Ranbaxy Pharmaceutical Proprietary Limited

Formerly Be-Tabs Pharmaceutical Proprietary Limited
(Registration number 1993/003111/07)
Consolidated and Separate Annual Financial Statements
for the year ended 31 March 2016

General Information

Country of incorporation and domicile	South Africa
Nature of business and principal activities	Import, manufacturing and trade of pharmaceutical goods
Directors	M Sudan M Kazas D Brothers
Registered office	121 Boshoff Street New Muckleneuk Pretoria 0181
Business address	3 Lautre Road Stormill Ext 1 Roodepoort 1724
Postal address	PO Box 43486 Industria 2042
Holding company	Ranbaxy Netherlands BV Incorporated in Netherlands
Ultimate holding company	Sun Pharmaceutical Industries Incorporated in India
Auditors	Deloitte Chartered Accountants (S.A.)
Secretary	Grant Thornton
Company registration number	1993/003111/07
Level of assurance	These consolidated and separate annual financial statements have been audited in compliance with the applicable requirements of the Companies Act 71 of 2008.
Preparer	The consolidated and separate annual financial statements were independently compiled by: F Cooper Chartered Accountant (S.A.)

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

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Directors' Responsibilities and Approval

The directors are required in terms of the Companies Act 71 of 2008 to maintain adequate accounting records and are responsible for the content and integrity of the group and company 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 fairly present the state of affairs of the group and company as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with International Financial Reporting Standards. The external auditors are engaged to express an independent opinion on the consolidated and separate annual financial statements.

The consolidated and separate annual financial statements are prepared in accordance with International Financial Reporting Standards and are based upon appropriate accounting policies consistently applied 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 directors are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the consolidated and separate annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The directors have reviewed the group and company's cash flow forecast for the year to 31 March 2017. The company's liabilities exceeds its assets, and the company is loss making. The company has obtained a letter of financial support from its holding company Ranbaxy Netherlands B.V. such that the company's obligations will be covered as and when they fall due for the a period of 12 months, valid up until June 2017. 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.

The external auditors are responsible for independently auditing and reporting on the group and company's consolidated and separate annual financial statements. The consolidated and separate annual financial statements have been examined by the group's external auditors and their report is presented on pages 4 to 5.

The consolidated and separate annual financial statements set out on pages 6 to 45, which have been prepared on the going concern basis, were approved by the board on 31 August 2016 and were signed on their behalf by:

M Sudan	[illegible]

Deloitte.

Deloitte & Touche
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Audit - Gauteng

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INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDER OF RANBAXY PHARMACEUTICAL PROPRIETARY LIMITED

We have audited the consolidated and separate financial statements of Ranbaxy Pharmaceutical Proprietary Limited set out on pages 6 to 45, which comprise the statements of financial position as at 31 March 2016, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Financial Statements

The Company's directors are responsible for the preparation and fair presentation of these audited financial statements in accordance with International Financial Reporting Standards and requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of the consolidated and separate audited financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated and separate audited financial statements present fairly, in all material respects, the consolidated and separate financial position of Ranbaxy Pharmaceutical Proprietary as at 31 March 2016, and its consolidated and separate changes in equity, consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

National Executive: *LL Bam Chief Executive Officer *TMM Jordan Deputy Chief Executive Officer *MJ Jarvis Chief Operating Officer *GM Pinnock Audit *N Sing Risk Advisory *NB Kader Tax TP Pillay Consulting S Gwala BPaaS *K Black Clients & Industries *JK Mazzocco Talent & Transformation *MJ Comber Reputation & Risk *TJ Brown Chairman of the Board

A full list of partners and directors is available on request * Partner and Registered Auditor

B-BBEE rating: Level 2 contributor in terms of the Chartered Accountancy Profession Sector Code

Associate of Deloitte Africa, a Member of Deloitte Touche Tohmatsu Limited

Emphasis of Matter
Without qualifying our opinion, we draw attention to note 29 to the financial statements which indicates that the group and company incurred net losses of R287.4 million for the year ended 31 March 2016 and, as at that date, the group's total liabilities exceeded its total assets by R268.6 million, and the company's total liabilities exceeded its total assets by R269.6 million. Note 29 also indicates that these conditions, along with other matters, indicate the existence of a material uncertainty which may cast significant doubt on the group's and company's abilities to continue as a going concern.

Other reports required by the Companies Act
As part of our audit of the consolidated and separate financial statements for the year ended 31 March 2016 we have read the Directors' Report for the purpose of identifying whether there are material inconsistencies between this report and the consolidated and separate audited financial statements.

This report is the responsibility of the respective preparers. Based on reading this report we have not identified material inconsistencies between the report and the consolidated and separate audited financial statements. However, we have not audited this report and accordingly do not express an opinion on the report.

Deloitte & Touche
Registered Auditor
Per: Marcus Bardopoulos
31 August 2016

Directors' Report

The directors have pleasure in submitting their report on the group and company annual financial statements of Ranbaxy Pharmaceutical Proprietary Limited for the year ended 31 March 2016.

1. Nature of business

The group is engaged in import, manufacturing and trade of pharmaceutical goods and operates principally in South Africa.

There have been no material changes to the nature of the group's business from the prior year.

2. Review of financial results and activities

The consolidated and separate annual financial statements have been prepared in accordance with International Financial Reporting Standards and the requirements of the Companies Act 71 of 2008. The accounting policies have been applied consistently compared to the prior year.

Full details of the financial positions, results of operations and cash flows of the group and company are set out in these consolidated and separate annual financial statements.

3. Stated capital

There have been no changes to the authorised or issued share capital during the year under review.

4. Dividends

No dividends were declared for the year.

5. Directorate

The directors in office at the date of this report are as follows:

Directors	Changes
M Bharadwaj	Resigned Wednesday, 18 November 2015
S Reddy	Resigned Wednesday, 18 November 2015
R Chakraverti	Resigned Wednesday, 18 November 2015
M Sudan	Appointed Wednesday, 18 November 2015
M Kazas	Appointed Wednesday, 18 November 2015
D Brothers	

6. Interest in subsidiary

Details of material interest in subsidiary companies are presented in the consolidated and separate annual financial statements in note 5.

There were no significant acquisitions or divestitures during the year ended 31 March 2016.

7. Holding company

The group's holding company is Ranbaxy Netherlands BV incorporated in Netherlands.

8. Ultimate holding company

The group's ultimate holding company is Sun Pharmaceutical Industries which is incorporated in India.

Directors' Report

9. Events after the reporting period

The directors are not aware of any matter or circumstance arising since the end of the financial year that would impact the financial positions for the group and company as at 31 March 2016.

10. Going concern

The group and company incurred a net loss for the year ended 31 March 2016 of R 287,438,823 and R 287,431,313 respectively (2015: R 51,268,671 and R 51,258,331 respectively) and, as at that date its total liabilities exceeded its total assets by R 268,557,764 and R 269,592,294 respectively. The company continues to incur losses.

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 that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

The immediate holding company, Ranbaxy 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 2017, 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.

11. Auditors

Deloitte were appointed as auditors for the company and its subsidiary for 2016.

12. Secretary

The company secretary functions are performed by Grant Thornton.

Business address

121 Boshoff Street
New Muckleneuk
Pretoria
0181

Consolidated and Separate Statements Of Financial Positions as at 31 March 2016

		Group		Company	
Figures in Rand	Notes	2016	2015	2016	2015
Assets					
Non-Current Assets					
Property, plant and equipment	3	33 836 447	261 253 250	33 836 447	261 253 250
Intangible assets	4	415 461	471 330	415 461	471 330
Investments in subsidiaries	5	-	-	2 516 223	2 516 233
		34 251 908	261 724 580	36 768 131	264 240 813
Current Assets					
Inventories	10	183 809 540	76 677 755	183 809 540	76 677 755
Trade and other receivables	11	185 081 509	75 713 664	185 081 509	75 654 448
Cash and cash equivalents	12	26 797 321	14 616 113	26 013 021	14 048 330
		395 688 370	167 007 532	394 904 070	166 380 533
Total Assets		429 940 278	428 732 112	431 672 201	430 621 346
Equity and Liabilities					
Equity					
Stated capital	13	200 000 200	200 000 200	200 000 200	200 000 200
Reserves	14	(3 304 567)	(3 304 567)	(2 248 383)	(2 248 383)
Accumulated loss		(465 253 397)	(177 814 574)	(467 344 111)	(179 912 798)
		(268 557 764)	18 881 059	(269 592 294)	17 839 019
Liabilities					
Current Liabilities					
Trade and other payables	16	497 160 187	221 733 283	497 158 163	221 871 388
Loans from group companies	6	201 337 855	187 700 595	204 106 332	190 910 939
Current tax payable		-	417 175	-	-
		698 498 042	409 851 053	701 264 495	412 782 327
Total Equity and Liabilities		429 940 278	428 732 112	431 672 201	430 621 346

Consolidated and Separate Statements Of Profit or Loss and Other Comprehensive Income

		Group		Company	
Figures in Rand	Notes	2016	2015	2016	2015
Revenue	17	340 645 436	259 198 798	340 645 436	259 198 798
Cost of sales	18	(192 424 577)	(156 395 834)	(192 424 577)	(156 395 834)
Gross profit		148 220 859	102 802 964	148 220 859	102 802 964
Other income	19	5 147 971	4 091 455	5 079 271	4 091 455
Operating expenses		(188 656 781)	(144 478 649)	(188 445 438)	(144 467 922)
Operating loss		(35 287 951)	(37 584 230)	(35 145 308)	(37 573 503)
Investment revenue	20	19 660	3 698	19 660	3 311
Impairments of Property, plant and equipment		(222 250 129)	-	(222 250 129)	-
Finance costs	21	(30 055 536)	(13 688 139)	(30 055 536)	(13 688 139)
Loss before taxation		(287 573 956)	(51 268 671)	(287 431 313)	(51 258 331)
Taxation	22	135 133	-	-	-
Loss for the year		(287 438 823)	(51 268 671)	(287 431 313)	(51 258 331)
Other comprehensive income		-	-	-	-
Total comprehensive loss for the year		(287 438 823)	(51 268 671)	(287 431 313)	(51 258 331)

Consolidated and Separate Statements Of Changes in Equity

Figures in Rand	Stated capital	Common control reserve	Accumulated loss	Total equity
Group				
Balance at 01 April 2014	200 000 200	(3 304 567)	(126 545 903)	70 149 730
Loss for the year	-	-	(51 268 671)	(51 268 671)
Other comprehensive income	-	-	-	-
Total comprehensive loss for the year	-	-	(51 268 671)	(51 268 671)
Balance at 01 April 2015	200 000 200	(3 304 567)	(177 814 574)	18 881 059
Loss for the year	-	-	(287 438 823)	(287 438 823)
Other comprehensive income	-	-	-	-
Total comprehensive loss for the year	-	-	(287 438 823)	(287 438 823)
Balance at 31 March 2016	200 000 200	(3 304 567)	(465 253 397)	(268 557 764)
Note(s)	13	14		
Company				
Balance at 01 April 2014	200 000 200	(2 248 383)	(128 654 467)	69 097 350
Loss for the year	-	-	(51 258 331)	(51 258 331)
Other comprehensive income	-	-	-	-
Total comprehensive loss for the year	-	-	(51 258 331)	(51 258 331)
Balance at 01 April 2015	200 000 200	(2 248 383)	(179 912 798)	17 839 019
Loss for the year	-	-	(287 431 313)	(287 431 313)
Other comprehensive income	-	-	-	-
Total comprehensive loss for the year	-	-	(287 431 313)	(287 431 313)
Balance at 31 March 2016	200 000 200	(2 248 383)	(467 344 111)	(269 592 294)
Notes	13	14		

Consolidated and Separate Statements Of Cash Flows

		Group		Company	
Figures in Rand	Notes	2016	2015	2016	2015
Cash flows from operating activities					
Cash generated in operations	23	31 033 764	9 936 540	30 977 071	9 947 027
Investment revenue		19 660	3 698	19 660	3 311
Finance costs		(30 055 536)	(13 688 139)	(30 055 536)	(13 688 139)
Tax paid		(282 042)	-	-	-
Net cash from / (used in) operating activities		**715 846**	**(3 747 901)**	**941 195**	**(3 737 801)**
Cash flows from investing activities					
Purchase of property, plant and equipment	3	(2 233 461)	(8 444 025)	(2 233 461)	(8 444 025)
Sale of property, plant and equipment	3	61 564	-	61 564	-
Purchase of other intangible assets	4	-	(138 829)	-	(138 829)
Proceeds from loans from group companies		13 637 260	13 634 842	13 195 393	13 344 473
Net cash from investing activities		**11 465 363**	**5 051 988**	**11 023 496**	**4 761 619**
Cash flows from financing activities					
Total cash movement for the year		**12 181 209**	**1 304 087**	**11 964 691**	**1 023 818**
Cash at the beginning of the year		**14 616 112**	**13 312 026**	**14 048 330**	**13 024 512**
Total cash at end of the year	12	**26 797 321**	**14 616 113**	**26 013 021**	**14 048 330**

Accounting Policies

1. Presentation of consolidated and separate annual financial statements

The consolidated and separate annual financial statements have been prepared in accordance with International Financial Reporting Standards, and the Companies Act 71 of 2008. The consolidated and separate annual financial statements have been prepared on the historical cost basis, and incorporate the principal accounting policies set out below. They are presented in South African Rands.

These accounting policies are consistent with the previous period, except for the newly adopted statements.

1.1 Consolidation

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 rights relative to the size and dispersion of holdings of other vote holders;
- the potential voting rights held by the Company, other vote holder or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or don 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 of 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.

Accounting Policies

1.1 Consolidation (continued)

Investment in 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.

Investment in subsidiaries

In the company's separate financial statements, investments 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.

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 interest issued by the group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable asset 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.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree' is re-measured to fair value at acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

1.2 Significant judgements and sources of estimation uncertainty

In preparing the consolidated and separate annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the consolidated and separate annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the consolidated and separate annual financial statements. Significant judgements include:

Accounting Policies

1.2 Significant judgements and sources of estimation uncertainty (continued)

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value- in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the assumptions may change which may then impact our estimations and may then require a material adjustment to the carrying value of tangible assets.

The group reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of tangible assets are inherently uncertain and could materially change over time.

Taxation

Judgement is required in determining the provision for income taxes due to the complexity of legislation. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

The group recognises the net future tax benefit related to deferred income tax assets to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future. Assessing the recoverability of deferred income tax assets requires the group to make significant estimates related to expectations of future taxable income. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the group to realise the net deferred tax assets recorded at the end of the reporting period could be impacted.

Trade receivables and loan 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.

Allowance for slow moving, damaged and obsolete stock

An allowance is made 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.

1.3 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.

Accounting Policies

1.3 Property, plant and equipment (continued)

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 useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life
Buildings	Straight line	30 years
Plant and machinery	Straight line	5 - 25 years
Furniture and fixtures	Straight line	8 years
Motor vehicles	Straight line	5 years
Office equipment	Straight line	6 years
IT equipment	Straight line	3 years

During the current year end, the subsidiary impaired its property, plant and equipment down to residual value. The revised carrying amounts are tabulated in note 3.

The carrying values of these assets were reviewed and revised 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 (capital WIP) 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.

1.4 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.

Accounting Policies

1.4 Intangible assets (continued)

- 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.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Useful life
Patents, trademarks and other rights	5 years
Computer software	2 years

1.5 Interests in subsidiaries

Company consolidated and separate annual financial statements

In the company's separate consolidated and separate annual financial statements, investments 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.

1.6 Financial instruments

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.

Accounting Policies

1.6 Financial instruments (continued)

Impairment of financial assets

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.

Evidence of impairment may include indications that the debtors or a group of debtors are 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 profit and loss and other 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 profit and loss and other comprehensive income.

Loans to (from) group companies

These include loans to and from holding companies, fellow subsidiaries, subsidiaries, joint ventures and associates and are recognised initially at fair value plus direct transaction costs.

Loans to group companies are classified as loans and receivables.

Loans from group companies are classified as financial liabilities measured at amortised cost.

Fair value measurement categories

For financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

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

The entity's assets and liabilities are comprised of Level 3."

Accounting Policies

1.6 Financial instruments (continued)

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.

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.

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.

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.

Borrowings

Borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the group's accounting policy for borrowing costs.

1.7 Tax

Current tax assets and liabilities

Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

Current tax liabilities (assets) for the current and prior periods are measured at the amount expected to be paid to (recovered from) the tax authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Accounting Policies

1.7 Tax (continued)

Deferred tax assets and liabilities

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 at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

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. A deferred tax asset is not recognised when it arises from the initial recognition of an asset or liability in a transaction that at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A deferred tax asset is recognised for the carry forward of unused tax losses and unused STC credits to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused STC credits can be utilised.

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 end of the reporting period.

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.

1.8 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.

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.

1.9 Inventories

Inventories are measured at the lower of cost, on the weighted average cost basis 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.

Accounting Policies

1.10 Impairment of assets

The group assesses at each end of the reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the group estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the group also:

- tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed during the annual period and at the same time every period.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in profit or loss. Any impairment loss of a revalued asset is treated as a revaluation decrease.

An entity assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets other than goodwill may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset other than goodwill attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation other than goodwill is recognised immediately in profit or loss. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

1.11 Stated capital and equity

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

1.12 Employee benefits

Short-term employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognised in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related services.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of profit sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the group's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

Accounting Policies

1.13 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 expenditures 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.

1.14 Revenue

1.14.1 Sale of Goods

Revenue is measured at the fair value of the consideration received or receivable and represents the amounts receivable for goods and services provided in the normal course of business, net of trade discounts and volume rebates, and value added tax.

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:
- the entity has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

1.14.2 Interest Income

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the entity and the amount of income can be measured reliably. Interest income is accrued on a time 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 on initial recognition.
When te 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.

Accounting Policies

1.15 Cost of sales

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.16 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 that asset until such time as the asset is ready for its intended use. 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.

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.

1.17 Translation of foreign currencies

Functional and presentation currency

Items included in the consolidated and separate annual financial statements of each of the group entities are measured using the currency of the primary economic environment in which the entity operates (functional currency).

The consolidated and separate annual financial statements are presented in Rand which is the group functional and presentation currency.

Foreign currency transactions

A foreign currency transaction is recorded, on initial recognition in Rands, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous consolidated and separate annual financial statements are recognised in profit or loss in the period in which they arise.

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.

Notes to the Consolidated And Separate Annual Financial Statements

2. New Standards and Interpretations

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the group has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

Amendment to IAS 19: Defined Benefit Plans: Employee Contributions

The amendment relates to contributions received from employees or third parties for defined benefit plans. These contributions could either be discretionary or set out in the formal terms of the plan. If they are discretionary then they reduce the service cost. Those which are set out in the formal terms of the plan are either linked to service or not. When they are not linked to service then the contributions affect the remeasurement. When they are linked to service and to the number of years of service, they reduce the service cost by being attributed to the periods of service. If they are linked to service but not to the number of years' service then they either reduce the service cost by being attributed to the periods of service or they reduce the service cost in the period in which the related service is rendered.

The effective date of the amendment is for years beginning on or after 01 July 2014.

The group has adopted the amendment for the first time in the 2016 consolidated and separate annual financial statements.

No impact of this amendment in the current year.

Amendment to IFRS 3: Business Combinations: Annual Improvements project

The amendment to the scope exclusions removes reference to the formation of joint ventures. It now excludes from the scope, the formation of a joint arrangement in the consolidated and separate annual financial statements of the joint arrangement itself.

The effective date of the amendment is for years beginning on or after 01 July 2014.

The group has adopted the amendment for the first time in the 2016 consolidated and separate annual financial statements.

No impact of this amendment in the current year.

Amendment to IFRS 3: Business Combinations: Annual Improvements project

The amendment clarifies that contingent consideration in a business combination which meets the definition of a financial instrument shall be classified as a financial liability or equity. It further stipulates that contingent consideration which is required to be measured at fair value shall be done so by recognising changes in fair value through profit or loss. Reference to measuring contingent consideration to fair value through other comprehensive income has been deleted.

The effective date of the amendment is for years beginning on or after 01 July 2014.

The group has adopted the amendment for the first time in the 2016 consolidated and separate annual financial statements.

No impact of this amendment in the current year.

Amendment to IFRS 13: Fair Value Measurement: Annual Improvements project

The amendment clarifies that references to financial assets and financial liabilities in paragraphs 48–51 and 53–56 should be read as applying to all contracts within the scope of, and accounted for in accordance with, IAS 39 or IFRS 9, regardless of whether they meet the definitions of financial assets or financial liabilities in IAS 32 Financial Instruments: Presentation.

The effective date of the amendment is for years beginning on or after 01 July 2014.

The group has adopted the amendment for the first time in the 2016 consolidated and separate annual financial statements.

No impact of this amendment in the current year.

Amendment to IAS 38: Intangible Assets: Annual Improvements project

Notes to the Consolidated And Separate Annual Financial Statements

The amendment adjusts the option to proportionately restate accumulated amortisation when an intangible asset is revalued. Instead, the gross carrying amount is to be adjusted in a manner consistent with the revaluation of the carrying amount. The accumulated amortisation is then adjusted as the difference between the gross and net carrying amount.

The effective date of the amendment is for years beginning on or after 01 July 2014.

The group has adopted the amendment for the first time in the 2016 consolidated and separate annual financial statements.

No impact of this amendment in the current year.

Amendment to IAS 24: Related Party Disclosures: Annual Improvements project

The definition of a related party has been amended to include an entity, or any member of a group of which it is a part, which provides key management personnel services to the reporting entity or to the parent of the reporting entity ("management entity"). Disclosure is required of payments made to the management entity for these services but not of payments made by the management entity to its directors or employees.

The effective date of the amendment is for years beginning on or after 01 July 2014.

The group has adopted the amendment for the first time in the 2016 consolidated and separate annual financial statements.

The impact of the amendment is not material.

Amendment to IAS 16: Property, Plant and Equipment: Annual Improvements project

The amendment adjusts the option to proportionately restate accumulated depreciation when an item of property, plant and equipment is revalued. Instead, the gross carrying amount is to be adjusted in a manner consistent with the revaluation of the carrying amount. The accumulated depreciation is then adjusted as the difference between the gross and net carrying amount.

The effective date of the amendment is for years beginning on or after 01 July 2014.

The group has adopted the amendment for the first time in the 2016 consolidated and separate annual financial statements.

No impact of this amendment in the current year.

2.2 Standards and interpretations not yet effective

The group has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the group's accounting periods beginning on or after 01 April 2016 or later periods:

Amendment to IFRS 5: Non-current Assets Held for Sale and Discontinued Operations: Annual Improvements project

The amendment clarifies that non-current assets held for distribution to owners should be treated consistently with non-current assets held for sale. It further specifies that if a non-current asset held for sale is reclassified as a non-current asset held for distribution to owners or visa versa, that the change is considered a continuation of the original plan of disposal.

The effective date of the group is for years beginning on or after 01 January 2016.

The group expects to adopt the amendment for the first time in the 2017 consolidated and separate annual financial statements.

It is unlikely that the amendment will have a material impact on the group's consolidated and separate annual financial statements.

Amendment to IFRS 7: Financial Instruments: Disclosures: Annual Improvements project

The amendment provides additional guidance regarding transfers with continuing involvement. Specifically, it provides that cash flows excludes cash collected which must be remitted to a transferee. It also provides that when an entity transfers a financial asset but retains the right to service the asset for a fee, that the entity should apply the existing guidance to consider whether it has continuing involvement in the asset.

Notes to the Consolidated And Separate Annual Financial Statements

The effective date of the group is for years beginning on or after 01 January 2016.

The group expects to adopt the amendment for the first time in the 2017 consolidated and separate annual financial statements.

It is unlikely that the amendment will have a material impact on the group's consolidated and separate annual financial statements.

Amendment to IAS 19: Employee Benefits: Annual Improvements project

The amendment clarifies that when a discount rate is determined for currencies where there is no deep market in high quality corporate bonds, then market yields on government bonds in that currency should be used.

The effective date of the group is for years beginning on or after 01 January 2016.

The group expects to adopt the amendment for the first time in the 2017 consolidated and separate annual financial statements.

It is unlikely that the amendment will have a material impact on the group's consolidated and separate annual financial statements.

Disclosure Initiative: Amendment to IAS 1: Presentation of Financial Statements

The amendment provides new requirements when an entity presents subtotals in addition to those required by IAS 1 in its consolidated and separate annual financial statements. It also provides amended guidance concerning the order of presentation of the notes in the consolidated and separate annual financial statements, as well as guidance for identifying which accounting policies should be included. It further clarifies that an entity's share of comprehensive income of an associate or joint venture under the equity method shall be presented separately into its share of items that a) will not be reclassified subsequently to profit or loss and b) that will be reclassified subsequently to profit or loss.

The effective date of the group is for years beginning on or after 01 January 2016.

The group expects to adopt the amendment for the first time in the 2017 consolidated and separate annual financial statements.

It is unlikely that the amendment will have a material impact on the group's consolidated and separate annual financial statements.

Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

If a parent loses control of a subsidiary which does not contain a business, as a result of a transaction with an associate or joint venture, then the gain or loss on the loss of control is recognised in the parents' profit or loss only to the extent of the unrelated investors' interest in the associate or joint venture. The remaining gain or loss is eliminated against the carrying amount of the investment in the associate or joint venture. The same treatment is followed for the measurement to fair value of any remaining investment which is itself an associate or joint venture. If the remaining investment is accounted for in terms of IFRS 9, then the measurement to fair value of that interest is recognised in full in the parents' profit or loss.

The effective date of the amendment is to be determined by the IASB.

It is unlikely that the amendment will have a material impact on the group's consolidated and separate annual financial statements.

IFRS 16 Leases

IFRS 16 Leases is a new standard which replaces IAS 17 Leases, and introduces a single lessee accounting model. The main changes arising from the issue of IFRS 16 which are likely to impact the group are as follows:

Group as lessee:

- Lessees are required to recognise a right-of-use asset and a lease liability for all leases, except short term leases or leases where the underlying asset has a low value, which are expensed on a straight line or other systematic basis.

Notes to the Consolidated And Separate Annual Financial Statements

- The cost of the right-of-use asset includes, where appropriate, the initial amount of the lease liability; lease payments made prior to commencement of the lease less incentives received; initial direct costs of the lessee; and an estimate for any provision for dismantling, restoration and removal related to the underlying asset.
- The lease liability takes into consideration, where appropriate, fixed and variable lease payments; residual value guarantees to be made by the lessee; exercise price of purchase options; and payments of penalties for terminating the lease.
- The right-of-use asset is subsequently measured on the cost model at cost less accumulated depreciation and impairment and adjusted for any re-measurement of the lease liability. However, right-of-use assets are measured at fair value when they meet the definition of investment property and all other investment property is accounted for on the fair value model. If a right-of-use asset relates to a class of property, plant and equipment which is measured on the revaluation model, then that right-of-use asset may be measured on the revaluation model.
- The lease liability is subsequently increased by interest, reduced by lease payments and re-measured for reassessments or modifications.
- Re-measurements of lease liabilities are affected against right-of-use assets, unless the assets have been reduced to nil, in which case further adjustments are recognised in profit or loss.
- The lease liability is re-measured by discounting revised payments at a revised rate when there is a change in the lease term or a change in the assessment of an option to purchase the underlying asset.
- The lease liability is re-measured by discounting revised lease payments at the original discount rate when there is a change in the amounts expected to be paid in a residual value guarantee or when there is a change in future payments because of a change in index or rate used to determine those payments.
- Certain lease modifications are accounted for as separate leases. When lease modifications which decrease the scope of the lease are not required to be accounted for as separate leases, then the lessee re-measures the lease liability by decreasing the carrying amount of the right of lease asset to reflect the full or partial termination of the lease. Any gain or loss relating to the full or partial termination of the lease is recognised in profit or loss. For all other lease modifications which are not required to be accounted for as separate leases, the lessee re-measures the lease liability by making a corresponding adjustment to the right-of-use asset.
- Right-of-use assets and lease liabilities should be presented separately from other assets and liabilities. If not, then the line item in which they are included must be disclosed. This does not apply to right-of-use assets meeting the definition of investment property which must be presented within investment property. IFRS 16 contains different disclosure requirements compared to IAS 17 leases.

Group as lessor:

- Accounting for leases by lessors remains similar to the provisions of IAS 17 in that leases are classified as either finance leases or operating leases. Lease classification is reassessed only if there has been a modification.
- A modification is required to be accounted for as a separate lease if it both increases the scope of the lease by adding the right to use one or more underlying assets; and the increase in consideration is commensurate to the stand alone price of the increase in scope.
- If a finance lease is modified, and the modification would not qualify as a separate lease, but the lease would have been an operating lease if the modification was in effect from inception, then the modification is accounted for as a separate lease. In addition, the carrying amount of the underlying asset shall be measured as the net investment in the lease immediately before the effective date of the modification. IFRS 9 is applied to all other modifications not required to be treated as a separate lease.
- Modifications to operating leases are required to be accounted for as new leases from the effective date of the modification. Changes have also been made to the disclosure requirements of leases in the lessor's financial statements.

Sale and leaseback transactions:

- In the event of a sale and leaseback transaction, the requirements of IFRS 15 are applied to consider whether a performance obligation is satisfied to determine whether the transfer of the asset is accounted for as the sale of an asset.
- If the transfer meets the requirements to be recognised as a sale, the seller-lessee must measure the new right-of-use asset at the proportion of the previous carrying amount of the asset that relates to the right-of-use retained. The buyer-lessor accounts for the purchase by applying applicable standards and for the lease by applying IFRS 16
- If the fair value of consideration for the sale is not equal to the fair value of the asset, then IFRS 16 requires adjustments to be made to the sale proceeds. When the transfer of the asset is not a sale, then the seller-lessee continues to recognise the transferred asset and recognises a financial liability equal to the transfer proceeds. The buyer-lessor recognises a financial asset equal to the transfer proceeds.

The effective date of the standard is for years beginning on or after 01 January 2019.

The group expects to adopt the standard for the first time in the 2020 consolidated and separate annual financial statements.

Notes to the Consolidated And Separate Annual Financial Statements

It is unlikely that the standard will have a material impact on the group's consolidated and separate annual financial statements.

IFRS 9 Financial Instruments

IFRS 9 issued in November 2009 introduced new requirements for the classification and measurements of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in July 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a "fair value through other comprehensive income" (FVTOCI) measurement category for certain simple debt instruments.

Key requirements of IFRS 9:

- All recognised financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the outstanding principal are generally measured at amortised cost at the end of subsequent reporting periods. Debt instruments that are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on outstanding principal, are measured at FVTOCI. All other debt and equity investments are measured at fair value at the end of subsequent reporting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income with only dividend income generally recognised in profit or loss.
- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of the liability is presented in other comprehensive income, unless the recognition of the effect of the changes of the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Under IAS 39, the entire amount of the change in fair value of a financial liability designated as at fair value through profit or loss is presented in profit or loss.
- In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. It is therefore no longer necessary for a credit event to have occurred before credit losses are recognised.
- The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in IAS 39. Under IFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been replaced with the principal of an "economic relationship". Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The effective date of the standard is for years beginning on or after 01 January 2018.

The group expects to adopt the standard for the first time in the 2019 consolidated and separate annual financial statements.

It is unlikely that the standard will have a material impact on the group's consolidated and separate annual financial statements.

Amendments to IAS 7: Disclosure Initiative

The amendment requires entities to provide additional disclosures for changes in liabilities arising from financing activities. Specifically, entities are now required to provide disclosure of the following changes in liabilities arising from financing activities:

- changes from financing cash flows;
- changes arising from obtaining or losing control of subsidiaries or other businesses;
- the effect of changes in foreign exchanges;
- changes in fair values; and
- other changes.

Notes to the Consolidated And Separate Annual Financial Statements

The effective date of the amendment is for years beginning on or after 01 January 2017.

The group expects to adopt the amendment for the first time in the 2018 consolidated and separate annual financial statements.

It is unlikely that the amendment will have a material impact on the group's consolidated and separate annual financial statements.

Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealised Losses

In terms of IAS 12 Income Taxes, deferred tax assets are recognised only when it is probable that taxable profits will be available against which the deductible temporary differences can be utilised. The following amendments have been made, which may have an impact on the group:

If tax law restricts the utilisation of losses to deductions against income of a specific type, a deductible temporary difference is assessed in combination only with other deductible temporary differences of the appropriate type.

Additional guidelines were prescribed for evaluating whether the group will have sufficient taxable profit in future periods. The group is required to compare the deductible temporary differences with future taxable profit that excludes tax deductions resulting from the reversal of those deductible temporary differences. This comparison shows the extent to which the future taxable profit is sufficient for the entity to deduct the amounts resulting from the reversal of those deductible temporary differences.

The amendment also provides that the estimate of probable future taxable profit may include the recovery of some of an entity's assets for more than their carrying amount if there is sufficient evidence that it is probable that the entity will achieve this.

The effective date of the amendment is for years beginning on or after 01 January 2017.

The group expects to adopt the amendment for the first time in the 2018 consolidated and separate annual financial statements.

It is unlikely that the amendment will have a material impact on the group's consolidated and separate annual financial statements.

Amendment to IFRS 11: Accounting for Acquisitions of Interests in Joint Operations

The amendments apply to the acquisitions of interest in joint operations. When an entity acquires an interest in a joint operation in which the activity of the joint operation constitutes a business, as defined in IFRS 3, it shall apply, to the extent of its share, all of the principles on business combinations accounting in IFRS 3, and other IFRSs, that do not conflict with the guidance in this IFRS and disclose the information that is required in those IFRSs in relation to business combinations. This applies to the acquisition of both the initial interest and additional interests in a joint operation in which the activity of the joint operation constitutes a business.

The effective date of the amendments is for years beginning on or after 01 January 2016.

The group expects to adopt the amendments for the first time in the 2017 consolidated and separate annual financial statements.

It is unlikely that the amendments will have a material impact on the group's consolidated and separate annual financial statements.

Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation

The amendment clarifies that a depreciation or amortisation method that is based on revenue that is generated by an activity that includes the use of the asset is not an appropriate method. This requirement can be rebutted for intangible assets in very specific circumstances as set out in the amendments to IAS 38.

The effective date of the amendment is for years beginning on or after 01 January 2016.

Notes to the Consolidated And Separate Annual Financial Statements

The group expects to adopt the amendment for the first time in the 2017 consolidated and separate annual financial statements.

It is unlikely that the amendment will have a material impact on the group's consolidated and separate annual financial statements.

Amendment to IAS 27: Equity Method in Separate Financial Statements

The amendment adds the equity method to the methods of accounting for investments in subsidiaries, associates and joint ventures in the separate consolidated and separate annual financial statements of an entity.

The effective date of the amendment is for years beginning on or after 01 January 2016.

The group expects to adopt the amendment for the first time in the 2017 consolidated and separate annual financial statements.

It is unlikely that the amendment will have a material impact on the group's consolidated and separate annual financial statements.

IFRS 14 Regulatory Deferral Accounts

The new standard is an interim standard applicable to entities subject to rate regulation. The standard is only applicable to entities adopting IFRS for the first time. It permits entities to recognise regulatory deferral account balances in the statement of financial position. When the account has a debit balance, it is recognised after total assets. Similarly, when it has a credit balance, it is recognised after total liabilities. Movements in these accounts, either in profit or loss or other comprehensive income are allowed only as single line items.

The effective date of the standard is for years beginning on or after 01 January 2016.

The group expects to adopt the standard for the first time in the 2017 consolidated and separate annual financial statements.

It is unlikely that the standard will have a material impact on the group's consolidated and separate annual financial statements.

Amendments to IFRS 10, 12 and IAS 28: Investment Entities. Applying the consolidation exemption

The amendment clarifies the consolidation exemption for investment entities. It further specifies that an investment entity which measures all of its subsidiaries at fair value is required to comply with the "investment entity" disclosures provided in IFRS 12. The amendment also specifies that if an entity is itself not an investment entity and it has an investment in an associate or joint venture which is an investment entity, then the entity may retain the fair value measurement applied by such associate or joint venture to any of their subsidiaries.

The effective date of the group is for years beginning on or after 01 January 2016.

The group expects to adopt the amendment for the first time in the 2017 consolidated and separate annual financial statements.

It is unlikely that the amendment will have a material impact on the group's consolidated and separate annual financial statements.

Notes to the Consolidated And Separate Annual Financial Statements

3. Property, plant and equipment

Group

	2016			2015		
	Cost	Accumulated depreciation and impairments	Carrying value	Cost	Accumulated depreciation and impairments	Carrying value
Land	16 420 902	-	16 420 902	16 420 902	-	16 420 902
Buildings	114 088 773	(110 558 024)	3 530 749	117 797 311	(17 638 212)	100 159 099
Plant and machinery	225 983 278	(212 408 363)	13 574 915	211 750 513	(71 669 516)	140 080 997
Furniture and fixtures	7 398 155	(7 251 674)	146 481	7 289 055	(4 622 494)	2 666 561
Motor vehicles	611 570	(585 977)	25 593	1 192 497	(688 315)	504 182
Office equipment	758 209	(694 249)	63 960	758 209	(284 385)	473 824
IT equipment	1 717 561	(1 670 491)	47 070	1 673 428	(1 449 474)	223 954
Capital - Work in progress	26 777	-	26 777	723 731	-	723 731
Total	367 005 225	(333 168 778)	33 836 447	357 605 646	(96 352 396)	261 253 250

Company

	2016			2015		
	Cost	Accumulated depreciation and impairments	Carrying value	Cost	Accumulated depreciation and impairments	Carrying value
Land	16 420 902	-	16 420 902	16 420 902	-	16 420 902
Buildings	114 088 773	(110 558 024)	3 530 749	117 797 311	(17 638 212)	100 159 099
Plant and machinery	225 983 278	(212 408 363)	13 574 915	211 750 513	(71 669 516)	140 080 997
Furniture and fixtures	7 398 155	(7 251 674)	146 481	7 289 055	(4 622 494)	2 666 561
Motor vehicles	611 570	(585 977)	25 593	1 192 497	(688 315)	504 182
Office equipment	758 209	(694 249)	63 960	758 209	(284 385)	473 824
IT equipment	1 717 561	(1 670 491)	47 070	1 673 428	(1 449 474)	223 954
Capital - Work in progress	26 777	-	26 777	723 731	-	723 731
Total	367 005 225	(333 168 778)	33 836 447	357 605 646	(96 352 396)	261 253 250

Notes to the Consolidated And Separate Annual Financial Statements

3. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment – Group/ Company - 2016

	Opening balance	Additions	Disposals	Scrapping	Transfers	Depreciation	Impairment loss	Closing balance
Land	18 420 902	-	-	-	-	-	-	18 420 902
Buildings	100 159 099	890 938	-	(489 000)	-	(5 378 181)	(91 652 102)	3 530 749
Plant and machinery	140 960 997	1 186 891	-	(245 447)	696 954	(759 225)	(127 387 256)	13 574 918
Furniture and fixtures	2 666 581	109 100	-	-	-	(331 256)	(2 297 924)	146 461
Motor vehicles	504 162	-	(81 564)	-	-	(33 894)	(363 131)	25 593
Office equipment	473 824	-	-	-	-	(41 887)	(367 987)	63 950
IT equipment	223 954	44 537	-	-	-	(59 671)	(161 750)	47 070
Capital - Work in progress	723 731	-	-	-	(696 954)	-	-	26 777
	291 253 250	2 233 461	(81 564)	(734 447)	-	(6 604 124)	(222 260 129)	33 836 447

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 cost 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 222,260,129, which has been recognised in profit and loss.

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

Notes to the Consolidated And Separate Annual Financial Statements

3. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment – Group/ Company - 2016

	Opening balance	Additions	Depreciation	Closing balance
Land	16 420 902	-	-	16 420 902
Buildings	102 273 149	1 700 054	(3 814 104)	100 159 099
Plant and machinery	149 340 402	4 979 658	(14 239 063)	140 080 997
Furniture and fixtures	3 536 563	123 575	(993 577)	2 666 561
Motor vehicles	85 366	505 430	(86 614)	504 182
Office equipment	189 278	366 162	(81 616)	473 824
IT equipment	435 949	45 415	(257 410)	223 954
Capital - Work in progress	-	723 731	-	723 731
	272 281 609	8 444 025	(19 472 384)	261 253 250

Notes to the Consolidated And Separate Annual Financial Statements

Figures in Rand	Group 2016	Group 2015	Company 2016	Company 2015

3. Property, plant and equipment (continued)

Assets under construction

Carrying value of idle property, plant and equipment	26 777	723 731	26 777	723 731

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

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.

4. Intangible assets

Group	2016			2015		
	Cost	Accumulated amortisation	Ownership and Carrying value	Cost	Accumulated amortisation	Ownership and Carrying value
Patents, trademarks and other rights	1 682 630	(1 494 222)	188 408	1 682 630	(1 438 352)	244 278
Computer software, other	558 495	(331 442)	227 053	558 495	(331 443)	227 052
Total	2 241 125	(1 825 664)	415 461	2 241 125	(1 769 795)	471 330

Company	2016			2015		
	Cost	Accumulated amortisation	Carrying value	Cost	Accumulated amortisation	Carrying value
Patents, trademarks and other rights	1 682 630	(1 494 222)	188 408	1 682 630	(1 438 352)	244 278
Computer software, other	558 495	(331 442)	227 053	558 495	(331 443)	227 052
Total	2 241 125	(1 825 664)	415 461	2 241 125	(1 769 795)	471 330

Reconciliation of intangible assets - Group and Company - 2016

	Opening balance	Amortisation	Total
Patents, trademarks and other rights	244 278	(55 870)	188 408
Computer software, other	227 052	1	227 053
	471 330	(55 869)	415 461

Notes to the Consolidated And Separate Annual Financial Statements

Figures in Rand	Group		Company	
	2016	2015	2016	2015

4. Intangible assets (continued)

Reconciliation of intangible assets - Group and Company - 2015

	Opening balance	Additions	Amortisation	Total
Patents, trademarks and other rights	356 092	100 000	(211 814)	244 278
Computer software, other	405 562	38 829	(217 339)	227 052
	761 654	138 829	(429 153)	471 330

5. Interests in subsidiaries including consolidated structured entities

Company

Name of company

	Ownership and Carrying amount 2016 100%	Ownership and Carrying amount 2015 100%
Be-Tabs Investments Proprietary Limited	2 516 223	2 516 233

The subsidiary Be-Tabs Investments Proprietary Limited is a semi-dormant company that previously held investment property for the purpose of earning rental income. This property has since been transferred into the holding company Ranbaxy Pharmaceuticals (Pty) Ltd. This entity is registered in the Republic of South Africa.

6. Loans from group companies

Subsidiary

Be-Tabs Investments Proprietary Limited	-	-	(2 768 477)	(3 210 344)

The loan from Be-Tabs Investments Proprietary Limited is unsecured, bears no interest and has no fixed terms of repayment.

Holding company

Ranbaxy Netherlands B.V.	(201 337 865)	(187 700 595)	(201 337 865)	(187 700 595)

The loan from Ranbaxy Netherlands B.V. is unsecured and bears interest @ 8.5%

7. Financial assets by category

Financial assets are not measured at fair value, the carrying value approximates fair value. All fair value measurement are recurring fair value measurements.

The accounting policies for financial instruments have been applied to the line items below:

Group - 2016

	Loans and receivables	Total
Trade and other receivables	125 852 880	125 852 880
Cash and cash equivalents	26 797 321	26 797 321
Related parties	39 562 992	39 562 992
	192 213 193	**192 213 193**

Group - 2015

	Loans and receivables	Total
Trade and other receivables	59 006 845	59 006 845
Cash and cash equivalents	14 616 113	14 616 113
Related parties	16 508 285	16 508 285
	90 131 243	**90 131 243**

Company - 2016

	Loans and receivables	Total
Trade and other receivables	125 852 880	125 852 880
Cash and cash equivalents	26 013 021	26 013 021
Related parties	39 582 992	39 582 992
	191 448 893	**191 448 893**

Company - 2015

	Loans and receivables	Total
Trade and other receivables	58 947 629	58 947 629
Cash and cash equivalents	14 048 330	14 048 330
Related parties	16 508 285	16 508 285
	89 504 244	**89 504 244**

Notes to the Consolidated And Separate Annual Financial Statements

	Group		Company	
Figures in Rand	2016	2015	2016	2015

8. Deferred tax

Deferred tax liability

Capital allowances - PPE	(2 528 936)	(53 489 804)	(2 528 936)	(53 489 804)

Deferred tax asset

Provisions	2 528 936	738 009	2 528 936	738 009
Tax losses available for set off against future taxable income	-	52 751 795	-	52 751 795
Total deferred tax asset	2 528 936	53 489 804	2 528 936	53 489 804

The deferred tax assets and the deferred tax liability relate to income tax in the same jurisdiction, and the law allows net settlement. Therefore, they have been offset in the statement of financial position as follows:

Deferred tax liability	(2 528 936)	(53 489 804)	(2 528 936)	(53 489 804)
Deferred tax asset	2 528 936	53 489 804	2 528 936	53 489 804
Total net deferred tax asset	-	-	-	-

During the current year there has been no tax provision made for the company (2015: R Nil) as the company had no taxable income. The estimated tax loss available for set off against future taxable income for the company is R 473,762,108 (2015: R 424,584,912).

9. Retirement benefits

Defined contribution plans

It is the policy of the group to provide retirement benefits to all its full-time employees. Two defined contribution provident funds, which is subject to the Pensions Fund Act exists for this purpose. The funds are funded both by member and by group contributions which are charged as they are incurred. The total group contribution to the fund in the current year was R 3,202,050 (2015: R 3,522,585) for the group and company.

10. Inventories

Raw materials, components	49 192 770	25 073 140	49 192 770	25 073 140
Work in progress	24 975 161	6 568 446	24 975 161	6 568 446
Finished goods	93 147 550	35 941 487	93 147 550	35 941 487
Packaging materials	13 732 399	8 501 597	13 732 399	8 501 597
Goods in transit	2 761 660	593 085	2 761 660	593 085
	183 809 540	76 677 755	183 809 540	76 677 755

No inventory was written down to net realisable value during the current year (2015: RNil).

Notes to the Consolidated And Separate Annual Financial Statements

	Group		Company	
Figures in Rand	2016	2015	2016	2015

11. Trade and other receivables

	2016	2015	2016	2015
Trade receivables	116 729 805	58 881 940	116 729 805	58 881 940
Provision for impairment	(476 463)	(44 556)	(476 463)	(44 556)
	116 253 342	58 837 384	116 253 342	58 837 384
Employee costs in advance	69 443	54 105	69 443	54 105
Prepayments	133 023	144 429	133 023	144 429
Deposits	9 599 538	169 461	9 599 538	110 245
VAT	19 463 171	-	19 463 171	-
Related parties	39 562 992	16 508 285	39 562 992	16 508 285
	185 081 509	75 713 664	185 081 509	75 654 448

Trade and other receivables for the company and the group which are less than 3 months past due are not considered to be impaired. At 31 March 2016, R 73,363,192 (2015: R 32,278,881) are considered to be fully performing

At the date of issue of these financial statements, the balance of the R 116,729,805 gross receivables noted below, that is still to be received is R 5,095,977.

The ageing of gross trade receivables:

	2016	2015	2016	2015
Not past due (fully performing)	73 363 192	32 278 881	73 363 192	32 278 881
1 month past due	25 162 191	19 762 833	25 162 191	19 762 833
2 months past due	-	3 618 855	-	3 618 855
3 months past due	18 204 422	3 221 371	18 204 422	3 221 371
	116 729 805	58 881 940	116 729 805	58 881 940

Trade and other receivables impaired

Reconciliation of provision for impairment of trade and other receivables

	2016	2015	2016	2015
Opening balance	44 556	-	-	44 556
Amounts provided for as uncollectable	431 907	44 556	431 907	44 556
	476 463	44 556	431 907	89 112

As of 31 March 2016, trade and other receivables of R 476 463 (2015: R 44 556) were impaired and provided for.

The average credit period on sales of goods is 30 days. No interest is charged on these amounts. Further no interest is charged on amounts that are overdue.

Before accepting any new customer, the company uses an external credit bureau to access the potential customer's credit quality and defines credit limit by customer. These credit limits are reviewed by management on an on going basis to insure the recoverability of the amounts outstanding.

Gross trade receivables are comprised of amounts owing from the following sectors:

Sector	2016	2015	2016	2015
Private	102 008 946	42 390 669	102 008 946	42 390 669
Public	14 720 859	16 491 271	14 720 859	16 491 271
	116 729 805	58 881 940	116 729 805	58 881 940

Notes to the Consolidated And Separate Annual Financial Statements

	Group		Company	
Figures in Rand	2016	2015	2016	2015

12. Cash and cash equivalents (continued)

Cash on hand	5 062	7 752	5 062	7 752
Bank balances	26 792 259	14 608 361	26 007 959	14 040 578
	26 797 321	14 616 113	26 013 021	14 048 330

13. Stated capital

Authorised				
1000 Ordinary shares of R1 each	1 000	1 000	1 000	1 000
Issued				
300 Ordinary shares	200 000 200	200 000 200	200 000 200	200 000 200

14. Common control reserve

Group: The common control reserve arose on the acquisition of the subsidiary Be-Tabs Investments Proprietary Limited from Ranbaxy 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 Proprietary Limited to the holding company, Ranbaxy Pharmaceutical Proprietary Limited, 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	(3 304 567)	(3 304 567)	(2 248 383)	(2 248 383)

15. Financial liabilities by category

Financial liabilities are not measured at fair value, the carrying value approximates fair value. All fair value measurement are recurring fair value measurements.

The accounting policies for financial instruments have been applied to the line items below:

Group - 2016

	Financial liabilities at amortised cost	Total
Loans from group companies	201 337 855	201 337 855
Trade and other payables	164 072 960	164 072 960
Related parties	326 909 745	326 909 745
	692 320 560	692 320 560

Notes to the Consolidated And Separate Annual Financial Statements

Figures in Rand	Group		Company	
	2016	2015	2016	2015

15. Financial liabilities by category (continued)

Group - 2015

	Financial liabilities at amortised cost	Total
Loans from group companies	187 700 595	187 700 595
Trade and other payables	52 775 629	52 775 629
Related parties	163 896 371	163 896 371
	404 372 595	404 372 595

Company - 2016

	Financial liabilities at amortised cost	Total
Loans from group companies	204 106 332	204 106 332
Trade and other payables	164 072 950	164 072 950
Related parties	326 909 745	326 909 745
	695 089 027	695 089 027

Company - 2015

	Financial liabilities at amortised cost	Total
Loans from group companies	190 910 939	190 910 939
Trade and other payables	52 706 928	52 706 928
Related parties	163 896 371	163 896 371
	407 514 238	407 514 238

16. Trade and other payables

	Group 2016	Group 2015	Company 2016	Company 2015
Trade payables	93 895 228	28 593 922	93 895 218	28 525 222
VAT	2 014	2 457 594	-	2 684 400
Marketing accrual	31 016 435	18 244 704	31 016 435	18 244 704
Municipality accrual	13 318 534	2 267 142	13 318 534	2 267 142
Payroll related accruals	6 175 468	2 603 689	6 175 468	2 603 689
Related parties	326 909 745	163 896 371	326 909 745	163 896 371
Other payables and accruals	25 842 763	3 669 861	25 842 763	3 669 860
	497 160 187	221 733 283	497 158 163	221 871 388

The average credit period on purchases of goods is 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.

Related party payables to Ranbaxy South Africa (Pty) Ltd, bears interest at 8.5%, all other related party payables bears no interest.

17. Revenue

	Group 2016	Group 2015	Company 2016	Company 2015
Sale of goods	340 645 436	259 198 798	340 645 436	259 198 798

Notes to the Consolidated And Separate Annual Financial Statements

Figures in Rand	Group		Company	
	2016	2015	2016	2015
18. Cost of sales				
Sale of goods				
Cost of goods sold	192 424 577	156 395 834	192 424 577	156 395 834
19. Other income				
Insurance claim received	33 986	272 586	33 986	272 586
Sundry income	445 061	3 061 901	342 375	3 061 901
Distribution Income	1 656 317	431 661	1 656 317	431 661
Rentals	512 607	325 307	512 607	325 307
Dossiers Sold	2 500 000	-	2 500 000	-
	5 147 971	**4 091 455**	**5 079 271**	**4 091 455**
20. Investment revenue				
Interest revenue				
Bank	19 660	3 698	19 660	3 311
21. Finance costs				
Group companies	30 032 270	13 688 139	30 032 270	13 688 139
Bank	23 266	-	23 266	-
	30 055 536	**13 688 139**	**30 055 536**	**13 688 139**
22. Taxation				
Major components of the tax (income) expense				
Current				
Local income tax - recognised in current tax for prior periods	(135 133)	-	-	-

No provision has been made for 2016 tax as the group has no taxable income. The estimated tax loss available for set off against future taxable income is R 473 762 106 (2015: R 424 584 912).

Figures in Rand	Group 2016	Group 2015	Company 2016	Company 2015
23. Cash generated from operations				
Loss before taxation	(287 573 956)	(51 268 671)	(287 431 313)	(51 258 331)
Adjustments for:				
Depreciation, amortisation and impairment	228 910 122	19 901 537	228 910 122	19 901 537
Investment Revenue	(19 660)	(3 698)	(19 660)	(3 311)
Finance costs	30 055 536	13 688 139	30 055 536	13 688 139
Scrapping of PPE	734 447	-	734 447	-
Non-cash VAT receivable written off	(206 805)	-	-	-
Changes in working capital:				
Inventories	(107 131 785)	215 221	(107 131 785)	215 221
Trade and other receivables	(109 161 039)	35 317 352	(109 427 051)	35 110 305
Trade and other payables	275 426 904	(7 913 340)	275 286 775	(7 706 533)
	31 033 764	**9 936 540**	**30 977 071**	**9 947 027**

Notes to the Consolidated And Separate Annual Financial Statements

	Group		Company	
Figures in Rand	2016	2015	2016	2015

24. Commitments

Operating leases – as lessee (expense)

Minimum lease payments due				
- within one year	154 392	98 920	154 392	98 920
- in second to fifth year inclusive	237 720	128 710	237 720	128 710
	392 112	227 630	392 112	227 630

Operating lease payments represent rentals payable by the group and company for certain of its office properties. 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.

25. Guarantees

The bank has issued guarantees in favour of the company amounting to R 326,000 (2015: R 326,000).

Notes to the Consolidated And Separate Annual Financial Statements

	Group		Company	
Figures in Rand	2016	2015	2016	2015

26. Related parties

Relationships

Ultimate holding company	Sun Pharmaceutical Industries
Holding company	Ranbaxy Netherlands BV
Subsidiaries	Be-Tabs Investments Proprietary Limited
Fellow subsidiaries	Ranbaxy South Africa Proprietary Limited Sonke Pharmaceuticals Proprietary Limited
Directors	DW Brothers M Sudan M Kaszas

Related party balances

	Group 2016	Group 2015	Company 2016	Company 2015
Loan accounts - Owing (to) by related parties				
Ranbaxy Netherlands B.V.	201 337 945	187 700 595	201 337 945	187 700 595
Be-Tabs Investments (Pty) Ltd	-	-	2 768 477	3 210 344
	201 337 945	187 700 595	204 106 422	190 910 939
Amounts included in Trade receivable (Trade Payable) regarding related parties				
Ranbaxy South Africa (Pty) Ltd	(267 855 946)	(156 252 118)	(267 855 946)	(156 252 118)
Sonke Pharmaceuticals (Pty) Ltd	(54 827 160)	(6 231 450)	(54 827 160)	(6 231 450)
Sonke Pharmaceuticals (Pty) Ltd	39 562 992	16 508 285	39 562 992	16 508 285
Sun Pharmaceutical Industries Limited	(4 226 639)	(1 412 803)	(4 226 639)	(1 412 803)
	(287 346 753)	(147 388 086)	(287 346 753)	(147 388 086)

Related party transactions

	Group 2016	Group 2015	Company 2016	Company 2015
Interest incurred in relation to related party borrowings				
Ranbaxy Netherlands B.V.	13 637 260	13 688 139	13 637 260	13 688 139
Ranbaxy South Africa (Pty) Ltd	16 395 010	-	16 395 010	-
	30 032 270	13 688 139	30 032 270	13 688 139
Purchases of inventory				
Sun Pharmaceutical Industries Limited	3 681 143	3 814 426	3 681 143	3 814 426
Sonke Pharmaceuticals (Pty) Ltd	48 086 105	-	48 086 105	-
	51 767 248	3 814 426	51 767 248	3 814 426
Sales to				
Sonke Pharmaceuticals (Pty) Ltd	44 351 590	13 675 367	44 351 590	13 675 367

Notes to the Consolidated And Separate Annual Financial Statements

	Group		Company	
Figures in Rand	2016	2015	2016	2015

27. Directors' and prescribed officers during the year was as follows:

	2016	2015
Short -term benefits	4 778 612	9 242 017
Pension paid to pension scheme	213 300	450 722
	4 991 912	9 692 739

Prescribed officers

2016

	Remuneration excl bonus and post retirement	Post retirement benefits	Bonus	Board fees	Total
Director A	2 329 185	130 189	-	-	2 459 374
Director B	776 091	23 904	-	-	799 995
Director C	418 444	21 528	48 215	-	488 187
Director E	1 135 851	37 679	10 826	-	1 184 356
Director F	-	-	-	30 000	30 000
Director G	-	-	-	30 000	30 000
	4 659 571	213 300	59 041	60 000	4 991 912

2015

	Remuneration excl bonus and post retirement	Post retirement benefits	Post retirement benefits	Board fees	Total
Director A	2 147 312	150 429	297 500	-	2 595 241
Director B	2 577 718	169 763	844 716	-	3 592 197
Director C	454 988	11 938	193 258	-	660 184
Director E	743 362	48 317	160 508	-	952 187
Director H	1 580 327	70 257	242 328	-	1 892 912
Director F	-	-	-	30 000	30 000
	7 503 707	450 704	1 738 310	30 000	9 722 721

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

	Group		Company	
Figures in Rand	2016	2015	2016	2015

28. Risk management

Liquidity risk

Cash flow forecasting is performed in the operating entities of the group in and aggregated by management. Management monitors rolling forecasts of the group's liquidity requirements to ensure it has sufficient cash to meet operational needs.

Group

At 31 March 2016	Less than 1 year
Trade and other payables	164 072 950
Loan from group company	201 337 855
Related parties	326 909 745

At 31 March 2015	Less than 1 year
Trade and other payables	52 775 629
Loan from group company	187 700 595
Related parties	163 896 371

Company

At 31 March 2016	Less than 1 year
Trade and other payables	164 072 950
Loan from group company	204 106 332
Related parties	326 909 745

At 31 March 2015	Less than 1 year
Trade and other payables	52 706 928
Loan from group company	190 910 939
Related parties	163 896 371

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 income and operating cash flows are substantially independent of changes in market interest rates.

The company's interest rate risk arises from long-term borrowings, from related party borrowing within the group. These borrowing accrue interest at 8.5%.

At 31 March 2016, if interest rates on Rand-denominated borrowings for had been 1% higher/lower with all other variables held constant, post-tax profit for the year would have been R 4,278,560 lower/higher for group and company (2015: R 1,600,000).

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The group and company only deposits cash with major banks with high quality credit standing. The group and company has trade receivables within the group, and trade and other receivables in the public and private 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 the management. The utilisation of credit limits is regularly monitored.

	Group		Company	
Figures in Rand	2016	2015	2016	2015

28. Risk management (continued)

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.

Foreign exchange risk

Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency.

At 31 March 2016, if the currency had weakened/strengthened by 10% against the US dollar with all other variables held constant, post-tax profit for the year would have been R 15,865 (2015: R 1,277,896) lower/higher as a result of foreign exchange gains or losses on translation of US dollar denominated trade receivables.

Foreign currency exposure at the end of the reporting period

	Group 2016	Group 2015	Company 2016	Company 2015
Non current liabilities				
Uncovered foreign liabilities USD 79,690 (2015: USD 1,057,572)	12 778 958	1 158 696	12 778 958	

Exchange rates used for conversion of foreign items were:

	Group 2016	Group 2015	Company 2016	Company 2015
USD	12.0833	14.5456	12.0833	

29. Going concern

The group and company incurred a net loss for the year ended 31 March 2016 of R 287,855,998 and R 287,431,313 respectively (2015: R 51,268,671 and R 51,258,331 respectively) and, as at that date its total liabilities exceeded its total assets by R 268,974,939 and R 269,592,294 respectively. The company continues to incur losses.

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 that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

The immediate holding company, Ranbaxy 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 2017, 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.

30. Events after the reporting period

The directors are not aware of any matter or circumstance arising since the end of the financial year that would impact the consolidated or separate financial positions for the group and company as at 31 March 2016.