

RANBAXY (THAILAND) CO., LTD.
FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 MARCH 2017
AND INDEPENDENT AUDITOR'S REPORT

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Ranbaxy (Thailand) Co., Ltd.

Report on the Audit of the Financial Statements

Opinion

I have audited the financial statements of Ranbaxy (Thailand) Co., Ltd. (the Company), which comprise the statement of financial position as at March 31, 2017, the statement of income, and statement of changes in equity for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2017, and its financial performance for the year then ended in accordance with Thai Financial Reporting Standards for Non-Publicly Accountable Entities.

Basis for Opinion

I conducted my audit in accordance with Thai Standards on Auditing. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am independent of the Company in accordance with the Federation of Accounting Professions under the Royal Patronage of his Majesty the King's Code of Ethics for Professional Accountants together with the ethical requirements that are relevant to my audit of the financial statements, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Other Matter

The financial statements of Ranbaxy (Thailand) Co., Ltd. for the year ended 31 March 2016, were audited by another auditor, who expressed an unmodified opinion on those statements on 19 April 2016.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Thai Financial Reporting Standards for Non-Publicly Accountable Entities, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with Standards on Auditing, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

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

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

I communicate with management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

Wannawat Hemachayart

Certified Public Accountant (Thailand) No. 7049

Mazars Ltd.

Bangkok

12 May 2017

Ranbaxy (Thailand) Co., Ltd.

Statement of financial position

As at 31 March 2017

Assets

		In Baht	
	Note	2017	2016
<i>Current assets</i>			
Cash and cash equivalents	4	59,398,707	18,473,301
Current investments	5	10,000,000	10,000,000
Trade and other accounts receivables	6	141,411,051	17,092,818
Inventories	7	158,328,306	21,673,159
Total current assets		369,138,064	67,239,278
<i>Non-current assets</i>			
Leasehold improvements and equipment	8	4,247,034	87,781
Intangible assets	9	148,496,474	17,912,658
Refundable deposits		345,210	129,950
Total non-current assets		153,088,718	18,130,389
Total assets		522,226,782	85,369,667

The accompanying notes are an integral part of these financial statements.

Ranbaxy (Thailand) Co., Ltd.

Statement of financial position

As at 31 March 2017

Liabilities and shareholders' equity

	Note	In Baht	
		2017	2016
Current liabilities			
Trade and other accounts payables	10	141,176,057	39,128,884
Deferred revenue		-	11,481,860
Income tax payables		-	830,080
Total current liabilities		141,426,057	51,440,824
Non-current liability			
Provision for decommissioning costs		250,000	-
Employee benefit obligations	11	13,411,194	1,309,170
Long term loans	12	282,107,360	-
Total non-current liability		295,518,554	1,309,170
Total liabilities		436,944,611	52,749,994
Shareholders' Equity			
Share capital			
- Authorised share capital			
1,150,158 ordinary shares of Baht 100 each	13	115,015,800	16,500,000
(2016 : 165,000 ordinary shares of Baht 100 each)			
- Issued and paid-up share capital			
1,150,158 ordinary shares of Baht 100 each	13	115,015,800	16,500,000
(2016 : 165,000 ordinary shares of Baht 100 each)			
Retained earnings (Deficit)		(29,733,629)	16,119,673
Total shareholders' equity		85,282,171	32,619,673
Total liabilities and shareholders' equity		522,226,782	85,369,667

The accompanying notes are an integral part of these financial statements.

Ranbaxy (Thailand) Co., Ltd.

Statement of income

As at 31 March 2017

		In Baht	
	Note	2017	2016
Revenues			
Revenue from sale of goods		529,593,139	109,166,806
Other income		8,565,733	2,852,464
Total revenues		538,158,872	112,019,270
Expenses			
Cost of sale of goods	7	400,327,655	95,277,306
Selling expenses		137,379,504	650,718
Administrative expenses		46,305,015	15,312,166
Total expenses		584,012,174	111,240,190
Profit (loss) before income tax expense		(45,853,302)	779,080
Income tax expense		-	(1,847,618)
Loss for the year		(45,853,302)	(1,068,538)

The accompanying notes are an integral part of these financial statements.

Ranbaxy (Thailand) Co., Ltd.

Statement of changes in shareholders' equity

As at 31 March 2017

	Note	In Baht		Total
		Issued and paid-up share capital	Retained earnings (Deficit)	
Balance at 31 March 2015 and 1 April 2015		16,500,000	17,188,211	33,688,211
Loss for the year		-	(1,068,538)	(1,068,538)
Balance at 31 March 2016 and 1 April 2016		16,500,000	16,119,673	32,619,673
Issue of ordinary shares	13	98,515,800	-	98,515,800
Loss for the year		-	(45,853,302)	(45,853,302)
Balance at 31 March 2017		115,015,800	(29,733,629)	85,282,171

The accompanying notes are an integral part of these financial statements.

Ranbaxy (Thailand) Co., Ltd.

Notes to the financial statements

For the year ended 31 March 2017

These notes form an integral part of the financial statements.

The financial statements issued for Thai statutory and regulatory reporting purposes are prepared in the Thai language. These English language financial statements have been prepared from the Thai language statutory financial statements, and were approved and authorised for issue by the Board of Directors on 12 May 2017.

1. General information

Ranbaxy (Thailand) Co., Ltd., the “Company”, is incorporated in Thailand and has its registered head office at 31, Phayathai Building 3rd Floor, Room 313-317, Phayathai Road, Rajathevi, Bangkok, Thailand.

The Company’s major shareholders during the financial year were Ranbaxy (Netherlands) B.V. which was incorporated in the Netherlands.

The Company is engaged in marketing and selling pharmaceutical products.

2. Basis of preparation of the financial statements

The financial statements are prepared in accordance with the Thai Financial Reporting Standard for Non-Publicly Accountable Entities (TFRS for NPAEs); guidelines promulgated by the Federation of Accounting Professions (FAP).

The financial statements are prepared and presented in Thai Baht, rounded in the notes to the financial statements to the nearest thousand. They are prepared on the historical cost basis except as stated in the accounting policies.

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

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

Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements is included in the Note 11 Employee benefit obligations.

Ranbaxy (Thailand) Co., Ltd.

Notes to the financial statements

For the year ended 31 March 2017

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

(a) Foreign currencies

Foreign currency transactions

Transactions in foreign currencies are translated to Thai Baht at the foreign exchange rates ruling at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to Thai Baht at the foreign exchange rates ruling at that date. Foreign exchange differences arising on translation are recognised in the statement of income.

Non-monetary assets and liabilities measured at cost in foreign currencies are translated to Thai Baht using the foreign exchange rates ruling at the dates of the transactions.

(b) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits.

(c) Trade and other accounts receivable

Trade and other accounts receivable are stated at their invoice value less allowance for doubtful accounts.

The allowance for doubtful accounts is assessed primarily on analysis of payment histories and future expectations of customer payments. Bad debts are written off when incurred.

Bad debts recovered are recognised in other income in the statement of income.

(d) Inventories

Inventories are stated at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost principle, and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

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

Ranbaxy (Thailand) Co., Ltd.

Notes to the financial statements

For the year ended 31 March 2017

(e) Leasehold improvements and equipment

Leasehold improvements and equipment are stated at cost less accumulated depreciation and losses on decline in value.

Cost includes expenditure that is directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

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

Gains and losses on disposal of an item of leasehold improvements and equipment are determined by comparing the proceeds from disposal with the carrying amount of leasehold improvements and equipment, and are recognised net within other income in the statement of income.

Subsequent costs

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

Depreciation

Depreciation is calculated based on the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

Depreciation is charged to the statement of income on a straight-line basis over the estimated useful lives of each component of an item of leasehold improvements and equipment. The estimated useful lives are as follows:

Computers	3 years
Office equipment	5 years
Furniture and fixtures	5 years
Leasehold improvements	3 years

Ranbaxy (Thailand) Co., Ltd.

Notes to the financial statements

For the year ended 31 March 2017

(f) Intangible assets

Goodwill

Goodwill presented as intangible assets in the financial statements is the excess of the purchase price over the fair market value of purchased assets as of the acquisition date.

Other intangible assets

Intangible assets that are acquired by the Company are stated at cost less accumulated amortisation and losses on decline in value.

Amortisation

Amortisation is calculated based on the cost of the asset, or other amount substituted for cost, less its residual value.

Amortisation is recognised in the statement of income on a straight-line basis over the estimated useful lives of intangible assets, from the date that they are available for use, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. The estimated useful lives of software licenses for the current and comparative periods are as follow:

Goodwill	10 years
Trademark	5 and 10 years
Distributor license	5 years
Software	3 years

(g) Losses on decline in value

The carrying amounts of the Company's assets are reviewed at each reporting date to determine whether there is any indication of a permanent decline in value. If any such indication exists, the assets' recoverable amounts are estimated. A loss on decline in value is recognised in the statement of income unless it reverses a previous revaluation credited to equity, in which case it is charged to equity.

(h) Trade and other accounts payable

Trade and other accounts payable are stated at cost.

(i) Provisions

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by the best estimate method.

Ranbaxy (Thailand) Co., Ltd.

Notes to the financial statements

For the year ended 31 March 2017

Employee benefits

Obligations for retired benefits and other long-term employee benefits are recognised using the best estimate method at the reporting date.

(j) Revenues

Revenue excludes value added taxes and is arrived at after deduction of trade discounts.

Sale of goods

Revenue is recognised in the statement of income when the significant risks and rewards of ownership have been transferred to the buyer. No revenue is recognised if there is continuing management involvement with the goods or there are significant uncertainties regarding recovery of the consideration due, associated costs or the probable return of goods.

(k) Expenses

Lease payments

Payments made under operating leases are recognised in the statement of income on a straight line basis over the term of the lease.

Finance costs

Interest expenses and similar costs are charged to the statement of income for the period in which they are incurred.

(l) Income tax

Income tax on the profit or loss for the year comprises current tax. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

In determining the amount of current tax, the Company takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Company believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Company to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

Ranbaxy (Thailand) Co., Ltd.

Notes to the financial statements

For the year ended 31 March 2017

4. Cash and cash equivalents

	In Thousand Baht	
	2017	2016
Cash on hand	3	7
Cash at banks – current accounts	69	2,212
Cash at banks – savings accounts	39,327	6,255
Fixed deposit – 3 months	20,000	10,000
Total	59,399	18,474

5. Current investment

	Interest rate		In Thousand Baht	
	2017	2016	2017	2016
Fixed deposit – 6 months	1.60 %	2.40 %	10,000	10,000
			10,000	10,000

6. Trade and other accounts receivable

	In Thousand Baht	
	2017	2016
Trade accounts receivable	116,901	4,684
Other accounts receivable	-	3,861
VAT receivables	21,271	7,891
Employee advances	650	633
Other	2,573	24
Total	141,395	17,093

Ranbaxy (Thailand) Co., Ltd.

Notes to the financial statements

For the year ended 31 March 2017

7. Inventories

	In Thousand Baht	
	2017	2016
Raw materials	8,464	7,536
Packing materials	4,109	5,907
Work in progress	3,260	1,466
Finished goods	154,539	3,353
Goods in transit	17,953	8,987
<i>Less allowance for decline in value</i>	<i>(29,997)</i>	<i>(5,576)</i>
Net	158,328	21,673
Inventories recognised as an expense in 'cost of goods':		
- Cost	375,907	90,070
- Write-down to net realisable value	24,421	5,207
Total	400,328	95,277

Ranbaxy (Thailand) Co., Ltd.

Notes to the financial statements

For the year ended 31 March 2017

8. Leasehold improvements and equipment

<i>Cost</i>	In Thousand Baht				
	Computers	Office equipment	Furniture and fixtures	Leasehold improvements	Total
At 1 April 2015	128	35	6	-	169
Additions	27	6	-	-	33
At 31 March 2016 and 1 April 2016	155	41	6	-	202
Additions	1,659	330	1,015	2,234	5,238
Disposals	-	-	(3)	-	(3)
At 31 March 2017	1,814	371	1,018	2,234	5,437

Ranbaxy (Thailand) Co., Ltd.

Notes to the financial statements

For the year ended 31 March 2017

In Thousand Baht

	Computers	Office equipment	Furniture and fixtures	Leasehold improvements	Total
<i>Accumulated depreciation</i>					
At 1 April 2015	53	2	2	-	57
Depreciation charge for the year	52	4	1	-	57
At 31 March 2016 and 1 April 2016	105	6	3	-	114
Depreciation charge for the year	181	89	142	666	1,078
Disposals	-	-	(2)	-	(2)
At 31 March 2017	286	95	143	666	1,190
<i>Net book value</i>					
At 31 March 2016	50	35	3	-	88
At 31 March 2017	1,528	276	875	1,568	4,247

Ranbaxy (Thailand) Co., Ltd.

Notes to the financial statements

For the year ended 31 March 2017

9. Intangible assets

In Thousand Baht

	Distributor license	Software license	Trademark	Goodwill	Total
<i>Cost</i>					
At 1 April 2015	-	34	3,947	-	3,981
Additions	14,777	-	-	-	14,777
At 31 March 2016 and 1 April 2016	14,777	34	3,947	-	18,758
Additions	2,840	339	44,733	97,203	145,115
At 31 March 2017	17,617	373	48,680	97,203	163,873
<i>Accumulated amortisation</i>					
At 1 April 2015	-	12	427	-	439
Amortisation charge for the year	-	11	395	-	406
At 31 March 2016 and 1 April 2017	-	23	822	-	845
Amortisation charge for the year	3,287	53	4,011	7,181	14,532
At 31 March 2017	3,287	76	4,833	7,181	15,377
<i>Net book value</i>					
At 31 March 2016	14,777	11	3,125	-	17,913
At 31 March 2017	14,330	297	43,847	90,022	148,496

Ranbaxy (Thailand) Co., Ltd.

Notes to the financial statements

For the year ended 31 March 2017

10. Trade and other accounts payable

	In Thousand Baht	
	2017	2016
Trade accounts payable	128,491	36,389
Other payables	4,070	1,031
Accrued expenses	8,615	1,709
Total	141,176	39,129

11. Employee benefit obligations

The Company operates a defined benefit plan based on the requirement of Thai Labour Protection Act B.E. 2541 (1998) to provide retirement benefits to employees based on pensionable remuneration and length of service. Accordingly, the Company had employee benefit obligations as follows:

	In Thousand Baht
At 1 April 2015	1,188
Provisions made	121
At 31 March 2016 and 1 April 2016	1,309
Provisions made	12,102
At 31 March 2017	13,411

12. Long-term loans

As at 31 March 2017, the company has loan from a related company of Baht 282.11 million (USD 8.15 million) which interest free. Such loan is unsecured.

13. Share capital

The extraordinary shareholders' meeting held on 11 May 2016 passed a special resolution to increase the Company's registered share capital from Baht 16.5 million (Divided into 165,000 ordinary shares at a par value of Baht 100 per share) to Baht 115 million (Divided into 1,150,158 ordinary shares at a par value of Baht 100 per share). The Company registered the share increase with the Ministry of Commerce on 26 May 2016.

Ranbaxy (Thailand) Co., Ltd.

Notes to the financial statements

For the year ended 31 March 2017

14. Business Purchase

In May 2016, the Company (RTH) entered into an agreement with Daiichi Sankyo (Thailand) Ltd. (DSTH) for Purchase of the Generics Business of DSTH in Thailand. The Business Purchase included the transfer of Marketing Authorisation of Generics Products and the entire Infrastructure, Inventory and other Assets and Liabilities relating to the Generic Business.

The transaction has been duly recorded in the books of the Company in the current year.

15. Commitments

	In Thousand Baht	
	2017	2016
Within one year	537	1,319
After one year but within five years	-	537
Total	537	1,856