

RANBAXY (MALAYSIA) SDN. BHD.
(89186-K)
(Incorporated in Malaysia)

REPORT AND FINANCIAL STATEMENTS
31 MARCH 2016

DRAFT

RANBAXY (MALAYSIA) SDN. BHD. (89186-K)
(Incorporated in Malaysia)

DIRECTORS' REPORT

The directors hereby present their report together with the audited financial statements of the Company for the financial year ended 31 March 2016.

PRINCIPAL ACTIVITIES

The Company is principally engaged in manufacturing and distributing of pharmaceutical products. There has been no significant change in the nature of these activities during the financial year.

FINANCIAL RESULTS

	RM'000
Net loss for the financial year	<u>22,162</u>

In the opinion of the directors, the results of the Company's operations during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature.

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year.

ISSUE OF SHARES AND DEBENTURES

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

There were no debentures issued during the financial year.

DIVIDENDS

No dividend has been paid or declared by the Company since the end of the previous financial year and the directors do not recommend any dividend for the current financial year.

DIRECTORS

The directors in office since the date of the last report are:

Santha Bhaskara Menon	
Dato' Abdullah bin Mohd Yusof	
Ashwani Kumar Malhotra	
Indranil Sen	(Appointed on 1.7.2015)
Viswanathan Sethuraman	(Appointed on 2.11.2015)
Alok Shubhkar Kapoor	(Resigned on 30.6.2015)
Ranjan Chakravarti	(Resigned on 30.6.2015)
Jeyabalan A/L V. Thangarajah	(Resigned on 30.6.2015)
Indrajit Banerjee	(Resigned on 24.9.2015)

DIRECTORS' INTERESTS

Details of holdings in the share capital of the Company by the directors in office at the financial year end according to the register required to be kept under Section 134 of the Companies Act 1965, were as follows:-

	Number of ordinary shares of RM 1 each		
	At 1.4.2015	Acquired/(Disposed)	At 31.3.2016
Interest in the Company			
Direct interest			
Santha Bhaskara Menon	1,046	-	1,046

None of the other directors in office at the end of the financial year held any interest in the share of the Company and its related corporations.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no director of the Company has received nor become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by directors as shown in the financial statements or the fixed salary of a full time employee of the Company or of related corporations) by reason of a contract made by the Company or a related corporation with a director or with a firm of which a director is a member, or with a company in which the director has a substantial financial interest other than as disclosed in the financial statements.

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

OPTIONS GRANTED OVER UNISSUED SHARES AND DEBENTURES

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

OTHER STATUTORY INFORMATION

- (a) Before Statement of Profit or Loss and Other Comprehensive Income and Statements of Financial Position of the Company were made out, the directors took reasonable steps:
- (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts, and had satisfied themselves that there were no known bad debts to be written off and that adequate provision had been made for doubtful debts; and
 - (ii) to ensure that any current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.
- (b) At the date of this report, the directors are not aware of any circumstances:
- (i) which would require the write off of bad debts or render the amount of the provision for doubtful debts in the financial statements of the Company inadequate to any substantial extent; or
 - (ii) which would render the values attributed to current assets in the financial statements of the Company misleading; or
 - (iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Company misleading or inappropriate; or
 - (iv) not otherwise dealt with in this report or financial statements which would render any amount stated in the financial statements of the Company misleading.
- (c) At the date of this report, there does not exist:
- (i) any charges on the assets of the Company which has arisen since the end of the financial year when secured the liabilities of any other person; or
 - (ii) any contingent liability of the Company which has arisen since the end of the financial year.
- (d) In the opinion of the directors:
- (i) no contingent liability or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Company to meet its obligations as and when they fall due; and
 - (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to substantially affect the results of the operations of the Company for the current financial year.

HOLDING COMPANY

The directors regard Sun Pharmaceutical Industries Limited, a Company incorporated in India and listed in BSE Limited and National Stock Exchange of India Limited as the immediate and ultimate holding Company.

AUDITORS

The auditors, Messrs RSM Malaysia, formerly known as RSM Robert Teo, Kuan & Co., have expressed their willingness to continue in office.

On behalf of the Board

DATO' ABDULLAH BIN MOHD YUSOF

INDRANIL SEN

Kuala Lumpur

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF

RANBAXY (MALAYSIA) SDN. BHD.

Report on the Financial Statements

We have audited the financial statements Ranbaxy (Malaysia) Sdn. Bhd., which comprise the statement of financial position as at 31 March 2016 of the Company, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the financial year ended 31 March 2016, and a summary of significant accounting policies and other explanatory information, as set out on pages 5 to 41.

Directors' Responsibility for the Financial Statements

The directors of the Company are responsible for the preparation of financial statements so as to give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF

RANBAXY (MALAYSIA) SDN. BHD. (CONTINUED)

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 March 2016 and of its financial performance and cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 3.1 to the financial statements which discloses the premise upon which the Company has prepared its financial statements by applying the going concern assumption, notwithstanding that the Company incurred a net loss of RM22,162,000 for the financial year ended 31 March 2016 and as at that date, its current liabilities exceeded its current assets by RM20,507,000. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Company's ability to continue as a going concern.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act 1965, we also report that in our opinion, the accounting and other records and the registers required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

Other Matters

This report is made solely to the member of the Company in accordance with Section 174 of the Companies Act 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

The comparative figures were audited by another firm of auditors who expressed an unmodified opinion on those statements on 25 May 2015.

RSM Malaysia
AF: 0768
Chartered Accountants

Yong Chung Sin
2892/04/18(J)
Chartered Accountant

Kuala Lumpur

RANBAXY (MALAYSIA) SDN. BHD. (89186-K)
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STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2016

	Note	2016 RM'000	2015 RM'000
ASSETS			
NON-CURRENT ASSET			
Property, plant and equipment	6	37,999	41,124
CURRENT ASSETS			
Inventories	7	15,641	22,474
Trade and other receivables	8	34,206	41,263
Tax recoverable		1,008	1,683
Cash and bank balances		796	173
		<u>51,651</u>	<u>65,593</u>
TOTAL ASSETS		<u>89,650</u>	<u>106,717</u>
EQUITY			
Share capital	9	8,000	8,000
Share premium	10	300	300
Retained earnings		9,192	31,354
TOTAL EQUITY		17,492	39,654
LIABILITIES			
CURRENT LIABILITIES			
Bank borrowings	11	20,333	22,517
Provisions	12	193	436
Trade and other payables	13	51,632	44,110
		<u>72,158</u>	<u>67,063</u>
TOTAL LIABILITIES		<u>72,158</u>	<u>67,063</u>
TOTAL EQUITY AND LIABILITIES		<u>89,650</u>	<u>106,717</u>

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

RANBAXY (MALAYSIA) SDN. BHD. (89186-K)
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STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2016

	Note	2016 RM'000	2015 RM'000
REVENUE	14	77,825	67,860
COST OF SALES		<u>(62,964)</u>	<u>(58,818)</u>
GROSS PROFIT		14,861	9,042
OTHER OPERATING INCOME		1,134	1,152
DISTRIBUTION COSTS		(14,657)	(14,060)
ADMINISTRATIVE EXPENSES		(9,495)	(7,257)
OTHER OPERATING EXPENSES		(12,448)	(4,861)
FINANCE COSTS		<u>(1,557)</u>	<u>(1,906)</u>
LOSS BEFORE TAXATION	15	(22,162)	(17,890)
TAXATION	16	<u>-</u>	<u>449</u>
LOSS AND TOTAL COMPREHENSIVE EXPENSE FOR THE FINANCIAL YEAR		<u><u>(22,162)</u></u>	<u><u>(17,441)</u></u>

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

RANBAXY (MALAYSIA) SDN. BHD. (89186-K)
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STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2016

	<i>Non distributable</i>	<i>Share</i>	<i>Distributable</i>	
	Share	Share	Retained	Total
	capital	premium	earnings	RM'000
	RM'000	RM'000	RM'000	RM'000
Balance as at 31.03.2014	8,000	300	48,795	57,095
Total comprehensive loss for the financial year	-	-	(17,441)	(17,441)
Balance as at 31.3.2015/1.4.2015	8,000	300	31,354	39,654
Total comprehensive loss for the financial year	-	-	(22,162)	(22,162)
Balance as at 31.3.2016	8,000	300	9,192	17,492

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

RANBAXY (MALAYSIA) SDN. BHD. (89186-K)
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STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2016

	2016 RM'000	2015 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before tax	(22,162)	(17,890)
Adjustments for:		
Depreciation of property, plant and equipment	3,807	3,921
Allowance/(Reversal) for impairment loss on trade receivables	5,313	(441)
Interest expense	1,557	1,906
Gain on disposal of property, plant and equipment	(1)	-
Property, plant and equipment written off	1,483	4
Write down of inventories	1,107	2,500
Unrealised loss on foreign exchange	1,036	3,888
Operating loss before working capital changes	(7,860)	(6,112)
Decrease in inventories	5,726	5,697
Decrease in trade and other receivables	1,121	3,252
Increase in trade and other payables	7,109	10,735
Decrease in provisions	(243)	(223)
Cash generated from operating activities	5,853	13,349
Tax paid	-	(531)
Tax refund	675	-
Interest paid	(1,557)	(1,906)
Net cash generated from operating activities	4,971	10,912
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(2,165)	(6,955)
Proceeds from disposal of property, plant and equipment	1	-
Net cash used in investing activities	(2,164)	(6,955)

RANBAXY (MALAYSIA) SDN. BHD. (89186-K)
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STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2016 (CONTINUED)

	2016 RM'000	2015 RM'000
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid	-	(570)
Withdrawal of bank borrowings	(2,184)	(3,625)
Net cash used in financing activities	<u>(2,184)</u>	<u>(4,195)</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	623	(238)
CASH AND CASH EQUIVALENTS BROUGHT FORWARD	<u>173</u>	<u>411</u>
CASH AND CASH EQUIVALENTS CARRIED FORWARD (i)	<u><u>796</u></u>	<u><u>173</u></u>

(i) Cash and cash equipments

Cash and cash equipments comprise the following:

	2016 RM'000	2015 RM'000
Cash at bank	795	170
Cash in hand	1	3
	<u><u>796</u></u>	<u><u>173</u></u>

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

RANBAXY (MALAYSIA) SDN. BHD. (89186-K)
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NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2016

1. PRINCIPAL ACTIVITIES

The Company is principally engaged in manufacturing and distributing of pharmaceutical products. There has been no significant change in the nature of these activities during the financial year.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The financial statements of the Company have been prepared in accordance with applicable approved Malaysian Financial Reporting Standards (“MFRSs”) issued by the Malaysian Accounting Standards Board (“MASB”), International Financial Reporting Standards (“IFRS”) and the requirements of the Companies Act, 1965 in Malaysia.

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of accounting

The financial statements of the Company have been prepared under the historical cost convention and on a going concern basis.

The Company incurred a net loss of RM22,162,000 for the financial year ended 31 March 2016 and as at that date, its current liabilities exceeded its current assets by RM20,507,000. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Company’s ability to continue as a going concern. Therefore, the Company may be unable to realise its assets and discharge its liabilities in the normal course of business.

These financial statements have been prepared on a going concern basis, the validity of which depends upon the financial support from the holding company at a level sufficient to finance the working capital requirements of the Company. The holding company has agreed to provide adequate funds for the Company to meet its liabilities as and when they fall due. The directors are therefore of the opinion that it is appropriate to prepare the financial statements on a going concern basis.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Property, plant and equipment and depreciation

On initial recognition, property, plant and equipment are recognised at cost, which includes its purchase price as well as any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, and the cost of dismantling and removing the items and restoring the site on which they are located.

After initial recognition, property, plant and equipment are carried at cost less any accumulated depreciation and impairment losses.

The cost of property, plant and equipment recognised as a result of a business combination is based on fair value at acquisition date. The fair value of property is the estimated amount for which a property could be exchanged between knowledgeable willing parties in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The fair value of other items of plant and equipment is based on the quoted market prices for similar items when available and replacement cost when appropriate.

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

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

Significant components of individual assets are assessed, and if a component has a useful life that is different from the remainder of that asset, then that component is depreciated separately.

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over its useful economic life as follows:

Leasehold land	Amortised over the lease term of 60 years
Factory building	Amortised over the lease term of 60 years
Office equipment and renovations	3-10 years
Furniture and fittings	10 years
Motor vehicles	6.7 years
Plant and machinery	10 years
Spare parts, stand-by equipment and servicing equipment	4 years

Capital work-in-progress are not depreciated until the assets are ready for their intended use.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Property, plant and equipment and depreciation (continued)

Useful lives, residual values and depreciation methods are reviewed, and adjusted if appropriate, at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

3.3 Foreign currencies

(i) Functional and presentation currency

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

(ii) Foreign currency transactions

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

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

Non-monetary assets and liabilities denominated in foreign currencies are not retranslated at the end of the reporting date except for those that are measured at fair value are translated to the functional currency at the exchange rate at the date that the fair value was determined.

The principal closing rate used in translation of foreign currency amounts is as follows:

	2016 RM	2015 RM
1 United States Dollar	3.90	3.71
1 Singapore Dollar	2.91	2.70
1 Euro Dollar	4.44	3.99
1 Swiss Franc Dollar	4.05	3.81

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Leased assets

Operating lease

Lease, where the Company does not assume substantially, all the risks and rewards of the ownership are classified as operating lease and the leased assets are not recognised in the statement of financial position of the Company.

Payments made under operating lease are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense, over the term of the lease.

Leasehold land which in substance is an operating lease is classified as prepaid lease payments.

3.5 Inventories

Inventories are carried in the statement of financial position at the lower of cost and net realisable value. Cost is determined on a weighted average cost formula. The cost of work in progress and finished goods comprises materials, direct labour and attributable production overheads based on normal levels of activity.

Obsolete and slow-moving items are written down based on their expected future use and net realisable value.

Net realisable value is the estimated sales price in the ordinary course of business after allowing for all further costs of completion and disposal.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.6 Financial instruments (continued)

(i) Initial recognition and measurement

The Company recognises a financial asset or a financial liability in the statement of financial position when, and only when, it becomes a party to the contractual provisions of the instrument. On initial recognition, the Company recognises all financial assets and financial liabilities at fair value. The fair value of a financial asset / liability on initial recognition is normally represented by the transaction price. The transaction price for financial assets / liabilities other than those classified at fair value through profit or loss includes the transaction costs that are directly attributable to the acquisition / issue of the financial instrument. Transaction costs incurred on acquisition of a financial asset and issue of a financial liability classified at fair value through profit or loss are expensed immediately.

The Company recognises financial assets using settlement date accounting, thus an asset is recognised on the day it is received by the Company and derecognised on the day that it is delivered by the Company.

(ii) Subsequent measurement of financial assets

Subsequent measurement of financial assets depends on their classification on initial recognition. The Company classifies financial assets in one of the following four categories:

(a) Financial assets at fair value through profit or loss (FVTPL)

Assets are classified in this category when they are held principally for the purpose of selling or repurchasing in the near term (trading assets) or are derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or contingent consideration in a business combination or meet the conditions for designation in this category at initial recognition.

Gains or losses arising on remeasurement of financial assets at FVTPL incorporate any dividend or interest earned and are recognised in profit or loss.

For the financial years ended on 31 March 2016 and 2015, the Company did not classify any financial assets as held for trading or designated as at fair value through profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.6 Financial instruments (continued)

(ii) Subsequent measurement of financial assets (continued)

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Assets that the Company intends to sell immediately or in the near term cannot be classified in this category. These assets are carried at amortised cost using the effective interest method (except for short-term receivables where interest is immaterial) minus any reduction for impairment or uncollectibility.

Typically trade and other receivables (excluding prepayments) and cash and cash equivalents are classified in this category.

(c) Held-to-maturity financial assets

These are non-derivative financial assets with fixed or determinable payments and fixed maturity that an entity has the positive intention and ability to hold to maturity. Financial assets that upon initial recognition the Company designates as at fair value through profit or loss or available-for-sale and those that meet the definition of loans and receivables cannot be classified in this category. Similar to loans and receivables, these assets are carried at amortised cost using the effective interest method minus any reduction for impairment or uncollectibility.

For the financial years that ended on 31 March 2016 and 2015, the Company did not carry any financial asset classified in this category.

(d) Available-for-sale (AFS) financial assets

These are non-derivative financial assets that are designated as available-for-sale on initial recognition or are not classified in one of the previous categories. They are carried at their fair value. However, unquoted equity instruments are carried at cost, where it is not possible to reliably measure their fair value.

Except for foreign exchange gains and losses on debt instruments, interest income and dividends that are recognised in profit or loss, changes in the carrying amount of AFS financial assets are recognised in other comprehensive income and accumulated in revaluation reserve, until the investment is disposed of or is determined to be impaired. At that time, the cumulative gain or loss previously accumulated in the revaluation reserve is reclassified from equity to profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.6 Financial instruments (continued)

(iii) Impairment of financial assets

At the end of each reporting period, the Company assesses whether its financial assets (other than those at FVTPL) are impaired, based on objective evidence that, as a result of one or more events that occurred after the initial recognition, the estimated future cash flows of the (group of) financial asset(s) have been affected. Objective evidence of impairment could include significant financial difficulty of the counterparty, breach of contract, probability that the borrower will enter bankruptcy, disappearance of an active market for that financial asset because of financial difficulties, etc.

For AFS equity instruments, a significant or prolonged decline in the fair value of the investment below its cost is considered also to be objective evidence of impairment.

In addition, for trade receivables that are assessed not to be impaired individually, the Company assesses them collectively for impairment, based on the Company's past experience of collecting payments, an increase in the delayed payments in the portfolio, observable changes in economic conditions that correlate with default on receivables, etc.

Only for trade receivables, the carrying amount is reduced through the use of an allowance account and subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

For all other financial assets, the carrying amount is directly reduced by the impairment loss.

For financial assets measured at amortised cost, if the amount of the impairment loss decreases in a subsequent period and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed (either directly or by adjusting the allowance account for trade receivables) through profit or loss. However, the reversal must not result in a carrying amount that exceeds what the amortised cost of the financial asset would have been had the impairment not been recognised at the date the impairment is reversed.

For AFS debt securities, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss. In respect of AFS equity securities, an increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated in revaluation reserve; impairment losses are not reversed through profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.6 Financial instruments (continued)

(iv) Derecognition of financial assets

Irrespective of the legal form of the transactions, financial assets are derecognised when they pass the “substance over form” based derecognition test prescribed by MFRS 139. That test comprises two different types of evaluations which are applied strictly in sequence:

- Evaluation of the transfer of risks and rewards of ownership
- Evaluation of the transfer of control

Whether the assets are recognised/derecognised in full or recognised to the extent of the Company’s continuing involvement depends on accurate analysis which is performed on a specific transaction basis.

(v) Subsequent measurement of financial liabilities

Subsequent measurement of financial liabilities depends on how they have been categorised on initial recognition. The Company classifies financial liabilities in one of the following two categories:

(a) Liabilities at fair value through profit or loss (FVTPL)

Liabilities are classified in this category when they are held principally for the purpose of selling or repurchasing in the near term (trading liabilities) or are derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or contingent consideration in a business combination or meet the conditions for designation in this category at initial recognition. All changes in fair value relating to liabilities at fair value through profit or loss are charged to profit or loss as they arise.

For the financial years that ended on 31 March 2016 and 2015, the Company did not classify any financial liabilities held for trading or designated as at fair value through profit or loss

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.6 Financial instruments (continued)

(v) Subsequent measurement of financial liabilities (continued)

(b) Other financial liabilities

All liabilities which have not been classified in the previous category fall into this residual category.

These liabilities are carried at amortised cost using the effective interest method.

Typically, trade and other payables and borrowings are classified in this category.

Items classified within trade and other payables are not usually remeasured, as the obligation is known with a high degree of certainty and settlement is short-term.

(vi) Derecognition of financial liabilities

A financial liability is removed from the Company's statement of financial position only when the liability is discharged, cancelled or expired (i.e. extinguished). The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

3.7 Cash and bank balances

Cash and cash equivalents comprise cash in hand and cash at bank that are readily convertible to a known amount of cash and are subject to insignificant risk of changes in value.

For the purpose of the statement of cash flows only, cash and cash equivalents are presented net of bank overdrafts.

3.8 Provisions

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

3.9 Contingent liabilities

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.10 Employee benefits

(i) Short-term employee benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees of the Company. Short term accumulating compensated absence such as paid annual leave are recognised when services are rendered by employees and short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

(ii) Defined contribution plan

As required by law, companies in Malaysia make contributions to the Employees' Provident Fund ("EPF"). The contributions are recognised as a liability after deducting any contribution already paid and as an expense in profit or loss in the period in which the employee render their services. Once the contributions have been paid, the Company has no further payment obligations.

3.11 Equity instruments

Equity instruments are contracts that give a residual interest in the net assets of the Company. Ordinary shares are classified as equity. Equity instruments are recognised at the amount of proceeds received net of costs directly attributable to the transaction.

3.12 Revenue recognition

Revenue from the sale of goods is recognised in profit or loss on the date that goods are delivered to the customer and legal title has passed. Revenue is the fair value of the consideration received or receivable for goods and is net of estimated returns, trade discounts and sales-based taxes (e.g. value added tax).

3.13 Borrowing costs

Interest on borrowings to finance the purchase and development of a self-constructed qualifying asset (i.e. an asset that necessarily takes a substantial period of time to get ready for its intended use or sale) is included in the cost of the asset until such time as the assets are substantially ready for use or sale. Such borrowing costs are capitalised net of any investment income earned on the temporary investment of funds that are surplus pending such expenditure.

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

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.14 Income tax

Tax currently payable is calculated using the tax rates in force or substantively enacted at the reporting date. Taxable profit differs from accounting profit either because some income and expenses are never taxable or deductible, or because the time pattern that they are taxable or deductible differs between tax law and their accounting treatment.

Using the statement of financial position liability method, deferred tax is recognised in respect of all temporary differences between the carrying value of assets and liabilities in the statement of financial position and the corresponding tax base, with the exception of goodwill not deductible for tax purposes and temporary differences arising on initial recognition of assets and liabilities that do not affect taxable or accounting profit.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the reporting date.

Deferred tax assets are recognised only to the extent that the Company considers that it is probable (i.e. more likely than not) that there will be sufficient taxable profits available for the asset to be utilised within the same tax jurisdiction.

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

Deferred tax assets and liabilities are offset only when there is a legally enforceable right to offset current tax assets against current tax liabilities, they relate to the same tax authority and the Company's intention is to settle the amounts on a net basis.

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except if it arises from transactions or events that are recognised in other comprehensive income or directly in equity. In this case, the tax is recognised in other comprehensive income or directly in equity, respectively. Where tax arises from the initial accounting for a business combination, it is included in the accounting for the business combination.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.15 Fair value measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When measuring the fair value of an asset or a liability, the Company uses market observable data to the extent possible. If the fair value of an asset or a liability is not directly observable, it is estimated by the Company (working closely with external qualified valuers) using valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs (e.g. by use of the market comparable approach that reflects recent transaction prices for similar items, discounted cash flow analysis, or option pricing models refined to reflect the issuer's specific circumstances). Inputs used are consistent with the characteristics of the asset / liability that market participants would take into account.

Fair values are categorised into different levels in a fair value hierarchy based on the degree to which the inputs to the measurement are observable and the significance of the inputs to the fair value measurement in its entirety:

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

Transfers between levels of the fair value hierarchy are recognised by the Company at the end of the reporting period during which the change occurred.

4. ADOPTION OF MFRSs, AMENDMENTS TO MFRSs AND INTERPRETATIONS

4.1 MFRSs, Amendments to MFRSs and Interpretations adopted

For the preparation of the financial statements, the following accounting standards, amendments and interpretations of the MFRS framework issued by the MASB are mandatory for the first time for the financial year beginning on or after 1 July 2014:

- Amendments to MFRS 2 *Share-based Payment (Annual Improvements 2010–2012 Cycle)*
- Amendments to MFRS 3 *Business Combinations (Annual Improvements 2010–2012 Cycle and 2011-2013 Cycle)*
- Amendments to MFRS 8 *Operating Segments (Annual Improvements 2010–2012 Cycle)*
- Amendments to MFRS 13 *Fair Value Measurement (Annual Improvements 2010–2012 Cycle and 2011-2013 Cycle)*
- Amendments to MFRS 116 *Property, Plant and Equipment (Annual Improvements 2010–2012 Cycle)*
- Amendments to MFRS 119 *Employee Benefits – Defined Benefit Plans: Employee Contributions*
- Amendments to MFRS 124 *Related Party Disclosure (Annual Improvements 2010–2012 Cycle)*
- Amendments to MFRS 138 *Intangible Assets (Annual Improvements 2010–2012 Cycle)*
- Amendments to MFRS 140 *Investment Property (Annual Improvements 2011-2013 Cycle)*

The adoption of the above mentioned accounting standards, amendments and interpretations are not expected to have any significant impact on the financial statements of the Company.

4. ADOPTION OF MFRSs, AMENDMENTS TO MFRSs AND INTERPRETATIONS (continued)

4.2 New/ Revised MFRSs, Amendments to MFRSs and Interpretations not adopted

The following are accounting standards, amendments and interpretations of the MFRS framework that have been issued by the MASB but have not been adopted by the Company:

MFRSs, Amendments to MFRSs and Interpretations effective for annual periods beginning on or after 1 January 2016

- MFRS 14 *Regulatory Deferral Accounts*
- Amendments to MFRS 5 *Non-current Assets Held for Sale and Discontinued Operations – Changes in Method of Disposal (Annual Improvements 2012-2014 Cycle)*
- Amendments to MFRS 7 *Financial Instruments: Disclosures – Servicing Contracts and Applicability of the Amendments to MFRS 7 to Condensed Interim Financial Statements (Annual Improvements 2012-2014 Cycle)*
- Amendments to MFRS 10 *Consolidated Financial Statements*, MFRS 12 *Disclosure of Interests in Other Entities* and MFRS 128 *Investment in Associates and Joint Ventures – Investment Entities: Applying the Consolidation Exception*
- Amendments to MFRS 11 *Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations*
- Amendments to MFRS 101 *Presentation of Financial Statements – Disclosure Initiative*
- Amendments to MFRS 116 *Property, Plant and Equipment* and MFRS 138 *Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortisation*
- Amendments to MFRS 116 *Property, Plant and Equipment* and MFRS 141 *Agriculture – Agriculture: Bearer Plants*
- Amendments to MFRS 119 *Employee Benefits – Discount Rates: Regional Market Issue (Annual Improvements 2012-2014 Cycle)*
- Amendments to MFRS 127 *Separate Financial Statements – Equity Method in Separate Financial Statements*
- Amendments to MFRS 134 *Interim Financial Reporting – Disclosure of Information ‘Elsewhere in the Interim Financial Report’ (Annual Improvements 2012-2014 Cycle)*

MFRSs, Amendments to MFRSs and Interpretations effective for annual periods beginning on or after 1 January 2017

- Amendments to MFRS 107 *Statement of Cash Flows – Disclosure Initiative*
- Amendments to MFRS 112 *Income Taxes – Recognition of Deferred Tax Assets for Unrealised Losses*

**4. ADOPTION OF MFRSs, AMENDMENTS TO MFRSs AND INTERPRETATIONS
(continued)**

**4.2 New/ Revised MFRSs, Amendments to MFRSs and Interpretations not adopted
(continued)**

**MFRSs, Amendments to MFRSs and Interpretations effective for annual period
beginning on or after 1 January 2018**

- MFRS 9 *Financial Instruments* (2014)
- MFRS 15 *Revenue from Contracts with Customers*

**MFRSs, Amendments to MFRSs and Interpretations effective for annual
periods beginning on or after 1 January 2019**

- MFRS 16 *Leases*

**MFRSs, Amendments to MFRSs and Interpretations effective a date yet to be
confirmed**

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

The directors anticipate that the above mentioned accounting standards, interpretations and amendments will be adopted by the Company when they become effective.

The Company has assessed, where practicable, the potential impact of all these accounting standards, amendments and interpretations that will be effective in future period, as below:

MFRS 9 *Financial Instruments*

MFRS 9 replaces the guidance in MFRS 139 *Financial Instruments: Recognition and Measurement* on the classification and measurement of financial assets. Upon adoption of MFRS 9, financial assets will be measured at either fair value or amortised cost. It is expected that the Company's investment in unquoted shares will be measured at fair value through other comprehensive income.

The adoption of MFRS 9 will result in a change in accounting policy. The Company is currently assessing the financial impact of adopting MFRS 9.

4. **ADOPTION OF MFRSs, AMENDMENTS TO MFRSs AND INTERPRETATIONS** (continued)

4.2 **New/ Revised MFRSs, Amendments to MFRSs and Interpretations not adopted** (continued)

MFRS 15 Revenue from Contracts with Customers

MFRS 15 replaces the guidance in MFRS 111 *Construction Contracts*, MFRS 118 *Revenue*, IC Interpretation 13 *Customer Loyalty Programmes*, IC Interpretation 15 *Agreements for Construction of Real Estate*, IC Interpretation 18 *Transfers of Assets from Customers* and IC Interpretation 131 *Revenue – Barter Transactions Involving Advertising Services*. Upon adoption of MFRS 15, it is expected that the timing of revenue recognition might be different as compared with the current practices.

The adoption of MFRS 15 will result in a change in accounting policy. The Company is currently assessing the financial impact of adopting MFRS 15.

5. **SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS**

In preparing its financial statements, the Company have made significant judgements, estimates and assumptions that impact on the carrying value of certain assets and liabilities, income and expenses as well as other information reported in the notes. The Company periodically monitor such estimates and assumptions and makes sure they incorporate all relevant information available at the date when financial statements are prepared. However, this does not prevent actual figures differing from estimates.

The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Depreciation of property, plant and equipment

Depreciation of property, plant and equipment is calculated using the straight-line method to write off the cost of assets to its estimated residual values over its estimated useful lives as disclosed in Note 3.2 to the financial statements.

The estimates of the residual values, useful lives and related depreciation charges for the property, plant and equipment area based on commercial and production factors.

Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

5. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS (CONTINUED)

(b) Allowance for doubtful receivables

The determination of the recoverability of the amount due from customers involves the identification of whether there is any objective evidence of impairment. Bad debts are written off when identified, to the extent that it is feasible impairment and uncollectibility is determined individually for each item. In cases where that process is not feasible, a collective evaluation of impairment is performed. As a consequence, the way individual and collective evaluations are carried out and the timing relating to the identification of objective evidence of impairment require significant judgement and may materially affect the carrying amount of receivables at the reporting date.

(c) Net realisable value of inventories

The determination of provisions for inventories involves an estimation process. The carrying cost of inventories is written down to their estimated realisable value when their cost may no longer be recoverable such as when inventories are damaged or become wholly or partly obsolete or their selling prices have declined. In any case, the realisable value represents the best estimate of the recoverable amount, is based on the most reliable evidence available at the reporting date and inherently involves estimates regarding the future expected realisable value. The benchmarks for determining the amount of provision or write-down include ageing analysis, technical assessment and subsequent events. In general, such an evaluation process requires significant judgement and may materially affect the carrying amount of inventories at the reporting date.

(d) Deferred tax estimation

Deferred tax assets and liabilities' recognition involves making a series of assumptions. For instance, the Company have to estimate the timing of the reversal of temporary differences, if it is probable that temporary differences will not reverse in the foreseeable future, or the tax rates expected to apply to the period when the asset is realised or the liability is settled.

As far as deferred tax assets are concerned, their realisation ultimately depends on taxable profits being available in the future. Deferred tax assets are recognised only when it is probable that taxable profits will be available against which the deferred tax asset can be utilised and it is probable that the entity will earn sufficient taxable profit in future periods to benefit from a reduction in tax payments. This involves the Company making assumptions within its overall tax planning activities and periodically reassessing them in order to reflect changed circumstances as well as tax regulations. Moreover, the measurement of a deferred tax asset or liability reflects the manner in which the entity expects to recover the asset's carrying value or settle the liability.

5. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS (CONTINUED)

(e) Provisions

Provisions can be distinguished from other liabilities because there is uncertainty about the timing or amount of settlement. The more common provisions recorded by the Company arise from obligations in relation to manufacturer's warranties, refunds, guarantees, onerous contracts, outstanding litigation and business restructuring.

The recognition and measurement of provisions require the Company to make significant estimates with regard to the probability (if the event is more likely than not to occur) that an outflow of resources will be required to settle the obligation and make assumptions whether a reliable estimate can be made of the amount of the obligation.

Moreover, the Company's accounting policy requires recognition of the best estimate of the amount that would be required to settle an obligation and the estimate may be based on information that produces a range of amounts. Since the measurement is based on present value, it involves making estimates around the appropriate discount rate in order to reflect the risks specific to the liability.

In particular, as far as restructuring provisions are concerned, considerable judgement is required to determine whether an obligating event has occurred. All the available evidence must be assessed to determine whether a plan is detailed enough to create a valid expectation of management's commitment to the restructuring by starting to implement the plan or announce its main features to those affected by it.

6. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land RM'000	Factory building RM'000	Office equipment and renovations RM'000	Furniture and fittings RM'000	Motor vehicles RM'000	Plant and machinery RM'000	Spare parts, standby equipment and servicing equipment RM'000	Capital work in progress RM'000	Total RM'000
Net book value as at									
31.3.2015	119	18,873	767	430	-	16,164	1,321	3,450	41,124
Addition	-	-	-	-	-	-	-	2,165	2,165
Written off	-	(29)	(8)	(1)	-	(12)	(1,321)	(112)	(1,483)
Transfers	-	983	296	184	-	3,497	-	(4,960)	-
Depreciation	(3)	(434)	(277)	(78)	-	(3,015)	-	-	(3,807)
Net book value as at 31.3.2016	116	19,393	778	535	-	16,634	-	543	37,999
As at 31.3.2015									
Cost	226	22,450	3,425	777	63	32,125	1,704	3,450	64,220
Accumulated depreciation	(107)	(3,577)	(2,651)	(345)	(63)	(15,682)	(383)	-	(22,808)
Accumulated impairment loss	-	-	(7)	(2)	-	(279)	-	-	(288)
Net book value	119	18,873	767	430	-	16,164	1,321	3,450	41,124
As at 31.3.2016									
Cost	226	23,394	3,631	959	63	34,734	-	543	63,550
Accumulated depreciation	(110)	(4,001)	(2,846)	(422)	(63)	(17,821)	-	-	(25,263)
Accumulated impairment loss	-	-	(7)	(2)	-	(279)	-	-	(288)
Net book value	116	19,393	778	535	-	16,634	-	543	37,999

6. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Leasehold land comprises land with an unexpired lease of more than 50 years.

7. INVENTORIES

	2016 RM'000	2015 RM'000
Raw materials	6,008	6,292
Work-in-progress	1,710	1,373
Finished goods	6,488	10,086
Packaging materials	1,435	2,849
Supplies and consumables	-	1,874
	<u>15,641</u>	<u>22,474</u>
Recognised in profit or loss:		
Inventories recognised as cost of sales	34,950	30,422
Write-down	<u>1,107</u>	<u>2,500</u>

The write-down is included in cost of sales.

8. TRADE AND OTHER RECEIVABLES

	2016 RM'000	2015 RM'000
Trade		
Trade receivables	30,112	32,893
Less: Allowance for impairment loss	<u>(5,740)</u>	<u>(427)</u>
	24,372	32,466
Amount due from holding company	<u>5,039</u>	<u>3,611</u>
	<u>29,411</u>	<u>36,077</u>
Non-trade		
Amount due from holding company	192	862
Other receivables, deposits and prepayments	<u>4,603</u>	<u>4,324</u>
	<u>4,795</u>	<u>5,186</u>
Total trade and other receivables	<u>34,206</u>	<u>41,263</u>

- (a) The company's normal credit term is 90 days (2015: 150 days). Other credit terms are assessed and approved on case by case basis.
- (b) The trade amount due from holding company is denominated in US Dollars and subject to the normal trade terms.
- (c) The non-trade amount due from holding company is denominated in US Dollars, unsecured, interest free and repayable on demand.

9. SHARE CAPITAL

	Amount 2016 RM'000	Number of shares 2016 '000	Amount 2015 RM'000	Number of shares 2015 '000
Ordinary shares of RM1 each				
Authorised	<u>12,000</u>	<u>12,000</u>	<u>12,000</u>	<u>12,000</u>
Issued and fully paid	<u>8,000</u>	<u>8,000</u>	<u>8,000</u>	<u>8,000</u>

10. SHARE PREMIUM

Share premium arose from the issue of 1,200,000 ordinary shares of RM1.00 each, at the premium of RM0.25 per share.

11. BANK BORROWINGS

	2016 RM'000	2015 RM'000
Current		
Bank overdraft	8,285	8,766
Buyers' credit	<u>12,048</u>	<u>13,751</u>
As at 31 March	<u>20,333</u>	<u>22,517</u>

The bank overdraft is subject to interest at rate of 8.30% (2015: 8.00% to 8.30%) per annum.

The buyers' credit is subject interest at rates ranging from 5.00% to 5.20% (2015: 5.10% to 5.20%) per annum.

12. PROVISIONS

	2016 RM'000	2015 RM'000
As at 1 April	436	659
Reversal made during the year	<u>(243)</u>	<u>(223)</u>
As at 31 March	<u>193</u>	<u>436</u>

Provisions relate to returnable obsolete inventories held by the customers as at financial year end. The provisions were estimated based on historical data and past trends of obsolete inventories held by the customers. The Company expects to incur majority of the recognised liability over the next twelve months.

13. TRADE AND OTHER PAYABLES

	2016 RM'000	2015 RM'000
Trade		
Trade payables	7,877	6,489
Amount due to holding company	<u>28,691</u>	<u>25,913</u>
	<u>36,568</u>	<u>32,402</u>
Non-trade		
Amount due to holding company	6,458	3,506
Other payables	5,392	5,385
Accruals	<u>3,214</u>	<u>2,817</u>
	<u>15,064</u>	<u>11,708</u>
Total trade and other payables	<u>51,632</u>	<u>44,110</u>

- (a) The normal trade credit terms granted to the Company is 30 to 90 days (2015: 30 to 90 days).
- (b) The trade amount due to holding company is denominated in US Dollars and subject to the normal trade terms.
- (c) The non-trade amount due to holding company is denominated in US Dollars, unsecured, interest free and repayable on demand.

14. REVENUE

Revenue from the sale of goods is recognised in profit or loss on the date that goods are delivered to the customer and legal title has passed.

15. LOSS BEFORE TAX

Loss before tax is arrived at after charging/(crediting):-

	2016 RM'000	2015 RM'000
Auditors' fee		
- statutory	60	79
- others	54	48
Depreciation on property, plant and equipment	3,807	3,921
Allowance/(Reversal) for impairment loss on trade receivables	5,313	(441)
Interest expense	1,557	1,906
Employee benefits (Note 17)	25,105	20,797
Property, plant and equipment written off	1,483	4
Gain on disposal of property, plant and equipment	(1)	-
Rental of premises	721	697
Foreign exchange loss		
- realised	4,977	297
- unrealised	1,036	3,888
Write down of inventories	<u>1,107</u>	<u>2,500</u>

16. TAX EXPENSE

	2016 RM'000	2015 RM'000
Income tax expense		
- Over provision in prior year	-	(449)

A reconciliation of income tax expenses on financial results before taxation with the applicable statutory income tax rate is as follows:-

	2016 RM'000	2015 RM'000
Loss before tax	(22,162)	(17,890)
Taxation at Malaysian statutory tax rate of 25% (2015: 25%)	(5,541)	(4,473)
Tax effects in respect of:		
Non-deductible expenses	1,087	293
Effect of temporary differences not recognised	4,454	4,180
Overprovision in prior year	-	(449)
Tax expense	-	(449)

As at the reporting date, the Company has the following deferred tax assets which are not recognised in the financial statements due to virtual certainty of future profitability.

	2016 RM'000	2015 RM'000
Temporary difference not recognised	62,781	44,961
Deferred tax assets not recognised at 25%	15,695	11,241

17. EMPLOYEE BENEFITS

The total employee benefits recognised in the profit or loss are as follows:

	2016 RM'000	2015 RM'000
Wages, salaries and others	21,162	19,068
Defined contribution plan	3,943	1,729
	25,105	20,797

17. EMPLOYEE BENEFITS (CONTINUED)

Included in employee benefits expense is executive director's remuneration as follows:

	2016 RM'000	2015 RM'000
Directors' remuneration		
Fees	51	50
Remuneration	1,909	695
	<u>1,960</u>	<u>745</u>

18. OPERATING LEASES

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

	2016 RM'000	2015 RM'000
Not later than one year	419	446
Later than one year and not later than five years	384	434
	<u>803</u>	<u>880</u>

The Company leases office premises and certain office equipment under operating leases. The leases typically run for an initial year of two to five years with option to renew the lease after that date.

19. FINANCIAL INSTRUMENTS

(a) Classification of financial assets and liabilities

The following table summarises the carrying amount of financial assets and liabilities recorded at the reporting date:

- (i) Loans and receivables ("L&R"); and
- (ii) Financial liabilities measured at amortised cost ("FL").

19. FINANCIAL INSTRUMENTS (CONTINUED)

(a) Classification of financial assets and liabilities (continued)

	Carrying amount RM'000	L & R/ (FL) RM'000
2016		
<u>Financial assets</u>		
Trade and other receivables (excluding prepayment)	33,478	33,478
Cash and bank balances	796	796
	<u>34,274</u>	<u>34,274</u>
<u>Financial liabilities</u>		
Bank borrowings	(20,333)	(20,333)
Trade and other payables	(51,632)	(51,632)
	<u>(71,965)</u>	<u>(71,965)</u>
2015		
<u>Financial assets</u>		
Trade and other receivables (excluding prepayment)	40,231	40,231
Cash and bank balances	173	173
	<u>40,404</u>	<u>40,404</u>
<u>Financial liabilities</u>		
Bank borrowings	(22,517)	(22,517)
Trade and other payables	(44,110)	(44,110)
	<u>(66,627)</u>	<u>(66,627)</u>

(b) Financial risk management objectives and policies

The Company's financial risk management objective is to optimize value creation for shareholders whilst minimising the potential adverse effects on the performance of the Company.

The Company operates within an established risk management framework and clearly defined guidelines that are regularly reviewed by the board of directors and does not trade in derivative financial instruments. Financial risk management is carried out through risk review programmes, internal control system, insurance programmes and adherence to the Company financial risk management policies. The Company is exposed mainly to the following risks. Information on the management of the related exposures are detailed below.

- (i) Foreign Currency Risk
- (ii) Interest rate risk
- (iii) Liquidity risk
- (iv) Credit risk

19. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (continued)

(i) Foreign currency risk

The Company is exposed to foreign currency risk on sales, purchases and borrowings that are denominated in the currency other than the functional currency, Ringgit Malaysia (RM). The currencies giving rise to this risk are primarily US Dollar (USD), Singapore Dollar (SGD), Brunei Dollar (BND), Euro (EUR) and Swiss Franc (CHF).

Risk management objectives, policies and processes for managing the risk

The Company does not have a fixed policy to hedge its sales and purchases via forward contract. However, the exposure to foreign currency risk is monitored from time to time by management.

Exposure to foreign currency risk

The Company's exposure to foreign currency risk, based on carrying amounts as at the end of the reporting year was:

	USD RM'000	Denominated in SGD RM'000	BND RM'000	EUR RM'000	CHF RM'000
2016					
Trade and other receivables	814	6,190	-	-	-
Trade and other payables	(4,548)	59	-	1	174
Intra-group receivables	5,231	-	-	-	-
Intra-group payables	(29,700)	-	-	-	-
Net exposure	<u>(28,203)</u>	<u>6,249</u>	<u>-</u>	<u>1</u>	<u>174</u>
	USD RM'000	Denominated in SGD RM'000	BND RM'000	EUR RM'000	CHF RM'000
2015					
Trade and other receivables	1,713	4,099	6	158	164
Trade and other payables	(3,530)	2	-	(141)	-
Intra-group receivables	4,474	-	-	-	-
Intra-group payables	(26,921)	-	-	-	-
Net exposure	<u>(24,264)</u>	<u>4,101</u>	<u>6</u>	<u>17</u>	<u>164</u>

19. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (continued)

(i) Foreign currency risk (continued)

Currency risk sensitivity analysis

A 10% (2015: 10%) strengthening of Ringgit Malaysia against the following currencies at the end of the reporting year would have increase/(decreased) post-tax profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remained constant and ignores any impact of forecasted sales and purchases.

	2016 RM'000	2015 RM'000
USD	(2,115)	1,820
SGD	469	(308)
EUR	-	(1)
CHF	13	(12)

Currency risk sensitivity analysis (continued)

A 10% (2015:10%) weakening of Ringgit Malaysia against the above currencies at the end of the reporting year would have had equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remained constant.

(ii) Interest rate risk

The Company's variable rate borrowings are exposed to a risk of change in cash flows due to changes in interest rates.

Risk management objectives, policies and processes for managing the risk

The Company's policy is to borrow principally on the floating rate basis but to retain a proportion of fixed rate debt. The objectives for the mix between fixed and floating rate borrowing are set to reduce the impact on an upward trend change in interest rates while enabling benefits to be enjoyed if interest rates fall.

Exposure to interest rate risk

The interest rate profile of the Company's significant interest-bearing financial instrument, based on carrying amount as at the end of the reporting year was:

	2016 RM'000	2015 RM'000
Floating rate instruments		
Financial liabilities	20,333	22,517

19. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (continued)

(ii) Interest rate risk (continued)

Interest rate risk sensitivity analysis

(A) Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the Company does not designate derivatives as hedging instruments under a fair value hedged accounting model. Therefore, a change in interest rates at the end of the reporting year would not affect profit or loss.

Interest rate risk sensitivity analysis (continued)

(B) Cash flow sensitivity analysis for variable rate instruments

A change of 50 basis points (bp) in interest rates as at the end of the reporting year would have increased/(decrease) equity and post-tax profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remained constant.

	Equity		Profit or loss	
	50 bp Increase RM'000	50 bp Decrease RM'000	50 bp Increase RM'000	50 bp Decrease RM'000
2016				
Floating rate instruments:				
Bank overdraft	(46)	46	(46)	46
Buyers' credit	(32)	32	(32)	32
	<hr/>	<hr/>	<hr/>	<hr/>
2015				
Floating rate instruments:				
Bank overdraft	(33)	33	(33)	33
Buyers' credit	(52)	52	(52)	52
	<hr/>	<hr/>	<hr/>	<hr/>

19. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (continued)

(iii) Liquidity risk

The Company monitors and maintains a level of cash and cash equivalents and bank facilities deemed adequate by the management to finance the Company's operations and to mitigate the effects of fluctuations in cash flows.

The table below represents the maturity profile of the financial liabilities recognised by the Company as at the end of the reporting year, based on contractual undiscounted repayment obligations:

	Carrying amount RM'000	Contractual interest rate RM'000	Contractual cash flows RM'000	Under one year RM'000
2016				
<i>Non-derivative financial liabilities</i>				
Trade and other payables	51,632	-	51,632	51,632
Bank borrowings	20,333	5.1%-8.3%	20,333	20,333
	<u>71,965</u>		<u>71,965</u>	<u>71,965</u>

	Carrying amount RM'000	Contractual interest rate RM'000	Contractual cash flows RM'000	Under one year RM'000
2015				
<i>Non-derivative financial liabilities</i>				
Trade and other payables	44,110	-	44,110	44,110
Bank borrowings	22,517	5.1%-8.3%	22,517	22,517
	<u>66,627</u>		<u>66,627</u>	<u>66,627</u>

(iv) Credit risk

Credit risk is the risk of a financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company's exposure to credit risk arises principally from its receivables from customers.

19. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (continued)

(iv) Credit risk (continued)

Receivables

Risk management objectives, policies and processes for managing the risk

The credit risk is controlled by the application of credit approvals, limits and monitoring procedures. An internal credit review is conducted if the credit risk is material.

Exposure to credit risk, credit quality and collateral

The maximum exposure to credit risk is represented by the carrying amount of the receivables presented in the statement of financial position. As at the end of the reporting year, 5 (2015: 5) significant debtors account for 90% (2015: 90%) of total receivables. Except for this, there were no significant concentrations of credit risk.

The ageing of trade receivables as at the of the reporting year was:

	Gross RM'000	Individual impairment RM'000	Net RM'000
2016			
Not past due	19,420	-	19,420
Past due 1-30 days	1,509	-	1,509
Past due 31-90 days	2,199	-	2,199
Past due more than 90 days	6,984	(5,740)	1,244
Total	30,112	(5,740)	24,372

Exposure to credit risk, credit quality and collateral (continued)

	Gross RM'000	Individual impairment RM'000	Net RM'000
2015			
Not past due	27,137	-	27,137
Past due 1-30 days	3,498	-	3,498
Past due 31-90 days	669	-	669
Past due more than 90 days	1,590	(427)	1,163
Total	32,893	(427)	32,466

19. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (continued)

(iv) Credit risk (continued)

Receivables (continued)

The movements in the allowance for impairment losses of receivables during the financial year were:

	2016 RM'000	2015 RM'000
As at 1 April	427	868
Allowance/(Reversal) for impairment loss on trade receivables	5,313	(441)
As at 31 March	<u>5,740</u>	<u>427</u>

The receivable which are individually determined to be impaired relate to debtors who are in financial difficulties and have defaulted in payment. These receivables are not secured by any collateral.

(c) Fair value information

As at the end of the reporting year, the carrying amount of cash and bank balances, receivables and deposits, payables, accruals and short-term borrowings approximate fair value due to the relatively short-term nature of these financial instruments.

20. CAPITAL MANAGEMENT

The Company's principal goal is to maintain healthy balance ratios for the support and continuity of the operational activities and maximising shareholders value. The Company monitors the capital structure and balance ratios so as to optimise their goals, taking into account the economic circumstances. To achieve those goals, the Company's management is able to determine the dividend policy, share issues or other financial instruments. No changes were made in the objectives, policies or processes for managing capital during the financial year.

21. RELATED PARTY TRANSACTIONS

Identity of related parties

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

21. RELATED PARTY TRANSACTIONS (CONTINUED)

Identity of related parties (continued)

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Company either directly or indirectly. The key management personnel are all the Directors of the Company.

Significant transactions with related parties other than those disclosed elsewhere in the financial statements are as follows:

	2016 RM'000	2015 RM'000
Holding company		
Sales	(2,943)	(2,786)
Royalty and trademark	3,279	2,776
Purchases	6,531	8,237
Dividend paid	-	570

Balances with holding company at the reporting date are disclosed in Note 8 and Note 13 to the financial statements. All the outstanding balances are expected to be settled in cash by the related parties.

22. HOLDING COMPANY

The directors regard Sun Pharmaceutical Industries Limited, a Company incorporated in India and listed in BSE Limited and National Stock Exchange of India Limited as the immediate and ultimate holding Company.

23. OTHER INFORMATION

- (a) The Company is a private limited company, incorporated and domiciled in Malaysia.
- (b) The registered office is situated at:
 - Lot 6.05, Level 6, KPMG Tower
 - 8 First Avenue, Bandar Utama
 - 47800 Petaling Jaya
 - Selangor Darul Ehsan
- (c) The principal place of business is situated at:
 - 5th Floor, South Block
 - Wisma Selangor Dredging
 - 142-A, Jalan Ampang
 - 50450 Kuala Lumpur
- (d) The financial statements are expressed in Ringgit Malaysia.
- (e) The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on **[to be furnished by management]**.

STATEMENT BY DIRECTORS

We, the undersigned, being two of the directors of **RANBAXY (MALAYSIA) SDN. BHD. (89186-K)** do hereby state that, in the opinion of the directors, the financial statements set out on pages 5 to 41 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia so as to give a true and fair view of the state of affairs of the Company as at 31 March 2016 and of the results of its operations and the cash flows of the Company for the financial year ended on that date.

On behalf of the Board

DATO' ABDULLAH BIN MOHD YUSOF

INDRANIL SEN

Kuala Lumpur

STATUTORY DECLARATION

I, **INDRANIL SEN**, being the director primarily responsible for the financial management of **RANBAXY (MALAYSIA) SDN. BHD. (89186-K)** do solemnly and sincerely declare that the financial statements set out on pages 5 to 41 are to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act 1960.

INDRANIL SEN

Subscribed and solemnly declared
by the abovenamed at Kuala Lumpur
in the Federal Territory on

Before me