

Ranbaxy Pharmaceuticals (Pty) Ltd

(Registration Number 1993/003111/07)

**Consolidated and Separate Annual Financial Statements
for the year ended 31 March 2019**

Ranbaxy Pharmaceuticals (Pty) Ltd

(Registration Number 1993/003111/07)

Consolidated and Separate Annual Financial Statements for the year ended 31 March 2019

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Ranbaxy Pharmaceuticals (Pty) Ltd

(Registration Number 1993/003111/07)

Consolidated and Separate Annual Financial Statements for the year ended 31 March 2019

General Information

Country of Incorporation and Domicile	South Africa
Registration Number	1993/003111/07
Nature of Business and Principal Activities	Import, marketing, manufacturing and trade of pharmaceutical goods and services
Directors	DW Brothers M Kaszas A Ajoodha DMV Sewnarian
Ultimate Holding Company	Sun Pharmaceutical Industries Limited- incorporated in India
Holding Company	Sun Pharma (Netherlands) BV - incorporated in Netherlands
Registered Office	14 Lautre Road Stormill Ext 1 Roodepoort Gauteng 1724
Postal Address	P O Box 43486 Industria Gauteng 2042
Independent Auditors	Ernst & Young Inc. 102 Rivonia Road Dennehof Sandton 2196
Company Secretary	Grant Thornton
Independent Compilers	MFS Audit Tax & Advisory Inc. Building 2 Woodmead Country Club Estate 21 Woodlands Drive Woodmead Sandton 2052

Ranbaxy Pharmaceuticals (Pty) Ltd

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Directors' Responsibilities and Approval

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

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the company and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the directors set 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 and the external auditors, 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 going-concern basis has been adopted in preparing the financial statements. Based on forecasts and available cash resources the directors have no reason to believe that the Group will not be a going concern in the foreseeable future. The consolidated financial statements support the viability of the Group.

The consolidated and separate annual financial statements have been audited by the independent auditing firm, Ernst & Young Inc., who have been given unrestricted access to all financial records and related data, including minutes of all meetings of the shareholder, the directors and committees of the directors. The directors believe that all representations made to the independent auditor during the audit were valid and appropriate. The external auditor's unqualified audit report is presented on pages 5 to 7.

The consolidated and separate annual financial statements set out on pages 8 to 45 were approved by the directors on 12 June 2019 and were signed on their behalf by:

DW Brothers

A Ajoodha

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Directors' Report

The directors present their report for the year ended 31 March 2019.

1. Review of activities

Main business and operations

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

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

2. Going concern

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

3. Events after reporting date

All events subsequent to the date of the consolidated annual financial statements and for which the applicable financial reporting framework requires adjustment or disclosure have been adjusted or disclosed.

4. Directors' interest in contracts

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

5. Authorised and issued share capital

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

6. Dividend

No dividend was declared or paid to the shareholder during the year.

7. Directors

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

DW Brothers

M Kaszas

A Ajoodha

DMV Sewnarian

8. Secretary

The Group's designated secretary is Grant Thornton.

9. Independent Auditors

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

Independent Auditor's Report

To the Shareholders of Ranbaxy Pharmaceuticals Proprietary Limited

Report on the Audit of the Consolidated and separate Financial Statements

Opinion

We have audited the consolidated and separate financial statements of Ranbaxy Pharmaceuticals Proprietary Limited set out on pages 8 to 45, which comprise the consolidated and separate statements of financial position as at 31 March 2019, and the consolidated and separate statements of profit or loss and other comprehensive income, consolidated and separate statements of changes in equity and consolidated and separate statements of cash flows for the year then ended, and notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the financial position of Ranbaxy Pharmaceuticals Proprietary Limited as at 31 March 2019, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements* section of our report. We are independent of the company in accordance with the Independent Regulatory Board for Auditors *Code of Professional Conduct for Registered Auditors (IRBA Code)*, the International Ethics Standards Board for Accountants *Code of Ethics for Professional Accountants (IESBA code)* and other independence requirements applicable to performing the audit of Ranbaxy Pharmaceuticals Proprietary Limited. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code, IESBA Code, and in accordance with other ethical requirements applicable to performing the audit of Ranbaxy Pharmaceuticals Proprietary Limited. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

The directors are responsible for the other information. The other information comprises the Directors' Report as required by the Companies Act of South Africa. The other information does not include the consolidated and separate financial statements and our auditor's report thereon. Our opinion on the consolidated and separate financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon. In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other

information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Consolidated and Separate Financial Statements

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

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements

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

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Suren Naidoo
Director
Registered Auditor
12 June 2018
102 Rivonia Road
Sandton
2196

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Consolidated and Separate Financial Statements for the year ended 31 March 2019

Statements of Financial Position

Figures in R	Notes	Group 2018	Company 2019	Company 2018
Assets				
Non-current assets				
Property, plant and equipment	4	50,546,382	62,376,897	50,546,382
Intangible assets	5	619,704	396,151	619,704
Investments		-	-	2,516,253
Total non-current assets		51,166,086	62,773,048	53,682,339
Current assets				
Inventories	7	458,029,855	388,070,946	458,029,855
Trade and other receivables	8	465,948,279	269,739,078	465,417,778
Cash and cash equivalents	10	180,086,928	80,634,357	178,884,855
Total current assets		1,104,065,062	738,444,381	1,102,332,488
Total assets		1,155,231,148	801,217,429	1,156,014,827
Equity and liabilities				
Equity				
Issued capital	11	200,000,200	200,000,200	200,000,200
Preference shares	11	-	500,000,000	-
Accumulated loss		(381,145,210)	(345,525,844)	(383,261,227)
Reserves	12	(3,304,567)	-	(2,248,383)
Total equity		(184,449,577)	354,474,356	(185,509,410)
Liabilities				
Current liabilities				
Trade and other payables	13	1,112,836,550	446,743,073	1,112,836,359
Loan from group company	15	226,844,175	-	228,687,878
Total current liabilities		1,339,680,725	446,743,073	1,341,524,237
Total liabilities		1,339,680,725	446,743,073	1,341,524,237
Total equity and liabilities		1,155,231,148	801,217,429	1,156,014,827

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Statements of Profit or Loss and Other Comprehensive Income

Figures in R	Notes	Group 2018	Company 2019	Company 2018
Revenue	18	1,233,513,099	1,007,249,932	1,233,513,099
Cost of sales	19	(986,631,402)	(750,758,460)	(986,631,402)
Gross profit		246,881,697	256,491,472	246,881,697
Other income	20	2,621,210	2,123,500	2,621,210
Operating costs		(184,962,850)	(197,613,299)	(184,962,850)
Profit from operating activities		64,540,057	61,001,673	64,540,057
Finance income	21	2,010,887	5,854,886	2,010,887
Finance costs	22	(31,324,847)	(23,872,099)	(31,324,847)
Profit for the year		35,226,097	42,984,460	35,226,097
Other comprehensive income net of tax		-	-	-
Total comprehensive income		35,226,097	42,984,460	35,226,097
Total comprehensive income attributable to:				
Comprehensive income, attributable to owners of parent		35,226,097	42,984,460	35,226,097
		35,226,097	42,984,460	35,226,097

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Statements of Changes in Equity - Company

Figures in R

	Issued capital	Preference shares	Common Control Reserve	Accumulated loss	Total
Balance at 1 April 2017	200,000,200	-	(2,248,383)	(418,487,325)	(220,735,508)
Changes in equity					
Profit for the year	-	-	-	35,226,097	35,226,097
Total comprehensive income	-	-	-	35,226,097	35,226,097
Balance at 31 March 2018	200,000,200	-	(2,248,383)	(383,261,228)	(185,509,411)
Balance at 1 April 2018	200,000,200	-	(2,248,383)	(383,261,228)	(185,509,411)
Changes in equity					
Profit for the year	-	-	-	42,984,460	42,984,460
Total comprehensive income	-	-	-	42,984,460	42,984,460
Change in group structure	-	500,000,000	2,248,383	-	502,248,383
Balance at 31 March 2019	200,000,200	500,000,000	-	(340,276,768)	359,723,432

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Statements of Cash Flows

Figures in R	Notes	Group 2018	Company 2019	Company 2018
Net cash flows (used in) / from operations	26	155,515,462	(338,386,827)	156,048,860
Interest paid		(31,324,847)	(23,872,099)	(31,324,847)
Interest received		2,010,887	10,453,897	2,010,887
Net cash flows (used in) / from operating activities		126,201,502	(351,805,029)	126,734,900
Cash flows used in investing activities				
Proceeds from sales of property, plant and equipment		729	-	729
Purchase of property, plant and equipment		(9,031,733)	(16,381,815)	(9,031,733)
Purchase of intangible assets		(204,243)	(222,861)	(204,243)
Disposal of business		-	(1,152,915)	-
Cash flows used in investing activities		(9,235,247)	(17,757,591)	(9,235,247)
Cash flows from financing activities				
Proceeds from issue of preference shares			500,000,000	-
Proceeds from other financial liabilities		11,906,319	(228,687,878)	11,156,525
Cash flows from financing activities		11,906,319	271,312,122	11,156,525
Net increase / (decrease) in cash and cash equivalents		128,872,574	(98,250,498)	128,656,178
Cash and cash equivalents at beginning of the year		51,214,355	178,884,855	50,228,677
Cash and cash equivalents at end of the year	10	180,086,929	80,634,357	178,884,855

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Accounting Policies

1. Basis of preparation and summary of significant accounting policies

The consolidated and separate financial statements of Ranbaxy Pharmaceuticals (Pty) Ltd have been prepared in accordance with International Financial Reporting Standards and the Companies Act of South Africa. The consolidated and separate financial statements have been prepared under the historical cost convention, as modified by the revaluation of land and buildings, available-for-sale financial assets, and financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

The preparation of financial statements in conformity with International Financial Reporting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated and separate financial statements are disclosed in note 2.

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

1.1 Consolidation

Subsidiaries

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

The group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

1.2 Property, plant and equipment

Definition

Property, plant and equipment are tangible items that:

- are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes; and
- are expected to be used during more than one period.

Recognition

Property, plant and equipment is recognised as an asset when:

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

Initial measurement

An item of property, plant and equipment that qualifies for recognition as an asset is initially measured at its cost.

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Accounting Policies

The cost of an item of property, plant and equipment includes:

- its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates.
- any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.
- the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an entity incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

Subsequent measurement - Cost model

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

Subsequent expenditure

Subsequent expenditure incurred on items of property, plant and equipment is only capitalised to the extent that such expenditure enhances the value or previous capacity of those assets. Repairs and maintenance not deemed to enhance the economic benefit or service potential of items of property, plant and equipment are expensed as incurred.

Where the entity replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

Depreciation

Depreciation of an asset commences when it is available for use, and ceases at the earlier of the date that the asset is classified as held for sale, or the date that the asset is derecognised.

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 period is recognised in profit or loss unless it is included in the carrying amount of another asset. The depreciable amount of an asset shall be allocated on a systematic basis over its useful life. The depreciable amount of an asset is determined after deducting its residual value.

Residual values, useful lives and depreciation methods are reviewed at each financial year end. Where there are significant changes in the expected pattern of economic consumption of the benefits embodied in the asset, the relevant changes will be made to the residual values and depreciation rates, and the change will be accounted for as a change in accounting estimate.

The measurement base, useful life or depreciation rate as well as the depreciation method for all major classes of assets are as follows:

Asset class	Useful life / depreciation rate
Land	
Buildings	30 years
Buildings components	10% to 33.33% per annum
Plant and Machinery	5-25 years
Motor vehicles	5 years
Fixtures and fittings	6 years
Office equipment	6 years
Computer equipment	3 years
Construction in progress	

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Accounting Policies

Impairments

The entity tests for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount. The resulting impairment loss is recognised immediately in profit or loss, except where the decrease reverses a previously recognised revaluation increase for the same asset the decrease is recognised in other comprehensive income to that extent and reduces the amount accumulated in equity under revaluation surplus, and future depreciation charges are adjusted in future periods to allocate the revised carrying amount, less its residual value, on a systematic basis over its remaining useful life.

Where the estimated impairment loss exceeds the carrying amount of the asset to which it relates, the resulting liability is only recognised if it is required by another standard.

Compensation from third parties for items of property, plant and equipment that were impaired, lost or given up are included in profit or loss when the compensation becomes receivable.

Derecognition

The carrying amount of an item of property, plant and equipment is derecognised when the asset is disposed of or when when no future economic benefits are expected from its use or disposal. The 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. Gains are classified as other gains on the face of the statements of profit or loss and other comprehensive income.

1.3 Intangible assets

Definition

An intangible asset is an identifiable non-monetary asset without physical substance. The asset is determined to be identifiable if it either is separable, or arises from contractual or other legal rights.

Recognition

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.

An assessment of the probability of expected future economic benefits that will flow to the entity as a result of the use of an asset is made by management before the asset is recognised. This includes using reasonable and supportive assumptions that represent a best estimate of the set of economic conditions that will exist over the useful life of the asset.

Initial measurement

Intangible assets are initially measured at cost.

Separately acquired assets are initially measured at their purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates, and any directly attributable cost of preparing the asset for its intended use.

Acquisitions as part of a business combination are initially measured at fair value at acquisition date.

Acquisitions by way of a government grants are initially measured at fair value.

Internally generated goodwill is not recognised as an asset.

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Accounting Policies

The cost of assets acquired through an exchange of assets is measured at fair value at acquisition date unless the exchange lacks commercial substance, or the fair value of neither the asset received nor the asset given up is reliably measurable. The acquired asset is immediately measured in this way even if the asset given up cannot immediately be derecognised. If the acquired asset is not measured at fair value, its cost is measured using the carrying amount of the asset given up.

Internally generated intangible assets are recognised initially at cost, being the sum of expenditure from the date the recognition criteria for an intangible asset are met, bearing in mind the following additional criteria:

- During the research phase, no intangible asset is recognised. Expenditure on research is recognised as an expense when it is incurred.
- During the development phase, an intangible asset will be recognised only if the following can be demonstrated:
 - it is technically feasible to complete the intangible asset so that it will be available for use or sale;
 - there is an intention to complete the intangible asset and use or sell it;
 - there is an ability to use or sell the intangible asset;
 - it is possible to demonstrate how the asset will generate probable future economic benefits;
 - there are available financial, technical and other resources to complete the development of the intangible asset as well as to use or sell the intangible asset;
 - the expenditure attributable to the intangible asset during the development phase can be reliably measured.

Research or development expenditure related to an in-process research or development project acquired separately or in a business combination and recognised as an intangible asset, and is incurred after the acquisition of that project, is also accounted for in this way.

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

Expenditure on an intangible asset is recognised as an expense when it is incurred unless it is part of the cost of an intangible asset that meets the recognition criteria or if the item is acquired in a business combination and cannot be recognised as an intangible asset it is recognised as part of goodwill at the acquisition date. Expenditure on an intangible item that was initially recognised as an expense is not recognised as part of the cost of an intangible asset at a later date.

Subsequent measurement - Cost model

After initial recognition, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

Amortisation

An intangible asset is regarded by the entity as having an indefinite useful life when, based on an analysis of all of the relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows. Intangible assets with an indefinite useful life are not amortised, but is tested for impairment annually and whenever there is an indication that the intangible asset may be impaired. The intangible asset's determination as having an indefinite useful life is also reviewed annually to determine whether events and circumstances continue to support the indefinite useful life assessment. Reassessing the useful life of an intangible asset as finite rather than indefinite is an indicator that the asset may be impaired.

For other intangible assets amortisation is allocated on a systematic basis over its useful life. Where an intangible asset has a residual value, the depreciable amount is determined after deducting its residual value.

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Accounting Policies

The residual values of intangibles assets are assumed zero unless:

- there is a commitment by a third party to purchase the asset at the end of its useful life; or
- there is an active market for the asset and:
 - residual value can be determined by reference to that market; and
 - it is probable that such a market will exist at the end of the asset's useful life.

Residual values as well as the useful lives of all assets are reviewed annually. Changes in residual values are treated as a change in estimate and treated in accordance with the relevant accounting policies.

The classification of useful lives and amortisation methods for the various classes of assets are as follows:

Asset class	Internally generated or other	Useful life classification	Useful life / amortisation rate
Computer software	Other	Finite	2 years
Copyrights, patents and other industrial property rights, service and operating rights	Other	Finite	5 years

Impairments

The entity tests for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount. The resulting impairment loss is recognised immediately in profit or loss, except where the decrease reverses a previously recognised revaluation increase for the same asset in which case the decrease is recognised in other comprehensive income to that extent and reduces the amount accumulated in equity under revaluation surplus, and future depreciation charges are adjusted in future periods to allocate the revised carrying amount, less its residual value, on a systematic basis over its remaining useful life.

Where the estimated impairment loss exceeds the carrying amount of the asset to which it relates, the resulting liability is only recognised if required by another standard.

1.4 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

A financial asset is any asset that is:

- cash;
- an equity instrument of another entity;
- a contractual right to receive cash or another financial asset from another entity or to exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.
- a contract that will or may be settled in the entity's own equity instruments and is a non-derivative for which the entity is or may be obliged to receive a variable number of the entity's own equity instruments; or
- a derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments. For this purpose the entity's own equity instruments do not include puttable financial instruments classified as equity instruments in accordance with paragraphs 16A and 16B, instruments that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation and are classified as equity instruments in accordance with paragraphs 16C and 16D, or instruments that are contracts for the future receipt or delivery of the entity's own equity instruments.

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A financial liability is any liability that is:

- a contractual obligation to deliver cash or another financial asset to another entity to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the entity.
- a contract that will or may be settled in the entity's own equity instruments and is a non-derivative for which the entity is or may be obliged to deliver a variable number of the entity's own equity instruments or a derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments. For this purpose, rights, options or warrants to acquire a fixed number of the entity's own equity instruments for a fixed amount of any currency are equity instruments if the entity offers the rights, options or warrants pro rata to all of its existing owners of the same class of its own non-derivative equity instruments. Also, for these purposes the entity's own equity instruments do not include puttable financial instruments that are classified as equity instruments in accordance with paragraphs 16A and 16B, instruments that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation and are classified as equity instruments in accordance with paragraphs 16C and 16D, or instruments that are contracts for the future receipt or delivery of the entity's own equity instruments.

As an exception, an instrument that meets the definition of a financial liability is classified as an equity instrument if it has all the features and meets the conditions in paragraphs 16A and 16B or paragraphs 16C and 16D of ISA32.

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

A derivative is a financial instrument or other contract with all three of the following characteristics:

- its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the 'underlying');
- it requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors; and
- it is settled at a future date.

A financial liability at fair value through profit or loss is a financial liability that meets one of the following conditions:

- It meets the definition of held for trading. A financial asset or financial liability is classified as held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term, on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking or it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument);
- upon initial recognition it is designated by the entity as at fair value through profit or loss in accordance with paragraph 4.2.2 or 4.3.5
- it is designated either upon initial recognition or subsequently as at fair value through profit or loss in accordance with paragraph 6.7.1

Classification and recognition

Classification of a financial instrument, or its component parts takes place on initial recognition. Each instrument is classified as a financial liability, a financial asset or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial liability, a financial asset and an equity instrument.

Financial assets classification

The group classifies financial assets into the following categories:

- Financial assets subsequently measured at fair value through profit or loss
- Financial assets subsequently measured at fair value through other comprehensive income (OCI)
- Financial assets subsequently measured at amortised cost

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The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses are either recorded in profit or loss or in OCI. For investments in equity instruments that are not held for trading, this will depend on whether the company has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

The company reclassifies debt investments when and only when its business model for managing those assets changes.

Financial liabilities classification

The group classifies financial liabilities into the following categories:

- Financial liabilities subsequently measured at amortised cost
- Financial liabilities subsequently measured at fair value through profit or loss

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

Recognition

Financial instruments are recognised initially when the company becomes a party to the contractual provisions of the instruments.

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the company commits to purchase or sell the asset.

Initial measurement

Financial assets

When a financial asset is recognised initially, it is measured at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Financial liabilities

Financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The company's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, and derivative financial instruments.

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Subsequent measurement

Financial assets

Debt instruments

Subsequent measurement of debt instruments depends on the company's business model for managing the asset and cash flow characteristics of the asset. Debt instruments are subsequently measured at:

- Amortised cost: assets held only for collection of principal and interest payments
 - Interest income is included in finance income using the effective interest rate method.
 - Any gain or loss on derecognition is recognised in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses.
 - Impairment losses are presented as a separate line item in the statement of profit or loss.
 - The company's financial assets at amortised cost includes trade receivables, and loans to associates and directors included under other non-current financial assets.
- Fair value through OCI: assets held only for collection of principal and interest payments and for selling the financial assets
 - Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss.
 - When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses).
 - Interest income from these financial assets is included in finance income using the effective interest rate method.
 - Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the statement of profit or loss.
 - The company's debt instruments at fair value through OCI includes investments in quoted debt instruments included under other non-current financial assets.
 - The company elected to classify irrevocably its non-listed equity investments under this category.
- Fair value through profit or loss: assets that do not meet the criteria for amortised cost or fair value through OCI
 - A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.
 - The company may make an irrevocable election at initial recognition for particular investments in equity instruments that would otherwise be measured at fair value through profit or loss to present subsequent changes in fair value in OCI.
 - This category includes derivative instruments and listed equity investments which the company had not irrevocably elected to classify at fair value through OCI. Dividends on listed equity investments are also recognised as other income in the statement of profit or loss when the right of payment has been established.

Equity instruments

All equity investments are subsequently measured at fair value.

- Fair value through OCI: elected to present fair value gains and losses on equity investments in OCI
 - There is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment.
 - Dividends from such investments continue to be recognised in profit or loss as other income when the group's right to receive payments is established.
 - Impairment losses (and reversal of impairment losses) are not reported separately from other changes in fair value.
- Fair value through profit or loss: assets that do not meet the criteria for amortised cost or fair value through OCI
 - Changes in the fair value are recognised in other gains/(losses) in the statement of profit or loss as applicable.

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Financial liabilities

Subsequent measurement of financial liabilities depends on their classification:

- **Fair value through profit or loss:** financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss
 - Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term.
 - This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IFRS 9.
 - Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.
 - Gains or losses on liabilities held for trading are recognised in the statement of profit or loss.
 - Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. The company has not designated any financial liability as at fair value through profit or loss.
- **Amortised cost: Loans and borrowings**
 - After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method.
 - Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.
 - Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.
 - The effective interest rate amortisation is included as finance costs in the statement of profit or loss.
 - This category generally applies to interest-bearing loans and borrowings.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statements of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

Derecognition

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire or when it is transferred and the transfer qualifies for derecognition.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

Impairment of financial assets

A forward looking allowance for expected credit losses is recognised for all debt instruments not held at fair value through profit or loss. Expected credit losses are based on the difference between contractual cash flows due in accordance with the contract and all the cash flows that the company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

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The impairment methodology applied depends on whether there has been a significant increase in credit risk:

- For credit exposures with no significant increase in credit risk since initial recognition, expected credit losses are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month expected credit loss).
- For credit exposures with significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime expected credit loss).

For trade receivables and contract assets, a simplified approach is applied in calculating expected credit losses. Instead of tracking changes in credit risk, a loss allowance is recognised based on lifetime expected credit losses at each reporting date. A provision matrix was established that is based on the company's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For debt instruments at fair value through OCI, the low credit risk simplification is applied. At every reporting date, the company evaluates whether the debt instrument is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. The internal credit rating of the debt instrument is reassessed during this evaluation. It is also considered whether there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

The company considers a financial asset in default when contractual payments are more than 90 days past due. However, in certain cases, the company may also consider a financial asset to be in default when internal or external information indicates that the company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Loan to (from) group company

This can include loans between holding companies, fellow subsidiaries, subsidiaries, joint ventures and associates and are recognised initially at fair value plus direct transaction costs.

The loan to group company is classified as a financial asset at amortised cost and is measured at amortised cost using the effective interest method.

The loan to group company is classified as a financial liability at amortised cost and is measured at amortised cost using the effective interest method.

Trade and other receivables

Trade receivables are measured at initial recognition at fair value plus transaction costs. They are subsequently measured at amortised cost using the effective interest rate method, less allowance for expected credit losses. For trade receivables and contract assets, a simplified approach is applied in calculating expected credit losses. Instead of tracking changes in credit risk, a loss allowance is recognised based on lifetime expected credit losses at each reporting date. A provision matrix was established that is based on the company's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Trade and other receivables are classified as debt instruments and loan commitments at amortised cost.

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Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments 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.

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.

1.5 Inventories

Definition

Inventories are assets:

- held for sale in the ordinary course of business;
- in the process of production for such sale; or
- in the form of materials or supplies to be consumed in the production process or in the rendering of services.

Recognition

Inventories are recognised as an asset when

- it is probable that future economic benefits associated with the item will flow to the entity; and
- the cost of the inventories can be measured reliably.

Measurement

Inventories are measured at the lower of cost on the weighted average cost formula or net realisable value. The same cost formula is used for all inventories having a similar nature and use.

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.

Current replacement cost is the cost the entity incurs to acquire the asset on the reporting date.

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

Recognition as an expense

When inventories are sold, the carrying amount of those inventories are recognised as an expense in the period in which the related revenue is recognised, and the inventory is derecognised. 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, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

Redundant and slow-moving inventories are identified and written down from cost to net realisable value with regard to their estimated economic or realisable values and the write-down or reversal is recognised against the expense as indicated above.

A provision is maintained for obsolete or damaged inventory. The level of the provision for obsolete inventory is equivalent to the value of the difference between the cost of the inventory and its net realisable value or current replacement cost at financial year-end. Movements in this provision are included in the expense recognised as indicated above.

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1.6 Tax

Tax expense (tax income) is the aggregate amount included in the determination of profit or loss for the period in respect of current tax and deferred tax.

Current tax is the amount of income taxes payable (recoverable) in respect of the taxable profit (tax loss) for a period.

Deferred tax liabilities are the amounts of income taxes payable in future periods in respect of taxable temporary differences.

Deferred tax assets are the amounts of income taxes recoverable in future periods in respect of:

- deductible temporary differences;
- the carry forward of unused tax losses; and
- the carry forward of unused tax credits.

Current tax assets and liabilities

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

The benefit relating to a tax loss that can be carried back to recover current tax of a previous period 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 taxation authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Current tax assets and liabilities are offset only where:

- there is a legally enforceable right to set off the recognised amounts; and
- there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

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 goodwill; or
- the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised, unless the deferred tax asset arises from the initial recognition of an asset or liability in a transaction that:

- is not a business combination; and
- at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

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

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The measurement of deferred tax liabilities and deferred tax assets are made to reflect the tax consequences that would follow from the manner in which it is expected, at the end of the reporting period, recovery or settlement if temporary differences will occur.

Deferred tax assets and liabilities are offset only where:

- there is a legally enforceable right to set off current tax assets against current tax liabilities; and
- the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same entity within the group or different taxable entities within the group which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Tax expense (income)

Current and deferred tax is 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, outside profit or loss, either in other comprehensive income or directly in equity.
- a business combination other than the acquisition by an investment of a subsidiary that is required to be measured at fair value through profit or loss.

Current tax and deferred tax is recognised outside profit or loss if the tax relates to items that are recognised, in the same or a different period, outside profit or loss. Therefore, current tax and deferred tax that relates to items that are recognised, in the same or a different period:

- in other comprehensive income, will be recognised in other comprehensive income;
- directly in equity, will be recognised directly in equity.

1.7 Leases

Definition

A lease is an agreement whereby the lessor conveys to the lessee in return for a payment or series of payments the right to use an asset for an agreed period of time. A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset. Title may or may not eventually be transferred. An operating lease is a lease other than a finance lease.

Classification

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

Operating leases as lessee

Lease payments under an operating lease 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. The lease liability is not discounted.

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

1.8 Employee benefits

Employee benefits are all forms of consideration given by an entity in exchange for services rendered by employees or for the termination of employment.

Short-term employee benefits are employee benefits (other than termination benefits) that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service.

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Post-employment benefits are employee benefits (other than termination benefits and short-term employee benefits) that are payable after the completion of employment.

Defined contribution plans

Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

When an employee has rendered service to an entity during a period, the contribution payable to a defined contribution plan in exchange for that service is recognised:

- as a liability, after deducting any contribution already paid. Where the contribution already paid exceeds the contribution due for service before the end of the reporting period, the excess is recognised as an asset to the extent that the prepayment will lead to a reduction in future payments or a cash refund.
- as an expense, except where the amount is allowed as an inclusion in the cost of an asset.

2. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

2.1 Critical accounting estimates and assumptions

The group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

2.1.1 Useful lives of property, plant and equipment

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

If the estimated cost of capital used in determining the pre-tax discount rate for the wholesale CGU in Step-land had been 1% higher than management's estimates (for example, 14.8% instead of 13.8%), the group would have recognised a further impairment against goodwill of C100 and would need to reduce the carrying value of property, plant and equipment by C200.

2.1.2 Trade receivables and loans and receivables

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

2.1.3 Allowance for slow moving, damaged and obsolete stock

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

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3. Changes in accounting policies and disclosures

3.1 Adoption of new and revised pronouncements

In the current year, the company has adopted all new and revised IFRSs that are relevant to its operations and effective for annual reporting periods beginning on or after 1 January 2014.

At the date of authorisation of these financial statements for the year ended 31 March 2019, the following IFRSs were adopted:

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

Amends IAS 12 Income Taxes to clarify the following aspects:

- Unrealised losses on debt instruments measured at fair value and measured at cost for tax purposes give rise to a deductible temporary difference regardless of whether the debt instrument's holder expects to recover the carrying amount of the debt instrument by sale or by use.
- The carrying amount of an asset does not limit the estimation of probable future taxable profits.
- Estimates for future taxable profits exclude tax deductions resulting from the reversal of deductible temporary differences.
- An entity assesses a deferred tax asset in combination with other deferred tax assets. Where tax law restricts the utilisation of tax losses, an entity would assess a deferred tax asset in combination with other deferred tax assets of the same type.

Clarifications to IFRS 15 'Revenue from Contracts with Customers'

Amends IFRS 15 Revenue from Contracts with Customers to clarify three aspects of the standard (identifying performance obligations, principal versus agent considerations, and licensing) and to provide some transition relief for modified contracts and completed contracts.

Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)

The amendments in Plan Amendment, Curtailment or Settlement (Amendments to IAS 19) are:

- If a plan amendment, curtailment or settlement occurs, it is now mandatory that the current service cost and the net interest for the period after the remeasurement are determined using the assumptions used for the remeasurement.
- In addition, amendments have been included to clarify the effect of a plan amendment, curtailment or settlement on the requirements regarding the asset ceiling.

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

3.2 New standards and interpretations not yet adopted

The company has not applied the following new, revised or amended pronouncements that have been issued by the IASB as they are not yet effective for the annual financial year beginning 1 April 2018 (the list does not include information about new requirements that affect interim financial reporting or first-time adopters of IFRS since they are not relevant to the company). The directors anticipate that the new standards, amendments and interpretations will be adopted in the company's consolidated financial statements when they become effective. The company has assessed, where practicable, the potential impact of all these new standards, amendments and interpretations that will be effective in future periods.

IFRS 16 Leases

IFRS 16 specifies how an IFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.

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Anticipated impact

The mandatory implementation required by the standard is for years beginning on or after 1 January 2019. This change in accounting policy will be implemented for the first time for the financial year ending 31 March 2020.

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4. Property, plant and equipment

4.1 Balances at year end and movements for the year

Reconciliation for the year ended 31 March 2019

	Land	Leasehold improvements	Machinery	Motor vehicles	Fixtures and fittings	Office equipment	Computer equipment	Construction in progress	Total
Balance at 1 April 2018	16,420,902	114,101,133	242,997,921	735,239	7,638,383	772,601	2,849,920	1,125,140	386,641,239
At cost	..	(110,558,848)	(215,037,445)	(710,375)	(7,291,256)	(696,648)	(1,675,887)	-	(335,970,459)
Accumulated depreciation									
Net book value	16,420,902	3,542,285	27,960,476	24,864	347,127	75,953	1,174,033	1,125,140	50,670,780

Movements for the year ended 31 March 2019

Additions other than through business combinations		15,748	12,139,721	746,037	-	-	141,975	3,338,334	16,381,815
Depreciation	..	(2,516)	(4,138,230)	(52,850)	(48,045)		(434,057)	-	(4,675,698)
Property, plant and equipment at end of year	16,420,902	3,555,517	35,961,967	718,051	299,082	75,953	881,951	4,463,474	62,376,897

Closing balance at 31 March 2019

At cost	16,420,902	114,116,881	255,137,642	1,481,276	7,638,383	772,601	2,991,895	4,463,474	403,023,054
Accumulated depreciation	..	(110,561,364)	(219,175,675)	(763,225)	(7,339,301)	(696,648)	(2,109,944)	-	(340,646,157)
Net book value	16,420,902	3,555,517	35,961,967	718,051	299,082	75,953	881,951	4,463,474	62,376,897

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4.1 Reconciliation for the year ended 31 March

2018 - Group and Company

Balance at 1 April 2017

At cost	16,420,902	114,088,773	235,836,017	611,570	7,398,155	758,209	1,750,791	621,421	377,485,838
Accumulated depreciation	-	(110,558,024)	(212,934,171)	(585,977)	(7,251,674)	(694,249)	(1,675,887)	-	(333,699,982)
Net book value	16,420,902	3,530,749	22,901,846	25,593	146,481	63,960	74,904	621,421	43,785,856

Movements for the year ended 31 March

2018

Additions other than through business combinations	-	12,360	7,161,904	-	240,228	14,393	1,099,129	503,719	9,031,733
Depreciation	-	(824)	(2,103,274)	(124,398)	(39,582)	(2,400)	-	-	(2,270,478)
Disposals	-	-	-	(730)	-	-	-	-	(730)
Property, plant and equipment at end of year	16,420,902	3,542,285	27,960,476	(99,535)	347,127	75,953	1,174,033	1,125,140	50,546,381

Closing balance at 31 March 2018

At cost	16,420,902	114,101,133	242,997,921	610,840	7,638,383	772,601	2,849,920	1,125,140	386,516,840
Accumulated depreciation	-	(110,558,848)	(215,037,445)	(710,375)	(7,291,256)	(696,648)	(1,675,887)	-	(335,970,459)
Net book value	16,420,902	3,542,285	27,960,476	(99,535)	347,127	75,953	1,174,033	1,125,140	50,546,381

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<u>Figures in R</u>	Group 2018	Company 2019	Company 2018
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4.2 Details of property

4.2.1 Assets under construction comprise:

ERF 2, 15, 16, 18, 19 & 20 Stormill Extension 1, Gauteng, with improvements thereon

ERF 9 & 10 Lea Glen Township, Gauteng

ERF 75 Robertville, Gauteng

4.3 Other disclosures

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

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5. Intangible assets			
5.1 Reconciliation of changes in intangible assets			
	Computer software	Patents trademarks and other rights	Total
Reconciliation for the year ended 31 March 2019 - Group and Company			
Balance at 1 April 2018			
At cost	558,495	1,682,629	2,241,124
Accumulated amortisation	(331,442)	(1,494,222)	(1,825,664)
Net book value	227,053	188,407	415,460
Movements for the year ended 31 March 2019			
Other acquisitions	11,643	-	11,643
Amortisation	(30,953)	-	(30,953)
Intangible assets at end of period	207,743	188,408	396,150
Closing balance at 31 March 2019			
At cost	570,138	188,408	758,546
Accumulated amortisation	(362,395)	-	(362,395)
Net book value	207,743	188,408	396,151
Reconciliation for the year ended 31 March 2018 - Group and Company			
Balance at 1 April 2017			
At cost	558,495	1,682,630	2,241,125
Accumulated amortisation	(331,442)	(1,494,222)	(1,825,664)
Net book value	227,053	188,408	415,461
Movements for the year ended 31 March 2018			
Other acquisitions	204,243	-	204,243
Intangible assets at end of period	431,296	188,408	619,704
Closing balance at 31 March 2018			
At cost	431,296	188,408	619,704
Accumulated amortisation	-	-	-
Net book value	431,296	188,408	619,704

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5.1 Reconciliation for the year ended 31 March 2019 - Company			
Balance at 1 April 2018			
At cost	227,052	188,408	415,460
Accumulated amortisation	-	-	-
Net book value	227,052	188,408	415,460
Movements for the year ended 31 March 2019			
Other acquisitions	222,861	-	222,861
Amortisation	(30,953)	-	(30,953)
Intangible assets at end of period	418,960	188,408	607,368
Closing balance at 31 March 2019			
At cost	418,960	188,408	607,368
Accumulated amortisation	-	-	-
Net book value	418,960	188,408	607,368
6. Investment in subsidiary, joint venture or associate			
7. Inventories			
7.1 Inventories comprise:			
Raw materials	173,465,927	148,088,779	173,465,927
Work in progress	41,254,846	50,507,019	41,254,846
Finished goods	141,530,370	160,434,583	141,530,370
Goods in transit	101,778,712	29,040,565	101,778,712
	458,029,855	388,070,946	458,029,855

No inventory was written down to net reliable value during 2019 and 2018.

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8. Trade and other receivables

8.1 Trade and other receivables comprise:

Trade receivables	138,479,644	275,199,260	138,479,644
- Private sector	115,215,892	256,485,315	115,215,892
- Public sector	23,263,752	18,713,945	23,263,752
Trade receivables impairment	(3,313,296)	(11,089,905)	(3,313,296)
Trade receivables - net	135,166,348	264,109,355	135,166,348
Sundry debtors	4,943,631	299,027	4,943,631
Prepayments	3,896,031	859,123	3,896,031
Employee costs in advance	107,535	112,679	107,535
Value added tax	1,832,619	4,358,894	1,302,118
Related party receivables	320,002,115	-	320,002,115
Total trade and other receivables	465,948,279	269,739,078	465,417,778

8.2 Items included in Trade and other receivables not classified as financial instruments

Prepaid expenses	3,896,031	859,123	482,625
Value added tax	1,832,619	4,358,894	1,302,118
Employee costs in advance	107,535	112,679	107,535
Total non-financial instruments included in trade and other receivables	5,836,185	5,330,696	1,892,278
Total trade and other receivables excluding non-financial assets included in trade and other receivables	460,112,094	264,408,382	463,525,500
Total trade and other receivables	465,948,279	269,739,078	465,417,778

8.3 Trade and other receivables past due but not impaired

Current	60,467,695	258,413,277	60,467,695
1 month past due	49,547,323	774,724	49,547,323
2 months past due	10,046,288	(2,645)	10,046,288
3 months past due	7,818,522	17,204	7,818,522
more than 3 months past due	10,599,817	15,996,700	10,599,817
	138,479,645	275,199,260	138,479,645

Trade and other receivables which are less than 3 months past due are not considered to be impaired. At 31 March 2019 R16 013 904 (2018: R18 418 339) were past due but not impaired.

Trade and other receivables impaired

At 31 March 2019 trade and other receivables of R11 089 905 (2018: R3 313 296) were impaired as follows:

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Figures in R	Group 2018	Company 2019	Company 2018
8.3 Balance at 1 April 2018	986,948	3,313,296	986,948
Impairment losses during the year	2,326,348	7,776,609	2,326,348
Balance at 31 March 2019	3,313,296	11,089,905	3,313,296

The carrying amount of trade and other receivables approximates their fair value.

9. Deferred tax

During the current year there had been no tax provision made for the company as the company had no taxable income. The estimated tax loss available for set off against future taxable income is R350 998 749 (2018: R393,507.345)

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

10. Cash and cash equivalents

10.1 Cash and cash equivalents comprise:

Net cash and cash equivalents	180,086,928	80,634,357	178,884,855
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11. Issued capital

11.1 Authorised and issued share capital

Authorised

1000 Ordinary shares of R1 each	1,000	1,000	1,000
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Issued

300 Ordinary shares	200,000,200	200,000,200	200,000,200
	200,000,200	200,000,200	200,000,200
Preference shares	-	500,000,000	-
	200,000,200	700,000,200	200,000,200

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12. Reserves

12.1 Common control reserve

Common control reserve	(3,304,567)	-	(2,248,383)
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12.2 Nature and purpose of reserves

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

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

13. Trade and other payables

13.1 Trade and other payables comprise:

Trade creditors	12,749,718	33,932,462	12,749,536
Marketing accrual	89,367,033	79,473,561	89,367,033
Payroll accruals	882,163	937,222	882,163
Related parties	1,000,521,603	330,937,584	1,000,521,603
Other payables and accruals	9,316,033	1,462,244	9,316,033
Total trade and other payables	1,112,836,550	446,743,073	1,112,836,368

Creditors and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken is less than 60 days. No interest is charged on trade payables. The company and the group have risk management policies in place to ensure that all payables are paid within the agreed credit terms. The carrying amounts of financial liabilities approximates it fair values.

13.2 Items included in trade and other payables not classified as financial liabilities

Payroll related accruals	882,163	937,222	882,163
Marketing accrual	89,367,033	79,473,561	89,367,033
Total non-financial liabilities included in trade and other payables	90,249,196	80,410,783	90,249,196
Total trade and other payables excluding non-financial liabilities included in trade and other payables	1,022,587,354	366,332,290	1,022,587,172
Total trade and other payables	1,112,836,550	446,743,073	1,112,836,368

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14. Operating lease liabilities

14.1 Future minimum lease payments

Not later than one year	171,648	11,920	171,648
Later than one year and not later than five years	11,920	-	11,920
	<u>183,568</u>	<u>11,920</u>	<u>183,568</u>

14.2 Additional disclosures

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

15. Loan from group company

15.1 Loan from group company comprises:

Holding Company- Sun Pharma (Netherlands) BV	226,844,175	-	226,844,175
Subsidiary Company- Be-Tabs Investments Proprietary Limited	-	-	1,843,703
	<u>226,844,175</u>	<u>-</u>	<u>228,687,878</u>

16. Retirement benefit assets and obligations

16.1 Defined contribution plans

It is the policy of the company to provide retirement benefits to all its full-time employees. Two defined contribution provident funds, exists for this purpose. The fund is funded both by member and by group contributions which are charged to the income statement as they are incurred. The total contribution to the scheme in the current year was R R8 466 203 (2018: R 7 038 068) for the group and company.

17. Auditors remuneration

616,757	284,030	616,757
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18. Revenue

Sale of goods	1,233,513,099	1,007,249,932	1,233,513,099
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19. Cost of sales

Cost of goods sold	986,631,402	750,758,460	986,631,402
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20. Other income			
20.1 Other income comprises:			
Insurance claim received	1,397,719	17,603	1,397,719
Distribution income	801,537	4,581,408	801,537
Forex gain/loss	421,954	(2,475,511)	421,954
Disposal of investement	-	-	-
Total other income	2,621,210	2,123,500	2,621,210
21. Finance income			
21.1 Finance income comprises:			
Bank	2,010,887	5,854,886	2,010,887
22. Finance costs			
22.1 Finance costs included in profit or loss:			
Group companies	31,324,847	23,872,099	31,324,847

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23. Related parties

23.1 Group companies

Holding company	Sun Pharma (Netherlands) BV
Ultimate holding company	Sun Pharmaceutical Industries Limited
Sister company	Ranbaxy South Africa (Pty) Ltd
Sister company	Sun Pharmaceuticals SA (Pty) Ltd
Fellow Subsidiary	Sonke Pharmaceuticais (Pty) Ltd

23.2 Other related parties

Name	Nature of relationship
DW	Director
Brothers	Director
M Sudan	Director
M Kaszas	Director

23.3 Compensation paid to key management personnel

Short-term employee benefits	5,933,745	5,882,408
Post-employment benefits	639,190	602,406
Total compensation paid to key management personnel	6,572,935	6,484,814

23.4 Compensation paid to directors and prescribed officers

Executive- 2019	Remuneration excl bonus and post retirements	Post retirement benefits	Bonus	Total remuneration
Director A	2,708,481	371,492	542,844	3,622,817
Director E	1,391,296	135,558	151,202	1,678,056
Director G	996,277	132,140	143,645	1,272,062
Total compensation paid to directors and prescribed officers	5,096,054	639,190	837,691	6,572,935

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	Remuneration excl bonus and post retirements	Post retirement benefits	Bonus	Total remuneration
Executive- 2018				
Director A	2,701,296	354,300	653,453	3,709,049
Director B	-	-	-	-
Director C	-	-	-	-
Director D	1,272,171	127,749	217,284	1,617,204
Director E	-	-	-	-
Director F	899,357	120,357	138,847	1,158,561
Total compensation paid to directors and prescribed officers	4,872,824	602,406	1,009,584	6,484,814

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

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23.6 Related party transactions and balances

	Ranbaxy South Africa (Pty) Ltd	Sonke Pharmaceuticals (Pty) Ltd	Sun Pharmaceuticals SA (Pty) Ltd	Be-Tabs Investments (Pty) Ltd	Sun Pharama (Netherlands) BV	Pharamaceutical Industries Ltd	Sun	Total
Year ended 31 March 2019								
Related party transactions								
Purchases of goods	-	-	9,350,439	-	-	471,160,901	480,511,340	
Revenue from sale of goods	-	485,135,447	-	-	-	-	485,135,447	
Interest paid	13,625,413	-	-	-	10,246,575	-	23,871,988	
Outstanding balances for related party transactions								
Amounts payable	(8,278,033)	(4,708,126)	(15,082,394)	-	-	(291,806,309)	(319,874,862)	
Amounts receivable	-	130,489,691	1,470,409	-	-	33,352,340	165,312,440	
Year ended 31 March 2018								
Related party transactions- Group & Company								
Purchases- Group	-	-	4,329,389	-	-	676,252,658	680,582,047	
Purchases- Company	-	-	4,329,389	-	-	676,252,658	680,582,047	
Sales- Group	(674,862,971)	-	-	-	-	-	(674,862,971)	
Sales- Company	(674,862,971)	-	-	-	-	-	(674,862,971)	
Interest paid related party borrowings- Group	17,724,335	-	-	-	13,600,000	-	31,324,335	
Interest paid related party borrowings- Company	17,724,335	-	-	-	13,600,000	-	31,324,335	

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Outstanding transactions	balances for related party					
Amounts payable- Group	(231,478,052)	-	569,136	-	(792,495,459)	(1,023,404,375)
Amounts payable- Company	(231,478,052)		569,136		(792,495,459)	
Amounts receivable- Group	-	286,080,640	(4,329,389)	-	33,352,340	541,947,948
Amounts receivable- Company	-	286,080,640	(4,329,389)	-	33,352,340	541,947,948
Outstanding loan accounts						
Amounts payable- Group	-	-	-	-	(792,495,459)	(792,495,459)
Amounts payable- Company	-	-	-	-	(792,495,459)	
Amounts receivable- Group	-	-	-	-	33,352,340	
Amounts receivable- Company	-	-	-	1,843,703	33,352,340	35,196,043

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24. Going concern

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

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25. Financial risk management

This note explains the group's exposure to financial risks and how these risks could affect the group's future financial performance. Current year profit and loss information has been included where relevant to add further context.

25.1 Risk	Exposure arising from	
Market risk - interest rate	Long-term borrowings at variable rates	Sensitivity analysis
Market risk - security prices	Investments in equity securities	Sensitivity analysis
Liquidity risk	Borrowings and other liabilities	Rolling cash flow forecasts

25.2 Market risk

25.2.1 Foreign exchange risk

Exposure

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

31 March 2019	EURO	USD	INR
Uncovered foreign liabilities	39,400	36,498	55,500

31 March 2018	EURO	USD	INR
Uncovered foreign liabilities	19,800	248,978	5,703,005

25.2.2 Cash flow and fair value interest rate risk

Exposure

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

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

Sensitivity

Profit or loss is sensitive to higher/lower interest income from cash and cash equivalents At 31 March 2019, if interest rates had been 0.5% higher/lower, with all other variables held constant, the company's profit after taxation and retained profits would not change (2018: R 576,000).

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25.3 Credit risk

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

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

At 31 March 2019, the Group has no concentration of risk and the maximum exposure to credit risk is represented by the carrying amount of each financial asset.

25.3.1 Risk management

Credit risk is managed on a group basis. For banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted.

If wholesale customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The compliance with credit limits by wholesale customers is regularly monitored by line management.

Sales to retail customers are required to be settled in cash or using major credit cards, mitigating credit risk. There are no significant concentrations of credit risk, whether through exposure to individual customers, specific industry sectors and/or regions.

For derivative financial instruments, management has established limits so that, at any time, less than 10% of the fair value of favourable contracts outstanding are with any individual counterparty.

The group's investments in debt instruments are considered to be low risk investments. The credit ratings of the investments are monitored for credit deterioration.

25.4 Liquidity risk

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

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25.4.1 Maturities of financial liabilities

Contractual maturities of financial liabilities	Less than 1 year	Undated	Total contractual cash flows	Carrying amount
Year ended 31 March 2019				
Non-derivatives				
Trade and other payables excluding non-financial liabilities (Note 13)	445,805,851	-	445,805,851	445,805,851
Year ended 31 March 2018 - Group				
Non-derivatives				
Trade and other payables excluding non-financial liabilities (Note 13)	22,065,751	-	22,065,751	
Loan from group company (Note 15)		226,844,175	226,844,175	228,687,878
Amounts due to related parties	1,000,521,603	-	1,000,521,603	
Total non-derivatives	1,022,587,354	226,844,175	1,249,431,529	228,687,878
Year ended 31 March 2018 - Company				
Non-derivatives				
Trade and other payables excluding non-financial liabilities (Note 13)	22,065,569		22,065,569	
Compound instruments		228,687,878	228,687,878	
Amounts due to related parties	1,000,521,603		1,000,521,603	
Total non-derivatives	1,022,587,172	228,687,878	1,251,275,050	-

26. Cash flows from operating activities

Profit for the year	35,225,087	42,984,460	35,226,098
Adjustments for:			
Finance income	(2,010,887)	(10,453,897)	(2,010,887)
Finance costs	31,324,847	23,872,099	31,324,847
Depreciation and amortisation expense	2,270,477	4,582,255	2,270,477
Other adjustments	(1)	3	1
Impairment	-	415,461	-
Change in operating assets and liabilities:			
Adjustments for decrease in inventories	134,995,294	69,958,909	134,995,291
Adjustments for decrease in trade accounts receivable	180,163,454	195,678,700	180,694,131
Adjustments for decrease in trade accounts payable	(117,776,259)		(117,776,259)
Adjustments for decrease in other operating payables	(108,676,550)	(665,424,817)	(108,674,839)
Net cash flows from operations	155,515,462	(338,386,827)	156,048,860