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**RANBAXY PHARMACEUTICALS (PTY) LTD**

**(Registration Number 1993/003111/07)**

**Audited Consolidated and Separate Annual Financial Statements  
for the year ended 31 March 2018**

# **RANBAXY PHARMACEUTICALS (PTY) LTD**

(Registration Number 1993/003111/07)

Audited Consolidated and Separate Annual Financial Statements for the year ended 31 March 2018

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The reports and statements set out below comprise the consolidated annual financial statements presented to the shareholder:

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# RANBAXY PHARMACEUTICALS (PTY) LTD

(Registration Number 1993/003111/07)

Audited Consolidated and Separate Annual Financial Statements for the year ended 31 March 2018

## General Information

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<b>Country of Incorporation and Domicile</b>	South Africa
<b>Nature of Business and Principal Activities</b>	Import, marketing, manufacturing and trade of pharmaceutical goods and services
<b>Directors</b>	DW Brothers M Kaszas A Ajoodha DMV Sewnarian
<b>Ultimate Holding Company</b>	Sun Pharmaceutical Industries Limited incorporated in India
<b>Holding Company</b>	Sun Pharma (Netherlands) BV incorporated in Netherlands
<b>Registration Number</b>	1993/003111/07
<b>Registered Office</b>	14 Lautre Road Stormill Ext 1 Roodepoort Gauteng 1724
<b>Postal Address</b>	P O Box 43486 Industria 2042
<b>Independent Compilers</b>	Moollas Financial Solutions Inc
<b>Independent Auditors</b>	Ernst & Young Inc
<b>Company Secretary</b>	Grant Thornton







## **Report of the Compiler**

### **To the Shareholder of Ranbaxy Pharmaceuticals (Pty) Ltd**

We have compiled the accompanying consolidated and separate annual financial statements of Ranbaxy Pharmaceuticals (Pty) Ltd based on information you have provided. These consolidated and separate annual financial statements comprise the statement of financial position of Ranbaxy Pharmaceuticals (Pty) Ltd as at 31 March 2018, the statement of profit or loss and comprehensive income, the statements of changes in equity and the statement of cash flows for the year then ended, a summary of significant accounting policies and other explanatory information.

We performed this compilation engagement in accordance with International Standard on Related Services 4410 (Revised), Compilation Engagements.

We have applied our expertise in accounting and financial reporting to assist you in the preparation and presentation of these consolidated and separate financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa. We have complied with relevant ethical requirements, including principles of integrity, objectivity, professional competence and due care.

These consolidated and separate financial statements and the accuracy and completeness of the information used to compile them are your responsibility.

Since a compilation engagement is not an assurance engagement, we are not required to verify the accuracy or completeness of the information you provided to us to compile these consolidated and separate financial statements. Accordingly, we do not express an audit opinion or a review conclusion on whether these consolidated and separate financial statements are prepared in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

**Moollas Financial Solutions Inc**

**25 May 2018**

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**Muhammad Moolla**  
**Chartered Accountant (SA)**

**Building 2, 21 Woodlands Drive**  
**Woodmead Country Club Estate**  
**Woodmead**  
**2052**

# **RANBAXY PHARMACEUTICALS (PTY) LTD**

(Registration Number 1993/003111/07) Consolidated and Separate Annual Financial Statements for the year ended 31 March 2018

## **Directors' Responsibilities and Approval**

The directors are required by the South African Companies Act to maintain adequate accounting records and are responsible for the content and integrity of the consolidated and separate annual financial statements and related financial information included in this report. It is their responsibility to ensure that the consolidated and separate annual financial statements satisfy the financial reporting standards as to form and content and present fairly the consolidated and separate statement of financial position, results of operations and business of the Group, and explain the transactions and financial position of the business of the Group at the end of the financial year. The consolidated and separate annual financial statements are based upon appropriate accounting policies consistently applied throughout the Group and supported by reasonable and prudent judgements and estimates.

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the Group and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the board sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the Group and all employees are required to maintain the highest ethical standards in ensuring the Group's business is conducted in a manner that in all reasonable circumstances is above reproach.

The focus of risk management in the Group is on identifying, assessing, managing and monitoring all known forms of risk across the Group. While operating risk cannot be fully eliminated, the Group endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The consolidated and separate annual financial statements as set out on pages 10 to 56 were approved by the board on 6 June 2018 and were signed on their behalf by:

The consolidated and separate annual financial statements have been audited by the independent auditing firm, Ernst & Young Inc, who have been given unrestricted access to all financial records and related data, including minutes of all meetings of the shareholder the board of directors and committees of the board. The directors believe that all representations made to the independent auditor during the audit were valid and appropriate. The external auditors' unqualified audit report is presented on pages 3 to 5.

The consolidated and separate annual financial statements as set out on pages 8 to 56 were approved by the board on 25 May 2018 and were signed on their behalf by:

DW Brothers

A Ajoodha



# **RANBAXY PHARMACEUTICALS (PTY) LTD**

(Registration Number 1993/003111/07)

Consolidated and Separate Annual Financial Statements for the year ended 31 March 2018

## **Directors' Report**

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The directors present their report for the year ended 31 March 2018.

### **1. Review of activities**

#### **Main business and operations**

The principal activity of the Group is import, marketing, manufacturing and trade of pharmaceutical goods and services and there were no major changes herein during the year.

The operating results and consolidated statement of financial position of the Group are fully set out in the attached financial statements and do not in our opinion require any further comment.

### **2. Going concern**

The consolidated and separate annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

### **3. Events after reporting date**

On 13 April 2018 Sun Pharma (Netherlands) B.V. ("RNBV") authorised a change to Ranbaxy Pharmaceuticals (Pty) Ltd ("RXP") Memorandum of Incorporation ("MOI"), to issue ZAR500,000,000 worth of Preference Shares. After which ZAR220,000,000 of Preference Shares will be allocated to RNBV and ZAR280,000,000 of Preference Shares will be allocated to Sun Pharma Global FZE for cash. This transaction is expected to be completed in the 2019 Financial Year.

### **4. Directors' interest in contracts**

To our knowledge none of the directors had any interest in contracts entered into during the year under review.

### **5. Authorised and issued share capital**

No changes were approved or made to the authorised or issued share capital of the company during the year under review.

### **6. Dividends**

No dividends were declared nor paid to the shareholder during the year.

# **RANBAXY PHARMACEUTICALS (PTY) LTD**

(Registration Number 1993/003111/07)

Consolidated and Separate Annual Financial Statements for the year ended 31 March 2018

## **Directors' Report**

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### **7. Directors**

The Directors of the company during the year and to the date of this report are as follows:

DW Brothers

M Kaszas

A Ajoodha

DMV Sewnarian

### **8. Secretary**

The Group's designated secretary is Grant Thornton.

### **9. Independent Auditors**

Ernst & Young Inc were the independent auditors for the year under review.

# RANBAXY PHARMACEUTICALS (PTY) LTD

(Registration Number 1993/003111/07)

Audited Consolidated and Separate Annual Financial Statements as at 31 March 2018

## Statements of Financial Position

Figures in R	Notes	Group 2018	Group 2017	Company 2018	Company 2017
<b>Assets</b>					
<b>Non-Current Assets</b>					
Property, plant and equipment	5	50,546,382	43,785,856	50,546,382	43,785,856
Intangible assets	6	619,704	415,461	619,704	415,461
Investments		-	-	2,516,253	2,516,253
		<b>51,166,086</b>	<b>44,201,317</b>	<b>53,682,339</b>	<b>46,717,570</b>
<b>Current Assets</b>					
Inventories	7	458,029,855	593,025,149	458,029,855	593,025,146
Trade and other receivables	8	465,948,279	646,111,733	465,417,778	646,111,909
Cash and cash equivalents	9	180,086,929	51,214,355	178,884,855	50,228,677
		<b>1,104,065,063</b>	<b>1,290,351,237</b>	<b>1,102,332,488</b>	<b>1,289,365,732</b>
<b>Total Assets</b>		<b>1,155,231,149</b>	<b>1,334,552,554</b>	<b>1,156,014,827</b>	<b>1,336,083,302</b>
<b>Equity and Liabilities</b>					
<b>Equity</b>					
Issued capital	10	200,000,200	200,000,200	200,000,200	200,000,200
Reserves	11	(3,304,567)	(3,304,567)	(2,248,383)	(2,248,383)
Accumulated loss		(381,145,209)	(416,370,296)	(383,261,236)	(418,487,334)
		<b>(184,449,576)</b>	<b>(219,674,663)</b>	<b>(185,509,419)</b>	<b>(220,735,517)</b>
<b>Current Liabilities</b>					
Trade and other payables	16	1,112,836,550	1,339,289,361	1,112,836,368	1,339,287,285
Loan from group companies	12	226,844,175	214,937,856	228,687,878	217,531,534
		<b>1,339,680,725</b>	<b>1,554,227,217</b>	<b>1,341,524,246</b>	<b>1,556,818,819</b>
<b>Total Equity and Liabilities</b>		<b>1,155,231,149</b>	<b>1,334,552,554</b>	<b>1,156,014,827</b>	<b>1,336,083,302</b>

# RANBAXY PHARMACEUTICALS (PTY) LTD

(Registration Number 1993/003111/07)

Audited Consolidated and Separate Annual Financial Statements for the year ended 31 March 2018

## Statements of Profit or Loss and Comprehensive Income

Figures in R	Notes	Group 2018	Group 2017	Company 2018	Company 2017
<b>Revenue</b>	17	1,233,513,099	1,115,100,194	1,233,513,099	1,115,100,194
<b>Cost of sales</b>	18	(986,631,402)	(868,302,199)	(986,631,402)	(868,302,000)
<b>Gross profit</b>		246,881,697	246,797,995	246,881,697	246,798,194
<b>Other income</b>	19	2,621,210	11,318,827	2,621,210	11,318,828
<b>Operating costs</b>		(184,963,860)	(175,308,637)	(184,962,849)	(175,335,161)
<b>Operating profit</b>		64,539,047	82,808,185	64,540,058	82,781,861
<b>Finance income</b>	21	2,010,887	35,217	2,010,887	35,217
<b>Finance costs</b>	22	(31,324,847)	(33,960,301)	(31,324,847)	(33,960,301)
<b>Profit for the year</b>		35,225,087	48,883,101	35,226,098	48,856,777
<b>Other comprehensive income</b>					
Other comprehensive income		-	-	-	-
<b>Total comprehensive income for the year</b>		35,225,087	48,883,101	35,226,098	48,856,777
<b>Total comprehensive income attributable to:</b>					
Owners of the parent		35,225,087	48,883,101	35,226,098	48,856,777
		35,225,087	48,883,101	35,226,098	48,856,777

# RANBAXY PHARMACEUTICALS (PTY) LTD

(Registration Number 1993/003111/07)

Audited Consolidated and Separate Annual Financial Statements for the year ended 31 March 2018

## Statements of Changes in Equity

Figures in R	Stated Capital	Common Control Reserve	Accumulated loss	Total
<b>Group</b>				
<b>Balance at 1 April 2016</b>	200,000,200	(3,304,567)	(465,253,397)	(268,557,764)
<b>Total comprehensive income for the year</b>				
Profit for the year			48,883,101	48,883,101
<b>Total comprehensive income for the year</b>	-	-	48,883,101	48,883,101
<b>Balance at 31 March 2017</b>	<b>200,000,200</b>	<b>(3,304,567)</b>	<b>(416,370,296)</b>	<b>(219,674,663)</b>
<b>Balance at 1 April 2017</b>	200,000,200	(3,304,567)	(416,370,296)	(219,674,663)
<b>Total comprehensive income for the year</b>				
Profit for the year			35,225,087	35,225,087
<b>Total comprehensive income for the year</b>	-	-	35,225,087	35,225,087
<b>Balance at 31 March 2018</b>	<b>200,000,200</b>	<b>(3,304,567)</b>	<b>(381,145,209)</b>	<b>(184,449,576)</b>
<b>Notes</b>	10	11		

# RANBAXY PHARMACEUTICALS (PTY) LTD

(Registration Number 1993/003111/07)

Audited Consolidated and Separate Annual Financial Statements for the year ended 31 March 2018

## Statements of Changes in Equity

Figures in R	Share capital	Common control reserve	Accumulated loss	Total
<b>Company</b>				
<b>Balance at 1 April 2016</b>	200,000,200	(2,248,383)	(467,344,111)	(269,592,294)
<b>Total comprehensive income for the year</b>				
Profit for the year			48,856,777	48,856,777
<b>Total comprehensive income for the year</b>	-	-	48,856,777	48,856,777
<b>Balance at 31 March 2017</b>	<b>200,000,200</b>	<b>(2,248,383)</b>	<b>(418,487,334)</b>	<b>(220,735,517)</b>
<b>Balance at 1 April 2017</b>	200,000,200	(2,248,383)	(418,487,334)	(220,735,517)
<b>Total comprehensive income for the year</b>				
Profit for the year			35,226,098	35,226,098
<b>Total comprehensive income for the year</b>	-	-	35,226,098	35,226,098
<b>Balance at 31 March 2018</b>	<b>200,000,200</b>	<b>(2,248,383)</b>	<b>(383,261,236)</b>	<b>(185,509,419)</b>
<b>Notes</b>	10	11		

# RANBAXY PHARMACEUTICALS (PTY) LTD

(Registration Number 1993/003111/07)

Audited Consolidated and Separate Annual Financial Statements for the year ended 31 March 2018

## Statements of Cash Flows

Figures in R	Note	Group 2018	Group 2017	Company 2018	Company 2017
<b>Cash flows from operating activities</b>					
Profit/(Loss) before Tax		35,225,087	48,883,101	35,226,098	48,856,777
<i>Adjustments for:</i>					
Finance costs		31,324,847	33,960,301	31,324,847	33,960,301
Amortisation of Intangible assets		-	-	-	-
Depreciation of Property, plant and equipment		2,270,478	531,205	2,270,478	531,205
Investment income		(2,010,887)	(35,217)	(2,010,887)	(35,217)
<b>Operating cash flow before working capital changes</b>		<b>66,809,525</b>	<b>83,339,390</b>	<b>66,810,536</b>	<b>83,313,066</b>
<i>Working capital changes</i>					
Decrease/(increase) in inventories		134,995,294	(409,215,609)	134,995,291	(409,215,606)
Decrease/(increase) in trade and other receivables		180,163,454	(461,028,153)	180,694,131	(461,030,430)
(Decrease)/increase in trade and other payables		(226,452,811)	842,127,104	(226,451,099)	842,129,122
<b>Cash generated by operating activities</b>		<b>155,515,462</b>	<b>55,222,732</b>	<b>156,048,859</b>	<b>55,196,152</b>
Investment income		2,010,887	35,217	2,010,887	35,217
Finance costs		(31,324,847)	(33,960,301)	(31,324,847)	(33,960,301)
Income tax paid		-	-	-	-
<b>Net cash generated from operating activities</b>		<b>126,201,502</b>	<b>21,297,648</b>	<b>126,734,899</b>	<b>21,271,068</b>
<b>Cash flows from investing activities</b>					
Property, plant and equipment acquired		(9,031,733)	(10,480,614)	(9,031,733)	(10,480,614)
Intangible assets acquired	6	(204,243)	-	(204,243)	-
Proceeds on disposals of property, plant and equipment		729	-	729	-
<b>Net cash utilised in investing activities</b>		<b>(9,235,247)</b>	<b>(10,480,614)</b>	<b>(9,235,247)</b>	<b>(10,480,614)</b>
<b>Cash flows from financing activities</b>					
Increase in loans from group companies		11,906,319	13,600,000	11,156,526	13,425,202
<b>Net cash generated by financing activities</b>		<b>11,906,319</b>	<b>13,600,000</b>	<b>11,156,526</b>	<b>13,425,202</b>

# RANBAXY PHARMACEUTICALS (PTY) LTD

(Registration Number 1993/003111/07)

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## Statements of Cash Flows

Figures in R	Note	Group 2018	Group 2017	Company 2018	Company 2017
Increase in cash and cash equivalents		128,872,574	24,417,034	128,656,178	24,215,656
Cash and cash equivalents at beginning of the year		51,214,355	26,797,321	50,228,677	26,013,021
<b>Cash and cash equivalents at end of the year</b>	<b>9</b>	<b>180,086,929</b>	<b>51,214,355</b>	<b>178,884,855</b>	<b>50,228,677</b>



# **RANBAXY PHARMACEUTICALS (PTY) LTD**

(Registration Number 1993/003111/07)

Consolidated and Separate Annual Financial Statements for the year ended 31 March 2018

## **Accounting Policies**

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### **1. Basis of preparation**

The consolidated and separate annual financial statements of the Group have been prepared in accordance with all applicable International Financial Reporting Standards (IFRSs). The consolidated and separate annual financial statements have been prepared under the historical cost convention, as modified by the revaluation of land and buildings, available-for-sale financial assets, and financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated and separate annual financial statements are disclosed in note 3.

### **2. Summary of significant accounting policies**

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

#### **2.1 Business combinations**

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the statement of comprehensive income.

Acquisition-related costs are expensed as incurred

# **RANBAXY PHARMACEUTICALS (PTY) LTD**

(Registration Number 1993/003111/07)

Consolidated and Separate Annual Financial Statements for the year ended 31 March 2018

## **Accounting Policies**

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### **2.1.1 Basis of Consolidation**

The consolidated group annual financial statements incorporate the financial statements of the Company and entities (including special purpose entities) controlled by the Company (its subsidiaries).

Control is achieved when the company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

The size of the Company's holding of voting relative to the size and dispersion of holdings of other vote holders;

- the potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control over the subsidiary.

Income and expenses of subsidiaries acquired or disposed off during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to non-controlling interest even if this results in the non-controlling interest having a deficit balance.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the Group

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

### **2.1.2 Changes in ownership interests in subsidiaries without change of control**

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners.

The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

# **RANBAXY PHARMACEUTICALS (PTY) LTD**

(Registration Number 1993/003111/07)

Consolidated and Separate Annual Financial Statements for the year ended 31 March 2018

## **Accounting Policies**

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### **2.1.3 Investment in subsidiaries**

In the company's separate consolidated and separate annual financial statements, investment in subsidiaries are carried at cost less any accumulated impairment.

The cost of an investment in a subsidiary is the aggregate of:

- the fair value, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the company; plus
- any costs directly attributable to the purchase of the subsidiary.

An adjustment to the cost of a business combination contingent on future events is included in the cost of the combination if the adjustment is probable and can be measured reliably.

### **2.1.4 Associates**

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with IFRS 5 - Non-current Assets Held for Sale and Discontinued Operations. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate.

When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

## **2.2 Property, Plant and Equipment**

Property, plant and equipment are tangible assets which the group holds for its own use or for rental to others and which are expected to be used for more than one year.

An item of property, plant and equipment is recognised as an asset when it is probable that future economic benefits associated with the item will flow to the company, and the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost. Cost includes all of the expenditure which is directly attributable to the acquisition or construction of the asset, including the capitalisation of borrowing costs on qualifying assets and adjustments in respect of hedge accounting, where appropriate.

Property, plant and equipment is subsequently stated at cost less accumulated depreciation and any accumulated impairment losses, except for land which is stated at cost less any accumulated impairment losses.

# **RANBAXY PHARMACEUTICALS (PTY) LTD**

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Consolidated and Separate Annual Financial Statements for the year ended 31 March 2018

## **Accounting Policies**

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Depreciation of an asset commences when the asset is available for use as intended by management. Depreciation is charged to write off the asset's carrying amount over its estimated useful life to its estimated residual value, using a method that best reflects the pattern in which the asset's economic benefits are consumed by the group. Leased assets are depreciated in a consistent manner over the shorter of their expected useful lives and the lease term. Depreciation is not charged to an asset if its estimated residual value exceeds or is equal to its carrying amount. Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale or derecognised.

The major categories of property, plant and equipment are depreciated at the following rates:

Buildings	30 years
Building components	10% to 33,3% per annum
Motor vehicles	5 years
Plant and Machinery	5-25 years
Computer equipment	3 years
Office equipment	6 years
Furniture and fittings	6 years

During the prior year end, the subsidiary impaired its property, plant and equipment down to residual value. The revised carrying amounts are tabulated in note 5

The carrying values of these assets were reviewed and revised in the prior year, as the directors determined that the manufacturing plant where these items of property, plant and equipment are deployed would not obtain future economic benefits in excess of their residual values.

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting year. If the expectations differ from previous estimates, the change is accounted for prospectively as a change in accounting estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each year is recognised in profit or loss unless it is included in the carrying amount of another asset.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its continued use or disposal. Any gain or loss arising from the derecognition of an item of property, plant and equipment is included in profit or loss when the item is derecognised. Any gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Plant and machinery that is in the course of construction for production are carried at cost, less and recognised impairment loss. Costs include the cost of the assets and associated professional fees. Such assets are classified to the appropriate categories of property plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property plant and equipment, commences when the assets are ready for intended use.

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### **2.3 Intangible Assets**

An intangible asset is recognised when:

- it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity; and
- the cost of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed every period-end.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Intangible assets are amortised at the following rates:

Computer Software	2 years
Patents, trademarks and other rights	5 years

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### **2.3.1 Computer software**

Costs associated with maintaining computer software programmes are recognised as an expense as incurred.

Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software product so that it will be available for use;
  - management intends to complete the software product and use or sell it;
  - there is an ability to use or sell the software product;
  - it can be demonstrated how the software product will generate probable future economic benefits;
  - adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
  - the expenditure attributable to the software product during its development can be reliably measured.
- Directly attributable costs that are capitalised as part of the software product include the software development employee costs and an appropriate portion of relevant overheads.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred.

Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Computer software development costs recognised as assets are amortised over their estimated useful lives, which does not exceed three years.

### **2.4 Leases**

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

#### **2.4.1 Operating leases – lessee**

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease liability. This liability is not discounted.

Any contingent rents are expensed in the period they are incurred.

#### **2.4.2 Operating leases**

Lease payments under an operating lease are recognised as an expense on a straight-line basis over the lease term. The payments made on acquiring land held under an operating lease are recognised in the statement of financial position as lease premium for land.

Contingent rents are charged as an expense in the periods in which they are incurred.

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### **2.5 Inventories**

Inventories are measured at the lower of cost, on the weighted average cost basis or net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the entity.

### **2.6 Financial assets**

#### **2.6.1 Classification**

The group classifies financial assets and financial liabilities into the following categories:

- Loans and receivables
- Financial liabilities measured at amortised cost

Classification depends on the purpose for which the financial instruments were obtained / incurred and takes place at initial recognition.

Financial assets classified as at fair value through profit or loss which are no longer held for the purposes of selling or repurchasing in the near term may be reclassified out of that category:

- in rare circumstances
- if the asset met the definition of loans and receivables and the entity has the intention and ability to hold the asset for the foreseeable future or until maturity.

#### **Derecognition**

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the group has transferred substantially all risks and rewards of ownership.

#### **2.6.2 Impairment of financial assets**

##### **a. Assets carried at amortised cost**

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired.

A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

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Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated statement of comprehensive income. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated statement of comprehensive income.

### **b. Assets classified as available for sale**

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. For debt securities, the Group uses the criteria referred to in (a) above. In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss. Impairment losses recognised in the consolidated statement of comprehensive income on equity instruments are not reversed through the consolidated statement of comprehensive income.

If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the consolidated statement of comprehensive income.

### **2.6.3 Trade and other receivables**

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. 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 receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in profit or loss within operating expenses. When a trade receivable is uncollectable, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in profit or loss.



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Trade and other receivables are classified as loans and receivables.

If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

### **2.6.4 Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments with original maturities of 3 months or less and bank overdrafts that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

## **2.7 Financial liabilities**

### **2.7.1 Trade and other payables**

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. If collection is expected in one year or less (or in normal operating cycle of business if longer), they are classified as current liabilities. If not, they are presented as non-current liabilities.

### **2.7.2 Borrowings**

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of comprehensive income over the period of the borrowings using the effective interest rate method.

### **2.7.3 Share capital**

#### **Ordinary shares**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

## **2.8 Post-employment benefits and short-term employee benefits**

### **2.8.1 Post-employment benefit plans**

The Group provides post-employment benefits through various defined contribution and defined benefit plans.

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### **2.8.2 Defined contribution plans**

The Group pays fixed contributions into independent entities in relation to several state plans and insurance for individual employees. The Group has no legal or constructive obligations to pay contributions in addition to its fixed contributions, which are recognised as an expense in the period that relevant employee services are received.

### **2.8.3 Short-term employee benefits**

The cost of all short-term employee benefits is recognised during the period in which the employee renders the related service on an undiscounted basis.

Accruals for employee entitlement to annual leave represents the present obligation, which the Group has to pay as a result of employees' services, provided to the reporting date. The accruals have been calculated at undiscounted amounts based on current salary rates.

A liability is recognised for the amount expected to be paid under short term bonuses in the Group as the Group has a present legal constructive obligation to pay the amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

### **2.9 Interest-bearing borrowings**

Interest-bearing borrowings, mainly bank loans and overdrafts, are measured initially at fair value less transaction costs and, after initial recognition, at amortised cost, plus or minus the cumulative amortisation using the effective interest rate method of any difference between that initial amount and the maturity amount.

### **2.10 Income tax**

Income tax for the year includes current tax and deferred tax. Current tax and deferred tax are recognised in profit or loss, except to the extent that the tax arises from a transaction or event which is recognised directly in equity. In the case if the tax relates to items that are recognised directly to equity, current tax and deferred tax are also recognised directly to equity.

Current tax liabilities and assets are measured at the amount expected to be paid to or recovered from the taxation authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date. Current tax is the amount of income taxes payable or recoverable in respect of the taxable profit or loss for a period.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively. Temporary differences are the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from the initial recognition of an asset or liability in a transaction which is not a business combination; and at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

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A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised, unless the deferred tax asset arises from the initial recognition of an asset or liability in a transaction that is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

At each balance sheet date, the company reviews and assesses the recognised and unrecognised deferred tax assets and the future taxable profit to determine whether any recognised deferred tax assets should be derecognised and any unrecognised deferred tax assets should be recognised.

Deferred tax assets and liabilities are measured 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 balance sheet date. Deferred tax assets and liabilities are not discounted.

### **Tax expenses**

Current and deferred taxes are recognised as income or an expense and included in profit or loss for the period, except to the extent that the tax arises from:

- a transaction or event which is recognised, in the same or a different period, to other comprehensive income, or
- a business combination

Current tax and deferred taxes are charged or credited to other comprehensive income if the tax relates to items that are credited or charged, in the same or a different period, to other comprehensive income.

Current tax and deferred taxes are charged or credited directly to equity if the tax relates to items that are credited or charged in the same or a different period, directly in equity.

## **2.11 Revenue recognition**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at fair value of the consideration received or receivable and represents amounts receivable or received for services provided and goods delivered, net of discounts and Value Added Tax (VAT) and where there is reasonable expectation that the income will be received and all attaching conditions will be complied with.

### **2.11.1 Sales of goods**

Revenue from the sales of good is recognised when all the following conditions have been satisfied:

The Group has delivered the goods to the customers and the customer has accepted the goods together with the risks and rewards of ownership of the goods;

- The amount of revenue can be measured reliably;
- Receipt of the future economic benefits is probable;
- Costs relating to the transaction can be measured reliably.

Revenue comprises net invoiced sales to customers excluding VAT and other non-operating income.

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### **2.12 Interest income**

Interest income is recognised using the effective interest rate method. When a loan and receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loan and receivables is recognised using the original effective interest rate.

Interest income is accrued on a time apportionment basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue shall be recognised only to the extent of the expenses recognised that are recoverable.

### **2.13 Foreign currency translation**

#### **2.13.1 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 Rand (R), which is the Group's presentation currency.

#### **2.13.2 Transactions and balances**

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured.

Cash flows arising from transactions in a foreign currency are recorded in Rands by applying to the foreign currency amount the exchange rate between the Rand and the foreign currency at the date of the cash flow.

Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as available for sale, are included in other comprehensive income.

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### **2.14 Provisions**

Provisions are recognised when:

- the group has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party. The reimbursement shall be recognised when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement shall be treated as a separate asset. The amount recognised for the reimbursement shall not exceed the amount of the provision.

Provisions are not recognised for future operating losses.

If an entity has a contract that is onerous, the present obligation under the contract shall be recognised and measured as a provision.

A constructive obligation to restructure arises only when an entity:

- \* has a detailed formal plan for the restructuring, identifying at least:
  - the business or part of a business concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for terminating their services
- the expenditure that will be undertaken; and
- when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

After their initial recognition contingent liabilities recognised in business combinations that are recognised separately are subsequently measured at the higher of:

- \* the amount that would be recognised as a provision; and
- \* the amount initially recognised less cumulative amortisation.

### **2.15 Borrowing costs**

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

The amount of borrowing costs eligible for capitalisation is determined as follows:

- Actual borrowing costs on funds specifically borrowed for the purpose of obtaining a qualifying asset less any temporary investment of those borrowings.
- Weighted average of the borrowing costs applicable to the entity on funds generally borrowed for the purpose of obtaining a qualifying asset. The borrowing costs capitalised do not exceed the total borrowing costs incurred.

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The capitalisation of borrowing costs commences when:

- expenditures for the asset have occurred.
- borrowing costs have been incurred, and
- activities that are necessary to prepare the asset for its intended use or sale are in progress.

Capitalisation is suspended during extended periods in which active development is interrupted.

Capitalisation ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

All borrowing costs are recognised as an expense in the period in which they are incurred.

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

### **2.16 Related parties**

For the purposes of these financial statements, a party is considered to be related to the company if:

- a. directly, or indirectly through one or more intermediaries, the party controls, is controlled by, or is under common control with, the company, has an interest in the company that gives it significant influence over the company, or has joint control over the company;
- b. the party is an associate of the company;
- c. the party is a joint venture in which the company is a venture;
- d. the party is a member of the key management personnel of the company or its parent;
- e. the party is a close member of the family of any individual referred to in (i) or (iv);
- f. the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (iv) or (v); or
- g. the party is a post-employment benefit plan for the benefit of employees of the company, or of any entity that is a related party of the company.

### **3. Critical accounting judgements and key sources of estimation uncertainty**

The Group's management makes assumptions, estimates and judgements in the process of applying the Group's accounting policies that affect the assets, liabilities, income and expenses in the consolidated annual financial statements prepared in accordance with IFRSs. The assumptions, estimates and judgements are based on historical experience and other factors that are believed to be reasonable under the circumstances. While the management reviews their judgements, estimates and assumptions continuously, the actual results will seldom equal to the estimates.

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The estimates and the underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision policy affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

### **3.1 Key sources of estimation uncertainty**

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

#### **3.1.1 Useful lives of property, plant and equipment**

As described above, the Group reviews the estimated useful lives of property, plant and equipment at the end of each reporting period. During the current year, the Board determined that the useful lives of certain items of equipment should be extended due to the current assets still being in use.

#### **3.1.2 Trade receivables and loans and receivables**

The group assesses its trade receivables and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in profit or loss, the group makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables, held to maturity investments and loans and receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio.

#### **3.1.3 Allowance for slow moving, damaged and obsolete stock**

An allowance for stock to write stock down to the lower of cost or net realisable value. Management have made estimates of the selling price and direct cost to sell on certain inventory items.

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### 4. Changes in accounting policies and disclosures

#### 4.1 Adoption of new and revised pronouncements

In the current year, the company has adopted all new and revised IFRSs that are relevant to its operations and effective for annual reporting periods beginning on or after 1 April 2017.

At the date of authorisation of these financial statements for the year ended 31 March 2018, the following IFRSs were adopted:

Details of Standard / Interpretation
<b>Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12)</b>
Amends IAS 12 Income Taxes to clarify the following aspects:
<ul style="list-style-type: none"><li>Unrealised losses on debt instruments measured at fair value and measured at cost for tax purposes give rise to a deductible temporary difference regardless of whether the debt instrument's holder expects to recover the carrying amount of the debt instrument by sale or by use.</li><li>The carrying amount of an asset does not limit the estimation of probable future taxable profits.</li><li>Estimates for future taxable profits exclude tax deductions resulting from the reversal of deductible temporary differences.</li><li>An entity assesses a deferred tax asset in combination with other deferred tax assets. Where tax law restricts the utilisation of tax losses, an entity would assess a deferred tax asset in combination with other deferred tax assets of the same type.</li></ul>
<b>Disclosure Initiative (Amendments to IAS 7)</b>
Amends IAS 7 Statement of Cash Flows to clarify that entities shall provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities.
<b>Annual Improvements to IFRS Standards 2014–2016 Cycle</b>
Makes amendments to the following standards:
<ul style="list-style-type: none"><li>IFRS 1 - Deletes the short-term exemptions in paragraphs E3–E7 of IFRS 1, because they have now served their intended purpose (effective 1 January 2018)</li><li>IFRS 12 - Clarifies the scope of the standard by specifying that the disclosure requirements in the standard, except for those in paragraphs B10–B16, apply to an entity's interests listed in paragraph 5 that are classified as held for sale, as held for distribution or as discontinued operations in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations (effective 1 January 2017)</li><li>IAS 28 - Clarifies that the election to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity that is a venture capital organisation, or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition (effective 1 January 2018)</li></ul>

Application of the above standards did not impact these consolidated and separate annual financial statements.



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### 4.2 New standards and interpretations not yet adopted

The company has not applied the following new, revised or amended pronouncements that have been issued by the IASB as they are not yet effective for the annual financial year beginning 1 April 2017 (the list does not include information about new requirements that affect interim financial reporting or first-time adopters of IFRS since they are not relevant to the company). The Board anticipates that the new standards, amendments and interpretations will be adopted in the Group's consolidated financial statements when they become effective. The company has assessed, where practicable, the potential impact of all these new standards, amendments and interpretations that will be effective in future periods.

Details of Standard / interpretation	Anticipated impact	Mandatory application date and expected implementation date
<p><b>IFRS 9 Financial Instruments (2014)</b></p> <p>A finalised version of IFRS 9 which contains accounting requirements for financial instruments, replacing IAS 39 Financial Instruments: Recognition and Measurement. The standard contains requirements in the following areas:</p> <ul style="list-style-type: none"> <li>• Classification and measurement. Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. The 2014 version of IFRS 9 introduces a 'fair value through other comprehensive income' category for certain debt instruments. Financial liabilities are classified in a similar manner to under IAS 39, however there are differences in the requirements applying to the measurement of an entity's own credit risk.</li> <li>• Impairment. The 2014 version of IFRS 9 introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognised.</li> <li>• Hedge accounting. Introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures</li> <li>• Derecognition. The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39.</li> </ul>	<p>No material impact anticipated</p>	<p>01 January 2018</p>

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<p><b>IFRS 15 Revenue from Contracts with Customers</b></p>	<p>No material impact anticipated</p>	<p>01 January 2018</p>
<p>IFRS 15 provides a single, principles based five-step model to be applied to all contracts with customers.</p>		
<p>The five steps in the model are as follows:</p>		
<ul style="list-style-type: none"> <li>• Identify the contract with the customer</li> </ul>		
<ul style="list-style-type: none"> <li>• Identify the performance obligations in the contract</li> </ul>		
<ul style="list-style-type: none"> <li>• Determine the transaction price</li> </ul>		
<ul style="list-style-type: none"> <li>• Allocate the transaction price to the performance obligations in the contracts</li> </ul>		
<ul style="list-style-type: none"> <li>• Recognise revenue when (or as) the entity satisfies a performance obligation.</li> </ul>		
<p>Guidance is provided on topics such as the point in which revenue is recognised, accounting for variable consideration, costs of fulfilling and obtaining a contract and various related matters. New disclosures about revenue are also introduced.</p>		
<p><b>IFRS 16 Leases</b></p>	<p>No material impact anticipated</p>	<p>01 January 2019</p>
<p>IFRS 16 specifies how an IFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.</p>		

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## Accounting Policies

<p><b>IFRIC 22 Foreign Currency Transactions and Advance Consideration</b></p> <p>The interpretation addresses foreign currency transactions or parts of transactions where:</p> <ul style="list-style-type: none"> <li>• there is consideration that is denominated or priced in a foreign currency;</li> <li>• the entity recognises a prepayment asset or a deferred income liability in respect of that consideration, in advance of the recognition of the related asset, expense or income; and</li> <li>• the prepayment asset or deferred income liability is non-monetary.</li> </ul> <p>The Interpretations Committee came to the following conclusion:</p> <ul style="list-style-type: none"> <li>• The date of the transaction, for the purpose of determining the exchange rate, is the date of initial recognition of the non-monetary prepayment asset or deferred income liability.</li> <li>• If there are multiple payments or receipts in advance, a date of transaction is established for each payment or receipt.</li> </ul>	<p>No material impact anticipated</p>	<p>01 January 2018</p>
<p><b>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)</b></p> <p>Amends IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures (2011) to clarify the treatment of the sale or contribution of assets from an investor to its associate or joint venture, as follows:</p> <ul style="list-style-type: none"> <li>• require full recognition in the investor's financial statements of gains and losses arising on the sale or contribution of assets that constitute a business (as defined in IFRS 3 Business Combinations)</li> <li>• require the partial recognition of gains and losses where the assets do not constitute a business, i.e. a gain or loss is recognised only to the extent of the unrelated investors' interests in that associate or joint venture.</li> </ul> <p>These requirements apply regardless of the legal form of the transaction, e.g. whether the sale or contribution of assets occurs by an investor transferring shares in a subsidiary that holds the assets (resulting in loss of control of the subsidiary), or by the direct sale of the assets themselves.</p>	<p>No material impact anticipated</p>	<p>Deferred indefinitely</p>

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### Accounting Policies

<b>Clarifications to IFRS 15 'Revenue from Contracts with Customers'</b>	No material impact anticipated	01 January 2018
Amends IFRS 15 Revenue from Contracts with Customers to clarify three aspects of the standard (identifying performance obligations, principal versus agent considerations, and licensing) and to provide some transition relief for modified contracts and completed contracts.		
<b>Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2)</b>	No material impact anticipated	01 January 2018
Amends IFRS 2 Share-based Payment to clarify the standard in relation to the accounting for cash-settled share-based payment transactions that include a performance condition, the classification of share-based payment transactions with net settlement features, and the accounting for modifications of share-based payment transactions from cash-settled to equity-settled.		
<b>Transfers of Investment Property (Amendments to IAS 40)</b>	No material impact anticipated	01 January 2018
The amendments to IAS 40 Investment Property:		
<ul style="list-style-type: none"> <li>• Amends paragraph 57 to state that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use.</li> </ul>		
<ul style="list-style-type: none"> <li>• The list of examples of evidence in paragraph 57(a) – (d) is now presented as a non-exhaustive list of examples instead of the previous exhaustive list.</li> </ul>		

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## Notes to the Consolidated and Separate Annual Financial Statements

Figures in R	Group 2018	Group 2017	Company 2018	Company 2017
<b>5. Property, plant and equipment</b>				
<b>Group/Company</b>	<b>Cost</b>	<b>Accumulated depreciation</b>	<b>2018 Carrying value</b>	<b>Cost</b>
<i>Owned assets</i>				
Land	16,420,902	-	16,420,902	16,420,902
Buildings	114,101,133	(110,558,848)	3,542,285	114,088,773
Plant and machinery	242,997,921	(215,037,445)	27,960,476	235,836,017
Motor vehicles	610,840	(710,375)	(99,535)	611,570
Furniture and fittings	7,638,383	(7,291,256)	347,127	7,398,155
Office equipment	772,602	(696,648)	75,954	758,209
IT equipment	2,849,920	(1,675,887)	1,174,033	1,750,791
Capital- Work in progress	1,125,140	-	1,125,140	621,421
	<b>386,516,841</b>	<b>(335,970,459)</b>	<b>50,546,382</b>	<b>377,485,838</b>
			<b>(333,699,982)</b>	<b>43,785,856</b>

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## Notes to the Consolidated and Separate Annual Financial Statements

Figures in R

	Group 2018	Group 2017	Company 2018	Company 2017
<b>Group/Company</b>				
<i>Owned assets</i>				
Land	16,420,902	-	-	16,420,902
Buildings	3,530,749	12,360	-	3,542,285
Plant and Machinery	22,901,846	7,161,904	-	27,960,476
Motor vehicles	25,593	(729)	-	(99,535)
Furniture and fittings	146,481	240,228	-	347,127
Office equipment	63,960	14,393	-	75,954
IT equipment	74,904	1,099,129	-	1,174,033
Capital- Work in progress	621,421	503,719	-	1,125,140
	43,785,856	9,031,733	-	50,546,382
		(729)	-	(2,270,478)

The carrying amounts of property, plant and equipment can be reconciled as follows:

Group/Company	Carrying value at beginning of year	Additions	Disposals	Scrapping	Transfers	Depreciation	Impairment Loss	2018 Carrying value at end of year
Land	16,420,902	-	-	-	-	-	-	16,420,902
Buildings	3,530,749	12,360	-	-	-	(824)	-	3,542,285
Plant and Machinery	22,901,846	7,161,904	-	-	-	(2,103,274)	-	27,960,476
Motor vehicles	25,593	-	(729)	-	-	(124,399)	-	(99,535)
Furniture and fittings	146,481	240,228	-	-	-	(39,582)	-	347,127
Office equipment	63,960	14,393	-	-	-	(2,399)	-	75,954
IT equipment	74,904	1,099,129	-	-	-	-	-	1,174,033
Capital- Work in progress	621,421	503,719	-	-	-	-	-	1,125,140
	43,785,856	9,031,733	(729)	-	-	(2,270,478)	-	50,546,382

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Figures in R

Group/Company	Carrying value at beginning of year	Group 2018		Group 2017		Transfers	Depreciation	Impairment Loss	2017 Carrying value at end of year
		Additions	Disposals	Scrapping	Company 2018				
<i>Owned assets</i>									
Land	16,420,902	-	-	-	-	-	-	-	16,420,902
Buildings	3,530,749	-	-	-	-	-	-	-	3,530,749
Plant and machinery	13,574,915	9,852,739	-	-	-	-	(525,808)	-	22,901,846
Motor vehicles	25,593	-	-	-	-	-	(5,397)	-	20,196
Furniture and fittings	146,481	-	-	-	-	-	-	-	146,481
Office equipment	63,960	-	-	-	-	-	-	-	63,960
IT equipment	47,070	33,231	-	-	-	-	-	-	80,301
Capital- Work in progress	26,777	594,644	-	-	-	-	-	-	621,421
	33,836,447	10,480,614	-	-	-	-	(531,205)	-	43,785,856

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Figures in R	Group 2018	Group 2017	Company 2018	Company 2017
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During the year, as a result of continuous poor performance out of the manufacturing plant, the directors carried out a review of the recoverable amount of the manufacturing plant and the related equipment. The fair value less costs of disposal was verified by independent experts with the appropriate qualifications and experience to have performed this assessment. From this exercise management obtained the inputs in order to compute the impairment loss on the above mentioned assets.

The fair value less cost of disposal was greater than the value in use and hence the recoverable amount of the relevant assets has been determined on the fair value less costs of disposal, that approximates the assets residual value and amounted to R 33,836,447 as at 31 March 2016

This resulted in an impairment loss of R 222, 250, 129, which has been recognised in profit and loss.

No impairment loss was incurred in 2015 from the assessment performed.

### Assets under construction

Carrying value	1,125,140	621,421	1,125,140	621,421
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ERF 2 Stormill Extension 1, Gauteng, with improvements thereon  
 ERF 15 Stormill Extension 1, Gauteng, with improvements thereon  
 ERF 16 Stormill Extension 1, Gauteng, with improvements thereon  
 ERF 18 Stormill Extension 1, Gauteng, with improvements thereon  
 ERF 19 & 20 Stormill Extension 1, Gauteng, with improvements thereon  
 ERF 9 & 10 Lea Glen Township, Gauteng  
 ERF 75 Robertville, Gauteng



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A register containing the information required by regulation 25 (3) of the Companies Regulations, 2011 is available for inspection at the registered office of the company.

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### 6. Intangible assets

Group and Company	Cost	Accumulated amortisation	2018 Carrying value	Cost	Accumulated amortisation	2017 Carrying value
Patents, trademarks and other rights	1,682,629	(1,494,222)	188,407	1,682,630	(1,494,222)	188,408
Computer Software	762,739	(331,443)	431,296	558,495	(331,442)	227,053
	<u>2,445,368</u>	<u>(1,825,665)</u>	<u>619,703</u>	<u>2,241,125</u>	<u>(1,825,664)</u>	<u>415,461</u>

The carrying amounts of intangible assets can be reconciled as follows:

	Carrying value at beginning of year	Fair value gains / Additions	Amortisation	Reclassified held for sale / Disposals	2018 Carrying value at end of year
Patents, trademarks and other rights	188,408	-	-	-	188,408
Computer Software	227,053	204,243	-	-	431,296
	<u>415,461</u>	<u>204,243</u>	<u>-</u>	<u>-</u>	<u>619,704</u>

	Carrying value at beginning of year	Fair value gains / Additions	Amortisation	Reclassified held for sale / Disposals	2017 Carrying value at end of year
Patents, trademarks and other rights	188,408	-	-	-	188,408
Computer software	227,053	-	-	-	227,053
	<u>415,461</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>415,461</u>

### 7. Inventories

Inventories comprise:

Raw materials	173,465,927	189,348,498	173,465,927	189,348,498
Work in progress	41,254,846	60,799,645	41,254,846	60,799,645
Finished goods	141,530,370	131,534,168	141,530,370	131,534,165
Goods in transit	101,778,712	202,022,318	101,778,712	202,022,318
Packaging materials	-	9,320,520	-	9,320,520
	<u>458,029,855</u>	<u>593,025,149</u>	<u>458,029,855</u>	<u>593,025,146</u>

No inventory was written down to net realisable value during the current year and the prior year

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Figures in R	Group 2018	Group 2017	Company 2018	Company 2017
<b>8. Trade and other receivables</b>				
Trade debtors	138,479,644	204,437,955	138,479,644	204,438,131
Sundry debtors	4,943,631	194,276	4,943,631	194,276
Prepaid expenses	3,896,031	289,824	3,896,031	289,824
Employee costs in advance	107,535	128,833	107,535	128,833
Value Added Tax	1,832,619	26,173,793	1,302,118	26,173,793
Amounts due from related parties	320,002,115	415,874,000	320,002,115	415,874,000
	469,261,575	647,098,681	468,731,074	647,098,857
Provision for Impairment loss	(3,313,296)	(986,948)	(3,313,296)	(986,948)
	465,948,279	646,111,733	465,417,778	646,111,909

### 8.1 Items included in trade and other receivables not classified as financial instruments

Prepaid expenses	3,896,031	289,824	482,625	289,824
Value Added Tax	1,832,619	26,173,793	1,302,118	26,173,793
Employee costs in advance	107,535	128,833	107,535	128,833
	5,836,185	26,592,450	1,892,278	26,592,450

### Trade and other receivables net of non-financial instruments (refer note 28)

	460,112,094	619,519,283	463,525,500	619,519,459
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The carrying amount of trade and other receivables approximates their fair value.

The following are the major debtors included in the trade receivables:

Private Sector	115,215,892	174,703,733	115,215,892	174,703,733
Public	23,263,752	29,734,222	23,263,752	29,734,398
	138,479,644	204,437,955	138,479,644	204,438,131

### Trade and other receivables past due but not impaired

Trade and other receivables which are less than 3 months past due are not considered to be impaired. At 31 March 2018, R 18,418.339 (2017: R 26 888 692) were past due but not impaired.

The aging of amounts past due but not impaired is as follows:

Current	60,467,695	144,228,790	60,467,695	144,228,966
1 month past due	49,547,323	33,320,473	49,547,323	33,320,473
2 months past due	10,046,288	5,994,556	10,046,288	5,994,556
3 months past due	7,818,522	13,573,348	7,818,522	13,573,348
More than 3 months past due	10,599,817	7,320,788	10,599,817	7,320,788
	138,479,644	204,437,955	138,479,644	204,438,131

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Figures in R	Group 2018	Group 2017	Company 2018	Company 2017
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### Trade and other receivables impaired

As of 31 March 2018, trade and other receivables of R 3,313,296 (2017: R 986 948) were impaired and allowed for.

### Allowance account for credit losses:

Balance as at 1 April 2016	986,948	476,463	986,948	476,463
Impairment loss made during the year	2,326,348	510,485	2,326,348	510,485
Balance as at 31 March 2018	<u>3,313,296</u>	<u>986,948</u>	<u>3,313,296</u>	<u>986,948</u>

## 9. Cash and cash equivalents

### Favourable cash balances

Bank balances	<u>180,086,928</u>	<u>51,214,355</u>	<u>178,884,855</u>	<u>50,228,677</u>
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## 10. Share capital

### Authorised

1000 Ordinary shares of R1 each	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>
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### Issued

300 Ordinary shares	<u>200,000,200</u>	<u>200,000,200</u>	<u>200,000,200</u>	<u>200,000,200</u>
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## 11. Reserves

Group: The common control reserve arose on the acquisition of the subsidiary Be-Tabs Investments (Pty) Ltd from Sun Pharma (Netherlands) BV- ie transfer of interest between entities under common control.

Company: The common control reserve arose on the transfer of the assets from the subsidiary Be-Tabs Investments (Pty) Ltd to the holding company, Ranbaxy Pharmaceuticals (Pty) Ltd, at a declared value greater than the carrying value. As both entities are under common control, the excess was taken to this reserve.

Common control reserve	<u>3,304,567</u>	<u>3,304,567</u>	<u>2,248,383</u>	<u>2,248,383</u>
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## Notes to the Consolidated and Separate Annual Financial Statements

Figures in R	Group 2018	Group 2017	Company 2018	Company 2017
<b>12. Loan from group companies</b>				
<b>Holding Company</b>				
Sun Pharma (Netherlands) BV	226,844,175	214,937,856	226,844,175	214,937,855
	<u>226,844,175</u>	<u>214,937,856</u>	<u>226,844,175</u>	<u>214,937,855</u>
<b>Subsidiary</b>				
Be-Tabs Investments Proprietary Limited	-	-	1,843,703	2,593,679
	<u>-</u>	<u>-</u>	<u>1,843,703</u>	<u>2,593,679</u>
Current liabilities	226,844,175	214,937,856	228,687,878	217,531,534
	<u>226,844,175</u>	<u>214,937,856</u>	<u>228,687,878</u>	<u>217,531,534</u>

The loans bear interest at a rate of 8.5% and have no fixed terms of repayment\*.

## 13. Operating lease liabilities

At year-end (2018), the Group has outstanding commitments under non-cancellable operating leases that fall due as follows:

- no later than one year	171,648	14,304	171,648	14,304
- later than one year but no later than five years	11,920	183,568	11,920	183,568
	<u>183,568</u>	<u>197,872</u>	<u>183,568</u>	<u>197,872</u>

Operating lease payments represents rentals payable by the group and company for certain of its office spaces and equipment. Leases are negotiated for an average term of seven years and rentals are fixed for an average of three years. No contingent rent is payable.

The group and company have no other commitments for the current year.

## 14. Retirement benefits

### Defined Contribution Plan:

It is the policy of the company to provide retirement benefits to all its full-time employees. Two defined contribution provident funds, exists for this purpose. The fund is funded both by member and by group contributions which are charged to the income statement as they are incurred. The total contribution to the scheme in the current year was R 7,038,068 (2017: R 6,801,456) for the group and company.

## 15. Deferred taxation

During the current year there had been no tax provision made for the company as the company had no taxable income. The estimated tax loss available for set off against future taxable income is R 393,507,345 (2017: R 441,046,201).

Management has not elected to recognise defer tax assets on the assessed losses.

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Figures in R	Group 2018	Group 2017	Company 2018	Company 2017
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### 16. Trade and other payables

Trade creditors	12,749,718	265,325,433	12,749,536	265,325,427
Value Added Tax	-	2,070	-	-
Marketing Accrual	89,367,033	62,904,291	89,367,033	62,904,291
Payroll related accruals	882,163	871,816	882,163	871,816
Related parties	1,000,521,603	1,009,001,057	1,000,521,603	1,009,001,057
Other payables and accruals	9,316,033	1,184,694	9,316,033	1,184,694
	<b>1,112,836,550</b>	<b>1,339,289,361</b>	<b>1,112,836,368</b>	<b>1,339,287,285</b>

#### 16.1 Items included in trade and other payables not classified as financial instruments

Value Added Tax	-	2,070	-	-
Payroll related accruals	882,163	871,816	882,163	871,816
Marketing Accrual	89,367,033	62,904,291	89,367,033	62,904,291
	<b>90,249,196</b>	<b>63,778,177</b>	<b>90,249,196</b>	<b>63,776,107</b>

#### Trade and other payables net of non-financial instruments (refer note 28)

	<b>1,022,587,355</b>	<b>1,275,511,184</b>	<b>1,022,587,173</b>	<b>1,275,511,178</b>
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Creditors and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken is less than 60 days. No interest is charged on trade payables. The group and company has risk management policies in place to ensure that all payables are paid within the agreed credit terms. The carrying amounts of financial liabilities approximate fair value.

### 17. Revenue

An analysis of revenue is as follows:

Sale of goods	1,233,513,099	1,115,100,194	1,233,513,099	1,115,100,194
	<b>1,233,513,099</b>	<b>1,115,100,194</b>	<b>1,233,513,099</b>	<b>1,115,100,194</b>

### 18. Cost of Sales

#### Sale of goods

Cost of goods sold	986,631,402	(868,302,199)	986,631,402	(868,302,000)
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### 19. Other Income

Insurance Claim received	1,397,719	246,941	1,397,719	246,941
Distribution Income	801,537	4,380,906	801,537	4,380,906
Dossiers Sold	-	6,100,000	-	6,100,000
Sundry income	-	590,980	-	590,980
	<b>2,199,256</b>	<b>11,318,827</b>	<b>2,199,256</b>	<b>11,318,827</b>

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### 20. Auditors' remuneration

Audit fees	616,757	410,684	616,757	410,684
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### 21. Finance income

#### Interest income

Bank	2,010,887	35,217	2,010,887	35,217
	<u>2,010,887</u>	<u>35,217</u>	<u>2,010,887</u>	<u>35,217</u>

### 22. Finance costs

Bank	-	1,273	-	1,273
Group Companies	31,324,847	33,959,028	31,324,847	33,959,028
	<u>31,324,847</u>	<u>33,960,301</u>	<u>31,324,847</u>	<u>33,960,301</u>

### 23. Income taxation expense

No tax provision has been made for the 2018 tax as the group has no taxable income. The estimated tax loss available for set off against future taxable income is R 429,082,594 ( 2017: R 450,784,101)

### 24. Directors' emoluments

The remuneration of directors and other members of key management during the year was as follows

Remuneration and Bonuses	5,882,408	6,573,029
Post retirement benefits	602,406	346,948
	<u>6,484,815</u>	<u>6,919,977</u>

#### Executive

##### 2018

Name	Remuneration excl bonus and post retirements	Post retirement benefits	Bonus	Board Fees	Total
Director A	2,701,296	354,300	653,453	-	3,709,049
Director B	-	-	-	-	-
Director C	-	-	-	-	-
Director D	1,272,171	127,749	217,284	-	1,617,205
Director E	-	-	-	-	-
Director F	899,357	120,357	138,847	-	1,158,561
	<u>4,872,824</u>	<u>602,406</u>	<u>1,009,584</u>	-	<u>6,484,815</u>

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<b>2017</b>					
Name	Remuneration excl bonus and post retirements	Post retirement benefits	Bonus	Board Fees	Total
Director A	2,502,651	176,540	636,336	-	3,315,527
Director B	-	-	-	-	-
Director C	-	-	-	-	-
Director D	1,215,334	78,462	221,899	-	1,515,695
Director E	924,050	34,465	112,537	-	1,071,052
Director F	838,777	57,481	121,444	-	1,017,702
	5,480,812	346,948	1,092,217	-	6,919,977

The above represents remuneration earned for services to both the company and the wider group

### 25. Event after the balance sheet date

On 13 April 2018 Sun Pharma (Netherlands) B.V. ("RNBV") authorised a change to Ranbaxy Pharmaceuticals (Pty) Ltd ("RXP") Memorandum of Incorporation ("MOI"), to issue ZAR500,000,000 worth of Preference Shares. After which ZAR220,000,000 of Preference Shares will be allocated to RNBV and ZAR280,000,000 of Preference Shares will be allocated to Sun Pharma Global FZE for cash. This transaction is expected to be completed in the 2019 Financial Year.

### 26. Interest in subsidiaries including consolidated structured entities

Name	Interest held 2018	Interest held 2017	Carrying Amount 2018	Carrying Amount 2017
Be-Tabs Investments Proprietary Limited	100.00%	100.00%	2,516,435	2,516,233

The subsidiary Be-Tabs Investments (Pty) Ltd previously held investment property for the purpose of earning rental income. This property has been transferred to the holding company Ranbaxy Pharmaceuticals (Pty) Ltd. This subsidiary, henceforth is not in operation and is being de registered as an entity.



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### 27. Related party transactions

Name	Relationship
Sun Pharmaceutical Industries Limited	Ultimate Holding Company
Sun Pharma (Netherlands) BV	Holding Company
Ranbaxy South Africa (Pty) Ltd	Sister Company
Sun Pharmaceuticals SA (Pty) Ltd	Sister Company
Sonke Pharmaceuticals (Pty) Ltd	Fellow Subsidiary
Be-Tabs Investments (Pty) Ltd	Subsidiary

#### Directors

DW  
Brothers  
M Sudan  
M Kaszas

#### Related party balances

##### Loan Accounts- Owing (to) by related parties

Sun Pharma (Netherlands) BV	226,844,357	214,937,855	226,844,357	214,937,855
Be-Tabs Investments (Pty) Ltd	-	-	1,843,703	2,593,679
	<b>226,844,357</b>	<b>214,937,855</b>	<b>228,688,060</b>	<b>217,531,534</b>

##### Amounts included in Trade receivable (Trade Payable)

Ranbaxy South Africa Proprietary Limited	(231,478,052)	(198,279,068)	(231,478,052)	(198,279,068)
Sonke Pharmaceuticals Proprietary Limited	-	(60,464,064)	-	(60,464,064)
Sonke Pharmaceuticals Proprietary Limited	286,080,640	382,521,660	286,080,640	382,521,660
Sun Pharmaceutical Industries Limited	(792,495,459)	(806,289,140)	(792,495,459)	(806,289,140)
Sun Pharmaceutical Industries Limited	33,352,340	33,352,340	33,352,340	33,352,340
Sun Pharmaceuticals SA (Pty) Ltd	569,136	-	569,136	-
Sun Pharmaceuticals SA (Pty) Ltd	(4,329,389)	-	(4,329,389)	-
	<b>(703,971,396)</b>	<b>(649,158,272)</b>	<b>(703,971,396)</b>	<b>(649,158,272)</b>

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Figures in R		Group 2018	Group 2017	Company 2018	Company 2017
<b>Related party transactions</b>					
Sun Pharmaceutical Industries Limited	Purchases	676,252,658	-	676,252,658	
Sun Pharma (Netherlands) BV	Interest Paid on related party borrowings	13,600,000	13,600,000	13,600,000	13,600,000
Ranbaxy South Africa Proprietary Limited	Interest Paid on related party borrowings	17,724,335	20,359,028	17,724,335	20,359,028
Sonke Pharmaceuticals Proprietary Limited	Purchases	-	79,792,466	-	79,792,466
Sonke Pharmaceuticals Proprietary Limited	Sales	-	(666,835,876)	-	(666,835,876)
Sonke Pharmaceuticals Proprietary Limited	Sales	(674,862,971)	-	(674,862,971)	-
Sun Pharmaceuticals SA (Pty) Ltd	Purchases	4,329,389	-	4,329,389	-
		<b>37,043,412</b>	<b>(553,084,382)</b>	<b>37,043,412</b>	<b>(553,084,382)</b>

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### 28. Financial instruments and risk management

The Group has classified its financial assets in the following categories:

	Fair value through profit loss (held for trading)	Held-to- maturity investments	Loans and receivables	Available-for- sale financial assets	Total
<b>2018</b>					
<b>Current financial assets</b>					
Amount due from related parties	-	-	320,002,115	-	320,002,115
Trade and other receivables (refer note 8)	-	-	140,109,979	-	140,109,979
Cash and cash equivalents (refer note 9)	-	-	180,086,928	-	180,086,928
<b>2017</b>					
<b>Current financial assets</b>					
Amount due from related parties	-	-	415,874,000	-	415,874,000
Trade and other receivables (refer note 8)	-	-	203,645,283	-	203,645,283
Cash and cash equivalents (refer note 9)	-	-	51,214,355	-	51,214,355

The Group has classified its financial liabilities in the following categories

	Fair value through profit loss	Amortised cost	Total
<b>2018</b>			
<b>Current financial liabilities</b>			
Trade and other payables (refer note 16)	-	22,065,751	22,065,751
Amounts due to related parties	-	1,000,521,603	1,000,521,603
Loan from group companies (refer note 12)	-	226,844,175	226,844,175
<b>2017</b>			
<b>Current financial liabilities</b>			
Trade and other payables (refer note 16)	-	266,510,127	266,510,127
Loan from group companies (refer note 12)	-	214,937,856	214,937,856
Amounts due to related parties	-	1,009,001,057	1,009,001,057

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Figures in R	Group 2018	Group 2017	Company 2018	Company 2017
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The company has classified its financial assets in the following categories:

	Fair value through profit loss (held for trading)	Held-to- maturity investments	Loans and receivables	Available-for- sale financial assets	Total
<b>2018</b>					
<b>Current financial assets</b>					
Amounts due from related parties	-	-	320,002,115	-	320,002,115
Trade and other receivables (refer note 8)	-	-	143,523,385	-	143,523,385
Cash and cash equivalents (refer note 9)	-	-	178,884,855	-	178,884,855
<b>2017</b>					
<b>Non-current financial assets</b>					
Investments	-	-	-	2,516,253	2,516,253
<b>Current financial assets</b>					
Amounts due from related parties	-	-	415,874,000	-	415,874,000
Trade and other receivables (refer note 8)	-	-	203,645,459	-	203,645,459
Cash and cash equivalents (refer note 9)	-	-	50,228,677	-	50,228,677

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Figures in R	Group 2018	Group 2017	Company 2018	Company 2017
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The company has classified its financial liabilities in the following categories

	Fair value through profit loss	Amortised cost	Total
<b>2018</b>			
<b>Current financial liabilities</b>			
Trade and other payables (refer note 16)	-	22,065,569	22,065,569
Amounts due to related parties	-	1,000,521,603	1,000,521,603
Loan from group companies (refer note 12)	-	228,687,878	228,687,878
<b>2017</b>			
<b>Current financial liabilities</b>			
Trade and other payables (refer note 16)	-	266,510,121	266,510,121
Loan from group companies (refer note 12)	-	217,531,534	217,531,534
Amounts due to related parties	-	1,009,001,057	1,009,001,057

The Group is exposed to credit risk and liquidity risk arising in the normal course of its business and financial instruments. The Groups risk management objectives, policies and processes mainly focus on minimizing the potential adverse effects of these risks on its financial performance and position by closely monitoring the individual exposure. Related party payables bears no interest

### 28.1 Credit risk

The group and company is exposed to credit risk on financial assets, mainly attributable to cash deposits, cash equivalents and trade and other receivables. The group and company deposits cash with major banks with high quality credit standing. The company and group has trade receivables within the group, and trade and other receivables in the private and public sector.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. Customers are independently rated, these ratings are used. Individual risk limits are set based on internal or external ratings in accordance with limits set by management. The utilisation of credit limits is regularly monitored.

At 31 March 2018, the Group has no concentration of risk and the maximum exposure to credit risk is represented by the carrying amount of each financial asset.

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### 28.2 Liquidity risk

The group and company is exposed to liquidity risk on financial liabilities. Cash flow forecasting is performed in the operating entities of the group and aggregated by group finance. It manages its funds conservatively by maintaining a comfortable level of cash and cash equivalents. Company finance monitors rolling forecasts of the group's liquidity requirements to ensure it has sufficient cash to meet operational needs.

The table below analyses the group's financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the Statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

#### Summary quantitative data - Group

	Less than 1 year	Between 1 and 5 years	Over 5 years	Undated
<b>2018</b>				
Loan from group companies (refer note 12)	-	-	-	226,844,175
Amount due to related parties	1,000,521,603	-	-	-
Trade and other payables (refer note 16)	22,065,751	-	-	-
<b>2017</b>				
Loan from group companies (refer note 12)	-	-	-	214,937,856
Trade and other payables (refer note 16)	266,510,127	-	-	-

#### Summary quantitative data - Company

	Less than 1 year	Between 1 and 5 years	Over 5 years	Undated
<b>2018</b>				
Loan from group company (refer note 12)	-	-	-	228,687,878
Amount due to related parties	1,000,521,603	-	-	-
Trade and other payables (refer note 16)	22,065,569	-	-	-
<b>2017</b>				
Loan from group company (refer note 12)	-	-	-	217,531,534
Amount due to related parties	1,009,001,057	-	-	-
Trade and other payables (refer note 16)	266,510,121	-	-	-

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### 28.3 Capital risk management

The group's objectives when managing capital are to safeguard the group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the group consists of debt, which includes the borrowings (excluding derivative financial liabilities) disclosed in note 12, cash and cash equivalents disclosed in note 9, and equity as disclosed in the Statement of financial position.

In order to maintain or adjust the capital structure, the group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. There are no externally imposed capital requirements

There have been no changes to what the entity manages as capital, the strategy for capital maintenance or externally imposed capital requirements from the previous year.

### 28.4 Interest rate risk

The company has interest bearing assets in the form of cash balances at year end which bears interest at market bank rates. The company's interest rate risk arises from long-term borrowings, from related party borrowings within the group. These borrowings accrue interest at 8.5%.

The company's income and operating cash flows are substantially independent of changes in market interest rates

#### Sensitivity analysis

At 31 March 2018, if interest rates had been 0.5% higher/lower, with all other variables held constant, the company's profit after taxation and retained profits would have been R 576,000 (2017: R 576,000) higher/lower for the group and company.

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### 28.5 Currency risk

The group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar. Foreign exchange risk arises when future commercial transactions, recognised assets and liabilities are denominated in a currency that is not the entity's functional currency.

#### Foreign currency exposure at the end of the reporting period

##### Liabilities

Uncovered foreign liabilities, EUR 19 800 ( 2017: 0)	287,496	-	287,496	-
Uncovered foreign liabilities, USD 248,978 ( 2017: 554,288)	2,917,076	7,164,432	2,917,076	7,164,432
Uncovered foreign liabilities, INR 5 703 005 ( 2017: 0)	31,651,678	-	31,651,678	-

#### Exchange rates used for conversion for foreign items were:

USD	11.72	12.93	11.72	12.93
EUR	14.52	- #	14.52	-
INR	5.55	-	5.55	-

#### Sensitivity analysis

At 31 March 2018, if the South African Rand weakened/strengthened by 10% against the US dollar with all other variables held constant, the company's profit for the year and retained earnings would have been R0 (2017: R 301,571) higher/lower, mainly as a result of foreign exchange gains or losses on translation of US dollar denominated trade receivables.

The sensitivity analysis has been prepared with the assumption that the change in foreign exchange rates had occurred at the balance sheet date and had been applied to the exposure to currency risk for the relevant financial instruments in existence at that date. The changes in foreign exchange rates represent management's assessment of a reasonably possible change in foreign exchange rates at that date over the period until the next annual balance sheet date.

### 28.6 Price risk

The group is not exposed to price risk, as the industry is governed by single exit pricing. Revenue generated from government tenders, has prices fixed at the beginning of the contract and adjusted for inflationary effects by the National Department of Health.

### 29. Guarantees and bills discounted

Guarantees issued by the bank in favour of the company	326,000	326,000	326,000	326,000
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### 30. Going Concern

The group and company incurred a net profit for the year ended 31 March 2018 of R 35,225,087 and R35,226,087 (2017 net profits of R 48,88,101 and R 48,856,777 respectively) and, as at that dates its total liabilities exceeded its total assets by R 184,449,577 and R 185,509.420 respectively.

These conditions give rise to a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern and, therefore may be unable to realise its assets and discharge its liabilities in the normal course of business.

The immediate holding company, Sun Pharma (Netherlands) B.V., has provided a letter of continued financial support so as to allow the company to meet its obligations as and when they fall due, until the earlier of 31 March 2018, or until such time as the company's assets, fairly valued, exceed its liabilities.

In light of this, the directors are satisfied that the group and company have access to adequate resources to continue in operational existence for the foreseeable future, and therefore that the continued use of the going concern assumption is appropriate.