b>	<b>441</b>	-	-	<b>441</b>

**18. Trade and other payables**

	Group		Company	
	31 Mar 2014	31 Mar 2013	31 Mar 2014	31 Mar 2013
	€'000	€'000	€'000	€'000
<b>Current</b>				
Trade payables	987	214	987	214
Other payables	62	19	62	19
Accruals	146	149	146	149
Interest accrued on 4% convertible loan note	491	426	491	426
	<b>1,686</b>	<b>808</b>	<b>1,686</b>	<b>808</b>

The Group considers that the carrying amount of trade and other payables approximates their fair value.

Terms and conditions of the above financial liabilities: Trade payables are non-interest bearing and are settled in accordance with the terms and conditions agreed with suppliers, subject to those terms and conditions being fulfilled by the supplier. The average credit period on purchase of goods and service is 119 days (2012-13: 87 days). No interest is charged on the trade payables for the first 60 days from the date of the invoice. Other payables and accruals are non-interest bearing.

**Non-Current**

	Group		Company	
	31 Mar 2014	31 Mar 2013	31 Mar 2014	31 Mar 2013
	€'000	€'000	€'000	€'000
Interest accrued on 7% unsecured loan	3,488	2,496	3,488	2,496
	<b>3,488</b>	<b>2,496</b>	<b>3,488</b>	<b>2,496</b>

The interest on the unsecured loan reflects the current market rate, therefore, there is no fair value adjustment being made.

**19. Borrowings**

	Group		Company	
	31 Mar 2014	31 Mar 2013	31 Mar 2014	31 Mar 2013
	€'000	€'000	€'000	€'000
<b>Current</b>				
4% convertible loan note due 2008	1,687	1,687	1,687	1,687
Equity component	(437)	(437)	(437)	(437)
Currency translation difference	(197)	(219)	(197)	(219)
Amortisation cost	106	106	106	106
	<b>1,159</b>	<b>1,137</b>	<b>1,159</b>	<b>1,137</b>

\*The Company is in discussion with the loan note holder with regard to settlement and / or conversion of the 4% €1.7 million (denominated in sterling for the amount of £ 1,177,442). The loan note was due in August 2008 and therefore has been included in current borrowings at 31 March 2014 and at 31 March 2013. The equity component



**19. Borrowings (continued)**

Of €436,918 has been credited to Capital reserve – see Note 23. The loan note is convertible into 2,189,848 additional Ordinary Shares.

	Group		Company	
	31 Mar 2014 €'000	31 Mar 2013 €'000	31 Mar 2014 €'000	31 Mar 2013 €'000
<b>Non-current</b>				
7% unsecured loan*	14,158	14,158	14,158	14,158
	<b>14,158</b>	<b>14,158</b>	<b>14,158</b>	<b>14,158</b>

\* On 8 January 2010, the Company entered into a 7% unsecured loan agreement with Reliance Life Sciences P. Ltd, India. The above loan agreement went under series of revision based on company's business plans for increasing the loan amount and tenure. As per current revision the entire amount borrowed is repayable in three equal instalments on 31 March 2017, 2018 and 2019 therefore it is treated as Non-Current in 31 March 2014.

The following tables detail the Group's remaining contractual maturity for its borrowings. As required by IFRS 7, the tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

*Maturity analysis of borrowings*

	Less than 3 months €'000	Between 3-12 months €'000	Between 1-2 years €'000	Greater than 2 years €'000	Total €'000
<b>As at 31 March 2014</b>					
4% convertible loan note*	1,651	-	-	-	1,543
7% unsecured loan**	-	-	-	19,628	19,628
<b>Total borrowings</b>	<b>1,651</b>	<b>-</b>	<b>-</b>	<b>19,628</b>	<b>21,171</b>
<b>As at 31 March 2013</b>					
4% convertible loan note*	1,543	-	-	-	1,543
7% unsecured loan**	-	-	4,478	15,150	19,628
<b>Total borrowings</b>	<b>1,543</b>	<b>-</b>	<b>4,478</b>	<b>15,150</b>	<b>21,171</b>

\* The Company is in discussion with the note holder with regard to settlement and / or conversion of 4% €1,323,574 (denominated in sterling for the amount of £1,177,442), which fell due at 31 August 2008.

The interest charged on the convertible loan note for the year is calculated by applying an effective interest rate of 10%. The liability component is measured at amortised cost. The difference between the carrying amount of the liabilities of €1.3 million (£1,179,769) at 31 March 2010 and the amount reported in the Statement of Financial Position at 31 March 2014 of €1651 million (£1,368,161) represents the effective interest rate, plus the movement on currency translation difference, less interest paid to that date.

## 19. Borrowings (continued)

\*\*The interest charged on the unsecured loan for the year is calculated by applying an effective interest rate of 7%. As the interest rate reflects the market rate on the date of entering into agreement, no fair value adjustment is made. The loan carries a fixed interest rate so the Group's income and operating cash flows are substantially independent of changes in market interest rates and therefore the Group has not assessed loan for fair value each year.

### Currency analysis of borrowings

All current borrowings are denominated in Pound Sterling for current year and in prior year. All non-current borrowings are denominated in Euro for current year and prior year.

### Interest rate analysis – effective rates

	31 Mar 2014	31 Mar 2013
	%	%
4% convertible loan note* (currency in Pound Sterling)	10	10
7% unsecured loan (currency in Euro)	7	7

\* 4% convertible loan note carries a weighted effective interest rate of 10%.

### Fair value

The following table details the carrying amount of non-current liabilities and current liabilities, compared with the fair value.

	31 Mar 2014		31 Mar 2013	
	Carrying amount €'000	Fair value €'000	Carrying amount €'000	Fair value €'000
7% unsecured Loan (Non-Current Liability)	14,158	14,158	14,158	14,158
	<b>14,158</b>	<b>14,158</b>	<b>14,158</b>	<b>14,158</b>

At 31 March 2014 and 2013 the carrying value of financial assets and all other financial liabilities is approximate to fair value.

**20. Share Capital and premium***Authorised*

The share capital of the Company is denominated in Pounds Sterling and the number of new shares issued is based on the cash receipt equivalent in Pounds Sterling. The nominal ordinary share price is translated to € at the Statement of Financial Position rate for presentation purposes.

The authorised share capital of the Company and the called-up and fully-paid amounts were as follows:

	Number of shares '000	Ordinary shares €'000	Share premium €'000	Total €'000
As at 31 March 2012 (€0.11/£0.10 per share)	190,495	26,412	41,601	68,013
As at 31 March 2013 (€0.11/£0.10 per share)	190,495	26,412	41,601	68,013
<b>As at 31 March 2014 (€0.11/£0.10 per share)</b>	<b>190,495</b>	<b>26,412</b>	<b>41,601</b>	<b>68,013</b>

All issued shares are fully paid.

**21. Share-based payments**

Share options granted under the unapproved scheme have a fixed price based on the market price at the date of the grant. The contractual life of the options is 10 years. Options cannot normally be exercised before the third anniversary of the date of the grant. For options granted to all directors and employees, the options are exercisable after the vesting period. Within three working days from exercising options, option holders have to pay the Company the total exercised option price by cheque.

Employees have been granted options over shares in the Company under the unapproved share option scheme as follows:

1 Apr 2013 number	Number of options forfeited	Number of options granted	Number of options exercised	31 Mar 2014 number	Exercise Price €	Latest exercise date
3,500	(3500)	-	-	-	1.48	-
3,500	-	-	-	3,500	1.60	23/08/2014
17,500	-	-	-	17,500	1.33	23/11/2014
3,000	-	-	-	3,000	1.18	12/07/2015
4,000	(4000)	-	-	-	1.09	-
<b>31,500</b>	<b>(7,500)</b>	<b>-</b>	<b>-</b>	<b>24,000</b>		

## 21. Share-based payments (continued)

## Equity-settled share-based payments

## Employee Share Option Plan

	31 Mar 2014		31 Mar 2013	
	Number of options	WAEP* €	Number of options	WAEP* €
At the beginning of the year	31,500	1.01	35,000	1.01
Options forfeited	(7,500)	-	(3,500)	-
At the end of the year	24,000	1.14	31,500	1.01
Range of exercise prices €	1.00 to 1.35		1.03 to 1.52	
Options exercisable at the end of year	24,000		31,500	

\* weighted average exercise price

The options outstanding at 31 March 2014 had a weighted average exercise price of €1.38 and a weighted average remaining contractual life of 0.41 years (2012-13: 1.5 years).

The fair value of the options is estimated at the date of grant using the Black-Scholes pricing model. The following table gives the assumptions applied to the options granted in the respective periods shown.

	Year ended 31 Mar 2014	Year ended 31 Mar 2013
Weighted average share price (€)	1.20	1.20
Weighted average exercise price (€)	1.20	1.20
Expected volatility (%)	68%	71%
Expected remaining life (years)	0.42	1.5
Risk-free interest rate (%)	2.86%	2.04%
Expected dividend yield (%)	None	None
Weighted average fair value of shares (€)	0.214	0.415

The expected volatility is based on the historical volatility of the underlying security (calculated based on the standard deviation of the month to month logarithmic price returns expressed as an annual percentage for the period April to October 2012 since market price is not available post delisting of the company) adjusted for any expected changes to future volatility due to publicly available information until October 2012. The risk free interest rate is the yield on zero-coupon UK government bonds of a term consistent with the assumed option life.

The Group recognised a total expense of €NIL and NIL related to equity-settled share-based payment transactions for the year ended 31 March 2014 and year ended 31 March 2013 respectively.

## 22. Other reserves

<i>Group and Company</i>	Capital reserve <sup>i)</sup> €'000	Warrant reserve <sup>ii)</sup> €'000	Exchange reserve <sup>iii)</sup> €'000	Total other reserves €'000
Balance at 1st April 2012	437	-	(643)	(206)
Balance at 31 March 2013	437	-	(643)	(206)
<b>Balance at 31 March 2014</b>	<b>437</b>	<b>-</b>	<b>(643)</b>	<b>(206)</b>

- i) Capital reserve is the equity element of convertible loan notes issued by the Company.
- ii) Warrant reserve was the fair value of a share warrant issued by the Company. On 19 February 2012 the Share warrant lapsed and the warrant reserve was transferred to retained earnings.
- iii) Exchange reserve represents the cumulative foreign currency translation difference of the Group. The Group's functional currency have changed to Euro (€) from GBP (£) and Euro (€) from 1 April 2008. The Exchange reserve was carried forward from 31 March 2008, as a result of the cumulative balance of functional currency being translated into presentation currency. Any movements on currency translation of non-monetary assets and liabilities and a change in functional currency will go to Other Comprehensive Income. Further details in Note 2.4 and 4.3.

## 23. Cash flow from operating activities

<i>Group and Company</i>	Year ended 31 Mar 2014 €'000	Year ended 31 Mar 2013 €'000
Loss for the year	(4,185)	(4,077)
Adjustments for:		
Finance costs	1,040	1,005
Foreign Exchange gain/Loss on finance cost	7	5
Loss on Asset Disposal	-	209
Loss on Investment	-	10
Depreciation of property, plant and equipment	1,802	1,134
Deferred Tax	196	1,397
Amortisation of intangible assets	-	3
<b>Operating cash flows before movement in working capital</b>	<b>(1,140)</b>	<b>(314)</b>
(Increase) /Decrease in inventories	(272)	(78)
(increase) /Decrease in trade and other receivables	515	(628)
Decrease in trade and other payables	844	(348)
<b>Cash used in operations</b>	<b>(53)</b>	<b>(1,368)</b>

**24. Cash and cash equivalents**

Cash at bank earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and three months depending on the cash requirements of the Group and earn interest at the respective short-term deposit rate. The carrying amount of these assets approximates their fair value as at the Statement of Financial Position date.

For the purpose of the cash flow statement, cash and cash equivalents are cash at hand and in bank as Current Account and Deposit Account. Cash and cash equivalents at the end of the financial year as shown in the cash flow statement can be reconciled to the related items in the Statement of Financial Position as follows:

	31 Mar 2014	31 Mar 2013
	€'000	€'000
Restricted cash (Note 2.10)	118	155
Cash at hand and in bank	48	63
	<b>166</b>	<b>218</b>

**25. Commitments**

The Group leases property and office equipment's under operating leases. The Group has sub-leased property to a third party. The rents payable under lease and receivable under sub-lease are subject to renegotiation at various intervals specified in the leases/sub-leases. The Group pays for substantially all of the insurance and maintenance and repair of these assets.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	Buildings	
	31 Mar 2014	31 Mar 2013
	€'000	€'000
No later than 1 year	-	-
Later than 1 year and no later than 5 years	530	662
More than 5 Years	1,088	1,238
	<b>1,618</b>	<b>1,900</b>

**26. Contingencies**

The Company is involved in litigation with a third party resulting from the termination of a secondary manufacturing agreement. The Directors, supported by advice from the Company's legal team, expect that this matter will be successfully resolved without any payment and consequently no provision in respect of the matter is included in the financial statements. Additional disclosures are not given as the Directors believe that it would be seriously prejudicial to the Company's position in the matter to do so. Legal costs in relation to this matter have been expensed as incurred.

## 27. Related party transactions

The immediate parent and ultimate controlling party respectively of the Group are Reliance Life Sciences BV (incorporated in Netherlands) and Reliance Life Sciences Private Limited (incorporated in India).

Transactions between the Company and its consolidated subsidiary, which is a related party of the Company, have been eliminated on consolidation and are not disclosed in this note.

### *Trading transactions*

During the year, the company made sales of EPO worth € 1,236,960 (2012-13: € 2,220,847) and Royalty income of € 100,000 to the group entities. RLS made a payment of €2,447,835 including advance against sale of EPO. The balance due from RLS as on 31 March 2014 is €100,000 (2012-13: €394,012). While GeneMedix is to supply EPO worth €811,240 for the advance received from RLS.

During the year, clinical research services worth € nil (2012-13: €1,337) were received from Reliance Clinical Research Services Sp. z o.o., Poland ("RCRSS"), a subsidiary of RLS. Reliance GeneMedix Ltd made a payment of €NIL (2012-13: € nil), the balance payable to RCRSS as on 31 March 2014 is €NIL (2013: €NIL).

### *Loans from related parties*

During the year, the Company received an amount of €nil (2012-13: 2,716,820) from RLS BV as a loan. The outstanding balance including interest accrued to RLS BV as on 31 March 2014 is €17,645,836 (2013: €16,654,754.)

## 28. Ultimate parent undertaking

The ultimate parent company of Reliance GeneMedix Ltd is Reliance Life Sciences Private Limited, which is incorporated and registered in India.

Reliance Life Sciences Private Limited is the only undertaking for which financial statements which include the consolidated financial statements of Reliance GeneMedix Ltd are drawn up. These financial statements are not publicly available.

## 29. Events after the Reporting Period

There is no event after 31 March 2014 that requires disclosure or adjustment to these financial statements

## 30. Approval of financial statements

The financial statements were approved by the board of directors and authorised for issue on 24 September 2014.

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